REPORT OF THE MANAGEMENT BOARD ON ACTIVITIES OF MAKARONY POLSKIE GROUP IN THE FISCAL YEAR 2010

RZESZÓW, 21 MARCH 2011

CONTENTS

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD TO SHAREHOLDERS.....5

1. ATIVITY OF MAKARONY POLSKIE GROUP AND PROSPECTS FOR GROWTH 8

1.1. DESCRIPTION OF THE GROUP'S ORGANIZATION AS OF 31 DECEMBER 2010, SHOWING CHANGES IN THE GROUP'S ORGANIZATION WHICH TOOK PLACE THROUGHOUT 2010 8

1.2. SUPERVISORY AND MANAGEMENT PERSONNEL IN THE COMPANIES OF THE GROUP.....12

1.3. EMPLOYEES OF THE GROUP.....13

1.4. BASIC PRODUCTS, GOODS AND SERVICES.....13

1.5. INFORMATION ON SEGMENTS OF BUSINESS ACTIVITY 17

1.6. MAKARONY POLSKIE GROUP SALES STRUCTURE 18

1.7. ASSESSMENT OF CAPABILITIES FOR IMPLEMENTING INVESTMENT PLANS AND OF PROSPECTS FOR DEVELOPMENT OF THE GROUPS BUSINESS ACTIVITY IN THE NEAREST YEAR 23

1.8. CHARACTERISTICS OF RISKS RELEVANT FOR THE BUSINESS ACTIVITY 26

1.9. SUPPLY SOURCES 29

2. FINANCIAL SITUATION 30

2.1. RULE FOR COMPILING A CONSOLIDATED FINANCIAL STATEMENT 30

2.2. LIST OF ITEMS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT FOR THE FISCAL YEAR 2010.....31

2.3. THE CHARACTERISTICS OF BASIC ECONOMIC AND FINANCIAL VALUES OF MAKARONY POLSKIE GROUP 32

2.4. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENT ON COMPREHENSIVE INCOME 33

2.5. STRUCTURE OF ASSETS AND LIABILITIES OF THE CONSOLIDATED FINANCIAL STATEMENT ON THE FINANCIAL SITUATION 34

2.6. ASSESSMENT OF FINANCIAL RESERVES MANAGEMENT IN MAKARONY POLSKIE GROUP.....36

2.7. OFF-BALANCE SHEET ENTRIES OF MAKARONY POLSKIE GROUP 37

2.8. USE OF PROCEEDS FROM ISSUANCE OF SECURITIES.....38

2.9. EXPLANATION OF THE DIFFERENCES BETWEEN ACHIEVED AND PREDICTED FINANCIAL RESULTS OF MAKARONY POLSKIE GROUP 38

2.10. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS INFLUENCING THE RESULTS OF ECONOMIC ACTIVITY IN 2010, INCLUDING THE DEGREE OF INFLUENCE OF SUCH FACTORS OR EXTRAORDINARY ITEMS ON THE RESULT ACHIEVED 39

3. SIGNIFICANT CONTRACTS CONCLUDED BY THE GROUP 40

3.1. RETAIL CONTRACTS 40

3.2. OTHER SIGNIFICANT EVENTS 41

3.3. SIGNIFICANT CONTRACTS SIGNED BY SHAREHOLDERS 44

3.4. INSURANCE AGREEMENTS CONCLUDED FOR THE COMPANIES OF MAKARONY POLSKIE GROUP 45

3.5. CONTRACTS OF PARTNERSHIP AND COOPERATION IN FORCE DURING 2010 45
3.6. SIGNIFICANT TRANSACTIONS WITH AFFILIATED ENTITIES 46
3.7. CREDITS AND LOANS TAKEN INCLUDING DUE DATES AND BAIL BONDS AND GUARANTEES GRANTED TO COMPANIES 46
3.8. MAIN DEPOSITS AND CAPITAL INVESTMENTS IN 2010 53
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 54

4. OTHER INFORMATION 56

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 56
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 57
4.3. INFORMATION ABOUT ACQUISITION OF THE COMPANY'S OWN SHARES 58
4.4. INFORMATION ABOUT CONTROL SYSTEMS FOR EMPLOYEE SHARE SCHEMES 58
4.5. LIST OF LITIGATIONS HELD BY COURTS, AUTHORITIES CONDUCTING ARBITRATION SETTLEMENTS OR PUBLIC ADMINISTRATION BODIES 58
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 58
4.7. INFORMATION ABOUT THE ENTITY HOLDING THE FUNCTION OF THE STATUTORY AUDITOR 58

5. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE 59

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 59
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 60
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 OF MAKARONY POLSKIE S.A. AND MAKARONY POLSKIE GROUP 60
5.4. LIST OF SHAREHOLDERS WITH SUBSTANTIAL DIRECT OR INDIRECT HOLDING IN THE COMPANY 62
5.5. LIST OF HOLDERS OF ALL SECURITIES WHICH GRANT SPECIAL CONTROL RIGHTS IN RELATION TO THE ISSUER 63
5.6. LIST OF ANY REGULATIONS CONCERNING RESTRICTION OF THE VOTING RIGHTS 63

5.7. LIST OF ANY LIMITATIONS REGARDING THE TRANSFER OF OWNERSHIP RIGHTS TO THE SECURITIES OF MAKARONY POLSKIE S.A 63
5.8. THE RULES GOVERNING ELECTION AND SISMISSAL OF MANAGEMENT BOARD MEMBERS AND THEIR RIGHRS, INCLUDING THE RIGHT TO DECIDE ABOUT SHARE BUYBACK OR ISSUE PROGRAM 63
5.9. RULES OF INTRODUCING CHANGES INTO THE STATUTE OF MAKARONY POLSKIE S.A 64
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 65
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 68

Ladies and Gentlemen,

Acting on behalf of the Management Board, I am presenting you with the Report on the Activities of Makarony Polskie Group in 2010, containing detailed financial data and information regarding significant events which impacted our operation last year, as well as the perspectives for our further growth.

Last year started the period of implementing the new development strategy. Its basic assumption for 2010-2012 is to retain the high dynamics of growth in the segment of food production based on cereals, fruit and vegetables. This development will be achieved by organic growth and active participation in the processes of consolidation.
Defining the increase in the size of activity as a priority is a response to the changing market conditions. Concentration of production and distribution of food products and the consolidation of retail trade within the large global retail chains result in the necessity to review the position of food manufacturer conducting business within the segment of mass products.
In the opinion of the Management Board of the Company the only entities with long-term perspectives for market success are those with high effectiveness of manufacturing and with the ability to ensure distribution on a global or at least European scale.

Mid-term goal of Makarony Polskie Group is to create one of the largest food producers in Poland with significant impact in the markets of Central and Eastern Europe.
The currently implemented stage of the development plan for the period by 2012 assumes the Group will obtain sales revenues amounting to 300 million PLN compared with 117 million PLN in 2009, with 220 million PLN of the revenues resulting from organic growth. At the same time organization changes and investments will be continued – those will allow for the further increase in the range of activity so that in the subsequent periods it will be possible to achieve the levels of 500 million PLN and later 1 billion PLN in sales revenues.

In accordance with the assumptions, the more effective use of the production capacities and introduction of new products will allow for improving the net profitability from 1.9% to 4% in 2012; it is assumed in the same period EBITDA will increase from 8% to 12%.

The analysis of both the implementation of the assumed strategic goals and the obtained economic results shows that 2010 was a successful year. Sales revenues grew by 28% in comparison with 2009 reaching the level of 150 million PLN, whereas the net result increased by 44% reaching the level of 3.17 million PLN. Increase in sales occurred in all domestic distribution channels as well as in export.

This improvement in the results is particularly noteworthy as it was achieved in the period of tremendous instability in the market of raw materials, which adversely impacted the possibility of planning and taking decisions with regard to investments.
The situation in 2010 was varied in specific segments of activity. In the first half of the year the Group achieved significantly better results that it was assumed by the plans. In the second half of the year the effectiveness of pasta production was greatly impaired, at a level which was unprecedented in the Company's history, due to the increase in the prices of raw materials even by 70% within a few months. Because of this in the 2nd half of 2010 the result in the pasta production segment was negative, and the net profit on pasta production for the whole year is only 279 thousand PLN.

The strategy for safeguarding purchase prices for raw materials applied by the Group allowed for limiting the adverse impact of the "raw materials crisis", yet it was not sufficient to fully neutralize its effect. The estimated impact of the increased prices of flour on the financial results of the Group amounted to approximately 2.3 million PLN. According to our projections, the increased prices of the products introduced in the recent months as well as the executed purchase contracts related to raw materials will allow for reinstating the assumed margin levels in the 2nd quarter of 2011.

In the context of the ambitious assumptions related to the development of the activity range, investments constituted a significant element. Expenditure on investments in 2010 amounted to nearly 6 million PLN and was aimed at increasing the production capacity, improving the operational effectiveness and the efficiency of administering the growing organization. The most important tasks include the investment into a new production line for rolled pasta in the Częstochowa production plant, which allowed for increasing production capacity by 300 tons per month, as well as the implementation of the new ERP class IT system in April last year.

During 2010 the Company conducted activities aimed at increasing the range of operation by means of acquisitions and establishing capital links with other entities.
These works resulted in a purchase transaction effected in February 2011 involving the acquisition of an organized part of the Tenczynek enterprise; additionally, the Company entered into an agreement on proceedings aimed at the merger with Mispol Company, and was involved in some other processes which finally were not carried through or the level of their advancement did not provide grounds for disclosing relevant information to the public.
The priority type of investment in the period of the next two years will be connected with interesting acquisition projects which are perceived as an important element supplementing the organic growth.

The good financial standing of Makarony Polskie Group as well as the favourable assessment of its development plans are reflected in the measurable decisions of shareholders. In 2010 the valuation of the Company increased by 54.6% in comparison to the increase in the WIG value in the same period by 16.7%.
Similarly the prospects for 2011 are favourable. The published forecast of financial results assumes a 44% increase in revenues to the level of 216 million PLN, as well as over 100% growth of the net profit amounting to 6.5 million PLN. Approximately 10 million PLN of the revenues and 0.3 million PLN of the profit will be generated by the sale of Tenczynek brand products, whereas the remaining part results from the plans of organic growth.

Taking into consideration the solid foundations of the Company and the interesting development perspectives, I am convinced that in 2011 our shareholders will again obtain the rate of return on the investment into Makarony Polskie S.A. shares at the level significantly exceeding the average results in the market.

