REPORT OF THE MANAGEMENT BOARD ON ACTIVITIES OF MAKARONY POLSKIE GROUP IN THE FISCAL YEAR 2009

RZESZÓW, 26 APRIL 2010

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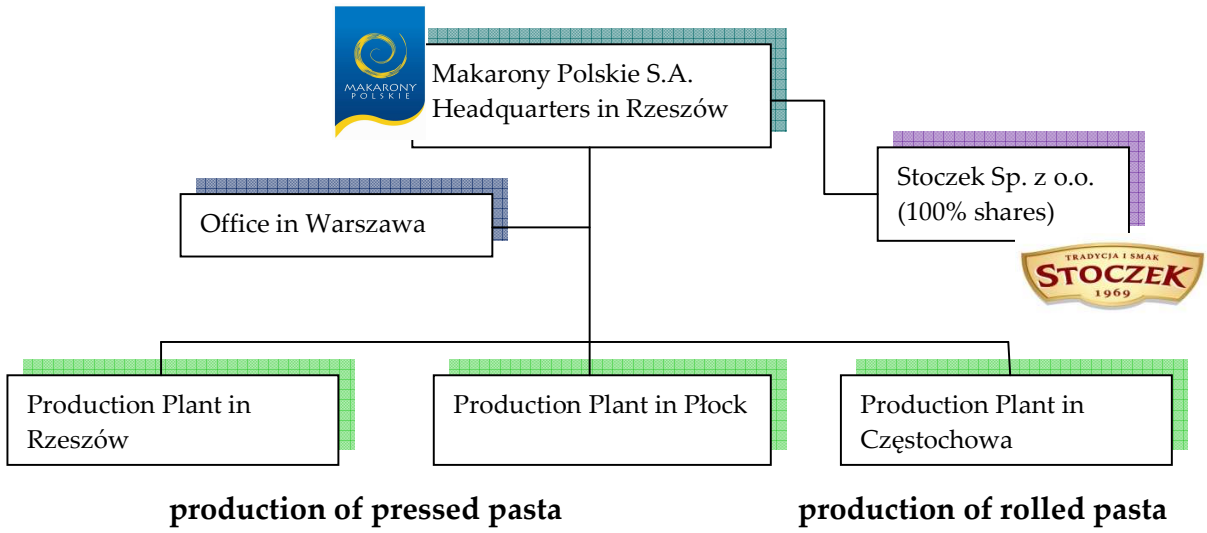
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1. ATIVITY OF MAKARONY POLSKIE GROUP AND PROSPECTS FOR GROWTH

1.1. DESCRIPTION OF THE GROUP'S ORGANIZATION AS OF 31 DECEMBER 2009, SHOWING CHANGES IN THE GROUP'S ORGANIZATION WHICH TOOK PLACE THROUGHOUT 2009

Makarony Polskie Capital Group ("Group") consists of two companies:

- Makarony Polskie S.A. ("Company", "Parent Company")
- Stoczek Sp. z o.o.



The parent company of Makarony Polskie Capital Group is the joint stock company **Makarony Polskie Spółka Akcyjna** with a seat at Rzeszów, ul. Podkarpacka 15. The Company was registered in the Regional Court in Rzeszów, Department XII of Economy, of the National Registry Court on 5 July 2004, against the number 0000212001. The Company was established for an unlimited period of time. In addition to the headquarters and the Production Plant, both located in Rzeszów, the Company owns the Production Plant in Płock, and from May 2008 the Production Plant in Częstochowa (formerly a seat of the subsidiary limited liability company Abak Sp. z o.o., which belongs to the Group from 30 September 2007, and was incorporated into Makarony Polskie S.A. on 16 May 2008).

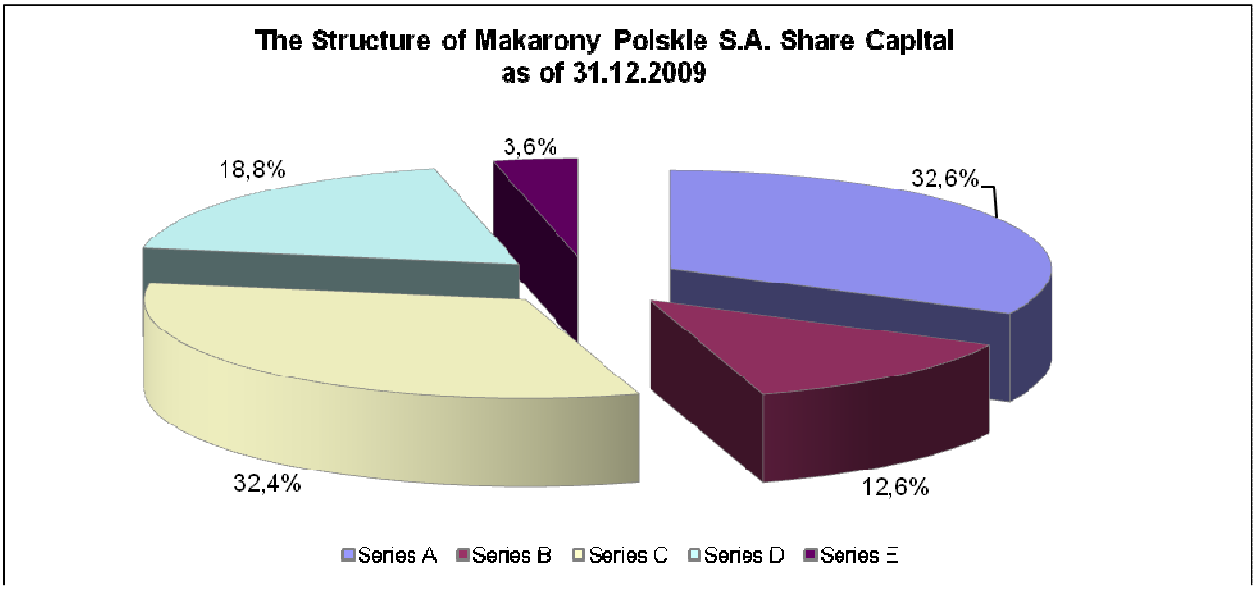
Makarony Polskie S.A. offers a wide assortment of pastas manufactured with or without eggs (also rolled and extruded) in a large variety of shapes: spirals, elbows, thin noodles, shells, spaghetti, penne and others. It owns 4 distinctive pasta brands: SORENTI, SOLARE, MAKARON STAROPOLSKI and ABAK.

Share Capital of Makarony Polskie S.A. on 31 December 2009:

- ✓ Share capital amount 27 750 213 PLN,
- ✓ Total number of shares 9 259 071 shares,
- ✓ Total number of votes at the General Meeting 9 259 071 votes.

The structure of Makarony Polskie S.A. share capital:

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



Since April 2007 shares of Makarony Polskie S.A. have been listed on the Warsaw Stock Exchange. Throughout 2009 the value of the Company's shares systematically grew, from the level of 2.41 PLN/share (5 January 2009) to the level of 5.47 PLN/share (31 December 2009). The causes of this situation include the foundations of the Company, its transparency, its improving financial standing, as well as, to a lesser degree, the improving atmosphere on the stock exchange. In the reviewed period the basic WIG Index increased from the level of 28 331.88 points to the level of 39 985.99 points.



The attractiveness of Makarony Polskie S.A. securities can be seen in the comparison of the percent change of its shares' value versus the change in the main stock exchange index, i.e. WIG. Assuming the level on 1 January 2009 as the base, it should be noted that while investing in the Company shares in January, upon selling them at the end of the year an investor could gain 127%. An analogous calculation for WIG shows a profit of only 41%.



The subsidiary limited liability company, **Stoczek Sp. z o.o.** is registered in the Regional Court, Department XI of Economy in Lublin against KRS number 00000503. The Company was established for an unlimited period of time. The share capital of Stoczek Sp. z o.o. on 31 December 2008, as well as on the day of submitting this report was 15 207 800 PLN and was divided into 152 078 shares. One hundred per cent of the shares in the Stoczek Sp. z o.o. share capital are owned by Makarony Polskie S.A. (the shares in Stoczek Sp. z o.o. were purchased on 1 June 2007).

Stoczek, which is well-established in the market, is a manufacturer of ready-made meals, vegetable and meat preserves, sauces as well as jams. At the beginning of 2008 the portfolio of STOCZEK brand products was updated, that included a design of a new logotype of the brand, and a conclusion of design works on the new graphic layout of the ready-made meals packaging.

Description of changes in the Group's structure from 1 January 2009 to the day of submitting the report.
In 2009 Makarony Polskie Group conducted the final stage of organisation changes which started in 2008. The changes predominantly focused on the integration of administrative functions, logistics and introducing centralized purchasing. The final stage of the process will involve introducing, in the 2nd quarter of 2010, the integrated ERP information system, which will aid management and improve the effectiveness of controlling.

Introducing organisation changes and the implementation of the new information system were an essential condition in the context of expanding activity, particularly by means of acquisition.

Published in the 1st quarter of 2010, the development strategy for Makarony Polskie Group assumes a further dynamic development based on organic growth and acquisitions. At present the Group is looking for interesting entities and attractive segments of food market, to which it will make investments.

1.2. Supervisory and Management Personnel in the Companies of the Group

I. Makarony Polskie S.A.

Detailed information regarding the management and supervisory personnel of Makarony Polskie S.A. has been provided in clauses 5.8 and 5.11 herein.

II. Stoczek Sp. z o.o.

On the day of 31 December 2009 the governing bodies of the subsidiary company, Stoczek Sp. z o.o. were the Management Board and the Meeting of Shareholders.

In the period from 1 January 2009 to 1 August 2009 the Management Board consisted of two persons:

- ✓ Beata Elert – President of the Management Board,
- ✓ Andrzej Doński – Vice-President of the Management Board.

On 27 July 2009 Mr Andrzej Doński resigned from the function of the Vice-President of the Management Board of Stoczek Sp. z o.o. as of 31 July 2009. Due to his resignation the Extraordinary Meeting of Shareholders of Stoczek Sp. z o.o. on 27 July 2009 appointed Mr Jarosław Szpryngwald for the position of the Vice-President of the Management Board.

In the period from 1 August 2009 to 8 April 2010 the Management Board of Stoczek Sp. z o.o. consisted of:

- ✓ Beata Elert – President of the Management Board,
- ✓ Jarosław Szpryngwald – Vice-President of the Management Board.

As of 8 August 2010, Mr Jarosław Szpryngwald resigned from the function of the Vice-President of the Management Board. The Meeting of Shareholders on 8 April appointed Mr Jacek Wilkoszewski for the position of the President of the Management Board of Stoczek Sp. z o.o. Ms Beata Elert was appointed for the position of the Vice-President of the Management Board.

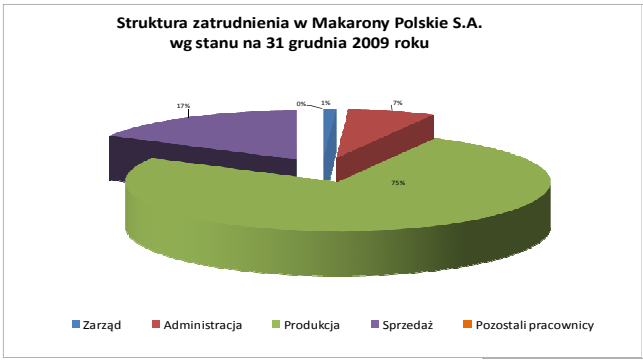
In the period from 8 April 2010 to the day of publication of this report the Management Board of Stoczek Sp. z o.o. has consisted of:

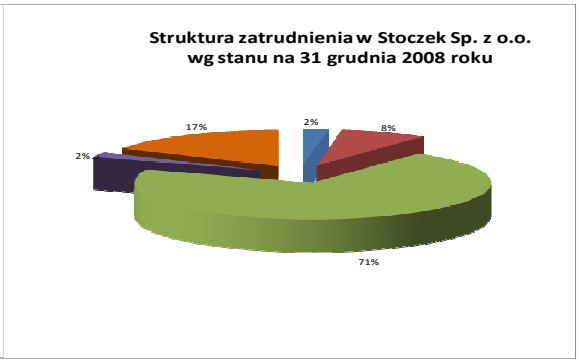
- ✓ Jacek Wilkoszewski – President of the Management Board.
- ✓ Beata Elert – Vice-President of the Management Board,

1.3. EMPLOYEES OF THE GROUP

On 31 December 2009 the employment within Makarony Polskie Group was as follows:

- ✓ Makarony Polskie S.A. – 331 employees,
- ✓ Stoczek Sp. z o.o. – 89 employees.





Employment structure in Makarony Polskie S.A. - on 31 December 2009

Employment structure in Stoczek Sp. z o.o. on 31 December 2009

Zarząd - Management

Administracja - Administration

Produkcja - Production

Sprzedaż - Sales

Pozostali pracownicy - Other employees

1.4. PRIMARY PRODUCTS, GOODS AND SERVICES

The catalogue of the Group's brand products on offer includes:

1) PASTAS

Top shelf

- **Sorenti** – modern "Italian" pasta; 100% top quality Durum wheat product; made following an Italian recipe, packaging - 500g,

Medium shelf

- **Makaron Staropolski** [Old Polish Pasta] - pasta made in accordance with a traditional recipe, produced from selected kinds of plain flour; with or without eggs; packaging - op. 400g,
- **Abak** – a brand of pastas produced with eggs designed for consumers of traditional, homemade pasta for soups. The contents of eggs varies (2 and 5 eggs), and the pasta is available in packaging of 250 g.

Economy shelf

- **Solare** – well-established in the market, the pasta is made of plain flour, and designed for consumers for whom price is most important, packaging - 400 g.

2) SAUCES FOR PASTA

Sorenti – produced exclusively of natural top quality ingredients and seasoning, without preservatives, flavours, and colours, available in packaging of 560g

3) READY-MADE MEALS

Medium shelf

- **Stoczek** – 16 traditional meals, produced exclusively of natural ingredients: without preservatives, flavours, and colours, packaging: jar of 500 g,

Economy shelf

- **Famil-jada** - 4 most popular dishes, designed for less demanding consumers for whom price is the most important criterion for purchasing an item.

4) JAMS

Medium shelf

- **Stoczek** – highly sweetened jams of most popular flavours; packaging: jar of 300 g,
  In the 2nd quarter of 2010 the catalogue of jams will be changed in order to better meet customers' expectations – the offer will be based mainly on low-sugar jams of 6 flavours - packaging of 280g.

Economy shelf

- **Famil-jada** – low-sugar jams of 6 traditional and most popular flavours, packaging: jar of 260 g.

5) MEAT PRESERVES WITH LARD

Medium shelf

- **Stoczek** - traditional types of bread spread: lard, canned stewed and minced meat, packaging: jars of 240 – 500 g,

6) MEAT PATES

Medium shelf

- **Stoczek** - meat pates of 3 types, packaging: 270 g - 470 g

I. Sorenti

Sorenti is the main brand in Makarony Polskie S.A. portfolio, which filled the gap in the company's catalogue previously lacking a high quality product positioned in the sector of premium shelf. 100% of

Sorenti pasta is made of flour obtained by grinding hard-grain Durum wheat of top quality, due to which the pasta may not be overcooked and remains al dente. Sorenti pastas feature the best taste qualities, after cooking they do not become sticky, they are springy and firm and have beautiful golden colour. Sorenti pastas are available on the market in 12 most attractive shapes.

In April 2008 Sorenti brand was expanded to include sauces for pasta in aesthetic, elegant packaging of 560 g. They are produced exclusively of natural top quality ingredients and spices, without preservatives, flavours, and colours. Juicy tomatoes, and aromatic herbs with the prevailing tinge of basil and oregano create the delicious Napoli tomato sauce and the excellent Bolognese tomato sauce with added high quality meat. Crispy bacon, aromatic spices and herbs with a tinge of garlic and thyme make Carbonara sauce.

Those products have been created for connoisseurs of Italian cuisine, they feature a truly Italian flavour and follow the original recipe. The processes of pasteurization and sterilization allow for the Sorenti sauces to retain the wealth of nourishing qualities and vitamins, and they do not require special storage conditions.

II. MAKARON STAROPOLSKI

Makaron Staropolski (Old Polish Pasta) is a pasta brand that is communicated as traditional pasta made of selected plain wheat of domestic origin, which ensures its consistent and repeatable quality and allows for building customers' loyalty. Those pastas aim at Polish tastes of Customers who value the traditional recipes for producing soft pastas. Makaron Staropolski is designed for consumers who do not favour hard "al dente" pastas, yet they do expect that pasta which they buy and which is made of soft flour will not get sticky and will have consistent quality.

III. ABAK

ABAK pastas are predominantly produced with eggs (2 and 5 eggs), and are available in packaging of 250 g. They are designed for consumers who favour traditional, homemade pastas. They are and excellent addition for soups, and they perfectly match them creating delicious dish. They are available in

the most popular shapes within the segment of pastas with eggs: noodles ("match stick") or grated noodles. Pastas of this brand are made of top quality raw materials.

In the 2nd quarter of 2010 ABAK brand will be expanded to include traditional pastas with no eggs, and new indexes of previously existing categories of pasta with 2 and 5 eggs.

