Makarony Polskie

- SPÓŁKA AKCYJNA -

Report of the Management Board on the activities of Makarony Polskie SA and the Makarony Polskie Group in the reporting year 2023



Rzeszów, 23 April 2024

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This "Report of the Management Board on the activities of Makarony Polskie S.A. and the Makarony Polskie Group in the financial year 2023" 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 354.8 million, a net profit of approximately PLN 32.9 million and EBITDA of approximately PLN 57.8 million.

Letter from the President of the Management Board



Dear Sirs,

Dear Shareholders,

As President of the Management Board of Makarony Polskie S.A., it is my pleasure to address this Letter to you and to submit the Annual Report of the Makarony Polskie Group for the financial year 2023.

In 2023, 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 2023 was approximately PLN 354.8 million, net profit was approximately PLN 32.9 million and EBITDA was over PLN 57.8 million.

In 2023, we commercialised important investment projects implemented in the Group in previous years, which allowed us to fully disclose the capacity of the Makarony Polskie Group to create, produce and offer pasta products and ready meals on the competitive market.

At Makarony Polskie S.A., the Pasta Industry Research and Development Centre operates at the Production Plant in Rzeszów. Specialists employed in this unit, in cooperation with scientific units, actively develop new innovative products. At the R&D Centre, new types of pasta are created and then offered to the market, with rich raw material compositions and in many different flavours.

At Stoczek Natura Sp. z o.o., the production of ready meals on "So Food" trays is being systematically developed. In 2023, approximately 3 million units of these products were produced. 'So Food' tray meals maintain their position as market leader in their category for another consecutive year.

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. Both the terms of purchase of raw materials and materials and the terms of sale of products were systematically negotiated. These measures made it

Letter from the President of the Management Board

possible to maintain the highest product quality and high sales. Net profitability in 2023 was approximately 9.3%, and EBITDA profitability was approximately 16.3%.

The financial situation of the Makarony Polskie Group in 2023 was favourable. The ratios showed high liquidity. This allows Makarony Polskie S.A. to pay out a dividend of PLN 0.75 per share.

As the Management Board, my ambition is to continue the development of the Makarony Polskie Group: to increase sales, including export, to develop and diversify the product portfolio, and to strengthen the position of the Company on the market. The goal for 2024 is organic growth of the Group and possible acquisitions in areas related to the current focus of operations.

The great challenge of 2024 will be to protect the Group from adverse developments in the business environment and the effects of war, including cost pressures, as well as the unpredictability of the raw materials and energy market situation.

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

I would like to express my appreciation and respect to our staff, the employees of the companies of the Makarony Polskie Group - your work, satisfying the needs of customers at home and abroad, contributes to building the value of the Group.

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

With kind regards,

Zenon Daniłowski
President of the Management Board

As at 31 December 2023, the Makarony Polskie Group consisted of three companies: two production and one trading company.

Characteristics of the Makarony Polskie Group

Group's organisational structure

As at 31 December 2023, the Makarony Polskie Group ("the Group") consisted of three companies:

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



Makarony Polskie SA is a manufacturer of a wide range of pasta, produced in stamped and rolled technology. 100% of shares 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, pâtés, lards, tinned foods), fruit preserves (jams, jam) offered under the Stoczek and Męska Rzecz brands, as well as ready meals in trays and bowls offered under the So Food brand.

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).

Changes in the organization of the Makarony Polskie Group in 2023

During H1 2023, the Makarony Polskie SA Group also included the subsidiary SAS Sp. z o.o. (formerly: Przedsiębiorstwo Produkcyjno-Handlowe "SAS" Andrzej Świderski Sp. z o.o., on 2 January 2023 a change of company name was registered in the KRS). A company whose object was the production of a wide range of pasta, manufactured using rolled and pressed technology, including "nests". Makarony Polskie SA held 100% of the shares of SAS Sp. z o.o.

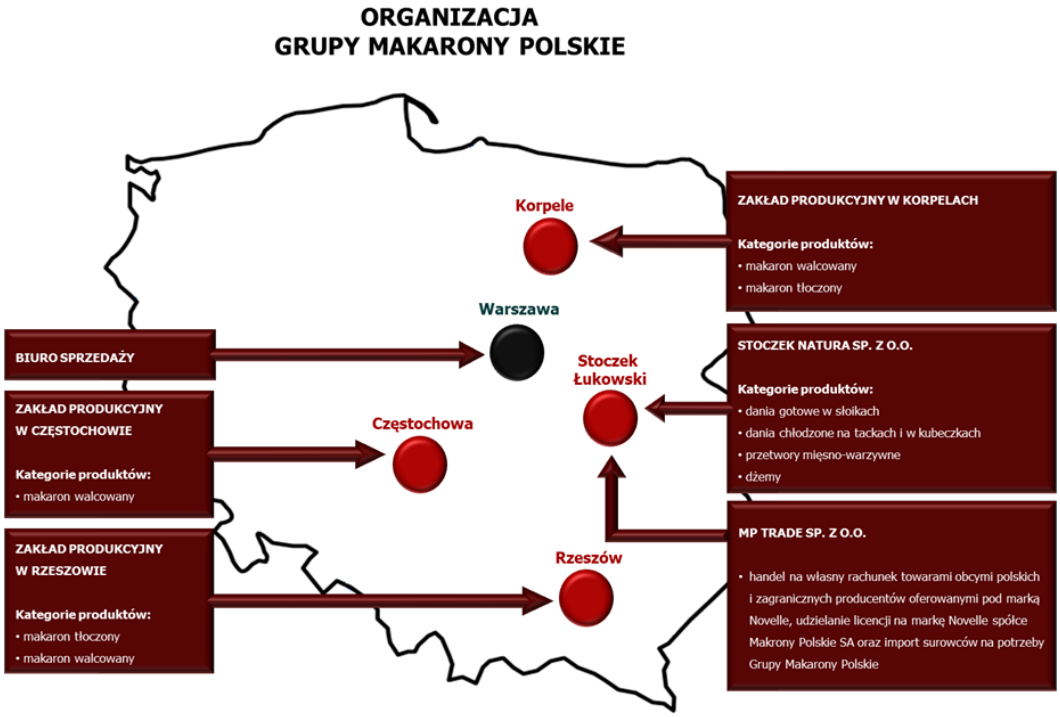
On 26 June 2023, the District Court in Rzeszów, 12th Economic Division of the National Court Register registered the merger of Makarony Polskie S.A. (as the acquiring company), with its subsidiary SAS Sp. z o.o. (as the acquired company).

The merger of the Companies took place based on art. 492 §1 item 1) of the KSH, by transferring all assets of the acquired company (SAS Sp. z o.o.) to the acquiring company (Makarony Polskie SA) - merger by acquisition. Pursuant to Article 514 of the KSH, the merger was made without increasing the share capital of the acquiring company, i.e. Makarony Polskie SA. As a result of the merger, the acquired company (SAS Sp. z o.o.) was dissolved without conducting liquidation proceedings and deleted from the register of companies of the National Court Register, according to art. 493 §1 of the KSH.

Economic considerations, among others, were in favour of the merger. As a result of the merger, it will be possible to:

- reduce of operating costs generated by simultaneous maintenance of two companies - Makarony Polskie S.A. and SAS Sp. z o.o., when the scope of business activities of both entities was the same or very similar and consisted mainly in pasta production,
- achieve the synergy,
- improve the corporate governance of SAS Sp. z o.o.'s assets,
- reduce the costs as a result of the merger of two companies
- integrate the operational processes of both companies.

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 shows stability, although random events such as the Covid-19 pandemic, high inflation and the war in Ukraine have affected its development in recent years. After numerous short-term changes in purchase dynamics related to the macroeconomic and geopolitical situation, 2023 was a fairly stable year in terms of buyers' purchase intentions. At the same time, it was a volatile year for producers - a year of continuous trade negotiations and fluctuating price changes in the supply chain.

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 ready meal market is growing all the time. The value of this market in Poland in 2023 was approximately PLN 3.2 billion, with nominal growth of approximately 6% (y/y). Such high dynamics were influenced by the increased volume potential of the market (increase in the number of residents due to the influx of refugees from Ukraine) and dynamic price growth. According to estimates, the value of the market will grow by around 7.6% on average per year (CAGR 2023-2028). The estimated value of the market in 2025 will reach nearly PLN 3.95 billion.

In the long term, the segment's development will be positively influenced by the growing convenience of consumers, fast-paced lifestyles, the increase in the number of single-person households and the development of the offer in the ready meals segment by expanding the number of indexes in various distribution channels. In the following years, further development of the market offer is expected towards greater consumer convenience (convenience trend) and health-promoting (with clean label, all-plant options, increased protein, or moderate amounts of salt or sugar).

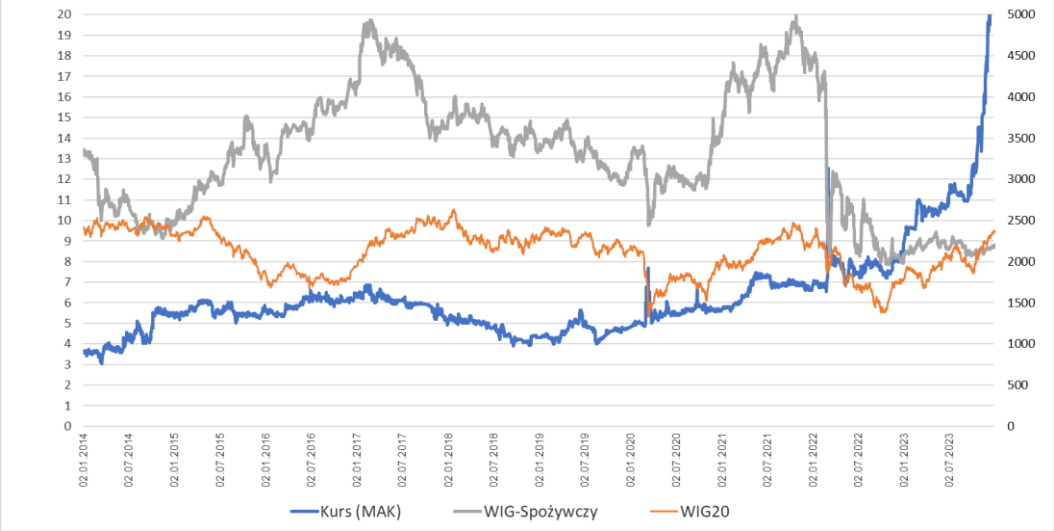
The trends with the strongest impact on the ready meal market are:

- 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.
- the macroeconomic situation related to the rising cost of living - consumers are limiting their purchases to a basket 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;

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.



	30/12/2015	29/12/2017	30/12/2019	30/12/2021	29/12/2023	Change from 30/12/2015
Makarony Polskie	5.66	4.92	4.8	6.82	21.6	+282%
WIG20	1,892	2,479	2,151	2,263	2,357	+25%
WIG-Food	3,411	3,635	3,194	4,468	2,203	-35%

Dividend policy of Makarony Polskie S.A.

In 2023, the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from 01 January 2022 to 31 December 2022 in the amount of PLN 10,462 290.10 should be divided as follows:

- to pay the shareholders a dividend of PLN 0.60 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 27 June 2023, the Annual General Meeting of Makarony Polskie SA adopted resolutions on approving the financial statements for the reporting year 2022 and net profit

distribution. By decision of the General Meeting, the net profit for the period from 1 January 2022 to 31 December 2022 was distributed in accordance with the recommendation of the Management Board, i.e. as follows:

- the amount of PLN 6,624,042.60 was earmarked for the payment of dividends to shareholders in the gross amount of PLN 0.60 per share,
- the remaining part of the profit in the amount of PLN 3 838 247.50 was allocated to the Company's supplementary capital.

The dividend date was set for 14 July 2023. The dividend was paid on 21 August 2023. 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 2023.

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.



ABAK - a pasta brand aimed at consumers looking for economical products at a good price. As of 2022, it includes a line of egg pasta in 200g weights that refer to traditional recipes and home cooking. The brand's portfolio includes pasta with chicken and quail eggs in the two most popular forms, i.e. sliced and ribboned.



The Group's ambition is for the Makarony Polskie and Abak brands to become a vehicle for sorting out the currently fragmented middle shelf, 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 a very attractive export commodity with high potential for growth and further internationalisation.

NOVELLE – trademark 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, dedicated to an innovative line of products responding to food trends 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.

The Novelle brand offers pasta made from flours extracted from legumes, tortellini in various flavours, high-protein pasta and functional pasta with dietary and health-promoting properties.

The legume pasta line is the ideal alternative for those consumers who want to add vegetables to their diet. These are 100% vege (confirmed by V-Label Vegan certification), high-protein, gluten-free products. They are less calorific than traditional wheat pasta thanks to their high protein and fibre content and low carbohydrate content. They are very convenient to use because they are prepared much more quickly and easily than the vegetables they come from.



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. Novelle tortellini have recently gained new packaging and new flavours. They are specially produced in Italy to reflect their unique taste and quality. There are now 5 SKUs in the portfolio, in 250g weights, in convenient foil packs. They are prepared without added preservatives and palm oil.



Since 2022, the Novelle brand has been systematically expanded to include pasta of a dietary and health-promoting nature.



The range includes pasta made from 100% spelt flour, 100% rye flour and 100% wholemeal flour (wholemeal pasta).