Kind regards,

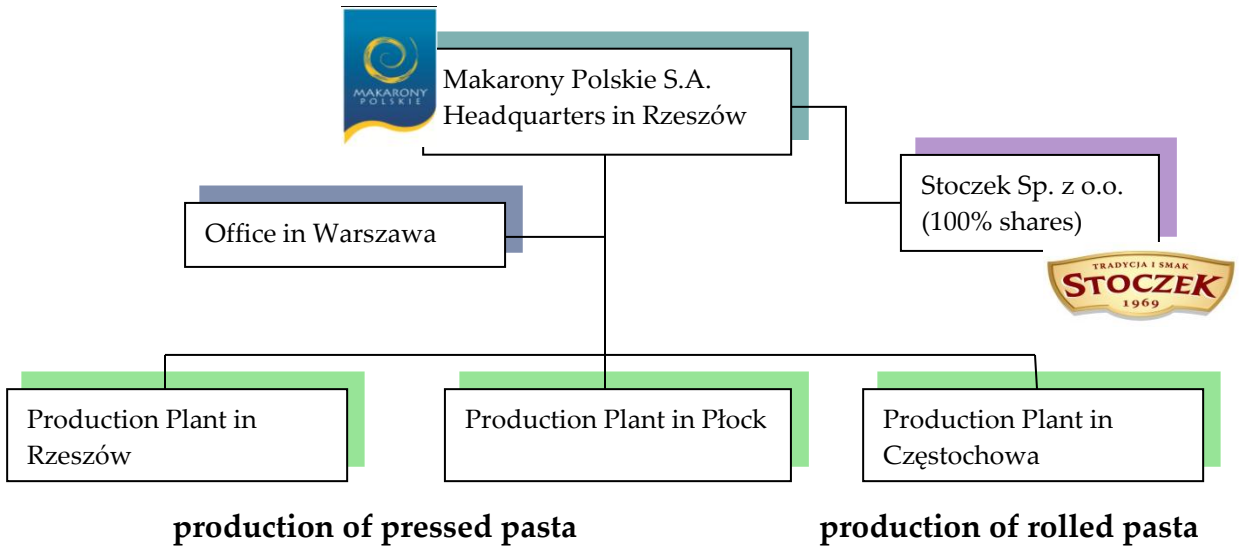
Paweł Nowakowski

1. ATIVITY OF MAKARONY POLSKIE GROUP AND PROSPECTS FOR GROWTH

1.1. DESCRIPTION OF THE GROUP'S ORGANIZATION AS OF 31 DECEMBER 2010, SHOWING CHANGES IN THE GROUP'S ORGANIZATION WHICH TOOK PLACE THROUGHOUT 2010

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, 12th Commercial Division of the National Court Register 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 being part of the Group from 30 September 2007 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. In February 2011 the Company acquired an organized part of an enterprise from Gardenau Sp. z o.o.

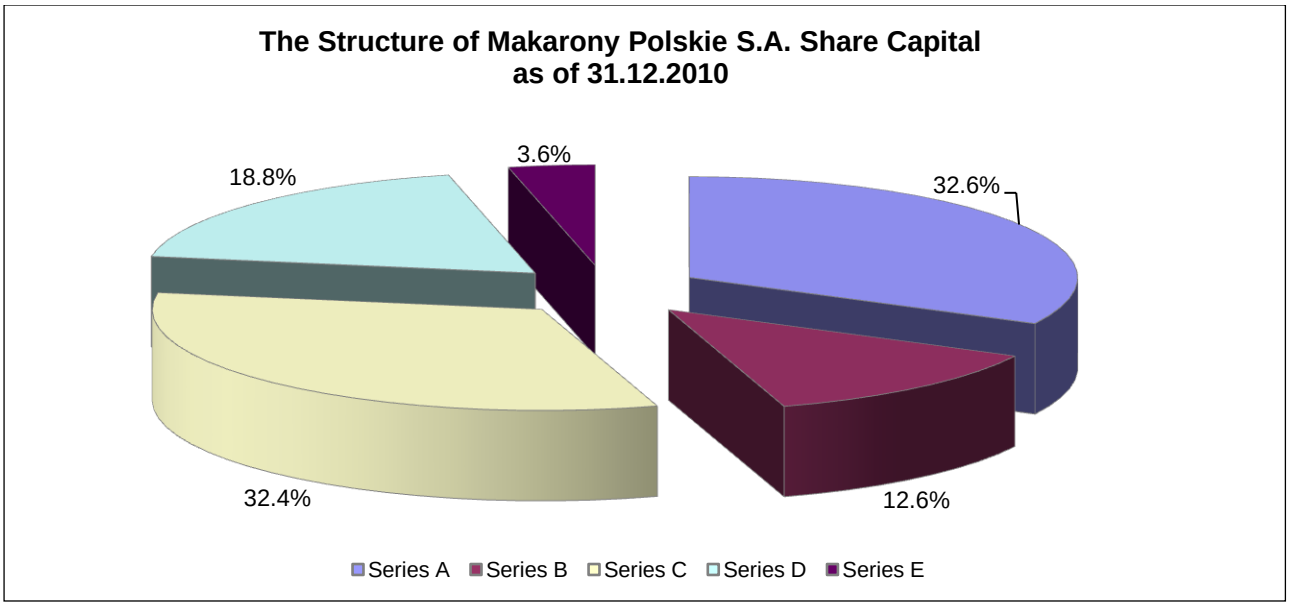
including fixed assets, and the rights to use the Tenczynek trademark, which is used for labelling fruit syrups, jams and vegetable preserves.

Share Capital of Makarony Polskie S.A. on 31 December 2010:

- ✓ 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 2010 the value of the Company's shares systematically grew, from the level of 5.27 PLN/1 share (4 January 2010) to the level of 8.15 PLN/1 share (31 December 2010). The causes of this situation include the foundations of the Company, its transparency, its stable 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 40 775.24 points to the level of 47 596.12 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 2010 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 54.6%. An analogous calculation for WIG shows a profit of only 16.7%.

The subsidiary limited liability company, **Stoczek Sp. z o.o.** is registered in the Regional Court, 11th Commercial Division 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 2010, 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 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.

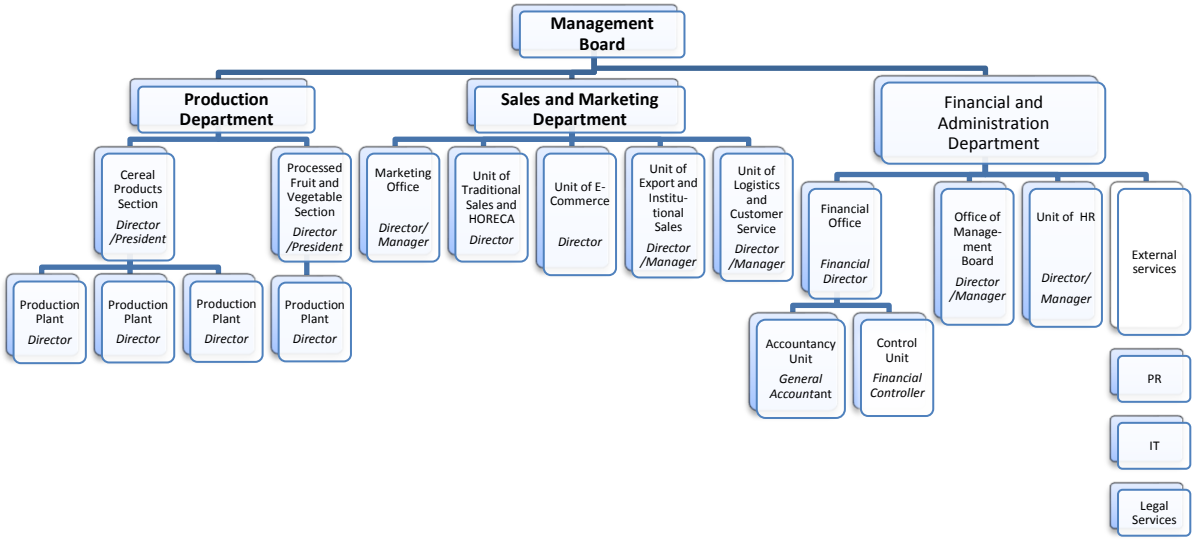
Description of changes in the Group's structure from 1 January 2009 to the day of submitting the report.

The strategic 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 in these categories. Makarony Polskie S.A. assumes a further dynamic development based on organic growth and acquisitions. It is looking for interesting entities and attractive segments of food market, to which it is going to make investments. It is impossible to achieve the aforementioned strategic goal without an effective internal organization, therefore 2010 was a period of extensive reorganization of the Company's and the Group's internal structure.

From the beginning of 2010 Makarony Polskie Group operates within a new organizational structure, approved in the end of 2009. The structure of the Group is based on three departments: Production Department, Sales and Marketing Department and Financial and Administration Department. The Production Department is additionally divided into two sections:

- Cereal Products Section comprising all plants manufacturing pasta and operations related to the production of goods based on cereals;
- Processed Fruit and Vegetable Section which at present comprises Stoczek Sp. z o.o.

Organizational Chart as of 01.01.2010



The changes introduced in 2010 included centralization of the processes related to purchases, customer service and logistics, the area of administration, the area of quality control and technology. The Marketing

Office was expanded. IT Project Manager was employed to be responsible for implementing SoftLab ERP system, and in the future the same person will operate the area of IT solutions. The sales teams were expanded in order to improve distribution and increase sales within specific distribution channels. Activities aimed at streamlining the process of receivables management were also undertaken.

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.

The governing bodies of the subsidiary company, Stoczek Sp. z o.o. are the Management Board and the Meeting of Shareholders.

In the period from 1 January 2010 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.

In the period from 8 April 2010 to 27 May 2010 the Management Board of Stoczek Sp. z o.o. consisted of:

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

In the period from 31 May 2010 to 1 March 2011 the Management Board of Stoczek Sp. z o.o. consisted of:

- ✓ Jacek Wilkoszewski – President of the Management Board
- ✓ Leszek Trzciński - Vice-President of the Management Board

In the period from 1 March 2011 to the day of publication of this Report the Management Board of Stoczek Sp. z o.o. has consisted of:

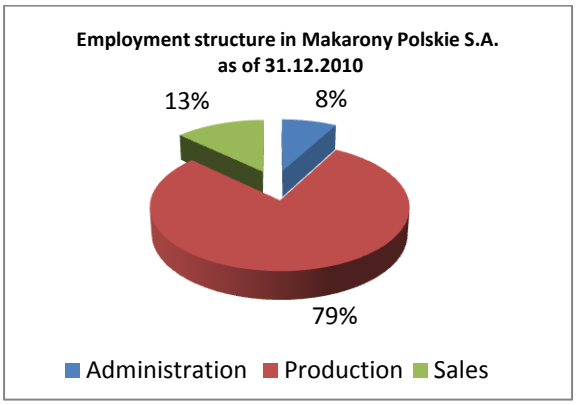
- ✓ Leszek Trzciński - Vice-President of the Management Board

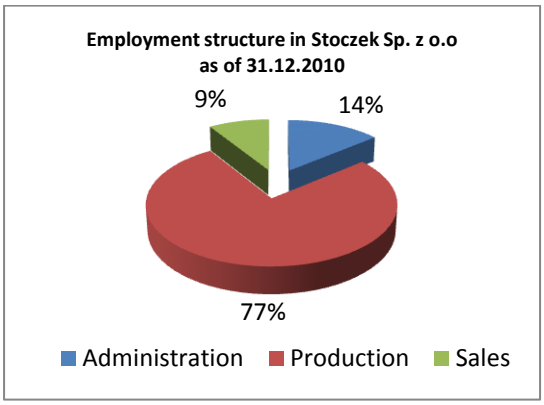
The Management Board of Stoczek Sp. z o.o. is going to be supplemented in the nearest future.

1.3. EMPLOYEES OF THE GROUP

On 31 December 2010 the employment within Makarony Polskie Group was as follows:

- ✓ Makarony Polskie S.A. – 368 employees,
- ✓ Stoczek Sp. z o.o. – 92 employees.
- ✓





1.4. PRIMARY PRODUCTS, GOODS AND SERVICES

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

1) PASTAS

- **Sorenti** – modern "Italian-style" pasta; 100% top quality Durum wheat product; made following the Italian recipe, packaging - 500g,
- **Makaron Staropolski** [Old Polish Pasta] – traditional style pasta, produced from selected kinds of plain flour; with or without eggs; packaging - 400g,
- **Abak** – traditional style pasta, produced from selected kinds of plain flour or plain flour with semolina; Containing 5 or 2 eggs, or with no eggs, available packaging 250 g, 400g and 800g.
- **Solare** – pasta 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

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

- **Stoczek** – low-sugar jams of most popular flavours; packaging: jar of 280 g,
- **Famil-jada** – low-sugar jams of 6 traditional and most popular flavours, packaging: jar of 260 g.