IV. SOLARE

Solare pastas are located in economy segment addressed to consumers who are sensitive to price, for whom price is the most important criterion for purchasing an item. Solare brand supplements the catalogue of Makarony Polskie S.A. This brand is available in attractive packaging which is a rarity in this price range. It includes a wide variety of shapes.

Activities connected with development of this product in 2007 focused mainly on retaining consistent quality and competitive price. There have been no plans for additional promotional support of the product.

V. STOCZEK

- **READY-MADE DISHES**

The line of Stoczek ready-made dishes includes 16 traditional meals, mainly of Polish cuisine, prepared with great care, in accordance with traditional recipes. They are made exclusively of natural, carefully selected ingredients, with absolutely no preservatives, artificial colours and flavours, due to which they are not only delicious but also healthy..

Stoczek brand meals combine homemade-style flavours with comfortable and quick mode of cooking. They are perfect for situations in which there are no good conditions or time for preparing meals from scratch, but they can also be used in the kitchen as a basis for preparing more elaborate dinner.

Their long, two-year period of the best-before date results from the process of thermal sterilization (i.e. heating the food in the temperature exceeding 100^{o} C), which is a natural method of enhancing shelf life of food products.

- **MEAT PATE, LARD**

Meat pates produced by Stoczek feature distinctive tastes and flavours of Polish herbs and spices, that is why they remind homemade meat pates made in the past.

Stoczek brand meat preserves with lard, on the one hand are an old Polish idea for tasty starters, and on the other hand they are semi-finished products which may be used for preparing some dinner dishes. The basis for them are: lard, pork, onions and Polish aromatic herbs and spices. They taste delicious with fresh bread.

- **JAMS**

Made of fruit collected in Polish orchards, during a fruit season they are produced of fresh fruit and out of season they are made of frozen fruit collected in the summer. Thanks to that Stoczek jams retain exceptional flavour, aroma and pleasantly intense colour. They do not contain any artificial colours and flavours, or chemical preservatives.

VI. FAMIL-JADA

Famil-jada brand products are positioned on economy shelf, and designed for less demanding consumers for whom price is the most important criterion for purchasing an item. The products on offer include the most popular types of ready-made meals and flavours of jams.

1.5. Information on Segments of Business Activity

In 2009 Makarony Polskie Group implemented sales within the following basic reporting segments and obtained the following sales revenues:

Makarony Polskie Group sales	2009	2008
pasta	*88 290*	*57 123*
ready-made meals, preserved food	*13 702*	*19 119*
jams	*4 884*	*8 855*
raw materials	*5 968*	*2 928*
other	*4 707*	*725*
total	***117 551***	***88 750***

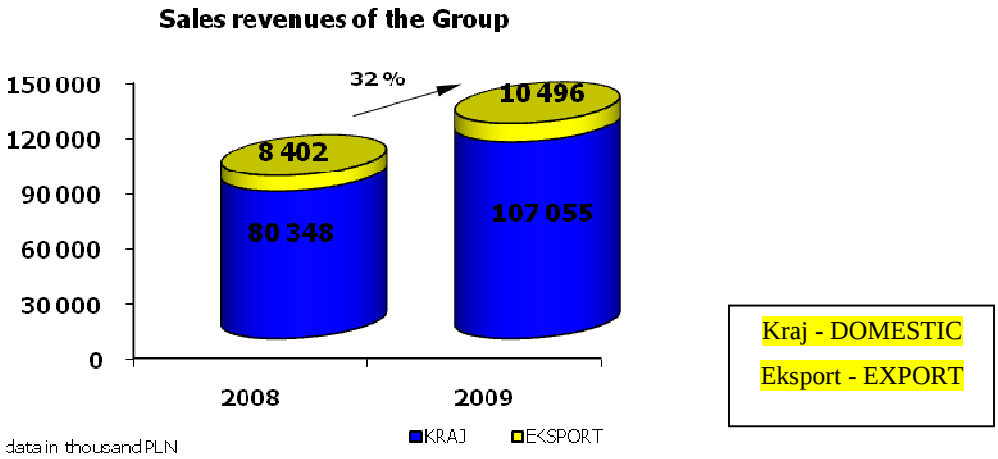
The above chart indicates that in 2009 there were lower sales of ready-made meals, preserved foods and jams compared with 2008, the difference amounts to the total of 9.4 mln PLN. The situation results from the specific manner of accounting used for contract B2B executed by the subsidiary company, Stoczek sp. z o.o. The contract was concluded with the Agricultural Market Agency under the programme of "Providing food aid for the European Union poorest people", and its settlement was carried out under a barter contract. This is also the cause of higher revenues, than in 2008, for sales of raw materials and other, and the lower amount contains the sales of those goods.

1.6. MAKARONY POLSKIE GROUP SALES STRUCTURE

1.6.1. SALES REVENUES DISTRIBUTION ACCORDING TO MARKETS– MAKARONY POLSKIE GROUP

Sales revenues of Makarony Polskie Group in 2009 were 117.6 mln PLN and were 32% higher in comparison with the analogous period of 2008, which is a very good result considering the fact of organic growth.

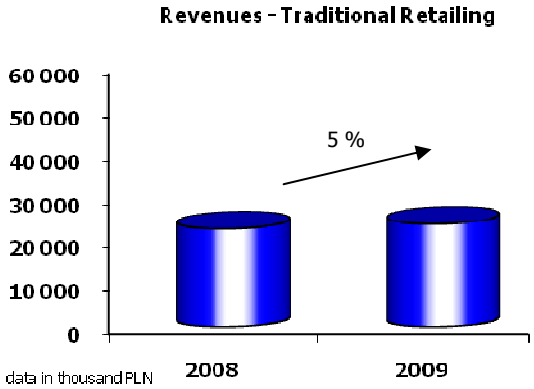
The dominant in 2009 was the domestic market which was responsible for 91% of the Group's sales revenues.

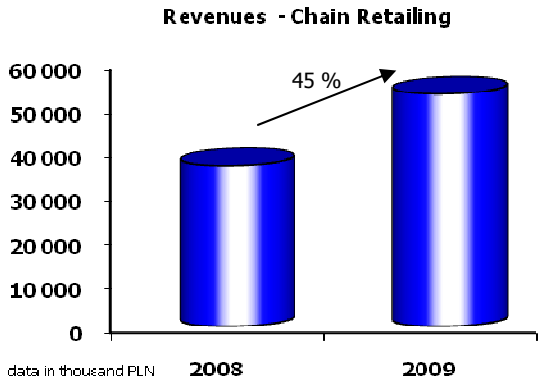


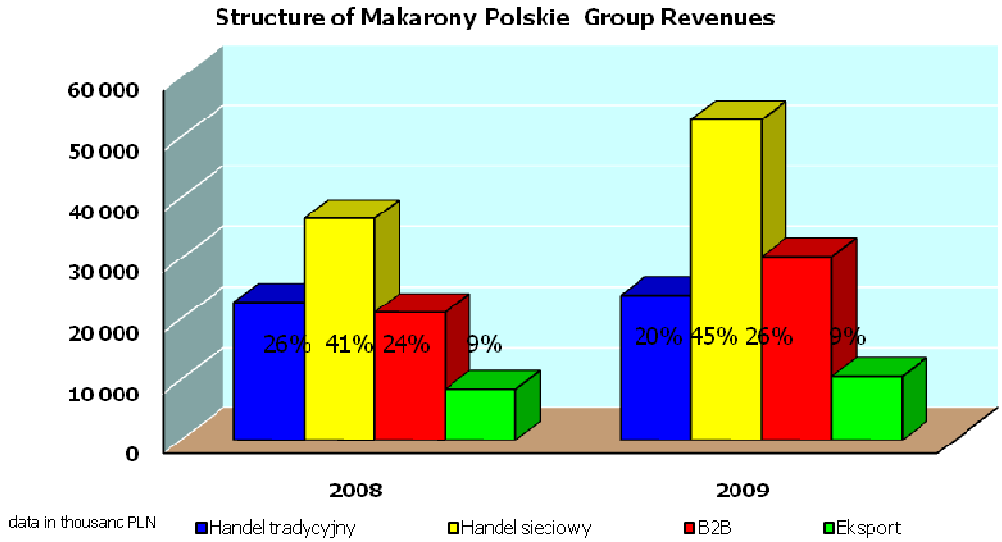
Sales revenues from Makarony Polskie Group's export were 10.5 mln PLN and were 25% higher in 2009 in comparison with 2008. This is a result of a dynamic increase in sales at new markets and of supplementing the range of products on offer.

Domestic Market

The value of domestic sales in 2009 was 107 mln PLN with an increase of 33% as compared with 2008. This results from a consistently introduced and executed strategy of Makarony Polskie Group with regard to the development of sales market.







Handel tradycyjny - Traditional Retailing

Handel sieciowy - Chain retailing

Eksport - Export

The dynamic increase in sales in 2009 was mainly a result of the development of the distribution channel to chain stores, but it should be emphasized that the remaining distribution channels also noted a growth. The increase in sales in the distribution channel to chain stores was 45% in comparison with 2008. The sales growth in all sales channels is a result of the sales strategy continued by the Group which aims at replacing short term B2B contracts with long term contracts in both traditional and chain retailing, which allows for obtaining much higher profitability of sales.

Traditional Retailing

The Group's sales in traditional retailing systems in 2009 amounted to 23.9 mln PLN, which is a 5% increase in comparison with analogous period of 2008. It is important to continue the strategy of expanding this sales channel because of its high profit margins. The strategy of Makarony Polskie Group assumes an increase in sales in this distribution channel by introducing new products and expanding the range of products on offer. A more comprehensive use of the potential inherent in this distribution channel will follow from the implementation of the new organization structure of distribution and from expanding the services of that channel, which should result in higher effectiveness and increased dynamics of sales.

By introducing new products Makarony Polskie Group reduces unit sale costs and uses sales networks more effectively.

Chain Retailing

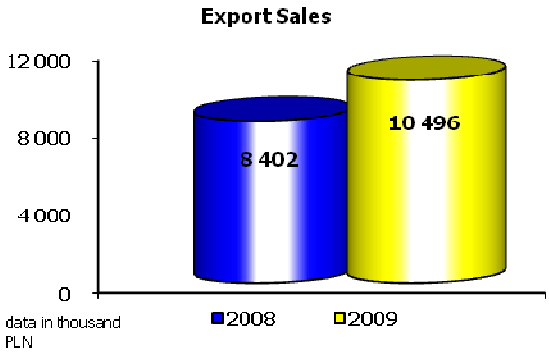
The sales value in chain retailing amounted to 52.9 mln PLN and was 45% higher in 2009 compared with 2008. Owing to the stabilization of basic prices for raw materials, in 2009 Makarony Polskie Group increased the profitability in this channel of distribution. The sales rise in this distribution channel was achieved through the increase in the number of partners and through introducing brand products.

B2B

The channel of institutional contracts involved predominantly deliveries of pasta, ready-made meals and jam under the contract with the Agricultural Market Agency.

Foreign Market

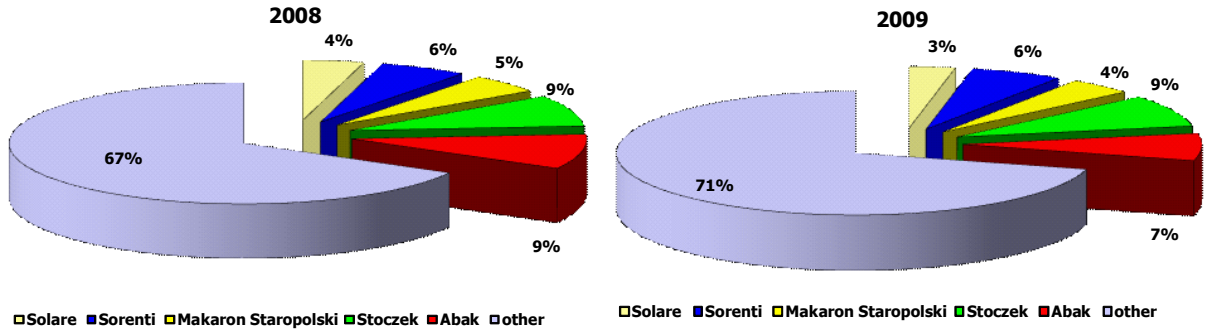
Makarony Polskie Group exports its products to the following countries: Czech Republic, Slovakia, Ukraine, Latvia, Lithuania, United Kingdom, Germany, and other European countries, as well as the USA, Australia, and Asia. The value of Makarony Polskie Group export sales in 2008 amounted to 8.4 mln PLN, and in the same period of 2009 was 25% higher and reached 10.5 mln PLN.



Such increase was possible mainly due to the expansion of the product range, an increase in sales and the acquisition of new clients.

1.6.2. Sales Revenues Distribution According to the Company's own or other brands - Makarony Polskie Group

In 2009 Makarony Polskie Group consistently executed its policies with regard to sales of brand products. Sales revenues for brand products in 2009 amounted to 34.4 mln PLN and increased by 5 mln PLN compared with 2008, which is a growth of 17%.



Makarony Polskie Group conducts a sales policy aiming at increasing the share of brand products in the total sales. By introducing brand products in traditional and chain retailing the Group obtains larger profitability of sales as compared to sales of other companies' brands.

Pasta Brands: Sorenti, Abak, Staropolski, Solare,

Sales revenues for brand pastas in 2009 amounted to 25 mln PLN, which is an increase of 2.6 mln PLN compared with the previous year, a growth of 12%.

Stoczek Brand

In 2009 Makarony Polskie Group obtained the sales of Stoczek brand products at the level of nearly 10 mln PLN, which is an increase of 33% compared with 2008.

In 2009 three partners exceeded the level of 10% shares in sales revenues:

- Jeronimo Martins Dystrybucja S.A. (owner of Biedronka chain of stores) with the share of 21.5%,
- Agricultural Market Agency with the share of 13.7%,
- Kaufland Group (Kaufland Poland, Kaufland Czech Republic and Kaufland Slovakia) with the share of 10.6%.

Makarony Polskie S.A. does not have any formal ties with the aforementioned entities, apart from trading contacts.

1.7. Assessment of Capabilities for Implementing Investment Plans and of Prospects For Development of the Groups Business Activity in the Nearest Year

In the 1st quarter of 2009 Makarony Polskie S.A. completed an investment project in the **Production Plant in Rzeszów** entitled "Launching production of new quality pastas based on innovative technologies". The investment involved modernization of technological process and increasing the production capacity by means of purchasing two technology lines: a line for manufacturing long shapes, and a line for manufacturing short shapes of pasta as well as modernization of central unit for handling flour and creating a research and development laboratory.

The project obtained co-financing under "Sectoral Operational Programme - Improvement of the competitiveness of enterprises, for 2004-2006, Priority 2 Direct support to enterprises, Measure 2.2 Support to product and technological competitiveness of enterprises, Sub-measure 2.2.1. Support for enterprises undertaking new investments", and the contract related to this matter was concluded between the Company and the Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości (PARP)) on 4 June 2008.

In course of executing this investment the Company purchased and launched in March 2009 a line for manufacturing long shapes of pasta (spaghetti), with the capacity of 1,900 kg/h and a line for manufacturing short shapes of pasta, with the capacity of 2,100 kg/h. This resulted in reaching the overall production capacity in all three plants of the Company at the level of 4,300 tons per month, which constitutes approximately 30% of the total pasta production in Poland and results in the Company's leading position in this regard in the region of Central and Eastern Europe.

The Company also purchased a plot adjacent to the premises of the Production Plant in Rzeszów, which will allow for constructing a new storage facility for finished products and packaging, which is necessary for adequate functioning of that plant following the significant expansion of its production capacity.

The investments in the **Production Plant in Częstochowa** involved modernization of the line for manufacturing rolled pastas, as well as packaging automation, both aiming at an increase of production capacity (from 600 to 700 tons of pasta per month). Overall expenditure related to this in 2009 amounted to approx. 120 thousand PLN.

Plans for 2010 include further expenditure, of 2.5 mln PLN, designed for a purchase of a new line for manufacturing pasta in the shape of "matchstick", with capacity of 230-250 tons of rolled pasta per month, as well as for further automation of the packaging process.

Expenditure plans for the **Production Plant in Płock** focus at further automation and streamlining of pasta confectioning processes. The investments will allow to enhance the operational effectiveness of the Plant and improve the quality of its products by ensuring the continuity and repeatability of production at every stage of the manufacturing process.

According to the Management Board of Makarony Polskie S.A. the current financial standing of the Group, its production potential as well as its market position do not pose hazards for the further development.

In March 2010 Makarony Polskie Group published The Strategy for Makarony Polskie Group for 2010-2012. The document specified the Group's mission: "We want to be the best among suppliers of high quality, tasty and healthy products" and Strategic directions of development in 2010-2012:

- ✓ consistent consolidation of the position in the following market segments: pasta, vegetable and fruit preserves, as well as development of complementary categories of food products,
- ✓ ensuring complex cooperation with commercial partners by offering products under brand names belonging to the Group, as well as in the private label segment,
- ✓ development of product offer while assuring the synergy in the scope of raw material supply, production, distribution and marketing,
- ✓ development of sales structures and numeric distribution in the Polish market, and an increase in export sales,
- ✓ construction of technological and production superiority by means of investments in innovative solutions, automation, and the scale of business,

- ✓ ensuring organic growth at the minimum annual level of 20%, as well as active approach to acquisitions, treated as a significant element promoting development and enabling the achievement of the assumed strategic goals.