The Novelle brand portfolio is complemented by a line of functional pasta with added micro and macro elements. The recipes of these pastas were developed by specialists from the Company's R&D Centre in cooperation with scientific units: University of Rzeszów and Poznań University of Life Sciences. Their role is not only to satisfy hunger, but also to support the human body in the prevention of health and the fight against civilisation diseases, as confirmed by clinical studies. Currently, the functional pasta line consists of three pastas: Diabetic which supports the prevention of type 2 diabetes, Cardio which helps prevent cardiovascular diseases, including atherosclerosis, and Fit which is recommended for people who care for a slim figure.



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.

So Food's tray and bowl dishes are offered to customers on the so-called dry (unrefrigerated) shelf and include several product lines.

According to a Nielsen report for 2022, they have achieved the position of sales leader in their category.

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.



Stoczek – 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.



Męska Rzecz - a brand dedicated to the widest range of consumers in this food category, specially seasoned for male tastes, competing on the shelf with its affordable price. Among the brand's products, consumers will also find large packs of well-known and well-liked canned dishes. Men's favourite dishes as an alternative to those made independently at home.





So Food – the brand under which tray and bowl ready meals are offered. 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 are offered to customers on the so-called dry (unrefrigerated) 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.



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 by the Polish Cuisine line. The inspiration to prepare this line was a consumer survey conducted at the end of 2021, in which many consumers declared their interest in Polish Cuisine dishes. This is why our portfolio has been enriched with Ham in mushroom sauce, Loin in leek and horseradish sauce, Turkey in plum sauce and Ham in mustard sauce.



In 2023, the So Food brand portfolio has been expanded with two new lines. The first is Asian cuisine, which includes three chicken-based meat dishes and one vegetarian dish with a meat substitute. This is an oriental line characterised by a unique taste, thanks to aromatic spice blends.



The second is ready-made dishes with pasta. Pasta in Bolognese sauce, Vege sauce Bolognese with pasta, Mediterranean Chicken with pasta and Pasta with Chicken in sauce with pineapple and mango. The dishes are inspired by World Cuisines and respond to the needs of consumers who are looking for dishes with pasta.



According to Nielsen's 2023 report, SoFood's ready-to-eat tray meals have maintained their position as sales leader in their category, widening the gap to the next player in the market. 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.

Private label product range

The Makarony Polskie SA Group has a diverse, professional and modern machinery park in each of its production plants. Combined with the expert knowledge of the employed specialists and the R&D centres, this gives a wide production capacity and enables the

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).

Group to offer a wide and varied assortment in the market segments in which it operates. The Group continually focuses on development and competitiveness also through knowledge and quality - e.g. by entering into cooperation with scientific institutions. This makes the Group's offer attractive to many retailers, both at home and abroad.

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:

- health, well-being and lifestyle (enhancing products with functional additives),
- maximising value with high cost of living and limited budgets,
- convenience,
- sustainability, e.g. reducing food waste (responsible production and marketing), local origin,
- minimising consumption of animal protein and replacing it in the diet with plant-based alternatives (e.g. legume-based).

In 2023, the Group conducted development work in the area of:

- vege products (alternative source of plant-based protein),
- high protein products,
- health and beauty products enriched with vitamins and minerals,
- products based on ancient cereal varieties (authenticity, origin), with improved sensory and organoleptic characteristics,
- convenience products with a short preparation time, in convenient packaging,
- kids dedicated products,
- regional products,
- 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).
- economic products that meet the needs of consumers in an era of high prices and inflation.

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).

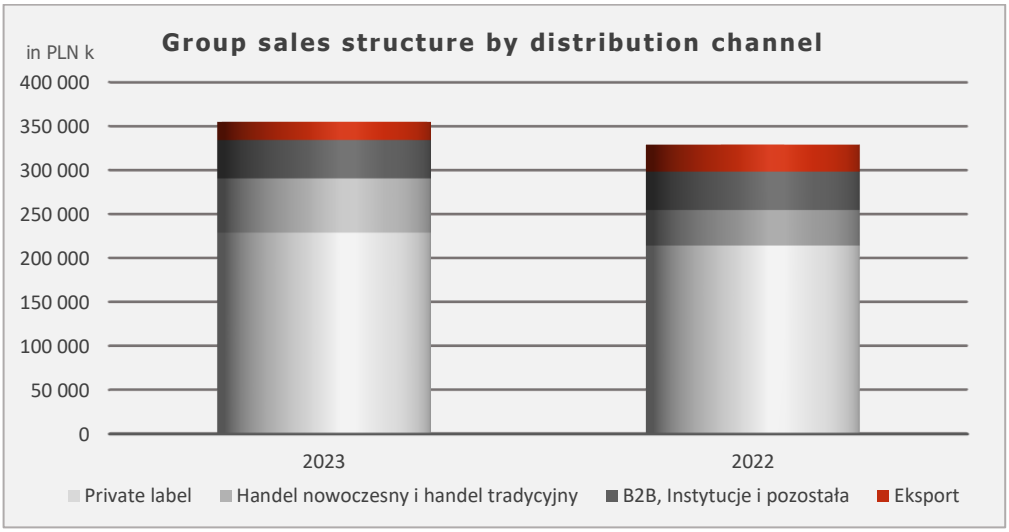
In 2023, sales amounted to PLN 354.8 million, including PLN 334.1 million in the domestic market and PLN 20.7 million in exports. In the corresponding period of 2022, these

volumes amounted to PLN 328.9 million, PLN 298.3 million and PLN 30.6 million respectively.

(in PLN k)	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Country	334,126	298,287
Exports, including:	20,718	30,635
- European Union countries	12,207	7,736
- other countries	8,511	22,899
Total	**354,844**	**328,922**

In 2023, 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 38.0% and the Lidl Group with a share of approximately 14.8%. 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 (64.5%) 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)	2023	2022	y/y
Revenues from sales	228,858	214,132	+ 6,9%

The growth of the private label segment in 2023 is mainly due to higher sales volumes at both strategic and other customers, mainly realised through in-out campaigns.

Modern trade and traditional trade

Another significant revenue for the Group at around 17.4%, achieved in the domestic market, is the sales 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)	2023	2022	y/y
Revenues from sales	61,583	40,434	+52,3%

The level of sales of branded products in 2023 amounted to approximately PLN 61.6 million, which represents approximately 52.3 per cent growth compared to 2022.

The level of revenue in the branded products channel in 2023 was mainly influenced by:

- increased sales of the Novelle and SoFood brands,
- expanded distribution of all branded products - new customers were acquired and new indexes were introduced to existing customers.

In 2024, the Group plans to develop partnerships 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 12.3%, of the Group's total revenue:

B2B and Institutions (in PLN k)	2023	2022	y/y
Revenues from sales	43,685	43,721	-0,1%

Sales in the B2B and Institutions distribution channel in 2023 amounted to approximately PLN 43.7 million and were marginally lower than the 2022 figure. This is due to the maintenance of the level of product sales in connection with ongoing institutional contracts.

Exports

Exports accounted for approximately 5.8% of the Group's total revenue:

Exports (in PLN k)	2023	2022	y/y
Revenues from sales	20,718	30,635	-32,4%

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 decrease in exports in 2023 by approximately 32.4% year-on-year was related to the war in Ukraine, problems at the border and a temporary lack of transport to Ukraine. In addition, the year before there was a very large influx of humanitarian aid and sales in Ukraine, which resulted in lower demand especially for higher quality products.

Throughout 2023, export sales were mainly developed in the European Union countries. New product items were introduced to both existing and new customers and business partners.

Significant contracts

Conclusion of banking product agreements with Bank BNP Paribas Bank Polska SA

In October 2023, the Group companies: Makarony Polskie SA and Stoczek Natura Sp. z o.o. concluded an agreement with Bank BNP Paribas Bank Polska SA (hereinafter: "the Bank") an agreement and an annex to the banking products agreement, which together met the criteria of a significant agreement, including contributing to the diversification of the Group's sources of financing.

The agreement of the highest materiality was the multi-option credit line agreement concluded by the subsidiary on 26 October 2023, which included an overdraft facility and guarantee/credit lines. The agreement specified the terms and conditions of financing during the current availability period and the amount of the main line limit of PLN 7.2 million, under which: the overdraft sub-limit is PLN 4.0 million (with repayment until 26 October 2025), the guarantee line sub-limit is PLN 3.2 million (with a maximum validity period of 36 months from the date of issuance or amendment of the guarantee). The agreement also specified a possible letter of credit sub-limit of PLN 3.0 million with a maximum term of 12 months from the date of opening or amending the letter of credit.

The provisions of the Agreement do not deviate from the terms commonly used by the Bank for this type of agreement. The interest rate on the loan was determined on the basis of WIBOR 3M plus the Bank's margin, while a commission applies to guarantees and letters of credit.

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*

The Agreement is secured by:

- a blank bill of exchange issued by the Company together with a bill of exchange declaration,
- declaration of the Company on submitting to execution by way of a notarial deed pursuant to Art. 777 §1 item 5 of the Code of Civil Procedure,
- contractual mortgage up to the amount of PLN 10.8 million on the real estate located in Stoczek Łukowski, for which the land and mortgage register No. LU1U/00022979/2 is maintained, together with assignment of receivables under the insurance agreement for buildings/structures on the above real estate.

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 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,
- cost and process optimisation measures, e.g. the implementation of MES software within production facilities will allow better control of costs and labour intensity of products and improve production accounting, while WMS software within warehouses will improve inventory management and product flow control, CMMS software will improve fleet management and machinery breakdown management,
- carrying out deep automation and robotisation of packaging processes of pasta products, increasing processing capacity and reducing production costs,
- an interdisciplinary team was established at Makarony Polskie S.A., which, in cooperation with scientific institutions, works on developing and implementing innovative technologies of manufacturing new products: functional, pro-health, low-processed, easy-to-cook, responding to market and nutrition trends,

- the further systematic development of the SoFood brand's range of ready meals in trays and bowls and in new soft packaging formats, in close connection with market trends and the upward trend of this segment, is a good proxy for sales growth in future periods,
- investments in photovoltaics are planned to be completed at all Group sites by mid-2024 - pasta and ready meals production processes are characterised by high production energy intensity, 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 production costs resulting from increases in electricity prices.

Finalisation of the incorporation process of SAS Sp. z o.o. into Makarony Polskie S.A.

- On 26 June 2023, the District Court in Rzeszów, 12th Economic Division of the National Court Register registered the merger of Makarony Polskie S.A. (as the acquiring company), with its subsidiary SAS Sp. z o.o. (as the acquired company), in accordance with the earlier resolutions of the General Meeting of Makarony Polskie S.A. and the Meeting of Shareholders of SAS Sp. z o.o. concerning the merger of the companies and the merger plan, which was agreed upon and signed by the Management Boards of both companies on 31 August 2022,
- 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 maintenance of two companies, when the scope of business activities of both entities was the same or very similar and mainly concerned pasta production,
  - achieve the synergy,
  - reduce the costs as a result of the merger of two companies
  - integrate the operational processess of both companies.

Activity development in the private label segment

- diversifying and enriching the offer addressed to new and existing customers with pro-health and functional products 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),
- special campaigns, seasonal listings of branded products in discount stores,
- 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.
- developing relationships with key customers in this segment through guided joint research projects in the area of new product development.

Development of B2B sales channels and Institutions

- developing the category of pasta, meat and vegetable preparations tailored to the expectations of customers in this channel,
- establishing cooperative relations with other pasta producers and producers of complementary goods, in order to supplement the offer for the final customer,
- individualising the offer and thus increasing competitiveness.

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 range by offering functional pasta in foreign markets (e.g: Fit, Cardio, Diabetic, legume vegetable) and ready meals in trays and bowls,
- sourcing and implementing private label supply projects,
- 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 and Middle East conflict) situation. For example, the impoverishment of society as a result of a steady rise in prices and everyday costs can result in an increased demand for cheaper and low-margin products, forcing producers and suppliers to compete aggressively on price, while an increase in the wealth of society can redirect purchasing decisions towards more expensive and high-margin products.

After a two-year period of dynamic inflationary increases and a reduction in consumers' real purchasing power, the inflationary situation is now slowing down. There is a trend towards a stabilisation or even decrease in the prices of many food products, including pasta.

Market trends are monitored on an ongoing 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 year 2023 will see stagnation and even a reduction in consumption in some segments of the food market, including pasta. A commercial risk is the increasing pressure on producers to balance their supply capacity with demand. This results in an aggressive pricing policy that is not correlated with the cost level and the dynamically changing market environment, especially in the group of the so-called 'standard products'. This phenomenon has been visible in the market since the second half of 2023 and is estimated to continue at least until mid-2024. The

Group minimises this risk by diversifying its business and developing innovative products, including through ongoing R&D projects. This strategy allowed the Group to increase production volumes in 2023 despite unfavourable market trends.

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 of the commercial contracts do not contain a strictly defined volume of estimated purchases that the customer will make during the contract period, which has been a fairly common market practice to date. 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 an effort to minimise such a risk, the Group is developing its own analytical tools and participating in projects, jointly with customers or suppliers, aimed at systematically improving the entire supply chain.

In terms of contracting, the market has not returned to annual periods due to cost dynamics, while pricing periods have lengthened from a monthly to a three-month or even six-month cycle compared to 2022.

The stagnant market is forcing shops and retail chains to take aggressive measures to stimulate consumption and attract customers through promotions, shelf price reductions, often against the level of producer inflation. The gap between market expectations and producers' expectations may cause changes in the utilisation of production potentials and the flow of production and sales volumes in short-term periods on a more significant scale than was the case in the corresponding period of 2022.

