MANAGEMENT BOARD'S REPORT

ON THE BUSINESS ACTIVITY

OF MAKARONY POLSKIE GROUP IN 2008

RZESZÓW, 27 APRIL 2009

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1. BUSINESS ACTIVITY OF MAKARONY POLSKIE GROUP AND DEVELOPMENT PERSPECTIVES

1.1. DESCRIPTION OF THE GROUP'S ORGANIZATION AS AT 31 DECEMBER 2008 ALONG WITH CHANGES WHICH TOOK PLACE IN 2008

Makarony Polskie Group („Group") is composed of two member companies:

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



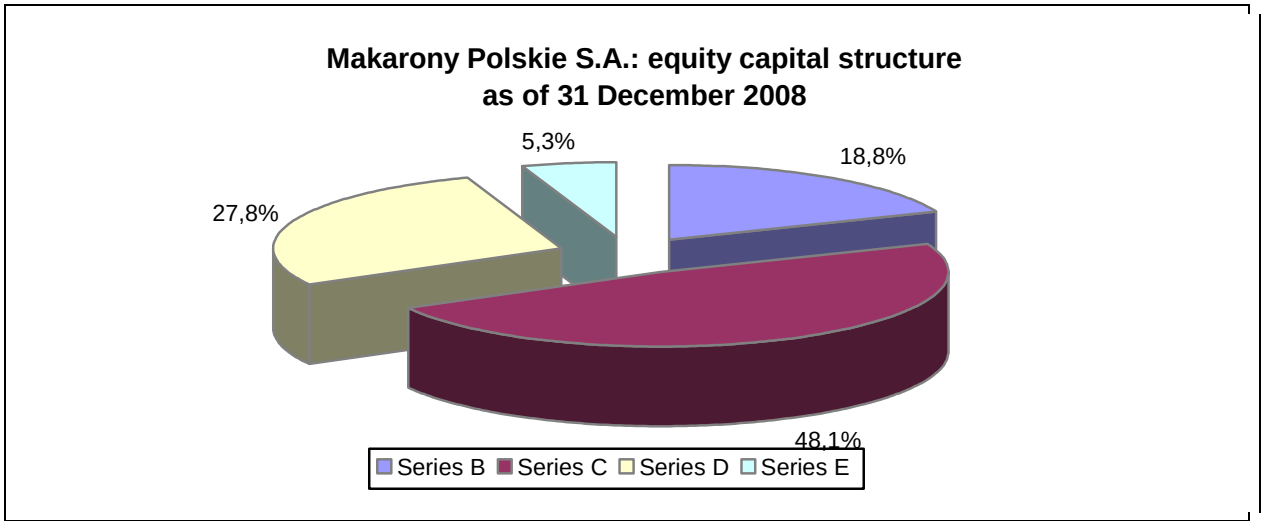
The dominant company of Makarony Polskie Capital group is **Makarony Polskie Spółka Akcyjna** (joint stock company) headquartered in Rzeszów, Poland, at 15 Podkarpacka street. The company was registered on 5 July 2004 in the District Court in Rzeszów, 12th Commercial Division of the National Court Register, entry no: 0000212001. The Company's lifetime is unlimited. Besides the head office and the production works (both located in Rzeszów), the Company has also two production works - in Płock and Częstochowa (the latter earlier operated as Abak Sp. z o.o., a subsidiary company since 30 September 2007, incorporated to Makarony Polskie on 16 May 2008).

The equity capital of Makarony Polskie S.A. as at 31 December 2008 roku:

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

Structure of Makarony Polskie's equity capital:

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



Makarony Polskie S.A. offers a wide range of pastas manufactured with or without eggs (also pressed pastas and rolling-thread pastas) in a variety of shapes: spirals, elbows, threads, shells, spaghetti, penne and other. The Company has four own pasta brands: SORENTI, ABAK, MAKARON STAROPOLSKI and SOLARE. Special business focus is put on the development of ABAK and SORENTI brands.

ABAK pastas are traditional, rolling-thread pastas made in the production works in Częstochowa. ABAK offers 11 pasta shapes.
SORENTI pasta is made in 100 % from durum flour, available in 12 shapes. In 2008 under SORENTI brand the Company has marketed complementary products to the existing product lines – pasta sauces, thus broadening the brand offer. Today the Company continues to work on SORENTI products, new products will be marketed already in 2009.

Stoczek Sp. z o.o., a subsidiary company, is registered in the District Court in Lublin, 11th Commercial Division, entry no: KRS 00000503. The partnership's lifetime is unlimited. As of 31 December 2008, as well as as at the date of this report, Stoczek's share capital totalled PLN 15,207,800.00 and was divided

into 152 078 shares. One hundred per cent of the share in the share capital of Stoczek Sp. z o.o. is owned by Makarony Polskie S.A. Shares in Stoczek Sp. z o.o. were purchased on 1 June 2007.

Stoczek is a recognised producer of ready meals, meat and vegetables preserves and jams. In early 2008 the company reviewed the portfolio of products offered under Stoczek brand and initiated a number of activities, i.a. designed new logo for the brand and completed design works related with new layout of ready meals.

Description of changes in the Capital Group's structure from 1 January 2008 until the date of drawing up this report:

As at 31 December 2008 Makarony Polskie Capital Group does not include **Abak Sp. z o.o.** which in the connection with the merger procedure initiated on 31 January 2008, as at 16 May 2008 was incorporated to Makarony Polskie.

Makarony Polskie owned 100 % of Abak's share capital (1 1980 shares) and 100 % of votes at the General Meeting of Shareholders. Therefore, the merger took place on the grounds of art. 515 of Polish Code of Commercial Companies, i.e. without increasing Makarony Polskie's share capital, as well as on the grounds of art. 516 subart. 1, 5 and 6 of Polish Code of Commercial Companies, i.e. basing on the regulations applied when an acquiring company takes over its single-shareholder company.

The aim of internal consolidation process was to simplify and improve the transparency of Makarony Polskie Capital Group's structure. Both Makarony Polskie and Abak manufacture pasta products. Consollidation of these companies had positive impact on Makarony Polskie Group's financial standing and improved the efficiency of the Group's management, while reducing at the same time the overheads.

1.2. SUPERVISING AND MANAGING PERSONS IN THE COMPANIES OF THE GROUP

I. Makarony Polskie S.A.

Detailed information regarding the supervisory and managing persons of Makarony Polskie is presented in art. 5.8 and art. 5.11 of this Report. .

II. Stoczek Sp. z o.o.

As at 31 December 2008 the governing bodies in Stoczek Sp. z o.o., a subsidiary company, were the Board of Management and General Meeting of Shareholders. Until 25 January 2008 Stoczek's business operations were governed also by the Supervisory Council, however following the registration by the court

of the changes in the company's deed of partnership, the Supervisory Council has been dissolved and direct ownership supervision has been implemented.

Since 1 January 2008 through 24 August 2008 Stoczek's Management Board was composed of one person – Andrzej Groszek, President. On 22 August 2008 the General Meeting of Shareholders passed the resolution on expanding the composition of Stoczek's Management Board from one up to two persons and appointed Beata Elert-Bochenkiewicz to the position of the Vice-President.

On 16 December 2008 Andrzej Groszek resigned from the President of the Management Board.