The strategic long term goal of Makarony Polskie Group includes achieving and sustaining the position in the group of top three largest suppliers in the specific product categories, or at least 10% share in the Polish market.

The strategy assumes expansion of the offer to include products based on plant raw materials (cereals, vegetables, fruits), which are an element of healthy diet, and are easy and quick to cook. New brand names and products of Makarony Polskie Group will be created by developing the product range, as well as obtained by acquisition.

It is assumed that possible acquisitions will aim at contributing to the growth of the Group in the strategic areas, i.e. market of pasta, ready-made dishes and new categories of products based on cereals, vegetables and fruits.

Predicted forms of development financing will be investigated in the context of result maximization per 1 share.

The Company plans to finance the organic development from its own funds, while the issuance of shares or convertible bonds will be accepted in case of acquisitions.

Fluidity is to be safeguarded by limiting interest bearing liabilities at the maximum level of 50% of equity, and no higher than the triple value of EBIDTA. Makarony Polskie Group intends to continue active application of subsidy funds.

The Strategy assumes the following financial goals by 2012:

- ✓ the minimum of 300 million PLN in revenues in 2012 in comparison to 117,551 thousand PLN in 2009,
- ✓ reaching, by 2012 the level of 50% of revenues from sales of brand products by means of the development of sales networks and increasing communication expenditure,
- ✓ systematic improvement of profitability, from 2% in 2009, through 3% in 2010, to 4% in 2012
- ✓ the increase in EBIDTA value from 8% in 2009, to 10% in 2010 and 12% in 2012.

1.8. Characteristics of Risks Relevant for the Business Activity

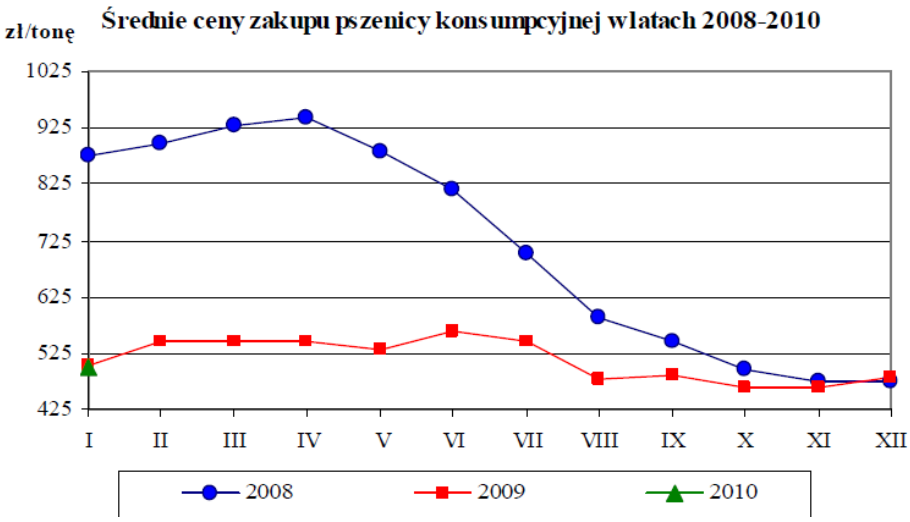
Risk connected with an increase in prices of raw materials

There is a risk of changes in prices of raw materials, in particular the price of flour which is one of the main raw materials in pasta production, and with regard to Stoczek sp. z o.o. - changes in prices of meat (ready-made meals) and fruit and vegetable raw materials (jams).

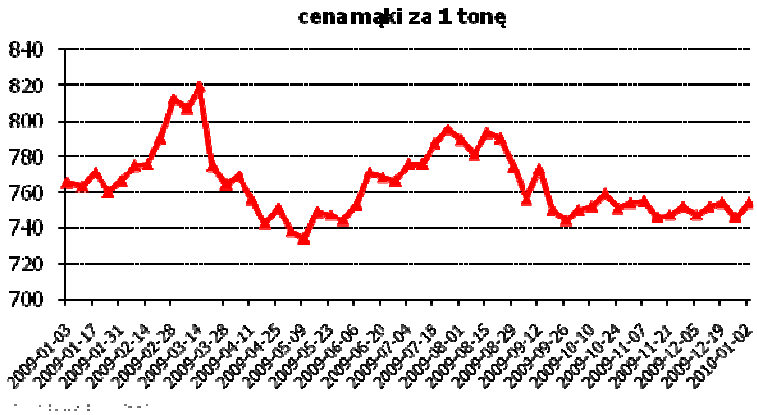
The increase in the prices of raw materials cannot be fully compensated by a proportional growth in sales prices of the Group's products on offer. This is due to the long-term character of cooperation with partners, which results in the fact that an increase in prices of products is hindered and may occur a few months later than the increase in the prices of raw materials. This relates particularly to chain retailing. As a result, within several months changes in the prices of raw materials are reflected in the prices of the finished product, while in a short-term time frame the Group may incur losses as a result of a dynamic increase in prices, which only later will be reflected in the increased prices of the product. This is particularly effective for products of the "private label" segment, as one-year contracts related to such production usually contain a price guarantee for at least a three-month period. The means to limiting the risk is a systematically increasing share of the Company's brand products in the overall structure of revenues.

2009 was a very good year in terms of the situation in the cereals market due to successful crops and expanded areas of wheat growing, which resulted in considerably lower prices for this raw material in global markets. Wheat reserves at the end of 2009 were relatively high, which should ensure low and stable prices of flour at least until mid-2010. Similarly, estimates related to wheat crops in 2010 contain favourable predictions with regard to the level of prices of flour for pasta production.

Mean purchase prices of milling wheat in 2008 - 2010 (PLN/ton)



Price of wheat per 1 ton



Currently the International Grains Council forecasts regarding the global reserves of grains at the end of the present season of 2009/2010, published on 25 February this year, indicate their increase as compared with last year, by 28 mln tons, to reach 390 mln tons. This information combined with the initial estimates of planted areas and grain harvests in the season of 2010/2011 allows an assumption that, unless there is a significant global growth of demand for grains, the chances for increasing prices of that raw material are limited.

Risk of changing market trends

The risk involves mostly a possibility of a decrease in the volume of pasta markets, e.g. in favour of other products which may substitute pasta, such as grains, potatoes, rice, etc. This is possible mainly if there is an adverse change in price relations between pastas and substitute products. Taking into consideration consumers' behaviours in the period of market breakdown in previous years, the Group predicts an increase in demand for its products in 2010.

Risk connected with fluctuations currency exchange rates

The trend of Polish currency (PLN) losing value in relation to Euro and dollar, particularly visible in the late 2008 and early 2009, was replaced by the trend of PLN gaining value, and our currency has strengthened from the level of EUR/PLN 4.8 in March to the level of EUR/PLN 4.1 in December 2009. The appreciation of PLN for exporters in a long-term perspective may impact adversely the level of profitability of export contracts. In the first quarter of 2010 the trend of PLN appreciation can be seen in relation to Euro and dollar. Due to the character of its export sales (short-term contracts), the Company sets forth the sales price separately each time, and therefore obtains satisfactory profitability. Moreover, within the scope of activity in the Group's companies we observe "natural heading", as the foreign currencies obtained from export sales are generally in their entirety used for purchasing raw materials abroad.

Risk of becoming dependent on suppliers

Makarony Polskie Group cooperates with the most significant suppliers of raw materials and packaging which warrant stability of partnership and the quality of their products, as well as advantageous commercial terms and conditions. Supply policy is based on the rule of qualifying suppliers by means of tenders and the principle of secure supplier diversity. Makarony Polskie have concluded contracts for flour deliveries for 2010, which is a guarantee of fixed purchase price. This provision relates to the entirety of the contract with the Agricultural Market Agency and concerns approx. 17% of Makarony Polskie production.

Risk of becoming dependent on clients

The main clients of the Group's products are large retail chains. A potential lack of continuity in the cooperation with retail chains may impact the level of revenues. Additionally, some retail contracts, particularly those with retail chains, do not specify the exact volume of orders which will be placed by the clients. Due to this there is a risk that clients may place orders which differ considerably from the previously accepted, and that may result in a failure to satisfy the demand or in overproduction. According to the Group's estimates this risk is not significant as the volumes of products supplied previously did not fluctuate significantly and remained within the predictable limits.

Risk related to introducing new products to the market

One of the strategic goals of Makarony Polskie Group involves expanding the product range within the market segments in which the Company is currently active, as well as entering new attractive segments of food market. Launching a new product is always preceded with adequate market analyses and trial batches which aim at minimizing the risk of the product's failure to be accepted by the market. Yet, there is a possibility that, in spite of the applied procedures, the Group will incur considerable costs related to introducing new products to the market, which will then fail to succeed due to erroneous assessment of either the market potential or consumers' preferences, or due to the operations of the competition. As a result this may adversely impact the financial outcome of the Group.

Risk related to market competition

Supplies of pasta, ready-made meals and jams in the Polish market are provided by a number of entities, both domestic and foreign. There is a risk that the trading conditions offered by Makarony Polskie Group will turn out to be less competitive, which will cause a decrease in the Group's revenues. Taking into account the current sales structure, the greatest threat of the competition exists within the channel of chain retail with regard to the company's own brands as well as its production under other companies' brands. Increasing production capacity and the scope of operations by formerly small and medium manufacturers may result in significant threat from such companies for the Group's sales in those

segments of the market. Another threat might result from a strong foreign company entering the Polish market and operating within the same business model.

Risk of the changing legal and tax regulations

Adverse impact on the activities of Makarony Polskie Group may result from changes in legal regulations and their various interpretations. A situation when a new regulation, significant for business transactions, comes in force may be connected with interpretation problems, a lack of unanimous opinions of the courts, unfavourable interpretations adopted by organs of public administration, etc.

1.9. SUPPLY SOURCES

Makarony Polskie Capital Group cooperates with significant suppliers of raw materials and packaging which warrant stability of partnership and the quality of their products, as well as advantageous commercial terms and conditions. The Group's supply policy is based on the rule of qualifying suppliers by means of tenders and the principle of secure supplier diversity.

Execution of supplies is based on written or oral contracts. In the latter case, an order made in writing or in an electronic form constitutes a confirmation of a sales and purchase agreement. Ongoing monitoring of operations by other producers that submit offers related to materials used by the Group aims at retaining purchase prices at the lowest possible level.

In 2009 only one supplier of the Group exceeded the level of 10% of consolidated total sales revenues. That was Polskie Młyny S.A. company, with which Makarony Polskie S.A. conculded contracts for supply of flour at fixed prices, described in detail in 3.1. of this Report. The share of Polskie Młyny S.A. in the overall consolidated sales revenues was 11.1%.

I. Makarony Polskie S.A.

The main raw material used for production by Makarony Polskie S.A. is coarse-grained wheat flour. The Company purchases this raw material from several main suppliers, and some smaller producers.

Another very important component of the finished product is the packaging. The Company purchases three groups of packaging: collective, unit and auxiliary packaging.

II. Stoczek Sp. z o.o.

The main raw materials used for production by Stoczek Sp. z o.o. are meat, vegetables, fruit and spices, as well as glass packaging.

2. FINANCIAL SITUATION

2.1. RULES FOR COMPILING A CONSOLIDATED FINANCIAL STATEMENT

A consolidated financial statement of Makarony Polskie Capital Group encompassing a parent company and subsidiaries, is consolidated in accordance with regulations of the International Financial Reporting Standards (IFRS) that were ratified by the European Union and, in issues not governed by the aforementioned standards, in accordance with an Accounting Act of 29 September 1994 (Polish Journal of Laws 2002 No. 76 item 694, as amended) and executive regulations published on its basis, as well as in accordance with regulations specified in the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities (Polish Journal of Laws 2009 No. 33 item 259).

The consolidated financial statement is compiled in accordance with a rule of historical cost accounting with the exception of assets and financial liabilities (including financial derivative instruments) that are estimated according to fair value.

The financial statements of all the entities constituting the corporate group were compiled in zlotys currency (PLN) and all the values presented in this financial statement, if not specified otherwise, are given in thousands of PLN.
The consolidated financial statement was compiled on the basis of continuation of business activity both by the parent company and the subsidiary company Stoczek Sp. z o.o. in the foreseeable future. There are no circumstances indicating any risk to further business activity of any of the companies from the Group.

The subsidiary company runs its own account ledgers in accordance with accounting policy (regulations) specified by the Accounting Act of 29 September 1994 ("the Act") as amended and executive regulations published on its basis ("Polish accounting standards").
The consolidated financial statement considers corrections not included in the account ledgers of the subsidiary company, introduced in order to make the financial statement of this entity comply with the standards and interpretations issued by the International Accounting Standards Committee and by International Financial Reporting Interpretations Committee.

Consolidated and separate income statement is presented by function of expenditure. Reporting period of the subsidiary company coincides with the reporting period of the parent company.

Taking control by Makarony Polskie S.A over the Stoczek Company took place on June 1, 2007. Corrections concerning capital included in the consolidated financial statement consist in elimination of particular elements of equity capital of the subsidiary company in order to illustrate the share of Makarony Polskie S.A. in losses from the previous years, results of current year and setting the costs of amalgamation and the value of the company.

Chosen financial data in EURO were presented in accordance with §91 section 2 of the Regulation of the Minister of Finance of 19 February 2009:

- ✓ balance sheet items were converted according to average exchange rate published by NBP biding on the balance sheet date (31 December 2009 1EURO = 4.1082, 31 December 2008 1 EURO = 4.1724 PLN),
- ✓ income statement and cashflow items were converted according to the exchange rate being the arithmetic mean of average exchange rates set by NBP biding on the last day of each month 1st, 2nd, 3rd and 4th quarter of 2009 = 4.3406 and 1st, 2nd, 3rd and 4th quarter of 2008 = 3.5321.

2.2. LIST OF ITEMS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT FOR THE FISCAL YEAR 2009

Company	Registered Office	Type of relation 31.12.2009	Consolida-tion method	Date of taking over the control / wielding significant influence	% of owned capital for 31.12.2009
Stoczek Sp. z o.o.	Stoczek Łukowski	subsidiary directly	full	01-06-2007	100%

Stoczek Sp. z o.o. was the subsidiary company in 2009. An entity – is a controlled unit by Makarony Polskie S.A. The control appears in a situation when Makarony Polskie S.A. has direct or indirect capability to manage financial and operational policy of the business entity in order to achieve economic benefits from its activity. To account for the purchase of subsidiary entities a method of purchase is employed. Subsidiary entities are subject to consolidation within the period commencing from the date of taking control over them by the Group and cease to be subject to consolidation at the date of control ceasing.

Mutual settlements, transactions and unrealized profits or losses (under the condition that they are not the result of value loss) are subject to elimination. Corrections concerning capital included in the consolidated financial statement are subject to elimination of particular elements of equity capital of subsidiary companies in order to illustrate the share of the company Makarony Polskie S.A. in losses form the previous years, results of current year and setting the costs of amalgamation and the value of the company.

While compiling consolidated financial statement of the Corporate Group for the year 2009 a method of full consolidation was employed. Financial statements of the parent Company Makarony Polskie S.A. and of the subsidiary Company Stoczek Sp. z o.o. are included by full consolidation.

2.3. THE CHARACTERISTICS OF BASIC ECONOMIC AND FINANCIAL VALUES OF MAKARONY POLSKIE GROUP

Chosen financial data of Makarony Polskie Capital Group for 31 December 2009 given in thousands of PLN present in the following way:

Makarony Polskie Group	2009	2008	change %
Revenue from sales of products, services, goods and materials	117 551	88 750	32%
Costs of products, services, goods and materials which were sold	93 971	71 489	31%
Gross profit on sales	23 580	17 261	37%
Costs of sales	15 043	13 233	14%
Management costs	6 691	6 094	10%
Depreciation	5 498	4 009	37%
EBIT	4 354	-1 541	
EBITDA	9 852	2 468	299%
Gross profit	2 734	-2 715	
Nett profit	2 198	-2 776	
Return on EBIT	3.70%	-1.74%	
Return on EBITDA	8.38%	2.78%	
Gross return on sales	2.33%	-3.06%	
Nett return on sales	1.87%	-3.13%	

The financial data of Makarony Polskie Group presented in the table above include consolidated financial statements of Makarony Polskie and Stoczek Sp. z o.o.

Following the standards and requirements of the International Accounting Standards in accordance with which financial statements of the Group are compiled and presented, the consolidation of Stoczek company data includes the period from January 1 to December 31, 2010.

