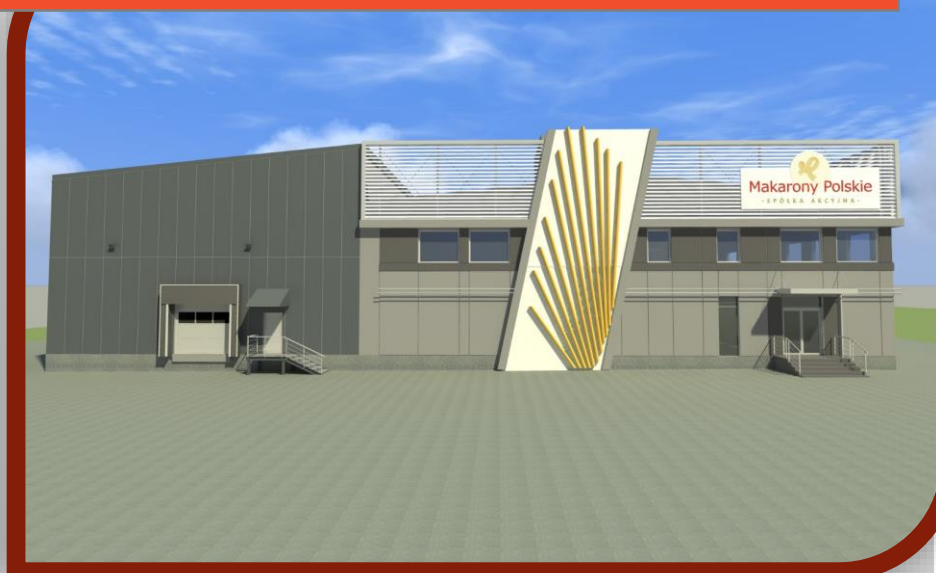
Makarony Polskie

- SPÓŁKA AKCYJNA -

Report of the Management Board on the activities of Makarony Polskie S.A. and the Makarony Polskie Group in the financial year 2022



Rzeszów, 27 April 2023

Table of Contents

Table of Contents ..... **i**

Letter from the President of the Management Board **6**

Characteristics of the Makarony Polskie Group **8**

Group's organisational structure 8

Changes in the organization of the Makarony Polskie Group in 2022 9

Selected market data 10

Makarony Polskie SA on the capital market 13

Quotations and main indicators 13

Dividend policy of Makarony Polskie S.A. 14

Use of proceeds from the issue 14

Dialogue with shareholders and investors 15

Operations of the Makarony Polskie Group **16**

Main products and services 16

Assortment of branded products 16

Private label product range 21

Market environment 21

Significant contracts 24

Acquisition finalization 24

Signing a letter of intent between Makarony Polskie SA and KSG Agro SA 25

Agreements with Jeronimo Martins Polska SA and the Lidl chain 25

Factors relevant to the development of the Group 26

Factors influencing the future performance of the Company and the Group 26

Risks and threats significant for the development of the Group 28

Financial situation of the Makarony Polskie Group **37**

Discussion of the results 37

Achieved results vs. forecasts 39

Table of Contents

Operating segments ... 39
Factors and events, including unusual events, affecting 2022 results ... 40
The impact of inflation on consumer behaviour and the food market ... 40
The impact of the COVID-19 pandemic on the operations of Makarony Polskie Group ... 41
Impact of the political and economic situation in Ukraine on the activities of Makarony Polskie S.A. ... 42
Finalization of the acquisition process conducted by the Company ... 43
Structure of assets and liabilities ... 45
Structure of the Group's assets and liabilities ... 45
Liquidity and management of financial resources and financial risks of the Group ... 46
Deposits and equity investments ... 47
Indicator analysis ... 48
Debt and financing ratios ... 48
Liquidity indicators ... 49
Profitability indicators ... 49
Other financial information ... 50
Information on concluded and terminated loan and factoring agreements ... 50
Information on loans granted ... 58
Information on guarantees given and received ... 58
INFORMATION ON GRANTED AND RECEIVED SURETIES ... 60
Significant transactions entered into by the Company and its subsidiaries with related parties on conditions other than at arm's length ... 61
Off-balance sheet items ... 61
Significant proceedings pending before a court, arbitration or public administration body ... 62
Events after the balance sheet date that could significantly affect the financial results ... 62

Summary information about Makarony Polskie S.A. ... 63
Discussion of the results ... 63
Market environment ... 64
Private label ... 65
Modern and traditional trade ... 65
B2B and Institutions ... 65
Exports ... 66

Table of Contents

Operating segments ... 66
Structure of sales by distribution channel at Makrony Polskie SA ... 66
Sales revenue by operating segment ... 67
Structure of assets and liabilities ... 67
Structure of assets and liabilities ... 67
Indicator analysis ... 70
Debt and financing ratios ... 70
Liquidity indicators ... 71
Profitability indicators ... 71
Off-balance items ... 72

Corporate governance ... 74
Corporate governance statement ... 74
Internal control and risk management system in the preparation of financial statements ... 78
Information on rules for changing the entity authorised to audit financial statements ... 79
Share capital ... 80
Shares held by major shareholders (above 5% of capital) ... 82
Shares held by Members of the Management Board ... 85
Shares held by members of the Supervisory Board ... 86
Shares in subsidiaries ... 86
Right to decide to issue or buy back shares ... 87
Authorization for the Management Board to purchase own shares of Makarony Polskie SA ... 87
Rules of amending the Statute of Makarony Polskie S.A. ... 88
General Meeting ... 88
Essential powers of the General Meeting ... 88
Manner of operation of the General Meeting ... 89
Shareholders' rights ... 90
General Assembly in 2022 ... 90
Supervisory Board ... 92
Principles for appointing and dismissing members of the Supervisory Board ... 92
Competences of the Supervisory Board ... 93
Composition of the Supervisory Board ... 94
Committees of the Supervisory Board ... 95

Table of Contents

Remuneration Policy for Supervisory Board Members 101
Supervisory boards of subsidiaries 102
Management Board 102
Principles for appointing and dismissing members of the Management Board 102
Competences of the Management Board 103
Composition of the Management Board 103
Division of responsibilities among Board Members 104
Remuneration Policy for Board Members 104
Boards of directors of subsidiary companies 105

Other information 106
Information on cooperation with the auditor 106

Corporate social responsibility 107
Employees 107
Diversity policy 108
Human resource planning and recruitment 108
Internships and apprenticeships 109
Training 110
Remuneration scheme 111
HEALTH AND SAFETY 111
Environment 112
Market 113
Society 115
Cooperation with schools and universities 115
Charity 115
Patronage and sponsorship of culture and sport 116

Table of Contents

Statements by the Management Board 118

Statement on the fairness of the preparation of the consolidated financial statements 118

Statement on the reliability of the preparation of the separate financial statements 118

Statement on the reliability of the report on the activities of the Company and the Makarony Polskie Group 118

Statement on the selection and selection procedure of the audit firm 119

Approval of the financial statements 119

Information about company 120

This "Report of the Management Board on the activities of Makarony Polskie S.A. and the Makarony Polskie Group in the financial year 2022" was prepared based on §71(8) of the Regulation of the Minister of Finance on current and periodical information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a state non-member state of 29 March 2018.

Last year was a good year for our Group, with total consolidated sales revenues of PLN 328.9 million, a net profit of approximately PLN 24.5 million and EBITDA of approximately PLN 42.4 million.

Letter from the President of the Management Board



Dear Sirs,
Dear Shareholders,

It is my pleasure to address this Letter of the Management Board of Makarony Polskie S.A. to you and to submit the Annual Report of the Makarony Polskie Group for the financial year 2022.

In 2022, the Makarony Polskie Group continued its stable trend of organic growth. Despite the highly volatile and challenging market environment, the Group grew quantitatively and qualitatively. Total consolidated sales revenue for 2022 was approximately PLN 328.9 million, net profit was approximately PLN 24.5 million and EBITDA was over PLN 42.4 million.

The year 2022 brought a number of challenges, both on the revenue and expenditure side. The steep, massive increase in electricity, gas and liquid fuel prices affected all market participants. In addition, pasta producers experienced a dramatic spike in the price of pasta flour that had no equivalent in previous years

Throughout the reporting period, the Makrony Polskie Group undertook various activities aimed at limiting the negative impact of external factors on its operations. Production processes were optimised, and both the terms of purchase of raw materials and materials and the terms of sale of products were systematically negotiated. These measures made it possible to maintain the highest quality of products, develop the portfolio through the introduction of new products, high sales and maintain profitability at the level of previous years. Net profitability in 2022 was around 7.4 per cent and EBITDA profitability was around 12.9 per cent.

The balance sheet position of the Makarony Polskie Group in 2022 was favourable. The ratios showed high liquidity. This allowed Makarony Polskie S.A. to pay a dividend of PLN 0.30 per share, and to fully integrate the "SAS" Sp z o.o., which was the subject of the acquisition, into the Group.

Thanks to the acquisition of "SAS" sp. z o.o., production capacity of the Makarony Polskie Group in pasta production increased by over 30% and many synergies were revealed,

Letter from the President of the Management Board

positively influencing the financial results of the Group. Currently, we are the market leader in the category of rolled and egg pasta.

The Group's goal for 2023 is to continue implementing projects to build photovoltaic power supply for production facilities and to implement environmentally friendly packaging. We view these projects not only as cost optimisation, but also as part of the ESG strategy we are building.

As the Board of Directors, my ambition is to continue the Group's organic growth by increasing sales, including exports, developing products and improving profitability. Our great challenge of 2023 will be to protect the Group from adverse developments in the business environment and the effects of war: including inflationary pressures, as well as the unpredictability of raw material and energy prices.

I extend my thanks for the loyal cooperation to our business partners and customers.

I would like to thank the Shareholders for their support and trust.

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

With kind regards,

Zenon Daniłowski
President of the Management Board

As at 31 December 2022, the Makarony Polskie Group consisted of four companies: three production and one trading company.

Characteristics of the Makarony Polskie Group

Group's organisational structure

The Makarony Polskie Group ("the Group") consisted of four companies during the 2022 financial year:

- Makarony Polskie SA („Company", „parent company")
- Stoczek Natura Sp. z o.o.
- MP Trade Sp. z o.o.
- Przedsiębiorstwo Produkcyjno-Handlowe „SAS" Andrzej Świderski Sp. z o.o.
  (on 2 January 2023, the change of company name to SAS Sp. z o.o. was registered in the KRS).



Makarony Polskie SA is a manufacturer of a wide range of pasta, produced in stamped and rolled technology. 100% of shares The Company offers pasta in many different shapes, made on the basis of durum flour and wheat flour. In its portfolio, the Company also has products that respond to the trends of pro-health food, such as pasta from spelled, buckwheat, rye flours. The product range is diversified with large forms of pasta intended for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The company has considerable scope to expand its range of pasta made from rare flours such as legumes and the portfolio will be developed in this direction.
The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand with Makarony Polskie).

Stoczek Natura Sp. z o.o. is a manufacturer of meat and vegetable preserves (ready meals, pies, lard preserves), vegetable preserves (salads, marinades), processed fruit (jams, plum confectioners)

offered under Stoczek, Tenczynek, Męska Rzecz brands, and also the new SoFood brand, which represents the development category of ready-made dishes on trays. Products that are easy to prepare and can be placed on the so-called dry shelf.

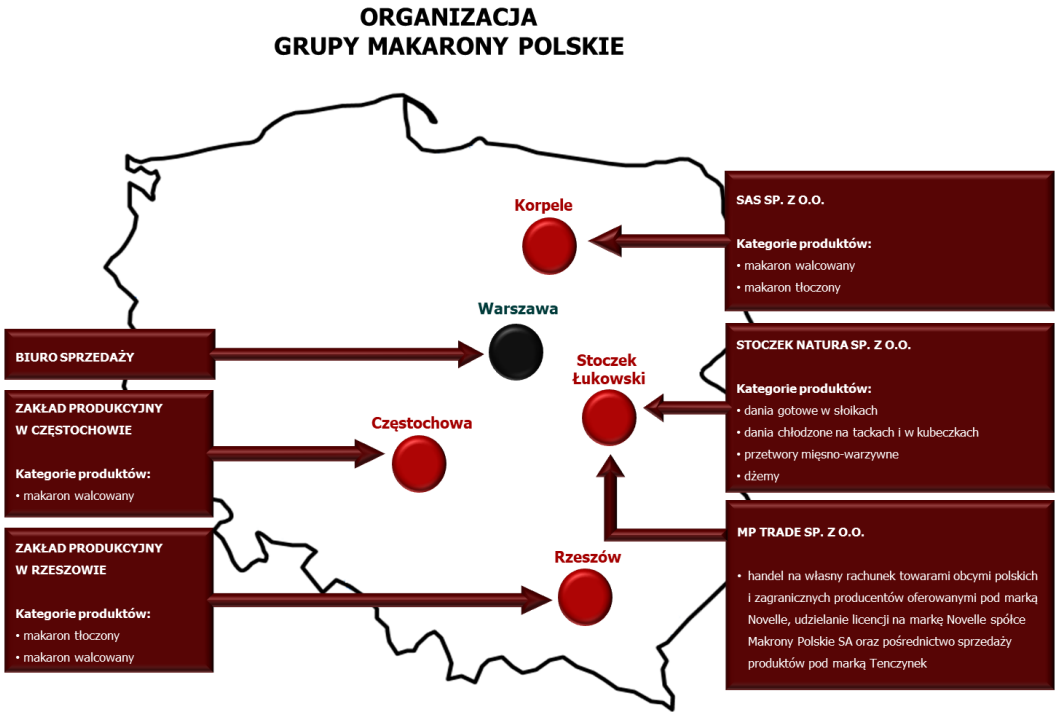
MP Trade Sp. z o.o. develops trade on own account with foreign goods of Polish and foreign producers. The company works in two business fields. The Company's main activity is focused on selling products purchased from external suppliers under the Novelle brand and licensing the Novelle brand to Makarony Polskie SA in the production of vegetable noodles and other goods produced within the Makarony Polskie Group. The company also imports raw materials that are used for the Group's needs. The business model adopted by the company creates its value by increasing its brand value on the one hand, and on the other hand develops opportunities for importing raw materials (production is contracted out).

SAS Sp. z o.o. is a producer of a wide range of pasta, manufactured using rolled and pressed technology, including 'nests'. It offers its products in many different forms and combinations of raw materials, both under private label brands and its own brands: Va bene, Makaron Polski SAS and FUKS. The acquisition of SAS was finalised at the beginning of the reporting period.

Changes in the organization of the Makarony Polskie Group in 2022

At the beginning of 2022, Makarony Polskie S.A. finalised the acquisition of the company Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o. (On 2 January 2023, the company changed its name to SAS Sp. z o.o.). A manufacturer of a wide range of pasta, produced in rolled and stamped technology, such as tagliatelle. It offers its products in many different forms and combinations of raw materials, both under private label brands and its own brands: Va bene, Makaron Polski SAS and FUKS.

Within the Makarony Polskie Company, individual companies enter into transactions of purchase and sale of products, goods and services among themselves. All transactions are performed on market terms and conditions.



Selected market data

The pasta market

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

The year 2022 brought a number of challenges, both on the revenue and expenditure side. On the revenue side, as in the 'pandemic' year 2020, there were very large sales fluctuations in the pasta market. There were very large sales peaks in the first half of the year due to inflationary unrest and Russian aggression in Ukraine. Again, many products with a long shelf life, including pasta, were purchased 'for the pantry' or as humanitarian aid donated to Ukraine and its people. The situation stabilised in the second half of the year, followed by a downward trend in sales, which had a negative impact on the efficiency of business operations. In addition, in 2022, on the expenditure side, all market participants were affected by a sharp, huge increase in the prices of electricity, gas and liquid fuels, and pasta producers furthermore experienced a drastic jump in the price of pasta flour, with no equivalent in earlier years.

The trends with the strongest impact on the pasta market are:

- the macroeconomic situation related to inflation and rising food prices - consumers are limiting their purchases to baskets of basic needs and products with a long shelf life. As consumers look after their limited budgets, the price of the product is becoming increasingly important in their purchasing decisions;
- clean label, health benefits of meals - consumers are looking for products with natural ingredients, without chemical additives. Additional nutritional values that have a positive impact on the health of the body, e.g. helping to fight lifestyle diseases, are also an important factor in deciding to buy a product;
- Plant-based products - plant-based proteins will take an increasing share of the market over the next few years, with consumers looking for plant-based, healthy products on shop shelves to replace their zoonotic products. A strong trend in the food market is the fashion for healthy eating and various types of diets, such as gluten-free, low-carbohydrate or vegan. This is directly reflected in the product offering - BFY (Better-For-You) products based on whole grains, alternative cereals, legumes or gluten-free ingredients and vegetables are appearing in large numbers;
- product patriotism - consumers attach increasing importance to the country of origin of a product. The country of origin of the product and its ingredients is an important factor influencing purchase. Local products are popular because of their taste as well as the desire to support local producers;
- commitment to the environment - when discussing current market trends, it is impossible not to mention the "zero waste" trend of not wasting food. This is observed not only in the diversification of packaging by producers: standard, family or "portion at a time" type, but also as a social trend promoting responsible shopping (buy as much as you eat) and culinary education on how to make full use of food products. Corporate social and climate responsibility policies and companies' drive towards zero carbon are also becoming increasingly important in consumers' purchasing decisions;
- convenience - convenience in meal preparation - consumers want to be able to prepare a tasty meal quickly and easily. They are increasingly turning to ready-made meals that are prepared in such a way that they are sufficient for a full portion for one person, e.g. ready-made trays. No food is wasted. You also save energy, water and gas, which is good for the environment, but also for your budget. In addition, you do not buy increasingly expensive products to prepare your meal.

The convenience food market

The Polish ready-to-eat meals market is in a growth phase and is expected to be worth PLN 3.69 billion by the end of 2025 (source: Mintel Market Sizes). This market is characterised by a dynamic change in structure, both in terms of the range of products offered and the manufacturers competing in it.

Among the ready meals categories in Poland, the tray ready meals category is experiencing the fastest growth. In 2022, sales of tray meals amounted to around 3.4 million units compared to 2.2 million units in 2021 (up 55% y-o-y) and 1.0 million units in 2020.

The ready meals market, like the pasta market, suffers from sales fluctuations related to one-off random events such as the Covid-19 pandemic, the macroeconomic situation (high inflation) and the geopolitical situation (war in Ukraine). The search for products with a long shelf life bought both as part of consumers' 'organising' of food stocks for their own consumption, as well as donated as humanitarian support.

The trends with the strongest impact on the ready meal market are:

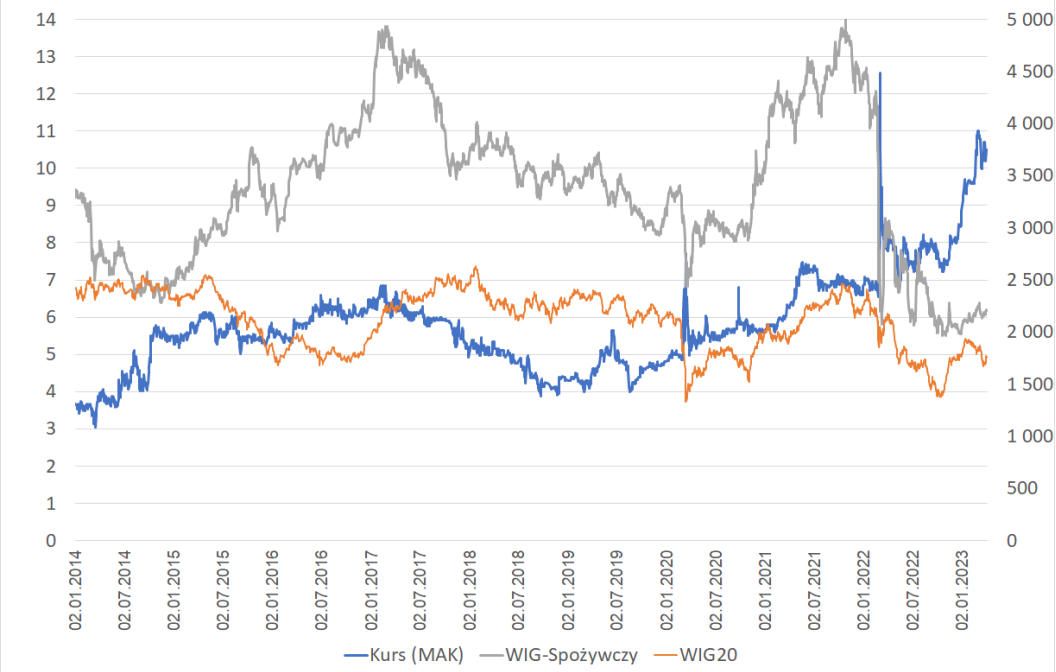
- the macroeconomic situation related to inflation and rising food prices - consumers are limiting their purchases to baskets of basic needs and products with a long shelf life. As consumers look after their limited budgets, the price of the product is becoming increasingly important in their purchasing decisions;
- the trend towards pro-healthiness and naturalness - the need to eat 'free from...' is increasing along with consumers' level of knowledge and their fear of allergies and preservatives. Consumers are increasingly demanding 'clean label' (ingredients free of artificial additives, flavour enhancers and preservatives) and manufacturers are emphasising the simplicity and health-friendliness of their recipes. It is fashionable to use inspiration from different regions of the world in meals;
- "Transparency" of products - it is desirable that prepared food products, in addition to a clear label and brief product composition, also have packaging that allows consumers to see the meal before making a purchasing decision, such as transparent film;
- Convenience - convenience, ease of use - manufacturers are looking for more and more new solutions to make it easier for the consumer to heat up and consume a dish. Convenience and speed are emphasised by the growing number of takeaway-inspired meal proposals. The category is seeing an increase in the popularity of so-called meal kits (kits enabling the consumer to complete or compose a dish on their own), which stems from the need to compromise between mass-produced ready-made dishes, devoid of even a shadow of individuality, and the lengthy and often demanding task of cooking from scratch.
- On European markets, a trend has been observed for many years of growth in the ready-meal segment in trays and cups at the expense of a systematic shrinkage of the shelf-stable shelf. In Poland, the so-called dry shelf (shelf-stable) still holds the largest market share, but here, too, the gradual shift of consumers towards the refrigerated shelf is becoming more pronounced. For an increasing number of consumers, ready meals are a convenient and cheaper alternative to a boxed diet;

- Shelf life - consumers look for products with a long shelf life in order to prepare food stocks, to secure their household in times of economic instability;
- an increase in environmental care - the consumer expects the producer to have a sustainable production policy and to minimise the environmental impact (less plastic, recyclable materials). Packaging should be environmentally friendly, made of recyclable materials.

Makarony Polskie SA on the capital market

Quotations and main indicators

Shares of Makarony Polskie SA have been listed on the Warsaw Stock Exchange since April 2007.



	02/01/2014	02/01/2017	02/01/2019	04/01/2021	30/12/2022	Change from 2014-01-02
Makarony Polskie	3.64	6.45	4.4	5.7	8.86	+143%
WIG20	2,426	1,957	2,302	2,009	1,797	-26%
WIG-Food	3,290	4,195	3,447	3,716	2,016	-39%

Dividend policy of Makarony Polskie S.A.

In 2022, the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from 1 January 2021 to 31 December 2021 in the amount of PLN 5,034 360.73 should be divided as follows:

- to pay the shareholders a dividend of PLN 0.30 gross per share,
- the remaining part of the profit will be allocated to the Company's supplementary capital.

According to Article 382 §3 of the Commercial Companies Code, this recommendation was presented by the Management Board to the Supervisory Board for information and received a positive opinion of the Supervisory Board.

On 30 June 2022, the Annual General Meeting of Makarony Polskie SA adopted resolutions on approving the financial statements for the reporting year 2021 and net profit distribution, including a dividend in the amount of PLN 0.30 gross per share. Due to the error in calculation regarding a total value of the dividifent paid from the Company's net profit for 2021, in the resolution adopted by the General Meeting on 30 June 2022, on 1 August 2022 the Extraordinary General Meeting clarified a total value of the dividend paid for 2021 and indicated a correct total value of the dividend, i.e. PLN 3,312,021.30.

The Management Board of the Company decided that the net profit for the period from 1 January 2021 to 31 December 2021 in the amount of PLN 5,034,360.73 should be divided as follows:

- the amount of PLN 0.30 gross per share, i.e. a total of PLN 3,312,021.30 will be allocated to the dividend payment for the shareholders,
- the remaining part of the net profit in the amount of PLN 1,722,339.43 will be allocated to the Company's supplementary capital.