5) MEAT PRESERVES WITH LARD

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

6) MEAT PATES

- **Stoczek** - meat pates of 2 types, packaging: 270 g - 470 g

I. Sorenti

Sorenti is the main brand in Makarony Polskie S.A. portfolio, positioned in the sector of premium shelf and containing both pasta and sauces for pasta. These products have been designed for enthusiasts of Italian cuisine, they have truly Italian flavour and are made in accordance with traditional recipes.
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.

Sorenti brand sauces for pasta are available in attractive and 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 containing high quality meat. Crispy bacon, aromatic spices and herbs with a tinge of garlic and thyme constitute Carbonara sauce.
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 designed for Customers with limited budgets who value good quality and 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. Available in the popular forms: thin noodles, ribbons, spirals, spaghetti and other.

III. ABAK

ABAK pastas are designed for consumers who favour traditional, homemade pastas. The brand includes 3 categories of pasta: those containing 2 or 5 eggs, recommended for soups, and pasta with no eggs recommended for main courses. The forms with no eggs are produced from selected kinds of plain flour, the pasts with eggs additionally contain semolina flour. Pasta of this brand is available in the most popular shapes: noodles ("match stick"), grated noodles, spirals, spaghetti and other.
In the 2nd quarter of 2010 the previous packaging of ABAK brand pasta was modified. The image of Grandma was "warmed up", and the previous colours of the packaging were replaced with more lively and cheerful shades.
19 new indexes for the 3 categories of ABAK brand were developed:

- Pasta with 5 eggs – 3 new indexes
- Pasta with 2 eggs – 1 new index
- Pasta with no eggs – 15 new indexes

IV. SOLARE

Solare pastas are located in economy segment addressed to consumers who are sensitive to price.

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 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 resemble homemade meat pates made in the past. In the 2nd quarter of 2010 the assortment of meat pates was reviewed and the product indexes with low turnover were closed (at present the offer includes 4 indexes: Mazowiecki and Luksusowy meat pates in two sizes); changes were also introduced in the packaging of this product line (caps and labels in brown colour were introduced, the graphic style of the new labels was developed to match the style of ready-made meals).

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.

In the 2nd quarter of 2010 the assortment of jams was changed in order to adjust better to customers' expectations. Modifications were made in the product recipes (the contents of fruit per 100g of product was increased, which is an indicator of quality in this category of products, and two new flavours were introduced: peach jam as well as fruit of the forest jam). Similarly, the packaging was changed (the jar, label and jar cap) in order to adjust the appearance of the product to its market positioning.
Currently the assortment of jams on offer under Stoczek brand name consists mainly of low-sugar jams (5 flavours) and, additionally, highly sweetened jams (2 basic flvours) and plum butter.

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	2010	2009
Pasta	*102 666*	*88 290*
Ready-made meals, preserved food	*28 760*	*13 702*
Jams	*1 485*	*4 884*
Raw materials	*15 431*	*5 968*
Other	*1 627*	*4 707*
Total	***149 969***	***117 551***

The sale of pasta in 2010 increased by 14.4 million PLN in comparison with 2009, and the sales of ready-made meals, preserved food and jams in the same period grew by 11.7 million PLN.

The radical increase of sales in the latter group resulted partly from the fact that the subsidiary Stoczek Sp. z o.o. was executing a significant contract B2B (delivery of ready-made meals under the contract concluded with TDM Arrtrans S.A.).

1.6. MAKARONY POLSKIE GROUP SALES STRUCTURE

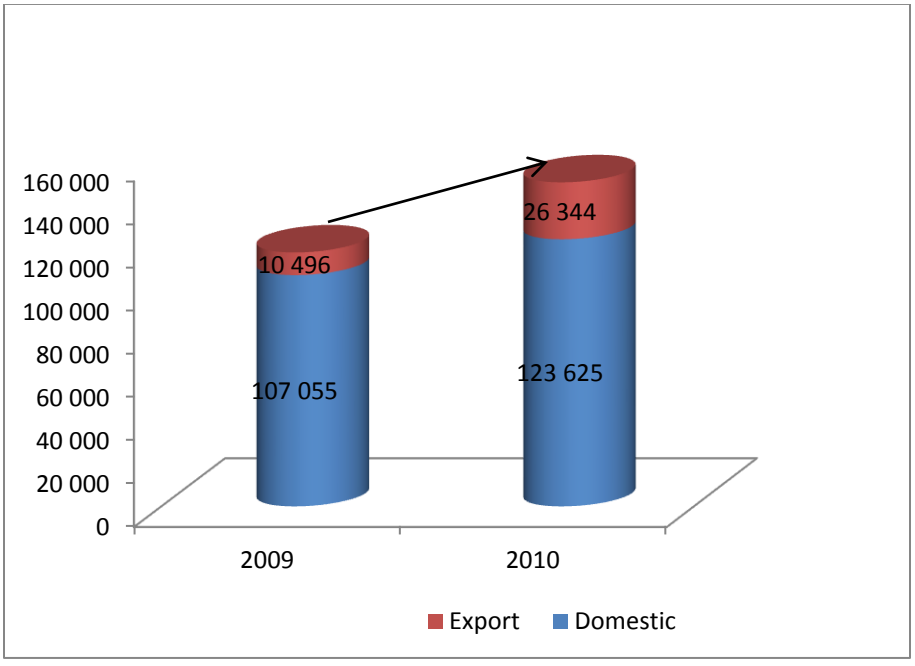
1.6.1. SALES REVENUES DISTRIBUTION ACCORDING TO MARKETS– MAKARONY POLSKIE GROUP

Sales revenues of Makarony Polskie Group in 2010 amounted to nearly 150 mln PLN and were 28% higher in comparison with the analogous period of 2009, which is a very good result considering the fact it was obtained exclusively by organic growth.

In 2010 the dominant was the domestic market which was responsible for 82% of the Group's sales revenues.

Sales effected by Makarony Polskie Group (data in thousand PLN)

(increase by 28%)

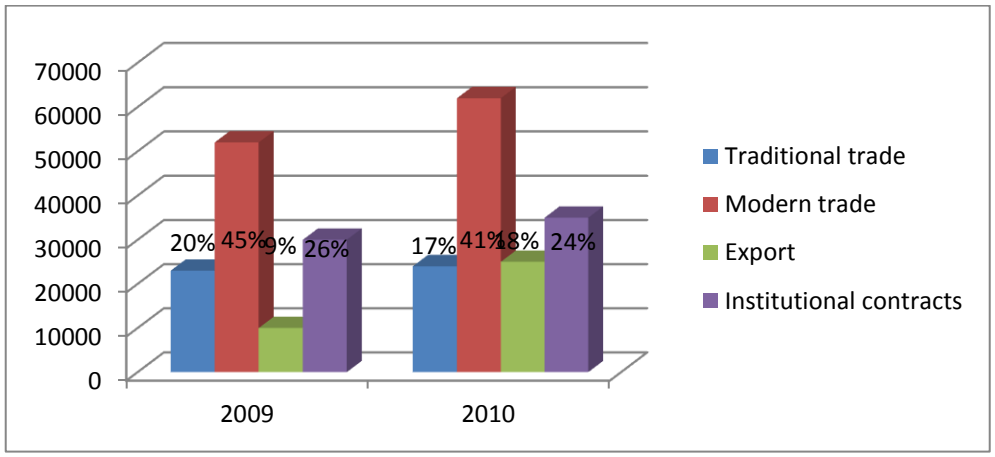


Domestic Market

The value of domestic sales in 2010 was 124 mln PLN with an increase of 15% as compared with 2009. This results from a consistently introduced and executed strategy of Makarony Polskie Group with regard to the development of sales market.

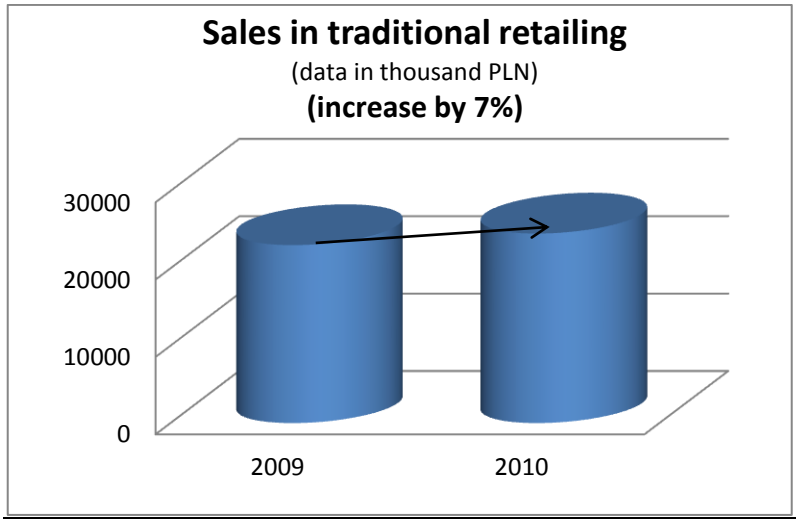
The structure of sales in terms of distribution channels is shown in the following chart:

Structure of Makarony Polskie Group revenues (data in thousand PLN)



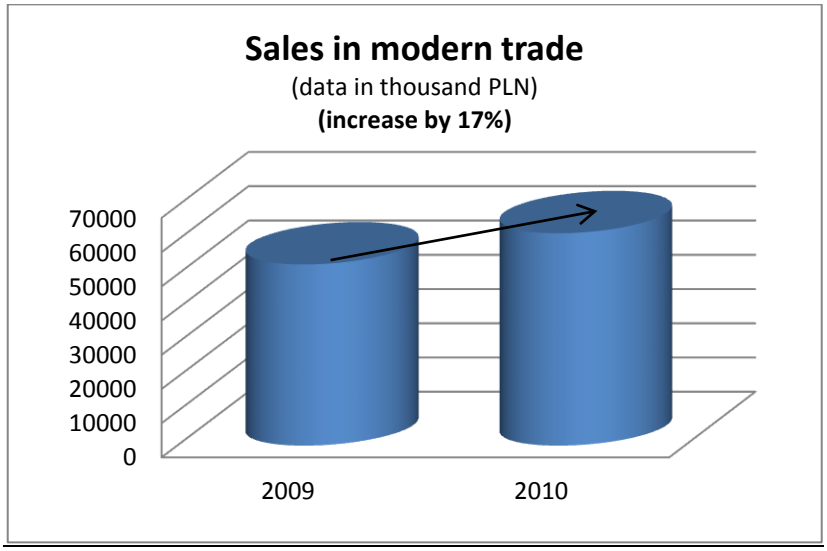
The dynamic increase in sales in 2010 was mainly a result of the development of the modern distribution channel, but it should be emphasized that the remaining distribution channels also noted a growth.
This situation reflects the general trend in the market where the share of turnover effected through retail chains is growing systematically and most rapidly.

Traditional Retailing



The Group's sales in traditional retailing systems in 2010 amounted to 25,5 mln PLN, which is a 7% increase in comparison with analogous period of 2009. 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 through 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 results from the implementation of the new organization structure of distribution and from expanding the services of that channel, which in the Management Board's opinion should result in higher effectiveness and increased dynamics of sales.