2.4. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENT ON COMPREHENSIVE INCOME

FOR THE PERIOD OF	*Nota*	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Nett revenue from sales of products, services, goods and materials	19	117 551	88 750
Costs of products, services, goods and materials which were sold	21	93 971	71 489
Gross profit (loss) on sales		**23 580**	**17 261**
Costs of sales		15 043	13 233
Management and administration costs		6 691	6 094
Other revenue	21	3 165	1 036
Other costs	22	657	489
Profit (loss) on continuing operations		**4 354**	**-1 541**
Financial income	23	413	700
Financial costs	24	2 033	1 874
Gross profit (loss)		**2 734**	**-2 715**
Corporate income tax – current part	25	205	
Corporate income tax – deferred part	25	331	61
Nett (loss) on continuing operations		**2 198**	**-2 776**

Companies of the Group in 2009 obtained revenues of 117.6 million PLN which were 28.8 million higher than in 2008 what gives 32.4% increase. Simultaneously, the costs of sales of products, services, goods and materials in 2009 reached 94.0 million PLN and their level was higher by 22.5 million PLN compared to the former year which means that they increased by 31.4%. Lower dynamic of the increase in costs comparing to the dynamic of revenue increase confirms that the Group achieves positive effects of the employed strategy of minimizing costs of raw materials.

Such dynamic increase in sales revenue could not remain without influencing the sales costs. They increased in 2009 to 15.0 million PLN and were higher by 1.8million PLN in comparison to 2008. However – what is noteworthy – they were not characterized by equally dynamic growth since their increase reached only 13.7%.

Similar situation was in 2009 while referring to management and administration costs. Their level reached 6.7 million PLN and was higher by 0.6 million PLN than that in 2008 which means their increase by only 9.7%.

The level of the aforementioned costs in 2009 is the result of consistent implementation of the strategy of reducing the structural costs (administration, accounting, logistics etc.) which involves the centralization of functions for ensuring the synergy effect.

Owing to these consistent actions the Group in 2009 made a profit on continuing operations at the level of 4.3 million PLN in comparison to the loss of 1.5 million PLN in 2008.
Analogically nett profit on continuing operations in 2009 reached 2.2 million PLN compared to the loss of 2.8 million PLN for the year 2008.

As a result of the increased production capacity and restrictive costs policy the Group lowered overhead production costs per unit.

2.5. STRUCTURE OF ASSETS AND LIABILITIES OF THE CONSOLIDATED FINANCIAL STATEMENT ON THE FINANCIAL SITUATION

		31 Dec. 2009	*31 Dec. 2008*	Change %
A.	**FIXED ASSETS**	**86 917**	**84 537**	**2.8%**
1.	Tangible fixed assets	75 106	72 963	2.9%
2.	Goodwill	5 946	5 946	0.0%
3.	Other intangibles	5 007	5 041	-0.7%
4.	Long-term financial assets	373	374	-0.3%
5.	Deferred income tax assets	105	143	-26.6%
6.	Long-term prepayments	380	70	442.9%
B.	**CURRENT ASSETS**	**29 884**	**28 646**	**4.3%**
1.	Inventories	8 636	8 014	7.8%
2.	Short-term receivables	19 191	18 446	4.0%
3.	Receivables from income tax	-	-	
4.	Loans and receivables payable	-	-	
5.	Cash and its equivalents	938	1 291	-27.3%
6.	Short-term prepayments	1 119	895	25.0%
C.	**FIXED ASSETES TO BE DISPOSED**	**1 162**	**1 162**	**0.0%**
	TOTAL ASSETS	**117 963**	**114 345**	**3.2%**

		31 Dec. 2009	*31 Dec. 2008*	Change %
A.	**EQUITY CAPITAL**	**61 242**	**59 044**	**3.7%**
1.	Nominal capital	27 750	27 750	0.0%
2.	Other capitals	31 537	31 941	-1.3%
3.	Profit/loss from the previous years	- 243	2 129	
4.	Nett loss	2 198	- 2 776	
I.	**LONG-TERM LIABILITIES**	**30 012**	**7 307**	**310.7%**
1.	Deferred tax reserve	705	412	71.1%
2.	Long-term bank credit and loans	19 570	5 393	262.9%
3.	Reserve for pensions and similar obligations (long-term)	184	153	20.3%
4.	Long-term prepayments	9 213	850	983.9%
5.	Long-term financial leasing contract liabilities	340	499	-31.9%
II.	**SHORT-TERM LIABILIIES**	**26 709**	**47 994**	**-44.3%**
1.	Short-term bank credit and loans	2 639	21 303	-87.6%

2.	Short-term financial liabilities (from leasing and factoring)	3 788	3 831	-1.1%
3.	Other short-term liabilities	18 434	22 669	-18.7%
4.	Short-term prepayments	1 720	97	1673.2%
5.	Reserve for pensions and similar obligations (short-term)	71	52	36.5%
6.	Other short-term reserve	57	42	35.7%
B.	**TOTAL LIABILITIES**	**56 721**	**55 301**	2.6%
	TOTAL LIABILITIES	**117 963**	**114 345**	3.2%

In comparison to 2008 the balance sheet total increased by 3.2% in 2009. The basic item of assets is tangible fixed assets of 75.1 million PLN value what comprises 63.7% value of the total assets. It is a characteristic phenomenon for production entities that are the entities comprised in the Group.
Taking into consideration a strong increase in sales turnover a special attention should be paid to current assets of the Group. In spite of the dynamic increase in sales revenue at the level of 32% year by year, the increase of particular items of current assets are definitely lower. In 2009 the value of inventories increased to the level of 8.6 million PLN what means their increase by 7.8% while the value of liabilities – up to the level of 19.2 million PLN what means their increase by 4.0%. The analysis of current assets situation in comparison with the level of revenue means that in 2009 the economy of inventories improved (optimization of their state) and a strict discipline of receivables inflow was sustained.

At the end of 2009 at the side of assets there is an entry of fixed assets to be disposed with the value of 1.1 million PLN which is made of disassembled pasta production line owing to an investment at the production plant in Rzeszów at the turn of 2008 and 2009. A current demand situation causes that on the basis of this production line an investment concerning the increase in production capacity of the Group will be realized in 2010. The final decision in this matter was been taken after the date of the balance sheet on the basis of Management Board resolution of March 2010.

Equity capital, which at the end of 2009 constituted the amount of 61.2 million PLN, i.e. 51.9% share in total liabilities remains the basic source of financing the Group. Equity capital increased by 3.7% by the amount of nett profit made from continuing operations.

The most significant change in foreign capitals constitutes the positive change of their structure while total liabilities in 2009 increased by 2.6% in comparison to 2008. At the end of 2008 positively 86.8% of total liabilities constituted short-term liabilities of 48.0 million PLN which indicates their decrease by 44.3%. Simultaneously, there was an increase in long-term liabilities from the level of 7.3 million PLN in 2008 to 30.0 million PLN at the end of 2009, that is by 310.7%. The basic source of these positive changes was the possibility of bank indebtedness restructuring which was based on the accepted financing strategy of the Group. The details on strategy and implementation of its results are described in

clause 2.6 and 3.7 of this report. Owing to these changes the sources of financing the Group were significantly stabilized.

Prepayments in the amount of 9.2 million PLN constitute a significant entry in long-term liabilities. This value arose among others from prompt accounting for received investment subsidies.

The assessment of capital and assets situation carried out on the basis of horizontal analysis of the statement of the financial situation of the Group at the end of 2009 allows for conclusion that the so called "golden rule of financing" that postulates to finance fixed assets entirely by long-terms capitals is employed and followed.

2.6. ASSESSMENT OF FINANCIAL RESERVES MANAGEMENT IN MAKARONY POLSKIE GROUP

In 2009, the Company consistently implemented the assumptions of the Group's strategy related to financing based on the Company's own funds and on external sources in order to optimize their use. The main principles of the strategy were:

- diversification of financial sources parallel to limiting the number of institutions financing the entities of the Group,
- creating a medium-term financing foundation for current economic activities of the Group's entities,
- creating grounds for lowering financial costs due to the possibility of comparing price offers of competitive financing institutions,
- improving the transparency of actions concerning foreign sources of financing.

The superior principle involved the assumption that engaging in products whose risk was assumed by a given financing institution must include simultaneously all the entities in the Group.

Following the above assumptions, the Company took action aiming at sorting the sources of financing in order to achieve better effectiveness of their use, as well as to reduce the costs of their acquisition. The entities of the Group used a wide range of financial instruments:

- bank credits – short-term and medium-term, as well as investment loans,
- transfer of receivables (factoring),
- fixed assets leasing.

Due to the portfolio of the conducted business activity the entities of the Group did not have to use derivative instruments (such as options, futures transactions, CIRS etc.).

The structure of financing sources was adjusted to the need for flexibility so that in the periods when financial surplus occurred, the level of indebtedness (credits on current account, transfer of receivables balance) was reduced, while in the periods of greater demand for financial means, a stable level of financing for current activity was available. The objective of such a solution is to optimize the financial costs. Financing the implementation of investment was based on investment credits (the purchase of pasta production line) and operational leasing (the purchase of means of transport). The increase in interest-bearing indebtedness in the previous years was mainly connected with the investment at the Rzeszów Production Plant. As it was mentioned above, having received subsidies under the Sectoral Operational Programme - Improvement of the competitiveness of enterprises (SOP ICE), in 2009 Makarony Polskie S.A. allocated 9.7 million PLN for the repayment of the investment credit taken out in Bank BGŻ S.A.

In 2009 the companies of the Group promptly made scheduled repayments of interest-bearing liabilities and in this area there were no risks. Financial standing of the entities of the Group was positively assessed by financing institutions in 2009 and the external financial sources acquired in order to reduce costs confirm the fact that the Group is perceived as a reliable borrower.
Moreover, in the following reporting periods, according to the planned cashflow there shall be no risk to financial liquidity of the Group.

2.7. OFF-BALANCE SHEET ENTRIES OF MAKARONY POLSKIE GROUP

A change in the state of contingent liabilities or contingent assets, that occurred after the end of the previous financial year:

Off-balance sheet entries	31 December 2009	31 December 2008
1. Contingent liabilities	**44 949**	**7 097**
1.1. From parties related due to:	36 295	-
- guarantees and bail bonds received	16 925	-
- security over assets	19 370	-
1.2. From other parties due to:	8 654	7 097
- guaranties and bail bonds received	8 649	7 092
- bills of exchange	5	5
2. Contingent receivables	**36 295**	**21 446**
2.1. For parties related due to:	36 295	21 446
- guaranties and bail bonds granted	16 925	21 446
- securities over assets	19 370	-
2.2. For other parties due to:	-	-
- guaranties and bail bonds granted	-	-
3. Other due to:	**99 917**	**103 271**

- bill of exchange liabilities	61 087	57 273
- securities over assets	37 704	43 495
- other – transfer of receivables and power of attorneys to manage bank account	1 125	2 503
Total off-balance sheet entries	**- 91 263**	**- 117 620**

The value of received guarantees, securities, bills of exchange liabilities, mortgages and other off-balance sheet liabilities in the chart above have been presented in maximal values without consolidation exclusions between the subsidiary companies.

2.8. USE OF PROCEEDS FROM ISSUANCE OF SECURITIES

Within the period from 1 January 2009 until the date of handing over this report the Company did not issue any securities and does not plan to do so before the end of the year 2010.

2.9. EXPLANATION OF THE DIFFERENCES BETWEEN ACHIEVED AND PREDICTED FINANCIAL RESULTS OF MAKARONY POLSKIE GROUP

The Management Board of Makarony Polskie S.A. did not publish forecasts for the Company and for Makarony Polskie Capital Group in 2009.

From 9 July 2009, under the frame of development of clear communication policy ensuring effective access to information essential for assessment of the Company's situation and perspectives and its way of functioning, and acting in accordance with rules I.1 and I.2 of the set of rules "Good Practices of WSE listed Companies", Makarony Polskie S.A started to inform the public about selected estimated data regarding sales executed by Makarony Polskie Group in consecutive months of the specific fiscal year.

The information is published periodically, immediately after all the data for subsequent months is collected, as a rule until the 10th day of each month following the month included in the report. Furthermore, in order to provide data comparability the reports include sales data on analogous previous financial year periods.

2.10. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS INFLUENCING THE RESULTS OF ECONOMIC ACTIVITY IN 2009, INCLUDING THE DEGREE OF INFLUENCE OF SUCH FACTORS OR EXTRAORDINARY ITEMS ON THE RESULT ACHIEVED

Makarony Polskie Group in 2009 generated the profit of 2 198 thousand PLN.

The financial results of Makarony Polskie Group in 2009 were strongly influenced by the following:

- ✓ increase in production and sales in the Group arising from executed investments and from currently concluded and negotiated contracts concerning pasta and ready-made meals. After the investment was finished the level of production capacity per month reached 4,300 tons of pasta and 1,000 tons of ready-made meals and other meat and vegetables preserves and jams. Before the investment was finished Makarony Polskie produced about 2,400 tones of pasta per month,
- ✓ acquisition of commercial contracts in the 4th quarter of 2008 that allowed for the sales of pasta products by Makarony Polskie in 2009 at the level similar to the full use of production capacity (80% of production capacity),
- ✓ decrease in prices of raw materials, in particular flour, owing to good crops of wheat on the world market,
- ✓ lower costs of buying packaging – foils and cardboard boxes,
- ✓ regular repayment of financial liabilities on long-term investment credit (Bank BGŻ S.A.- concerning investments in the production line in Rzeszów), in connection with the systematic settlement of subsidies, caused reduction in financial costs. In January 2009 the Company received partial settlement of the Polish Agency for Enterprise Development (PARP) subsidy of 4.2 million PLN, the remaining amount of 7.2 million PLN was received on June 2, 2009,
- ✓ more restrictive financial policy, including more restrictive conditions of granting trade credit which reduced the risk of insolvency of contracting parties,
- ✓ increase in production capacity and reduction of production costs per unit of pasta resulting from the implemented investment allowed for an increase in the margin (however the level of depreciation in the company Makarony Polskie increased),
- ✓ discipline in costs and ongoing analysis of profitability – maintaining administration costs at stable level while increasing the production volume caused further decrease in overhead production costs per unit.

The realization of objectives for 2009 – basic achievements:

- ✓ production and sales volume of pasta within the period of 1-12 2009 accounts for more than 25% of total production in Poland in this period – at least 22% share was planned,

- ✓ share in the market of ready-made meals – plan for the end of 2009 specified 5%, currently about 3%
- ✓ numeric distribution – the company approached the planned levels
- ✓ the share the Company's brand products constitutes 28% of sales – plan for the end of 2009 specified 35%,
- ✓ in accordance with the plan, the investment in Rzeszów was completed and settled (a subsidy of 11.4 million PLN was received),
- ✓ plan concerning return on EBIDA - 7-8%, 8.4% was achieved in 2009,
- ✓ reduction in the amount of interest-bearing liabilities and prolonged repayment due dates.

2009 was a year of reorganization and sorting out the structure of Makarony Polskie Group. The functions of sales, purchases, logistics, marketing and administration were centralized which contributed to a significant reduction of costs. The Company completed the investment at the Rzeszów Production Plant, which allowed for an increase in production capacity to reach 4,300 tons of pasta per month. These investments were co-financed by EU funds in the amount of 11.4 million PLN.
In the 2nd quarter of 2010 Makarony Polskie Group introduced integrated IT system ERP supporting management and improving control effectiveness.
Any and all actions taken and in particular implementation of new IT system shall constitute an essential condition in the context of further development of the economic activity especially by means of acquisition.

3. SIGNIFICANT CONTRACTS CONCLUDED BY THE GROUP

3.1. RETAIL CONTRACTS

1. Contract with Jeronimo Martins Dystrybucja Polska S.A.

   Under the contract signed between Makarony Polskie S.A. and Jeronimo Martins Dystrybucja in 2004 the Company sells Dobrusia and Vitalia patas to Biedronka retail chain. The value of revenues under this contract in 2009 amounted to approx. 25.2 mln PLN and constituted 21.5% of the consolidated sales revenues.

2. Contact with Grupą Kaufland

   The total value of the turnover under all contracts in force between companies of Makarony Polskie Group and entities affiliated with Kaufland Group in 2009 amounted to approx. 12.4 mln. PLN. (10,6% of the consolidated sales revenues).

Makarony Polskie Company supplies pasta of the brands: SORENTI, ABAK and MAKARON STAROPOLSKI to Kaufland retail chain, as well as under Kaufland's own brand. Stoczek Sp. z o.o. supplies ready-made meals of its own brand and under Kaufland's own brand.

3. Contract with Metro Group

On 6 October 2008, Makarony Polskie Company concluded a contract on trading cooperation between Makarony Polskie S.A., and Makro Cash and Carry Polska S.A. with a seat in Warsaw and Real Sp. z o.o. and Spółka Sp.K. with a seat in Warsaw, represented by MGB Metro Group Buying Polska Sp. z o.o. and Spółka Sp. K. The subject of the contract was a sale and supply of Sorenti, Abak and Stoczek brand products to entities functioning within Metro Group. The contract was concluded for unlimited period of time. The value of turnover under the contract in 2009 was 1.1 mln PLN. The estimated value of the annual sales revenues under the contract in 2010 is over 6 mln PLN

4. Contracts with the Agricultural Market Agency

- ✓ The cooperation with Agricultural Market Agency in 2009 was connected with the execution of contracts under the "Food aid programme for the European Union poorest people, 2009". The total value of contracts between Makarony Polskie Group and ARR in 2009 amounted to approx. 16.1 mln PLN and involved two contracts executed up to 31 December 2009:
  - contract for the supply of pasta,
  - contract for the supply of jam.