The dividend record date was set for 15 July 2022. The dividend was paid on 30 September 2022. 11,040,071 Company shares were entitled to the dividend.

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

Use of proceeds from the issue

The Company did not issue shares in 2022.

Dialogue with shareholders and investors

The Company considers its presence on the capital market as part of its long-term development strategy. The Company takes steps to build lasting and professional relationships with all capital market participants and to ensure equal access to information for all stakeholder groups.

An important form of the Company's communication with shareholders and investors is the Company's website www.makarony.pl. In the Investor Zone section, the Company publishes information relevant to shareholders and investors on an ongoing basis, e.g. news, calendar of events, current financial results.

The Company has launched an e-mail box relacje@makarony.pl to which all interested shareholders, investors and analysts can send questions on IR issues in the broad sense. Responses and explanations on topics raised by stakeholders are provided by the Company, taking into account the prohibitions under the applicable legislation.

Two weeks before the publication of interim financial reports, the Company does not organise or participate in investor meetings.

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

Operations of the Makarony Polskie Group

Main products and services

Assortment of branded products

PASTA

MAKARONY POLSKIE - a brand with a distinct personality, which is part of the popular and stable market trend of promoting native and local food; dedicated to consumers who appreciate good, Polish quality at a reasonable price.



The brand's portfolio includes both traditional egg pasta (rolled, offered as a b-brand with the Abak brand) and pressed pasta, made from common wheat flour and durum wheat flour. The range includes 7 of the most popular forms that have a wide range of uses in the kitchen. In 2022, the entire line of classic pasta gets completely new packaging.



The Makarony Polskie Group has in its portfolio a wide range of rolled egg pasta, made according to traditional Polish recipes. The offer includes ribbon and nest pasta, including the so-called angel hair, which have a wide range of culinary applications and are eagerly used by consumers who like to experiment in the kitchen. These pastas are made from durum wheat flour, which makes them springy and at the same time delicate in taste.



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



ABAK - a line of pasta aimed at consumers looking for economical, value-for-money products, introduced to the Group's portfolio in 2022. Includes egg noodles in 200g weights. It refers to traditional recipes and home cooking. The brand's portfolio includes pasta with hen and quail eggs in the two most popular forms, i.e. sliced and ribboned.



The Group's ambition is for the Makarony Polskie brand, together with the Makarony Polskie Abak subbrand, to become a tool for sorting out the currently fragmented mid-segment, positioned just below the leader, and taking over the shares currently held by a very large number of small producers.

SORENTI - is a brand created for gourmets of Italian cuisine, with a range of the most popular forms of pasta made from 100% durum wheat flour milled from the highest quality hard-grain wheat. The Sorenti brand offers two product lines. The first is classic Italian-style pasta made from durum flour. The second is modern pasta made from durum flour with eggs from free-range hens. A delicate and springy pasta, a proposition for consumers who like to experiment in the kitchen.





In the domestic market, the Sorenti brand operates mainly in the modern channel. The advantage of this brand in an intensifying competitive environment is the affordability of the products. The Sorenti brand is also an attractive export commodity with high potential for growth and further internationalisation.

CANNED MEAT AND VEGETABLE



The branded range of canned meat and vegetable preparations included ready meals under the Stoczek and Męska Rzecz brands and lard under the Stoczek brand. The ready meals offered by the Group - classic dinners of Polish cuisine - combine homemade taste with the convenience and speed of their preparation, making them perfectly in line with current trends in the food products market.



The offer of the Makarony Polskie Group includes ready-made dishes on trays under the So Food brand, which can be offered to customers both on the so-called dry (unrefrigerated) shelf and on the refrigerated shelf.

In 2021, Stoczek Natura underwent a facelift of its packaging and logo. The new packaging line features classic ready meals in a jar and a new addition to the portfolio - soups in a jar.



The 'Męska Rzecz' brand is dedicated to the widest range of consumers in this food category, specially seasoned for male tastes and competing on the shelf with its affordable price.



In the Men's Rzecz brand, consumers will find not only traditional ready meals in jars, but also large packs of well-known and well-liked canned dishes. Men's favourite dishes as an alternative to those made independently at home.

PROCESSED VEGETABLES AND FRUIT



The assortment in the field of vegetable preserves consisted mainly of salads and marinades under the Tenczynek brand - traditional vegetable side dishes that make dishes more attractive and varied, both cold and hot. In addition, the offer includes occasional product lines: Kapusta z grzybami and Kapusta z grochem in the Christmas edition.



The range of fruit preserves included jams and jam under the Tenczynek brand and the chain's own brands, produced with the highest quality.

DISHES ON TRAYS

The offer of the Makarony Polskie Group includes ready-made meals in trays and in bowls, which are offered under the So Food brand. The distinctive features of this assortment group are light packaging (two-chamber trays or bowls), ease and speed of heating meals and the possibility of storing them at room temperature.



The distribution network for this product category is constantly being expanded and the company strives to adapt the brand portfolio to market trends and the ever-changing, highly demanding consumer.

So Food products can be offered to customers both on the so-called dry (unrefrigerated) shelf and on the refrigerated shelf. These are heat-treated dishes with a clean label: no colours, no flavour enhancers, no preservatives.



The brand's first two product lines were launched in 2019: Inspired by World Cuisines and Fit Kitchen. In 2021, the brand's range was expanded with two new lines: Premium Kitchen and Line of Dishes in Bowls.

The line of dishes in bowls combines modern packaging and classic 'one-pot' style flavours, e.g. Leczo with sausage, for a quick and convenient meal with a clean label. It is based on vegetables in its composition, making these dishes the perfect meal to supplement the daily portion of vegetables for a healthy body.



In 2022, the So Food brand's portfolio was expanded to include the Polish Cuisine line, which includes four indexes: Ham in mushroom sauce, Pork loin in leek and horseradish sauce, Turkey in plum sauce and Ham in mustard sauce. The line was inspired by consumer research conducted at the end of 2021, in which many consumers declared an interest in traditional Polish cuisine.



According to the Nielsen report for 2022, SoFood's ready meals on trays have achieved the position of sales leader in their category. This is a very good forecast for the future, which is why the ready-made tray meals category will be systematically expanded to remain consistent with market trends and customer needs.

BRAND NOVELLE

Novelle is a trademark registered with the Polish Patent Office by the MP Trade Sp. z o.o. company.

Novelle is an aspirational brand, aimed at consumers inclined to culinary experimentation, who value a healthy style of eating or are looking for products firmly rooted in plant-based cuisine. The Group's ambition is for it to be a trend-setting brand in the category of innovative, alternative products to those based on traditional recipes.

Currently, pasta made from flours derived from legumes, health-promoting pasta and Italian tortellini ravioli with a variety of fillings are offered under the Novelle brand.

The legume pasta line is the ideal alternative for those consumers who want to add vegetables to their diet. They are less calorific than traditional wheat pasta thanks to their high protein and fibre content and low carbohydrate content.



In 2022, the legume pasta line was certified with the V-label, confirming that the products are suitable for vegans and people on a meat-free diet. The products have also gained new packaging - the previous carton packaging has been replaced by a 100% recyclable foil pouch, which helps to better care for the environment. At the same time, customers gained an additional "bonus" in the form of an increased unit weight of the product packaging.

The line of tortellini pasta, which are small Italian dumplings made from durum wheat flour with eggs and filled with a variety of fillings, is perfect as an accompaniment to soups and salads, or as a main course. Six types of fillings with different flavours allow for a wide range of uses in the kitchen.





As part of the Novelle brand, a line of functional pasta with a dietary and health-promoting character has been systematically developed. In 2022, the brand's portfolio was expanded to include pasta made from 100% spelt flour, 100% rye flour and 100% wholemeal flour (wholemeal pasta).

In 2022, the Novelle brand's range was also enriched with Diabetic pasta, which helps to maintain healthy blood sugar levels due to its low glycaemic index (below 55W). Diabetic pasta can be consumed by people on a low sugar diet, including those with type 2 diabetes. The product contains a high content of naturally occurring dietary fibre and is also enriched with zinc, which contributes to maintaining normal carbohydrate metabolism, and chromium, which helps maintain proper blood glucose levels.



In the following periods, the offer of the Novelle brand will be expanded with new products based on plant proteins. Development of new products will be carried out in close cooperation with the marketing team of Makarony Polskie S.A. and New Product Development (NPD) teams functioning in the Makarony Polskie Group.

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

Private label product range

The Makarony Polskie Group offers a wide range of assortment for private label brands in each of its product categories. The Group's offer is used by many retail chains both on the Polish and foreign markets, mainly in the segment of pasta, but also in the segment of meat and vegetable, vegetable and fruit preserves.

The Group regularly revises its product portfolio adapting its offer to the needs of private label brands. In developing its assortment for the needs of private labels, the Makarony Polskie Group is based on global trends in the food market, in particular:

- concern for health and well-being (enrichment of products with additives that affect well-being, energy, vitality and the immune system),
- minimising the intake of animal protein and replacing it in the diet with alternative plant proteins (expanding the range of products with legume flours),
- local origin of ingredients and place of production (encouraging the purchase of domestic food, supporting local businesses and communities),
- stop food waste (responsible production and marketing).

In 2022, the Group continued the development work started in 2021 in the area:

- vegan/vegetarian products (alternative source of plant-based protein),
- health-promoting products enriched with healthy additives (superfoods),
- products based on ancient cereal varieties (authenticity, origin), with improved sensory and organoleptic characteristics,
- products with a short preparation time, in convenient packaging (convenience),
- exclusive products - with original shapes, unique accessories and distinctive packaging (premiumisation),
- pasta with eggs from alternative livestock farming (animal welfare, sustainability),
- more environmentally friendly packaging (reduction of plastic, reduction of paper, reduction of printed surfaces, introduction of product labelling with symbols to facilitate waste separation and recycling).

Market environment

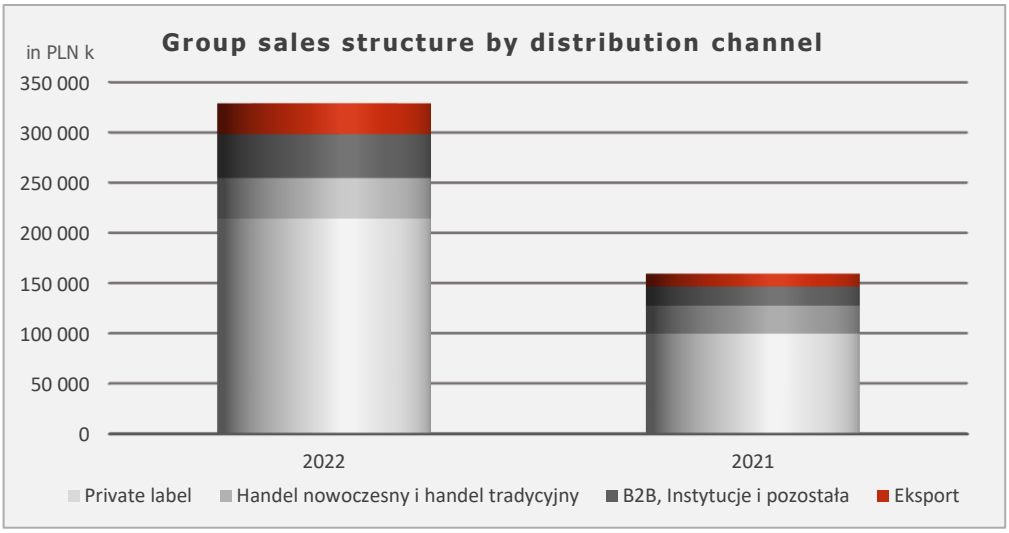
The sales markets of the Makarony Polskie Group can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries).

In 2022, sales amounted to PLN 328.9 million, including PLN 298.3 million in the domestic market and PLN 30.6 million in exports. In 2021, these figures were PLN 169.6 million, PLN 153.1 million and PLN 16.6 million respectively.

(in PLN k)	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Country	298,287	153,061
Exports, including:	30,635	16,590
- European Union countries	7,736	5,078
- other countries	22,899	11,512
Total	**328,922**	**169,651**

In 2022, only two customers exceed the threshold of a 10% share of consolidated sales revenue (branded and private label products combined). These are Jeronimo Dystrybucja Polska with a share of approximately 34% and the Lidl Group with a share of approximately 10.7%. The Group companies are in no way formally related to the operators of these chains, and the cooperation is based on partnership principles and is beneficial to the Makarony Polskie Group.

The structure of sales of products and goods by distribution channel is shown in the chart below:



Private label

The largest share of the Group's revenue (65%) was accounted for by the private label (PL) channel, offering products under private labels of domestic and foreign chains (including sales to a Lidl contractor operating within a single Group in Europe

PL (in PLN k)	2022	2021	y/y
Revenues from sales	214,132	99,663	+ 114,9%

The increase in the private label segment in 2022 is mainly due to the acquisition of SAS Sp. z o.o., whose sales focus on the private label market. This translated into a surge in sales of this product category in the Makarony Polskie Group due to the acquisition of new customers and the expansion of cooperation with existing contractors. The increase in volume sales, coupled with an increase in the price levels of the offered assortment resulting from inflation, resulted in the revenue generated in this segment in 2022 being significantly higher than the revenue achieved in 2021.

Modern and traditional trade

Another significant revenue for the Group at 12.3%, achieved in the domestic market, is the sale of the Group's brands (brands: Makarony Polskie, So Food, Novelle, Męska Rzecz, Stoczek Natura) in modern trade (HN) and traditional trade (HT) channels:

HN and HT (in PLN k)	2022	2021	y/y
Revenues from sales	40,434	27,888	+45,0%

The level of sales of branded products in 2022 was approximately PLN 40.4 million, which represents approximately 45% growth compared to 2021, and is similar to the level of sales generated in this channel in 2020, when sales peaks during the first period of the Covid-19 pandemic significantly impacted sales levels.

Revenue levels in the branded products channel in 2022 were mainly impacted by:

- above-normal sales peaks caused by the panic buying associated with the outbreak of war in Ukraine, which, particularly in the first half of 2022, increased sales significantly,
- an increase in the level of prices of branded products offered by the Group due to inflation and the need to realign the selling prices of products with their manufacturing costs.

In 2023, the Group plans to develop cooperation and acquire new, previously unsupported local networks and increase sales to customers operating in the e-commerce segment. In addition, the Group aims to improve service among existing customers and numbers by acquiring new customers.

B2B and Institutions

B2B and Institutions accounted for approximately 13.3%, of the Group's total revenue:

B2B and Institutions (in PLN k)	2022	2021	y/y
Revenues from sales	43,721	19,031	+130%

Sales in the B2B and Institutions distribution channel in 2022 amounted to approximately PLN 43.7 million and were approximately 130% higher than in 2021. The increase in sales was mainly due to increased sales of pasta products in connection with institutional contracts.

Exports

Exports accounted for 9.3% of the Group's total revenue:

Exports (in PLN k)	2022	2021	y/y
Revenues from sales	30,635	16,590	+85%

The company's export strategy focuses on establishing partnerships with major retail chains - directly, as well as through distributors and companies specialising in importing products.

The 85% year-on-year increase in exports in 2022 was related to the outbreak of war in Ukraine, as well as increased sales to other European markets due to the panic caused by the conflict.

The main export market for the Makarony Polskie Group remains Ukraine, where cooperation with new networks and distributors is systematically developed. However, export sales were also developed in the European Union countries. New product items were introduced to both existing and new customers and business partners.

Significant contracts

Acquisition finalization

At the beginning of 2022, Makarony Polskie SA finalized the acquisition of „SAS" Sp. z o.o. with its registered office in Korpele, established as a result of transformation of the enterprise, previously run as a sole proprietorship on the basis of the entry in the Business Activity Central Register and Information Record, into a single-person limited liability company.

As a result of the finalized transaction, since 3 January 2022, the Company has become the owner of all 107,730 shares, with a total nominal value of PLN 10,773 k, in the share capital of SAS (100% of the share capital, representing 100% of the votes at the shareholders' meeting) for a total purchase price of approx. PLN 17.0 m.

As at the date of taking over SAS sp. z o.o. and transition to IFRS, a valuation of fixed tangible assets to fair value was carried out by an independent expect. As a result of the transaction settlement in the Group's consolidated statements, a profit was generated on occasional purchase adjusted for share acquisition costs amounting to PLN 4,103 k.

The acquisition was partially financed from the funds obtained as a result of the increase in the Company's share capital through the issue of series F shares in the amount of PLN 5.25 m, and partially from the investment loan in the amount of PLN 11.76 m.

Signing a letter of intent between Makarony Polskie SA and KSG Agro SA

In July 2022, a letter of intent was signed between the Company and KSG Agro SA ("Letter of intent"), concerning the determination of the principles of establishing business cooperation by the parties in the field of trade in rapeseed and sunflower oils and grains, as well as cooperation in other areas of agricultural production.

The intention of the parties is, in particular, to establish cooperation regarding the import of rapeseed oil and sunflower oil from Ukraine, their processing and marketing in Poland and/or in third countries.

The letter of intent does not constitute a binding agreement, but only expresses the will to start talks on mutual cooperation of the parties within the scope and on the terms set out therein. The validity period of the Letter of Intent referred to above has not been specified.

Agreements with Jeronimo Martins Polska SA and the Lidl chain

As part of the cooperation between the companies of the Makarony Polskie Group and the Biedronka (Jeronimo Martins Polska SA) and Lidl chains, various types of products produced by the Group are offered in the shops of these chains.

Factors relevant to the Group's development are:

- *building competitive advantage through investment in R&D, product, process and organisational innovation*
- *finalisation of the Company's acquisition process,*
- *development of business in the private label segment*
- *development of B2B sales channels and institutions*
- *increasing the share and level of distribution in the domestic market*
- *Export development*

Factors relevant to the development of the Group

Factors influencing the future performance of the Company and the Group

Building a competitive advantage through investments in R&D, product, process and organizational innovations

- investments in new production lines and a research and development center will allow the Group to expand its product range and enter new market segments, both at home and abroad,
- activities aimed at cost and process optimization, e.g. implementation of MES software in the production plants will allow for better control of cost and labor intensity of the products and improvement of production-related accounts, while WMS software relating to warehouses will improve warehouse management and the system of stock aging and product flow control,
- at Makarony Polskie SA, an interdisciplinary team was established, which, in cooperation with scientific institutions, works on developing and implementing innovative technologies for the production of new products: functional, health-promoting, low-processed food, easy to prepare,
- Stoczek Natura Sp. z o.o. has successfully introduced SoFood ready-made dishes on trays and in bowls to its offer, which achieved the position of sales vice-leader in its category (according to the report of Nielsen company), further systematic offer development of SoFood brand in close association with market trends and upward trend of this segment is a good sign for sales increase in the future periods,
- PPH SAS A.Świderski Sp. z o.o. has carried out a number of investment projects aimed at improving the production effectiveness and flexibility and reducing the production costs: the capacity of cold storage rooms has been increased, a semi-automatic wrapping machine for stretching pallets with foil has been installed in order to improve the quality of pallets sent, a system for collection and analysis of data from pass-through checkweighers has been ordered, works to diversify the sources of process heat generation are carried out, the company has also taken steps to sell unused assets, and it plans to use the proceeds from sales for further investment projects in the machine park,
- in all plants of the Group, by the end of 2023, it is planned to invest in photovoltaics - the production processes of pasta and ready meals are characterized by high energy consumption, investments in "green energy" will allow the Group, on the one hand, to take care of the environment and reduce its carbon footprint and, on the other hand, to reduce the cost of production resulting from increases in electricity prices.

Finalization of the acquisition process conducted by the Company

- The Makarony Polskie Group focuses on systematic, long-term organic growth, but also takes advantage of acquisition opportunities if they arise on the market, as in the case of SAS Sp. z o.o., whose acquisition was finalised in early 2022,
- the acquisition of a competitive pasta manufacturer, which is among the top five egg pasta manufacturers in the country, will contribute to increasing the production potential of Makarony Polskie SA and allow it to effectively use this potential, it will enrish the product portfolio with pasta which is very popular on the Polish market, i.e. "nests",
- Egg-rolled pasta has a better taste than pressed pasta (Italian style) and has a higher selling price, which the Company believes will allow it to increase revenue and improve its sales margins, and consequently positively impact the Group's operations in the long term.
- acquisition has strengthened the Group's position as the leader in the field of rolled egg pasta (consumed willingly in Poland and Central Europe e.g. with soups) and the position as the vice-leader among Polish pasta manufacturers,

Activity development in the private label segment

- diversifying and enriching the offer addressed to new and existing customers with pro-health and functional products (including, for example, gluten-free and high-protein pastas, pasta suitable for vegans), products from the new rolled line, as well as products of Stoczek natura Sp. z o.o. (including ready meals in trays and in bowls),
- activities aimed at improving the profitability of the sales channel, including optimization measures in the area of packaging, taking into account the principles of sustainable development.

Development of B2B sales channels and Institutions

- development of the category of pasta, meat and vegetable preserves, vegetable and fruit preparations, adapted to the expectations of the customers of that channel,
- establishing cooperation relations with other manufacturers of pastas and ready meals and manufacturers of complementary goods, in order to supplement the offer for the final recipient,
- individualizing the offer and thus increasing competitiveness,
- using the production potential of Stoczek Natura Sp. z o.o. in the scope of service packaging of products and based on new forms of packaging.

Increase in shares and increase in the distribution level on the domestic market

- intensification of marketing activities aimed at increasing the presence of Makarony Polskie, SoFood and Novelle brands on the market,

- strengthening and developing the product portfolio in line with market trends,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the Group operates,
- focusing on fast and efficient building of brand availability in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting sales and resale of products and building lasting relationships with customers.

Export development

- a systematic increase in the number of customers in foreign markets - a focus on European markets, where the Group is systematically developing its cooperation with networks and distributors,
- intensification of communication with current and potential customers through the participation, inter alia, in trade fairs and exhibitions and the organization of B2B meetings on target markets,
- development of the product offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, buckwheat, vegetable and in the product category, such as ready-made dishes in trays (in particular, vegetarian dishes, which are highly sought after on the market),
- acquiring and implementing projects concerning deliveries under the own recipient's brand,
- partnership cooperation with other entities that have an offer complementary to the Group's offer in order to increase sales opportunities and make the offer more attractive.

In the opinion of the Management Board of Makarony Polskie SA, the current financial situation of the Company and the Group allows for the implementation of the above-mentioned development directions.

Risks and threats significant for the development of the Group

The current financial situation of the Group, its production potential and market position create opportunities for further development, however, there are many factors, especially

those of an external nature, which may directly or indirectly affect the financial results achieved in subsequent years.

The risk of changes in market trends

The risk may consist in any possible changes of purchasing and eating habits of the consumers caused by, for example, macroeconomic (inflation) or geopolitical (outbreak of the war in Ukraine) situation. For example, the impoverishment of the society as a result of continuous increase in prices and costs of everyday functioning may lead to the increase in demand for the cheaper and low-margin products and force the manufacturers and suppliers to aggressive price competition.

Current market trends are monitored on a regular basis. The Group's companies quickly and flexibly match their offer to them, both in terms of the products themselves and their production technology. The Group's current product offering is modified in line with market trends.

Risk related to competition

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

Risk of dependence on recipients

A large part of revenues is generated by the Group through cooperation with organized and centrally-decisive retail chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial agreements do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in

the inability to meet demand or incomplete use of production capacity, which will have an impact on the results.

In the Group's opinion, the risk of becoming dependent on customers is not significant because the Group companies conduct systematic actions towards the diversification of customers and increasing the number of so-called medium-sized customers.

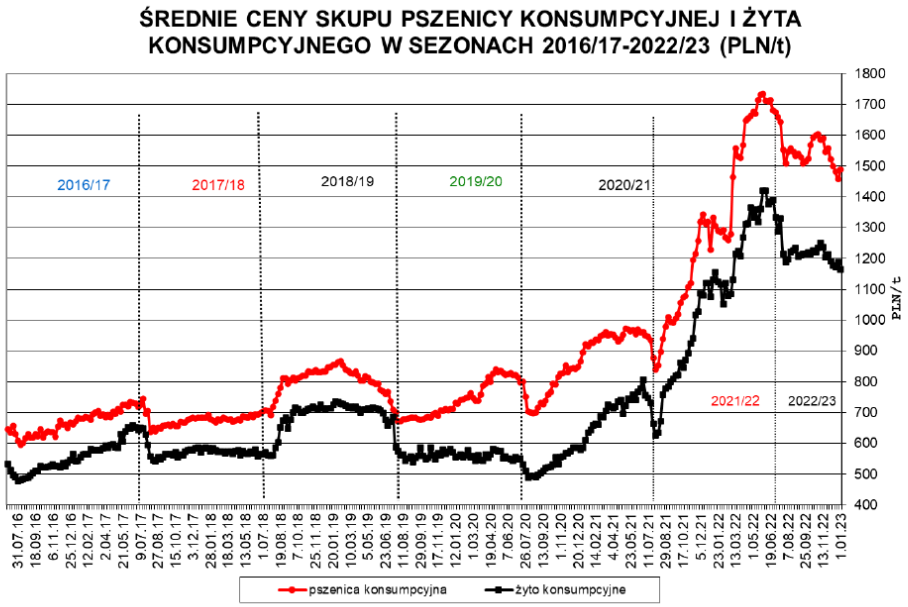
Risk related to changes in raw material and material prices

Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase agreements in annual and half-year periods, which helps to limit material decreases in the profitability of the pasta produced. Unfortunately, the current dynamic changes of prices on the global markets make the suppliers more careful and reluctant to enter into such contracts.