In the Group's opinion, the risk of dependence on customers is not significant, as the Group companies are systematically working towards diversifying their 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.

Despite the ongoing hostilities in Ukraine, the situation on the wheat market was rather stable in the first and second quarters of 2023. Towards the end of the second quarter,

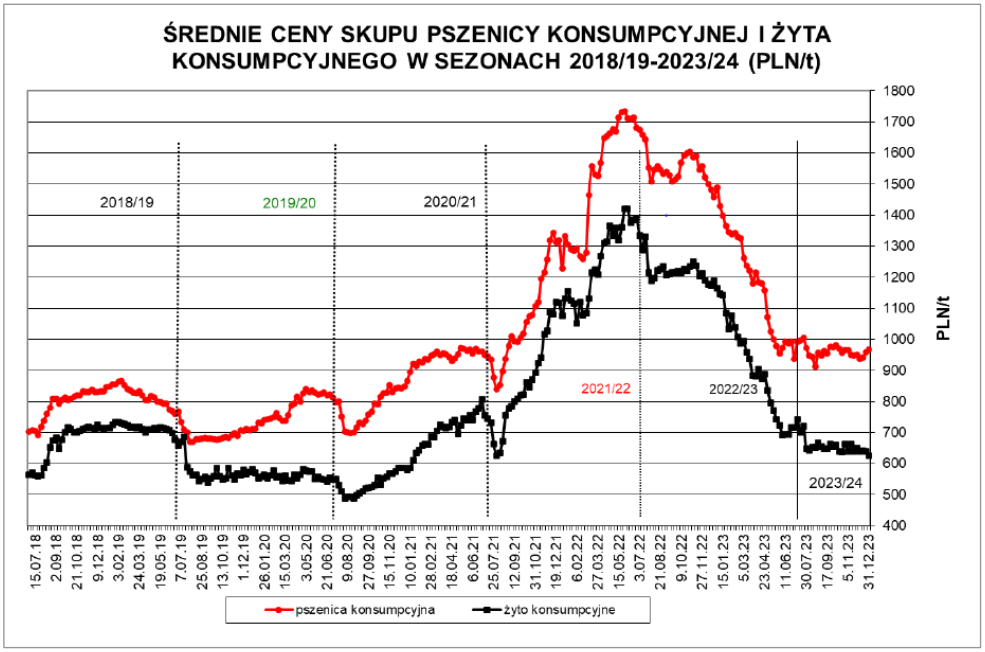
Russia threatened not to extend the agreement with Ukraine to sell grain after 15 July 2023, which translated into price increases on European markets. The Polish market is currently seeing Polish farmers stockpiling grain due to anticipated price rises. However, the situation is being stabilised on the European market. Elements that may translate into price changes in subsequent periods are possible, in particular electricity prices, wage costs and Russia's continued aggressive sales policy for soft cereals. Factors destabilising the supply-demand balance were imports of agricultural products from Ukraine including cereals with often low quality parameters. The situation caused an increase in tensions in the agricultural segment which resulted in blocking actions by state authorities.

Despite the embargo, signals of so-called uncontrolled entry of goods across the Polish-Ukrainian border were confirmed. This issue is the cause of further social tensions not only in Poland, but throughout Europe, and will require intervention at European Union level.

It is worth noting that, despite the successful wheat harvest in terms of quantity in the 2023/24 season, the available volume of consumption wheat meeting the appropriate and key quality parameters for the correct pasta production process is limited. This means that the pasta industry needs to select suppliers ensuring good quality of the final product with greater commitment and organisational effort.

The graph below shows the development of soft cereal prices in Poland in recent years:

Consumer rye Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal



market week 01/2024,

Sparks Polska

Prices on the durum wheat market remained fairly stable, albeit at a high level, until the end of the fourth quarter of 2023. At the same time, there has been an increase in demand

on the European market for durum wheat and semolina flour which, according to forecasts, will result in the lowest level of stocks of this raw material in several years at the end of the cereal season - this may result in a price increase for suppliers.

In the first quarter of 2023, the prices of eggs and egg pulp to reach very high levels, unprecedented in the history of the trade in these raw materials. A slight calming of the market did not occur until the end of March 2023. There was a gentle downward trend in Q2 2023, which also continued during the holiday period characterised by a cyclical reduction in demand for eggs. However, the third quarter again saw an increase in egg consumption and thus an increase in prices. The fourth quarter saw a calming of the market and a slight decrease in egg prices. The situation in subsequent periods will be influenced by factors such as the dynamics of the spread of avian influenza outbreaks, increased demand for Polish eggs in Western European countries and EU policy on imports from Ukraine.

In the foil and cardboard packaging market in Q1-Q4 2023, the market remained stable with slight price adjustments depending on the business situation of suppliers. In the following periods, due to an increase in costs (wages, fuel, etc.), an increase in prices of foil and cardboard packaging is expected. The Makarony Polskie Group constantly monitors the market situation of raw materials and production materials, expands the group of suppliers due to diversification of potential risks, to increase material security of production plants and to ensure wide and authoritative market discernment.

Stoczek Natura Sp. z o.o. is a producer 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.

In 2023, fruit prices were at a good level for processing, allowing satisfactory sales results . Purchasing of fruit and vegetables is carried out seasonally, in the months when their prices are lowest. Purchased raw materials are stored at optimum prices in the company's warehouses and cold stores.

Meat is the main raw material influencing the prices of the company's products. In 2023, meat prices tended to remain higher, which was a challenge for the company. The company seeks to secure stocks of this raw material for a period of several months, taking advantage of price decreases in the forecast cycles and thus mitigating the negative impact of increases on its operations. It thus gained time to adjust the sales prices of finished products to the increased production costs, which is particularly important in the case of

retail chains, where the process of implementing price increases is stretched over time. Poultry meat prices in 2023 were characterised by price stabilisation, which had a positive impact on the company's assumed sales margins.

Despite the stabilisation of prices of utilities such as gas and electricity in 2023, the Group continues to monitor price forecasts for key raw materials and packaging. It is estimated that the prices of some raw materials and packaging will fall and inflation will no longer be as high as it was in 2022 or in 2022, nevertheless markets will still take a long time to stabilise after the disruption caused by the Covid-19 pandemic and the outbreak of war in Ukraine. 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 characterised by frequent changes, with legal regulations being significantly altered basically from one day to the next (e.g. during the Covid-19 epidemic, after the outbreak of war in Ukraine), which makes the activities of companies, including the companies of the Makarony Polskie Group, burdened with very high uncertainty. This is an unfavourable factor for business activity and carries a high risk.

In the nearest future, legal factors that will have impact on the Group's and the entire food industry's operations will be both changes in national law, e.g. issues related to the settlement of VAT rates for foodstuffs, and legal changes resulting from regulations implemented at the European Union level, e.g. implementation of Single Used Plastic, CSRD directives.

The Group's interests in the area of legal changes are safeguarded by legal teams, which take appropriate and timely action to minimise the potential 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 of wage pressure

Systematic increases in the level of the minimum wage and the minimum hourly rate on civil law contracts, mean that wage pressure is building up among employees and potential job applicants. This phenomenon is compounded by the fact that, in recent times, the labour market has increasingly become an employee market. Employers, including Group

companies, are increasingly finding it difficult to find suitable candidates for vacant positions, both among specialists and managers, as well as among unqualified people.

Aiming to minimise staff turnover, particularly among key employees and specialists, the Group seeks to systematically implement incentive-based remuneration systems (linked, inter alia, to production and sales performance), which, by closely linking the performance of individual teams/individuals with the effectiveness of achieving the Group's objectives set for those teams/employees, make it possible to combine a remuneration level that satisfies employees with the profitability of the company's operations. In order to increase motivation and build employee loyalty towards the employer, the Group's companies also systematically diversify the package of non-wage benefits, such as sports cards, group insurance, Christmas cards or private medical care, in order to best match it to the needs and expectations of employees.

Risk related to changes in exchange rates

The Makarony Polskie Company is a semolina importer and exporter of finished products. The sales prices of the Company'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 Company as an importer. To minimize the risk of changes in foreign exchange rates, the funds obtained by the Company 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 2023:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2023 PLN k	Currency exposure as at 31.12.2023 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	29,003	2,120	2,120	0
Trade receivables	35,845	1,731	1,731	0
Financial liabilities				
Trade liabilities in total (including advanced payments)	28,812	5,546	5,546	0

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	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 analysis of the sensitivity of the financial result to changes in exchange rates as at 31 December 2023:

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	106.0	-106.0	0	0
Trade receivables (gross)	86.6	-86.6	0	0
Financial liabilities				
Trade liabilities	-277.3	277.3	0	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	0	0
Financial liabilities				
Trade liabilities	- 620	620	0	0

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 Group's revenue and cost levels in 2023 did not generate undue sensitivity to changes in the level of market interest rates.

In 2023, the Group used external financing in the form of bank loans: working capital loans, overdrafts and investment loans.

As at 31 December 2023, the Group had a borrowing liability of PLN 11,710 thousand:

Currency	Interest	Loans balance	Including loans	
			provisions	Long-term
PLN	WIBOR + bank's margin	11,710	3,019	8,691

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

The Group has loan commitments for which interest is calculated on a floating rate basis, and therefore there is a risk of these rates increasing relative to the time of the agreement, while the current level of inflation suggests that interest rate levels should trend downwards in future periods.

The structure of financial instruments exposed to interest rate risk as at 31 December 2023 is shown in the table below:

Groups/categories of financial instruments	Balance sheet value as at 31.12.2023	Value at risk as at 31.12.2023	WIBOR
Financial assets			
Cash in hand and at bank	29,003	0	0
Financial liabilities			
Bank loans	11,710	11,710	11,710
Other financial liabilities	857	857	857

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	0	0
Financial liabilities			
Bank loans	26,353	26,353	26,353
Other financial liabilities	1,109	1,109	1,109

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 December 2023:

Interest rate	Deviation assumptions (in percentage points) 31/12/2023		Value at risk as at 31.12.2023 PLN k	Impact on the financial result 31/12/2023	
				PLN k	PLN k
WIBOR	1%	-1%	11,710	-117.1	117.1

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

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 2023 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 2023	**Stoczek Natura Sp. z o.o.**	**MP Trade Sp. z o. o.**
The nature of the relationship	direct subsidiary	direct subsidiary
Consolidation method	full	full
Date of taking control	01 June 2007	28 September 2015
% of the capital held	100%	100%

Discussion of the results

The selected financial data of the Makarony Polskie Group as at 31 December 2023, expressed in thousands of PLN, are as follows:

(in PLN k)	**01.01.2023-31.12.2023**	**01.01.2022-31.12.2022**
Net sales revenue	**354,844**	**328,922**
Revenues from sales of other products and services	348,354	317,782
Net revenue from sales of goods and materials	6,490	11,140
Own cost	**256,942**	**255,724**
Production costs of products and services sold	251,437	245,571
Value of goods and materials sold	5,505	10,153
Gross profit (loss) on sales	**97,902**	**73,198**
Costs of sales	33,812	28,089
General administrative costs	11,330	10,159

Other revenues	3,352	6,963
Other costs	12,444	8,715
Profit (loss) from continued operations	**43,668**	**33,198**
Financial incomes	586	32
Financial costs	2,098	2,887
Gross profit	**42,156**	**30,343**
Income tax	9,265	5,885
Net profit (loss) from continued operations	**32,891**	**24,458**
EBITDA (EBIT + depreciation)	57,820	42,368
Number of shares (units)	11,040,071	11,040,071
Weighted average number of shares (in units) during the financial year	11,040 071	11,040,071
Profit/loss per ordinary share (in PLN/EUR) *	2.98	2.22
Book value per share (in PLN/EUR) **	13.52	11.13

* 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 2023 amounted to approximately PLN 354.8 million and was approximately PLN 25.9 million higher compared to the 2022 figure. It results mainly from:

- increased sales volumes of pasta products, both to existing and newly acquired customers,
- a significant increase in sales of ready meals in trays and bowls, both in the SoFood brand and under the chain's own brands,
- taking advantage of synergies following the incorporation of SAS and better allocation of production between the 3 pasta plants.

Achieved results vs. forecasts

The Makarony Polskie Group did not publish financial forecasts for the financial year 2023.

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 - 31.12.2023	For the period from 01.01 - 31.12.2022
Revenues from sales of products	342,444	313,120
Revenues from the sale of services, including:	5,910	4,662
- from lease and storage	4,477	2,694
- service production	1,258	1,878
- transportation services	2	0
- distribution services	162	37
- other services	11	53
Revenues from sale of materials	2,716	2,233
Revenues from sale of goods	3,774	8,907
Total	**354,844**	**328,922**

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

(in PLN k)	For the period from 01.01 - 31.12.2023	For the period from 01.01 - 31.12.2022
Pasta	282,681	259,085
Meat and vegetable preserves	56,176	51,663
Vegetable and fruit preserves	8,320	8,503
Total	7,667	9,671
Total	**354,844**	**328,922**

The value of sales in the pasta category increased by approximately PLN 23.6 million to approximately PLN 282.7 million in 2023. The increase of around 9.1 per cent was mainly due to increased sales volumes of pasta products, both to existing and newly acquired customers.

The segment in which positive developments were recorded is the processed meat and vegetable segment. Sales of processed meat and vegetables increased in the analysed period by approximately PLN 4.5 million to approximately PLN 56.2 million. The increase of approximately 8.7 % in 2023 vs. 2022 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. In 2023, the brand remained the leader in its category and steadily strengthened this position,

- increased interest in canned products with a long shelf life,
- organic growth of sales related, among others, to the opening of new outlets by the largest customers of the Makarony Polskie Group.