On 23 December 2008 the General Meeting of Shareholders of Stoczek Sp. z o.o.:

- ✓ on the grounds of the resolution no: 4 - appointed Beata Elert-Bochenkiewicz to the position of the President of the Management Board of Stoczek Sp. z o.o., effective as of 1 January 2009,
- ✓ on the grounds of the resolution no: 5 – appointed Andrzej Doński to the position of the Vice-President of the Management Board of Stoczek Sp. z o.o., effective as of 1 January 2009.

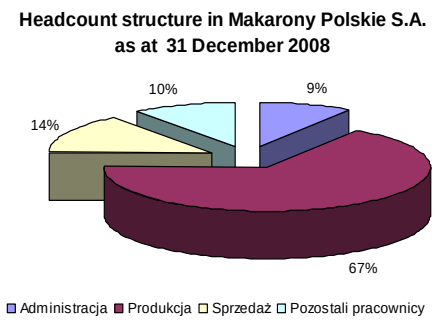
From 1 January 2009 until the publication of this report, the Board of Management in Stoczek Sp. z o.o. is composed of the following persons:

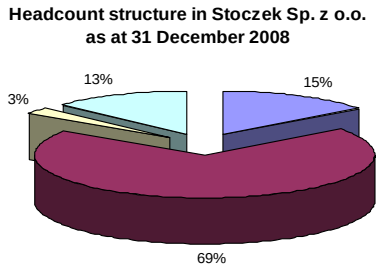
- ✓ Beata Elert-Bochenkiewicz – President,
- ✓ Andrzej Doński – Vice-President.

1.3. EMPLOYEES

Employment as at 31 December 2008 in Makarony Polskie Group:

- ✓ Makarony Polskie S.A. – 240 employees,
- ✓ Stoczek Sp. z o.o. – 111 employees.





1.4. MAIN PRODUCTS, GOODS AND SERVICES

Brand products offered by the Group include:

1) PASTAS

Top shelf product:

- **Sorenti** – modern „Italian-style" pasta, produced in 100 % from top quality durum wheat according to genuine Italian recipe, 500 grams package,

Medium shelf product:

- **Makaron Staropolski** – traditional pasta produced from selected types of regular flours, with or without eggs, 400 grams package,
- **Abak** – pastas produced with eggs, the brand for the consumers enjoying traditional, home-made soup pastas. The offer includes pastas with various contents of eggs (2-egg and 5-egg thick pasta), sold in 250 grams packages.

Economy shelf product:

- **Solare** – pasta with recognised market position, produced from ordinary flours. Targeted to the customers for whom the price is the priority, 400 grams package.

2) SAUCES

Sorenti – produced only from top quality, natural ingredients and spices, without any preservatives, flavours and colourings, offered in 560 grams packagings.

3) READY MEALS

Medium shelf products (intending to reach its higher segment)

- **Stoczek** – 16 typical ready meals, produced only from natural ingredients: without preservatives, artificial food colourings and aromas, 500 grams jar.

Economy shelf products

- **Famil-jada** - 4 most popular ready meals for less demanding customers for whom the price remains top priority.

4) JAMS

Medium shelf products:

- **Stoczek** – mostly high-sugar jams, offered in tastes most popular among the customers. Package: 300 grams jar.,

Economy shelf products

- **Famil-jada** – low-sugar jams in 6 traditional and most popular tastes. Package: 260 grams jar.

5) MEAT AND FAT PRESERVES

Medium shelf products

- **Stoczek** – traditional spreads for bread: home-made lard, pork spam, pork brawn. Package: 240 grams and 500 grams jars.,

6) PATES

Medium shelf products

- **Stoczek** – 3 types of pates. Packages: 270 grams – 470 grams.

I. Sorenti





Sorenti is a leading brand in Makarony Polskie's product portfolio which has filled out the existing gap in the Company's range of products, so far lacking high quality premium product. Sorenti pasta is produced in 100 % from top quality durum wheat semolina which guarantees that pasta will not be overcooked and will remain al dente. Sorenti pastas are special among other pastas owing to their excellent taste, cooked enough to be firm and tender, but not soft, they distinguish with beautiful golden colour. Sorenti pasta is offered in 12 most attractive shapes.

In April 2008 Sorenti brand has been developed by adding pasta sauces offered in nice looking, elegant 560 grams packages. Sorenti sauces are produced only from natural ingredients and top quality spices, without any preservatives, artificial flavours and colourings. Juicy tomatoes, fragrant herbs with dominant scent of basil and oregano make the excellent Napoli sauce and delicious Bolognese sauce with high quality minced meat. Carbonara sauce includes a unique mix of crispy bacon, aromatic spices and herbs with leading scent of garlic and thyme.

These products, created for the admirers of Italian cuisine, characterize with genuine Italian flavour and original recipe. Thermal processing and food sterilization process guarantee that Sorenti sauces are rich in vitamins and nutritional values and do not require special storage conditions.
Presently the Company is working on new SORENTI products which will be marketed in 2009.

II. STAROPOLSKI PASTA BRAND



Staropolski is a traditional Polish pasta made from the selected domestic wheat thus guaranteeing unchanged good quality guaranteeing consumer's loyalty. Staropolski brand meets expectations of those customers who value the traditional recipe of soft pasta. Staropolski pastas are targeted mainly to the customers which do not prefer al dente pastas yet who at the same time expect that soft flour pasta chosen by them will not be overcooked and will have good quality.

III. ABAK



ABAK noodles include first of all egg noodles (2-egg and 5-egg thick pasta) offered in 250 grams packages, targeted to the consumers who like traditional, home-made noodles. ABAK noodles taste great with soups and are offered in the most popular shapes in the segment of egg noodles: „sticks" and egg barley homemade noodles. ABAK noodles are produces from top quality raw materials.

IV. SOLARE



Solare brand is positioned in the economy segment and is targeted to the customers for whom the price remains top priority. Solare is the brand complementary to Makarony Polskie's market offer. Pastas are offered in a wide range of shapes, as well as in an attractive packaging, unique in this price class.
Activities related with the development of this product in 2008 were focused mainly on maintaining stable quality and competitive price. No extra promotional activities were planned for this particular product.

V. STOCZEK

- **READY MEALS**



Stoczek's ready meals offer includes as many as 16 the most popular ready meals, mainly Polish recipes. The meals are prepared with special attention and care, according to the traditional recipes. The meals are produced from only natural, selected ingredients without any preservatives, artificial colouring and aromas which makes them not only delicious, but also health food.
Stoczek ready meals combine homemade taste with comfort of fast cooking. The prove to be perfect in various situations where we neither have a possibility, nor time to prepare a meal, as well as in our very kitchens where they make an ideal base for a delicious dinner.

Owing to the thermosterilization process (heating the products in the temperature over 100° C), a natural method guaranteeing long term shelf life, in case of Stoczek products – two years long shelf life.

- **PATES, HOME-MADE LARDS**



The pates characterize with a distinct taste and smell of Polish herbs and spices thanks to which Stoczek's product remind old-style, traditional, homemade pates. On one hand, meat and lard spreads are old-Polish simple food, and on the other hand constitute half-product used by Polish housewives to prepare dinners. Stoczek spreads are made from fat, pork meat, onion and aromatic Polish herbs and spices. They go perfectly with a crusty, fresh bread.