  The securities for both contracts had the form of performance guarantees of the total value equal 110% of the contract price.
- ✓ The cooperation with ARR in 2010 is connected with the execution of contracts under the "Food aid programme for the European Union poorest people, 2010". The total value of contracts between Makarony Polskie Group and ARR in 2010 amounts to approx. 14.5 mln PLN and includes:
  - contract of Makarony Polskie S.A. for the supply of spirals pasta for the value of 7.7 mln PLN, wide ribbons egg-pasta for the value of 5.5 mln PLN, to be executed by 31 December 2010. Net value of the contract is 13.2 mln PLN. The remuneration for the pasta supplies shall be made with unprocessed foodstuffs, in the form of barley grains, prepared for pick up at European Union intervention storages indicated by the Agricultural Market Agency,
  - contract of Stoczek Sp. z o.o. for the supply of krupnik (barley soup) for the value of 1.3 mln PLN, to be executed by 31 December 2010, as well.

The securities for both contracts have the form of performance guarantees of the total value equal 110% of the contract price.

5. Contract with Lidl Retail Chain

In September 2009 Makarony Polskie Company concluded an agreement of cooperation with Lidl retail chain, whose total estimated value within 12 months will amount to approx. 9.8 mln PLN. The subject of the agreement is the supply pastas under the Client's own brand. The agreement specifies the terms and conditions of cooperation until the end of August 2010. The agreement includes a price guarantee for the aforementioned product until the end of August 2010.

6. Contract with Polskie Młyny S.A.

On 3 November 2008 the Company concluded a contract of trading cooperation with Polskie Młyny S.A. with a seat in Warsaw, as a supplier of raw material (described in detail in the Current Report No. 55/2008). The subject of the contract is the supply of flour produced by Polskie Młyny S.A. to the Production Plants of Makarony Polskie S.A. The contract specifies the supply quotas and a fixed purchase price in the period to the end of Feb. 2009, and describes the manner of establishing the supply quotas and fixed purchase prices for following periods. The contract was concluded for unlimited period of time. The estimated value of annual purchases under the contract is over 7 mln PLN. On 3 March 2009 the Company signed a contract expanding the former scope of cooperation. The Contract was valid in the period from March till the end of December 2009.

The total value of supplies under both contracts in 2009 was 14.4 mln PLN.

7. Contract with PZZ Kraków S.A.

On 19 October 2009 the Company concluded a contract of trading cooperation for the supply of raw material with Polskie Zakłady Zbożowe "PZZ" in Cracow S.A. (PZZ Kraków). The subject of the contract is the supply of flour produced by PZZ Kraków to Makarony Polskie S.A.. The contract was signed for the period from October 2009 till the end of September 2011, and it specifies the supply quota and the manner of establishing the purchase price for the raw material in that period (the price conditions will be set forth for quarterly periods or longer, not later than 10 days before the beginning of the next period). The estimated value of purchases under the contract will be 7 mln PLN.

3.2. OTHER SIGNIFICANT EVENTS

1. Contract with the Polish Agency for Enterprise Development for co-financing a training project

   On 30 December 2008 Makarony Polskie S.A. concluded an agreement on co-financing a training project entitled: "Staff qualifications - the key to the development of Grupy Makarony Polskie". Under the agreement Makarony Polskie Company (including the subsidiary company Stoczek Sp. z o.o.) was awarded support in the form of a development grant for the implementation of the Project, in the amount of 3 101 thousand PLN (the granted public support for the Project implementation equals 2 481 thousand PLN, whereas the own funds contributed by the Group equals 775 thousand PLN). According to the provisions of the grant agreement the Project shall be implemented in the period from 1 January 2009 to 31 August 2010. The training schedule has been divided into modules dedicated to particular groups of employees.

   Personnel representing all levels of the organisation structure of Makarony Polskie and Stoczek are involved in the training. Very important aspect of the Project involves the financing of IT trainings preparing for the implementation of ERP class IT system in the Group. The value of the Project was established by estimation.

2. Contract of long-term loan with Bank BGŻ S.A.

   A loan of 15 266 thousand PLN was allocated for financing a part of expenditures related to the investment project " Launching production of new quality pastas based on innovative technologies" whose implementation is co-financed from EU funds. The project is carried out by the Company in the Production Plant in Rzeszów. The loan balance on 31 December 2009 was 5 149 thousand PLN.

3. Contracts with HSBC Bank Polska S.A.

   On 29 October 2009, in accordance with the adopted strategy of financing the Group's activity, the companies of Makarony Polskie Group entered into credit agreements with HSBC Bank Polska S.A.:

   - ✓ Makarony Polskie S.A. signed a credit agreement on the current account for the amount up to 2 mln PLN. The final date of repayment of the debit balance of the credit is 28 February 2011. The credit is due for one-time repayment on the credit due date. The credit interest rate is based on the WIBOR rate for one-month deposits with added Bank's mark-up which is not different than the standards applied by the Bank.
   - ✓ Stoczek Sp. z o.o. concluded credit agreements for the total value of 6 mln PLN:
     - agreement of non-revolving credit with the limit of 4 mln, whose repayment date is 11 March 2013. The credit is to be repaid in 13 equal, quarterly instalments, in January, April, July and December, starting with January 2010. The credit interest rate is based on

the WIBOR rate (Warsaw Interbank Offered Rate) for three-month deposits with added Bank's mark-up which is not different than the standards applied by the Bank.

- agreement of credit on the current account for the amount up to 2 mln PLN. The final date of repayment of the debit balance of the credit in the current account is 28 February 2011. The credit is due for one-time repayment on the credit due date. The credit interest rate is based on the WIBOR rate for one-month deposits with added Bank's mark-up which is not different than the standards applied by the Bank.

The funds obtained from credits drawn from HSBC Bank Polska S.A. were alloted by Stoczek to the repayment of the previous credit obligations drawn at Fortis Bank Polska S.A. as well as for financing current activities of the Company. The undertaken activities made it possible to reduce financial costs incurred Stoczek Sp. z o.o. and to improve the Company's financial liquidity.

4. Contract with Asseco Business Solutions S.A. with a seat in Lublin on implementation of integrated information system in companies of Makarony Polskie Capital Group

On 17 December 2009 Makarony Polskie S.A. signed contracts with Asseco Business Solutions S.A. connected with the introduction of integrated information system in the companies of Makarony Polskie Capital Group.

The introduction of Softlab ERP information system will involve the following areas of the system: Logistics and Sales, Production, Finances and Accounting, Fixed Assets, Personnel and Payroll.

It is assumed the essential functions of the system will be launched on 1 April 2010. Subsequent modules and functions will be launched gradually throughout 2010. It is assumed that the full functional range, launching all modules and achieving a full operational capacity of the system shall occur by the end of 2010, which will be tantamount with concluding the implementation process of the information system.

Concluding the aforementioned contracts is significant from the point of view of Makarony Polskie Group business operations. Introducing Softlab ERP will lead to a unification of information systems within Makarony Polskie Group allowing for the following:

- quick access to data and analyses necessary for taking business decisions,
- assistance in the efficiency of taking adequate business decisions,
- planning and analysis which provide full insight into the economic activity of the company and support the implementation of specific business goals,
- collection of useful information in a common multidimensional base, which will provide quick access to data and various analyses, without overloading transaction base,
- a possibility to sort, analyse and present data in a variety of ways, in order to perform a comprehensive analysis of Makarony Polskie Group operations and condition,

- a full integration of all modules which Softlab ERP consists of, which will allow for using all information entered into the system in many ways and in various combinations.

5. Contracts with Fortis Bank Polska S.A.

On 29 December 2009, in accordance with the adopted strategy of financing the Group's activity, the companies of Makarony Polskie Group entered into credit agreements with Fortis Bank Polska S.A. at the total value of 6.1 mln PLN.

The Agreement of the highest value is the multi-purpose credit line agreement of the maximum value 4.1 million PLN dated 29 December 2009, concluded by Makarony Polskie S.A. The Agreement was concluded for the time period to 28 December 2019, while the first current crediting period ends on 28 December 2011. The credit interest rate is based on the WIBOR rate (Warsaw Interbank Offered Rate) for three-month deposits with added Bank's mark-up which is not different than the standards applied by the Bank. The credit is due for one-time repayment on the credit due date. The funds obtained as a result of concluding this agreement were allotted by Makarony Polskie S.A. to the repayment of the previous credit obligations of 3.1 million PLN, drawn at ING Bank Śląski S.A. and BRE Bank S.A.; the remaining 1.0 million PLN was allotted to financing the Company's current activities. The funds obtained by the subsidiary was allotted to financing current activities.

- Completing the investement in the Rzeszów Plant

On 4 June 2008 the Company concluded a contract with the Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości (PARP)) on co-financing an investment project entitled "Launching production of new quality pastas based on innovative technologies" under "Sectoral Operational Programme - Improvement of the competitiveness of enterprises, for 2004-2006, Priority 2 Direct support to enterprises, Measure 2.2 Support to product and technological competitiveness of enterprises, Sub-measure 2.2.1. Support for enterprises undertaking new investments".

The subject of the contract involved co-financing of investments carried out by the Company in the Production Plant in Rzeszów aimed at modernization of technological process and increasing the production capacity by means of purchasing two technology lines: a line for manufacturing long shapes, and a line for manufacturing short shapes of pasta as well as modernization of central unit for handling flour and creating a research and development laboratory.

In course of executing this investment the Company purchased and launched a line for manufacturing long shapes of pasta (spaghetti), with the capacity of 1,900 kg/h and a line for manufacturing short shapes of pasta, with the capacity of 2,100 kg/h. This resulted in reaching the overall production capacity in all three plants of the Company at the level of 4,300 tons per month, which constitutes approximately 30% of the total pasta production in Poland and results in the Company's leading

position in this regard in the region of Central and Eastern Europe. In accordance with the annex to the grant contract dated 6 January 2008, the investment was completed by 28 February 2009.

3.3. Significant Contracts Signed by Shareholders

The Management Board of Makarony Polskie S.A. does not have information about any significant contracts signed between the Company's shareholders.

3.4. Insurance Agreements Concluded for the Companies of Makarony Polskie Group

Insurance agreements entered by the Companies of the Capital Group and in force on 31 December 2009.

I. Makarony Polskie S.A.

Item	Insurance Company	Insurance period	Overall Insurance Amount /thousand PLN/	Type of Insurance
1.	Sopockie Towarzystwo Ubezpieczeń STU Ergo Hestia S.A. Rzeszów - property insurance includes the Production Plants in Rzeszów, Płock and Częstochowa and the Manamegemnt Board Office in Ząbki	01.11.2009 - 31.10.2010	60 379	Complex insurance of the enterprise against all risks
			464	Insurance of electronic equipment
			1 000	Public liability insurance related to the conducted business activity or to property use (including product liability insurance)

II. Stoczek Sp. z o.o.

Item	Insurance Company	Insurance period	Overall Insurance Amount /thousand PLN/	Type of Insurance
1.	PZU S.A.	13.03.2009-12.03.2010*	3 396	Insurance of property against fire and other random incidents
2.	Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.	20.05.2009-19.05.2010	39 938	Property insurance against random incidents– all risks
3.			50	Insurance of electrical appliances against electrical damage
4.			113	Insurance of electronic equipment against all risks
5.			200 000	Public liability insurance related to the conducted business activity or to property ownership (including product liability insurance)

* 12 March 2010 was the expiry date of the insurance agreement concluded by Stoczek with PZU S.A. related to the insurance of property against fire and other random incidents, with the insurance amount of 3 396 thousand PLN. Following that the property was insured by Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.

3.5. CONTRACTS OF PARTNERSHIP AND COOPERATION IN FORCE DURING 2009

- Agreements on joint distribution of products manufactured by the companies of Makarony Polskie Group

  Resulting from the transaction of acquisition of 100% shares in Stoczek Sp. z o.o. by Makarony Polskie S.A., and aiming at the improvement of sales effectiveness for products of Makarony Polskie Group in the territory of Poland, Makarony Polskie S.A. and Stoczek Sp. z o.o. made an agreement that the sales of products of both companies in the territory of Poland will be conducted by means of the distribution network of Makarony Polskie S.A. The remuneration on account of this agreement does not differ from conditions generally applied in the market.

3.6. TRANSACTIONS WITH AFFILIATED ENTITIES EXCEEDING THE EQUIVALENT OF 500.000 EUR EXPRESSED IN PLN

During the period from 1 January 2009 to 31 December 2009, Makarony Polskie S.A. did not conclude one-time transactions exceeding the equivalent of 500 thousand EURO with the affiliated Company Stoczek Sp. z o.o.

Makarony Polskie S.A. provided distribution and marketing services to Stoczek Sp. z o.o., in accordance with the strategy of reducing structural costs by centralizing certain functions of the Group. The services were supplied pursuant to contracts, described in detail in 3.5. herein.

During 2009 Makarony Polskie S.A. granted loans amounting to 900 thousand PLN to Stoczek Sp. z o.o., which were described in detail in clause 3.9. of this Report. The loans were paid back by Stoczek on 30 June 2009.

In 2009, Makarony Polskie S.A provided guarantees for the affiliated company Stoczek Sp. z o.o., which are specified in clause 3.9. herein.

All contracts concluded between the Companies of the Group contain terms and conditions which do not differ from those generally accepted in the market.

3.7. CREDITS AND LOANS TAKEN INCLUDING DUE DATES AND BAIL BONDS AND GUARANTEES GRANTED TO COMPANIES

On 31 December 2009 liabilities due to short-term credits and loans amounted to 25 997 thousand PLN, including:

- short-term credits and loans liabilities balance was 2 639 thousand PLN,
- short-term leasing and factoring liabilities balance was 3 788 thousand PLN,
- long-term credits and loans liabilities balance was 19 570 thousand PLN,

Interest-bearing liabilities including:	31 December 2009		31 December 2008		Change%
	thousand PLN	% share	thousand PLN	% share	2009/2008
Long-term	19 570	75,3%	5 393	17,7%	262,9%
Short-term, including:	6 427	24,7%	25 134	82,3%	- 74,4%
- leasing and factoring	3 788	14,6%	3 831	12,5%	- 1,1%
Total	**25 997**	**100,0%**	**30 527**	**100,0%**	**- 14,8%**

Resulting from the implementation of the aforementioned financing strategy in 2009, while reducing interest-bearing liabilities by 14.8% compared to 2008, a change in the due date structure of interest-bearing liabilities was made. At the end of 2009 long-terms liabilities accounted for 75.3% interest-bearing liabilities (compared to 17.7% at the end of 2008). The amount of these long-term interest-bearing liabilities includes a significant amount of medium-term credits on the current account that constitute a stable source of financing current operations. Such a situation is an effect of perfect cooperation with financing institutions, improving financial standing of the Group and perception of the companies of the Group as reliable and prompt creditors.

I. Makarony Polskie S.A. was a Party to the following contracts on 31 December 2009:

- Working-capital credit in current account in BGŻ S.A.

Crediting conditions	
Credit contractual value	4 500 thousand PLN
Crediting period	04.12.2007 – 17.12.2011
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2009	4 407 thousand PLN
Credit repayment schedule	Single payment on the due date of the liability
Credit collateral	✓ mortgage for an amount up to a cap to 6 750 thousand PLN on real estate in Rzeszów included in KW No. RZ1Z/00076860/5 with assignment of rights from insurance policy, ✓ blank promissory note with blank promissory note agreement, ✓ power of attorney to the BGŻ S.A. bank account of the Company

- Long-term investment credit in investment account in BGŻ S.A.

Crediting conditions	
Credit contractual value	1 366 thousand PLN
Crediting period	16.02.2005 – 15.02.2013
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2009	191 thousand PLN
Credit repayment schedule	✓ one quarterly instalment of 44 thousand PLN payable on 10 October 2005, ✓ 29 consecutive quarterly instalments of 13 thousand PLN payable on every 10th day of the month following the end of the quarter of the year, ✓ one instalment of 911 thousand PLN payable on 30 June 2006, ✓ one instalment of 14 thousand PLN payable on 15 February 2013.
Credit collateral	✓ registered pledge on machines and equipment i.e. packing machine and wood flooring making machine in Rzeszów, as well as packing machine and flour facility of total value of 1 439 thousand PLN together with assignment of rights from insurance policy, ✓ power of attorney to current bank accounts of the Company, ✓ assignment of receivables from a contract No. SPO-WKP/2.3/2/14/931 concluded on 3 October 2005 with Polish Agency for Enterprise Development (PARP).

- Long-term investment credit in investment account in BGŻ S.A.

Crediting conditions	
Credit contractual value	15 266 thousand PLN
Crediting period	05.06.2008 – 31.03.2016
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2009	5 149 thousand PLN
Credit repayment schedule	✓ grace period for capital repayment as of 30.06.2009, ✓ one instalment of 9 647 thousand PLN payable to the date of 30.06.2009 (from the subsidies), ✓ 83 monthly instalments of 67 thousand PLN each payable from the date of 30.06.2009 to 30.04.2016, ✓ levelling instalment of 48 thousand PLN payable on the date of 31.05.2016.
Credit collateral	✓ assignment of rights from Subsidy Contract for the implementation of the Project entitled "Launching production of new quality pastas based on innovative technologies" concluded on 04.06.2008 between the company and Polish Agency for Enterprise Development (PARP), ✓ registered pledge on processing lines for production of long shapesof pasta acquired under the investment together with assignment of rights from insurance policy, ✓ blank promissory note with blank promissory note agreement, ✓ power of attorney to bank account of the Company in BGŻ S.A.