Sales of processed fruit and vegetable products in the analysed period remained at a similar level, i.e. approx. PLN 8.3 million, which was due to market saturation in this category. The processed fruit and vegetable segment has low growth prospects and no or minimal growth in its value is forecast for the future.

Factors and events, including unusual events, affecting 2023 results

The impact of inflation on consumer behaviour and the food market

2023 was a difficult year for food companies due to the continuation of the war in Ukraine, which manifested itself in a continuation of inflationary pressures from the previous year. Towards the end of the year, the pasta market was heavily influenced by the aggressive pricing policies of retail chains and increasing pressure on producers. The increasing cost of living also affected the financial expectations of employees, who asked for increases.

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.

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:

- in connection with unrestricted inflow of raw materials and materials, a ban on the import of grain and grain products, e.g. flour, from the territory of Ukraine was introduced, which closed for a certain period the possibility of developing cooperation

with suppliers from the Ukrainian market in the situation of products for which there is no alternative on the domestic market.

- The ongoing hostilities and the situation on the Polish-Ukrainian border also affected the decline in trade with Ukrainian customers and a significant drop in exports to this market.

Immediately after the outbreak of war in Ukraine, additional procedures were implemented in the Makarony Polskie Group to secure continuity of production and reduce the risk of lack of raw material, 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 materially affected the Group's operations to date. 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 the further situation in Ukraine and its impact on the situation of the Company and the Makarony Polskie Group, but it should be stated that as of today, the impact, both in the area of export sales and purchase of raw materials, is not significant. Other factors, such as turbulence on the energy and gas market and inflation, have a much greater impact on the situation of the food business in Poland.

Structure of assets and liabilities

The Group's total assets amounted to PLN 238.1 million at 31 December 2023, compared to PLN 239.3 million at 31 December 2022.

Structure of the Group's assets and liabilities

ASSETS	01.01.2023-31.12.2023	01.01.2022-31.12.2022
FIXED ASSETS	**135,644**	**144,181**
Fixed tangible assets	126,666	131,475
Fixed assets with right of use (IFRS-16)	6,491	3,699
Investment real estate 603	0	603
Company goodwill value	188	2,863
Other intangible assets	1,983	5,503
Assets for deferred income tax	310	3
Other long-term assets	6	35
CURRENT ASSETS	**102,444**	**95,151**
Inventories	28,719	44,481
Short-term receivables	44,280	42,412
Income tax receivables	0	0
Borrowings granted	0	0
Cash and cash equivalents	29,003	7,828
Other short-term assets	442	430
FIXED ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	**238,088**	**239,332**

Financial situation of the Makarony Polskie Group

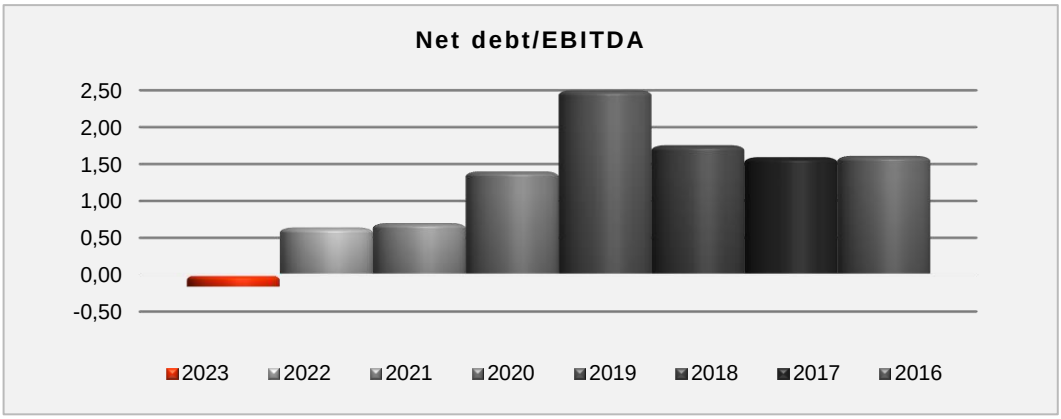
LIABILITIES	01.01.2023-31.12.2023	01.01.2022-31.12.2022
EQUITY	**149,276**	**122,914**
Revaluation capital	33,120	33,120
Supplementary capital	60,344	53,521
Revaluation capital	0	114
Reserve capital	12,000	12,000
Retained profit/loss	43,812	24,159
LONG-TERM LIABILITIES	**35,435**	**41,745**
Provision for deferred income tax	3,878	5,088
Long-term bank loans and borrowings	8,691	13,133
Other long-term financial liabilities	0	0
Provision for pensions and similar (long-term)	1,065	495
Revenues of future periods - long-term	15,885	19,501
Long-term financial liabilities - leasing	5,916	3,528
SHORT-TERM LIABILITIES	**53,377**	**74,673**
Short-term bank loans and borrowings	3,019	13,220
Other short-term financial liabilities	0	807
Short-term financial liabilities - leasing	1,508	1,364
Other short-term liabilities	33,476	52,886
Income tax liabilities	7,867	2,349
Revenues of future periods - short-term	2,656	1,555
Provision for retirement and similar benefits (short-term)	2,962	2,421
Other short-term provisions	1,889	71
TOTAL LIABILITIES	**88,812**	**116,418**
TOTAL LIABILITIES	**238,088**	**239,332**

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 2023 is:

- generating positive operating cash flow of PLN 53.0 million in 2023,
- to generate EBITDA of approximately PLN 57.8 million in 2023,
- 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 2023 of approximately PLN 6.6 million (in 2022 of approximately PLN 3.3 million),
- at the end of 2023, the ratio of bank loans to EBITDA remains at a very safe level:



The decrease in the level of net debt to EBITDA to -0.17 was mainly due to the systematic repayment of debt and the Company's conservative credit policy in a high interest rate environment.

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

Deposits and equity investments

During the reporting period, the companies of the Makarony Polskie Group did not make any capital investments.

During 2023, Makarony Polskie S.A. maintained surplus cash on short-term deposits. The value of funds from the deposits at the end of the reporting period was PLN 14.5 million. The interest rates on the deposits did not deviate from market standards.

Subsidiaries Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. had no funds in bank deposits as at 31 December 2023.

The ratio analysis in the assessment of profitability, liquidity and debt indicates a stable financial situation of the Makarony Polskie Group in 2023 in relation to previous periods in terms of profitability, ability to settle liabilities and security of financing current and investment activities.

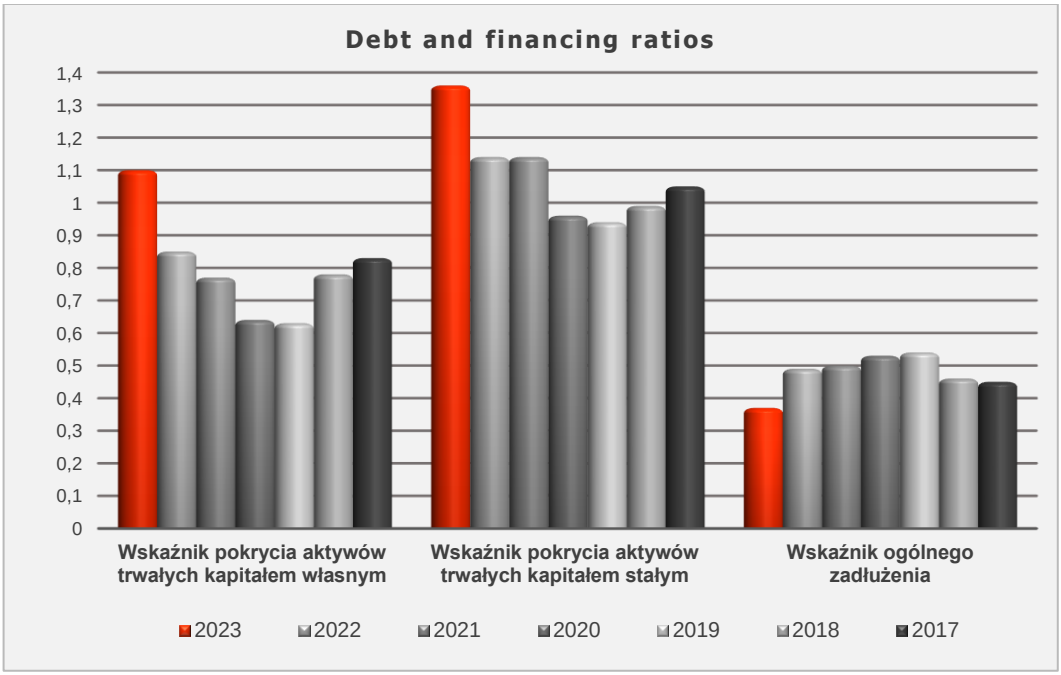
Indicator analysis

The ratio analysis in the assessment of profitability, liquidity and debt indicates that the financial situation of the Makarony Polskie Group in 2023 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 6.6 million (PLN 0.60 per share) in 2023; 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

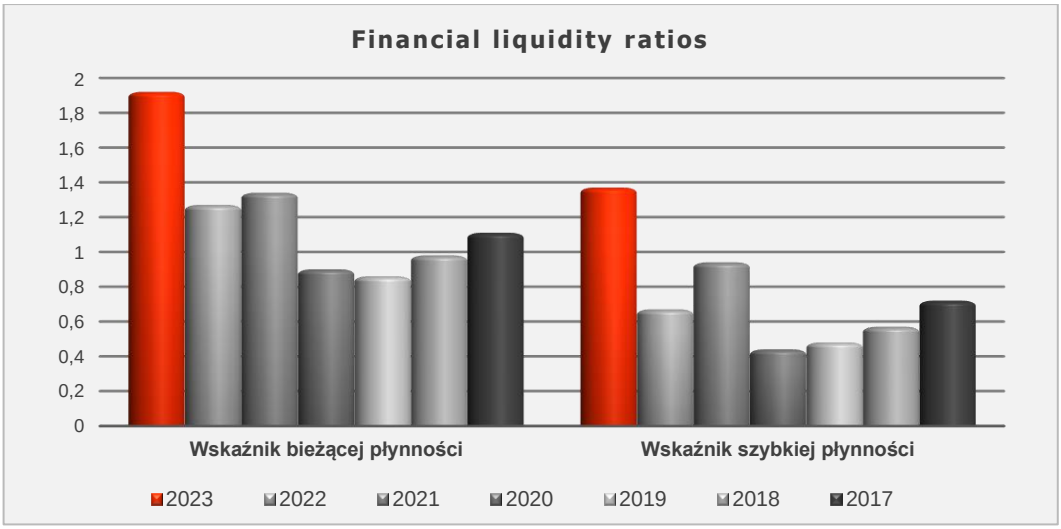
	2023	2022	2021	2020	2019	2018	2017
Equity to non-current assets ratio *(Equity/non-current assets)*	1.10	0.85	0.77	0.64	0.63	0.78	0.83
Fixed assets to fixed capital ratio *((Equity + Non-current liabilities)/Fixed assets)*	1.36	1.14	1.14	0.96	0.94	0.99	1.05
Overall debt ratio *(Total Liabilities/Total Assets)*	0.37	0.49	0.50	0.53	0.54	0.46	0.45



Financial situation of the Makarony Polskie Group

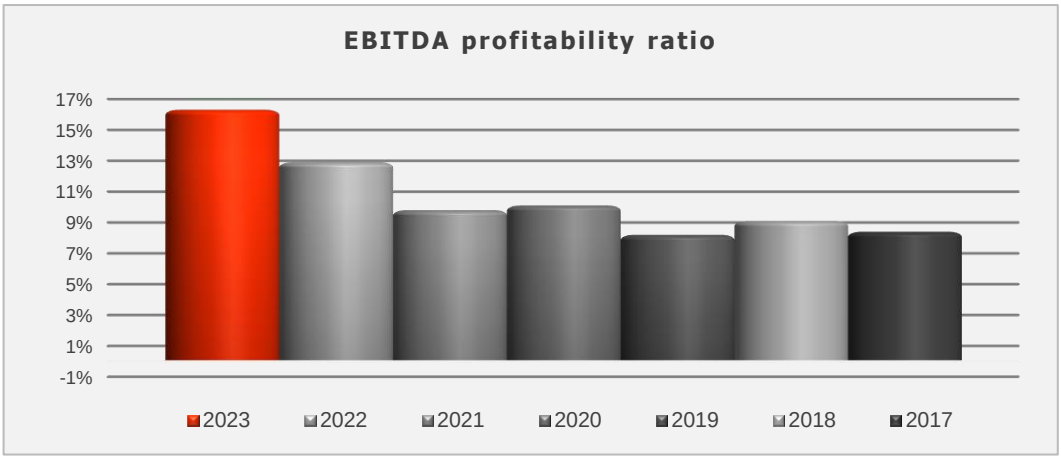
Liquidity indicators

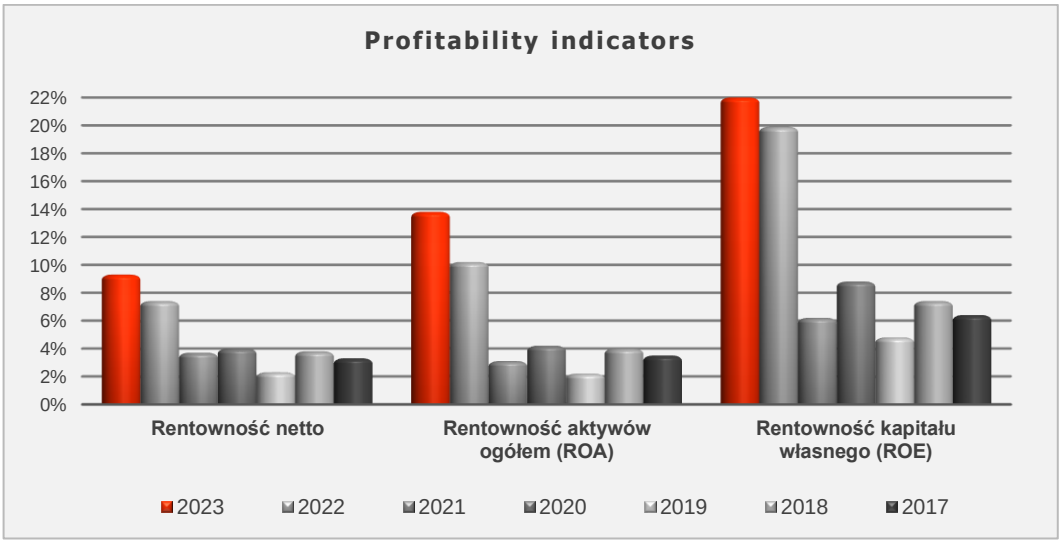
	2023	2022	2021	2020	2019	2018	2017
Current liquidity ratio *(Current assets/Current liabilities)*	1.92	1.27	1.34	0.90	0.86	0.98	1.11
Quick liquidity ratio *((Current assets - Inventories - Short-term accruals)/Short-term liabilities)*	1.37	0.67	0.94	0.44	0.48	0.57	0.72