- **JAMS**

Jams are made from fruits picked in Polish orchards. In the summer season jams are made from fresh fruits, later from frozen fruits. That is why Stoczek's jams characterize with this exceptional taste, aroma and beautiful, deep colour. The jams are free from artificial colourings and aromas, free from any chemical preservatives.

VI. FAMIL-JADA

Famil-jada brand is positioned as economy products, dedicated to less demanding but price-sensitive consumers. The offer comprises the most popular types of ready meals and jams.

1.5. BUSINESS SEGMENTS

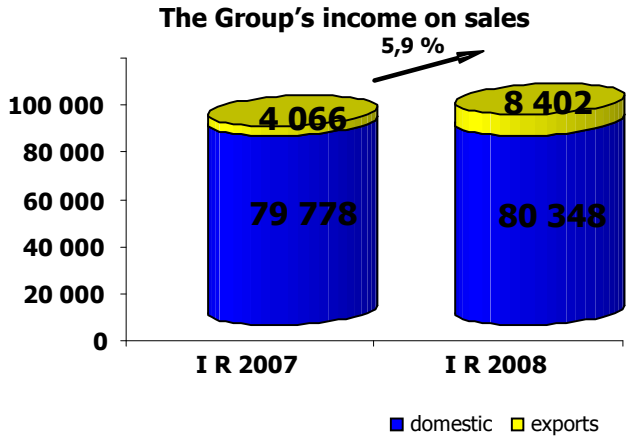
Geographically, Makarony Polskie Group is divided into domestic sales and export sales. The Group operates in three reporting segments – first segment includes the production and sale of pastas, second segment – production and sale of ready meals and meat and vegetable preserves, and the third segment – production and sale of fruit and vegetable processed products.

1.6. STRUCTURE OF SALES

1.6.1. INCOMES ON SALES BROKEN INTO MARKETS

In 2008 Makarony Polskie Group's incomes from sales totalled PLN 88.8 million and were higher by 5.9 % vs. similar period of 2007. Volume of incomes was influenced by the consolidation of incomes in accordance with the IFRS. In case of Stoczek the consolidation in 2007 referred only to June and in 2008 – to the whole year. ABAK was consolidated in 2007 only for the period from October through December and in 2008 ABAK's incomes were consolidated until the merger with Makarony Polskie as of 16 May 2008.

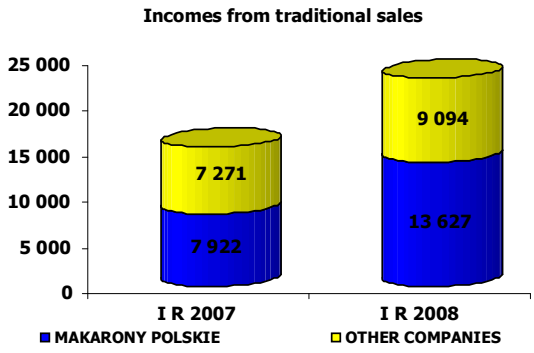
Like in the past, the majority of sales generated domestic market, i.e. 90.5 % incomes from the Group's total sales.

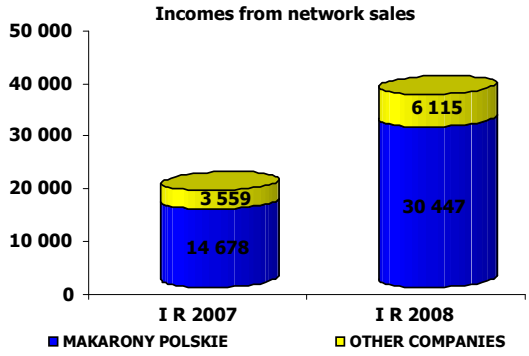


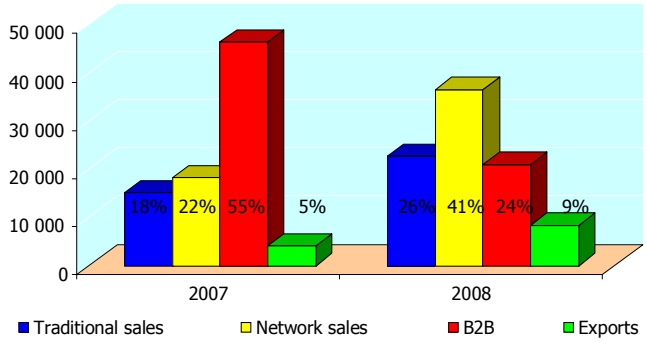
Sales from exports totalled PLN 8.4 million and were higher by 107 % in 2008 vs. 2007. As we informed in previous periods, so big increase in sales results from the consolidation of Stoczek's incomes, as well as new export contracts concluded by Makarony Polskie. The Company also forecasts increased export sales in 2009.

Domestic market

Domestic sales in 2008 totalled PLN 80,3 million and was slightly higher vs. 2007.







In 2008 Makarony Polskie Group's traditional and network sales boosted. Dynamics of sales in these two channels was 150 % and 200 % accordingly in 2007 and 2008. So high dynamics effected from the continued sales strategy of the Group targeted at replacing short-term B2B contracts with long-term contracts in traditional and network sales where the profitability of sales is much higher.

Traditional sales

In 2008 the volume of traditional sales totalled PLN 22.7 million i.e. growth by 49.5 % vs. similar period of 2007. Such a growth is the effect of continuing the intensified strategy aimed at expanding this high-margin distribution channel. Acquisition of Stoczek and Abak and the consolidation of sales incomes in the traditional sales significantly influenced the Company's financial performance.

Higher sales volumes were generated owing to the expanded range of products and introduction of the products to new distributors. Moreover, the advertising campaign promoting Stoczek brand improved sales in this distribution channels.

Makarony Polskie Group by introducing the new products, reduces CPS (Cost Per Sale) level and more effectively utilizes sales networks.

Network sales

Value of network sales amounted to PLN 36.7 million and was higher by over 100 % in 2008 vs. 2007 performance. Despite increased prices of basic raw materials, Makarony Polskie Group continues activities in order to improve profitability in this particular distribution channels, mainly through boosting the sales, increasing the number of buyers and introducing branded products.

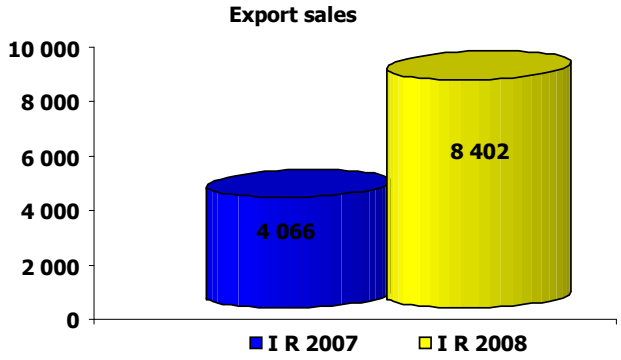
It should be emphasized that introducing brand products to the sales networks effects in higher profitability of sales, yet consequences in higher expenditures.

B2B

As far as the institutional contracts channels are concerned, the Company executed mainly deliveries of ready meals and jams in accordance with the contract concluded with the Agency for Agricultural Markets.