Modern trade



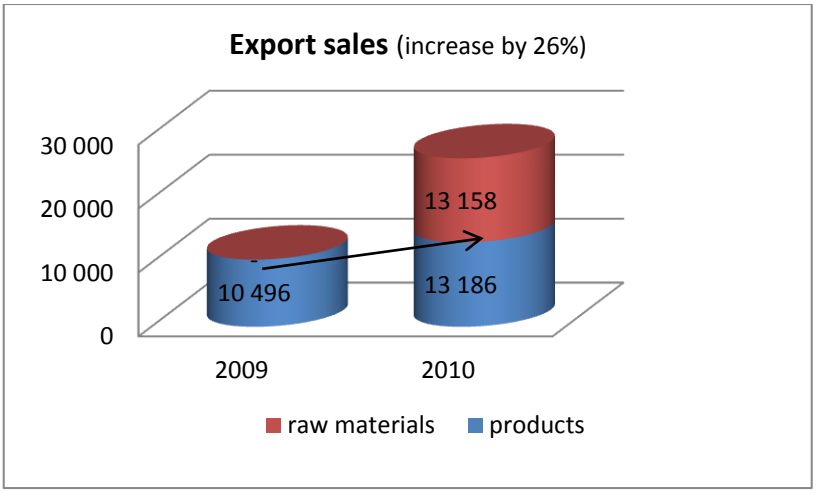
The sales value in modern trade amounted to 62.1 mln PLN and was 17% higher in 2010 compared with 2009. This situation results from the fact that Makarony Polskie Group is perceived as a reliable trading partner as well as from the general trend for expanding retail chains and increasing their share in overall retail volume. The sales rise in this distribution channel was achieved through expanding the assortment of goods sold by the existing partners, as well as by acquiring new retail locations.

Institutions

The channel of institutional contracts involved predominantly deliveries of pasta, ready-made meals and jams under the contracts executed directly or indirectly (subcontracts) for the Agricultural Market Agency, as well as services involving sales of pasta.

Foreign Market

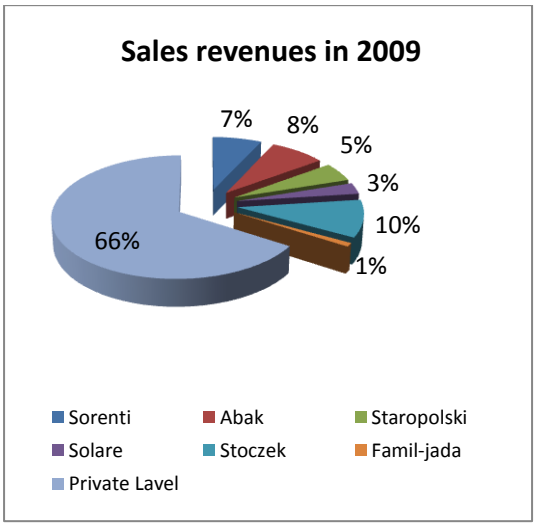
Makarony Polskie Group exports its products to the following countries: Czech Republic, Slovakia, Ukraine, Latvia, Lithuania, United Kingdom, Germany, and other European countries, as well as the USA, Australia, and Asia. The value of Makarony Polskie Group export sales in 2009 amounted to 10.5 mln PLN, and in the same period of 2010 was 26% higher and reached the value of 13.2 mln PLN (the above values do not include the sales of raw materials executed through this channel of distribution.

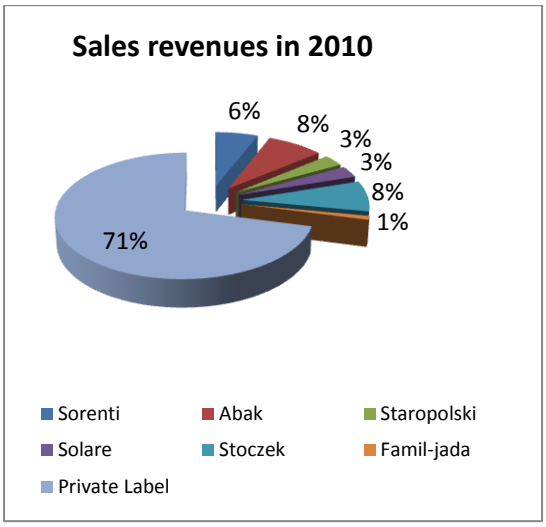


Such increase was possible mainly due to the expansion of the product range, an increase in sales and the acquisition of new clients.

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

Sales revenues for brand products in 2010 amounted to 38.4 mln PLN and increased by 1.6 mln PLN compared with 2009, which is a growth of 4%.





Makarony Polskie Group aims at increasing the sales of its brand products. By means of the sales of brand products within the traditional and modern commerce the Group is able to obtain larger profitability of sales as compared to sales of other companies' brands.

Pasta Brands: Sorenti, Abak, Staropolski, Solare,

Sales revenues for brand pastas in 2010 amounted to 27.1 mln PLN, which is an increase of 2.4 mln PLN compared with the previous year, a growth by 10%.

Stoczek Brand

In 2010 Makarony Polskie Group obtained the sales of Stoczek brand products at the level of nearly 11 mln PLN, i.e. at the level similar to 2009.

In 2010 only one partner exceeded the level of 10% shares in the Group's sales revenues. It was the company Jeronimo Martins Dystrybucja S.A. with the share of 19%. Makarony Polskie S.A. does not have any formal ties with the aforementioned entity, 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

The main investments designed for implementation in 2011 in Makarony Polskie S.A. will be conducted in the production plants in Rzeszów and Częstochowa.

Makarony Polskie S.A. Investments planned for 2010	data in thousand PLN
Plant in Rzeszów	3 188
Plant in Częstochowa	1 455
Plant in Płock	956
investment in new technologies (IT)	571
Total:	**6 170**

The investments in Rzeszów are aimed at enhancing the effectiveness of the packaging process, increasing the storage capacity for raw materials and improving the general standard of the infrastructure.

The main goal of the investments in Częstochowa include increasing the effectiveness of pasta packaging and improving the safety of the manufactured goods. Expenditure shall also be aimed at improving the effectiveness of pasta drying process.

Undertakings planned to be held in Płock are aimed at removing bottleneck spots of the production process as well as introducing minor advancements in the production lines. The plans also include the construction of a gas connection for the plant, which will reduce the costs of heat energy consumed in pasta production.
The growth of Makarony Polskie Group as well as the increasing importance of IT systems in administration, maintenance of production and management of the companies result in the necessity to expand the IT team and implement tools which will increase the operational effectiveness and the security of data.

The investments planned for 2011 in Stoczek will be aimed at enhancing the production processes (increasing their throughput, reducing labour consumption), improving the hygiene and conditions of production, as well as modernizing the storage facilities in order to enhance the organization of logistics processes.
The investments will mainly involve a purchase of new equipment allowing for the modernization of jam production line and ready-made meals production line, assembly of shelves in the ready-made meals storage, revamping floors in the production halls and kitchens, as well as modernization of power supply infrastructure.
The total estimated cost of the investments will amount to 1 550 thousand PLN.

In February 2011, an organized part of the Tenczynek enterprise was acquired for the amount of 3 100 thousand PLN.

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 the 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 in these product categories.

The strategy assumes expansion of the offer to include products based on plant-derived 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.

The group is planning sustainable development both with regard to the company's own brand products and in the private label segment.

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

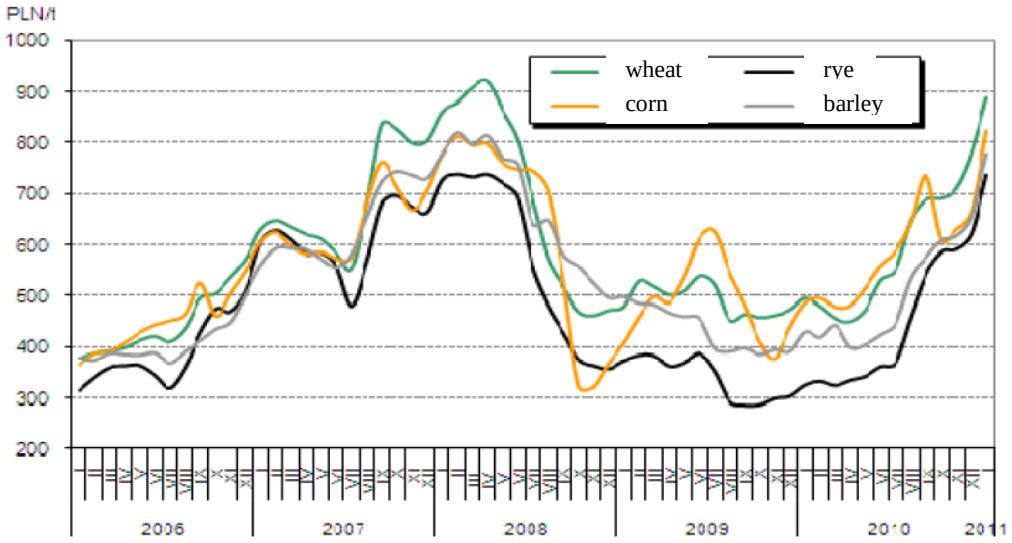
Risk connected with an increase in prices of raw materials

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 changes in prices of meat (ready-made meals) as well as fruit and vegetable raw materials (jams).

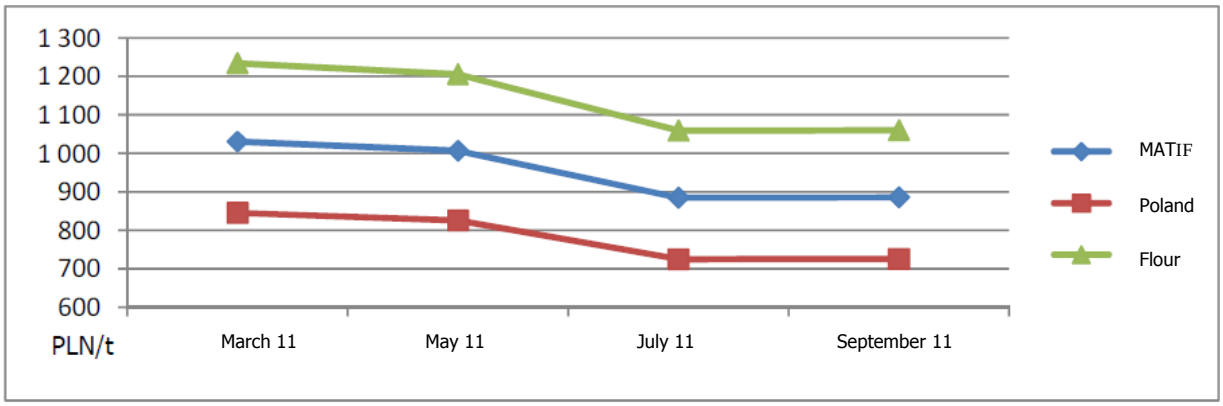
The increase in the prices of raw materials cannot be fully compensated by a proportional growth in sales prices of the Group's products on offer. This is due to the long-term character of cooperation with partners, which results in the fact that an increase in prices of products is hindered and may 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 costs, 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 situation at the flour market was stable until the mid-2010, and the prices remained at relatively low level. In the second half of the year, due to natural disasters and rainy weather, which made it impossible to harvest crops in adequate timing, there was a collapse in the market of milling wheat. The 2010 crops of wheat with satisfying quality parameters were the poorest in the last decade, and this resulted in a radical increase in the price of flour made of soft wheat. By the end of 2010 the prices grew by approximately 70% in comparison with the first half of the year.

The chart below illustrates the prices of grains in Poland during the recent years:



It is difficult to predict the prices of flour in the latter part of this year, but taking into account the futures contracts for wheat at MATIF exchange and the correlation with the prices of grains and flour in Poland the prices can be projected as follows:



Based on the above assumptions the prices of flour in the second half of 2011 may be expected to fall significantly, which should favourably impact the financial results of the Company.

As for Stoczek Sp. z o.o., in the 2010 season, the prices of vegetables and fruit used for production increased by as much as a few dozen or even over one hundred per cent. Another group of raw materials whose price is difficult to predict is meat. In 2010 the situation was relatively stable with a tendency for a decrease, yet in this case there are no possibilities for obtaining guaranteed purchase prices. Meat, vegetables and fruit constitute a vast majority of needs related to raw materials.