Profitability indicators

	2023	2022	2021	2020	2019	2018	2017
Profitability of sales (Gross profit (loss) from sales/net sales revenue)	27,6%	22,3%	18,4%	20,2%	22,7%	22,4%	22,2%
Operating profitability (Profit (loss) from continuing operations/net sales revenue)	12,3%	10,1%	5,1%	6,0%	4,2%	5,4%	5,0%
Business profitability (Pre-tax profit (loss) /Net revenue from sales)	11,9%	9,2%	4,5%	5,1%	3,3%	4,7%	4,2%
Net profitability (Net profit (loss) / Net revenue from sales)	9,3%	7,4%	3,7%	4,0%	2,3%	3,8%	3,3%
Return on total assets (ROA) (Net profit (loss) / Total assets)	13,8%	10,2%	3,1%	4,2%	2,2%	4,0%	3,5%
Return on equity (ROE) (Net profit (loss) / equity)	22,0%	19,9%	6,2%	8,8%	4,8%	7,4%	6,4%
EBITDA profitability (EBITDA/net sales revenue)	16,3%	12,9%	9,8%	10,1%	8,2%	9,1%	8,4%





Other financial information

Information on concluded and terminated loan and factoring agreements

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	31/12/2023	31.12.2022
- long-term part	8,691	13,133
- short-term part	3,019	13,220
Total	**11,710**	**26,353**

The balance of loan and factoring agreements in effect as at 31 December 2023, for which Makarony Polskie SA was a party to the agreements, is presented in the tables below:

– Overdraft in Santander Bank Polska SA

Loan terms and conditions	31 December 2023
Loan contractual value	PLN 5,000 k
Loan period	18.10.2013 – 01.06.2024
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 0 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 bill of exchange issued by the Company together with a bill of exchange 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, – Guarantee from Stoczek Natura Sp. z o.o., with the guarantee having expired during the year, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

In the course of 2023, Makarony Polskie S.A. concluded an annex to the open-end overdraft agreement with Santander Bank Polska S.A., which extends the repayment date of the obligation from 1 June 2024 to 2 June 2025, and concluded an annex waiving mutual guarantees between related companies.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2023
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 2,683 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.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	31 December 2023
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 9,024 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 each.
Loan collateral	– contractual joint mortgage up to the amount of PLN 18,000 thousand on real estate in Korpele marked with: a) KW No. OL1S/00032815/5, KW No. OL1S/00039349/6, KW No. OL1S/00044965/8 in Korpele together with assignment of rights under the property insurance policy, – a registered pledge on 100% of the shares in SAS Sp. z o.o., with the collateral having expired due to the merger process, – accession to debt by SAS Sp. z o.o., whereby the security has been extinguished due to the merger process, – blank bill of exchange issued by the Company together with a bill of exchange declaration, – the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Overdraft in BNP Paribas Bank Polska SA

Loan terms and conditions	31 December 2023
Loan contractual value	PLN 7,000 k
Loan period	19.11.2021 - 03.11.2025
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 0 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to the amount of PLN 10,500 k on the following real estates: a) KW No. CZ1C/00111425/8 in Częstochowa together with the assignment of rights under the real estate insurance policy, – blank bill of exchange issued by the Company together with a bill of exchange declaration, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

During 2023, Makarony Polskie S.A. concluded an annex to the overdraft agreement with BNP Paribas Bank Polska S.A., which extends the repayment date of the obligation from 31 October 2023 to 3 November 2025.

– Revolving loan in Santander Bank Polska SA

During the reporting period, Makarony Polskie S.A. used a working capital loan of PLN 1,700 thousand granted by Santander Bank Polska S.A.. In accordance with the provisions of the agreement, the loan was repaid by the due date, and therefore the obligations under the agreement between the Company and the Bank expired.

– Investment loan at Santander Bank Polska SA

During the reporting period, Makarony Polskie S.A. used an investment loan of the total value of PLN 13,849 thousand granted by Santander Bank Polska S.A., which was repaid in full, thus all the Company's liabilities towards the Bank expired.

– EU investment loan from Santander Bank Polska S.A.

During the reporting period, Makarony Polskie S.A. used an investment loan of the total value of PLN 12,121 thousand granted by Santander Bank Polska S.A., which was repaid in full, thus all the Company's liabilities towards the Bank expired.

– EU investment loan from Santander Bank Polska S.A.

During the reporting period, Makarony Polskie S.A. used an investment loan of the total value of PLN 8,000 thousand granted by Santander Bank Polska S.A., which was repaid in full, thus all the Company's liabilities towards the Bank expired.

– Factoring agreement (non-recourse) with Santander Factoring Sp. z o.o.

Terms of the agreement	31 December 2023
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 0 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

After the end of the reporting period, Makarony Polskie S.A. concluded an annex with Santander Factoring Sp. z o.o., which extended the factoring limit from 31 January 2024 to 31 January 2025.

During the reporting period, the subsidiary Stoczek Natura Sp. z o.o. changed the entity financing its current operations from Bank Gospodarstwa Krajowego to BNP Paribas Bank Polska SA by concluding an agreement for a multi-option credit line in the amount of PLN 7,200 thousand.

The status of credit agreements in force as at 31 December 2023, for which Stoczek Natura Sp. z o.o. was a party to the agreements, is presented in the tables below:

– Multi-option credit line with BNP Paribas Bank Polska SA with a separate sub-limit for an overdraft facility

Credit terms and conditions	31 December 2023
Loan contractual value	PLN 4,000 k
Loan period*	26.10.2023 – 26.10.2025
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 0 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to PLN 10,800 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, – blank bill of exchange issued by the Company together with a bill of exchange declaration, – the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Overdraft facility with Bank Gospodarstwa Krajowego

During 2023, the subsidiary Stoczek Natura Sp. z o.o. used an overdraft facility with a total limit of PLN 4,000 thousand granted to it by Bank Gospodarstwa Krajowego. The company repaid the loan in full in 2023 and terminated the loan agreement with Bank Gospodarstwa Krajowego, thereby extinguishing all liabilities of this company towards the Bank.

– Investment loan at Bank Gospodarstwa Krajowego*

During 2023, Stoczek Natura Sp. z o.o. benefited from an investment loan with a total value of PLN 4,812 k granted to it by Bank Gospodarstwa Krajowego. The company repaid the investment loan in full in 2023, thereby extinguishing all of its obligations to the Bank.

Information on loans granted

During 2023, 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. The loan was repaid once on 30 November 2023.

During 2023, SAS Sp. z o.o. provided 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 repayment date of 30 December 2023. The interest rate on the loan was set based on market conditions. The loan was fully repaid during 2023.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not provide loans during 2023.

Information on guarantees given and received

In 2023, only Makarony Polskie SA granted the guarantee to its affiliate SAS Sp. z o.o. Subsidiaries did not provide guarantees.

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 2023 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	– joint mortgage of up to PLN 18,200 thousand on the Company's real estate in Rzeszów (KW no. RZ1Z/00076860/5) and in Płock (KW no. PL1P/00094893/6, KW no. PL1P/00097530/5, KW no. PL1P/00114158/9, KW no. PL1P/00097363/3) together with assignment of rights under the real estate insurance policy; – blank promissory note with a promissory note declaration – the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

Santander Bank Polska SA*	312	do 20.03.2028	guarantee securing the Company's contractual obligations under the institutional contract concluded	– the Company's declaration of submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

* The guarantee was released after the reporting period due to the completion and settlement of the contract secured by it.

** the guarantee was established during 2023.

During 2023, Makarony Polskie S.A. granted a guarantee of PLN 800 thousand to its subsidiary SAS Sp. z o.o. securing SAS Sp. z o.o.'s liabilities under the power purchase agreement. Due to the merger process of the companies, the guarantee expired.

A summary of the guarantees in force at Stoczek Natura Sp. z o.o. as at 31 December 2023 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
BNP Paribas Bank Polska SA*	2,235	until 31.12.2024	guarantee securing the Company's contractual obligations under the institutional contract concluded	– contractual mortgage up to the amount of PLN 10 800 000 on the real estate designated in Land and Mortgage Register No. LU1U/00022979/2 in Stoczek Łukowski together with an assignment of the real estate insurance policy, – blank bill of exchange issued by the company together with a bill of exchange declaration, – declaration of submission to enforcement pursuant to Art. 777 of the Code of Civil Procedure in the form of a notarial deed submitted by the company
BNP Paribas Bank Polska SA*	559	until 31.03.2026	guarantee securing the Company's contractual obligations under the institutional contract concluded	

* during 2023, Stoczek Natura Sp. z o.o. changed the Guarantor from Bank Gospodarstwa Krajowego to BNP Paribas Polska SA while maintaining continuity of contractual security in the form of guarantees.

During 2023, the subsidiary Stoczek Natura Sp. z o.o. benefited from a guarantee in the amount of PLN 335 thousand securing the Company's contractual obligations under a concluded institutional contract granted by Bank Gospodarstwa Krajowego, which expired during the reporting period due to the release of the guarantee and the return of the original documents.

After the balance sheet date, the subsidiary Stoczek Natura Sp. z o.o. concluded a guarantee with BNP Paribas Polska SA in the amount of PLN 604 thousand securing the Company's contractual obligations under the concluded institutional contract.

Information on guarantees granted and received

During 2023, Makarony Polskie S.A. granted sureties to its subsidiary Stoczek Natura Sp. z o.o., which expired in the reporting period due to the full repayment of loan products by the subsidiary and termination of the agreement concluded by that company with Bank Gospodarstwa Krajowego.

Makarony Polskie S.A. received remuneration for granting the guarantees.

During 2023, Stoczek Natura Sp. z o.o. provided sureties to the parent company Makarony Polskie SA and concluded an annex waiving mutual sureties between the related companies.

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

MP Trade Sp. z o.o. did not grant any sureties in 2023.

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

During 2023, 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 2023	31 December 2022
1. Contingent assets	**3,942**	**3,243**
- received guarantees and sureties	3,720	3,184
- collaterals on assets	0	0
- promissory notes	222	59
2. Contingent liabilities	**96,073**	**185,337**
- for provided guarantees and warranties	0	0
- collaterals on property	79,482	141,685
- promissory note obligations	16,591	43,652
Total off-balance items	**-92,131**	**-182,094**

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

Intention of the Management Board of Makarony Polskie S.A. regarding payment of dividend for 2023

On 4 April 2024, the Company's Board of Directors announced that, in view of the good earnings estimates for the 2023 financial year, it intends to recommend to the Company's Annual General Meeting ("AGM") the payment of a dividend for 2023 of PLN 0.75 per share.

The amount of the recommended dividend per share will be the highest in the Company's history. The dividend will be paid on 11,040,071 shares.

At the same time, the Company informed that the formal proposal of the Management Board regarding the distribution of net profit for the financial year 2023 will be addressed to the General Meeting of Shareholders, as required by the Code of Commercial Companies, based on the final financial results included in the Annual Separate Financial Report of Makarony Polskie S.A. for 2023, scheduled for publication on 23 April 2024.

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 2023.