Foreign market

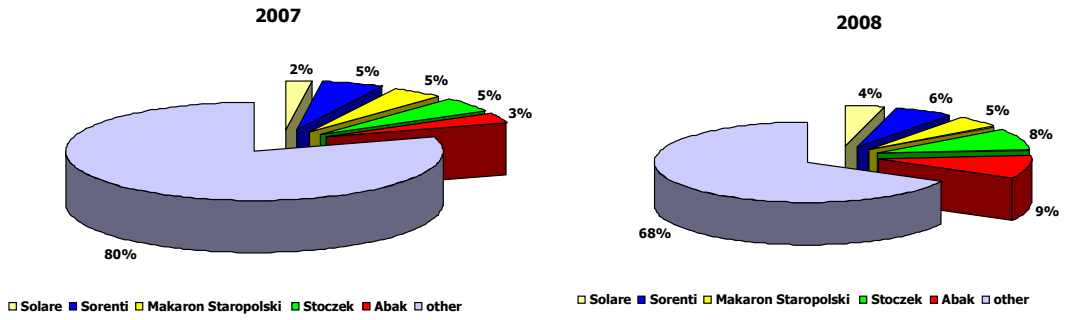
Makarony Polskie Group exports its products to the following contries: Holland, Czech Republic, Slovakia, Sweden, Great Britain, Germany, Lithuania, USA, Australia and other countries in Europe, Asia and Africa. Value of Makarony Polskie Group's export sales in 2007 totalled PLN 4.1 million, in the similar period of 2008 the sales was higher by 107 % and amounted to PLN 8.4 million.



Such a significant growth the Company owed to the consolidation of Stoczek's export sales and extremely dynamic growth of export sales in Makarony Polskie.

1.6.2. SALES INCOME BROKEN INTO PRIVATE LABELS AND THIRD-PARTY BRANDS – MAKARONY POLSKIE GROUP

In 2008 the Company pursued on-going activities focused on brand products. Incomes from the sales of brand products in 2008 reached 32 % vs. 20 % in 2007.



Makarony Polskie Group pursued the sales strategy focused on the increased share of brand products in the total sales. By introducing brand products into traditional and network sales, the Group achieves better profitability of sales than from the sales through third-party brands.

Pasta brands: Sorenti, Abak, Staropolski, Solare

Incomes from the sales of brand pastas in 2008 totalled PLN 21.9 million and were lower by PLN 9.1 million when compared with the same period of the previous year.

Stoczek brand

Among Stoczek's brand products we may find ready meals, meat and vegetable preserves and jams. Brand products include i.a. "Zamojskie" tripe, beef tripe in broth, baked beans in tomato sauce, hunter's stew, meatballs, stuffed cabbage leaves, stew and high- and low-sugar jams.

Makarony Polskie Group started to sell Stoczek's products since June 2007. From March 2008 the image of Stoczek's brand products has changed. In 2008 the value of Stoczek products totalled approx. PLN 7.4 million.

1.7. ASSESSMENT OF THE FEASIBILITY OF INVESTMENT PROJECTS AND THE GROUP'S BUSINESS DEVELOPMENT PERSPECTIVES IN THE CURRENT YEAR

In the **production works located in Rzeszów** Makarony Polskie has been carrying on the investment project – "Launching of the production of new quality pasta types based on innovative technologies". Subject of the contract is to subsidize investment projects which improve the technological process and increase of production capacity in pasta production works in Rzeszów by purchasing two technological lines: long pasta forms production line and short pasta forms production line, as well as the modernization of flour processing unit and creating a research and development laboratory.

The project is subsidized from the Sectoral Operational Program – Improvement of the Competitiveness of Enterprises, 2004-2006, Priority 2: Direct Support of Enterprises, Action 2.2: Support of product and technological competitiveness of enterprises, Sub-action 2.2.1: Support for enterprises accomplishing new investments, and on 4 June 2008 the Company concluded an investment project subsidy contract with Polska Agencja Rozwoju Przedsiębiorczości (PARP).

Total project expenditures amount to over PLN 20 million, out of which the eligible expenditures reach PLN 19.1 million (VAT tax is not covered by the subsidy since the Company is entitled to tax deduction or tax return). Twenty per cent of the investment will be financed from the Company's own funds and the remaining 80 % of the investment will be financed from a long-term investment loan. Once the Company meets the requirements stipulated in the subsidy contract, will receive a subsidy constituting 60 % of the estimated eligible expenditures i.e. PLN 11.4 million to be appropriated for the repayment of part of the above mentioned loan. In early 2009 the Company received partial refund of PLN 4.2 million. In March 2009 the Company settled the subsidy in full in order to receive final refund of PLN 7.2 million. This subsidy will significantly improve the project performance effectiveness.
Pursant to the subsidy contract, the investment was completed by 28 February 2009.

Under the on-going investment project the Company purchased a spaghetti production line (1.900 kg/h production capacity) and a production line for short forms of pasta (2.100 kg/h production capacity) which resulted in the aggregate production capacity in three production works totaling approx. 4.300 tons per month thus making around 30 % of total pasta production in Poland and ranking the Company among the largest pasta producers in the Central and Eastern Europe. Full production capacity of new machinery will be reached in Q2 2009 and within next 12-18 months the production capactiy will be utilized in 80 %.

Development of production capacity is necessary due to on-going process of the consolidation of pasta production sector in Poland. An important factor imposing consolidation processes is also concentration of suppliers and buyers, i.e. distributors, distribution networks, retail outlets and cereal industrial processing plants. Makarony Polskie are now and will in the future be actively participating in the consolidation of pasta production market, both through mergers with other entities, as well as by expanding the sale market in Poland and abroad. In the Company's point of view the increase and concentration of production capacity along with the automation of production processes constitutes one of the most effectives methods for reducing production costs and significantly increases the competitiveness.

The investment described above will complete the process of increasing pressed pasta production capacity, detailed in the issue prospectus. Owing to subsidy utilisation, the Company will be able to increase the scale of the investment project and reduce the demand for third-party capital in the financing of its business activity when compared with initial forecasts presented in the issue prospectus.

Under the production automation programme, in **Częstochowa-based production works** the PLN 2 million investment project was pursued, aimed at the increase of production capacity and reduction of production costs. The investment project was finalized in 2008.
Automation in Częstochowa-based production works (earlier: Abak headquarters) in Q4 2008 effected in the increase of rolling-thread pastas production capacity from 350 tons up to 600 tons per month and good performance of Częstochowa-based production.

In the **Płock-based production works** the automation process will be carried on and pasta retail packaging processes will be improved. These investments will result in increased effectiveness and better quality of the production by safeguarding the continuity and repeatability of the production in each moment of the production process.

Since Q1 2009 positive financial results should be achieved both in Makarony Polskie, as well as in Stoczek.

In 2009 the Group make necessary arrangements for the forthcoming development investments, especially as far as financing of the investment with EU funds is concerned:
- Makarony Polskie: new machines for the production of noodles ("sticks"), automated packaging,
- Stoczek: modernization and automation of the production process, introducing new products,
- implementing IT solutions in Makarony Polskie Group.