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 unfavourable 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 2011.

Risk connected with fluctuations in currency exchange rates

In 2010 the exchange rate of Polish zloty with respect to Euro was in the range 3.8-4.2 EUR/PLN. 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 2011 the trend of PLN depreciation in relation to Euro and USD can be seen. 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 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 modern trade

channel with regard to the brands of retail chains as well as its production under other companies' brands. Increasing production capacity and the scope of operations by 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 major suppliers of raw materials and packaging warranting the 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.

Supplies are effected under written or spoken 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 2010 none of the Group’s suppliers exceeded the level of 10% of consolidated total sales revenues.

I. Makarony Polskie S.A.

The main raw material used for production by Makarony Polskie S.A. is 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 comprising the parent company and the subsidiary Stoczek Sp. z o.o., is elaborated in accordance with the regulations of the International Financial Reporting Standards (IFRS) adopted 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 provisions of the Ordinance 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 the entities constituting the capital group were compiled in Polish zloty (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 with the assumption of continues business activity both by the parent company and the subsidiary company in the foreseeable future. There are no circumstances indicating any risk to further business activity in any of the companies of 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 takes into account corrections not included in the account ledgers of the subsidiary company, introduced in order to adjust the financial statement of this entity to the

standards and interpretations issued by the International Accounting Standards Committee and by International Financial Reporting Interpretations Committee.

Consolidated and separate statement of comprehensive income is presented by function of expenditure. Reporting period of the subsidiary company coincides with the reporting period of the parent company. Makarony Polskie S.A took control over Stoczek Company on 1 June 2007.

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 2010 1 EUR = 3.9603, 31 December 2009 1 EUR = 4.1082 PLN),
- ✓ items in the statement of comprehensive income were converted according to the exchange rate being the arithmetic mean of average exchange rates set forth by NBP, and biding on the last day of each month of the 1st, 2nd, 3rd and 4th quarter of 2010 = 4.0044 and 1st, 2nd, 3rd and 4th quarter of 2009 = 4,3406.

2.2. LIST OF ITEMS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT FOR THE FISCAL YEAR 2010

Company	Registered Office	Type of relation 31.12.2010	Consolida-tion method	Date of taking over the control / wielding significant influence	% of owned capital for 31.12.2010
Stoczek Sp. z o.o.	Stoczek Łukowski	direct subsidiary	full	01-06-2007	100%

Stoczek Sp. z o.o. was the subsidiary company in 2010. The entity is controlled 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 termination.

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 from 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 2010 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 2010 given in thousands of PLN present in the following way:

Makarony Polskie Group	2010	2009	change %
Revenue from sales of products, services, goods and materials	149 969	117 551	28%
Costs of products, services, goods and materials which were sold	122 212	93 971	30%
Gross profit on sales	27 757	23 580	18%
Costs of sales	20 366	15 043	35%
Management costs	6 619	6 691	-1%
Depreciation	5 531	5 498	1%
EBIT	4 005	4 354	-8%
EBITDA	9 536	9 852	-3%
Gross profit	2 628	2 734	-4%
Nett profit	3 170	2 198	44%
Return on EBIT	2.67%	3.70%	-
Return on EBITDA	6.36%	8.38%	-
Gross return on sales	1.75%	2.33%	-
Nett return on sales	2.11%	1.87%	-

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	01.01.2010-31.12.2010	01.01.2009-31.12.2009
Nett revenue from sales of products, services, goods and materials	149 969	117 551
Costs of products, services, goods and materials which were sold	122 212	93 971
Gross profit (loss) on sales	**27 757**	**23 580**
Costs of sales	20 366	15 043
Management and administration costs	6 619	6 691
Other revenue	4 582	3 165
Other costs	1 349	657
Profit (loss) on continuing operations	**4 005**	**4 354**
Financial income	474	413
Financial costs	1 851	2 033
Gross profit (loss)	**2 628**	**2 734**
Corporate income tax – current part	13	205
Corporate income tax – deferred part	-555	331
Nett (loss) on continuing operations	**3 170**	**2 198**

In 2010 the companies of the Group obtained revenues of 150.0 million PLN which was 32.4 million higher than in 2009 what gives 27.6% increase. Simultaneously, the costs of sales of products, services, goods and materials in 2010 reached 122.2 million PLN and their level was higher by 28.2 million PLN compared to the previous year which means that they increased by 30.1%. The more rapid growth of costs in comparison with the previous year resulted mainly from the increase in the costs of raw materials noted in the 3rd and 4th quarters of 2010. In spite of the policies used by the Group for securing prices of raw materials, which significantly limited the adverse effects of those dynamic changes, it was impossible to eliminate that risk altogether.

Such dynamic increase in sales revenue could not remain without effect with regard to the sales costs. Those increased in 2010 to 20.3 million PLN and were 5.3 million PLN higher in comparison to 2009, which is 35.4%. This growth resulted mainly from the following:

- increase in expenditure related to expanding the possibility of sales through distribution channels (e.g. the so-called "admission" fees), which is a one-time cost;
- increase in expenditure aimed at the development of sales teams (mainly in the traditional distribution channel).

Particularly noteworthy is the stable level of the general management and administration costs retained in spite of the rapid growth of sales revenues. In 2010 the level of such costs was slightly lower than in 2009 – minus 1.1%. The result obtained in 2010 reflects the beneficial outcome of the consistently

implemented strategy aimed at reducing structural costs (administration, accounting, logistics etc.) which involves the centralization of functions for ensuring the synergy effect.

Owing to these consistent actions and despite the adverse impact of the increased prices of raw materials, in 2010 the Group made a profit on continuing operations at the level of 4.0 million PLN in comparison to the profit of 4.4 million PLN in 2009.
Similarly, net profit on continuing operations in 2010 reached 3.2 million PLN compared to the profit of 2.2 million PLN for the year 2009 (increase by 44%).

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

		31 Dec. 2010	*31 Dec. 2009*	Change %
A.	**FIXED ASSETS**	**90 620**	**86 917**	4%
1.	Tangible fixed assets	77 912	75 106	4%
2.	Goodwill	5 946	5 946	0%
3.	Other intangibles	4 990	5 007	0%
4.	Long-term financial assets	394	373	6%
5.	Deferred income tax assets	1 186	105	1 030%
6.	Long-term prepayments	192	380	-49%
B.	**CURRENT ASSETS**	**41 586**	**29 884**	39%
1.	Inventories	11 287	8 636	31%
2.	Short-term receivables	29 101	19 191	52%
3.	Receivables from income tax	196	-	-
4.	Loans and receivables payable	101	-	-
5.	Cash and its equivalents	363	938	-61%
6.	Short-term prepayments	538	1 119	-52%
C.	**FIXED ASSETES TO BE DISPOSED**	**-**	**1 162**	-
	TOTAL ASSETS	**132 206**	**117 963**	12%

		31 Dec. 2010	*31 Dec. 2009*	Change %
A.	**EQUITY CAPITAL**	**64 516**	**61 242**	5%
1.	Nominal capital	27 750	27 750	0%
2.	Other capitals	33 839	31 537	7%
3.	Profit/loss from the previous years	-243	-243	0%
4.	Nett loss	3 170	2 198	44%
I.	**LONG-TERM LIABILITIES**	**27 303**	**30 012**	-9%
1.	Deferred tax reserve	1 230	705	74%
2.	Long-term bank credit and loans	16 630	19 570	-15%
3.	Reserve for pensions and similar obligations (long-term)	257	184	40%
4.	Long-term prepayments	7 550	9 213	-18%
5.	Long-term financial leasing contract liabilities	1 636	340	381%

II.	**SHORT-TERM LIABILIIES**	**40 387**	**26 709**	51%
1.	Short-term bank credit and loans	9 320	2 639	253%
2.	Short-term financial liabilities (from leasing and factoring)	2 597	3 788	-31%
3.	Other short-term liabilities	26 521	18 434	44%
4.	Short-term prepayments	1 720	1 720	0%
5.	Reserve for pensions and similar obligations (short-term)	132	71	86%
6.	Other short-term reserve	97	57	70%
B.	**TOTAL LIABILITIES**	**67 690**	**56 721**	19%
	TOTAL LIABILITIES	**132 206**	**117 963**	12%

In comparison to 2009 the balance sheet total increased by 12% in 2010. The basic component of assets are tangible fixed assets of 77.9 million PLN value accounting for 58.9% value of the total assets. This is a characteristic phenomenon for the type of production entities such as those comprised in the Group.
Taking into consideration a significant increase in sales turnover special attention should be paid to current assets of the Group. With the dynamic growth of sales revenues there is an increase in specific items of current assets.

At the end of 2009 at the side of assets there was an entry containing fixed assets to be disposed of, with the value of 1.1 million PLN; that was a pasta production line which was disassembled due to an investment project at the production plant in Rzeszów in 2008/2009. The current demand for pasta products is the reason why the same production line is a central part of another investment project which was initiated in 2010 and is aimed at increasing the production capacity of the Group.

Equity capital, which at the end of 2010 amounted to 64.5 million PLN, i.e. 48.8% share in total liabilities remains the basic source of financing the Group. Equity capital increased by 5%, i.e. by the amount of net profit made from continuing operations.

Prepayments in the amount of 7.6 million PLN constitute a significant entry in long-term liabilities. This value is mainly a result of prompt settlement of received investment subsidies.

The assessment of capital and assets based on the horizontal analysis of the statement of the Group's financial standing at the end of 2010 allows for a conclusion that the so-called "golden rule of financing", assuming that fixed assets should be financed entirely by long-term capitals, is followed and maintained.

2.6. ASSESSMENT OF FINANCIAL RESERVES MANAGEMENT IN MAKARONY POLSKIE GROUP

In 2010, the Company consistently implemented the assumptions of the Group's strategy adopted in 2009, and 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 while 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 investments 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.

In 2010 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 2010 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 cash flow 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 items	31 December 2010	31 December 2009
1.Contingent receivables	**32 147**	**44 949**
1.1.From affiliates due to:	16 756	36 295
-received guarantees and warranties	13 596	16 925
-collaterals on property	3 200	19 370
1.2.From other entities due to:	15 151	8 654
-received guarantees and warranties	15 346	8 649
-promissory notes	5	5
2. Contingent liabilities	**28 146**	**36 295**
2.1. To affiliates, due to	28 146	36 295
-extended guarantees and warranties	13 596	16 925
-collaterals on property	14 550	19 370
2.2. To other entities, due to	-	-
-extended guarantees and warranties	-	-
3. Other, due to	**131 191**	**99 917**
-notes payable	55 157	61 088
-collaterals on property	76 032	37 704
-other - assignment of receivables and a power of attorney to the bank account	-	1 125
Total off-balance sheet items	**-127 191**	**-91 263**

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 maximum values without consolidation exclusions between the subsidiary companies.

2.8. USE OF PROCEEDS FROM ISSUANCE OF SECURITIES

Within the period from 1 January 2010 until the date of disclosing this report the Company did not issue any securities and does not plan to do so before the end of the year 2011.