The purchase prices of soft wheat flours were continuously increasing throughout 2021. The price increases continued in 2022 as well, based on wheat price increases. The price of wheat on the Paris exchange rose from Eur209.25/t in April 2021 (01.04.2021) to Eur280.00/t at the end of the fourth quarter of 2021 (30.12.2021). At the start of hostilities in Ukraine, at the end of March 2022, wheat prices rose sharply to Eur 384.50/t reaching levels unmatched in earlier years. Despite a successful harvest, high prices on cereal markets persisted until the end of 2022, reaching a level of around Eur 315/1t at the end of December (27.12.2022). The news of further increases in the price of energy carriers, means that cereal producers have become very rigid about selling their grain. Thus, the price of flour remained high.

Thus, the price of flour remains high. High prices also remain on the durum wheat flour market – the prices of semolina are reaching an unprecedented level. Ahead of the 2022/2023 harvest, demand for durum wheat, and thus semolina, exceeded supply, leading to price increases. Confirmed news of good harvest forecasts, particularly in Canada, had a positive effect on stabilising the price of durum wheat flour for the following season, with price stabilisation occurring at a high level. A slight decrease in prices is forecast for durum wheat and thus for semolina. The element that could effectively disrupt the price stability in the durum wheat market in the H1 of 2023 is a significant increase in freight and energy carriers costs.

AVERAGE PURCHASE PRICES OF CONSUMER WHEAT AND RYE IN THE SEASONS 2016/17-2022/23 (PLN/t) Consumer wheat



Consumer rye Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 1/2023, Sparks Polska

In the first months of 2022, due to, among other things, an increase in costs associated with the breeding process, such as wages, electricity and fuel, as well as the lack of egg exports from Ukraine (the farms were destroyed as a result of the hostilities), the purchase prices of egg pulp increased by approximately 90% in the short term, which translated negatively into the profitability of egg noodle production and forced Group companies to revise their commercial terms. In Q.2, 2022, egg prices remained at the high level of Q.1, 2022. Undoubtedly, it will be greatly influenced by the war in Ukraine and significant increases in the prices of feed and energy carriers. After a slight calming of the market at high price levels, September 2022 saw another systematic increase in the price of egg pulp due to strong demand and the detection of further outbreaks of avian influenza. All these elements caused the end of 2022 and the beginning of 2023 to see prices for eggs and egg pulp unprecedentedly high in the history of the trade in these commodities.

Significant price increases also occurred in 2022 in the foil and cardboard packaging market. Price increase in Q2 of 2022 compared to prices in Q4 of 2021 amounted to approximately 140%. This high price level was maintained until the middle of Q4 of 2022. At the end of 2022, the market could see stabilisation and even gentle decreases in the prices of paper, cardboard and foil. These decreases were the result of reduced demand for packaging due to reduced consumption. Packaging prices are forecast to stabilise at a high level, which is related to the high prices of energy carriers.

Stoczek Natura Sp. z o.o. is a manufacturer of fruit and vegetable preserves (including jams) and ready meals. The prices of fruit and vegetable The fruit and vegetable prices are highly dependent on the weather conditions. The Company cooperates with domestic fruit and vegetable suppliers, it also has an extensive database of foreign suppliers of key raw materials, which gives the Company greater opportunities to obtain cheap, good quality raw materials. Purchasing of fruit and vegetables is carried out seasonally, in the months when their prices are lowest. If necessary, the purchased raw materials are stored in company warehouses and cold stores.

The situation on the fruit market in 2022 had an upward trend due to the pandemic situation and due to Russia's aggression against Ukraine. In 2022, fruit and vegetable prices increased on average by around 20-30%. This increase was fuelled by the higher cost of fertilisers and plant protection products, which are necessary for fruit and vegetable production technology. The increased cost of fuel was also a significant factor affecting prices.

One of the key raw materials for Stoczek Natura Sp. z o.o. is meat and meat raw materials. Russia’s military attack on Ukraine in February 2022 caused a lot of perturbations on this market. Meat prices increased by several dozens of percent because a very large part of the raw meat, previously the basis of production for the domestic market, has been trasferred to Ukraine, which significantly increased the prices of the entire meat components. The increase in the price of individual elements averaged 30%-60%.

Stoczek Natura Sp. z o.o. has its own cold stores in order to purchase raw material at the optimum time and price, but the significant increases in electricity prices currently occurring on the market and forecast for subsequent periods significantly increase the cost of such storage.

Price increases of several percent in 2022 also occurred in the market for most other raw materials and packaging. Increased demand for processed products and simultaneously rising production costs are making both metal and glass packaging more expensive and there is no clear prospect of stabilization in this area For example, jar prices have increased by 70%-100% from 2021.

All of the above cost drivers and their high dynamics, and often unpredictability and uncertainty, make 2022 a very challenging year for manufacturers. Due attention to operational optimisation, systematic monitoring of process efficiency and cost levels, as well as rapid adjustment of product selling prices to the rising costs of their manufacture, are becoming crucial. This radically changes the business relationship between business partners, e.g. the reluctance of suppliers to set fixed commercial terms for longer contract

periods (e.g. one year) translates the risk of operating in the short term and the 'uncertainty of tomorrow' into customers.

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes, laws are significantly changed basically day to day (e.g. during the COVID-19 epidemic, after introducing the Polish Order, or after the outbreak of the war in Ukraine), which makes the activities of the companies, including the companies of the Makarony Polskie Group, burdened with a very high degree of uncertainty. This is a detrimental factor for business activity which involves a lot of risk.

The protection of the interests of the Group in terms of legal changes is supervised by legal teams that in due course take appropriate actions aimed at minimizing the possible effects of these changes. Quality teams keep track of all legal regulations regarding products and packaging, and the changes required by law are implemented without unnecessary delay.

Risk related to changes in exchange rates

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

The weakening of the zloty may have a negative impact on the profitability level of operations conducted by the Group as an importer. To minimize the risk of changes in foreign exchange rates, the funds obtained by the Group from export sales are used to purchase raw materials outside Poland.

The table presents the currency structure for given classes of financial instruments as at 31 December 2022:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2022 PLN k	Currency exposure as at 31.12.2022 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	7,828	1,090	1,090	0
Trade receivables 32,589	33,740	520	520	0
Financial liabilities				
Trade liabilities in total (including advanced payments)	49,678	12,339	12,339	0

The table presents the currency structure for given classes of financial instruments as at 31 December 2021:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2021 PLN k	Currency exposure as at 31.12.2021 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	26,156	924	924	0
Trade receivables 32,589	19,823	2,491	2,491	0
Financial liabilities				
Trade liabilities	30,792	3,605	3,605	0

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 31 December 2022:

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	54.5	- 54.5	0	0
Trade receivables (gross)	26	- 26	-	-
Financial liabilities				
Trade liabilities	- 620	620	-	-

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

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	46.2	-46.2	0	0
Trade receivables (gross)	124.6	-124.6	-	-
Financial liabilities				
Trade liabilities	-180.3	180.3	-	-

Interest rate risk

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

Significantly, the Group finances its operations with loans, which increases its sensitivity to the risk caused by interest rate changes in both long-term and short-term financial liabilities.

In 2022, the Group used external financing in the form of bank loans: working capital loans, overdrafts and investment loans.

As at 31 December 2022, the Group had a borrowing liability of PLN 26,353 thousand:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	26,353	13,220	13,133

As at 31 December 2021, the Group had a borrowing liability of PLN 35,760 thousand:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	35,760	15,238	20,522

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

The structure of financial instruments exposed to the risk of changes in interest rates as at 31 December 2022 is presented in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2022	Value at risk as at 31.12.2022	WIBOR
Financial assets			
Cash in hand and at bank	7,828	-	-
Financial liabilities			
Bank loans	26,353	26,353	26,353
Other financial liabilities	1,109	1,109	1,109

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

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

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 December 2022:

Interest rate	Deviation assumptions (in percentage points) 31/12/2022		Value at risk as at 31.12.2022 PLN k	Impact on the financial result 31.12.2022	
				PLN k	PLN k
WIBOR	1%	-1%	27,462	-274.6	274.6

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

Interest rate	Deviation assumptions (in percentage points) 31/12/2021		Value at risk as at 31.12.2021 PLN k	Impact on the financial result 31.12.2021	
				PLN k	PLN k
WIBOR	1%	-1%	37,336	-373.4	373.4

Risk of insolvency

Risk of insolvency means the risk that the Group's contractors will default on their obligations. The Group applies the principle of making transactions with counterparties whose creditworthiness has been verified and of obtaining, if necessary, an appropriate security as a tool to mitigate the risk of financial loss arising from a breach of agreement. The Group uses financial information available to the public and its own transaction data, assessing the financial condition of its main customers.

The Group's exposure to the risk of contractors' insolvency is constantly monitored; the credit risk control is enabled by limits verified and approved on an ongoing basis within the control structures of the Group. In addition, the Group has covered the selected contractors by trade receivables insurance granted by one of the major insurers operating in this area on the Polish market.

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

Financial situation of the Makarony Polskie Group

The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards on the assumption that the Group's companies will continue as a going concern, in the foreseeable future and not materially diminished. The Group had no operations that were discontinued during the 2022 financial year.

The financial statements of all entities have been prepared for the same reporting period, using consistent accounting policies. The financial year of the Group companies is the calendar year.

Consolidated entities:

as at 31 December 2022	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o. o.	SAS Sp. z o.o.
The nature of the relationship	direct subsidiary	direct subsidiary	direct subsidiary
Consolidation method	full	full	full
Date of taking control	01 June 2007	28 September 2015	03 January 2022
% of the capital held	100%	100%	100%

Discussion of the results

The selected financial data of the Makarony Polskie Group as at 31 December 2022, expressed in thousands of PLN, are as follows:

(in PLN k)	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Net sales revenue	**328,922**	**169,651**
Revenues from sales of other products and services	317,782	163,334
Net revenue from sales of goods and materials	11,140	6,317
Own cost	**255,724**	**138,485**
Production costs of products and services sold	245,571	133,103
Value of goods and materials sold	10,153	5,382
Gross profit (loss) on sales	**73,198**	**31,166**
Costs of sales	28,089	20,451
General administrative costs	10,159	6,158

Other revenues	6,963	5,764
Other costs	8,715	1,777
Profit (loss) from continued operations	**33,198**	**8,544**
Financial incomes	32	112
Financial costs	2,887	855
Gross profit	**30,343**	**7,801**
Income tax	5,885	1,411
Net profit (loss) from continued operations	**24,458**	**6,390**
EBITDA (EBIT + depreciation)	42,368	16,541
Number of shares (units)	11,040,071	11,040 071
Weighted average number of shares (in units) during the financial year	11,040 071	9,348 098
Profit/loss per ordinary share (in PLN/EUR) *	2.22	0.68
Book value per share (in PLN/EUR) **	11.13	9.21

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

** Book value per ordinary share = shareholders' equity/number of shares at the balance sheet date

The sales revenue of the Makarony Polskie Group in 2022 amounted to approximately PLN 328.9 million and was approximately PLN 159.3 million higher compared to the 2021 figure. This is mainly due to the following factors:

- the acquisition of SAS Sp. z o.o. at the turn of 2021 and 2022 - thanks to this acquisition, both production capacity and sales in the pasta category were significantly increased,
- The outbreak of war in Ukraine - the related shopping panic that occurred in the market for long-life products during the first months of the war in Ukraine, the build-up of stocks of long-life products, the increased demand demand resulting from the supply gap that emerged due to the exit of Ukrainian producers from the market, as well as the launch of food aid programmes for Ukraine by EU institutions, led to an above-normal increase in sales both in the domestic market and in exports,
- increases in the prices of the offered products forced by the shock increase in the levels of producer inflation and the necessity of constant adjustment of sales prices to the level of growing costs of production and sales,
- "underestimation" of base sales revenue in 2021 - a temporary reduction in the level of sales in 2021 was caused by investment works carried out by the Group's companies and the related necessity to temporarily shut down some production areas and production lines; this translated into the necessity to temporarily reduce the scale of production and, consequently, sales revenue.

Achieved results vs. forecasts

The Makarony Polskie Group did not publish financial forecasts for the financial year 2022.

Operating segments

For management purposes, the Group is divided into business units based on the products and services offered.

	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Revenues from sales of products	313,120	157,400
Revenues from the sale of services, including:	4,662	5,934
- from lease and storage	2,694	4,367
- service production	1,878	1,511
- transportation services	0	32
- distribution services	37	0
- other services	53	24
Revenues from sale of materials	2,233	3,115
Revenues from sale of goods	8,907	3,202
Total	**328,922**	**169,651**

The Makarony Polskie Group distinguishes the product groups shown in the table below

(in PLN k)	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Pasta	259,085	121,369
Meat and vegetable preserves	51,663	32,173
Vegetable and fruit preserves	8,503	8,482
Total	9,671	7,627
Total	**328,922**	**169,651**

The value of sales in the pasta category increased by approximately PLN 137.7 million to approximately PLN 259.1 million in 2022. The increase of approx. 113.5% was directly linked to the above-mentioned factors, with the acquisition of SAS Sp. z o.o. and the use

of synergy effects not only through increased sales volume, but also through cost synergies achieved at a rapid pace.

The segment in which positive dynamics of change were recorded is the processed meat and vegetables segment. Sales of processed meat and vegetables increased in the analysed period by approximately PLN 19.5 million to approximately PLN 51.7 million. The increase of approximately 60.6% in 2022 vs. 2021 was the result of:

- rapidly growing sales of a new line of ready meals in trays and bowls under the SoFood brand launched in 2020. These products have been very well received by customers reaching the position of sales leader in their category in 2022 according to a report by Nielsen. A year earlier, the debut SoFood brand, according to a report by the same company, reached the second position in terms of sales among competitors present on the market for several years,
- a surge in interest in long-life canned products, linked, among other things, to the geopolitical situation,
- increased volume of product orders for the Ukrainian market in 2022,
- organic growth of sales related, among others, to the opening of new outlets by the largest customers of the Makarony Polskie Group.

Sales of vegetable and fruit preserves in the analysed period remain at a similar level, i.e. approx. PLN 8.5 million, which is due to market saturation in the salad and jam categories in the market. These categories have low growth prospects and no or minimal growth is forecast in the future.

Factors and events, including unusual events, affecting 2022 results

The impact of inflation on consumer behaviour and the food market

The year 2022 was a difficult one for food companies due to the outbreak of war in Ukraine, which manifested itself in great inflationary pressure on the side of more expensive raw materials, especially soft wheat flour and semolina. Market operators were affected by a lot of turbulence related to the disruption of the raw material market, from shortages to periodically very high prices. Pasta packaging film and paper packaging became more expensive. Towards the end of the year, the pasta market was heavily influenced by

worsening inflation, rising fuel, gas and electricity prices. The increasing cost of living also affected the financial expectations of employees, who asked for pay raise.

The 'anti-inflation shield' introduced by the government and the zero VAT on certain food products, had the effect of blocking the possibility to negotiate prices with the large retail chains, with a consequent impact on production costs.

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

The impact of the COVID-19 pandemic on the operations of Makarony Polskie Group

The impact of the Covid-19 pandemic, which began at the end of the first quarter of 2020, on the operations and financial results of Makarony Polskie Group:

- pressure from the business environment, e.g. from the state authorities, to maintain stable price levels, as well as the reluctance of key customers to implement increases within the framework of concluded contracts, had an impact on delaying the implementation of new selling prices allowing the Group to partially compensate for the increase in cost factors.

Immediately after information on the Covid-19 epidemic getting closer to the Polish borders appeared, even before official announcement of the epidemic state on the territory of the Republic of Poland, additional security procedures and security measures have been implemented in the Group's companies to secure the continuity of production and reduce the risk of the virus spreading among the crew members. These procedures are systematically validated and modified depending on the needs and the evolution of the epidemiological situation.

In the opinion of the Management Board, there are no threats in the Makarony Polskie Group that would make it impossible to pay its liabilities. The Group has no problems with the repayment of receivables by its contractors (no changes in the collection of receivables were identified). The Group has not identified an increase in the valuation risks and the deposition of inventories. As at the publication date of the statements, the Group does not identify any significant risks of failure to meet the financial covenants included in loan agreements in connection with the COVID-19 pandemic.

The Management Board of Makarony Polskie SA carefully monitors the situation related to the COVID-19 pandemic and takes steps to minimize the negative impact on the functioning of the Company and the Group in the area of security, financial liquidity and achieved results. In the opinion of the Management Board, the current financial situation

of the Company and the Group does not threaten the continuation of the Group's operations in the next periods.

Impact of the political and economic situation in Ukraine on the activities of Makarony Polskie S.A.

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

- price increases and the emergence of problems with the availability of certain key raw materials and materials (e.g. flours, egg pulp, foil and cardboard packaging) - due to the increase in demand and turbulence in the supply chain (e.g. difficulties in trade with Ukraine) may have a negative impact on the effectiveness of current operating activities. Previously – alternately – one cost component was increasing, another was decreasing, while the third one was stable, therefore price fluctuations could be amortized and in the long term thet price increase, if any, was of a few percent. Factors and risks with a significant impact on the financial results in the first half of 2022 and in subsequent periods
- price increases of energy, gas and fossil fuels due to the global situation (the ongoing "energy crisis"),
- absence among the staff – the war outbreak have caused many Ukrainians (both men and women) who were working in Poland to decide to return to their homeland – to the front or to their families left behind. It was a challenge for companies to find a replacement for them in a short time. Currently, the risk has been partially mitigated by the Polish government's decision to allow the Ukrainian refugees to enter the Polish labor market,
- pressure from the business environment has forced the Group to renegotiate contracts and change the way it determines the prices for B2B clients – since the outbreak of the war in Ukraine, the Group's company have adopted a strategy of setting prices in one- or maximum two-week periods with the possibility of maintaining sales prices in subsequent periods provided that the market prices of raw materials and packaging are stabilized,
- insurance institutions are withdrawing from insuring contracts with Ukrainian clients, which results in limited possibilities of granting trade credit for Ukrainian clients and imposes cooperation on prepayment basis.
- increased demand of Ukrainian clients for pasta and other products with a long shelf-life - the products offered by the Group's companies belong to this group of goods.
- significant currency market fluctuations present the company with the unprecedented challenge of planning a long-term strategy for purchasing and trading foreign currency in euros (EUR) and dollars (USD).

Financial situation of the Makarony Polskie Group

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

The Management Board of Makarony Polskie SA closely monitors the situation related to the war in Ukraine in order to takes steps to minimize the negative impact on the functioning of the Company and the Group in the area of security, financial liquidity and achieved results. In the opinion of the Management Board, the current financial situation of the Company and the Group does not threaten the continuation of the Group's operations in the next periods.

The situation in Ukraine has not significantly affected the Company's operations. The share of the Ukrainian market in total sales revenues of the Company amounts to approx. 11%. In the opinion of the Management Board, there are no threats in the Group that would make it impossible to pay its liabilities. The Group has no problems with the repayment of receivables by its contractors (no changes in the collection of receivables were identified). The Group has not identified an increase in the valuation risks and the deposition of inventories. As at the publication date of the statements, the Group does not identify any significant risks of failure to meet the financial covenants included in loan agreements in connection with the war in Ukraine.

At this moment, despite the war that has been going on for many months, it is difficult to predict a further escalation of the war situation in Ukraine and its impact on the situation of Makarony Polskie SA. Company and Group.

Finalization of the acquisition process conducted by the Company

- The acquisition at the beginning of 2022 of SAS Sp. z o.o., a competitive pasta producer, which is among the five largest egg pasta producers in the country, contributed to increasing the production potential of Makarony Polskie S.A., will allow this potential to be used effectively, and will enrich the product portfolio with "nest" pasta, which is very popular on the Polish market,
- rolled egg pasta has high taste qualities, it is characterised by a higher selling price, which according to the Company will allow it to increase the revenues and improve the level of sales margins, and, consequently, have a positive impact on the Group's operations in the long term.
- acquisition has strengthened the Group's position as the leader in the field of rolled egg pasta (consumed willingly in Poland and Central Europe e.g. with soups) and the position as the vice-leader among Polish pasta manufacturers,

- As at the date of taking over„SAS" sp. z o.o. and transition to IFRS, a valuation of fixed tangible assets to fair value was carried out by an independent expect. As a result of the settlement of the transaction in the Group's consolidated financial statements, a gain on bargain purchase adjusted for share acquisition costs of PLN 4,103 thousand arose,
- on 31 August 2022, the plan of the merger of the companies, Makarony Polskie SA as an acquiring company and PPH SAS A.Świderski Sp. z o.o. as a company being acquired, After the end of the reporting period, on 12 April 2023, the General Meeting of Makarony Polskie S.A. and the General Meeting of Shareholders of SAS Sp. z o.o. passed resolutions concerning the merger of the companies. The merger of the companies is supported by, among other things, economic conditions. As a result of the merger, it will be possible to:
  - reduce the operating costs generated by the simultaneous operations of two companies - Makarony Polskie SA and Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski sp. z o.o in a situation when a range of business activities of both entities is the same or very similar, and consists mainly in pasta production,
  - achieve the synergy,
  - reduce the costs as a result of the merger of two companies
  - integrate the operational processess of both companies.

Structure of assets and liabilities

The Group's total assets amounted to PLN 239.3 million at 31 December 2022, compared to PLN 205.0 million at 31 December 2021.

Structure of the Group's assets and liabilities

ASSETS	01.01.2022-31.12.2022	01.01.2021-31.12.2021
FIXED ASSETS	**144,181**	**132,764**
Fixed tangible assets	131,475	116,269
Fixed assets with right of use (IFRS-16)	3,699	3,291
Investment real estate 603	603	603
47,190	2,863	5,949
Other intangible assets	5,503	6,588
Assets for deferred income tax	3	0
Other long-term assets	35	64
CURRENT ASSETS	**95,151**	**72,280**
Inventories	44,481	21,382
Short-term receivables	42,412	23,885
Income tax receivables	0	554
Borrowings granted	0	0
Cash and cash equivalents	7,828	26,156
Other short-term assets	430	303
FIXED ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	**239,332**	**205,044**

Financial situation of the Makarony Polskie Group

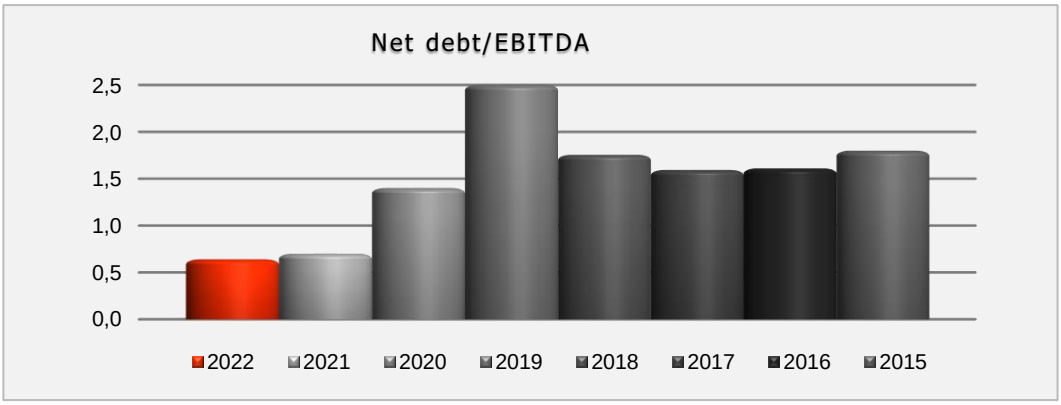
LIABILITIES	01.01.2022-31.12.2022	01.01.2021-31.12.2021
EQUITY	**122,914**	**101,654**
Revaluation capital	33,120	27,750
Supplementary capital	53,521	43,091
Revaluation capital	114	
Reserve capital	12,000	24,888
Retained profit/loss	24,159	5,925
LONG-TERM LIABILITIES	**41,745**	**49,395**
Provision for deferred income tax	5,088	3,212
Long-term bank loans and borrowings	13,133	20,522
Other long-term financial liabilities	0	465
Provision for pensions and similar (long-term)	495	400
Revenues of future periods - long-term	19,501	21,228
Long-term financial liabilities - leasing	3,528	3,568
SHORT-TERM LIABILITIES	**74,673**	**53,995**
Short-term bank loans and borrowings	13,220	15,238
Other short-term financial liabilities	807	744
Short-term financial liabilities - leasing	1,364	1,391
Other short-term liabilities	52,886	33,409
Income tax liabilities	2,349	311
Revenues of future periods - short-term	1,555	1,584
Provision for retirement and similar benefits (short-term)	2,421	1,251
Other short-term provisions	71	67
TOTAL LIABILITIES	**116,418**	**103,390**
TOTAL LIABILITIES	**239,332**	**205,044**

Liquidity and management of financial resources and financial risks of the Group

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

Confirming the full ability to meet obligations in 2022 is:

- generating positive operating cash flow of more than PLN 22.2 million in 2022,
- to generate EBITDA of approximately PLN 42.4 million in 2022,
- the Group's making of some purchases without the use of trade credit, which are conditional on obtaining financial benefits,
- the realisation of investments and the payment of a dividend in 2022 of approximately PLN 3.3 million (in 2021 of approximately PLN 2.8 million),
- at the end of 2022, the ratio of bank loans to EBITDA remains at a very safe level:



The decrease in the level of net debt to EBITDA to 0.64 was mainly due to the systematic repayment of debt and the Company's conservative credit policy during the inflationary crisis.