Major determinants influencing the Group's financial performance in 2009

- Financial results in 2009 will mainly be determined by the forecasted growth of production and sales volume in the Group, resulting from the on-going investment projects, as well as concluded and currently being negotiated contracts for pasta and ready meals production. Upon the completion of the investment projects monthly production capacity will reach approx. 4.300 tons of pasta and 600-700 tons of ready meals, mixed vegetable and meat preserves and jams. Presently, prior to the completion of the investment projects, the Company's monthly pasta production is 2.400 tons of pasta. The main assumption determining business operations of the Group companies is the pressure on the market share, development of traditional sales and increase of branded products sales. After the completion of the reorganisation process the Group's EBITDA will reach approx. 7 % - 8 %.
- Owing to the trade contracts acquired in Q4 2008 the sale of pasta will reach full utilization of the production capacity (80 % of the nominal capacity).
- The analysts forecast that the prices of wheat will gradually stabilize, hence in the long-term perspective also the prices of flour. The Company's strategy is to protect itself against negative impact of growing raw materials prices by diversifying the suppliers chain and signing contracts with key suppliers in order to regulate prices for raw materials required for the execution of long-term contracts. Such an approach will contribute to improving and maintaining stable trade margins on individual products. Taking into account current production capacity and the production volume, Stoczek became an important buyer of raw materials which – consequently – effected in better prices offered to the Company.
- Systematic repayment of financial liabilities by way of long-term investment loan (Bank BGŻ S.A. – investment in the production lines in Rzeszów), in the connection with gradual settlement of the subsidy money will yield in freezing and – subsequently – decreasing of the financial costs incurred by the Company. In February 2009 Makarony Polskie received from PARP (Polish Agency for Enterprise Development) subsidy a partial refund of PLN 4.2 million. It is expected that the remaining PLN 7.2 million will be settled in the Q2 2009. At the same time, as the most urgent investment needs are satisfied, the Group intends to execute the investment at the level of approx. 30 % of the amortization value; the remaining financial surplus will be used in order to for the reduction of short-term interest-bearing liabilities.
- Investment projects triggering production capacity boost and pasta unit production cost reduction will also effect in higher trade margins, yet - on the other hand - Makarony Polskie should expect increased amortization cost related therewith.

- In order to mitigate the insolvency risk of the Company's business partners, the existing financial policy was tightened, among others more restrictive procedures of trade credit granting were implemented.
- Cost discipline and current analysis of the profitability – keeping the administrative costs at the unchanged level while increasing the production scale – will effect in further drop in total production cost.
- The companies affiliated with Makarony Polskie Group strongly intend to participate actively in EU co-financed aid programs.

In the opinion of the Management Board of Makarony Polskie, current financial standing of the Group, its production potential and market position do not threaten its further business development, however there are many factors – mainly external – which directly or indirectly will influence the Company's future financial results.

It would be hard not to refer to the impact of global macroeconomic situation, since:

- general impact of global financial crisis on Polish economy is not known, however one may forecast that the recession and uncertainty of general economic situation may consequence in the drop of premium products sales volume and increased sales of economy products,
- growing risk triggered by PLN exchange rate vs. EUR and USD strong fluctuations results in foreign exchange differences (mainly with regard to the valuation of foreign currency loan contracted by Stoczek); level of receivables and trade liabilities in foreign currencies is small and balances foreign exchange differences;
- tougher restrictions on loans were imposed by the banks with regard to collaterals securing loans;
- both production capacity, as well as pasta production and sales volume allow to position Makarony Polskie among three the largest pasta producers in Poland and Central and Eastern Europe. The production scale of another Polish pasta producer ranked right after Makarony Polskie constitutes merely 1/3 of the production volume planned to be achieved by Makarony Polskie. In 2009 the Company intends to achieve at least 22 % of total pasta production and sales in Poland vs. 15 % in 2008;
- it is forecasted that in 2009 the Makarony Polskie Group's incomes will reach PLN 113.5 million i.e. 27 % vs. PLN 88.8 million in 2008. Given standing costs are kept at the level close to that of 2008, in 2009 the Company's financial performance should improve significantly.

1.8. DESCRIPTION OF SIGNIFICANT RISKS

Risks related with the increase of raw materials prices

There is the risk of changes in raw materials prices, first of all the prices of flour which is one of basic raw materials used in the production of pasta, constituting approx. 65 % of the production cost, and in case of Stoczek – risk of changes of meat prices (ready meals), as well as fruits and vegetables (jams).

Increased prices of raw materials cannot be fully set-off by proportional growth of prices for products offered by the Group. It results from long-term nature of the co-operation with the buyers, the increase of prices for the offered products is difficult and delayed by a couple of months when compared with the increase of raw materials prices. Especially it refers to the network trade. Consequently, in a couple of months perspective the changes of raw materials prices influence the prices of final product, nevertheless - on short-term basis changes of raw materials prices the Group may suffer losses due to dynamic growth of prices which later will be reflected in the increased prices of the products. Especially it refers to the "private label" products, for the production of which usually annual contracts are being concluded with guaranteed price for at least three months period. The risk may be mitigated by systematic increase of brand products in the structure of the Company's incomes.

Risk of changes in market trends

Risk regarding mainly a potential decrease of the size of pasta market e.g. at the cost of other pasta substitutes such as: grouts, potatoes, rice etc. It is possible mainly in case of an unfavourable change of price relation of pasta versus pasta equivalents. The Group monitors behaviour of the customer during the market declines which occurred in previous years and forecasts the increase of demand for the Group's products in 2009.

Exchange rate risk

Further weakening of PLN in relation to EUR and USD favourably influenced the profitability of exports. Since March 2009 we observe further strengthening of PLN towards foreign currencies which in the short-term perspective will consequence in smaller export sales. In a long-term perspective, due to the nature of exports sales where each time the sale price is negotiated, the Group may achieve satisfactory profitability.

Supplier risk

Makarony Polskie Group cooperates with leading suppliers of raw materials and packagings who are guaranteeing stable cooperation and the quality of offered products, as well as favourable trade conditions. The suppliers are selected in tender process and safe diversification of supplies. Makarony

Polskie signed contract for flour supply for whole year 2009, thus safeguarding unchanged purchase price. Over 40 % of the Company's production volume is secured in the similar way.

Buyer risk

Main buyers of the Company's products are large trade networks. Potential breaks in the continuity of cooperation with trade networks may affect the volume of incomes. Moreover, some trade contracts, particularly contracts with trade networks, do not stipulate precise level of orders which will be placed by the buyer. Therefore, there is risk that the buyers will place orders the size of which will vary from the anticipated volume which may consequence in lack of possibility to satisfy the demand or the overproduction. In the Group's opinion this risk is not significant as the volume of products supplied so far did not fluctuate considerably and remained at a foreseeable level.

New product risk

One of strategic goals of Makarony Polskie Group is to broaden the range of products offered in the market segments in which the Company is operating. Introduction of a new product on the market is always preceded with market research and trial batch in order to minimize the risk of product rejection by the market. There is, however, a risk that despite the implemented procedures, the Group will incur considerable costs related with the introduction of new products on the market and the new products will fail due to wrongly measured market potential, consumers preferences or actions taken by the competitors. Consequently, it may have adverse effect on the Group's financial results.