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

In March 2011 the Company introduced correction in the estimated projections of financial results for 2010. The projected results were executed as follows:

- sales revenues- projected: 150,485 thousand PLN, actual: 149,969 thousand PLN, deviation by 0%
- gross profit on sales - projected: 33,632 thousand PLN, actual: 27,757 thousand PLN, deviation by minus 17%
- EBIDTA - projected: 13,244 thousand PLN, actual: 9,536 thousand PLN, deviation by minus 28%
- EBIT - projected: 7,385 thousand PLN, actual: 4,005 thousand PLN, deviation by minus 46%
- net profit - projected: 4,522 thousand PLN, actual: 3,170 thousand PLN, deviation by minus 30%

The essential factor responsible for the discrepancy between the projected values (published in Current Report No 14/2010 dated 25 March 2010) and the actual performance was the extremely dynamic growth of the prices for raw materials in the 3rd and 4th quarter of last year. The main component impacting the manufacturing costs of the finished products of Makarony Polskie S.A. is the price of pasta flour which in the second half of 2010 increased by approx. 70%. For obvious reasons it was impossible to predict such a radical change in the prices of raw materials at the time the 2010 forecast was elaborated.

Makarony Polskie S.A. uses medium-term instruments aimed at securing prices of raw materials. The contracts which had been concluded and were in force allowed to significantly reduce the adverse influence of that market factor on the Company's financial results in 2010. The negative impact was further limited by the process of raising the prices for the products, which was implemented in the 4th quarter of 2010, and allowed to partially relieve the effects of the increase in the prices of raw materials.

Despite the adverse market conditions the achieved results confirm the dynamic increase in revenues and the systematic improvement of the overall outcome, in comparison with 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 standing and perspectives and its way of

operating 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 effected 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 by 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 for analogous previous financial year periods.

2.10. ASSESSMENT OF FACTORS AND EXTRAORDINARY EVENTS INFLUENCING THE RESULTS OF ECONOMIC ACTIVITY IN 2010, INCLUDING THE DEGREE OF INFLUENCE OF SUCH FACTORS OR EXTRAORDINARY EVENTS ON THE RESULT ACHIEVED

In 2010 Makarony Polskie Capital Group generated the profit of 3 170 thousand PLN.

The financial results of Makarony Polskie Group in 2010 were stignificantly influenced by the following:

- ✓ Over 70% increase in prices of the basic raw material for pasta production, i.e. flour, constituting approximately 60% of the manufacturing cost. The current rate of price rises is highest in the period of several recent years. The negative influence of this factor was partly limited by the Company's policy related to obtaining warranties for stable purchase prices of raw materials and the increased prices for finished products introduced in the 4th quarter of 2010.
- ✓ Increase in scheduled sales allowed Makarony Polskie for the sales of pasta products at the level similar to the full use of production capacity.
- ✓ Prompt repayment of interest-bearing liabilities by the Companies of the Group and their stable financial standing results in the fact the entities are perceives as reliable and trustworthy borrowers, which allowed for reducing financial costs and this trend should continue.
- ✓ The cost discipline and the ongoing analysis of profitability – maintaining administrative costs at consistent level with increased scale of production positively impacts the decrease of overall production cost per unit.
- ✓ Due to the current general economic situation and in order to limit the risk of insolvency of the companies' partners, the Group introduced procedures regulating the policy of crediting Clients, which should result in improved liquidity of the companies and decreased need for external sources of financing.

3. SIGNIFICANT CONTRACTS CONCLUDED BY THE GROUP

During 2010 Makarony Polskie Group was party to the following significant contracts:

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 the Company sells Dobrusia and Vitalia pastas to Biedronka retail chain. The value of revenues under this contract in 2010 amounted to approx. 29 mln PLN accounting for 19% of the consolidated sales revenues.

2. Contact with Grupą Kaufland

In 2010 the Company updated the terms and conditions of cooperation with the Kaufland chain (Kaufland Polskie Markety Sp. z o.o.. k., Kaufland Česká Republika, Kaufland Slovenská Republika and Kaufland Romania) with regard to the supply of pastas under Kaufland trademark. The contract set forth new steady prices which will remain valid within the period to 31 Oct. 2011. The terms and conditions of the Contract do not differ materially from those commonly used in this type of contracts.

Under all valid contracts, Makarony Polskie Group supplies Kaufland chain with pasta under Sorenti and Abak trademarks, and under Kaufland Co. own trademark, as well as ready-made dishes under Stoczek and Kaufland chain trademarks.

The total value of the turnover under all contracts in force between companies of Makarony Polskie Group and entities affiliated with Kaufland Group in 2010 amounted to 12.9 mln. PLN.

3. Contracts with the Agricultural Market Agency

- ✓ The cooperation with Agricultural Market Agency in 2010 was 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 amounted to approx. 14.5 mln PLN and involved two contracts executed up to 31 December 2010:
  - contract for the supply of pasta,
  - contract for the supply of krupnik (barley soup).

  The remuneration for the delivery of food products under the contract was in the form of barley grains held in intervention storage. The security for both contracts had the form of performance bonds amounting to 110% of the contract price.

- ✓ The cooperation with ARR in 2011 is connected with the execution of contracts under the "Food aid programme for the European Union poorest people, 2011". The total value of contracts between Makarony Polskie Group and ARR in 2011 amounts to approx. 26.7 mln PLN and includes two contracts to be executed up to 31 December 2011:
  - contract for the supply of pasta,
  - contract for the supply of ready-made meals in the form of kasha with goulash, and pasta with goulash.

  The remuneration for the delivery of food products under the contract shall be in the form of barley grains held in intervention storage. The security for both contracts has the form of performance bond amounting to 150% of the contract price

4. Contract between Stoczek Sp. z o.o. and TDM Arrtrans S.A.

- ✓ On 22 March 2010 Stoczek sp. z o.o. concluded a significant contract with Towarowy Dom Maklerski Arrtrans S.A. with a seat in Łódź; The subject of the contract was the delivery of ready-made meals of the total net value 13.1 million PLN. The contract was executed in the period from April to November 2010. The terms and conditions of the contract did not differ materially from those commonly used in this type of agreements
- ✓ In February 2011 Stoczek sp. z o.o. concluded a significant contract with Towarowy Dom Maklerski Arrtrans S.A. with a seat in Łódź; The subject of the contract is the delivery of krupnik (barley soup) of the total net value 10.8 million PLN. The contract shall be executed in the period from March to December 2011. The terms and conditions of the contract do not differ materially from those commonly used in this type of agreements. The total estimated value of all currently effective contracts between Stoczek Sp. z o.o. and TDM Arrtrans amounts to 12. 6 million PLN.

3.2. OTHER SIGNIFICANT EVENTS

- 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 with the Polish Agency for Enterprise Development (PAED) on co-financing a training project entitled: "Staff qualifications - the key to the development of Grupy Makarony Polskie". Under the agreement Makarony Polskie (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 amounting to 3 101 thousand PLN (the granted public support for the Project implementation totals at 2 481 thousand PLN, whereas the funds contributed by the Group amount to 775 thousand PLN).

According to the provisions of the grant agreement the Project was to be implemented in the period from 1 January 2009 to 31 August 2010. Due to the large intensity of trainings conducted by the

group under the project, Makarony Polskie S.A. applied to PAED for a permission to prolong the period of project implementation to 31 December 2010. The relevant approval was received by the Company in August 2010.

Personnel representing all levels of the organisation structure of Makarony Polskie and Stoczek participated 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.

5. Contract with Asseco Business Solutions S.A. on implementation of integrated information system in the 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 involves the following areas: Logistics and Sales, Production, Finances and Accounting, Fixed Assets, Personnel and Payroll. The key modules were launched on 1 April 2010.

Implementation of Softlab ERP will lead to unifying IT systems in Makarony Polskie Group which will allow for improving the effectiveness of administration and management in all aspects of operation in the companies of the Group; that should be directly reflected in the financial results achieved by the Group in the future.

6. Interest-bearing liabilities of Makarony Polskie Group – December 2010

- ✓ Makarony Polskie S.A. concluded a credit agreement with Bank BGŻ S.A. concerning revolving credit amounting to 3 million PLN for the period of 12 months.
- ✓ Makarony Polskie S.A. concluded an annex for credit agreement with HSBC Bank Polska S.A. concerning credit in current account changing the available debit limit from 2 million PLN to 3 million PLN and changing the time of maturity of this liability from 28.02.2011 to 28.02.2013.
- ✓ Stoczek Sp. z o.o. concluded an annex for credit agreement with HSBC Bank Polska S.A. concerning credit in current account changing the time of maturity of this liability from 28 Feb. 2011 to 28 Feb. 2013.
- ✓ Makarony Polskie S.A. concluded an annex for credit agreement with Fortis Bank Polska S.A. concerning credit in current account changing the time of maturity of this liability from 28 Dec. 2011 to 28 June 2012.
- ✓ Stoczek Sp. z o.o. concluded an annex for credit agreement with Fortis Bank concerning credit in current account changing the time of maturity of the liability from 28 Dec. 2011 to 28 June 2012.

7. Contract with Mispol S.A. concerning merger

In December 2010 Makarony Polskie S.A. and Mispol S.A. entered into an agreement on proceeding with activities aimed at the merger of the companies and specifying detailed principles of operation and the strategy of the Capital Group established as a result of the merger.

The Parties of the Agreement are planning to conduct the merger by offering Mispol shares to Makarony Polskie shareholders in course of a public call for exchange of all Makarony Polskie Company shares into Mispol shares of the new issue. The conditions for executing the transaction include: obtaining an approval for the merger from the President of the Office of Competition and Consumer Protection; agreeing on details necessary for conducting the merger; as well as relevant resolutions taken by the statutory bodies of the Parties.

As a result of the merger Mispol and Makarony Polskie expect to gain significant economic profits, including in particular:

- increasing the value of the Companies for shareholders by obtaining synergy in operational activity in such areas as manufacturing, sales and distribution, as well as optimization of management structures;
- limiting the operational risk of each Company through diversifying the activity;
- allowing for better development perspectives by means of the following:
  - larger scope of activity and greater share in specific segments of the market, ensuring stronger competitive position;
  - greater potential for organic growth and opportunities for conducting acquisitions;
  - better use of the public market potential for financing the development,
- improvement of financial ratios of the Joint Capital Group:
  - EBIDTA margin in 2011: 4% for meat department and 9% in the other segments;
  - target EBIDTA margins (to be achieved in 2013): 6% for meat department and 12% in the other segments;

In the agreement the Parties set forth a schedule of the proceedings. In connection with information related to significant changes in the shareholders predicted in Mispol S.A the decisions concerning the merger will be taken later than was initially intended.

8. Contract with Alfred C. Toepfer International (Poland) on the sale of barley grains

On 17 February 2011 Makarony Polskie S.A. concluded a contract with Alfred C. Toepfer International (Poland) concerning the sale of barley grains received by the Company as remuneration for the

supplies of pasta to charitable organizations, under the contract concluded between the Company and the Agricultural Market Agency (Current Report 7/11 dated 7 Feb. 2011). The total net contract value is 15.8 million PLN. The contract shall be executed by the day of 31.Aug. 2011. The terms and conditions of the contract do not differ materially from those commonly used in this type of agreements.

The total estimated value of all currently effective contracts between Makarony Polskie Group and Alfred C. Toepfer International (Poland)y amounts to 17,4 million PLN.

9. Acquisition of Tenczynek

On 25 Feb. 2011 Makarony Polskie S.A. executed a contract with Gardenau Sp. z o.o. regarding the purchase of the Organized Part of the Enterprise "Tenczynek" ("OPE").

The value of the transaction is 3.1 million PLN. Gardenau Sp. z o.o. may receive an additional amount of 1 million PLN provided that the sales of Tenczynek brand products in the period from executing the said contract to the end of 2011 will not be lower than 9.3 million PLN.

In accordance with the said Sales Contract of an Organized Part of an Enterprise (OPE) executed by Gardenau Sp. z o.o., Makarony Polskie S.A. took over of the following components of OPE:

- ✓ trading and distribution contracts with the previous customers of Gardenau Sp. z o.o.
- ✓ intangible and legal assets of Gardenau Sp. z o.o., i.e. trademarks, industrial designs and product recipes;
- ✓ selected fixed assets, including production lines for fruit syrup, production lines for salads, production lines for jams;
- ✓ selected product inventories;
- ✓ selected employees.