In the opinion of the Management Board, there are no risks that would prevent the payment of the liabilities incurred.

Deposits and equity investments

In 2022, the Makarony Polskie Group did not make any capital investments.

The ratio analysis in the assessment of profitability, liquidity and debt indicates a stable financial situation of the Makarony Polskie Group in 2022 in relation to previous periods in terms of profitability, ability to settle liabilities and security of financing current and investment activities.

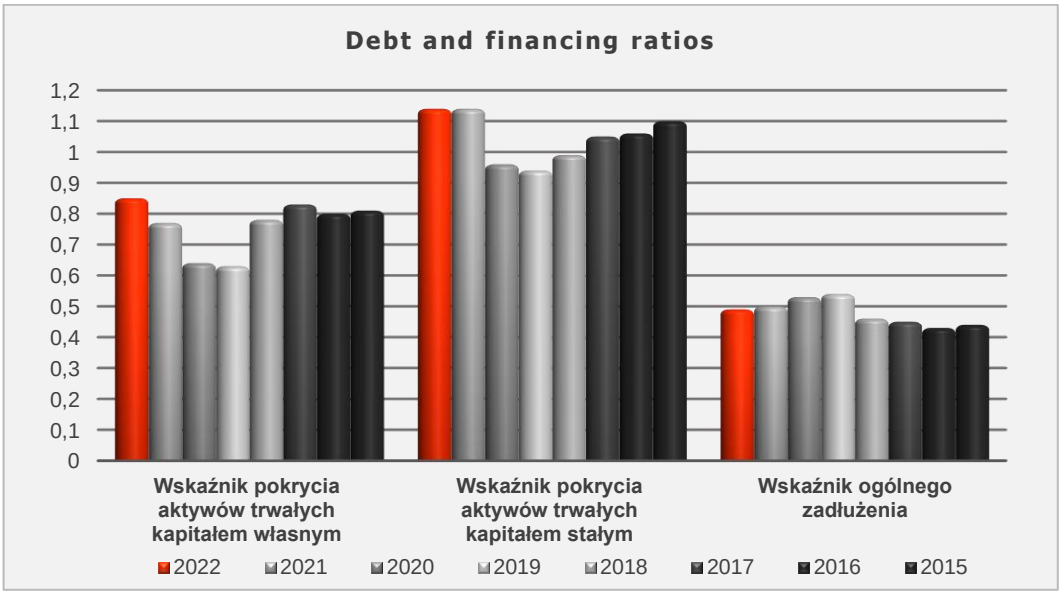
Indicator analysis

The ratio analysis in the assessment of profitability, liquidity and debt indicates that the financial situation of the Makarony Polskie Group in 2022 is stable in relation to previous periods in terms of profitability, ability to settle liabilities and security of financing current and investment activities.

The level of profitability and cash flow generated in the Group allowed, among other things, for: the payment of a dividend to shareholders of approximately PLN 3.3 million (PLN 0.30 per share) in 2022; a number of investments; the purchase of some raw material at an attractive price without trade credit; and the maintenance of a safe level of debt.

Debt and financing ratios

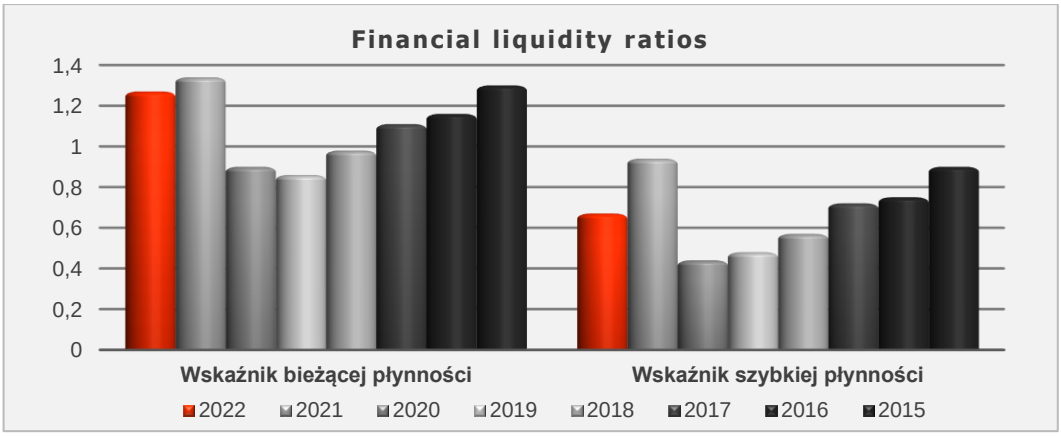
	2022	2021	2020	2019	2018	2017	2016	2015
Equity to non-current assets ratio *(Equity/non-current assets)*	0.85	0.77	0.64	0.63	0.78	0.83	0.80	0.81
Fixed assets to fixed capital ratio *((Equity + Non-current liabilities)/Fixed assets)*	1.14	1.14	0.96	0.94	0.99	1.05	1.06	1.10
Overall debt ratio *(Total Liabilities/Total Assets)*	0.49	0.50	0.53	0.54	0.46	0.45	0.43	0.44



Financial situation of the Makarony Polskie Group

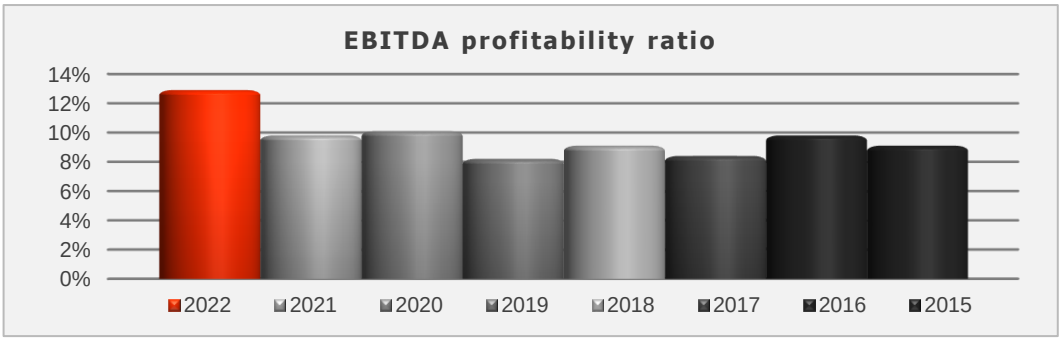
Liquidity indicators

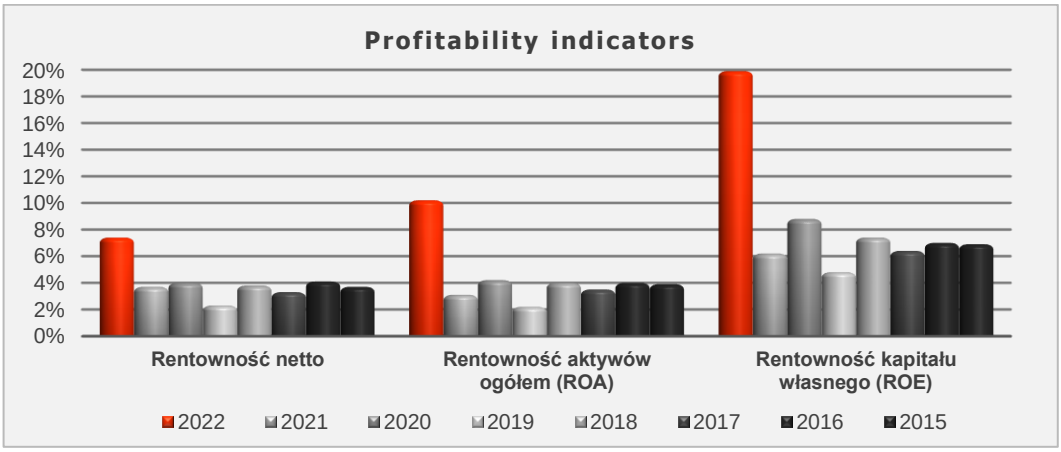
	2022	2021	2020	2019	2018	2017	2016	2015
Current liquidity ratio *(Current assets/Current liabilities)*	1.27	1.34	0.90	0.86	0.98	1.11	1.16	1.30
Quick liquidity ratio *((Current assets - Inventories - Short-term accruals)/Short-term liabilities)*	0.67	0.94	0.44	0.48	0.57	0.72	0.75	0.90



Profitability indicators

	2022	2021	2020	2019	2018	2017	2016	2015
Profitability of sales (Gross profit (loss) from sales/net sales revenue)	22,3%	18,4%	20,2%	22,7%	22,4%	22,2%	23,3%	21,0%
Operating profitability (Profit (loss) from continuing operations/net sales revenue)	10,1%	5,1%	6,0%	4,2%	5,4%	5,0%	6,1%	5,8%
Business profitability (Pre-tax profit (loss) /Net revenue from sales)	9,2%	4,5%	5,1%	3,3%	4,7%	4,2%	5,3%	4,9%
Net profitability (Net profit (loss) / Net revenue from sales)	7,4%	3,7%	4,0%	2,3%	3,8%	3,3%	4,1%	3,7%
Return on total assets (ROA) (Net profit (loss) / Total assets)	10,2%	3,1%	4,2%	2,2%	4,0%	3,5%	4,0%	3,9%
Return on equity (ROE) (Net profit (loss) / equity)	19,9%	6,2%	8,8%	4,8%	7,4%	6,4%	7,0%	6,9%
EBITDA profitability (EBITDA/net sales revenue)	12,9%	9,8%	10,1%	8,2%	9,1%	8,4%	9,8%	9,1%





Other financial information

Information on concluded and terminated loan and factoring agreements

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	31.12.2022	31.12.2021
- long-term part	13,133	20,522
- short-term part	13,220	15,238
Total	**26,353**	**35,760**

The status of loan and factoring agreements in effect as at 31 December 2022, for which Makarony Polskie SA was a party to the agreements, is presented in the tables below:

– Overdraft in Santander Bank Polska SA

EU investment loan at Santander Bank Polska SA	31 December 2022
Loan contractual value	PLN 5,000 k
Loan period	18.10.2013 – 31.05.2022
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 261 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – blank promissory note issued by the Company together with a promissory note declaration, – registered pledge on inventories with a value not lower than PLN 5,000 k with the assignment of rights under the pledge insurance policy, – surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

During 2022, Makarony Polskie SA concluded an annex to the overdraft facility agreement with Santander Bank Polska which:

- extends the liability repayment date from 31 May 2022 to 31 May 2023;
- adjusts the margin to current market conditions;
- makes the Company's obligations toward the Bank consistent with the obligations resulting from other agreements.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 13,849 k
Loan period	18.10.2013 – 30.12.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,359 k
Repayment schedule	The loan will be repaid in 49 monthly installments in the following amounts: 48 installments of PLN 105 k each and the last 49 equalizing installments in the amount of PLN 204 k.
Loan collateral	– joint mortgage up to PLN 17,000 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock;

	– registered pledge on fixed assets (production lines in the plant in Rzeszów) along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

During 2022, Makarony Polskie S.A. concluded an annex to the investment loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 12,121 k
Loan period	07.02.2017 - 28.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,780 k
Repayment schedule	The loan will be repaid in 37 monthly installments, in the following amounts: 36 installments in the amount of PLN 50 k, 37th installment PLN 9,061 k, the received EU refinancing will reduce the balloon installment
Loan collateral	– joint mortgage up to PLN 18,200 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on a semi-industrial line for trials and tests along with instrumentation, along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

During 2022, Makarony Polskie S.A. concluded an annex to the investment union loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

– EU investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 8 000 k

Loan period	15.09.2017 - 31.12.2023
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 442 k
Repayment schedule*	The loan will be repaid in 49 principal installments, including 48 installments in the amount of PLN 33 k PLN, 49th installment in the amount of PLN 79 k.
Loan collateral	– joint mortgage up to PLN 2,500 on the following real estates: a) KW No. RZ1Z/00076860/5 in Rzeszów and KW No. PL1P/00094893/6 in Płock, together with the assignment of rights under the real estate insurance policy, b) KW no. PL1P/00097530/5, KW no. PL1P/00114158/9 and KW no. PL1P/00097363/3 (on the shares held) in Płock; – registered pledge on the technological line purchased under the grant project along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

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

During 2022, Makarony Polskie S.A. concluded an annex to the investment union loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 4,400 k
Loan period	10.06.2021 – 30.01.2026
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,971 k
Repayment schedule	The loan will be repaid in 41 equal monthly installments in the amount of 107 k each
Loan collateral	– de minimis guarantee in the amount of 80% of the Loan amount; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed. – blank promissory note issued by the Company together with a promissory note declaration, as colateral for the de minimis guarantee.

During 2022, Makarony Polskie SA concluded a annexes to the investment loan agreement with Santander Bank Polska SA atimed at:

- extension of the loan availability period,
- change of loan repayment schedule.

- the unification of the company's obligations towards the bank.

– Revolving loan in Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 1,700 k
Loan period	10.06.2021 – 30.05.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,700 k
Repayment schedule	once on the liability maturity date
Loan collateral	– de minimis guarantee in the amount of 80% of the Loan amount; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed. – blank promissory note issued by the Company together with a promissory note declaration, as colateral for the de minimis guarantee.

During 2022, Makarony Polskie S.A. concluded an annex to the revolving loan agreement with Santander Bank Polska S.A., which unifies the Company's obligations towards the bank.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 12,000 k
Loan period	07.12.2021 – 31.03.2029
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 10,752 k
Repayment schedule	The loan will be repaid in 82 monthly installments in the following amounts: 81 installments of PLN 144 k each and the last 82 equalizing installments in the amount of PLN 96 k.
Loan collateral	– – a contractual joint mortgage up to the amount of PLN 18,000 k on the following real estates of SAS Sp. z o.o. in Korpele: KW No. OL1S/00032815/5, KW No. OL1S/00039349/6, KW No. OL1S/00044965/8 together with the assignment of rights under the real estate insurance policy; – registered pledge on 100% of shares in SAS Sp. z o.o.; – accession to debt by SAS Sp. z o.o.; – blank promissory note issued by the Company together with a promissory note declaration; – statement of the Company and SAS Sp. z o.o. and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed

During 2022, Makarony Polskie SA and SAS Sp. z o.o. performed actions establishing future collateral to the investment loan agreement at Santander Bank Polska SA, i.e.:

- SAS Sp. z o.o. concluded an agreement with the bank on unconditional accession to the debt of Makarony Polskie S.A. under the investment loan agreement and made a declaration of submission to enforcement pursuant to Art. 777 §1.5 of the Code of Civil Procedure, and concluded an agreement on joint contractual mortgage up to PLN 18.0 million on the real estate of SAS Sp. z o.o. located in Korpeli along with an agreement on assignment of receivables under the insurance agreement for buildings and structures on the said real estate,
- Makarony Polskie SA, as the sole shareholder of the SAS company, entered into a registered pledge agreement with the bank for up to the amount of PLN 18.0 m on 107,730 shares in the SAS company, with a nominal value of PLN 10.773 m, representing 100% of the share capital of that company and 100% of the votes at the Shareholders' Meeting of that company.

During 2022, Makarony Polskie SA concluded an annex to the investment loan agreement with Santander Bank Polska SA, as a result of which a loan repayment schedule have changed, in connection with the use of the loan amount of PLN 11,760 k against the limit of PLN 12,000 k that Makarony Polskie SA could have used.

- Overdraft in BNP Paribas Bank Polska SA

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 7,000 k
Loan period	19.11.2021 - 31.10.2023
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 182 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to the amount of PLN 10,500 thousand on real estate in Częstochowa marked with KW no. CZ1C/00111425/8 together with assignment of rights from the real estate insurance policy, – blank promissory note issued by the Company together with a promissory note declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– Revolving loan in Santander Bank Polska SA

During 2022, the Company benefited from a working capital loan totalling PLN 3,000 thousand granted to it by Santander Bank Polska SA. In accordance with the provisions of the agreement, the loan was repaid on the due date and therefore the obligations under the agreement between the Company and the Bank were extinguished.

– Factoring agreement (full) in Santander Factoring Sp. z o.o.

Terms of the agreement	31 December 2022
Contractual value	PLN 7,500 k
Duration	Agreement concluded for an indefinite period
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Factoring balance	PLN 6,532 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

During 2022, Makarony Polskie SA concluded an annex to the factoring agreement with Santander Factoring Sp. z o.o., which:

- increased the factoring limit from PLN 5.5 million to PLN 7.5 million,
- extended the term of the factoring limit from 31 March 2022 to 31 March 2023,
- adjusted the margin to market conditions.

Subsequent to the end of the reporting period, the Company entered into an annex to the factoring agreement with Santander Factoring Sp. z o.o., which extended the term of the factoring limit by a further year.

The status of loan agreements in effect as at 31 December 2022, for which Stoczek Natura Sp. z o.o. was a party to the agreements, is presented in the tables below:

– Overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 4,000 k
Loan period*	16.11.2017 – 15.11.2024
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,385 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to PLN 6,000 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy,

	– authorization to a current account kept at the Bank, – registered pledge on the set of machines and devices (located in the plant in Stoczek Łukowski), along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – surety of Makarony Polskie SA, – statement of the Company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

During the 2022 financial year, Stoczek Natura Sp. z o.o. concluded annexes to the open-end overdraft agreement with Bank Gospodarstwa Krajowego, which:

- increased the amount of the credit limit from PLN 3 million to PLN 4 million,
- adjusted the amount of collateral to the Bank's current credit exposure,
- adjusted the margin to current market conditions;
- extended the liability repayment date from 16 November 2022 to 15 November 2024;

– Investment loan at Bank Gospodarstwa Krajowego*

Loan terms and conditions	31 December 2022
Loan contractual value	PLN 4,812 k
Loan period	08.07.2019 – 08.05.2025
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 2,495 k
Repayment schedule	in 54 monthly installments in the amount of 89 k each
Loan collateral	– contractual mortgage up to PLN 7,218 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – authorization to a current account kept at the Bank, – registered pledge on the set of machines and devices (located in the plant in Stoczek Łukowski), along with the assignment of rights under the insurance policy for the subject-matter of the pledge, – blank promissory note issued by the Company together with a promissory note declaration, – surety of Makarony Polskie SA, – statement of the Company and the Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

* The loans taken by Stoczek Natura Sp. z o.o. at Bank Gospodarstwa Krajowego in July 2019 were intended to finance an investment related to the project entitled "Increasing the competitiveness of Stoczek Natura Sp. z o.o. of implementing innovative solutions by modernising the production line for ready meals in jars and cans and introducing new, innovative products on trays to the company's offer. As part of the project, Stoczek Natura Sp. z o.o. carried out the purchase of fixed assets and the modernisation of production premises.

Information on loans granted

As at 31 December 2022, Makarony Polskie SA granted its subsidiary Stoczek Natura Sp. z o.o. short-term loan in the amount of PLN 2.00 m with the repayment date falling on 31 December 2023 (one-off repayment until the maturity date of the liability). The interest rate on the loan was set based on market conditions.

During 2022, SAS Sp. z o.o. granted a short-term loan to its related company MP Trade Sp. z o.o. in the total amount of PLN 3.7 million, with a final repayment date of 30 December 2023. As at 31 December 2022, the outstanding amount of the loan was PLN 1.0 million. The interest rate on the loan was set based on market conditions. The loan was repaid by MP Trade Sp. z o.o. after the end of the reporting period - in April 2023.

Information on guarantees given and received

In 2022, Makarony Polskie SA granted the guarantee to its affiliate SAS Sp. z o.o. The guarantees received were used by Makarony Polskie SA, Stoczek Natura Sp. z o.o. and SAS Sp. z o.o.

The list of guarantees in force at Makarony Polskie SA as at 31 December 2022 is illustrated in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Santander Bank Polska SA	157	until 31.01.2024	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note with a promissory note declaration
Santander Bank Polska SA	457	until 31/03/2027	guarantee securing the Company's contractual obligations under the institutional contract concluded	– a joint mortgage of up to PLN 18 200 thousand on the Company's real estate in Rzeszów (Land and Mortgage Register No. RZ1Z/00076860/5) and in Płock (Land and Mortgage Register No. PL1P/00094893/6, Land and Mortgage Register No. PL1P/00097530/5, Land and Mortgage Register No. PL1P/00114158/9, Land and Mortgage Register No. PL1P/00097363/3), together with an assignment of rights under the real estate insurance policy, which is a future obligation to be established in accordance with the agreement;

				– blank promissory note with a promissory note declaration; – the Company's statement of submission to enforcement made under Article 777 of the Code of Civil Procedure in the form of a notarial deed, with this being a future obligation to be established in accordance with the contract

In 2022, Makarony Polskie S.A. used a guarantee of PLN 1,011 thousand securing the Company's contractual obligations under a concluded institutional contract, granted by Santander Bank Polska, which expired in the reporting period due to the release of the guarantee by the beneficiary and the return of the original guarantee documents.

Statement of guarantees applicable in Stoczek Natura Sp. z o.o. as at 31 December 2022 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	335	until 16.01.2026	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note issued by the Company together with a promissory note declaration; – authorization to a current account kept at the Bank; – surety of Makarony Polskie SA,; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed
Bank Gospodarstwa Krajowego	2,235	until 31/12/2024	guarantee securing the Company's contractual obligations under the institutional contract concluded	– blank promissory note issued by the Company together with a promissory note declaration; – authorization to a current account kept at the Bank; – surety of Makarony Polskie SA,; – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed

In 2022, Stoczek Natura Sp. z o.o. benefited from three guarantees in the amount of PLN 504 thousand, PLN 24 thousand and PLN 1,549 thousand, securing the company's contractual obligations arising from concluded institutional contracts, granted by Bank Gospodarstwa Krajowego, which expired in the reporting period due to the release of the guarantees and the return of the original guarantee documents.

Statement of guarantees applicable in SAS Sp. z o.o. as at 31 December 2022 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Makarony Polskie SA	800	until 30/06/2025	guarantee securing SAS's obligations under its power purchase agreement	–

INFORMATION ON GRANTED AND RECEIVED SURETIES

Makarony Polskie SA granted sureties to the subsidiary company Stoczek Natura Sp. z o.o., and their status as at 31 December 2022 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of secured liabilities in PLN k as at 31.12.2022
Surety of overdraft facility in the amount of PLN 4.0 m Surety of investment loan in the amount of PLN 13.8 m	Bank BGK	6,000	15/05/2025	3,385
Surety of investment loan in the amount of PLN 4.8 m	Bank BGK	4,812	08/11/2025	2,495
Bank guarantee in the amount of PLN 1.5 m	Bank BGK	335	16/07/2026	-
Bank guarantee in the amount of PLN 2,2 m	Bank BGK	2,235	30/06/2025	-

During 2022, Makarony Polskie S.A. concluded an annex to the guarantee agreement for the open-end credit in the current account of Stoczek Natura Sp. z o.o. with Bank BGK, as a result of which the amount of the guarantee was increased from PLN 4.5 million to PLN 6.0 million.