Competitor risk

Many producers both local as well as foreign operate on Polish market of pastas, ready meals and jams. Trade conditions offered by Makarony Polskie Group may become less competitive and the Group's incomes may drop. With the existing sales structure the biggest competition threat may hit network sale of private labels and services rendered under third-party labels. Increasing of production capacity and the scale of operations by so far small and medium-sized producers may significantly threat the Group's sales in those segments of the market. Another threat could be a potential new foreign competitor operating basing on the same business model.

Volatile legal and tax environment risk

Frequent changes of regulations and various interpretations of legal provisions may have adverse effect on Makarony Polskie Group's business operations. Currently Polish regulations to a certain extent are still being changed due to the ongoing harmonization of Polish regulations with EU legislation. These changes may influence the legal environment of business operations, particularly the operations of Makarony

Polskie Capital Group. Coming into force of a new regulation important for the economy may consequence in interpretation problems, inconsistent verdicts delivered by the courts, unfavourable interpretations issued by the public administration, etc.

1.9. SOURCES OF DELIVERIES

Makarony Polskie Group cooperates with leading suppliers of raw materials and packagings, thus safeguarding stable cooperation and the quality of offered products, as well as favourable trade conditions. The suppliers are being selected in the process of competitive biddings and sound diversification of the deliveries.

The deliveries are being completed on the grounds of written or verbal contracts. In case of a verbal contract, an order placed in written or electronic form constitutes confirmation of the purchase contract. The Company monitors on a current basis also the activities of other suppliers cooperating with the Company who are requested to present their business offers for raw materials used in the Group's production process – in order to maintain the purchase price at the bottom level.

I. Makarony Polskie S.A.

Basic raw material used in the production process is coarse-grained wheat flour. The Company buys flour from several main suppliers and a number of small producers.

The second very important element of a finished product is the packaging. The Company buys three types of packagings – multipacks, single packs and supplementar packagings.

Only with one supplier the sales in H1 2008 exceeded 10 % of total incomes on sales – PPH Młynopol from Krzyżowa (13 %) – the main supplier. Since, however, the Company can buy from other mills cooperating with Makarony Polskie S.A., in the Company's opinion there is not risk of becoming dependant on this particular supplier.

II. Stoczek Sp. z o.o.

Main raw materials used by Stoczek Sp. z o.o. in the production process is meat and offal, sugar and spices, as well as the packagings (e.g. jars).

In H1 2008 there were not any suppliers who exceeded 10 % of total incomes on sales.

2. FINANCIAL STANDING

2.1. PRINCIPLES OF DRAWING UP THE CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement of Makarony Polskie Capital Group for the period from 1 January 2008 through 31 December 2008, covering the dominant company and the subsidiary company, has been drawn up in compliance with the International Financial Reporting Standards (IFRS) approved by the European Union, and within the scope not regulated by the above mentioned standards – in accordance with the requirements of the Act of 29 September 1994 on the accounting (Journal of Laws from 2002, no: 76, item 694 with later amendments) and issued on its grounds regulations, as well as in accordance with current and interim reports provided by the issuers of the securities (Journal of Laws from 2009, no: 33, item 259).

The consolidated financial statement has been prepared according to the historical cost method, except for financial instruments which are valuated according to the fair value.

Consolidated financial statement is drawn up in Polish zlotys. Polish zloty is the functional currency of the dominant company, the subsidiary companies and all the figures, unless stated otherwise, are represented in Polish zlotys. The consolidated financial statement has been drawn up basing on the assumption that both the dominant company, as well as Stoczek Sp. z o.o. subsidiary company will continue their business operations in the foreseeable future. No circumstances in any company of the Group indicate potential threat of the discontinuance of business operations.

The subsidiary companies keep/kept (Abak Sp. z o.o.) the accounting books in accordance with the accounting policy (principles) set forth in the Law of 29 September 1994 on the accounting (the "Law") with later amendments and regulations issued on the grounds of the said Law ("Polish accounting standards"). The consolidated financial statement includes adjustments not included in the accounting books of Group entities incorporated in order to make the financial statement of these entities compliant with the standards and interpretations issued by the Financial Reporting Interpretations Committee.

In the consolidated financial statement all the companies of the Group present business events in accordance with their economic contents. The consolidated and stand-alone profit-loss-statement are presented in the calculation approach. Reporting period of the subsidiary company corresponds with the reporting period of the dominant company.

The selected financial figures in EUR are presented in accordance with art. 91 subart. 2 of the ordinance issued by the Minister of Finance on 19 February 2009:

- ✓ balance-sheet items were evaluated according to the average exchange rate announced by the National Bank of Poland as of the balance-sheet date (31 December 2008: 1 EUR= 4,1724 PLN, 31 grudnia 2007: 1 EUR=3,5820 PLN),
- ✓ items of the profit-and-loss statement and the cash flows were computed according to the exchange rate constituting the arithmetical average of average exchange rates determined by the National Bank of Poland as of last day of each month in the fourth quarter of a given month (31 December 2008: 1 EUR= 3,5321 PLN, 31 December 2007: 1 EUR= 3,7768 PLN).

2.2. LIST OF ENTITIES COVERED BY THE CONSOLIDATED FINANCIAL STATEMENT FOR 2008

Company	Seat	Type of business link as at 31.12.2008	Consoli-dation method	Date of taking control / imposing material impact	% of equity owned as at 30.06.2008
Stoczek Sp. z o.o.	Stoczek Łukowski	direct subsidiary	full	01.06.2007	100 %
Abak Sp. z o.o.	Częstochowa	direct subsidiary (on 16.05.2008 incorporated with Makarony Polskie S.A.)	full	30.09.2007	100 %

In 2008 Makarony Polskie S.A. controlled the operations of 2 subsidiary companies: Stoczek Sp. z o.o. and Abak Sp. z o.o.(until the merger). A company is under control when Makarony Polskie S.A. exercises – directly or indirectly – control over financial and operating policy of a company in order to achieve financial benefits from its operations. Purchase of subsidiary companies is being settled according to the purchase method. The subsidiary companies are subject to the consolidation as of the day of taking control by the Group and cease to be subject to the consolidation as of the day of discontinuing the control.

Mutual settlements, transactions and non-realized profits or gains (provided they do not constitute grounds for an impairment) are eliminated. Capital adjustments taken into account in the consolidated statement are made by eliminating the elements of the subsidiaries' equity in order to reflect the share of Makarony Polskie in the losses from previous years, results of a current year, as well as to determine the cost of merger and company goodwill.

Negative goodwill due to the incorporation in May 2008 of 100 % shares in Abak Sp. z o.o. was evaluated basing on the estimated fair value of Abak's net assets, actual costs related with the purchase of shares and the price paid for all the shares.

While drawing up the consolidated statement of the Capital Group for 2008 full consolidation method was applied. Full consolidation covered financial statement of the dominant company Makarony Polskie S.A. and the subsidiary companies Stoczek Sp. z o.o. and Abak Sp. z o.o. (until the merger). Makarony Polskie took control over Stoczek Sp. z o.o. on 1 June 2007 and over Abak Sp. z o.o. on 30 September 2007. Makarony Polskie's merger with Abak Sp. z o.o. took place on 16 May 2008.