- Credit in current account in HSBC Bank Polska S.A.

Crediting conditions	
Credit contractual value	2 000 thousand PLN
Crediting period	29.10.2009 – 28.02.2011
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on December 31, 2009	2 007 thousand PLN
Credit repayment schedule	✓ Single payment on the due date of the liability
Credit collateral	✓ Mortgage for an amount up to a cap to 3 000 thousand PLN on real estate in Płock included in KW PL1P/00094893/6 together with assignment of rights from insurance policy, ✓ blank promissory note.

Within the frames of the current financing strategy including sorting out the financing sources, the aforementioned funds were used to repay the credit taken earlier in Fortis Bank Polska S.A.

- Credit on current account under multi-purpose line of credit in Fortis Bank S.A.

Crediting conditions	
Credit contractual value	4 100 thousand PLN
Crediting period	29.12.2009 – 28.12.2011
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2009	2 568 thousand PLN
Credit repayment schedule	✓ Single instalment payable on the credit due date
Credit collateral	✓ blank promissory note; ✓ registered pledge on production line for short shapes of pasta located at the production plant in Płock together with assignment of rights from insurance Policy, ✓ mortgage for an amount up to a cap to 6 656 thousand PLN on real estates in Częstochowa included in KW Cz1C/00021785/1 assignment of rights from insurance Policy, ✓ registered pledge on production line for pasta, bought from Anselmo company, and located at the production plant in Płock, ✓ registered pledge on the Pavan production line for short shapes of pasta located at the production plant in Rzeszów.

Within the frames of the current financing strategy including sorting out the financing sources, the aforementioned funds were used to repay the credits taken earlier in BRE Bank S.A. (mortgage loan – 1.6 million PLN) and in ING Bank Śląski S.A. (credit in current account – 1.5 million PLN).

- Contract for Redemption of Receivables in ING Bank Ślaski S.A.

Terms and conditions of the Contract	
Contractual value	3 300 thousand PLN
Period of the Contract	23.07.2007 – 31.12.2009
Ineterst rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Situation on 31 December 2009	3 091 thousand PLN
Repayment schedule	✓ on the due date of invoices transferred for factoring

Collateral	✓ money deposit in the amount of 10% of discounted receivables is taken at the moment of receivable discounting and returned after their redemption, ✓ mortgage for an amount up to a cap to 3 300 thousand PLN on real estate in Częstochowa included in KW Cz1C/00021785/1, ✓ blank promissory note with blank promissory note agreement.

In accordance with the employed financing strategy, on 21 December 2009 Makarony Polskie S.A. concluded a Contract for Redemption of Receivables with **ING Commercial Finance Polska S.A.** (a company from ING Group specializing in factoring services), effective as of 1 January 2010 on the following terms and conditions:

Terms and conditions of the Contract	
Contractual value	3 500 thousand PLN
Period/time of the Contract	01.01.2010 – 31.12.2010
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Collateral	✓ money deposit in the amount of 10% of discounted receivables is taken at the moment of receivable discounting and returned after redemption, ✓ blank promissory note with blank promissory note agreement.

The new Contract reduced the financial costs, extended the data base of contractors included in the scope of factoring and limited labour intensity on part of Makarony Polskie S.A.

- Performance Contract guarantee granted by STU Ergo Hestia S.A.

Guarantor	Guarantee amount	Guarantee period	Subject secured by guarantee	Security
STU Ergo Hestia S.A.	4 006 thousand PLN *	15.01.2009-30.06.2010	Proper performance of the Contract with Agricultural Market Agency (ARR) under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2009" („Dostarczanie żywności dla najuboższej ludności Unii Europejskiej 2009")	✓ 5 blank promissory notes issued by the Company, ✓ blank promissory note issued by the Company, guaranteed by Stoczek, ✓ registered pledge on the production line for short shapes of pasta in Płock, inventory No. 0003/P and the book value of 1 623 thousand PLN on 31.10.2008, ✓ mortgage for an amount up to a cap to 730 thousand PLN on real estate in Rzeszów included in KW No. RZ1Z/00120491/1.
STU Ergo Hestia S.A.	775 thousand PLN	01.01.2009-28.02.2011	insurance guarantee for the Subsidy Contract concluded with Agency for Enterprise Development under the programme Operational Programme Human Capital (OP-HC) (advisory and training project)	✓ blank promissory note issued by the Company

* The initial value of the guarantee granted to the Company was 13 345 thousand PLN. During 2009, owing to gradual implementation of the Contract by Makarony Polskie S.A , the Agricultural Market Agency (ARR) released some guarantees amounting to 5 363 thousand PLN (in July 2009) and later 3 985 thousand PLN. (December 2009). Releasing the last part of the guarantee was made in March 2010 after overall settlement of the Contract.

- ✓ From January to February 2009 a biding guarantee of 200 thousand PLN was granted to the Company by STU Ergo Hestia S.A., to secure a bid bond for tender procedure under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2009". The guarantee was released after signing the Contract between Makarony Polskie S.A. and Agricultural Market Agency.

After the end of the financial year Makarony Polskie S.A. received from STU Ergo Hestia S.A. the following:

- ✓ guarantee for the amount of 250 thousand PLN securing the bid bond for tender procedure under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2010". The guarantee was released in February 2010 after conclusion of the Contract between Makarony Polskie S.A. and Agricultural Market Agency,
- ✓ guarantee for the amount of 14 571 thousand PLN securing proper performance of the Contract with Agricultural Market Agency under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2010". The guarantee is biding starting from 10 February 2010 to 30 April 2011 and was secured in such a way as the guarantee securing performance of the Contract with ARR in 2009.

II. On 31 December 2009 Stoczek Sp. z o.o. was a Party to the following Contracts:

- Credit in current account in HSBC Bank Polska S.A.

Crediting conditions	
Credit contractual value	2 000 thousand PLN
Crediting period	29.10.2009 – 28.02.2011
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Situation on December 31, 2009	1 860 thousand PLN
Credit repayment schedule	✓ Single instalment payable on the credit due date
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ mortgage for an amount up to a cap to 3 000 thousand PLN on real estate of the company in Stoczek Łukowski for which KW no 22979 is conducted, ✓ mortgage for an amount up to a cap to 3 000 thousand PLN on real estate in Płock for which KW no 22979 is conducted with assignment of rights from insurance policy, ✓ assignment of rights from insurance policy covering real estate insurance, ✓ bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution.

The financing obtained by Stoczek in October 2009 refinanced current revolving credit taken in Fortis Bank Polska S.A. (1 million PLN).

- Non-revolving credit in HSBC Polska S.A.

Crediting conditions	
Credit contractual value	4 000 thousand PLN
Crediting period	29.10.2009 – 11.03.2013
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Situation on 31 December 2009	3 777 thousand PLN
Credit repayment schedule	✓ Equal quarterly instalments payable on the last working day of January, April, July and October starting from 29.01.2010 and finishing on 11.03.2013.
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ mortgage for an amount up to a cap to 6 000 thousand PLN on real estate of the company in Stoczek Łukowski for which KW no 22979 is conducted, ✓ mortgage for an amount up to a cap to 6 000 thousand PLN on real estate in Płock included in KW PL1P/00094893/6 with assignment of rights from insurance policy, ✓ assignment of rights from insurance policy covering real estate insurance, ✓ bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution.

The financing obtained by Stoczek in October 2009 refinanced current non-revolving credit taken in Fortis Bank Polska S.A. (3.8 million PLN).

- Working-capital credit in Bank Spółdzielczy in Łosice

Crediting conditions	
Credit contractual value	✓ 650 thousand PLN
Crediting period	✓ 30.09.2009 – 31.08.2011
Interest rate	✓ WIBOR 1M + bank margin not different from the standards applied by the bank
Situation on December 31, 2009	✓ 650 thousand PLN
Credit repayment schedule	✓ 200 thousand PLN – 30.06.2011 ✓ 200 thousand PLN – 30.07.2011 ✓ 250 thousand PLN – 31.08.2011
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ transfer of fixed assets ownership of the value of 2 million PLN, ✓ bail bond up to an amount of 650 thousand PLN by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution.

The credit obtained in the Bank in Łosice is a continuation of cooperation with this institution with regard to crediting and this financing replaced the credit for the amount of PLN 300 thousand, whose due date was on 30 September 2009.

- Working-capital credit in Pekao S.A. bank (former BPH S.A.)

Crediting conditions	
Credit contractual value	300 thousand EUR
Crediting period	06.07.2007-30.12.2010
Interest rate	EURIBOR 1M + bank margin not different from the standards applied by the bank
Situation on December 31, 2009	150 thousand EUR
Credit repayment schedule	✓ 31.03.2009 – 10 thousand EUR ✓ 30.06.2009 – 30 thousand EUR ✓ 30.09.2009 – 50 thousand EUR ✓ 30.12.2009 – 50 thousand EUR ✓ 30.04.2010 – 50 thousand EUR ✓ 30.08.2010 – 50 thousand EUR ✓ 31.12.2010 – 50 thousand EUR
Credit collateral	✓ transfer of receivables on account of the contract 1/2007 from 04.06.2007 between Stoczek and Lutece Company from Holland, ✓ blank promissory note with blank promissory note agreement secured by Makarony Polskie S.A., ✓ power of attorneys to bank accounts in Pekao S.A. bank (former BHP S.A.) belonging to Stoczek, ✓ registered pledge on packing machine PAC-53 produced by Mlecz-Masz Bydgoszcz of the net value of 934.36 PLN on the day of 19.11.2008-110 , ✓ registered pledge on fluidized tunnel freezer TZF-2B produced by Unidex Straszęcin of the net value of 501 666.07 PLN on the day of 19.11.2008, ✓ registered pledge on production line for mushrooms produced by Ford Technology Noord-Oost Nederland B.V of the net value of 639 929.00 PLN on the day of 19.11.2008.

On 17 December 2009 Stoczek Sp. z o.o. and Bank Pekao S.A. concluded an annex modifying current credit repayment schedule and specifying due date of liabilities repayment in December 2010.

- Multi-purpose line of credit in Fortis Bank S.A.

Crediting conditions	
Credit contractual value	✓ 2 000 thousand PLN
Crediting period	✓ 29.12.2009 – 28.12.2011
Interest rate	✓ WIBOR 3M + bank margin not different from the standards applied by the bank
Situation on December 31, 2009	✓ 983 thousand PLN
Credit repayment schedule	✓ single instalment payable on the credit due date

Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ mortgage for an amount up to a cap to 3 200 thousand PLN on real estate in Częstochowa included in KW Cz1C/00021785/1 with assignment of rights from insurance policy, ✓ registered pledge on production line for pasta bought for Anselmo company located at the production plant in Płock, ✓ registered pledge on production line for short form of pasta production Pavan located at the production plant in Rzeszów, ✓ Bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution, ✓ Guarantor's statement on submission to execution.

- Loan Agreements

During 2009 Stoczek Sp. z o.o. was a Party to two loan agreements obtained from its sole partner Makarony Polskie S.A. specified in clause 3.9.

- Bail bonds given to Stoczek Sp z o.o.

In 2009 Stoczek Sp. z o.o. used bail bonds obtained from Makarony Polskie S.A. that were specified in details in clause 3.9.

- Guarantees given by STU Ergo Hestia S.A.

Guarantor	Guarantee amount	Guarantee period	Subject secured by the guarantee	Security
STU Ergo Hestia S.A.	3 868 thousand PLN *	15.01.2009 - 30.06.2010	Proper performance of the Contract with Agricultural Market Agency (ARR) under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2009"	✓ blank promissory note issued by Stoczek Sp. z o.o. and secured by Makarony Polskie S.A.

* The guarantee was released in February 2010 after overall settlement of the contract.

✓ During 2009 the guarantee in the amount of 200 thousand PLN was released, granted to Stoczek Sp. z o.o. by STU Ergo Hestia S.A., which secured a bid bond for tender procedure under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2009". The guarantee was released after signing the Contract between Stoczek Sp. z o.o. and Agricultural Market Agency.

After the end of the financial year STU Ergo Hestia S.A. granted to Stoczek Sp. z o.o.:

✓ guarantee for the amount of 250 thousand PLN securing the bid bond for tender procedure under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2010".

The Guarantee was released in February 2010 after conclusion of the Contract between Stoczek Sp. z o.o. and Agricultural Market Agency,

- ✓ guarantee for the amount of 1 396 thousand PLN securing proper performance of the Contract with Agricultural Market Agency under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2010". The guarantee is biding starting from 10 February 2010 to 30 April 2011 and was secured in such a way as the guarantee securing performance of the Contract with ARR in 2009.

3.8. MAIN DEPOSITS AND CAPITAL INVESTMENTS IN 2009

In 2009 the Corporate Group Makarony Polskie did not have any capital investment.

3.9. INFORMATION ON LOANS, BAIL BONDS AND GUARANTIES GRANTED IN A GIVEN FINANCIAL YEAR WITH TAKING INTO SPECIAL CONSIDERATION LOANS, BAIL BONDS AND GUARANTIES GRANTED TO SUBSIDIARY ENTITIES OF THE ISSUER.

Information on loans granted

In the financial year 2009 Makarony Polskie S.A. was a Party to two loan agreements granted to the subsidiary company Stoczek Sp. z o.o.

	01.01.2009	31.12.2009	Date of concluding the Agreement	Due date
Loan for Stoczek Sp. z o.o.	300 thousand PLN	---	Loan Agreement of 28.12.2006 with annexes	30.06.2009
Loan for Stoczek Sp. z o.o.	600 thousand PLN	---	Loan Agreement of 24.09.2007 with annexes	30.06.2009

The interest rate of both loans was adjusted by means of annexes to changing conditions on the market. Both loan agreements were repaid on 30 June 2009.

Information on bail bonds granted

In the financial year 2009 Makarony Polskie S.A granted bail bonds to the subsidiary company Stoczek Sp. z o.o. and their situation on 31 December is presented below:

Foreign liabilities	Creditor's name	Bail Bond amount	Date of security	Validity period	Situation of the secured liability on the day of 31.12.2009
Working-capital credit guarantee for the amount of 300 thousand EURO	Bank Pekao S.A. (former Bank BPH S.A.)	EURO 375 thousand	09.07.2007	31.12.2012	EURO 150 thousand

Credit current account guarantee for the amount of 2.0 million PLN	HSCB Bank Polska S.A.	PLN 3 000 thousand	29.10.2009	28.02.2014	PLN 1 860 thousand
Non-revolving credit guarantee for the amount of 4.9 million PLN	HSBC Bank Polska S.A.	PLN 6 000 thousand	29.10.2009	11.03.2016	PLN 3 777 thousand
Multi-purpose line of credit guarantee for the amount of 2.0 million PLN	Fortis Bank Polska S.A.	PLN 2 000 thousand	29.12.2009	27.01.2020	PLN 1 018 thousand
Working-capital credit guarantee for the amount of 650 thousand	Bank Spółdzielczy w Łosicach	PLN 650 thousand	25.09.2009	30.09.2012	PLN 650 thousand
Blank promissory note guarantee granted by Stoczek for the security of performance contract guarantee. The Contract between Stoczek and Agricultural Market Agency.	Stu Ergo Hestia S.A.	PLN 3 868 thousand	13.01.2009	30.06.2010	PLN 3 516 thousand

In 2009 Stoczek Sp. z o.o. provided guarantee for Makarony Polskie S.A. for one of the promissory notes securing the performance contract guarantee with Agricultural Market Agency granted to Makarony Polskie S.A by Stu Ergo Hestia S.A.

After the balance sheet date Makarony Polskie S.A. granted the following bail bonds to Stoczek Company:

- ✓ On 5 January 2010 the company Makarony Polskie guaranteed Stoczek Sp. z o.o. for blank promissory note securing the guarantee for bid bond for public tender procedure published by Agricultural Market Agency under the programme "Food aid for the European Union poorest people 2010". The bail bond was granted up to the amount of 250 thousand PLN and is biding until 15 April 2010. Owing to the conclusion of the contract between Stoczek Sp. z o.o. and Agricultural Market Agency, Stoczek Sp. z o.o. asked for earlier security release.
- ✓ On 1 February 2010 Makarony Polskie guaranteed for Stoczek Sp. z o.o. blank promissory note securing the guarantee on performance contract concluded between Stoczek Sp. z o.o and Agricultural Market Agency under the programme "Food aid for the European Union poorest people 2010". The warranty was granted up to the amount of 1 396 thousand PLN and is biding until 30 April 2011.

Makarony Polskie S.A. does not receive any remuneration for granting aforementioned bail bonds.

Information on guarantees granted

In the financial year 2009 the companies of Makarony Polskie Group did not grant any guarantees.