In 2022, Makarony Polskie S.A. granted two sureties to Stoczek Natura Sp. z o.o., which expired in the reporting period due to the release of the guarantees by the beneficiaries and the return of the original guarantee documents. The sureties secured two bank guarantees of PLN 0.5 million and PLN 1.5 million granted to the subsidiary by Bank BGK.

Makarony Polskie SA received remuneration for granting sureties.

Stoczek Natura Sp. z o.o. granted sureties to the parent company Makarony Polskie SA, and their status as at 31 December 2022 is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 31.12.2022
Surety of overdraft facility in the amount of PLN 5.0 m	Santander Bank Polska SA	15,366	30/12/2026	261
Surety of investment loan in the amount of Surety of investment loan in the amount of PLN 13.8 m	Santander Bank Polska SA			1,359

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

Significant transactions entered into by the Company and its subsidiaries with related parties on conditions other than at arm's length

During 2022, the companies of the Makarony Polskie Company did not conclude any significant transactions with each other under the terms other than market terms.

Within the Makarony Polskie Company, individual companies enter into transactions of purchase and sale of products, goods and services among themselves. There are agreements between the companies specifying the terms of cooperation, adapted to the Group's organizational structure. All transactions are performed under the market terms and conditions.

Off-balance sheet items

(in PLN k)	31 December 2022	31 December 2021
1. Contingent assets	**3,243**	**3,245**
- received guarantees and sureties	3,184	3,245
- collaterals on assets	0	0
- promissory notes	59	0
2. Contingent liabilities	**185,337**	**158,845**
- for provided guarantees and warranties	0	0
- collaterals on property	141,685	98,869
- promissory note obligations	43,652	59,976
Total off-balance items	**-182,094**	**-155,600**

The values of guarantees received, collaterals, promissory notes, mortgages and other off-balance sheet liabilities in the table above have been presented at maximum values.

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

Significant proceedings pending before a court, arbitration or public administration body

In the reporting period presented before, no proceedings regarding material liabilities and debts of the Company or a subsidiary were pending before a court, competent arbitration authority or public administration body.

Events after the balance sheet date that could significantly affect the financial results

There were no other events after the balance sheet date that could significantly affect the financial results.

Summary information about Makarony Polskie S.A.

Discussion of the results

The financial statements of Makarony Polskie S.A. were prepared on the basis of the International Financial Reporting Standards, assuming that the Company will continue its business activities in the foreseeable future and in a not materially diminished scope. The Company did not have any operations that were discontinued during the financial year 2022.

The selected financial data of Makarony Polskie S.A. as at 31 December 2022, expressed in thousands of PLN, are as follows:

(in PLN k)	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Net sales revenue	**234,409**	**155,561**
Revenues from sales of other products and services	184,184	121,620
Net revenues from sales of goods and materials	50,225	33,941
Own cost	**187,982**	**128,560**
Production costs of products and services sold	142,092	97,794
Value of goods and materials sold	45,890	30,766
Gross profit (loss) on sales	**46,427**	**27,001**
Costs of sales	23,228	19,447
General administrative costs	6,498	5,016
Other revenues	1,693	4,246
Other costs	3,716	785
Profit (loss) from continued operations	**14,678**	**5,999**
Financial incomes	393	885
Financial costs	2,279	846
Gross profit	**12,792**	**6,038**
Income tax	2,330	1,004
Net profit (loss) from continued operations	**10,462**	**5,034**
EBITDA (EBIT + depreciation)	20,864	12,109
Number of shares (units)	11,040,071	11,040,071
Weighted average number of shares (in units) during the financial year	11,040,071	9,348 098
Profit/loss per ordinary share (in PLN/EUR) *	0.95	0.54
Book value per one share (in PLN/EUR) **	9.42	8.78

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

** Book value per ordinary share = shareholders' equity/number of shares at the balance sheet date

The value of revenues in 2022 amounted to approximately PLN 234.4 million and was approximately 50.6% (approximately PLN 78.8 million) higher than in 2021, which was mainly due to the purchasing panic related to the war in Ukraine and the inflation crisis.

The cost of products, services, goods and materials sold in 2022 was approximately PLN 188 million (an increase of approximately 46.2%).

Makarony Polskie SA closed 2022 with gross profit on sales of approximately PLN 46 million (an increase of approximately PLN 19.4 million compared to 2021), with gross profitability on sales of approximately 19.8% (vs. approximately 17.4% in 2021)

Operating profit (EBIT) in 2022 was approximately PLN 14.7 million compared to approximately PLN 6 million in 2021, an increase of approximately 145%. Profitability at the EBIT level was approximately 6.3% (vs. approximately 3.9% in 2021).

Net profit in 2022 amounted to approx. PLN 10.5 million and is higher than the result in 2021 by approx. PLN 5.4 million (approx. +107.8%). The return on sales calculated at the level of net profit was approximately 4.5% (vs. approximately 3.1% in 2021).

In 2022, the company recorded EBITDA of approximately PLN 20.9 million, compared to a result of approximately PLN 12.1 million in 2021, an increase of PLN 8.8 million year-on-year, i.e. approximately 72.3%. EBITDA profitability in 2022 was approximately 8.9% vs. approximately 7.8% in 2021.

Market environment

The sales markets of the Makarony Polskie Company can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries). The company achieved the following sales revenues in 2022:

in PLN k	2022	2021	y/y
Revenues from sales	234,409	155,561	49,6%

In 2022, only two customers exceed the threshold of a 10% share of unit sales revenue (branded and private label products combined). These are Jeronimo Dystrybucja Polska with a share of approximately 28.8% and the Lidl Group with a share of approximately 13.2%. The Company is not formally related to the operators of these chains in any way,

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

and the cooperation is based on partnership principles and is beneficial for Makarony Polskie S.A.

Private label

The largest share of the Company's revenue (57%) was accounted for by the private label (PL) channel, offering products under private labels of domestic and foreign chains (including sales to a Lidl contractor operating within a single Group in Europe

PL (in PLN k)	2022	2021	y/y
Revenues from sales	133,657	99,663	+34,1%

In 2022, the increase in pasta sales in the private label segment was mainly due to price increases triggered by an unprecedented rise in production costs and an inflationary crisis.

Modern and traditional trade

Another significant revenue for the Company at about 17.2%, achieved in the domestic market, is the sale of the Group's brands (brands: Makarony Polskie, Sorenti, Stoczek, Męska Rzecz, Novelle) in modern trade (HN) and traditional trade (HT) channels:

HN and HT (in PLN k)	2022	2021	y/y
Revenues from sales	40,074	27,888	+43,7%

The 43.7% year-on-year increase in branded product sales was driven by increased product ranges in the chains, the outbreak of war in Ukraine and panic buying.

In 2023, the Company aims to further develop partnerships with existing customers, as well as improve sales numbers by attracting new, previously unsupported national and local chains to work with.

B2B and Institutions

B2B and Institutions accounted for approximately 14.3%, of the Company's total revenue:

B2B and Institutions (in PLN k)	2022	2021	y/y
Revenues from sales	33,278	13,942	+138%

Sales in the B2B and Institutions distribution channel in 2022 amounted to approximately PLN 19.3 million and were approximately +138% higher than in 2021. The increase in

sales was mainly due to an increase in sales of pasta products in the subcontracting of an institutional contract and an increase in contracts with government institutions.

Exports

Exports in the Company's total revenue for 2022 accounted for approximately 7.2 per cent:

Exports (in PLN k)	2022	2021	y/y
Revenues from sales	25,720	16,590	+55%

The company's export strategy focuses on establishing partnerships with major retail chains - directly, as well as through distributors and official importers. The increase in exports was linked to the outbreak of war in Ukraine and the shopping panic.

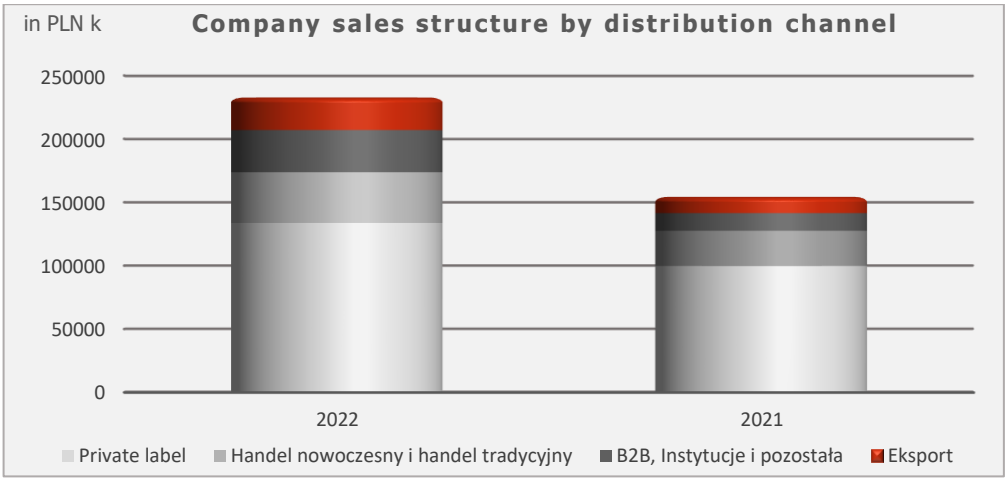
The main export market for the Makarony Polskie Group remains Ukraine, where cooperation with new networks and distributors is systematically developed. However, throughout 2022, export sales were developed in both EU and non-EU markets. New product items were introduced to both existing and new customers in existing as well as new business partners.

Operating segments

Structure of sales by distribution channel at Makrony Polskie SA

Makarony Polskie S.A.'s sales revenue in 2022 was PLN 234.4 million, up by approximately 50.6% (PLN 78.8 million) from the same period in 2021.

The structure of sales of products and goods by distribution channel is shown in the chart below:



Sales revenue by operating segment

(in PLN k)	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Pasta	189,351	121,384
Meat and vegetable preserves	32,771	20,587
Vegetable and fruit preserves	8,468	8,416
Total	3,819	5,174
Total	**234,409**	**155,561**

The value of sales in the pasta category increased by approximately PLN 68 million to PLN 189.3 million in 2022. The increase of approximately 56% compared to 2021 was the result of an increase in demand for pasta in 2022, which was characterised by strongly increased demand for long-life goods due to, among other things, the outbreak of war in Ukraine.

Sales of meat and vegetable preparations increased by approximately PLN 12.2 million in the period under review to approximately PLN 32.8 million. The increase of approximately 59% (2022 vs. 2021) was the result of increased sales under private labels and to retail chains. In the analysed period, sales of the new line of ready meals in trays and bowls under the So Food brand launched in 2020 developed dynamically. These products have been very well received by customers reaching the position of sales leader in their category in 2022 according to a report by Nielsen. Another factor was the increased demand for goods with a long shelf life due to the panic buying that occurred as a result of the outbreak of war in Ukraine.

The segment in which negative dynamics of change were recorded is the processed fruit and vegetable segment. During the analysed period, revenue remained almost unchanged with a decrease in sales volume.

Structure of assets and liabilities

The balance sheet total of Makarony Polskie S.A. amounted to PLN 195.3 million as at 31 December 2022, compared to PLN 182.7 million as at 31 December 2021.

Structure of assets and liabilities

ASSETS	01.01.2022-31.12.2022	01.01.2021-31.12.2021

FIXED ASSETS	**132,805**	**118,828**
Fixed tangible assets	76,063	79,465
Fixed assets - IFRS-16	3,504	3,291
Investment real estate 603	603	603
47,190	0	0
Other intangible assets	5,411	5,325
Non-current financial assets of which:	47,190	30,080
Shares	47,190	30,080
Borrowings granted	0	0
Assets for deferred income tax	0	0
Other long-term assets	34	64
CURRENT ASSETS	**62,513**	**63,789**
Inventories	29,809	13,408
Short-term receivables	29,915	21,446
Income tax receivables	0	554
Borrowings granted	2,012	2,003
Cash and cash equivalents	461	26,121
Other short-term assets	316	257
FIXED ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	**195,318**	**182,617**

LIABILITIES	**01.01.2022-31.12.2022**	**01.01.2021-31.12.2021**
EQUITY	**104,050**	**96,900**
Revaluation capital	33,120	27,750
Supplementary capital	48,468	39,228
Reserve capital	12,000	24,888
Retained profits/losses (profit/loss from previous years)	10,462	5,034
LONG-TERM LIABILITIES	**32,963**	**41,997**
Provision for deferred income tax	2,213	3,065
Long-term bank loans and borrowings	11,707	18,027
Other long-term financial liabilities	0	215
Provision for pensions and similar benefits (long-term)	340	345

Revenues of future periods - long-term	15,332	16,777
Long-term financial liabilities - leasing	3,371	3,568
SHORT-TERM LIABILITIES	**58,305**	**43,720**
Short-term bank loans and borrowings	8,740	11,432
Other short-term financial liabilities	214	368
Short-term financial liabilities - leasing	1,169	1,391
Other short-term liabilities	44,108	28,365
Income tax liabilities	1,237	0
Revenues of future periods - short-term	1,273	1,302
Provision for retirement and similar benefits (short-term)	1,564	862
Other short-term provisions	0	0
TOTAL LIABILITIES	**91,268**	**85,717**
TOTAL LIABILITIES	**195,318**	**182,617**

As at 31 December 2022, non-current assets amounted to approximately PLN 132.8 million (approximately 68% of total assets), compared to approximately PLN 118.8 million at the end of 2021 (an increase of approximately 11.8% vs. the end of 2021). The increase in non-current assets resulted from the purchase of shares in SAS Sp. z o.o.

Current assets amounted to approximately PLN 62.5 million as at 31 December 2022, a decrease of approximately 2% compared to the end of 2021 (approximately PLN 1.3 million).

The decrease in current assets of around 2% was due to the offsetting that took place in individual balance sheet items:

- The cash that was accumulated last year for investments was invested and the item decreased significantly (by approximately PLN 25.7 million), while the short-term receivables and inventories items increased significantly,
- the increase in short-term receivables (by approximately PLN 8.5 million) was due to the large year-on-year increase in the level of product prices, which translated into higher financial receivables with a similar sales volume,
- The increase in inventories (by approximately PLN 16.4 million) was due to a large increase in the level of product prices year-on-year, which translated into a higher valuation of inventories, as well as a volume increase in inventories related to the socio-economic uncertainty in the region and the inflation crisis.

Equity at the balance sheet date was approximately PLN 104 million, representing approximately 53% of the value of liabilities, and increased by approximately 7.4% compared to a value of approximately PLN 97 million at the end of 2021.

Non-current liabilities amounted to approximately PLN 33 million and decreased by approximately 21.5% (from approximately PLN 42 million) compared to the balance at the end of 2021, mainly due to the repayment of borrowings.

Current liabilities as at 31 December 2022 amounted to approximately PLN 58.3 million and increased compared to the balance at the end of 2021 of approximately PLN 43.7 million.

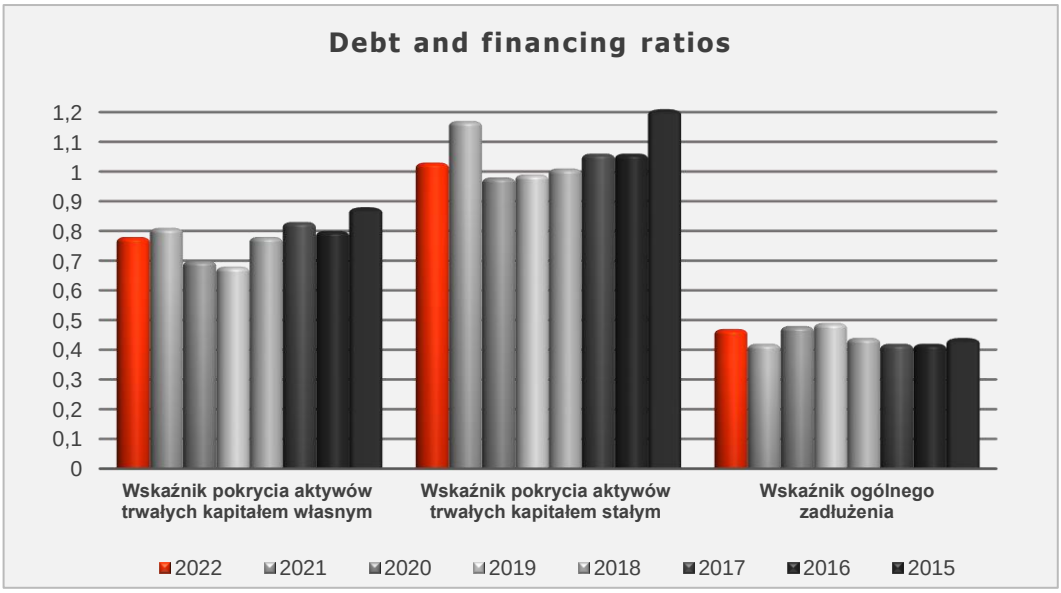
Indicator analysis

The ratio analysis for the assessment of profitability, liquidity and debt indicates a stable financial situation for Makarony Polskie in 2022 in terms of profitability, ability to settle liabilities and security of financing current and investment activities.

The level of profitability and cash flow generated by the company allowed, among other things, for: the payment of a dividend of approximately PLN 3.3 million to shareholders in 2022; a number of investments; the purchase of some raw material at an attractive price without trade credit; and the maintenance of a safe level of debt.

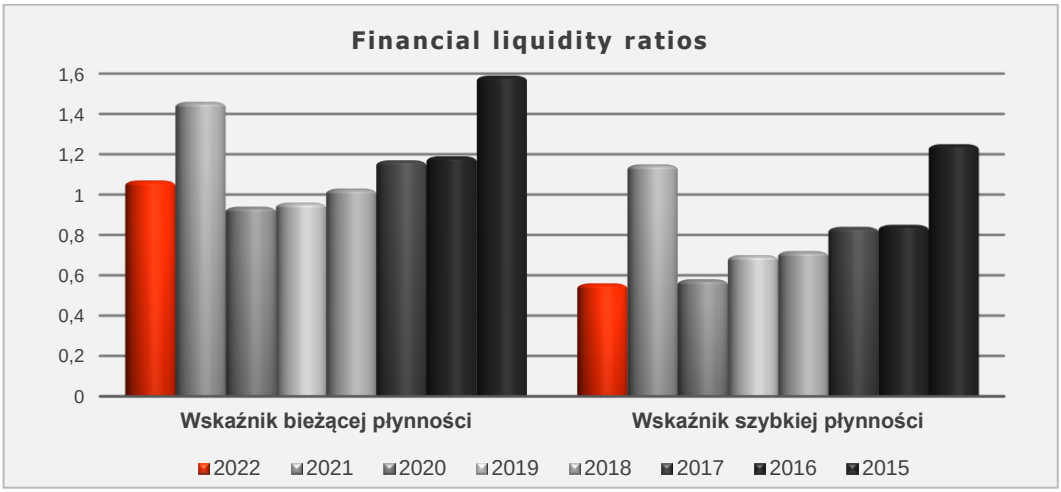
Debt and financing ratios

	2022	2021	2020	2019	2018	2017	2016	2015
Equity to non-current assets ratio *(Equity/non-current assets)*	0.78	0.81	0.70	0.68	0.78	0.83	0.80	0.88
Fixed assets to fixed capital ratio *((Equity + Non-current liabilities)/Fixed assets)*	1.03	1.17	0.98	0.99	1.01	1.06	1.06	1.21
Overall debt ratio *(Total Liabilities/Total Assets)*	0.47	0.42	0.48	0.49	0.44	0.42	0.42	0.44



Liquidity indicators

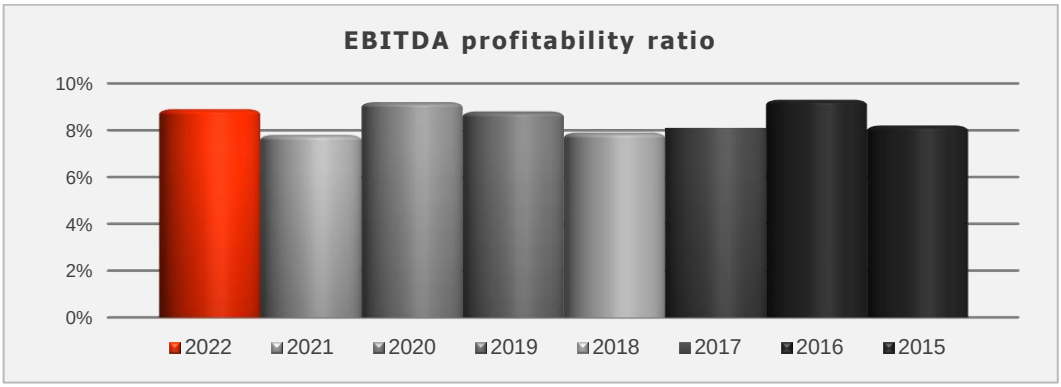
	2022	2021	2020	2019	2018	2017	2016	2015
Current liquidity ratio *(Current assets/Current liabilities)*	1.07	1.46	0.94	0.96	1.03	1.17	1.19	1.59
Quick liquidity ratio *((Current assets - Inventories - Short-term accruals)/Short-term liabilities)*	0.56	1.15	0.58	0.70	0.72	0.84	0.85	1.25

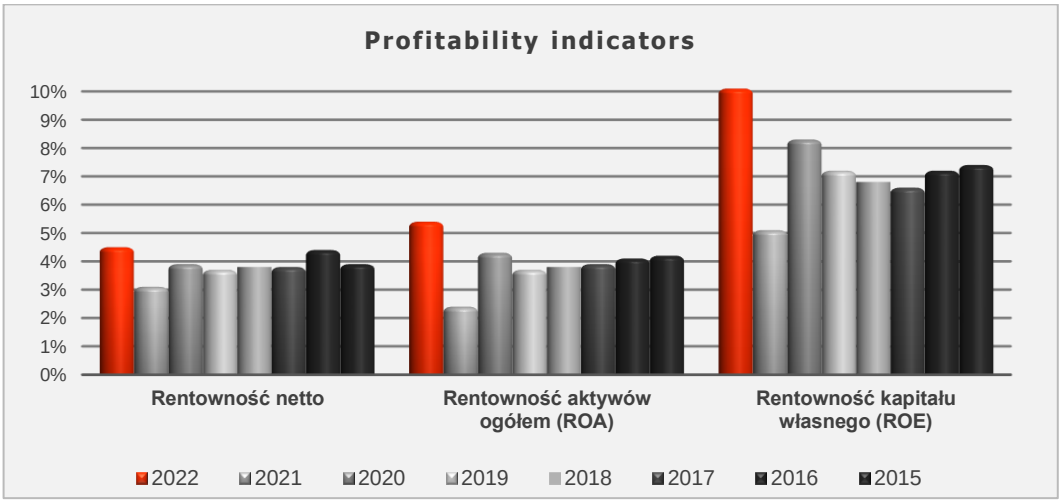


Profitability indicators

	2022	2021	2020	2019	2018	2017	2016	2015
Profitability of sales (Gross profit (loss) from sales/net sales revenue)	19,8%	17,4%	19,6%	21,8%	22,0%	21,0%	21,8%	21,0%
Operating profitability (Profit (loss) from continuing operations/net sales revenue)	6,3%	3,9%	5,8%	5,3%	5,2%	5,1%	6,3%	5,8%

Profitability of the business (Gross profit (loss) / Net sales revenue)	5,5%	3,8%	5,0%	4,7%	4,7%	4,8%	5,6%	5,1%
Net profitability (Net profit (loss) / Net revenue from sales)	4,5%	3,1%	3,9%	3,7%	3,8%	3,8%	4,4%	3,9%
Return on total assets (ROA) (Net profit (loss)/Total assets)	5,4%	2,4%	4,3%	3,7%	3,8%	3,9%	4,1%	4,2%
Return on equity (ROE) (Net profit (loss) / Shareholders' equity)	10,1%	5,1%	8,3%	7,2%	6,8%	6,6%	7,2%	7,4%
EBITDA profitability (EBITDA/net sales revenue)	8,9%	7,8%	9,2%	8,8%	7,9%	8,1%	9,3%	8,2%





Off-balance items

(in PLN k)	31.12.2022	31 December 2021
1. Contingent assets	**18,039**	**18,534**
- received guarantees and sureties	15,980	16,534
- collaterals on assets	0	0

- promissory notes	2,059	2,000
2. Contingent liabilities	**134,753**	**121,911**
- for provided guarantees and warranties	14,182	11,365
- collaterals on property	93,038	70,555
- promissory note obligations	27,533	39,991
Total off-balance items	**- 116,714**	**- 103,377**

The values of guarantees received, collaterals, promissory notes, mortgages and other off-balance sheet liabilities in the table above have been presented at maximum values.