2.3. MAIN ECONOMIC AND FINANCIAL FIGURES REGARDING MAKARONY POLSKIE GROUP

Selected financial data of Makarony Polskie Capital Group as at 31 December 2008 are presented below (PLN thousands):

Grupa Makarony Polskie	2007	2008	change % 2007 / 2008
Incomes on sales of products, services, goods and materials	83 844	88 750	6%
Cost of products, services, goods and materials sold	69 134	71 489	3%
Gross profit on sales	14 710	17 261	17%
Cost of sales	10 828	13 233	22%
Overheads	4 456	6 094	37%
Amortization	2 863	4 009	40%
EBIT	1 979	-1 541	-178%
EBITDA	4 842	2 468	-49%
Gross profit/loss	2 664	-2 715	-202%
Net profit/loss	2 422	-2 776	-215%
EBIT profitability	2,36%	-1,74%	
EBITDA profitability	5,78%	2,78%	
Gross profitability on sales	3,18%	-3,06%	
Net profitability on sales	2,89%	-3,13%	

Financial figures presented above include consolidated statements of Makarony Polskie and the subsidiary companies i.e. Abak Sp. z o.o. and Stoczek Sp. z o.o.

In accordance with the principles of the International Accounting Standards, according to which the Group's financial statements are being drawn up and presented, the consolidation of Abak's financial data covers the period from 1 October 2007, and in case of Stoczek the period from 1 June 2007 accordingly. The comparable data regarding 2007 refer to the results achieved by Makarony Polskie and only to June

2007 in case of Stoczek. As far as year 2008 is concerned, according to the International Reporting Standards are compared the incomes of Makarony Polskie, Stoczek and Abak – until the merger with Makarony Polskie (16 May 2008).

2.4. CONSOLIDATED PROFIT AND LOSS STATEMENT

FOR THE PERIOD	*Note*	**01.01.2008-31.12.2008**	**01.01.2007-31.12.2007**
Net incomes on sales of products, services, goods and materials		88 750	83 844
Cost of sold products, services, goods and materials		71 489	69 134
Gross profit (loss) on sales		**17 261**	**14 710**
Cost of sales		13 233	10 828
Overheads		6 094	4 456
Other incomes		1 036	3 075
Other costs		489	522
Profit (loss) under construction		**-1 541**	**1 979**
Financial profits		700	1 570
Financial costs		1 874	885
Gross profit (loss)		**-2 715**	**2 664**
Income tax – current part			17
Income tax – deferred part		61	225
Profit (loss) under construction		**-2 776**	**2 422**

The Group's incomes from sales in 2008 totalled PLN 88.8 million and were higher by 6 % when compared with similar period of the previous year.

It should be emphasized that Makarony Polskie Group continues intensified works in order to modify its sales portfolio - one-off contracts are being replaced with brand products characterizing with higher profitability. Also the group of potential long-term buyers is being continuously developed.

The Group continues to pursue the strategy of minimizing raw material and structural costs. Among others – through the merger of Makarony Polskie with Abak the Group reduced costs of accounting, backoffice, logistics and general overheads. At the same time the production scale increased, thus resulting in the reduction of fixed charges.

2.5. ASSETS AND LIABILITIES STRUCTURE OF THE CONSOLIDATED BALANCE-SHEET

		31 Dec 2008	*31 Dec 2007*	Change %
A.	**TANGIBLE ASSETS**	**84 537**	**69 723**	**21,2%**
1.	Tangible fixed assets	72 963	58 604	24,5%
2.	Goodwill	5 946	5 946	0,0%
3.	Other intangibles	5 041	5 063	-0,4%
4.	Long-term financial assets	374	-	
5.	Deferred income tax	143	93	53,8%
6.	Long-term prepayments and accrued income	70	17	311,8%
B.	**CURRENT ASSETS**	**28 646**	**26 151**	**9,5%**
1.	Inventories	8 014	7 914	1,3%
2.	Short-term debtors	18 446	16 242	13,6%
3.	Income tax receivables	-	925	
4.	Loans granted	-	-	
5.	Cash and cash equivalents	1 291	550	134,7%
6.	Short-term prepayments and accrued income	895	520	72,1%
C.	**FIXED ASSETS FOR SALE**	**1 162**	**-**	
	TOTAL ASSETS	**114 345**	**95 874**	**19,3%**

		31 Dec 2008	*31 Dec 2007*	Change %
A.	**EQUITY**	**59 044**	**61 851**	**-4,5%**
1.	Share capital	27 750	26 756	3,7%
2.	Other capital	31 941	32 653	-2,2%
3.	Accumulated profit (loss) from previous years	2 129	20	10545,0%
4.	Profit after taxation	- 2 776	2 422	-214,6%
I.	**LONG-TERM CREDITORS**	**7 307**	**9 526**	**-23,3%**
1.	Deferred income tax provision	412	473	-12,9%
2.	Long-term bank credits and loans	5 393	6 867	-21,5%
3.	Retirement benefit and similar provisions (long-term)	153	102	50,0%
4.	Accruals and deferred income (long-term)	850	949	-10,4%
5.	Long-term financial leasing creditors	499	1 135	-56,0%
II.	**SHORT-TERM CREDITORS**	**47 994**	**24 498**	**95,9%**
1.	Short-term bank credits and loans	21 303	6 141	246,9%
2.	Short-term financial debtors (leasing and factoring)	3 831	1 668	129,7%
3.	Other short-term debtors	22 669	16 377	38,4%
4.	Other short-term accruals and deferred income	97	102	-4,9%
5.	Retirement benefit and similar provisions (short-term)	52	151	-65,6%
6	Other short-term provisions	42	59	-28,8 %
B	**TOTAL CREDITORS**	**55 301**	**34 024**	62,5 %
	TOTAL EQUITY AND LIABILITIES	**114 345**	**95 875**	19,3 %

Total value of Company's assets as at end 2008 vs. 2007 grew by 19.3 % and totalled PLN 114 345 thousand. In 2008:

- ✓ assets for sales were identified and separated – in the result of the investment projects one of the technological production lines was appropriated for sale,

- ✓ in the connection with merger of Abak and Makarony Polskie, the value of Abak brand was entered into books as an intangible asset,
- ✓ short-term receivables increased by more than PLN 2 million – due to increased sales wit long-term payment date.

In the connection with the increased scale of business operations and execution of investments in 2008, long- and short-term bank loans grew by PLN 14 million. In 2009 Makarony Polskie has completed the investment project. In February 2009 the Company has already received a partial refund of PLN 4.2 million. It is expected that final settlement of the subsidy in the amount of PLN 7.2 million will take place in Q2 2009. At that time the received subsidy will be appropriated for the repayment of interest-bearing liabilities.

2.6. ASSESSMENT OF FINANCIAL ASSETS MANAGEMENT

In the accounting year 2008 financial funds owned by Makarony Polskie Capital Group have been managed reasonably and effectively. Main financial instruments used by the Group were bank loans, leasing, factoring, cash management and short-term deposits. The Group has not been a party of any option contracts. All the exposures related with bank loans, as well as leasing and factorings remained at the level adequate to the existing requirement for the funds. Financial surpluses resulted in reduced utilization of overdrafts. The Group intended to increase bank loans exposures in accordance with the advancement of investment projects conducted by Makarony Polskie Group. The growth of interest-bearing debt was related mainly with the execution of the investment project in Rzeszów-based productin works. As mentioned above, the subsidy for Makarony Polskie (approx. PLN 9.6 million) will be appropriated for the repayment of the investment loan.