4. OTHER INFORMATION

4.1. CONTRACTS CONCLUDED BETWEEN THE COMPANY AND THE PERSONS IN MANAGING POSITIONS, WHICH CONTAIN PROVISIONS ON COMPENSATION IN CASE OF THEIR RESIGNATION OR DISMISSAL FROM A GIVEN POSITION WITHOUT A SIGNIFICANT REASON OR WHEN THEIR DISMISSAL RESULTS FROM MERGING THE COMPANY THROUGH ACQUISITION.

I. Spółka Makarony Polskie S.A.

Paweł Nowakowski – President of the Management Board

Pursuant to the valid provisions of the employment contract with Paweł Nowakowski (President of the Management Board) dated 22 June 2007, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to three-month remuneration.

Krzysztof Rubak – Vice-President of the Management Board

Pursuant to the valid provisions of the employment contract with Krzysztof Rubak (Vice-President of the Management Board) dated 20 July 2009, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to three-month remuneration.

Marek Feruś – Vice-President of the Management Board

Pursuant to the valid provisions of the employment contract with Marek Feruś (Vice-President of the Management Board) dated 20 July 2009, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to three-month remuneration.

During the period to which this financial report is related the Company did not conclude any contracts with persons in managing positions that would contain provisions on compensation in case of their resignation or dismissal from a given position without a significant reason or when their dismissal results from merging the company through acquisition.

II. Spółka Stoczek Sp. z o.o.

Jacek Wilkoszewski – President of the Management Board

Pursuant to the valid provisions of the employment contract with Jacek Wilkoszewski (President of the Management Board) dated 8 April 2010, with annexes, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to three-month remuneration.

Beata Elert– Vice-President of the Management Board

Pursuant to the valid provisions of the employment contract with Beata Elert (Vice-President of the Management Board) dated 25 August 2008, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to three-month remuneration.

4.2. Information regarding ownership of shares in the Parent Company and in Affiliated Companies by Persons holding managing and supervisory positions in the Parent Company

Number of Makarony Polskie S.A shares owned by members of the Management Board, and their nominal value as of the date of compiling the report (in accordance with available information):

Management Board	Shares owned by members of the Management Board on the date of compiling stock exchange report for 2009		Shares owned by members of the Management Board on the date of compiling stock exchange report for the 4th quarter of 2009	
	Number of shares	Nominal value	Number of shares	Nominal value
Paweł Nowakowski	218 066	654 198	218 066	654 198
Marek Feruś	-	-	-	-
Krzysztof Rubak	2 000	6 000	2 000	6 000

During 2009 and in the period preceding the date of publication of this report, there was a change in the total number of shares owned by the President of the Management Board, Paweł Nowakowski. In accordance with information available to the Company in that period Mr Paweł Nowakowski acquired 11,697 shares of the Company.

Information regarding remuneration paid to the members of the Management Board of the Company was included in the financial report in note No. 30.

Number of Makarony Polskie S.A shares owned by members of the Supervisory Board, and their nominal value as of the date of compiling the report (in accordance with available information):

Supervisory Board	Shares owned by members of the Supervisory Board on the date of compiling stock exchange report for 2009		Shares owned by members of the Supervisory Board on the date of compiling stock exchange report for the 4th quarter of 2009	
	Number of shares	Nominal value	Number of shares	Nominal value
Zenon Daniłowski	130 000	390 000	130 000	390 000
Grzegorz Słomkowski*	1 183 040	3 549 120	1 183 040	3 549 120
Zdzisław Sawicki	430 220	1 290 660	1 354 302	4 062 906
Urszula Rogóż – Bury	12 680	38 040	12 680	38 040
Dariusz Bliźniak	-	-	-	-

* The total number of shares owned by Mr Grzegorz Słomkowski (Co-Chairman of the Supervisory Board) and his wife.

In accordance with information available to the Company, during 2009 and in the period preceding the date of publication of this report, there was a change in the total number of shares owned by:

- ✓ Chairman of the Supervisory Board Zenon Daniłowski, who sold 3,570 shares of the Company,
- ✓ Co-Chairman of the Supervisory Board Zdzisław Sawicki, who sold 924,082 shares of the Company.

Information regarding remuneration paid to the members of the Supervisory Board of the Company was included in the financial report in note No. 30.

Persons holding management and supervisory positions in Makarony Polskie S.A. do not own shares in entities of Makarony Polskie Capital Group.

4.3. Information about Acquisition of the Company's Own Shares

During the fiscal year of 2009, as well as in the period preceding the publication date of this Report Makarony Polskie S.A. did not acquire its own shares.

4.4. Information about control systems for Employee Share Schemes

During the fiscal year of 2009, and in the period preceding the publication date of this Report, Makarony Polskie S.A. did not have Employee Share Schemes.

4.5. List of litigations held by courts, authorities conducting arbitration settlements or public administration bodies

Not applicable.

4.6. Information about contracts known to the Company (including those signed after the balance sheet date) which may result in the future changes in proportional ownership of shares by current shareholders

The management Board of the Company does not have information about contracts (including those signed after the balance sheet date) which may result in the future changes in proportional ownership of shares by current shareholders.

4.7. INFORMATION ABOUT THE ENTITY HOLDING THE FUNCTION OF THE STATUTORY AUDITOR

On 29 May 2009 the Supervisory Board of Makarony Polskie S.A. chose the company Moore Stephens Józef Król Sp. z o.o. with a seat in Rzeszów as a statutory auditor to audit the abridged semi-annual consolidated financial statement for the condition as of 30 June 2009 and to audit the separate and consolidated financial statement of the Company for the fiscal year ending on 31 December 2009.
An agreement with the above entity was concluded on 25 June 2009.

The overall amount of remuneration for the review and audit of the financial statements of Makarony Polskie Capital Group for 2009 was specified as net 58 000 PLN, including:

- net 16,000 PLN due for the review of semi-annual financial statements of Makarony Polskie Company (8,000 PLN for the separate statement and 8,000 PLN for the consolidated statement),
- net 30,000 PLN due for the audit of annual financial statements of Makarony Polskie Company (15,000 PLN for the separate statement and 15,000 PLN for the consolidated statement),
- net 12,000 PLN due for the review and audit of the financial statements of the affiliated company, set forth by a separate agreement (4,000 PLN for the review of the semi-annual financial statement and 8,000 PLN for the audit of the annual financial statement).

Moore Stephens Józef Król Sp. z o.o. with the seat in Rzeszów also conducted audit of the financial statements of Makarony Polskie Group for the fiscal year of 2008.
The overall amount of remuneration for the review and audit of the statements of the companies within Makarony Polskie Capital Group for 2008 equalled net 63,000 PLN, including:

- net 16,000 PLN due for the review of semi-annual financial statements of Makarony Polskie Company (8,000 PLN for the separate statement and 8,000 PLN for the consolidated statement),
- net 30,000 PLN due for the audit of annual financial statements of Makarony Polskie Company (15,000 PLN for the separate statement and 15,000 PLN for the consolidated statement),
- net 17,000 PLN due for the review and audit of the financial statements of the subsidiary companies set forth by separate agreements.

5. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE

5.1. LIST OF REGULATIONS REGARDING CORPORATE GOVERNANCE BINDING FOR MAKARONY POLSKIE S.A. AND PLACES WHERE THE SET OF REGULATIONS IS AVAILABLE TO THE PUBLIC

In 2009 the Company acted in accordance with "Good Practices of WSE listed Companies" (Appendix to Resolution No. 12/1170/2007 of the WSE Supervisory Board dated 4 July 2007). The document containing the set of rules is available at website of the Warsaw Stock Exchange (Giełda Papierów Wartościowych S.A.) http://corp-gov.gpw.pl.

5.2. LISTING OF THE CORPORATE GOVERNANCE RULES THAT WERE NOT OBSERVED BY THE ISSUER INCLUDING THE CIRCUMSTANCES AND REASONS FOR THE FAILURE TO COMPLY WITH A GIVEN RULE

In the fiscal year of 2009 Makarony Polskie S.A. did not comply with recommendation I.1 regarding on-line broadcasts of General Meetings over the Internet, recording the meeting and publishing the recording on the Company website. According to the estimates of the Management Board of Makarony Polskie S.A., incurring such costs in the present situation is not justified.

As for rule III.7 which specifies that within a supervisory board there should be established at least an audit committee, and in companies where the supervisory board consists of the minimum number of members required by law the task of the committee may be performed by the supervisory board, the Company took the decision that due to the size of Makarony Polskie S.A. business activity, establishing an audit committee within the Supervisory Board consisting of five members is not justified. The tasks of the committee were adopted by the Supervisory Board of the Company, by means of a relevant resolution.

5.3. DESCRIPTION OF THE BASIC CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED BY THE COMPANY IN THE PROCESS OF COMPILING FINANCIAL STATEMENTS MAKARONY POLSKIE S.A. AND MAKARONY POLSKIE GROUP

The Company performs ongoing monitoring of significant risk factors related to laws, tax, economy, operation, etc. which determine the general trends in the business activity of Makarony Polskie S.A.

The internal control system in the Company and its effectiveness in the process of compiling financial statements and periodical reports, which are prepared and published in accordance with the provisions of Ordinance of 19 February 2009 on current and periodical information provided by issuers of securities, are a responsibility of the Company's Management Board.

The main assumption of the established internal control system of the Company in financial reporting involves ensuring adequacy and correctness of financial information contained in financial statements and periodical reports.

The Company conducts annual reviews of the strategy and long-term business plans. Conclusions of such reviews serve as the grounds for the process of detailed budgeting related to all areas of the Company's functioning, and involving medium and high-level management. The annually prepared budget is adopted by the Company's Management Board and approved by the Supervisory Board.

During the year the Company's Management Board performs ongoing analyses of the financial results and compares them with the adopted budget. The analysis is based on the accounting policy followed by the Company, and takes into consideration the format and the details of the financial data included in the periodical financial reports of the Company and the Group.

The Office of Finance is responsible for compiling financial statements, periodical financial reporting and ongoing management reporting of the Company. While presenting financial data in financial statements, periodical financial reports and other reports communicated to investors, the Company uses consistent accounting principles.

Financial data, which are the ground for financial statements and periodical reports, come from the monthly financial and operational reporting applied by the Company. Upon closing the accounting for each calendar month the Office of Finance and the Management Board analyse the financial results of the Company, in comparison to the assumptions and taking into account the business segments.

Identified errors are corrected, as they arise, in the Company's books in accordance with the adopted accounting policy.

The process of compiling financial statements and periodical reports starts once the results for the completed month/period are accepted by the President of the Management Board.

The Company's periodical reports are compiled by the Office of Finance from financial data contained in periodical financial reporting, after they are accepted by the Management Board, and include other supplementary data supplied by specified personnel of the remaining teams.

Once a review or audit is performed by an auditor, the financial statements and periodical reports are submitted to the members of the Company's Supervisory Board for inspection.

5.4. LIST OF SHAREHOLDERS WITH SUBSTANTIAL DIRECT OR INDIRECT HOLDING IN THE COMPANY

Share capital of Makarony Polskie S.A. on the date of compiling the report was equal 27 750 213 PLN and was divided into 9 250 071 shares of nominal value 3.00 PLN per share.

Shareholders who own directly or indirectly, via affiliated entities, the minimum of 5% votes in the total number of votes at the General Meeting of Shareholders as of 31 December 2009 (in accordance with available information):

Shareholder	Number of shares	% share in the Share Capital	Number of votes at the General Meeting	% share in the total number of votes at the General Meeting
Agro-Technika S.A.	2 000 000	21,62%	2 000 000	21,62%
Zdzisław Sawicki	1 354 302	14,64%	1 354 302	14,64%
Elżbieta and Grzegorz Słomkowski	1 183 040	12,79%	1 183 040	12,79%
Others	4 712 729	50,95%	4 712 729	50,95%
TOTAL	**9 250 071**	**100,00%**	**9 250 071**	**100,00%**

During 2009, in accordance with information available to the Company, there was a change in the total number of significant packets of shares owned by Agro-Technika S.A. Company, which in May 2009 sold 1 925 shares of Makarony Polskie S.A.

After the end of the fiscal year, prior to the publication date of the report, the Company received information about the following changes in ownership of significant packets of shares:

- ✓ On 24 February 2010, as a result of an acquisition of 27,108 shares of Makarony Polskie S.A. the 5% level of share ownership was exceeded by Otwarty Fundusz Emerytalny Polsat [PTE Polsat - Comprehensive Pensions Company], which before the transaction owned 461,625 shares of Makarony Polskie S.A., i.e. 4.99% of the Company's share capital, and as many votes at the General Meeting of Shareholders. After the acquisition during the 24 February session OFE Polsat owns 488,733 shares of Makarony Polskie S.A., which constitutes 5.28% of the share capital of the Company. The shares result in 488,733 votes which constitute 5.28% of the overall number of votes at the General Meeting.
- ✓ On 10 March 2010, as a result of two package transactions, 924,082 shares of Makarony Polskie S.A. were sold by Zdzisław Sawicki. The shares constituted 9.99% of the Company's share capital, and the same percentage of votes at the General Meeting. After concluding the transaction Mr. Zdzisław Sawicki owns 430,220 shares of the Company, which constitute 4.65% of the share capital, and the same percentage of votes at the General Meeting.
- ✓ On 10 March 2010 the 5% level in the overall number of votes in the Company was exceeded by Mr. Marek Jutkiewicz, who resulting from the transaction of acquisition of 924,082 shares of Makarony

Polskie S.A. concluded at the regulated market, obtained 9.99% share in the Company's share capital and 924,082 votes at the General Meeting of the Company's Shareholders, which constitute 9.99% of the overall number of votes at the General Meeting of Makarony Polskie S.A.

Shareholders who own directly or indirectly, via affiliated entities, the minimum of 5% votes in the total number of votes at the General Meeting of Shareholders as of the publication date of the report (in accordance with available information):

Shareholder	Number of shares	% share in the Share Capital	Number of votes at the General Meeting	% share in the total number of votes at the General Meeting
Agro-Technika S.A.	2 000 000	21.62%	2 000 000	21.62%
Elżbieta i Grzegorz Słomkowscy	1 183 040	12.79%	1 183 040	12.79%
Marek Jutkiewicz	924 082	9.99%	924 082	9.99%
OFE Polsat	488 733	5.28%	488 733	5.28%
Others, including:	4 654 216	50,32%	4 654 216	50,32%
TOTAL	**9 250 071**	**100.00%**	**9 250 071**	**100.00%**

5.5. List of holders of all securities which grant special control rights in relation to the Issuer

Not applicable.

5.6. List of any regulations concerning restriction of the voting rights

Not applicable.

5.7. List of any limitations regarding the transfer of ownership rights to the securities of Makarony Polskie S.A.

Not applicable.

5.8. The rules governing election and dismissal of Management Board members and their rights, including the right to decide about share buyback or issue program

The Management Board is be composed of one to three members, including the President and the Vice President appointed and dismissed by the Supervisory Board.

The tenure of the Management Board runs for two years. Members of the Management Board may be appointed for next two-year terms in office. The mandates of the Management Board expire pursuant to art. 369 § 4 of the Commercial Companies Code. If during the term of office of the Company's Management Board a supplementary or an extending election is held, the mandate of the newly appointed member of the Management Board expires simultaneously with the mandates of the remaining members of the Company's Management Board.

The Management Board represents the Company outside and shall take decisions on all issues which pursuant to the Company's Statute and the binding laws have not been reserved to the competency of the remaining authorities of the Company.

The declaration of will on behalf of the Management Board shall be made by:

a) in case of the Management Board consisting of one member - one person,
b) in case of the Management Board consisting of several members:
   - two members of the Management Board acting jointly, or
   - one Member of the Management Board acting together with a Proxy.

The right to decide about share buyback or issue programme in Makarony Polskie S.A.

Pursuant to §9 of the Statute of the Company the share capital may be increased and decreased pursuant to the procedure specified in the Commercial Companies Code as well as by way of a public bid on terms specified in the Act of 29 July 2005 on public bid and terms of introducing financial instruments to an organized trading system, and on public companies.

5.9. Rules of introducing changes into the Statute of Makarony Polskie S.A.

The Statute of Makarony Polskie S.A. in the wording which is currently binding does not contain provisions related to changes in the Statute that would be at variance with provisions of the Commercial Companies Code.

Pursuant to art. 430 of the Commercial Companies Code any change in the Statute requires a resolution of the General Meeting of Shareholders and an entry into the register. A resolution of the General Meeting of Shareholders on changes in the Statute requires the ¾ majority of votes given - art. 415 of the Commercial Companies Code.

The Statute of Makarony Polskie S.A. is available at the Company website: www.makarony.pl

5.10. DESCRIPTION OF THE GENERAL MEETING OF SHAREHOLDERS AND ITS FUNDAMENTAL AUTHORIZATIONS AS WELL AS THE RIGHTS OF SHAREHOLDERS AND THE MANNER OF THEIR EXECUTION

The General Meeting of Shareholders acts in accordance with the Statute of the Company and the Regulations of the General Meeting of Makarony Polskie S.A. adopted by Resolution No. 20 of the General Meeting of Shareholders of Makarony Polskie S.A. dated 27 June 2006.