In 2022, the Company applied the set of corporate governance principles "Good Practices of Companies Listed on the WSE 2021".

Corporate governance

Corporate governance statement

Makarony Polskie S.A. applies the principles of corporate governance contained in the document "Best Practices of WSE Listed Companies 2021" ("DPSN") adopted by resolution of the Exchange Supervisory Board No. 13/1834/2021 of 29 March 2021. The document containing the set of principles is available on the Warsaw Stock Exchange's websitehttp://corp-gov.gpw.pl.

In accordance with DPSN 2021, on 31 July 2021, Makarony Polskie SA published "Information on the status of the company's application of the principles contained in the Collection of Good Practices of Companies Listed on the WSE 2021". Makarony Polskie SA informed about non-application of 13 principles: 1.3.1., 1.4., 1.4.1., 1.4.2., 2.1., 2.2., 2.9., 2.11.6., 4.1., 4.3., 4.4., 6.2., 6.4. In accordance with the comply or explain formula, the Company published an explanation of non-application of the indicated principles.

Explanations by the Company on how to apply the specific principles contained in the set of "Good Practices of Companies Listed on the WSE 2021", with reference to the year 2021:

- *1.3. 1.3 The company also considers ESG topics in its business strategy, in particular including: 1.3.1. environmental issues, including metrics and risks related to climate change and sustainability issues;*

  The principle is not applied.

  Company comment: The principle is partially applied by the Company. Among its development directions, the Company envisages, inter alia, taking measures to meet environmental requirements and to reduce the negative impact of its operational activities on the environment. The Company carries out production activities and has a regulated formal and legal status with regard to the use of the environment. The Company respects the legal requirements and regulations relating to the above areas. The Company's strategy does not currently include quantitative metrics for environmental, climate change and sustainability issues. The Company will endeavour to incorporate such metrics and the risks associated with these factors into its business strategy.

- 1.4. *In order to ensure proper communication with stakeholders, with regard to the business strategy adopted, the company shall post on its website information on the assumptions of its strategy, measurable objectives, including in particular long-term*

objectives, planned activities and progress in its implementation, defined by metrics, financial and non-financial. Information on the ESG strategy should, inter alia:

The principle is not applied.

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

- 1.4.1. *explain how climate change issues are taken into account in the decision-making processes of the company and its group entities, indicating the resulting risks;*

  The principle is not applied.

  Company comment : The Company in its decision-making processes strives to respect the requirements and legislation relating to climate issues, however, this area is not formally and measurably covered by the Company's currently adopted and implemented business strategy.

- 1.4.2. *present the value of the pay equity ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate any inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.*

  The principle is not applied.

  Company comment: The Company will carry out the necessary analysis and endeavour to publish information in the manner set out in this rule starting with the data for 2022.

- 2.1. *The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting respectively. The diversity policy shall define the objectives and criteria for diversity in areas such as, inter alia, gender, field of study, specialist knowledge, age and professional experience, and indicate when and how the achievement of these objectives will be monitored. With regard to gender diversity, a condition for ensuring the diversity of the company's bodies is that the proportion of minorities in the respective body is no less than 30%.*

  The principle is not applied.

  Company comment: The Company has not developed a formalised diversity policy with regard to the Company's authorities. With regard to the members of the

Company's authorities, the selection of persons serving as members of the Supervisory Board and the Management Board is made by the shareholders and the Supervisory Board, respectively, guided by ownership decisions, corporate decisions and professionalism. In accordance with the Company's practice, the key selection criterion is the competence of the person needed to perform the function. The criterion of ensuring the diversity of the Company's bodies is applied in a subsidiary manner.

- 2.2. *2.2 Those deciding on the election of the members of the company's management or supervisory boards should ensure the comprehensiveness of these bodies by selecting diversity in their composition, allowing, inter alia, for the achievement of a target minimum minority participation rate set at not less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.*

  The principle is not applied.

  Company comment: The principle is partially applied by the Company. With regard to members of the Company's authorities, the selection of persons serving as members of the Supervisory Board and the Management Board is made by the shareholders and the Supervisory Board, respectively, guided by ownership decisions, corporate decisions and principles of professionalism. In accordance with the Company's practice, the key selection criterion is the competence of the person concerned
- 2.9. *2.9 The chairperson of the supervisory board should not combine his or her function with the chairmanship of the board's audit committee.*

  The principle is not applied.

  Company comment: In the current term of the Council
- *2.11. In addition to the statutory activities, once a year the supervisory board shall prepare and present an annual report to the ordinary general meeting for approval. The report referred to above shall include at least:* 2.11.6 *information on the degree of implementation of the diversity policy with respect to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1.*

  The principle is not applied.

  Company comment: The Company has not developed a formalised diversity policy in relation to the Company's authorities and its key managers.
- 4.1. *The company should enable shareholders to participate in the general meeting by means of electronic communication (e-general meeting) if this is justified by the shareholders' expectations communicated to the company, provided that the company is able to provide the technical infrastructure necessary for holding such a general meeting.*

  The principle is not applied.

Company comment: In the opinion of the Board, incurring such costs is not justified by the Company's shareholding structure.

- 4.3. *The Company shall provide publicly available real-time transmission of the general meeting.*

  The principle is not applied.

  Company comment: In the opinion of the Board, incurring such costs is not justified by the Company's shareholding structure.

- 4.4. *Representatives of the media shall be allowed to be present at general meetings.*

  The principle is not applied.

  Company comment: In the opinion of the Board of Directors, at the moment, the presence of media representatives at general meetings is not justified by the Company's shareholding structure.

- 6.2. *ncentive programmes should be designed in such a way that, inter alia, they make the level of remuneration of the members of the company's board of directors and its key managers dependent on the actual long-term situation of the company in terms of financial and non-financial performance and long-term growth in shareholder value and sustainability, as well as the stability of the company's operations.*

  The principle is not applied.

  Company comment: The principle is partially applied. The Company's bodies endeavour to ensure that incentive programmes are designed in such a way as to make the level of remuneration of the members of the Management Board and key managers of the Company dependent, inter alia, on the actual, long-term situation in terms of financial results and long-term growth of shareholder value, as well as the stability of the Company's operations. At the moment, however, there is limited functioning of the linking of incentive systems to non-financial performance, as well as to elements of sustainable development (inter alia, due to the lack of formal inclusion of this element and measurable indicators related to it in the Company's current strategy).

- 6.4. *The board performs its tasks on a continuous basis, and therefore the remuneration of board members must not depend on the number of meetings held. The remuneration of the members of the committees, in particular the audit committee, should take into account the additional workload related to the work of these committees.*

  The principle is not applied.

  Company comment: The current remuneration system for the Supervisory Board, adopted by the 2022 General Meeting, does not make the remuneration of supervisory board members dependent on the number of meetings held. Supervisory board members who are also members of the audit committee do not receive any additional remuneration related to their work on this committee.

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

Makarony Polskie S.A. as the Parent Company prepares standalone and consolidated financial statements based on the generally applicable legal regulations and internal regulations. The accounting books are kept based on the principles adopted and approved for application by the Company's Management Board, i.e. Accounting Policy and Chart of Accounts consistent with IFRS, which are updated as needed. Subsidiaries are obliged to implement and apply internal documents consistent with those of the parent company. The accounting books of the Group companies are maintained in an ERP system, and access to IT resources is limited by privileges for a specific group of employees.

The Company constantly monitors significant legal, tax, economic, operational, etc. risks that determine the general directions of the Makarony Polskie Group's activities.

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

The primary objective of the Company's designed system of internal control over financial reporting is to ensure the adequacy and accuracy of the financial information contained in the financial statements and interim reports.

The Accounting Team is responsible for the preparation of the financial statements and periodic financial reporting; the Finance Team is responsible for the day-to-day management reporting of the Company and the Group. In presenting financial data in financial statements, periodic financial reports and other reports presented to investors, the Company applies consistent accounting policies.

The financial data underlying the financial statements and interim reports are derived from the Company's monthly financial and operational reporting. After the accounting closure of each calendar month, the Finance Team, together with the Management Board, analyses the Company's financial performance against assumptions and taking into account business segments. Identified errors are corrected on an ongoing basis in the Company's books in accordance with the accounting policy adopted.

The preparation of financial statements and interim reports begins after the results of the completed month/period have been reviewed and approved by the Board. The Company's periodic reports are prepared by the financial and accounting services under the

supervision of the Chief Accountant (based on the financial data contained in the periodic financial reporting) and the staff of the Finance Team and are subject to review by the Company's Board of Directors, the Head of the Finance Team, the Development Director, the Company Director.

The annual separate and consolidated financial statements of the Group companies are audited by an independent auditor. The half-yearly separate and consolidated financial statements of Group companies are reviewed by an independent auditor.

Within the Supervisory Board of Makarony Polskie S.A., there is an Audit Committee, appointed from among the Board members. The Audit Committee monitors the Company's financial reporting processes, the effectiveness of the internal control and risk management systems and internal audit (including financial reporting), as well as the performance of financial audit activities, in particular the audit of the Company's financial statements by the audit firm, taking into consideration all conclusions and findings of the Audit Oversight Committee resulting from the audit conducted at the given audit firm.

The members of the Audit Committee are in direct contact with the auditor conducting the audit of the financial statements of Makarony Polskie S.A., they inform the Supervisory Board about the results of the audit of the Company's financial statements and provide explanations on how the audit contributed to the integrity of financial reporting in the Company, and what was the role of the Audit Committee in the audit process.

In the final stage, the final assessment of the financial statements is also made by the Supervisory Board of Makarony Polskie SA.

Information on rules for changing the entity authorised to audit financial statements

In accordance with §19 c) of the Articles of Association of Makarony Polskie S.A., the selection of the statutory auditor to audit the Company's financial statements falls within the competence of the Supervisory Board. The selection is made based on the recommendation of the Audit Committee.

The auditor shall be changed at least once every five years.

The rules for changing the entity authorised to audit the financial statements are set out in §4 of the Company's Supervisory Board Regulations. The Company has a Policy for the Selection of the Auditing Firm and a Procedure for the Selection of the Auditing Firm, which were developed by the Audit Committee of the Supervisory Board.

The entity to act as the Company's auditor is selected in such a way as to ensure independence in the performance of the tasks entrusted to it. The assessment of the auditor's independence at the various stages of selection, as well as in the course of further cooperation, is carried out by the Audit Committee. The Audit Committee also gives its

approval, if any, for the provision of permitted non-audit services by the auditor and the audit firm, in accordance with the Policy adopted and implemented in this area.

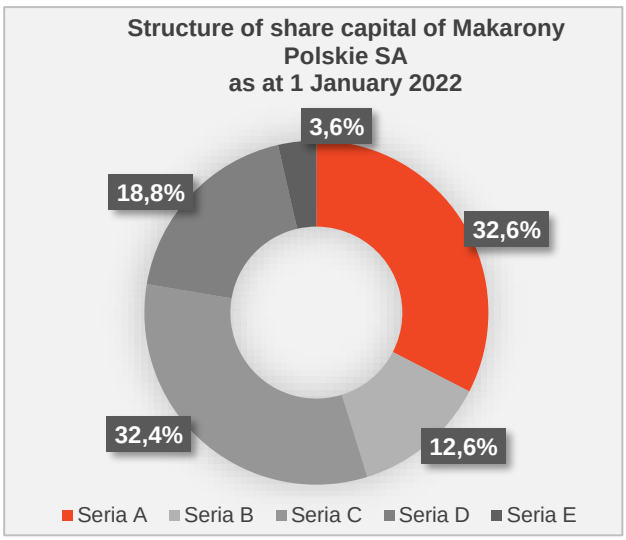
Share capital

The share capital of Makarony Polskie S.A. as at 1 January 2022:

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

Structure of the Company's share capital:

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



On 4 March 2022, in the register of business entities of the National Court Register, the increase of the share capital of Makarony Polskie SA by issuance of 1,790,000 series F

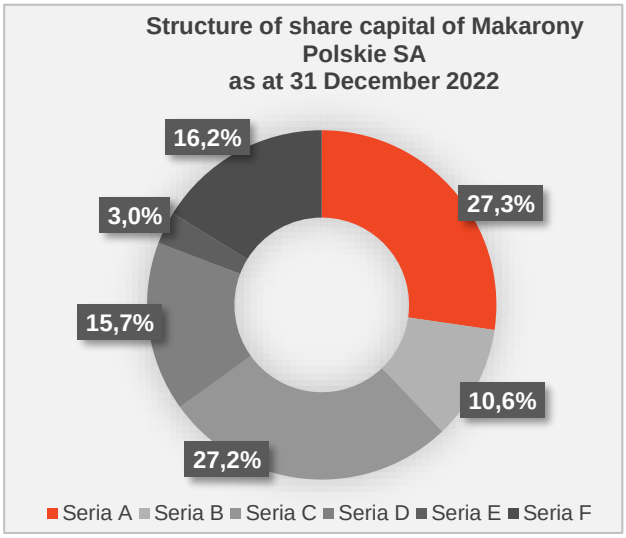
ordinary bearer shares was registered, which means the increase of the share capital by the amount of PLN 5,370,000 to the amount of PLN 33,120,213.

The share capital of Makarony Polskie S.A. as at 31 December 2022:

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

Structure of the Company's share capital:

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



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

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

Shares held by major shareholders (above 5% of capital)

Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the votes in the total number of votes at the Company's General Meeting as at the date of the report (according to the information available):

Shareholder	Shares in share capital		Votes at the General Meeting	
	number	share in %	number	share in %
Mr. Zenon Daniłowski and entities from Grupa PGS, including:	3,641,594	32,99%	3,641,594	32,99%
Praska Giełda Spożywcza SA (former: Agro-Technika SA)	*3,380,000*	*30,62%*	*3,380,000*	*30,62%*
Zenon Daniłowski	*140,000*	*1,27%*	*140,000*	*1,27%*
Polskie Smaki Sp. z o.o.	*121,594*	*1,10%*	*121,594*	*1,10%*
Raya Holding for Technology & Communications S.A.E., including:	3,254,706	29,48%	3,254,706	29,48%
Madova Sp. z o.o.	*3,254,706*	*29,48%*	*3,254,706*	*29,48%*
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	1,169,750	10,60%	1,169,750	10,60%
Other shareholders	2,974,021	26,94%	2,974,021	26,94%
IN TOTAL	**11,040,071**	**100,00%**	**11,040,071**	**100,00%**

Changes in the shareholding structure during 2022

As a result of registration in the register of business entities of the National Court Register on 4 March 2022, of an increase in the share capital of Makarony Polskie SA by way of issue of 1,790,000 F-series ordinary bearer shares, i.e. an increase in the share capital by the amount of PLN 5,370,000 to the amount of PLN 33,120,213, the Company received notifications from the shareholders informing about the changes in the share in the share capital and total numer of votes in the Company:

- Madova Sp. z o.o. and Raya Holding For Financial Investments S.A.E. which is a direct parent of Madova, informed that as a result of the acquisition by Madova of 1,000,000 F-series shares, Madova directly exceeded, and Raya Holding indirectly exceeded the threshold of 25% of share in Makarony Polskie SA:
  1) Prior to the Change of Shareholding, Madova directly held, and Raya Holding indirectly held 2,254,706 shares of the Company, accounting for 24.38% of the share capital of Makarony Polskie SA and entitling to cast 2,254,706 votes, i.e. 24.38% of the total number of the votes.
  2) After the change of shareholding Madova holds directly, and Raya Holding holds indirectly, 3,254,706 shares of the Company constituting 29.48% in the share capital

of Makarony Polskie S.A. entitling to cast 3,254,706 votes constituting 29.48% of the total number of votes.

3) There are no subsidiaries of Madova holding shares of Makarony Polskie SA and there are no other subsidiaries of Raya Holding other than Madova holding shares of the Company.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

– The shareholders of the company Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. informed that there was a direct decrease in the share in Makarony Polskie SA:
  1) Prior to the change in the shareholding of Z.P.H. Elpast Elżbieta and Grzegorz Słomkowscy s.c. held directly 1,169,750 shares of the Company representing 12.65% in the share capital of Makarony Polskie SA entitling to cast 1,169,750 votes representing 12.65% of the total number of votes.
  2) After the change in the shareholding of Z.P.H. Elpast Elżbieta i Grzegorz Słomkowscy s.c. holds directly 1,169,750 shares of the Company constituting 10.60% in the share capital of Makarony Polskie S.A. entitling to cast 1,169,750 votes constituting 10.60% of the total number of votes.
  3) There are no subsidiaries of Z.P.H. Elpast Elżbieta and Grzegorz Słomkowscy s.c. holding shares in Makarony Polskie SA.
  4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
  5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
  6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

– Praska Giełda Spożywcza SA informed that as a result of the acquisition of 590,000 F-series shares, there was a direct and indirect increase in the share in the Company:
  1) Prior to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 2,911,594 shares of the Company, accounting for 31.47% of the share capital of Makarony Polskie SA and entitling to cast 2,911,594 votes, accounting for 31.47% of the total number of the votes, of which:
     a. directly – 2,790,000 shares, accounting for 30.16% of the share capital and entitling to cast 2,790,000 votes, accounting for 30.16% of the total number of the votes,

b. indirectly (by the subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.31% of the share capital and entitling to 121,594 votes, accounting for 1.31% of the total number of the votes.

2) Subsequent to the Change of Shareholding, Praska Giełda Spożywcza SA held directly and indirectly 3,501,592 shares of the Company, accounting for 31.72% of the share capital of Makarony Polskie SA and entitling to cast 3,501,594 votes, accounting for 31.72% of the total number of the votes, of which:
   a. directly – 3,380,000 shares, accounting for 30.62% of the share capital and entitling to cast 3,380,000 votes, accounting for 30.62% of the total number of the votes,
   b. indirectly (by the subsidiary Polskie Smaki Sp. z o.o.) – 121,594 shares, accounting for 1.10% of the share capital and entitling to 121,594 votes, accounting for 1.10% of the total number of the votes.
3) There are no subsidiaries other than Polskie Smaki Sp. z o.o. of Praska Giełda Spożywcza SA that hold shares in Makarony Polskie SA.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

– Mr. Zenon Daniłowski informed that as a result of the acquisition of 590,000 F-series shares by Praska Giełda Spożywcza, there was an indirect increase in the share in the Company:
1) Prior to the Change of Shareholding, Mr. Zenon Daniłowski held directly and indirectly 3,051,594 shares of the Company, accounting for 32.99% of the share capital of Makarony Polskie SA and entitling to cast 3,051,594 votes, accounting for 32.99% of the total number of the votes, of which:
   a. directly – 140,000 shares, accounting for 1.51% of the share capital and entitling to cast 140,000 votes, accounting for 1.51% of the total number of the votes,
   b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 2,911,594 shares, accounting for 31.47% of the share capital and entitling to 2,911,594 votes, accounting for 31.47% of the total number of the votes.
2) After the change in shareholding, Mr Zenon Daniłowski holds directly and indirectly 3,641,594 shares in the Company representing 32.99% in the share capital of Makarony Polskie SA entitling him to cast 3,641,594 votes representing 32.99% of the total number of votes, of which:

a. directly – 140,000 shares, accounting for 1.27% of the share capital and entitling to cast 140,000 votes, accounting for 1.27% of the total number of the votes,
b. indirectly (through subsidiaries Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o.) – 3,501,594 shares, accounting for 31.72% of the share capital and entitling to 3,501,594 votes, accounting for 31.72% of the total number of the votes.

3) There are no subsidiaries other than Polskie Smaki Sp. z o.o. and Praska Giełda Spożywcza SA of Mr Zenon Daniłowski holding shares in Makarony Polskie SA.
4) There are no persons referred to in Art. 87 (1) (3) (c) of the Act on Public Offering.
5) None of the notifying entities holds financial instruments referred to in Article 69b(1) of the Offering Act.
6) The total number of votes indicated pursuant to Article 69b(4)(3)(7)(8) of the Act on Public Offering was indicated in section 2 above.

The Company has no other information that would indicate changes in the number of shares held by significant shareholders (with share blocks above 5%) during 2022 and in the period until the date of publication of these statements.

The Company has no knowledge of other agreements (including those concluded after the balance sheet date) as a result of which, in the future, there may be changes in the proportion of shares held by the current shareholders.

Shares held by Members of the Management Board

Number and nominal value of the shares of the Company owned by Members of the Management Board as at the date of the statements are as follows:

Member of the Management Board	2022		2021	
	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 associated with the following companies: Praska Giełda Spożywcza SA and Polskie Smaki Sp. z o.o., which also hold the Company's shares; the total number of shares in 2022 as at the report publication date is 3,641,594 shares with a value of PLN 10,924,782 and has not changed compared to the shares held as at the date of publication of the interim report for the reporting year 2021.

In accordance with the information held by the Company, during 2022 and until the date of publication of these statements, there were no changes in the ownership of shares held by the President of the Management Board.

Shares held by members of the Supervisory Board

Number and nominal value of the shares of the Company owned by Members of the Supervisory Board as at the date of the statements are as follows:

Member of the Supervisory Board	2022		2021	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil	0	0	0	0
Janusz Pierun – from 30 June 2022	-	-	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski *	26,782	80,346	26,782	80,346

* Mr. Wiesław Wasilewski acquired 20,000 shares of new series F which were acquired in December 2021 and registered in the National Court Register in March 2022.

To the best of the Company's knowledge, there have been no other changes in the shareholdings of the Members of the Supervisory Board during the 2022 and up to the date of publication of this report.

Shares in subsidiaries

The managing and supervising persons of Makarony Polskie S.A. do not hold any shares in the subsidiaries of the Makarony Polskie Group.

Right to decide to issue or buy back shares

Pursuant to §9 of the Company's Articles of Association, the share capital may be increased and decreased in accordance with the principles and procedures set out in the Commercial Companies Code, as well as by way of a public offering under the terms of the Act of 29 July 2005 on Public Offering and the Conditions for Introducing Financial Instruments to an Organised Trading System and on Public Companies, as amended.

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

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

Pursuant to the decision of the General Meeting, the Company is authorised to purchase its own fully paid-up Shares, with the maximum number of treasury shares that the Company may purchase being 1,850,014 shares, with the proviso that the total nominal value of the shares purchased, together with the nominal value of the remaining shares that have not been sold by the Company, may not exceed 20% of the Company's share capital. The shares will be purchased in particular for the purpose of: redemption, further resale or exchange.

The granted authorization covers a period of 5 years from the date of adopting the Resolution of the General Meeting, but no longer than until the capital reserve created for the purpose of acquiring own shares is used.

The payment price for one share will be from PLN 6.00 to PLN 8.52, and the total maximum amount of payment for the purchased shares will not exceed the amount of the reserve capital created for this purpose.

The date of commencement and completion of the acquisition of treasury shares, as well as the terms and conditions of the acquisition of treasury shares not specified in the Resolution of the General Meeting, the Management Board will make public, pursuant to Article 56 of the Act of 29 July 2005 on public offering (...) and in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (...),

The Board of Directors, within the scope of the authorisation granted, may only acquire own shares as a result of the announcement of an invitation to tender shares, which invitation will be carried out through a brokerage entity, with the minimum number of shares in each invitation not being less than 300,000.

The General Meeting authorized the Management Board to take all factual and legal actions necessary to acquire own shares in accordance with the adopted Resolution and to define the remaining rules and conditions for the acquisition of own Shares, in the scope not regulated by the Resolution

For the needs of the acquisition of own shares by the Company, on the basis and within the scope of the authorization granted to the Management Board, a reserve capital of PLN 12.0 m was created. The reserve capital was created by transferring the amount of PLN 12.0 m from the Company's supplementary capital.

Rules of amending the Statute of Makarony Polskie S.A.

The Articles of Association of Makarony Polskie S.A., as currently in force, do not have any provisions on amending the Articles of Association that differ from the provisions of the Code of Commercial Companies.

Pursuant to Article 430 of the Commercial Companies Code, amendments to the Articles of Association require a resolution by the General Meeting and an entry in the register. A resolution of the General Meeting on amendments to the Articles of Association requires a majority of ¾ of the votes cast - Article 415 of the Commercial Companies Code.

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

General Meeting

Essential powers of the General Meeting

The General Meeting is competent to decide on matters relating to the organisation and operation of the Company, subject to the cases set out in the Commercial Companies Code and the Company's Articles of Association.