After the transaction is effected the production shall be continued by Stoczek Sp. z o.o., which is part of Makarony Polskie Group (production plant in Stoczek Łukowski). This will allow for improving the effectiveness of production by reducing production costs per unit for the goods manufactured under both Tenczynek brand and Stoczek trademark. Additionally, this venture is consistent with the strategic goals of the Group described in 1.7.

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 2010.

I. Makarony Polskie S.A.

Insurance Company	Insurance period	Overall Insurance Amount /thousand PLN/	Type of Insurance
Sopockie Towarzystwo Ubezpieczeń STU Ergo Hestia S.A. Rzeszów	01.11.2010 - 31.10.2011	63 494	Complex insurance of the enterprise against all risks
		446	Insurance of electronic equipment
		30	Insurance of machines and equipment against electrical damage
		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.

Insurance Company	Insurance period	Overall Insurance Amount /thousand PLN/	Type of Insurance
Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.	01.11.2010 - 31.10.2011	42 777	Complex insurance of the enterprise against all risks.
		75	Insurance of electronic equipment
		30	Insurance of machines and equipment against electrical damage
		500	Public liability insurance related to the conducted business activity or to property use (including product liability insurance)

3.5. Contracts of Partnership and Cooperation in force during 2010

- 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 domestic sales of products of both companies 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. SIGNIFICANT TRANSACTIONS WITH AFFILIATED ENTITIES

During 2010, Makarony Polskie S.A. did not conclude significant transactions with the subsidiary 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 the contract described in detail in 3.5. herein.

In 2010, Makarony Polskie S.A provided guarantees for the subsidiary 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 2010 the liabilities due to short-term credits and loans amounted to 25 950 thousand PLN, including:

- short-term credits and loans liabilities balance amounting to 9 320 thousand PLN,
- short-term leasing and factoring liabilities balance amounting to 2 597 thousand PLN,
- long-term credits and loans liabilities balance amounting to 16 630 thousand PLN,

Interest-bearing liabilities including:	31 December 2010		31 December 2009		Change - %
	thousand PLN	% share	thousand PLN	% share	2010/2009
Long-term, including:	18 266	61%	19 910	76%	-8%
-loans	16 630	55%	19 570	74%	-15%
-leasing	1 636	5%	340	1%	381%
Short-term, including:	11 917	39%	6 427	24%	85%
-loans	9 320	31%	2 639	10%	253%
- leasing and factoring	2 597	9%	3 788	14%	-31%
Total	**30 183**	**100%**	**26 337**	**100%**	15%

Resulting from the implementation of the aforementioned financing strategy in 2010, while increasing the value of interest-bearing liabilities by 15% compared to 2009, the favourable maturity date structure of interest-bearing liabilities was maintained. At the end of 2010 long-terms liabilities accounted for 61% of interest-bearing liabilities. The amount of these long-term interest-bearing liabilities includes a significant amount of medium-term credits in current accounts which constitute a stable source of financing ongoing operations. Short-term interest-bearing liabilities increased in 2010 by 85% resulting from the growing demand of the companies of the Group for current capital due to their increased turnover. The favourable structure of these liabilities and the possibility to expand them is an effect of perfect cooperation with financing institutions, as well as stable financial standing of the Group and the perception of the companies of the Group as reliable loan takers.

I. As of 31 December 2010 Makarony Polskie S.A. was a party to the following agreements with financial institutions:

- Working capital loan 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 2010	4 262 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

- Revolving credit in BGŻ S.A.

Crediting conditions	
Credit contractual value	3 000 thousand PLN
Crediting period	03.12.2010 – 02.12.2011
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	3 000 thousand PLN
Credit repayment schedule	Single payment on the due date of the liability
Credit collateral	✓ registered pledge on processing lines for production of short pasta acquired under an investment, 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 2010	136 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 a quarter, ✓ 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 production machine in Rzeszów, as well as packing machine and flour facility in Płock 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 contract No. SPO-WKP/2.3/2/14/931 concluded on 3 October 2005 with the 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 2010	4 344 thousand PLN
Credit repayment schedule	✓ grace period for capital repayment until 30.06.2009, ✓ one instalment of 9 647 thousand PLN payable on 30.06.2009 (from subsidies), ✓ 83 monthly instalments of 67 thousand PLN each payable from 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 the Polish Agency for Enterprise Development (PARP), ✓ registered pledge on processing lines for production of long shapes of 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	3 000 thousand PLN
Crediting period	29.10.2009 – 28.02.2013
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the

	bank
Credit situation on 31 December 2010	2 699 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 4 500 thousand PLN on real estate in Płock included in KW PL1P/00094893/6 together with assignment of rights from insurance policy, ✓ blank promissory note.

- 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 – 28.12.2012
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	3 923 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 along with the 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.

- Factoring Contract in ING Commercial Finance S.A.

Terms and conditions of the Contract	
Contractual value	3 500 thousand PLN
Period of the Contract	01.01.2010 – 31.12.2011
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 their redemption, ✓ blank promissory note with blank promissory note agreement.

- Guarantees obtained by Makarony Polskie S.A.

Guarantor	Guarantee amount	Guarantee period	Subject secured by guarantee	Security
STU Ergo Hestia S.A.*	14 571 thousand PLN	10.02.2010-30.04.2011	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 2010"	✓ 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 the Polish Agency for Enterprise Development under the Operational Programme Human Capital (OP-HC) (advisory and training project)	✓ blank promissory note issued by the Company
STU Ergo Hestia S.A.	15 902 thousand PLN	02.02.2011-30.04.2012	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 2011"	✓ the securities listed in the first line of this Table were rewritten

* -the guarantee was released in February 2011 after the complete settlement of the secured contract

- ✓ From January to March 2010 a guarantee was in force amounting to 4 006 thousand PLN extended to the Company by STU Ergo Hestia S.A., which secured adequate performance of the contract with the Agricultural Market Agency under the programme of Common Agricultural Policy "Providing Food aid for the European Union poorest people 2009". The initial value of the bond (obtained by the Company in January 2009) amounted to 13 354 thousand PLN. Throughout 2009, due to the gradual contract execution by Makarony Polskie S.A. the Agricultural Market Agency released a part of the guarantee in the amount of 5 363 thousand PLN (in July 2009), followed by 3 985 thousand PLN (in December 2009). The final part of the guarantee was released in March 2010 after the final settlement of the contract.

- ✓ In 2010 Makarony Polskie S.A. obtained a guarantee for 250 thousand PLN from STU Ergo Hestia S.A. securing the bid bond for the tender under the programme of Common Agricultural Policy "Providing Food aid for the European Union poorest people 2010". The guarantee was released in February 2010, after Makarony Polskie S.A. signed an agreement with the Agricultural Market Agency.

- ✓ After the balance sheet day Makarony Polskie S.A. obtained a bank guarantee securing the Company's rent-related liabilities under the rental contract connected with offices in Warszawa. The guarantee amounting to 94 thousand PLN was provided to the Company by HSBC Bank Polska S.A. The guarantee is binding until 31 January 2012.

II. As of 31 December 2010 Stoczek Sp. z o.o. was a party to the following agreements with financial institutions:

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

Crediting conditions	
Credit contractual value	2 000 thousand PLN
Crediting period	29.10.2009 – 28.02.2013
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	1 885 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 included in KW PL1P/00094893/6, together with assignment of rights from insurance policy, ✓ assignment of rights from insurance policy covering real estate insurance, ✓ guarantee by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution.

- 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
Credit situation on 31 December 2010	2 650 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, ✓ guarantee by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution.

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

Crediting conditions	
Credit contractual value	2 000 thousand PLN
Crediting period	29.12.2009 – 28.06.2012
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	1 969 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, ✓ Guarantee 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.

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

Crediting conditions	
Credit contractual value	1 200 thousand PLN
Crediting period	10.11.2010 – 12.08.2012
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	1 081 thousand PLN
Credit repayment schedule	✓ single instalment payable on the credit due date
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ registered pledge on fixed assets located at the Production Plant in Stoczek Łukowski, ✓ Guarantee by Makarony Polskie S.A. in Rzeszów in accordance with civil law.

- Sureties extended to Stoczek Sp z o.o.

In 2010 Stoczek Sp. z o.o. used sureties obtained from Makarony Polskie S.A. specified in details in clause 3.9.

- Guarantees given by STU Ergo Hestia S.A.

Guarantor	Guarantee amount	Guarantee period	Subject secured by guarantee	Security
STU Ergo Hestia S.A.*	1 396 thousand PLN	10.02.2010-30.04.2011	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 2010"	✓ a blank promissory note issued by Stoczek Sp. z o.o, and guaranteed by Makarony Polskie S.A.

* -the guarantee was released in January 2011 after the complete settlement of the secured contract

✓ From January 2009 to February 2010 a guarantee was in force amounting to 3 868 thousand PLN extended to the company by STU Ergo Hestia S.A., which secured adequate performance of the contract with the Agricultural Market Agency under the programme of Common Agricultural Policy "Providing Food aid for the European Union poorest people 2009". The security of the bond was a blank promissory note

issued by Stoczek Sp. z o.o, and guaranteed by Makarony Polskie S.A. The guarantee was released in February 2010 after the final settlement of the contract.

- ✓ During 2010 STU Ergo Hestia S.A. granted a guarantee to Stoczek Sp. z o.o. amounting to 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 the Agricultural Market Agency.

- ✓ After the end of the fiscal year STU Ergo Hestia S.A. granted a performance bond to Stoczek Sp. z o.o. amounting to 23 653 thousand PLN securing adequate performance of the contract with the Agricultural Market Agency under the programme of Common Agricultural Policy "Providing Food aid for the European Union poorest people 2011". The guarantee is binding in the period from 27 Jan. 2011 to 30 April 2012. The security of the bond is a blank promissory note issued by Stoczek Sp. z o.o, and guaranteed by Makarony Polskie S.A.

3.8. MAIN DEPOSITS AND CAPITAL INVESTMENTS IN 2010

In 2010 Makarony Polskie Capital Group did not conduct 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

I. Makarony Polskie S.A.

In the fiscal year of 2010 Makarony Polskie S.A. was party to one loan agreement with Polska Izba Makaronu (PIM -Polish Chamber of Pasta Industry)

	01.01.2010	31.12.201	Date of concluding the Agreement	Due date
loan granted to PIM	---	100 thousand PLN	Loan Agreement dated 2.11.2010	30.06.2011

The interest rate was determined in accordance with the conditions in the market.

II. Stoczek Sp. z o.o.

In the fiscal year of 2010 Stoczek company did not grant any loans.

Information on sureties granted

I. Makarony Polskie S.A.

In the fiscal year of 2010 Makarony Polskie S.A granted securities to the subsidiary company Stoczek Sp. z o.o. and their situation on 31 December 2010 is presented below:

Foreign liabilities	Creditor's name	Amount of the security	Date of security	Validity period	Situation of the secured liability on the day of 31.12.2010
Surety for the credit in current account amounting to 2.0 million PLN	HSCB Bank Polska S.A.	3 000 thousand PLN	29.10.2009	28.02.2014	1 885 thousand PLN
Surety for the non-revolving credit amounting to 4.0 million PLN	HSBC Bank Polska S.A.	6 000 thousand PLN	29.10.2009	11.03.2016	2 650 thousand PLN
Surety for the multi-purpose line of credit amounting to 2.0 million PLN	Fortis Bank Polska S.A.	2 000 thousand PLN	29.12.2009	27.01.2020	1 969 thousand PLN
Surety on the working-capital loan amounting to 1.2 million	Bank BGŻ. S.A.	1 200 thousand PLN	10.11.2010	30.09.2012	1 081 thousand 1 200 thousand PLN

Surety for the blank promissory note granted by Stoczek as performance bond for the Contract between Stoczek and Agricultural Market Agency.	Stu Ergo Hestia S.A.	1 396 thousand PLN	10.02.2010	30.04.2011	1 396 thousand PLN

In the 1st quarter of 2010, on 5 January 2010 Makarony Polskie co-signed blank promissory note for Stoczek Sp. z o.o. constituting the bid bond for public tender procedure published by Agricultural Market Agency under the programme "Food aid for the European Union poorest people 2010". The surety was granted up to the amount of 250 thousand PLN and was binding until 15 April 2010. After the conclusion of the contract between Stoczek Sp. z o.o. and Agricultural Market Agency, Stoczek Sp. z o.o. obtained a release of the surety in the 1st quarter of 2010.