The General Meeting shall be held at the Company's seat or at another location within the territory of the Republic of Poland, within the time limits specified in an announcement published in the Court and Economic Monitor, in accordance with binding regulations. The place and date of the General Meeting is selected in such a way that allows for the participation of the widest number of Shareholders.

The Annual General Meeting is convened annually by the Management Board and takes place within 6 months from the end of each fiscal year. The Extraordinary General Meeting is convened by the Management Board at its own initiative, upon a written application of the Supervisory Board or at least two of its members or upon a written application of the Shareholders representing not less than 1/10 of the Company's share capital in due time of 2 weeks from the date of submitting such an application with the due time established within 6 weeks from the day of submitting such an application.

In 2007 the Annual General Meeting of Makarony Polskie S.A. was held on 22 June. The Management Board also convened an Extraordinary General Meeting which was held on 4 December 2007. Neither Shareholders of the Company, nor members of its Supervisory Board made applications to convene a General Meeting.

In accordance with the currently binding Statute, the General Meeting of Makarony Polskie S.A. is competent to deal with the following matters:

a) consideration and approval of the Management Board's Statement on the operations of the Company and the financial statements for the previous fiscal year,
b) taking resolutions on distribution of the profit either by way of allocating for payment as a dividend or by way of excluding the whole or part from payment and retaining it in the Company for its purposes, as well as adoption of resolutions on covering losses,
c) granting vote of approval to members of the Company's authorities of the performance of their duties,
d) selling or leasing the Company's enterprise or its organised part and establishing a limited right in property on it,
e) (deleted),

f) transforming the legal status of the Company, any merging of the Company with another company or with a legal entity,
g) any resolutions concerning claims related to repairing damage caused while forming the Company or exercising supervision or management,
h) changes to the Company's Statute, increasing and decreasing the Company's share capital,
i) issuance of convertible bonds or bonds with priority rights,
j) acquisition of own shares,
k) redemption of Company's shares or acquisition of the Company's shares for the purpose of their redemption ,
l) liquidation and termination of the Company,
m) establishing the number of the Supervisory Board members, and appointing or dismissing Supervisory Board members,
n) establishing terms and conditions of remunerating Supervisory Board members, as well as the amount of the remuneration,
o) approving Bylaws of the Supervisory Board,
p) specifying the date according to which the list of shareholders entitled for dividend for the given fiscal year is determined, i.e. specifying the dividend day without prejudice to the provisions of art. 348 § 2 of the Commercial Companies Code,
q) issues submitted by the Management Board or the Supervisory Board for the General Meeting to resolve,
r) other issues stipulated by the Management Board or the Supervisory Board for the General Meeting to resolve pursuant to binding laws or the Statutes of the Company.

Acquisition or selling of real estate, perpetual usufruct or a share in real estate does not require a resolution of the General Meeting, without prejudice to the provision that acquisition or sale of real estate, perpetual usufruct or a share in real estate of value over 10% (ten percent) of the Company's equity calculated according to the last balance sheet of the Company approved by the General Meeting requires a resolution of the Supervisory Board, unless it has been stipulated in the annual financial plan for the Company approved by the Supervisory Board (§19 letter d of the Statute).

The General Meeting is capable of adopting resolutions irrespectively of the number of shares represented at the General Meeting, unless provisions of the Commercial Companies Code stipulate otherwise. Without prejudice to the provisions of art. 404 of the Commercial Companies Code, the General Meeting may adopt resolutions only concerning issues stipulated in the Commercial Companies Code and in the Statutes, and included in the agenda of a given Meeting.

Resolutions of the General Meeting are adopted by an absolute majority of the votes cast, unless the definitely binding laws or provisions of the Statute stipulate otherwise.

The voting is open. Secret voting is ordered by the Chairman of the General Meeting in case of personal issues and following an application of a shareholder. The right to demand a secret voting is not applicable while adopting order-related resolutions. The General Meeting may abrogate the confidentiality of voting on issues related to the election of committees appointed by the Meeting.

In 2009 the Annual General Meeting looked into the following issues:

1. consideration and approval of the financial report of the Company and Group for the fiscal year 2008,
2. consideration and approval of the Management Board's report on the activity of the Company and Group in 2008,
3. consideration of the Supervisory Board's reports concerning: evaluation of the Company's condition, assessment of the financial statement of the Company and Group for the fiscal year 2008, the Management Board's report on the activity of the Company and Group in 2007, and the Management Board's proposal related to the distribution of the profit,
4. consideration of the Supervisory Board's evaluation regarding the Company's standing in accordance with the rule III.1.1. and self-assessment of the Supervisory Board compiled in accordance with the rule III.1.2. of Code of Best Practice for WSE Listed Companies,
5. decision regarding the manner of covering losses for the fiscal year 2008,
6. consideration and approval of the financial statement of Abak Sp. z o.o. for the fiscal year of 2008, in the period from 1 January to 15 May 2008,
7. consideration and approval of the statement of the Management Board of Makarony Polskie S.A. on the activities of Abak Sp. z o.o. for the fiscal year of 2008, in the period from 1 January to 15 May 2008,
8. granting approval to the Members of the Company's Management Board of the performance of their duties in the fiscal year 2008,
9. granting approval to the Members of the Company's Supervisory Board of the performance of their duties in the fiscal year 2008,
10. granting approval to the Members of the Management Board of Abak Sp. z o.o. of the performance of their duties in the fiscal year 2008, in the period from 1 January to 15 May 2008,
11. making changes in the Supervisory Board of Makarony Polskie S.A. of the 3rd term,
12. setting forth rules and amounts of remuneration for the members of the Supervisory Board of Makarony Polskie S.A.,
13. making changes in the Statute of Makarony Polskie S.A. and approval of the unified text of the Statute.

5.11. THE COMPOSITION AND CHANGES WHICH OCCURRED IN IT WITHIN THE PREVIOUS FISCAL YEAR, AND DESCRIPTION OF FUNCTIONING OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

MANAGEMENT BOARD

The Management Board of Makarony Polskie S.A. acts in accordance with the binding legal regulations, in particular Commercial Companies Code, the Statute of the Company and the Regulations of the Management Board adopted by Resolution No. 7 of the Supervisory Board of Makarony Polskie S.A. dated 20 June 2006.

Works of the Management Board composed of several members are coordinated by the President of the Management Board. The Management Board takes decisions in the form of resolutions adopted at the meeting convened when necessary (however at least once a month) or by means of distant communication tools, including electronic mail.

Meetings of the Management Board are convened by the President of the Board, who also determines the agenda of the meeting and chairs it. In the absence of the President of the Management Board he is substituted by a authorised Vice-President of the Management Board. Minutes of the Management Board meetings are kept, including resolutions, and the minutes are signed by all members of the Management Board. Meetings of the Management Board may be attended by Supervisory Board members or invited guests delegated by the Supervisory Board, without the right to vote.

The Management Board resolutions are adopted by an absolute majority of votes. The Management Board resolutions are adopted when all members have been properly notified about the meeting of the Management Board, and in the event resolutions are taken by means of distant communication tools, additionally an approval of such mode of discussion is required from all members of the Management Board. The President of the Management Board is entitled to conduct the Company affairs without a prior resolution by the Management Board.

Members of the Management Board are obliged to notify the Supervisory Board about each conflict of interests which occurs in connection with the function held by him/her, or about a possibility of such occurrence, and in case of the conflict of Company's interest with personal interests of the member of the Management Board, his/her spouse, or relations or in-law relatives, the member of the Management Board should refrain from participating in settling such matters and should require that it is written down in the minutes.

In the period from 1 January 2009 to 10 February 2009 the Company's Management Board consisted of:

- Paweł Nowakowski - President of the Management Board,
- Krzysztof Rubak - Vice- President of the Management Board.

On 10 February 2009 the Supervisory Board's Resolution No. 6 expanded the composition of the Management Board of Makarony Polskie S.A. from two to three persons, and Resolution No. 7 appointed Mr. Cezary Goławski for the position of the Vice- President of the Management Board.

From 10 February 2009 to 16 June 2010 the Management Board consisted of::

- Paweł Nowakowski - President of the Management Board,
- Cezary Goławski – Vice- President of the Management Board,
- Krzysztof Rubak - Vice- President of the Management Board.

On 16 June 2009 the Supervisory Board appointed the Management Board of the 4th term. The Supervisory Board Resolution No. 5 determined that the Management Board of the 4th term should consist of 3 persons. Resolution No. 6 of the Supervisory Board of Makarony Polskie S.A. dated 16 June 2009 appointed Mr. Paweł Nowakowski to be the President of the Management Board, at the same time a decision was taken that the remaining members of the Management Board shall be appointed at the following meeting of the Supervisory Board.
On 20 July 2009 the Supervisory Board appointed the remaining members of the Management Board of the 4th term, and delegated the function of Vice-Presidents of the Management Board to Mr. Krzysztof Rubak (Resolution No. 2 of the Supervisory Board) and Marek Feruś (Resolution No. 3 of the Supervisory Board).

From 20 July 2009 to the publication date of this report the Management Board has consisted of three persons:

- Paweł Nowakowski - President of the Management Board,
- Marek Feruś – Vice- President of the Management Board,
- Krzysztof Rubak - Vice- President of the Management Board.

The declaration of will on behalf of the Management Board is made by:

c) in case of the Management Board consisting of one member - one person,
d) in case of the Management Board consisting of several members:
   - two members of the Management Board acting jointly, or
   - one Member of the Management Board acting together with a Proxy.

The functions of Proxy in the Company are held by:

- ✓ Andrzej Doński – Director of Finance Makarony Polskie S.A.,
- ✓ Grażyna Kozielec – Chief Accountant Makarony Polskie S.A.

SUPERVISORY BOARD

The Supervisory Board of Makarony Polskie S.A. acts in accordance with the Statute of the Company and the Regulations of the Supervisory Board adopted by Resolution No. 17 of the Annual General Meeting of the Shareholders of Makarony Polskie S.A. of 22 June 2007.

The Supervisory Board consists of 5 to 7 members appointed and dismissed by the General Meeting. The Supervisory Board term in office is two years. The mandates of the Supervisory Board members expire on the day the Annual General Meeting approves the Company's financial statement for the last full fiscal year of its office. If during the term in office of the Company's Supervisory Board a supplementary or an extending election has been held, the mandate of the newly appointed member of the Supervisory Board shall expire simultaneously with the mandates of the remaining members of the Company's Supervisory Board.

From 1 January 2009 to 12 June 2009 the Supervisory Board of Makarony Polskie S.A. consisted of the following members:

- Zenon Daniłowski – Chairman of the Supervisory Board,
- Piotr Łukasiuk – Co-Chairman of the Supervisory Board,
- Grzegorz Słomkowski,
- Urszula Rogóż-Bury,
- Dariusz Bliźniak.

As of 12 June 2009 Mr Piotr Łukasiuk resigned from participating in the Supervisory Board of Makarony Polskie S.A. On 15 June 2009 the Annual Meeting of Shareholders of the Company appointed Mr. Zdziasław Sawicki for the function of a Member of the Supervisory Board.

On 16 June 2009, the Supervisory Board, acting in accordance with the biding Regulations of the Supervisory Board, elected from within its members, Co-Chairman of the Supervisory Board - Mr. Zdzisław Sawicki and the Secretary - Ms Urszula Rogóż-Bury.

Since 15 June 2009 the composition of the Supervisory Board has not changed and includes:

- Zenon Daniłowski – Chairman of the Supervisory Board,
- Zdzisław Sawicki – Co-Chairman of the Supervisory Board,
- Grzegorz Słomkowski – Co-Chairman of the Supervisory Board,
- Urszula Rogóż-Bury – Secretary of the Supervisory Board,
- Dariusz Bliźniak – Member of the Supervisory Board.

Members of the Supervisory Board are selected according to the adequacy of their qualifications and life experience which allow them to appropriately assess the Company's operations and to efficiently

participate in performing the functions of the Supervisory Board. Candidates proposed for members of the Supervisory Board are supported with detailed justification to enable an informed election by the General Meeting. Members of the Supervisory Board are selected in accordance with the principle that at least a half of its members should be free from connections with the Company, its shareholders and personnel. Members of the Supervisory Board are entitled to remuneration in accordance with principles set forth by the General Meeting.

The Supervisory Board exercises ongoing supervision over the Company's activity in all aspects.
Competences of the Supervisory Board shall include the following:

a) evaluation of the financial statement and Management Board Report with regard to its conformity with the books and documents as well as with the actual standing, and the evaluation of the Management Board applications regarding the distribution of profit and covering of losses as well as submitting annual reports to the General Meeting on the results of this evaluation,
b) approval of the annual financial plans for the Company and the supervision of their performance,
c) selecting a statutory auditor to audit the Company's financial statement,
d) granting consent to acquire or sell real estate, perpetual usufruct or a share in real estate of value over 10% (ten percent) of the Company's equity calculated according to the last balance sheet of the Company approved by the General Meeting, unless it has been stipulated in the annual financial plan for the Company approved by the Supervisory Board,
e) granting consent to sell the Company's assets, the value of which exceeds 10% (ten percent) of the total value of the Company's equity calculated according to the last balance sheet of the Company approved by the General Meeting, unless it has been stipulated in the annual financial plan for the Company approved by the Supervisory Board,
f) granting consent to assume an obligation or issue a disposition which on the basis of an individual or several related legal transactions exceeds the amount of 10% (ten percent) of the Company's equity calculated according to the last balance sheet of the Company approved by the General Meeting, unless it has been stipulated in the annual financial plan for the Company approved by the Supervisory Board,
g) granting consent for payment of advance payments towards the stipulated dividend to Shareholders,
h) appointing and dismissing the Company's Management Board or its individual members,
i) establishing rules and conditions of remunerating members of the Management Board as well as the amount of their remuneration.

The Supervisory Board is entitled to examine all operations by the Company, demand reports, explanations, and information from the Management Board and the personnel, verify the books and documents (including financial documents), demand access to all premises of the Company (§10 of the Regulations of the Supervisory Board), while performing their functions the members of the Supervisory

Board have the interest of the Company in view (§6 clause 1 of the Regulations of the Supervisory Board).

Works of the Supervisory Board of Makarony Polskie S.A. are coordinated by the Chairman who is elected by the Supervisory Board from among its members, or in the event of his/her absence, another member of the Supervisory Board indicated by the Chairman. The Supervisory Board works include meetings, control activities, and participation in works conducted by the Company's authorities.

Each year, the Supervisory Board presents a concise evaluation of the Company's situation to the Annual General Meeting. The evaluation is made available to all shareholders in such time that allows them to get acquainted with it before the Annual General Meeting.

At present no committees are established within the Supervisory Board. This is justified by: the current status of the Company, the composition of its shareholders, as well as organisational and economic aspects, including the necessity to provide additional administrative and legal services to such committees. In accordance with Rule III.7 the Supervisory Board of Makarony Polskie S.A. has included the tasks of an audit committee to its responsibilities.

Pursuant to §6 clause 3 of the Regulations of the Supervisory Board, a member of the Supervisory Board should inform the remaining members of the Supervisory Board about an ensuing conflict of interest and refrain from expressing an opinion in a discussion and from voting on adopting a resolution on the issue which caused the conflict of interest. A member of the Supervisory Board is obliged to submit valid information to the Management Board on issues related to:

- personal, actual and organizational connections with a given shareholder, in particular a majority shareholder, and
- information on acquisition or sale of the Company's shares or shares of the dominant or subsidiary company as well as on transactions with such companies, if they are significant for his/her economic position

in a manner that will make it possible for the Management Board to make such information publicly known, in accordance with the procedure applied by public companies (§7 of the Regulations of the Supervisory Board).

The Supervisory Board is obliged to hold at least 1 meeting every quarter. A meeting of the Supervisory Board is convened, and its agenda is set forth, by the Chairman or a member of the Supervisory Board authorized by him/her. The meeting of the Supervisory Board is valid and has the authority to adopt

resolutions if at least 4 members of the Company's Supervisory Board are present and all its members have been duly invited.

Without prejudice to art. 388 § 4 of the Commercial Companies Code, the members of the Supervisory Board may take part in adopting the Board's resolutions by casting their votes in writing through another member of the Supervisory Board, and the Supervisory Board may adopt resolutions in writing or with the use of means enabling direct distant communication.

The voting is open, unless it concerns personal matters or at least one member of the Supervisory Board demands a secret voting. The resolution is valid if all members of the Supervisory Board have been notified about the contents of the resolution draft.

Detailed rules of holding meetings of the Supervisory Board are specified by the Regulations of the Supervisory Board.

The Supervisory Board meetings are registered in the form of minutes which are signed by all present members of the Supervisory Board. A member of the Supervisory Board is entitled to mark their separate opinions in the minutes. Meetings of the Supervisory Board, except those devoted to matters directly connected with the Management Board or its members, in particular: dismissal, responsibilities and determining remuneration, are open to members of the Management Board. Besides the Members of the Management Board, meetings of the Supervisory Board may be attended by invited guests, without the right to vote.

The members of the Supervisory Board are obliged to attend the General Meeting of the Company, as well as an Extraordinary General Meeting of the Company, while an absence requires explanations.

Marek Feruś	Krzysztof Rubak	Paweł Nowakowski
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