Manner of operation of the General Meeting

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

The Annual General Meeting is convened annually by the Board of Directors and is held within six months after the end of each financial year (during the Covid-19 pandemic, by virtue of generally applicable law, for entities supervised by the FSA, this period was postponed by two months). Extraordinary General Meetings are convened by the Management Board on its own initiative, by the Supervisory Board if it deems it advisable to convene a General Meeting, 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 Company's registered office or at another place in the Republic of Poland. The place and date of the General Meeting shall be chosen to enable the widest possible range of shareholders to attend.

General Meetings shall be convened in the manner prescribed for the communication of current information by public companies, together with an announcement on the Company's website www.makarony.pl.

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

Resolutions of the General Meeting shall be adopted by an absolute majority of the votes cast, unless otherwise stipulated by mandatory provisions of law or the Articles of Association.

Voting takes place in public. A secret ballot shall be ordered by the Chairman of the General Meeting in personal matters and at the request of a shareholder. The right to request a secret ballot shall not be used when passing resolutions on matters of order. The Meeting may waive the secrecy of the vote on matters relating to the election of the committees it appoints.

Shareholders' rights

The rights of shareholders and the manner in which they are exercised at the General Meeting are set out in the Commercial Companies Code, the Articles of Association and the Regulations of the General Meeting.

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

Only persons who are shareholders of the Company 16 days before the date of the General Meeting (record date) have the right to participate in the General Meeting. Shareholders have the right to participate in the General Meeting in person or by proxy. Each shareholder has the right to speak on matters on the agenda.

A description of the procedures for participation in the General Meeting and the exercise of voting rights is included each time in the notice of the General Meeting.

General Assembly in 2022

For the financial year 2022, the Annual General Meeting of Makarony Polskie SA was held on 30 June. The following matters were discussed at the Meeting:

- Consideration and approval of the financial statements of Makarony Polskie SA for the financial year 2021,
- to consider and approve the report of the Management Board on the activities of the Company and the Makarony Polskie Group in the financial year 2021,
- To consider and approve the consolidated financial statements of the Makarony Polskie Group for the financial year 2021,
- distribution of net profit for the financial year 2021,
- Consideration of the report of the Supervisory Board of Makarony Polskie SA for the financial year 2021,
- discharging the members of the Company's Management Board for the performance of their duties in the financial year 2021,
- granting discharge to the members of the Company's Supervisory Board for the performance of their duties in the financial year 2021,
- Adoption of a resolution on expressing an opinion on the Report of the Supervisory Board on remuneration of the Members of the Management and Supervisory Boards of Makarony Polskie S.A. for the financial year 2021,
- Adoption of resolutions on the determination of the number of members of the Supervisory Board of the 10th term of office, the appointment of the members of the

Supervisory Board and the determination of the principles and amount of remuneration of the members of the Supervisory Board.

The content of the resolutions of the Annual General Meeting was published in current report No. 17/2022 of 1 July 2022 and is available on the company's website www.makarony.pl.

During 2022, the Board convened two Extraordinary General Meetings:

- the subject of the Extraordinary General Meeting convened on 1 August 2022 was the adoption of a resolution on the correction of an accounting error which occurred in the content of Resolution No. 15 of the Ordinary General Meeting of 30 June 2022 in order to avoid doubts of interpretation as to the manner of distribution of net profit for 2021 - as a result of not including newly issued series F shares in the amount of profit to be distributed to shareholders (registration of these shares in the National Depository for Securities took place in the period in which draft resolutions for the Annual General Meeting were prepared and therefore, pursuant to Resolution 18 of the Annual General Meeting of 7 July 2021, these shares were entitled to dividend payment for 2021) in the original resolution:
  - indicated the amount to be distributed to shareholders in the amount of: PLN 2,775,021.30 (in words: two million seven hundred and seventy-five thousand twenty-one zloty 30/100), i.e. PLN 0.30 (in words: thirty groszy) gross per share, whereas
  - the amount to be paid to shareholders should be indicated in the amount of: PLN 3,312,021.30 (in words: three million three hundred and twelve thousand twenty one zloty 30/100), i.e. PLN 0.30 (in words: thirty cents) gross per share,
- the subject of the Extraordinary General Meeting convened on 12 October 2022 was to be the adoption of a resolution on the merger of Makarony Polskie S.A. as the acquiring company, with SAS Sp. z o.o. as the acquired company - the Meeting did not take place due to the fact that no Shareholder entitled to participate in this Extraordinary General Meeting appeared and was represented (a resolution in this matter was adopted at the next General Meeting convened by the Management Board of the Company after the end of the reporting period).

During 2022, the Company's Shareholders and Supervisory Board Members did not make any other requests for a General Meeting.

The members of the Management Board and the Supervisory Board attended the General Meetings in such a composition as to be able to provide substantive answers to the shareholders' questions asked during the Meeting.

Supervisory Board

The Supervisory Board of Makarony Polskie S.A. operates on the basis of the Code of Commercial Companies, the Articles of Association of the Company and the Regulations of the Supervisory Board adopted by Resolution No. 25 of the Annual General Meeting of Makarony Polskie S.A. of 28 June 2016.

Principles for appointing and dismissing members of the Supervisory Board

The Supervisory Board of the Company consists of between 5 and 7 members, appointed and dismissed by the General Meeting.

The term of office of the Supervisory Board is two years. The mandates of the members of the Supervisory Board expire on the date of the Annual General Meeting approving the Company's financial statements for the last full financial year of their office. If, during the term of office of the Company's Supervisory Board, a supplementary or extending election is made, the mandate of the newly-appointed member of the Supervisory Board expires simultaneously with the mandates of the other members of the Company's Supervisory Board.

Candidates put forward as members of the Supervisory Board shall be justified to enable the General Meeting to make an informed choice. The members of the Supervisory Board shall be selected in such a way that they have the necessary education and life experience to enable them to properly assess the Company's operations and to properly perform their functions on the Supervisory Board and the Audit Committee, and in such a way that at least two members of the Supervisory Board are persons free of connections with the Company and the Company's shareholders or employees.

Members of the Board are entitled to remuneration according to the rules set by the General Meeting.

The Supervisory Board elects a President from among its members, who directs the work of the Board. The Supervisory Board may also appoint Vice-President and a Secretary.

Competences of the Supervisory Board

The Supervisory Board exercises constant supervision over the Company's activities in all areas of its business. The powers of the Supervisory Board include:

- evaluating the financial statements and the report of the Board of Directors as to their conformity with the books and documents and with the facts, as well as the proposals of the Board of Directors concerning the distribution of profits and the coverage of losses, and submitting an annual written report to the General Meeting on the results of this evaluation,
- approving annual financial plans for the Company and controlling their implementation,
- the appointment of an auditor to audit the Company's financial statements,to
- grant consent to incur obligations or make dispositions which, on the basis of one or more related legal actions - exceed the amount of 10% of the Company's equity calculated according to the last balance sheet of the Company approved by the General Meeting, unless they are provided for in the Company's annual financial plan approved by the Supervisory Board,
- to approve the disposal of the Company's assets, the value of which exceeds 10% (in words: ten per cent) of the total value of the Company's equity calculated according to the last Company's balance sheet approved by the General Meeting, unless they have been provided for in the Company's annual financial plan approved by the Supervisory Board,
- consent to incurring liabilities or making dispositions which, on the basis of one or more related legal actions, exceed 10% of the Company's equity calculated according to the last balance sheet of the Company approved by the General Meeting, unless provided for in the Company's annual financial plan approved by the Supervisory Board,
- appointing and dismissing the Company's Management Board or individual members thereof,
- appointment and dismissal of the Company's Management Board or its individual members,
- determine the terms and conditions of remuneration of the Company's Management Board and the amount of remuneration of its individual members,
- representing the Company in contracts between it and a Board Member, as well as in a dispute between the Company and such person.

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

The forms of work of the Board are meetings, control activities and participation in the Company's authorities.

Composition of the Supervisory Board

Since 1 January 2022 to 30 June 2022 the Supervisory Board is composed of:

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

On 30 June 2022, in connection with the end of the ninth term of the Supervisory Board, the Annual General Meeting of the Company appointed a Supervisory Board of the tenth term. The number of the Members of the Supervisory Board of the tenth term was determined as 5 people.

The following persons were appointed to the Supervisory Board of 10th term:

- Roman Sobiecki
- Michał Słomkowski
- Wiesław Wasilewski
- Marek Rocki
- Ahmed Khalil

The Supervisory Board of the 10th term was constituted on 19 July 2022. Mr Roman Sobiecki became President of the Supervisory Board and Mr Ahmed Khalil became Vice-President of the Supervisory Board.

From 30 June 2022 to the date of publication of these statements, the Supervisory Board was composed of:

- Roman Sobiecki - President the Supervisory Board (independent member),
- Mr Ahmed Khalil - Vice-President of the Supervisory Board (dependent member),
- Marek Rocki - Member of the Supervisory Board (dependent member),
- Michał Słomkowski - Member of the Supervisory Board (independent member),
- Wiesław Wasilewski - Member of the Supervisory Board (independent member).

Committees of the Supervisory Board

As part of the Supervisory Board of Makarony Polskie S.A., in accordance with the legal regulations, there is an Audit Committee.

For the time being, there are no plans in the Company to establish Supervisory Board committees other than those required by law. This is supported by the Company's status, the composition of the shareholding, as well as organisational and economic considerations, including the need for additional administrative and legal services for such committees.

AUDIT COMMITTEE

The Audit Committee of Makarony Polskie S.A. operates on the basis of the applicable legal regulations and the Regulations of the Audit Committee adopted by Resolution No. 5 of the Supervisory Board of Makarony Polskie S.A. of 18 October 2017.

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

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

The term of office of a Member of the Audit Committee expires on the expiry of his or her mandate on the Supervisory Board. Any member of the Audit Committee may also be dismissed by the Supervisory Board at any time.

In the event of the expiry of the mandate of a Supervisory Board Member elected to the Audit Committee before the expiry of the term of office of the entire Supervisory Board, or his or her resignation from the Audit Committee, the Supervisory Board shall supplement the composition of the Committee by electing a new member of the Audit Committee for the period until the expiry of the term of office of the Supervisory Board.

The tasks of the Audit Committee include in particular:

- monitoring:
  - the Company's financial reporting processes,
  - the effectiveness of internal control and risk management systems and internal audit, including on financial reporting,
  - the performance of auditing activities, in particular the audit of the Company's financial statements by the audit firm, taking into account any conclusions and findings of the Audit Oversight Committee arising from the audit of the audit firm concerned;
- controlling and monitoring the independence of the auditor and the audit firm carrying out the audit of the Company's financial statements (in particular, where services other than the audit are also provided to the Company by that audit firm);
- informing the Supervisory Board of the results of the audit of the Company's financial statements and explaining how this audit contributed to the integrity of the Company's financial reporting and what the Committee's role was in the audit process;
- assessing the independence of the auditor and audit firm carrying out the audit of the Company's financial statements and approving the provision by them of permitted services to the Company which do not constitute an audit of the Company's financial statements;
- developing a policy for the selection of an audit firm to audit the Company's financial statements;
- developing a policy for the provision to the Company by the audit firm auditing the Company's financial statements, by affiliates of the audit firm and by a member of the audit firm's network (within the meaning of generally applicable regulations) of permitted services that do not constitute an audit of the Company's financial statements;
- determining the procedure for the selection of the audit firm to audit the Company's financial statements;
- making recommendations to the Supervisory Board on the selection of a statutory auditor or audit firm to audit the Company's financial statements. The recommendation should meet the requirements indicated in Regulation No. 537/2014 and the Act on Statutory Auditors;
- making recommendations to the Supervisory Board and the Executive Board to ensure the integrity of the Company's financial reporting process.

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

- without the mediation of the Supervisory Board, request information, explanations and the transmission of documents necessary for the performance of its tasks,

- request that the key auditor discuss with the Audit Committee or the Board of Directors the key issues arising from the audit that are listed in the supplementary report referred to in Article 11 of Regulation No. 537/2014.

Composition of the Audit Committee

From 1 January 2022 to 30 June 2022, the Audit Committee of the Supervisory Board of the ninth term was composed of:

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

On 19 July 2022 the Supervisory Board of the tenth term appointed from among its members the Audit Committee composed of:

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

As required by law, Audit Committee members have:

- knowledge and skills in accounting or auditing - 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 Professor of Economics at the Warsaw School of Economics (SGH), where he has worked since 1978. He serves as Vice-Rector of SGH for Development and Director of the Institute of Markets and Competition. Previously, he was Dean of the SGH College of Business Studies from 2012 to 2020. Between 1996 and 1997, he was an advisor in the Political Cabinet of the Minister of the Treasury. Between 1999 and 2005, he was a member of the Team of Consultants to the President of the Republic of Poland on Agriculture and Rural Development. From 2013 to 2015, he was chairman of the National Entrepreneurship Council, which operates under the Minister of Economy.
Mr Roman Sobiecki is the author and co-author of more than 70 books and articles on micro- and macroeconomics, globalisation and entrepreneurship (including the books "Globalisation and the functions of Polish agriculture", "The agrarian question in economic theory"). He is also the author and co-author of academic textbooks for students on competition theory and competitive strategies of firms.

Mr Michał Słomkowski - graduated with a Bachelor's degree in BBA Finance and Accounting and a Master's degree in Finance and Accounting, specialisation in Corporate Finance, from the Leon Koźmiński Academy. He also completed postgraduate studies at the Institute of Spatial Management and Housing and Leon Kozminski Academy - Real Estate

Management. He has experience in controlling, labour performance and costs management.

Mr Wiesław Wasilewski - graduated from the Higher School of Engineering in Radom at the Faculty of Economics and Organisation and postgraduate studies at the University of Warmia and Mazury at the Faculty of Economic Sciences, majoring in EU Funds Management. Since 2002, Mr Wiesław Wasilewski has been the owner of Big-Pol Fundusze Pomocowe, a consulting company specialising in large investment projects, mainly in the dairy, fruit and vegetable, meat, grain processing and milling, livestock and pet food, spirit and oil industries. The main areas of activity are the construction and modernisation of production and storage areas, modernisation and purchase of machinery and equipment, computerisation and robotisation of production and storage processes, laboratories and analysers. It specialises in the supervision of investment planning, obtaining full financing (including EU subsidies), accounting for the funds obtained and monitoring the effects of the investment, financial, accounting and tax consultancy, implementation of product, process, technological and organisational innovations.
Author of publications in food and industry press, including Przegląd Mleczarski, Gospodarka mięsna, Przemysł owocowo-warzywny i fermentacyjny, Agrotrendy, Poradnik rolniczy, Czysta Energia. Speaker at many conferences and seminars, e.g. during Polagra, Food Practic, Euromlecz, Bio Expo.

Work of the Audit Committee in and in respect of the 2022 financial year

During the 2022 financial year, the Audit Committee held 4 meetings, convened by the Chairman of the Audit Committee, dedicated to the performance of the Audit Committee's duties, in particular concerning:

- Adoption of the annual report on the Audit Committee's activities in 2021,
- cooperation with the auditor in the course of the audit of the financial statements for the 2021 financial year, and to control and monitor the independence of the auditor and the audit firm auditing the Company's financial statements,
- monitoring the Company's financial reporting processes, the effectiveness of internal control and risk management systems and internal audit, including with regard to financial reporting,
- informing the Supervisory Board of the results of the audit of the Company's financial statements and explaining how this audit contributed to the integrity of the Company's financial reporting and what the Committee's role was in the audit process,
- assessing the independence of the statutory auditor and audit firm auditing the Company's financial statements.

Subsequent to the end of the 2022 financial year, the Audit Committee held 2 meetings, convened by the Chairman of the Audit Committee, which focused on:

- Cooperation with the auditor during the audit of the financial statements for the 2022 financial year,
- 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 this audit contributed to the reliability of the financial reporting, and what was the role of the Audit Committee during the audit,
- Adoption of the annual report on the Audit Committee's activities in 2022,
- Amendment to the Policy on the Selection of the Audit Firm to Conduct the Statutory Audit of the Financial Statements of Makarony Polskie S.A. seated in Rzeszów and of the Makarony Polskie Capital Group,
- commencement of the procedure of selecting an audit firm to carry out statutory audits of the financial statements of Makarony Polskie S.A. seated in Rzeszów and of the Makarony Polskie Capital Group in the coming reporting periods.

The object of the permanent activities of the Audit Committee is to monitor the work related to the process of preparation and revision of the Company's financial statements. The Audit Committee monitored the correctness of the preparation of the Company's financial statements for the 2022 financial year, cooperating in this respect with the Company's Management Board and remaining in contact with the auditor auditing the statements, i.e. BDO Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw.

In the opinion of the Audit Committee, the Company's internal control system is fulfilled by the Board of Directors, management and other employees within the scope of their assigned duties. The internal control mechanisms cover the way in which employees perform their tasks, including in particular: powers, competences and compliance of the activities performed with the rules and procedures developed for the various areas of operation. These mechanisms are of a controlling nature and are built into both internal normative acts, procedures and the integrated ERP information system. The areas of risk that are material for the Company are properly identified and in order to ensure the implementation of the strategic objectives assumed by Makarony Polskie S.A.. The Management Board, together with the management, reviews and updates, on an ongoing basis, the risk factors accompanying the Company's business that may affect the Company's financial and market position.

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

On 18 October 2017, the Audit Committee adopted:

- "Policy for the selection of the audit firm to carry out the statutory audit of the financial statements of Makarony Polskie S.A. based in Rzeszów and of the Makarony Polskie Capital Group", according to which the audit firm is selected in accordance with the following principles:
  - by the Company's Supervisory Board after reviewing the recommendation of the Audit Committee,
  - sufficiently in advance so that the audit contract can be signed in time for the audit firm to participate in the inventory of significant assets,
  - paying particular attention to the need to maintain the independence of the audit firm and the statutory auditor, in particular the Audit Committee, when making its recommendation to the Company's Supervisory Board, shall take into account the extent of the services performed by the audit firm and the statutory auditor during the last five years preceding the selection of the audit firm,
  - control and monitoring of the auditor's and audit firm's independence by the Audit Committee are carried out at each stage of the procedure for selecting the audit firm to audit and review the financial statements indicated above,
  - the selection of the audit firm shall be made taking into account the experience of the audit firm with regard to the statutory audit of the financial statements of public interest entities, including companies listed on the Warsaw Stock Exchange,
  - the appointment of the audit firm shall be made taking into consideration the rotation of the audit firm and the key statutory auditor in such a way that the maximum period of uninterrupted duration of the statutory audit engagements performed by the same audit firm or an affiliate audit firm of that audit firm or any member of the network operating in countries of the European Union to which those audit firms belong, shall not exceed five years, and the key statutory auditor shall not have carried out a statutory audit with the Company for a period exceeding five years (in which case the key statutory auditor may again carry out a statutory audit with the Company after a period of at least three years from the completion of the last statutory audit).
  - the first audit contract shall be concluded with the audit firm for a period of not less than two years with the possibility of renewal for successive periods of at least two years, taking into account the rotation rules of the audit firm and the key auditor under the law,

- "Policy on the provision of permitted non-audit services by the audit firm auditing the financial statements of Makarony Polskie S.A., based in Rzeszów and the Makarony

Polskie Capital Group, by entities related to the audit firm and by a member of the audit firm's network", which provides that:

- the statutory auditor or audit firm - performing statutory audits of the Company or an affiliate of the audit firm or any member of the network to which the statutory auditor or audit firm belongs - does not directly or indirectly provide to the Company or its affiliates any prohibited services that are not audit or auditing activities,
- prohibited services are not those indicated in Article 136(2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws 2017, item 1089),
- the provision of permitted services is only possible to the extent not related to the Company's tax policy, following an assessment of independence risks and safeguards by the Audit Committee and approval by the Audit Committee,
- where appropriate, the Audit Committee issues guidelines for such services.

Audit Committee approval of the auditor's provision of additional services

In FY2022 and in the period up to the publication date of this report, the audit firm auditing the financial statements of Makarony Polskie S.A. did not provide any permitted non-audit services to the companies of the Makarony Polskie Group.

Recommendation of the Audit Committee on the selection of the audit firm

In the financial year 2020, Makarony Polskie S.A. selected the auditor for the years 2020-2022. The Audit Committee carried out the selection procedure meeting the applicable criteria and then presented its recommendation to the Supervisory Board on the selection of the audit firm to carry out the audit of

Remuneration Policy for Supervisory Board Members

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

In 2022, the Supervisory Board Members received remuneration in accordance with the remuneration system of the Supervisory Board of Makarony Polskie SA adopted:

- by Resolution No. 25 of the Ordinary General Meeting of 24 September 2020 - for each Supervisory Board meeting attended in the period from 1 January to 30 June 2022,

- by Resolution No. 23 of the Annual General Meeting of 30 June 2022 - at a fixed monthly rate for the period from 30 June 2022 to 31 December 2022.

Information on the remuneration paid to members of the Company's Supervisory Board is presented in the table below and is included in the consolidated financial statements in note 38 and in the separate financial statements in note 37.

First name and surname	Function	For the period from 01.01 - 31.12.2022	For the period from 01.01 - 31.12.2021
Roman Sobiecki	President of the Supervisory Board of the 9th and 10th terms	35	26
Ahmed Khalil	Vice-President of the Supervisory Board of the 9th and 10th terms	33	24
Wiesław Wasilewski	Member of the Supervisory Board of the 9th and 10th terms	29	21
Marek Rocki	Member of the Supervisory Board of the 9th and 10th terms	29	21
Michał Słomkowski	Member of the Supervisory Board of the 9th and 10th terms	29	21
Janusz Pierun	Member of the Supervisory Board of the 9th term	14	21
Total		**169**	**134**

The company has no liabilities arising from pensions or benefits of a similar nature for former supervisors or liabilities incurred in connection with such pensions.

Supervisory boards of subsidiaries

There are no Supervisory Boards in the Group's subsidiaries. The authorities in the subsidiaries Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. are the Shareholders' Meeting and the Management Board.

Management Board

Principles for appointing and dismissing members of the Management Board

According to the provisions of the Articles of Association of Makarony Polskie S.A., the Management Board of the Company consists of one to three members, including the

President and the Vice-President, who are appointed and dismissed by the Supervisory Board.

The term of office of the members of the Executive Board shall be two years. Members of the Management Board may be appointed for successive two-year terms. The terms of office of members of the Management Board expire in accordance with Article 369 §4 of the Commercial Companies Code. If, during the term of office of the Company's Management Board, a supplementary or extending election is made, the mandate of the newly appointed Management Board member expires at the same time as the mandates of the other members of the Company's Management Board.

Competences of the Management Board

The Management Board represents the Company externally and decides on all matters that, in accordance with the Company's Articles of Association and mandatory legal provisions, have not been reserved to the competence of the Company's other bodies.

Declarations of intent on behalf of the Board are made by:

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

As at the date of publication of this report, the function of proxies in the Company is performed by:

- Grażyna Kozielec - since 31 May 2012
- Beata Majewska-Karp - since May 31st 2012
- Witold Żarek - since 4 March 2013
- Marcin Zieliński - since 19 November 2019
- Artur Woźniak - as of 15 September 2021.

The proxies granted are cumulative - a proxy may only represent the Company acting jointly with another proxy or a member of the Management Board.

Composition of the Management Board

In the period from 1 January 2022 to the publication of these statements, the Management Board of the Company was composed of one member. The function of the President of the Management Board is performed by Zenon Daniłowski.

Division of responsibilities among Board Members

The Board of Directors of the Company is a single member.

Remuneration Policy for Board Members

In accordance with the Company's Articles of Association, Members of the Management Board receive remuneration, the amount of which is determined by the Supervisory Board. On 24 September 2020, the Ordinary General Meeting adopted the Remuneration Policy for the Members of the Management and Supervisory Boards of Makarony Polskie S.A., which defines the principles of determining the remuneration system for the members of the Company's bodies.

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

During 2022, the variable part of the remuneration for the function was calculated based on the EBITDA result /operating profit+amortisation/ generated by the Makarony Polskie Group in the quarter to which the remuneration pertained, disclosed in the published periodical reports covering the given quarter.

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

In FY2022, as well as in the period up to the publication date of this report, Makarony Polskie S.A. did not run any employee share schemes.

Information on the remuneration paid to the members of the Company's Management Board is presented in the table below and is included in the consolidated financial statements in note 38 and in the separate financial statements in note 37.

First name and surname	Function	For the period from 01.01 - 31.12.2022		For the period from 01.01 - 31.12.2021	
		fixed	variable	fixed	variable
Zenon Daniłowski	President of the Board	600	854	507	479
	Total	**1,454**		**986**	

The company does not have any liabilities arising from pensions or benefits of a similar nature for former officers or former members of administrative bodies, nor any liabilities incurred in connection with such pensions.