The selected financial data of Makarony Polskie S.A. as at 31 December 2023, expressed in thousands of PLN, are as follows:

(in PLN k)	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Net sales revenue	**302,826**	**234,409**
Revenues from sales of other products and services	242,508	184,184
Net revenues from sales of goods and materials	60,318	50,225
Own cost	**225,722**	**187,982**
Production costs of products and services sold	170,616	142,092
Value of goods and materials sold	55,106	45,890
Gross profit (loss) on sales	**77,104**	**46,427**
Costs of sales	29,589	23,228
General administrative costs	8,901	6,498
Other revenues	2,444	1,693
Other costs	8,355	3,716
Profit (loss) from continued operations	**32,703**	**14,678**
Financial incomes	739	393
Financial costs	1,959	2,279
Gross profit	**31,483**	**12,792**
Income tax	6,685	2,330
Net profit (loss) from continued operations	**24,798**	**10,462**
EBITDA (EBIT + depreciation)	43,290	20,864
Number of shares (units)	11,040,071	11,040,071
Weighted average number of shares (in units) during the financial year	11,040,071	11,040,071
Profit/loss per ordinary share (in PLN/EUR) *	2.25	0.95
Book value per one share (in PLN/EUR) **	12.87	9.42

* 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

Revenues in 2023 amounted to approximately PLN 302.8 million and were approximately 29.2% higher than in 2022, which was mainly due to the incorporation of SAS Sp. z o.o. and increased sales volumes.

The cost of products, services, goods and materials sold in 2023 was approximately PLN 225.7 million (an increase of approximately 20.0%).

Makarony Polskie SA closed 2022 with a gross profit on sales of approximately PLN 77.1 million (an increase of approximately PLN 30.7 million on 2022), with gross profitability on sales of approximately 25.5% (vs. approximately 19.8% in 2022).

Operating profit (EBIT) in 2023 was approximately PLN 32.7 million compared to approximately PLN 14.7 million in 2022, an increase of approximately 123%. Profitability at the EBIT level was approximately 10.8% (vs. approximately 6.3% in 2022).

Net profit in 2023 amounted to approx. PLN 24.8 million and is higher than the result in 2022 by approx. PLN 14.3 million (approx. +137%). The return on sales calculated at the level of net profit was approximately 8.2% (vs. approximately 4.5% in 2022).

In 2023, the company recorded EBITDA of approximately PLN 43.3 million, compared to a result of approximately PLN 20.9 million in 2022, an increase of PLN 22.4 million year-on-year, i.e. approximately 107.5%. EBITDA profitability in 2023 was approximately 14.3% vs. approximately 8.9% in 2022.

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 2023:

in PLN k	2023	2022	y/y
Revenues from sales	302,826	234,409	29,2%

In 2023, 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 36.3% and the Lidl Group with a share of approximately 15.9%. 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 (63.4%) 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)	2023	2022	y/y
Revenues from sales	191,908	133,657	+43,6%

In 2023, the increase in pasta sales in the private label segment was mainly related to the incorporation of SAS Sp. z o.o. and the increase in volumes at key customers.

Modern and traditional trade

Another significant revenue for the Company at about 16.8%, 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)	2023	2022	y/y
Revenues from sales	50,901	40,074	+27,0%

The 27.0% year-on-year increase in branded product sales was driven by an increase in the Novelle and SoFood product ranges and the development of numerical distribution.

In 2024, the Company aims to further develop partnerships with existing customers, as well as to improve sales numbers by acquiring additional sales volumes.

B2B and Institutions

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

B2B and Institutions (in PLN k)	2023	2022	y/y
Revenues from sales	40,420	33,278	+21,5%

Sales in the B2B and Institutions distribution channel in 2023 amounted to approximately PLN 40.4 million and were approximately 21.5% higher than in 2022.

Exports

Exports in the Company's total revenue for 2023 accounted for approximately 6.5 per cent:

Exports (in PLN k)	2023	2022	y/y
Revenues from sales	19,598	25,720	-23,8%

The company's export strategy focuses on establishing partnerships with major retail chains - directly, as well as through distributors and official importers.

The decrease in exports in 2023 by approximately 23.8% year-on-year was related to the war in Ukraine, problems at the border and a periodic lack of transport to Ukraine, which was previously the Company's main export market. In addition, the year before there was a very large influx of humanitarian aid and sales in Ukraine, which resulted in lower demand especially for higher quality products.

Throughout 2023, export sales were mainly developed in the European Union countries. New product items were introduced to both existing and new customers and business partners.

Operating segments

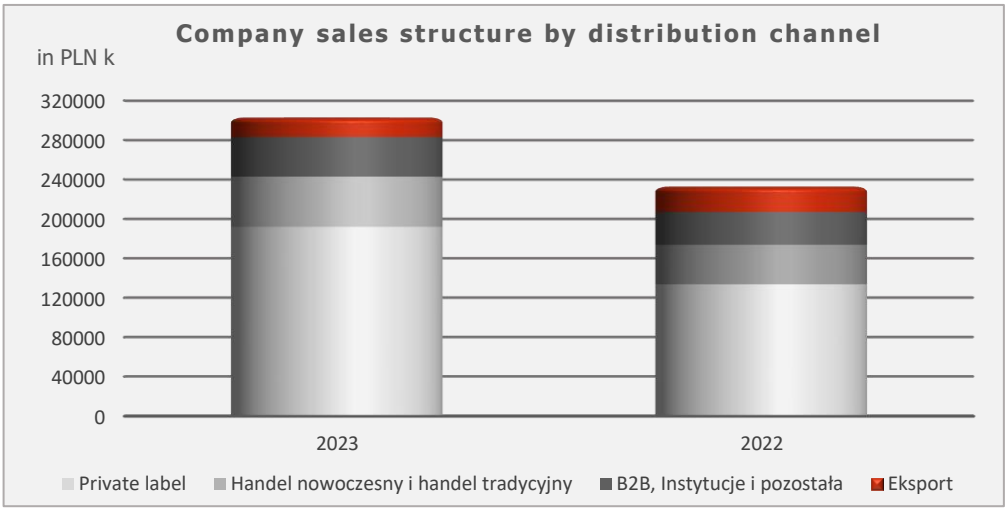
Structure of sales by distribution channel at Makrony Polskie SA

Makarony Polskie S.A.'s sales revenue in 2023 was PLN 302.8 million, up by approximately 29.2% (PLN 68.4 million) from the same period in 2022.

This is due to the following factors:

- incorporation of SAS Sp. z o.o. from the middle of the year, which allowed even more effective use of synergy effects - there was better utilisation of the production capacity of the 3 pasta plants,
- sales volumes to key customers were increased and new customers were acquired. In addition, sales of ready meals on trays (So Food brand) increased significantly, both in the brand and under the chain's own brands.

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 - 31.12.2023	For the period from 01.01 - 31.12.2022
Pasta	246,438	189,351
Meat and vegetable preserves	44,220	32,771
Vegetable and fruit preserves	8,279	8,468
Total	3,889	3,819
Total	**302,826**	**234,409**

The value of sales in the pasta category increased by approximately PLN 57.1 million to approximately PLN 246.4 million in 2023. The increase of approximately 30.1% compared to 2022 was mainly due to the incorporation of SAS Sp. z o.o. by Makarony Polskie SA and an increase in volumes.

Sales of meat and vegetable preparations increased by approximately PLN 11.4 million in the period under review to approximately PLN 44.2 million. The increase of approximately 34.9% (2023 vs. 2022) 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 SoFood brand launched in 2020 developed dynamically. These products have been very well received by customers - in 2023, they consolidated their position as sales leader in their category for another consecutive year, according to a report by Nielsen.

The segment in which negative dynamics of change were recorded is the processed fruit and vegetable segment. In this segment, the Company is not experiencing growth for another consecutive year, so options for further prospects for a presence in this segment are being analysed. Final decisions should be taken in 2024.

Structure of assets and liabilities

The balance sheet total of Makarony Polskie S.A. was approximately PLN 220.9 million as at 31 December 2023, compared to approximately PLN 195.3 million as at 31 December 2022.

Structure of assets and liabilities

ASSETS	01.07.2023-31.12.2023	01.01.2022-31.12.2022
FIXED ASSETS	**131,547**	**132,805**
Fixed tangible assets	93,153	76,063
Fixed assets - IFRS-16	6,491	3,504
Investment real estate 603	0	603
Company goodwill value	0	0
Other intangible assets	1,817	5,411
Non-current financial assets of which:	30,080	47,190
Shares	30,080	47,190
Borrowings granted	0	0
Assets for deferred income tax	0	0
Other long-term assets	6	34
CURRENT ASSETS	**89,379**	**62,513**
Inventories	20,159	29,809
Short-term receivables	40,683	29,915
Income tax receivables	0	0
Borrowings granted	0	2,012
Cash and cash equivalents	28,160	461

Other short-term assets	377	316
FIXED ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	**220,926**	**195,318**

LIABILITIES	01.07.2023-31.12.2023	01.01.2022-31.12.2022
EQUITY	**142,038**	**104,050**
Revaluation capital	33,120	33,120
Supplementary capital	52,306	48,468
Reserve capital	12,000	12,000
Retained profits/losses (profit/loss from previous years)	44,612	10,462
LONG-TERM LIABILITIES	**31,685**	**32,963**
Provision for deferred income tax	3,889	2,213
Long-term bank loans and borrowings	8,691	11,707
Other long-term financial liabilities	0	0
Provision for pensions and similar benefits (long-term)	999	340
Revenues of future periods - long-term	12,190	15,332
Long-term financial liabilities - leasing	5,916	3,371
SHORT-TERM LIABILITIES	**47,203**	**58,305**
Short-term bank loans and borrowings	3,019	8,740
Other short-term financial liabilities	0	214
Short-term financial liabilities - leasing	1,508	1,169
Other short-term liabilities	30,631	44,108
Income tax liabilities	6,870	1,237
Revenues of future periods - short-term	2,278	1,273
Provision for retirement and similar benefits (short-term)	2,245	1,564
Other short-term provisions	652	0
TOTAL LIABILITIES	**78,888**	**91,268**
TOTAL LIABILITIES	**220,926**	**195,318**

The ratio analysis indicates a good financial position of the Makarony Polskie Group in 2023 in terms of profitability, ability to settle liabilities and security of financing current and investment activities.

As at 31 December 2023, non-current assets amounted to approximately PLN 131.5 million (approximately 60% of total assets), compared to approximately PLN 132.8 million at the end of 2022 (an increase of approximately 1.0% vs. the end of 2022).

Current assets amounted to approximately PLN 89.4 million as at 31 December 2023 and increased by approximately 43% compared to the end of 2022 (approximately PLN 62.5 million).

The increase in current assets of approximately 43.0% was mainly due to increases in individual balance sheet items:

- cash (by approximately PLN 27.7 million) mainly due to the incorporation of SAS Sp. z o.o. and the increase in sales volume,
- an increase in short-term receivables (by approximately PLN 10.8 million) mainly due to the incorporation of SAS Sp. z o.o. and an increase in sales volume

Equity at the balance sheet date was approximately PLN 142.0 million, representing approximately 64.0% of the value of liabilities, and increased by approximately 37.0% compared to a value of approximately PLN 104.0 million at the end of 2022.

Non-current liabilities amounted to approximately PLN 31.7 million and decreased by approximately 3.9% compared to the balance at the end of 2022 (approximately PLN 33.0 million).

Current liabilities as at 31 December 2023 amounted to approximately PLN 47.2 million and decreased compared to the balance at the end of 2022 of approximately PLN 58.3 million.

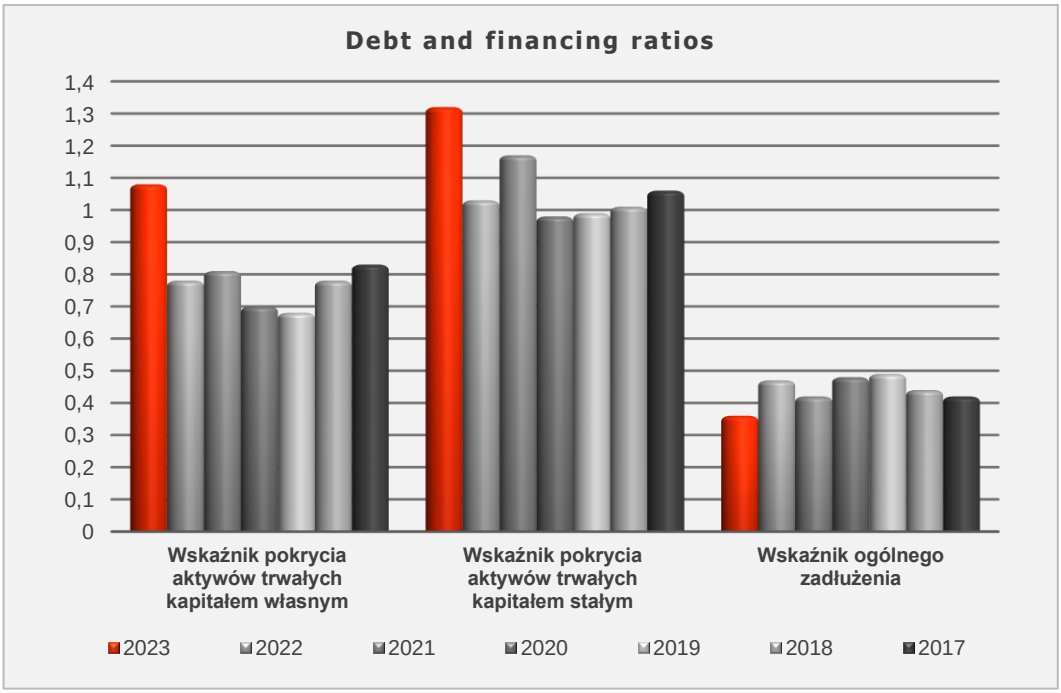
Indicator analysis

The ratio analysis for the assessment of profitability, liquidity and debt indicates a stable financial situation for Makarony Polskie in 2023 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 6.6 million to shareholders in 2023; 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.