After the end of the fiscal year Makarony Polskie endorsed for Stoczek Sp. z o.o. a blank promissory note constituting the performance bond for the contract concluded with the Agricultural Market Agency under the programme "Food aid for the European Union poorest people 2011". The surety is binding up to the amount of the performance bond (23 653 thousand PLN), in the period from 27 Jan. 2011 to 30 April 2012.

Makarony Polskie S.A. shall not receive any remuneration for granting aforementioned sureties.

II. Stoczek Sp. z o.o.

Stoczek Sp. z o.o. did not grant sureties during the fiscal year of 2010.

During 2010 the promissory note endorsed by Stoczek Sp. z o.o. for Makarony Polskie S.A. expired. The surety was granted to one of the blank promissory notes issued by Makarony Polskie S.A. as collateral for a performance bond for the contract concluded with the Agricultural Market Agency granted to Makarony Polskie S.A. by Stu Ergo Hestia S.A., described in detail in 3.6. herein.

Makarony Polskie S.A. and Stoczek Sp. z o.o. did not receive any remuneration for granting each other the sureties.

Information on guarantees granted

In the financial year 2010 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 12 May 2010, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to one-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 12 May 2010, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to one-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 12 May 2010, in case the contract is terminated by the Employer, the Employee is entitled to a severance pay equal to one-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.

Leszek Trzciński - Vice-President of the Management Board

The valid provisions of the employment contract with Leszek Trzciński (Vice-President of the Management Board) do not envisage a compensation in case of his resignation or dismissal from the position without a significant reason or when his dismissal results from merging the company through acquisition.

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

The number of Makarony Polskie S.A shares owned by the 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 2010		Shares owned by members of the Management Board on the date of compiling stock exchange report for the 3rd quarter of 2010	
	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

In accordance with information available to the Company, during 2010 and in the period preceding the publication of this report there were no changes in the ownership of shares by the members of the Management Board of Makarony Polskie S.A.

Information regarding remuneration paid to the members of the Management Board of the Company was included in the financial report in note No. 31.

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 2010		Shares owned by members of the Supervisory Board on the date of compiling stock exchange report for the 3rd quarter of 2010	
	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
Urszula Rogóż – Bury	12 680	38 040	12 680	38 040
Marek Rocki**	-	-	-	-

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

** Marek Rocki is a member of the Supervisory Board of the Company since 21 June 2010.

In accordance with information available to the Company, during 2010 and in the period preceding the publication of this report there were no changes in the ownership of shares by the members of the Supervisory Board of Makarony Polskie S.A

Information regarding remuneration paid to the members of the Supervisory Board of the Company was included in the financial report in note No. 31.

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 2010, 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 2010, 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

The Supervisory Board of Makarony Polskie S.A. chose Revision - Rzeszów Józef Król Sp. z o.o. with a seat in Rzeszów, Pelczara 6c/8 as a statutory auditor to audit the abridged semi-annual consolidated financial statement for the data as of 30 June 2010 and to audit the separate and consolidated financial statements of the Company for the fiscal year ending on 31 December 2010. The aforementioned

company is entered onto the list of entities authorized to audit financial statements against no. 3510, and into the Register of Entrepreneurs at the National Court Register held by the Regional Court in Rzeszów, 12th Commercial Division against KRS number 0000336012.

Makarony Polskie S.A. did not use services of Revision - Rzeszów Józef Król Sp. z o.o. before.

The contracts with the aforementioned auditor were concluded for the period of:

- reviewing the abridged financial statement of Makarony Polskie S.A. and the consolidated financial statement of Makarony Polskie Group for the first 6 months of 2010 compiled according to the data as of 30 June 2010;
- reviewing the financial statement of Makarony Polskie S.A. and the consolidated financial statement of Makarony Polskie Group for the fiscal year of 2010 compiled according to the data as of 31 December 2010.

The overall amount of remuneration for the review and audit of the financial statements of Makarony Polskie Capital Group for 2010 was specified as net 57 000 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 25,000 PLN due for the audit of annual financial statements of Makarony Polskie Company (15,000 PLN for the separate statement and 10,000 PLN for the consolidated statement),
- net 16,000 PLN due for the review and audit of the financial statements of the affiliated company, stipulated by a separate agreement (4,000 PLN for the review of the semi-annual financial statement and 12,000 PLN for the audit of the annual financial statement).

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 2010 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 2010 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 as well as recommendation IV.10 on providing shareholders with an option to participate in the General Assembly by means of electronic communication. According to the estimates of the Management Board of Makarony Polskie S.A., incurring such costs in the present situation is not justified. Additionally, the Articles of Association of Makarony Polskie S.A. do not envisage the possibility of participating in the General Assembly by means of electronic communication pursuant to Art. 406^5 of Commercial Companies Code.

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 processes 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 ledgers 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 departments.

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 the date of compiling 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%
Zdzisław Sawicki	1 360 000	14.70%	1 360 000	14.70%
Elżbieta and Grzegorz Słomkowski	1 183 040	12.79%	1 183 040	12,79%
OFE Polsat	488 733	5.28%	488 733	5.28%
Others	4 218 298	45.60	4 218 298	45.60
TOTAL	**9 250 071**	**100,00%**	**9 250 071**	**100,00%**

During the fiscal year of 2010 and in the period 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 488733 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 owned 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.

- ✓ On 17 May 2010 as a result of an acquisition transaction concluded at the regulated market conducted by the Warsaw Stock Exchange Mr Marek Jutkiewicz acquired 430 220 shares of the Company and exceeded the 10% level of the overall number of votes in Makarony Poslkie S.A. Currently Mr Marek Jutkiewicz owns 1 354 302 shares of Makarony Poslkie S.A. constituting 14.64% of the share capital of the Company. The resulting number of votes at the General Meeting of the Company's Shareholders amounts to 1 354 302 accounting for 14.64% of the overall number of votes at the General Meeting.

The Company does not have any other information indicating changes in the number of shares owned by significant shareholders (i.e. entities with packets of votes exceeding 5%).

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. 26 of the General Meeting of Shareholders of Makarony Polskie S.A. dated 21 June 2010.

The General Meeting is held at the Company's seat or at another location within the territory of the Republic of Poland, on the date specified in an announcement published on the Company's website www.makarony.pl and contained in a relevant Current Report, 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, by the Supervisory Board whenever it deems such action advisable, or shareholders representing not less than a half of the share capital or not less than a half of the total number of votes in the Company.
In case the General Meeting is convened by the Supervisory Board or by shareholders representing not less than a half of the share capital or not less than a half of the total number of votes in the Company the Management Board of the Company is obliged to provide such entities with the possibility to correctly convene the General Meeting, including its obligation to announce the information about convening the General Meeting on the Company's website and containing it in the Current Report.

In the fiscal year of 2010 the Annual General Meeting of Makarony Polskie S.A. was held on 21 June. The Management Board did not convene any Extraordinary General Meetings. The Shareholders of the Company and Members of its Supervisory Board did not submit proposals for convening an Extraordinary 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:

- consideration and approval of the Management Board's Statement on the operations of the Company and the financial statements for the previous fiscal year,
- 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,

- granting vote of approval to members of the Company's authorities of the performance of their duties,
- selling or leasing the Company's enterprise or its organised part and establishing a limited right in property on it,
- transforming the legal status of the Company, any merging of the Company with another company or with a legal entity,
- any resolutions concerning claims related to repairing damage caused while forming the Company or exercising supervision or management,
- changes to the Company's Statute, increasing and decreasing the Company's share capital,
- issuance of convertible bonds or bonds with priority rights,
- acquisition of own shares,
- redemption of Company's shares or acquisition of the Company's shares for the purpose of their redemption ,
- liquidation and termination of the Company,
- establishing the number of the Supervisory Board members, and appointing or dismissing Supervisory Board members,
- establishing terms and conditions of remunerating Supervisory Board members, as well as the amount of the remuneration,
- approving Bylaws of the Supervisory Board,
- 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,
- issues submitted by the Management Board or the Supervisory Board for the General Meeting to resolve,
- 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 2010 the Annual General Meeting looked into the following issues:

1. consideration and approval of the financial statement of the Company and Group for the fiscal year 2009,
2. consideration and approval of the Management Board's report on the activity of the Company and Group in 2009,
3. consideration of the Supervisory Board's reports concerning: evaluation of the Company's standing, assessment of the financial statement of the Company and Group for the fiscal year 2009, the Management Board's report on the activity of the Company and Group in 2009, 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. granting approval to the Members of the Company's Management Board of the performance of their duties in the fiscal year 2009,
6. granting approval to the Members of the Company's Supervisory Board of the performance of their duties in the fiscal year 2009,
7. determining the membership of the Supervisory Board of Makarony Polskie S.A. of the 4th term and appointing the members,
8. making changes in the By-laws of the General Meeting of Makarony Polskie S.A. and approval of the unified text of the By-laws.

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 2010 to the date of publishing this report the Company's Management Board has consisted of:

- 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:

- ✓ Jarosław Szpryngwald – Director of Finance at Makarony Polskie S.A. (from 16.09.2010);
- ✓ Grażyna Kozielec – Chief Accountant Makarony Polskie S.A.

During the fiscal year of 2010 (on 16 Sept.) the Management Board cancelled the power of proxy granted to Mr. Andrzej Doński, due to the termination of his employment with the Company.

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 2010 to 21 June 2010 the Supervisory Board of Makarony Polskie S.A. consisted of the following members:

- 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.

On 21 June 2010 the Annual General Meeting of Makarony Polskie S.A. appointed the Supervisory Board of the 4th term consisting of:

- Zenon Daniłowski,
- Maerk Jutkiewicz,
- Marek Rocki

- Urszula Rogóż-Bury
- Grzegorz Słomkowski

On 12 July 2010 the Supervisory Board acting in accordance with its By-laws, the Supervisory Board elected Zenon Daniłowski for the function of the Chairman, and Grzegorz Słomkowski and Marek Jutkiewicz for the function of the Co-Chairmen, and Urszula Rogóż-Bury for the function of the Secretary.

From 12 July 2010 to 25 February 2011 the Supervisory Board of Makarony Polskie S.A. consisted of the following members:

- Zenon Daniłowski – Chairman of the Supervisory Board,
- Marek Jutkiewiczi – Co-Chairman of the Supervisory Board,
- Grzegorz Słomkowski – Co-Chairman of the Supervisory Board,
- Urszula Rogóż-Bury – Secretary of the Supervisory Board,
- Marek Rocki – Member of the Supervisory Board.

Marek Jutkiewicz resigned from the function in the Supervisory Board as of 25 February 2011 without stating the reasons to do so.
The agenda of the Extraordinary General Meeting planned for 29 March 2011 includes the point connected with supplementing the membership of the Supervisory Board of Makarony Polskie S.A.

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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