Boards of directors of subsidiary companies

Stoczek Natura Sp. z o.o.

As at 31 December 2022 and the date of publication of these statements, the management board of the subsidiary Stoczek Natura Sp. z o.o. was composed of:

- Adam Ławnik - President of the Management Board,
- Jerzy Krzyżowski - Member of the Management Board.

The function of Proxy in Stoczek Natura Sp. z o.o. is performed by:

- Alicja Hinz - since 05 October 2001.

The commercial power of attorney granted is joint and several, as the commercial proxy may represent the Company only when acting jointly with another commercial proxy or Management Board member.

MP Trade Sp. z o. o.

As at 31 December 2022 and the date of publication of these statements, the management board of the subsidiary Sto Sp. z o.o. was composed of:

- Marcin Zieliński - President of the Management Board.

There were no proxies appointed in MP Trade Sp. z o.o. as at 31 December 2022 and at the date of publication of this report.

SAS Sp. z o.o.

As at 31 December 2022 and the date of publication of these statements, the management board of the subsidiary SAS Sp. z o.o. was composed of:

- Witold Żarek - President of the Management Board.

The function of Proxy in Stoczek SAS Sp. z o.o. is performed by:

- Magdalena Banach - since January 3, 2022.

During 2022, Mr Leszek Trzcinski also acted as a proxy in SAS Sp. z o.o. - the proxy was revoked by the board of SAS Sp. z o.o. on 8 March 2023.

Other information

Information on cooperation with the auditor

The Supervisory Board of Makarony Polskie SA has selected BDO Spółka z ograniczoną odpowiedzialnością sp.k. (formerly: BDO Spółka z ograniczoną odpowiedzialnością) based in Warsaw as the auditor to review the financial statements of the companies of the Makarony Polskie Group for the first half of the financial year and to audit the financial statements of the companies of the Makarony Polskie Group for the financial year 2020-2022.

BDO Spółka z ograniczoną odpowiedzialnością sp.k. is entered on the list of audit firms kept by the National Audit Office (KRBR) under number 3355 and registered in the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 13th Business Division of the National Court Register under number 0000729684.

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

On 20 August 2020, Makarony Polskie S.A. concluded an agreement with the aforementioned auditor concerning the review of the condensed financial statements for the first half of the financial year and the audit of the Company's and the Group's financial statements for the financial year 2020-2022.

The fees payable to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the financial statements for the financial year 2022 in Makarony Polskie S.A. amounts to PLN 145.2 thousand in total (PLN 42.3 thousand for the review of the standalone and consolidated semi-annual report, PLN 102.9 thousand for the audit of the financial statements of Makarony Polskie S.A. and the Makarony Polskie Group for 2022).

Remuneration due to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the financial statements for the financial year 2021 in Makarony Polskie S.A. amounted to PLN 130.2 thousand in total (PLN 37.3 thousand for the review of the standalone and consolidated semi-annual report, PLN 92.9 thousand for the audit of the financial statements of Makarony Polskie S.A. and the Makarony Polskie Group for 2021).

The Group is committed to operating in a sustainable and responsible manner when conducting business.

Corporate social responsibility

Corporate social responsibility is the responsible way in which a company operates in the social, economic and natural space. The concept of social responsibility is changing, evolving and still subject to public debate. Today, CSR (Corporate Social Responsibility) is not only an idea, but also an approach to management. CSR implies the rational management of enterprises and assets, with respect for the rights of citizens and employees, as well as social co-existence.



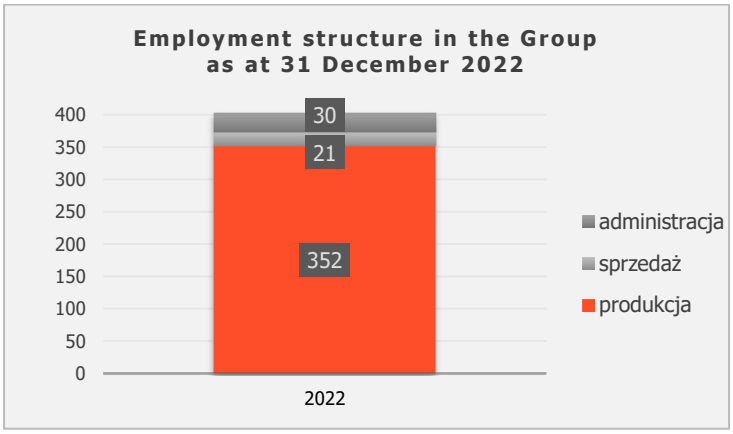
When creating the development strategy and implementing the business targets, the Makarony Polskie Group endeavours to conduct its operating activity taking into account the principles of CSR, i.e. taking into consideration the needs and requirements of widely understood social and environmental interests in the company's environment. Activities in this area focus mainly on:

- building stable and long-term relationships with all stakeholders,
- pursuing a socially responsible policy expressed in support for local and charitable initiatives, sports and cultural patronage,
- creating an exceptional team and a friendly working environment,
- reducing the company's impact on the environment.

Employees

The Makarony Polskie Group consistently implements the employment optimisation programme implemented in 2013. The programme assumes stabilisation of employment in permanent positions at the necessary minimum level and making employment in production plants more flexible by making its level dependent on changes in the production volume. The basis for such a solution is constant attention to the proper organisation of work (e.g. implementation of Lean Manufacturing) and efficiency in the use of human resources.

The Makarony Polskie Group, in accordance with the adopted policy, maintains the total employment at the minimum necessary level. The Group's headcount as at 31 December 2022 was 403 (vs. 224 people at the end of 2021 and 213 people at the end of 2020). The significant increase in employment in 2022 is due to SAS Sp. z o.o. joining the Makarony Polskie Group.



Diversity policy

The personnel policy of the Makarony Polskie Group is aimed at retaining high-class specialists and managers who, thanks to their knowledge, experience and commitment, ensure the highest level of implementation of the Group's business objectives set for them, thus guaranteeing continuous improvement of the organisation and enhancement of the quality of the offered products and provided services. Makarony Polskie S.A. has not developed a formalised diversity policy in relation to the Company's authorities and its key managers. From the current status of the Company, there is no obligation to report this element.

Human resource planning and recruitment

The current labour market requires employers to place increasing emphasis on optimising processes, using human resources effectively and responding quickly to changes. In order to ensure a high level of task and goal fulfilment in the dynamic world of VUCA, the Makarony Polskie Group takes steps towards effective human resources planning, even before the actual demand in this respect occurs. The Group has implemented and conducts, in close cooperation with the heads of individual organisational units, systematic identification of future human resources needs.

When recruiting and selecting candidates, the Group makes every effort to ensure that the recruitment process is transparent and employee-friendly and effective for the company. When deciding to engage with candidates, the Group's companies endeavour to act in a transparent manner, guided by professional experience, length of service in the profession, education held in accordance with the scope of the tasks assigned. The Group hires both women and men of different age ranges, taking into account the assessment of candidates' fulfilment of merit criteria, and seeks to prevent any form of discrimination.

by age and gender	Employment structure of the Group's employees as at 31 December 2022		
	women	men	together
18-29	15	26	41
30-49	141	82	223
50+	91	48	139

When recruiting members of its team, the Makarony Polskie Group relies on candidates who are passionate about their work. It looks for people who are not afraid of new challenges, who are ready to constantly develop their skills and who are eager to share their knowledge. For specialist and managerial positions, we prefer people who represent a high level of professionalism, are enterprising, committed, focused on professional development, derive satisfaction from their work and are able to cooperate with other people.

In caring for the development of human resources, the Makarony Polskie Group first tries to recruit internally, due to the fact that internal promotions (horizontal and vertical) allow it to retain in the organisation people who are committed, have extensive experience and desired qualifications. In the absence of suitable internal candidates, the Group conducts recruitment processes aimed at external candidates, using recruitment sources adequate to the profile of the vacant position, e.g. through headhunters, career offices, student and pupil internships and placements, publications on the company website, web portals, social media, participation in Job Fairs as an exhibitor and through District Labour Offices.

Recruitment processes are carried out in compliance with the Group's confidentiality rules and internal procedures.

Internships and apprenticeships

The Makarony Polskie Group values the value and competence of young people, their enthusiasm and creativity, which is why it strives to enable people entering the labour market to gain practical skills in the course of the company's current operations. It willingly participates in various internship programmes aimed at students and graduates. It enables secondary school and university students to undergo apprenticeships. It also cooperates with County Labour Offices in organising internships for the unemployed. Interns have the opportunity to learn about the company's organisation and the functioning of its organisational units. The best interns are offered long-term employment.

In 2022, in the Makarony Polskie Group, 2 people completed student internships, 1 person completed a student traineeship (lasting on average approximately 1 month), and 1 person benefited from an internship organised at the Production Plant in Korpels (also lasting approximately 1 month). Cooperation was established with the University of Information

Technology and Management in Rzeszów, The Jan Długosz University of Humanities and Sciences in Częstochowa, the Hugo Kołłątaj University of Agriculture in Kraków, and the Zespół Szkół Telekomunikacji i Zespół Szkół Telekomunikacji in Kraków. During 2022, Makarony Polskie SA, in cooperation with the Labour Office in Rzeszów, also organised several-month internships for 2 unemployed persons referred by the Office. In addition, 2 people completed several-month internships as part of EU projects implemented by non-governmental organisations: Centrum Rozwoju Aktywności Społecznej CRAS in Rzeszów and Foundation Aktywizacja from Warsaw, office in Rzeszów.

Training

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

In 2022, due to epidemic conditions and the unstable social and economic situation, the Makarony Polskie Group reduced the number of training sessions organised internally, usually held in a stationary form. Most of the specialised external open trainings attended by the Group's employees (of various levels) updating and expanding their knowledge in the scope needed to effectively perform their position duties were held in the online form.

Training topics included changes in regulations and good practices regarding labour law, cyber security, obligations of listed companies, management of production processes, export, marketing and advertising, payroll, invoicing, organisation of the company's operations in the spirit of ESG. Employees of the Quality Teams and of the Research and Development Centre operating in Makarony Polskie S.A. updated and broadened their knowledge in the area of international processes and standards in food production. On the other hand, employees of the Maintenance Teams improved their qualifications in the operation of electrical and power equipment.

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

It is important to implement the skills acquired in the workplace, as well as to share knowledge within and between individual employee teams. With this in mind, the Group also uses the approach of periodically organising internal conferences to design various forms of training,

whereby Group employees become trainers or co-leaders - thus developing their own competencies and sharing their knowledge with others.

Remuneration scheme

The incentive remuneration system adopted in the Group assumes that employees receive remuneration consisting of a fixed part (basic salary) and a variable part (including bonuses and rewards) awarded depending on their contribution, commitment and the level of achievement of objectives/tasks set for employees by their superiors.

Base salaries are a product of the rank of the position held, the contribution of the job, responsibilities, qualifications and experience. The Group values individual positions, taking care to maintain a competitive level of remuneration that allows it to recruit people with the desired qualifications and experience, based on best market practice.

Variable remuneration depends on the level of achievement of individual objectives/tasks set by superiors, the commitment of individual employees, their conscientiousness and diligence in performing their work, the improvement of productivity and quality of work, and specific achievements in the performance of tasks set by superiors. Its purpose is to motivate employees to achieve high performance in line with the Group's business interests.

The remuneration system implemented in the Group ensures effective support of business activities and the implementation of the development strategy. The variable part of the remuneration system ensures that it is flexible, adaptable to the needs of the organisation. Such a remuneration system makes it possible to effectively translate the Group's objectives to managers and then cascade the objectives further to employees.

There were no significant changes to the remuneration system adopted by the Group in 2022.

HEALTH AND SAFETY

The Makarony Polskie Group, as a responsible employer, is also committed to ensuring safe working conditions for its employees. Individual Group companies have their own Occupational Health and Safety Policies in place. In accordance with the regulations in force in this regard, in order to protect the health and life of employees, the Group's companies carry out health and safety training, provide initial and periodical medical examinations, employ staff with the required qualifications, and equip these people with the appropriate personal protection equipment.

In 2022, nine light work accidents were reported in the Group.

At a time of constant uncertainty related to the macroeconomic and geopolitical situation, the Makarony Polskie Group strives to give its employees a sense of security and adapt working conditions to the changing environment:

- formal and practical solutions have been prepared to enable the fulfilment of duties in a remote form, with regard to organisational units where such a possibility exists, which makes it possible to ensure continuity of tasks in situations when, for some reason, work cannot be performed at the employee's standard workplace,
- provided employees with the opportunity to take advantage of private healthcare packages offered by a medical company that cooperates with the Group in this regard.

Environment

The Group consistently works to minimise its environmental impact in every area of its operations.



The Group's activities focus, among other things, on the rational use of water and energy, taking care to reduce carbon dioxide emissions, minimising the amount of wastewater and waste generated through the continuous improvement of production processes, the use of modern, energy-saving and efficient technological lines, and attention to the proper condition of machinery and equipment. The Group's companies exercise due diligence in segregating waste into appropriate fractions. The Group conducts educational and informational activities to raise the environmental awareness of its staff, including reducing energy consumption by encouraging them to switch off computers and turn off lights or reduce the number of printouts.

The Group's companies continuously invest in solutions that minimise the negative impact of their business on the environment. In recent years, the Makarony Polskie Group carried out large investment projects aimed at, e.g. reducing the environmental impact of production plants (insulation of the building and construction of a new façade at the plant in Rzeszów, replacement of the lighting system with LEDs), increasing efficiency and reducing energy consumption of pasta production processes (installation of modern production lines and installation of a precise liquid egg dosing system at the plant in Rzeszów, modernisation of technological lines for the production of rolled pasta, construction of a drying tunnel for continuous drying of pasta) and improving working conditions (e.g. reconstruction of ventilation and air conditioning in production halls).

Stoczek Natura Sp. z o.o. is carrying out investments aimed at reducing energy intensity and automating production processes in order to optimise them. The company is also implementing a project to replace the current coal-fired boiler room with a modern gas-fired boiler room.

SAS Sp. z o.o. has also carried out a number of investments to improve production efficiency and flexibility, reduce costs and optimise processes, e.g. work is underway to diversify sources of process heat generation, the company has also taken steps to sell unused assets, and plans to use the proceeds from the sale for further investment in the machinery.

Among the Group's pro-environmental activities are also the systematic disposal of electro-waste and the segregation and recycling of waste generated during production.

Investment in green energy sources is also one of the Group's priorities for 2022-2023. At all the Group's plants, photovoltaic installations are planned to be in place by the end of 2023 due to the fact that the production processes for pasta and ready meals are characterised by high production energy intensity. Investment in 'green energy' will allow the Group to take care of the environment and lower its carbon footprint on the one hand, and to reduce the cost intensity of production resulting from increases in electricity prices on the other.

Market

This is why the Makarony Polskie Group continuously modernises its plants, has state-of-the-art production lines and an extensive production process control system, and continuously invests in the acquisition and implementation of modern technologies, an example of which are the EU projects that are currently being implemented.

As part of its development, Makarony Polskie S.A. launched the Pasta Industry Research and Development Centre, where the Group's employees, in cooperation with scientific institutions, work on the development of innovative technologies for the production of new products: functional, pro-health, low-processed, easy-to-cook food. The result of this cooperation between business and science is, among others, the launch of Diabetic pasta, which, due to its low glycaemic index, can be used as part of the diet of people struggling with type 2 diabetes.

The main objective of the projects implemented by Stoczek Natura Sp. z o.o. is to increase the company's competitiveness and innovation on the domestic and foreign markets through the introduction of technological and product innovations (including products with pro-health values, targeted at a new group of consumers). The company has successfully introduced So

Food ready meals on trays and in bowls to its portfolio, among other products, which have been very well received by the market and in 2022 have reached the leading position in their segment.

Each production process that takes place in the plants of the Makarony Polskie Group is strictly supervised by the company's Quality Control Teams, which take care of compliance of the products with the requirements of food standards and the company's high quality standards. Both raw materials and finished products are tested in detail in the company's laboratories, and periodically they are also tested in independent accredited external laboratories.



In order to meet the legal requirements regarding foodstuff safety, the companies of the Makarony Polskie Group have implemented and certified quality systems meeting the requirements of the international IFS (International Food Standard). In addition, the companies Makarony Polskie SA and Stoczek Natura Sp. z o.o. have BRC (British Retail Consortium) certification. The quality systems cover the entire production process from the receipt of raw materials to the release of finished products.

Cooperation with scientific institutions, research laboratories, suppliers of raw materials, machinery and packaging is systematically developed in order to improve their products and production processes.

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

Golden Paragon 2022 award for Klusczek 2jajeczny Makarony Polskie

The Golden Receipt - Polish Merchants' Award competition is a distinction awarded by owners and managers of food and grocery shops from all over Poland. The competition selects those products and services which have a particular impact on the development of retail trade in Poland.

In 2022, a distinction in the Golden Paragon competition in the pasta category went to Kluseczka 2-jajeczna Makarony Polskie Abak 250g. This is another consecutive award for this product, which was also honoured in 2020 and 2021.

The title of Regional Leader for Makarony Polskie S.A.



At the beginning of 2023, Makarony Polskie SA once again claimed the title of Regional Leader of the Podkarpackie Voivodeship, this time in the category 'Food production based on innovative technologies'.

The chapter of the 12th edition of the plebiscite organised by Gazeta Codzienna Nowiny, under the patronage of, among others, the Podkarpackie Voivode, the Podkarpackie Voivodeship Marshal and the Mayor of Rzeszów, appreciated the high quality and taste of the pasta offered by the Company, behind which stand innovative technologies and research and development work.

Society

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

Cooperation with schools and universities

The Group companies maintain long-term relationships with the academic community, as exemplified by the cooperation of Makarony Polskie S.A. with the University of Rzeszów and the Poznań University of Life Sciences in terms of R&D activities, the University of Information Technology and Management in Rzeszów or the Warsaw School of Economics, and the cooperation of Stoczek Natura Sp. z o.o. with the University of Life Sciences in Lublin.

In 2022, Group companies organised internships and apprenticeships for students of the University of Information Technology and Management in Rzeszów, the Jan Długosz University of Humanities and Sciences in Częstochowa, the Hugo Kołłątaj University of Agriculture in Kraków and students of the Electronics and Telecommunications School Complex in Olsztyn

Charity

For many years, the Group has been carrying out various charitable activities locally and nationally, providing support both directly to children in need (Christmas and Santa Claus events, support for holidays) and to institutions such as hospices, welfare centres, orphanages, foundations, scout associations and schools.

In 2022, the Group once again joined the "Heart for a Compatriot" action organised by the Kresy Heritage

Foundation. The action supported Poles, mainly elderly and lonely people, living in Lviv, Mosciska, Krzemieniec and Zhovkva.

Product support was given to the 'Equal Opportunities' Association, which, as part of its annual Christmas campaign, with the support of scouts and volunteers, delivers food parcels to elderly and lonely people in the Ropczyce area of the Podkarpacie region.

Makarony Polskie S.A. has established cooperation with the Rzeszów branch of Humanitarian Action "Życie". An organisation that supports people in difficult life situations residing in Rzeszów and the surrounding area.

Product support was also provided to the St. Brother Albert Św. Children and Youth and St John Paul II Św. in Stalowa Wola.

In 2022, in connection with the Russian aggression against Ukraine, the companies of the Makarony Polskie Group actively joined in providing product assistance to Ukrainians. The Group's products reached both those who remained on the territory of the defending country and refugees seeking refuge in Poland.

The Group's employees also actively joined the campaign to support refugees from Ukraine, collecting and donating both cash (e.g. through the Polish Humanitarian Action with the title 'SOS Ukraine') and various products, e.g. cleaning products, hygiene products, as well as toys and sweets for the youngest. Collections were organised, inter alia, for children who came to Poland from an orphanage in Kharkiv (via the St Dominic's Sisters Foundation in Rzeszów).

In 2022, Makarony Polskie S.A. was actively involved in two campaigns aimed at directly supporting the treatment of seriously ill children from the Podkarpacie region: twin brothers suffering from infantile cerebral palsy, collecting money for surgery on bilaterally dislocated hips, and a several-month-old girl suffering from SMA, collecting funds for genetic therapy with the "world's most expensive drug", which in her case was not reimbursed by the National Health Fund. The support provided by the Company amounted to several thousand PLN. Also in this case, the Group's employees were not indifferent and joined the campaign by organising both monetary and in-kind collections, such as the collection of waste paper for the benefit of those in need.

Patronage and sponsorship of culture and sport

The Makarony Polskie Group sponsors cultural and sporting events, both nationwide and local.



Sponsorship of the XVIII International Song Festival "Carpathia Festival". A worldwide event, held annually in Rzeszów. The festival has promoted many of the current stars of the vocal scene and enjoys unflagging popularity. The event is organised by the Rzeszów City Hall, the Centre for Vocal Art in Rzeszów and Estrada Rzeszowska. The main prize for the winner is a subsidy for the release of an album or the costs of organising a concert tour, an invitation to perform at the next edition of the Festival and a commemorative statuette.



Sponsor of RzeszówKultURalia Studenckie, organised by three universities: University of Rzeszów, the University of Information Technology and Management and the University of Law and Administration.



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



Ongoing sponsorship of the Chiniewicz/Jaroszczak Beach Volleyball Team, competing at Polish Championship and World Cup level.

In 2022, Makarony Polskie SA was one of the sponsors of the final of the Festival of Actor Songs and Sung Poetry (it funded three prizes for the winners in the form of professional microphones and Group products). The company also joined in the organisation of the Polish Grand Prix of Beach Volleyball in Przysucha by making a product donation (100 kg of pasta) to the organisers.

Statements by the Management Board

Statement on the fairness of the preparation of the consolidated financial statements

The Management Board of Makarony Polskie S.A. declares that to the best of its knowledge, the annual consolidated financial statements of the Makarony Polskie Group for the financial year ended 31 December 2022 and the comparable data were prepared in accordance with the binding accounting principles and that they reflect in a true, reliable and clear manner the material and financial situation of the Makarony Polskie Group and its financial result.

Statement on the reliability of the preparation of the separate financial statements

The Management Board of Makarony Polskie S.A. based in Rzeszów declares that to the best of its knowledge, the annual standalone financial statements of Makarony Polskie S.A. for the financial year ended 31 December 2022 and the comparable data were prepared in accordance with the binding accounting principles and that they reflect in a true, reliable and clear manner the material and financial situation of Makarony Polskie S.A. and its financial result.

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

The Management Board of Makarony Polskie S.A. declares that to the best of its knowledge the report of the Management Board on the activities of Makarony Polskie S.A. and the Makarony Polskie Group in the financial year 2022, ended 31 December 2022, contains a true picture of the development, achievements and situation of the Company and the Group, including the description of basic threats and risks.

Statement on the selection and selection procedure of the audit firm

The Management Board of Makarony Polskie S.A., based on the statement of the Supervisory Board of Makarony Polskie S.A. on the selection of the auditing company that will audit the annual standalone financial statement of Makarony Polskie S.A. and the consolidated financial statement of the Makarony Polskie Group for the financial year 2022 ended 31 December 2022, informs that:

1. The audit firm BDO Spółka z ograniczoną odpowiedzialnością sp.k. based in Warsaw was selected to audit the annual financial statements of Makarony Polskie S.A. and the consolidated financial statements of the Makarony Polskie Group, in accordance with the regulations including the selection and procedure for the selection of the auditing company,
2. the selected audit firm and the members of the audit team met the conditions for the preparation of an impartial and independent audit report on the annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
3. at Makarony Polskie S.A. the binding regulations related to the rotation of the audit firm and the key statutory auditor and the mandatory grace periods are complied with,
4. Makarony Polskie S.A. has a policy regarding the selection of the audit firm and a policy regarding the provision of additional non-audit services to Makarony Polskie S.A. by the audit firm, an entity related to the audit firm or a member of its network, including services conditionally exempted from the audit firm's ban.

Approval of the financial statements

This Report of the Management Board on the activities of Makarony Polskie S.A. and the Makarony Polskie Group in the financial year 2022 was approved for release by the Management Board of the Parent on 27 April 2023.

Zenon Daniłowski
President of the Management Board

Information about company

Makarony Polskie SA
with its seat in Rzeszów
ul. Podkarpacka 15A; 35-082 Rzeszów
www.makarony.pl

It was registered with the District Court in Rzeszów, XII Commercial Division of the National Court Register on 5 July 2004 under number 0000212001.

Share capital: PLN 33,120,213 (fully paid up)

You are welcome to contact us by e-mail:

relacje@makarony.pl

The source of data in this report, unless otherwise indicated, is the Makarony Polskie Group.