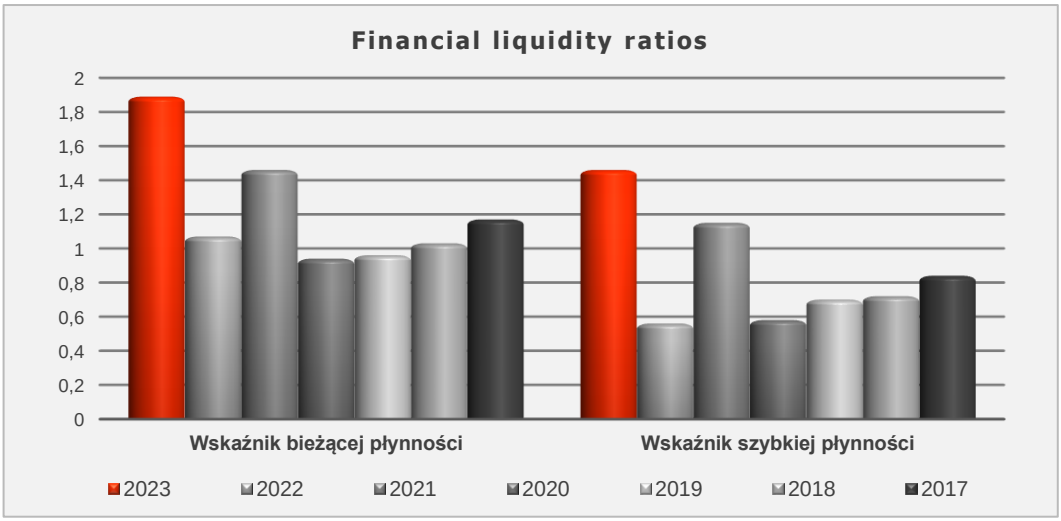
Debt and financing ratios

	2023	2022	2021	2020	2019	2018	2017	2016
Equity to non-current assets ratio *(Equity/non-current assets)*	1.08	0.78	0.81	0.70	0.68	0.78	0.83	0.80
Fixed assets to fixed capital ratio *((Equity + Non-current liabilities)/Fixed assets)*	1.32	1.03	1.17	0.98	0.99	1.01	1.06	1.06
Overall debt ratio *(Total Liabilities/Total Assets)*	0.36	0.47	0.42	0.48	0.49	0.44	0.42	0.42



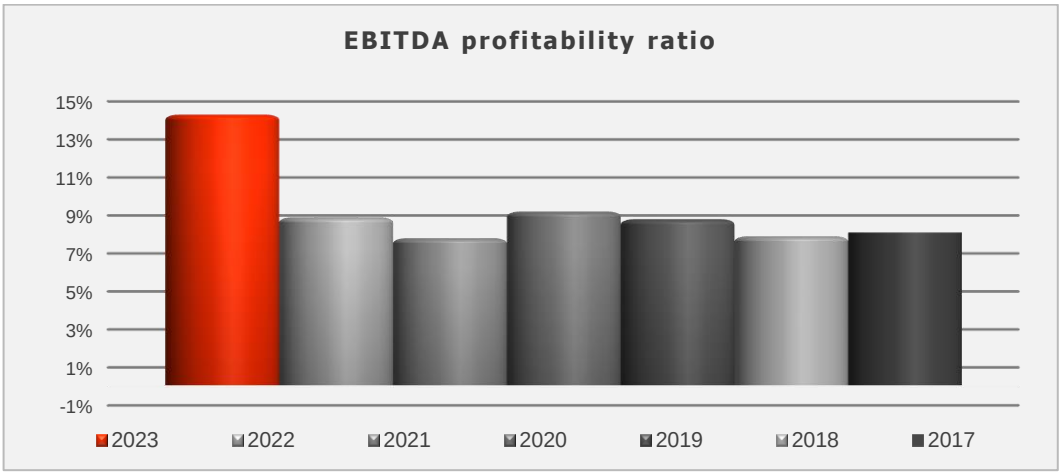
Liquidity indicators

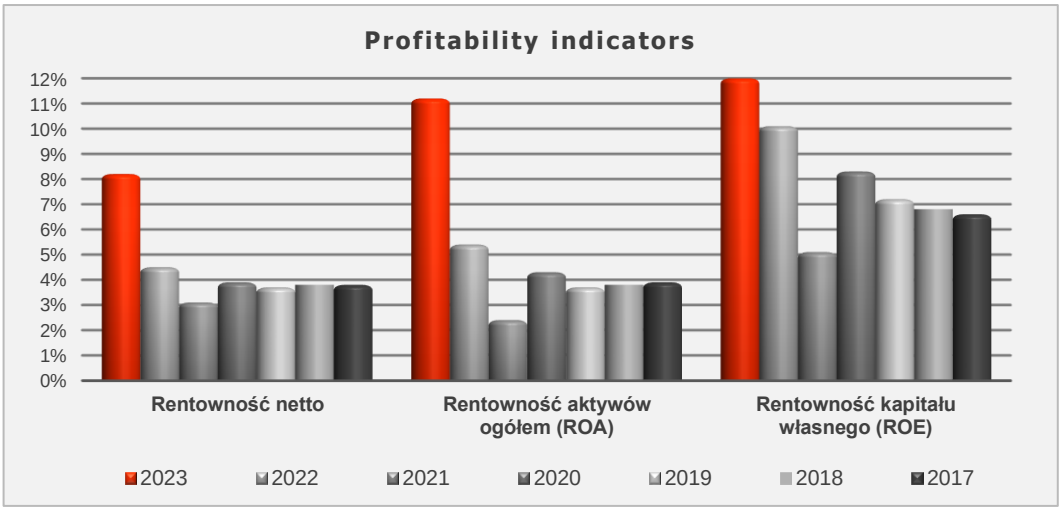
	2023	2022	2021	2020	2019	2018	2017	2016
Current liquidity ratio *(Current assets/Current liabilities)*	1.89	1.07	1.46	0.94	0.96	1.03	1.17	1.19
Quick liquidity ratio *((Current assets - Inventories - Short-term accruals)/Short-term liabilities)*	1.47	0.56	1.15	0.58	0.70	0.72	0.84	0.85



Profitability indicators

	2023	2022	2021	2020	2019	2018	2017	2016
Profitability of sales (Gross profit (loss) from sales/net sales revenue)	25,5%	19,8%	17,4%	19,6%	21,8%	22,0%	21,0%	21,8%
Operating profitability (Profit (loss) from continuing operations/net sales revenue)	10,8%	6,3%	3,9%	5,8%	5,3%	5,2%	5,1%	6,3%
Profitability of the business (Gross profit (loss) / Net sales revenue)	10,4%	5,5%	3,8%	5,0%	4,7%	4,7%	4,8%	5,6%
Net profitability (Net profit (loss) / Net revenue from sales)	8,2%	4,5%	3,1%	3,9%	3,7%	3,8%	3,8%	4,4%
Return on total assets (ROA) (Net profit (loss)/Total assets)	11,2%	5,4%	2,4%	4,3%	3,7%	3,8%	3,9%	4,1%
Return on equity (ROE) (Net profit (loss) / Shareholders' equity)	17,5%	10,1%	5,1%	8,3%	7,2%	6,8%	6,6%	7,2%
EBITDA profitability (EBITDA/net sales revenue)	14,3%	8,9%	7,8%	9,2%	8,8%	7,9%	8,1%	9,3%





Off-balance items

(in PLN k)	31 December 2023	31.12.2022
1. Contingent assets	**1,148**	**18,039**
- received guarantees and sureties	926	15,980
- collaterals on assets	0	0
- promissory notes	222	2,059
2. Contingent liabilities	**82,479**	**134,753**
- for provided guarantees and warranties	0	14,182
- collaterals on property	68,682	93,038
- promissory note obligations	13,797	27,533
Total off-balance items	**-81,331**	**- 116,714**

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 2023, 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 2023:

- *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 on sustainability issues, particularly in the context defined by the CSRD. The Company is working to incorporate such targets and metrics, as well as the identification of risks related to sustainability factors, into its business strategy over a period of no longer than the end of 2024.

- 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, among others, on the Company's website, but 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 of sustainable development 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 is carrying out the necessary analyses and making efforts to avoid a wage gap.

- 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 office of the Company's Supervisory Board, the Chairman of the Supervisory Board and the Chairman of the Audit Committee are the same person.
- 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. During the current term

of the supervisory board, the 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 finance 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 reviewed by the Company's Board of Directors, the Head of the Finance Team, the Sales and Development Director and 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.

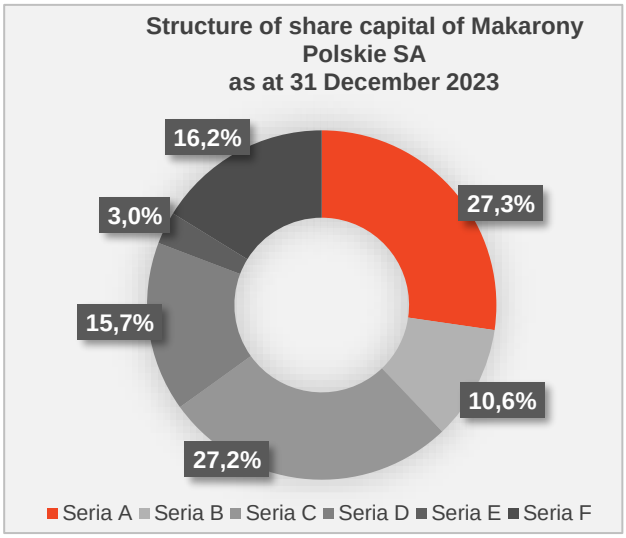
Share capital

Share Capital of Makarony Polskie SA,

- 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%**

The Company has no information that would indicate changes in the number of shares held by significant shareholders (with share blocks above 5%) during the reporting period 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	2023		2022	
	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 2022.

In accordance with the information held by the Company, during the reporting period and until the date of publication of these statements, there were no changes in the ownership of shares held directly and indirectly 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	2023		2022	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Ahmed Khalil	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Wiesław Wasilewski	26,782	80,346	26,782	80,346

To the best of the Company's knowledge, there have been no changes in the shareholdings of the Members of the Supervisory Board during the reporting period 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 SA

The Articles of Association of Makarony Polskie SA, 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 2023

For the financial year 2023, the Annual General Meeting of Makarony Polskie SA was held on 27 June. The following matters were discussed at the Meeting:

- Consideration and approval of the financial statements of Makarony Polskie SA for the financial year 2022,
- 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 2022,
- To consider and approve the consolidated financial statements of the Makarony Polskie Group for the financial year 2022,
- distribution of net profit for the financial year 2022,

- Consideration of the report of the Supervisory Board of Makarony Polskie SA for the financial year 2022,
- discharging the members of the Company's Management Board for the performance of their duties in the financial year 2022,
- granting discharge to the members of the Company's Supervisory Board for the performance of their duties in the financial year 2022,
- 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 2022,

The content of the resolutions of the Annual General Meeting was published in current report No. 13/2023 of 27 June 2023 and is available on the company's website www.makarony.pl.

During 2023, the Management Board convened one Extraordinary General Meeting, which was held on 12 April 2023. The object of the Extraordinary General Meeting was to adopt 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 content of the resolutions of the Extraordinary General Meeting was published in current report no. 3/2023 of 12 April 2023 and is available on the company's website www.makarony.pl.

During 2023, 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

From 01 January 2023 to the date of publication of these statements, the Supervisory Board was composed of:

- Roman Sobiecki - President of the Supervisory Board,
- Ahmed Khalil - Vice-President of the Supervisory Board,

- Marek Rocki - Member of the Supervisory Board,
- Michał Słomkowski - Member of the Supervisory Board,
- Wiesław Wasilewski - Member of the Supervisory Board.

Committees of the Supervisory Board

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 2023 until the date of publication of this report, the company had an Audit Committee of the Supervisory Board 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, members of the Audit Committee have knowledge and skills in accounting or auditing of financial statements as well as knowledge and skills in the industry in which the Company operates.

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 the 2023 financial year and in respect of 2023

In the 2023 financial year, the Audit Committee held 6 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 2022,
- cooperation with the auditor in the course of the audit of the financial statements for the 2022 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.
- 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.

Subsequent to the end of the 2023 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 2023 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 2023,

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 2023 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.

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

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" dated 27 April 2023, according to which the selection of the audit firm is made 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 choice 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 the continuous duration of the statutory audit engagement with the same audit firm or an affiliate audit firm of that audit firm or any member of the network of European Union countries to which those audit firms belong does not exceed ten years, and that the key statutory auditor has not carried out a statutory audit with the Company for a period exceeding five years,
- the key statutory auditor may re-perform the statutory audit in the Company after a period of at least three years from the completion of the last statutory audit,
- the audit firm may re-accept a statutory audit engagement with the Company after a period of at least 4 years from the expiry of the maximum duration of the engagement,
- 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 further periods of at least two years, taking into account the statutory rotation rules of the audit firm and the key auditor.

- "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 affiliated with the audit firm and by a member of the audit firm's network" of 18 October 2017, 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 FY2023 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 2023, Makarony Polskie S.A. selected the auditor for the years 2023-2024. The Audit Committee, in accordance with the applicable laws and the Company's internal regulations, presented to the Supervisory Board its recommendation concerning the continuation of cooperation with the auditing firm BDO Sp. z o.o. Sp.k. with its registered office in Warsaw, entered in the list of audit firms kept by the Polish Audit Supervision Agency under number 3355, KRS: 0000729684, for the review and statutory audit of the financial statements for the financial years 2023-2024.

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 2023, Members of the Supervisory Board received remuneration in accordance with the remuneration system of the Supervisory Board of Makarony Polskie S.A. adopted by Resolution No. 23 of the Annual General Meeting of 30 June 2022 - in a fixed monthly amount.

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 - 31.12.2023	For the period from 01.01 - 31.12.2022
Roman Sobiecki	President of the Supervisory Board of the 10th term.	36	35
Ahmed Khalil	Vice-President of the Supervisory Board of 10th term	35	33
Wiesław Wasilewski	Member of the Supervisory Board of the 10th term	30	29
Marek Rocki	Member of the Supervisory Board of the 10th term	30	29
Michał Słomkowski	Member of the Supervisory Board of the 10th term	30	29
Janusz Pierun	Member of the Supervisory Board of the 9th term	0	14
Total		**161**	**169**

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 01 January 2023 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 Management 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 2023, 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 the financial year 2023, as well as in the period until 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 - 31.12.2023		For the period from 01.01 - 31.12.2022	
		fixed	variable	fixed	variable
Zenon Daniłowski	President of the Management Board	780	1 217	600	854
	Total	**1,997**		**1,454**	

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 2023 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 2023 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 2023 and at the date of publication of this report.

Other information

Information on cooperation with the auditor

The Supervisory Board of Makarony Polskie S.A. elected BDO Spółka z ograniczoną odpowiedzialnością sp.k. based in Warsaw as the statutory auditor to review and statutorily audit the financial statements of the companies of the Makarony Polskie Group in the financial years 2023-2024.

BDO Spółka z ograniczoną odpowiedzialnością sp.k. is registered on the list of audit firms kept by the Polish Audit Supervision Agency under number 3355 and entered in the register of entrepreneurs of the National Court Register under number KRS 0000729684.

The companies of the Makarony Polskie Group have previously used the services of BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the annual reports in the financial years 2018-2022.

On 28 June 2023, 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 2023-2024.

The fees payable to BDO Spółka z ograniczoną odpowiedzialnością sp.k. for the audit of the financial statements for the financial year 2023 in Makarony Polskie S.A. amounts to PLN 202.0 thousand in total (PLN 81.0 thousand for the review of the standalone and consolidated semi-annual report, PLN 121 thousand for the audit of the financial statements of Makarony Polskie S.A. and the Makarony Polskie Group for 2023).

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. amounted 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).

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.



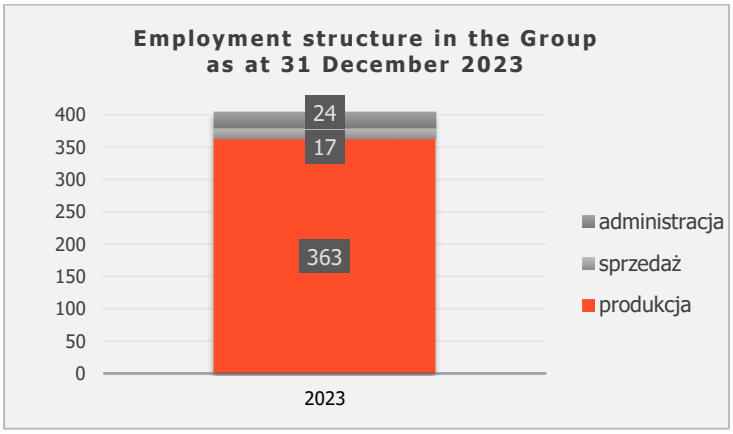
When creating the development strategy and implementing the business targets, the Makarony Polskie Group endeavours to conduct its operating activity taking into account the principles of CSR, i.e. taking into consideration the needs and requirements of widely understood social and environmental interests 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 2023 was 404 (vs. 403 people at the end of 2022 and 224 people at the end of 2021). The significant increase in employment in 2022 was 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 2023		
	women	men	together
18-29	13	29	42
30-49	127	88	215
50+	92	55	147

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 2023, 2 people at the Makarony Polskie Group benefited from apprenticeships organised at the Production Plant in Rzeszów (lasting approximately 1 month). This was in cooperation with the Electronic School Complex in Rzeszów. During 2023, Makarony Polskie SA, in cooperation with the Employment Office in Rzeszów, also organised several-month internships

for 2 unemployed persons referred by the Labour 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 Work&Training Service in relation to the project "Activation Start! - Podkarpackie Support Programme for the Unemployed and Professionally Inactive".

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 2023, after the epidemic situation stabilised, the Makarony Polskie Group returned to the implementation of development programmes for employees carried out in the form of internal training. The programmes implemented in 2023 were addressed mainly to specialists and managers of employees in the area of production halls, as well as managers of non-production teams (administration and sales). The subject of training was the development of 'soft' competencies in stress management, improving communication, team leadership and change management.

The Group's employees benefited from a wide range of training courses (both internally organised and external open training courses) aimed at updating and expanding the so-called "hard" knowledge to the extent needed to effectively perform the duties of their positions in a changing technical, technological, quality and legal environment.

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 2023.

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 2023, six 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 implemented 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, as well as subsidised sports cards.

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. Information activities are also carried out vis-à-vis customers, e.g. infographics are placed on product packaging to facilitate improved segregation and recycling by indicating the type of packaging fraction.

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. A project to replace the current coal-fired boiler plant with a modern gas-fired boiler plant is underway at the site.

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 2022-2024. At all the Group's plants, photovoltaic installations are planned to be in place by the half of 2024 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.

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 other things, the introduction on the market of functional pasta, the purpose of which is not only to satisfy hunger, but also to support the human body in the fight against diseases of civilisation, such as type 2 diabetes (Novelle Diabetic pasta), cardiovascular diseases such as atherosclerosis (Novelle Cardio pasta), or obesity (Novelle Fit pasta).

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 others, which have been very well received by the market and have maintained a leading position in their segment since 2022 (according to Nielsen reports).

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.

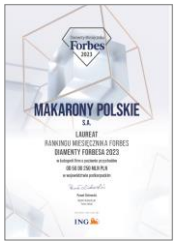
In order to meet the legal requirements regarding foodstuff safety, the companies of the Makarony Polskie Group have implemented and certified quality systems meeting the requirements of the international IFS (International Food Standard). The quality systems cover the entire production process from 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 our companies and products.

Laureate title of the Forbes Monthly Diamonds 2023 ranking for Makarony Polskie S.A.



Makarony Polskie S.A. was the winner of the 15th edition of the Forbes monthly ranking "Forbes Diamonds 2023" in the category of companies with the level of revenue from PLN 50 to 250 million in the Podkarpackie Voivodeship. The ranking, prepared on the basis of the Swiss method of company valuation, in cooperation with Dun&Bradstreet, identifies the most dynamically developing Polish companies in a given region, which achieved the highest average annual growth in value.

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



At the beginning of 2023, Makarony Polskie SA once again claimed the title of the Podkarpackie Voivodeship's Regional Leader, this time in the "Food Production" category for its production of high-quality pasta based on innovative technologies.

Special award for Makarony Polskie SA in the Podkarpacka Economic Award competition



Makarony Polskie SA was awarded the Special Award in the Podkarpacka Nagroda Gospodarcza 2023 competition in recognition of 25 years of company development, credibility, reliability, quality and activity for the local community.

The title for the Best Employer for Makarony Polskie S.A.



Makarony Polskie SA was awarded a distinction in the Best Employer category, medium and large companies, within the third edition of the Good Company programme organised by the Association of Entrepreneurs and Employers.

Consumer's Laurel - Discovery of the Year 2023 for the Makarony Polskie brand



The Consumer Laurel is a unique award because it is granted as a result of a nationwide consumer survey verifying the widespread popularity of products and services. The Discovery of the Year title is awarded based on high interest in the product/service or a significant increase in popularity.

Our Good Podkarpackie 2023 distinction for Novelle functional pasta



The innovative functional pastas Novelle Cardio and Novelle Diabetic were appreciated by the jury of the 20th edition of the Our Good Podkarpackie competition, which awarded each of them with a distinction.

Novelle functional pasta are products that support the human body in the fight against diseases of civilisation: type 2 diabetes (Diabetic) and cardiovascular diseases, such as atherosclerosis (Cardio). Their innovative recipes were developed by experts from the Research and Development Centre of Makarony Polskie S.A., together with scientists from the University of Rzeszów and the Poznań University of Life Sciences. The effectiveness of the products was confirmed by clinical trials. Patent application procedures are currently underway for both products.

Best Product" title for Novelle Diabetic pasta



Novelle Diabetic pasta was the winner in the Best Product category of the Podkarpackie Economic Award 2023 competition.

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's companies maintain long-term relations with the academic community, which is exemplified by, for example, the cooperation of Makarony Polskie SA with the University of Rzeszów and the University of Life Sciences in Poznań in terms of R&D activities, or the Warsaw School of Economics, as well as the cooperation of Stoczek Natura Sp. z o.o. with the University of Life Sciences in Lublin.

In 2023, Makarony Polskie S.A. also cooperated with the Electronic School Complex in Rzeszów in organising student internships.

Charity

For many years, the Group has been carrying out various charity activities at the local and national level, providing support both directly to children in need (e.g. Christmas and Santa Claus campaigns, support for holidays), and to institutions such as hospices, social assistance centres, orphanages, associations for the elderly and the sick, therapy workshops for the disabled, foundations, scout associations, schools.

In 2023, Makarony Polskie S.A. joined the group of donors to the Mazury Food Bank in Pisz - a foundation a non-profit foundation with the status of Public Benefit Organisation (OPP), which collects food for further distribution to the inhabitants of the Mazury region in need, conducts educational activities on proper nutrition and non-wasteful eating, and activates the region's inhabitants socially and professionally.

As part of its cooperation with the Odra-Niemen Association, Makarony Polskie S.A. donated products to support the wards of the Charity Homes in Gródek Podolski and Brzuchowice, as well as the elderly and children in Czortków and Gliniany.

In 2023, Makarony Polskie S.A. also joined the campaign organised by the Warsaw Chamber of Commerce and the National Association of Peasant Self-Help Cooperatives Revision, the aim of which was to provide product support to people affected by the earthquake in Turkey (a natural disaster considered to be the most tragic in the modern history of this country).

Stoczek Natura Sp. z o.o. has subsidised the purchase of a 20-seat bus to transport disabled people for the Occupational Therapy Workshop in Stoczek Łukowski in 2023.

Patronage and sponsorship of culture and sport

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

The International Song Festival "Carpathia Festival" in Rzeszów is an event of worldwide scope, in the sponsorship of which Makarony Polskie SA regularly participates. The nineteenth edition of this event, organised by the Rzeszów City Hall, the Centre for Vocal Art in Rzeszów and Estrada Rzeszowska, took place in 2023.

Over the years, the Festival has promoted many of the current stars of the vocal scene and enjoys unflagging popularity. 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.

Makarony Polskie SA and Stoczek Natura Sp. z o.o. once again joined in the sponsorship of the Rzeszowskie Juwenalia organised by Rzeszów University of Technology, including Makarony Polskie SA as the Main Partner. The event, organised by Rzeszów students in 2023, received the Pro Juventus 2023 award, i.e. the award for the best juwenalia in Poland.

Group companies also supported the Rzeszowskie KultURalia Studenckie organised by three universities: University of Rzeszów, the University of Information Technology and Management and the University of Law and Administration.

As part of its support for young talent, Makarony Polskie S.A. subsidised the recording of the author's single 'Jestem sobą' and the organisation of a premiere concert by Magdalena Smoła, a young artist from Rzeszów - vocalist, lyricist, co-composer of music and vocal instructor. The artist also invited ten of her

students to realise her project, giving them the opportunity to observe and experience the creative process from behind the scenes.

In 2023, Makarony Polskie SA became a strategic sponsor of the National Final of the 40th Olympiad of Young Agricultural Producers, which was held during the AgroTech Agricultural Technology Fair in Kielce. The organiser of the Olympics was the Wici Union of Rural Youth.

Makarony Polskie S.A. also joined in the organisation of a trip for young people from the Podkarpackie Province to the 38. World Youth Day in Lisbon by providing financial support to the organiser, the Diocesan Curia in Rzeszów.

Permanent sponsorship of the Jaroszczak-Lech Beach Volleyball Team by Makarony Polskie SA. The team, which in 2023 won, among others, the gold medal of the fourth Plaża Open tournament - the oldest series of beach volleyball tournaments.



Stoczek Natura Sp. z o.o. supported Stoczkowskie Towarzystwo Sportowe AVES in 2023 by subsidising the purchase of sports equipment for the club. It was one of the sponsors of the XI International Rock & Volleyball Tournament "Cannons under Stoczek gain faith..." organised in Stoczek Łukowski. It also continued its ongoing support of the "Polonez Mordy" sports football club.

SAS Sp. z o.o., which operated as a separate business entity in H1 2023, also supported local initiatives by donating pasta for the preparation of regeneration meals for the runners of the 6. Szczycińska Extremalna Trójkaorganised by the Morsy Szczytno #RESET Association, as well as providing financial and product support to the Jurund Szczytno Running Club in the organisation of two events: VI Mazurian Run on the Bullet and 32. Jurand Marathon.

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 2023 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 2023 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 2023, ended 31 December 2023, 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 2023 ended 31 December 2023, 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 2023 was approved for release by the Management Board of the Parent on 23 April 2024.

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.