In the period in question no risks related with the repayment of debt occurred. Also in the subsequent reporting periods, according to the planned cash flows, the Group should not experience any financial liquidity risk.

2.7. OFF-BALANCE SHEET ITEMS

	Group	Group
Off-balance sheet items*	**31 December 2008**	**31 December 2007**
1. Contingent receivables	**7 097**	**20 523**
1.1. From the affiliated entities by way of:	-	6 493
- received guarantees and securities	-	6 493
1.2. From other entities by way of:	7 097	14 030
- received guarantees and securities	7 092	14 025
- bills of exchange	5	5
2. Contingent liabilities	**21 446**	**6 493**
2.1. To the affiliated entities by way of:	21 446	6 493
- granted guarantees and securities	21 446	6 493
3. Other, by way of:	**103 271**	**39 354**
- bills of exchange	57 273	14 891
- pledged assets	43 495	22 313
- other – assignment of receivables and authorization to the company's bank account	2 503	2 150
Total off-balance sheet items	**- 117 620**	**- 25 324**

*without consolidation exclusions

2.8. UTILIZATION OF INFLOWS FROM ISSUE OF SECURITIES

Within the period from 1 January 2008 until the date of this report the Company has not been issuing shares and does not intend to do so until end 2009.

2.9. EXPLANATION OF DIFFERENCES BETWEEN ACTUAL AND FORECASTED FINANCIAL RESULT

The Management Board of Makarony Polskie Group has not published any forecasted results of the Company and Makarony Polskie Group for 2008.

2.10. THE ASSESSMENT OF DETERMINING FACTORS AND NON-STANDARD OCCURRENCES HAVING IMPACT ON THE OPERATIONAL RESULT FOR 2008, INCLUDING THE DEGREE OF THEIR IMPACT ON THE ACHIEVED RESULT

In 2008 Makarony Polskie Capital Group generated a loss of PLN 2 776 thousand.

Financial performance of Makarony Polskie Group in 2008 was greatly influenced by:

- ✓ later than planned effects of the restructuring process implemented in the subsidiary companies,
- ✓ limitation of the production scale – contracts expiring in 2007 caused temporary decrease of the production volume in January and February 2008, these contracts are systematically replaced with new ones,
- ✓ higher prices of main raw materials, especially the flour – due to crisis on global markets,
- ✓ high volatility of the exchange rates,
- ✓ higher than planned costs of merger and restructuring process in Stoczek Sp. z o.o. and Abak Sp. z o.o.,
- ✓ growing competition on the ready meals market.

Main achievements:

- ✓ automation of the production process, increased production scale and lower costs of raw materials in Stoczek Sp. z o.o.,
- ✓ completion the basic part of the roll-thread pasta production process which effected in positive financial results achieved by Częstochowa-based production works (earlier: Abak) – Abak's business operations generated the worst results in the Group (approx. PLN 150-200 thousand loss each month),
- ✓ development of sales due to replacing the contract with Agency for Agricultural Markets with more perspective contracts in the network and traditional sales,
- ✓ finalization of main part of cost restructuring which effected in approx. PLN 250 thousand savings (2008 vs. 2007).

Year 2008 was the period of reorganization and rearrangement of Makarony Polskie Group's organizational structure. Functions related with sales, logistics, marketing and administration were centralised which effected in significant reduction of costs. Production potential was developed, mainly through investment projects completed in Rzeszów- and Częstochowa-based production works. The investments are cofinanced from EU funds in the total amount of PLN 11.4 million. All the pursued activities will yield in dynamic increase of sales which – together with low unit costs – will generate outstanding financial results in 2009.

3. SIGNIFICANT CONTRACTS CONCLUDED BY THE CAPITAL GROUP

3.1. TRADE CONTRACTS

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

Basing on the contract concluded in 2004 by Makarony Polskie with Jeronimo Martins Dystrybucja, the Company sells two pasta brands: Dobrusia and Vitalia. Incomes generated by the Company from this contract constitute approx. 18 % of total annual Company's incomes.

On 6 October 2008 new terms and conditions of the co-operation under this contract were agreed upon. The parties agreed on new prices for pastas, the prices remain effective until 28 February 2009. The scope of general co-operation was extended – pasta will be delivered to two new distribution hubs due to the fact that Jeronimo Martins Dystrybucja has acquired Plus Discount network. Other terms and conditions of the contract remain unchanged. The Company estimates that owing to new terms and conditions of the co-operation, total sales to Biedronka foodstuffs network will grow by approx. 20 %. The forecasted income volume to be generated from this contract since January 2008 until February 2009 will total nearly PLN 20 million.

2. Contracts with Kaufland Group

Total estimated turnover generated from all the contracts concluded among companies of Makarony Polskie Group and the subsidiaries of Kaufland Group will in 2009 amount to aprox. PLN 12 million vs. PLN 4,64 million in 2007 and PLN 9,86 million in 2008.

Makarony Polskie supplies Kaufland with the following pasta brands: Sorenti, Abak and Makaron Staropolski, as well as pasta under own Kaufland brand. Stoczek delivers ready meals under its own brand and under Kaufland brand. Below please find the detailed scope of currently binding contracts with the Kaufland Group:

- ✓ On 27 April 2007 Makarony Polskie S.A. and Kaufland Markety Sp. z o.o. Sp. k. (Kaufland Polska) concluded the contract for sale and delivery of pasta to Kaufland Polska central warehouse (Makarony Polskie brand and Kaufland brand). Total value of the products sold under 2007 contract amounted to approx.
  PLN 3 million. In January 2008 the Company concluded similar annual contract with Kaufland Polska and the turnover totalled PLN 4.18 million. In January 2009 the Company signed new contract and assumes that total value of the deliveries in 2009 will exceed PLN 4.5 million.
- ✓ On 2 January 2008 Makarony Polskie concluded also framework co-operation agreements with Kaufland Ceska Republika (Kaufland Czech Republic), Kaufland Slovenska Republika (Kaufland Slovakia) and Kaufland Romania. The contracts remained effective until 30

September 2008 and covered the delivery of spaghetti and 4-5 other forms of pasta under Kaufland own brand. On 6 October 2008 the framework contracts with Kaufland Czech Republic and Kaufland Slovakia were amended by agreeing on new prices for the period from October 2008 through September 2009. The estimated value of the deliveries for Kaufland Czech Republic from October 2008 through October 2009 will total approx. PLN 2.9 million, and to Kaufland Slovakia (the same pasta forms) approx. PLN 1.2 million.

- ✓ Stoczek Sp. z o.o. – the subsidiary company – concluded contract with Kaufland Polska Markety for the delivery of ready meals under own Kaufland brand. The forecasted estimated value of the contract (October 2008 – September 2009) will total approx. PLN 2 million.
- ✓ In January 2009 Stoczek Sp. z o.o. concluded contract with Kaufland Polska Markety for the delivery of ready meals and other food products under Stoczek brand. The forecasted estimated value of the contract in 2009 will total approx. PLN 1 million.

3. Contract with Metro Group

On 6 October 2008 the Company signed a contract with Makro Cash & Carry Polska based in Warsaw, represented by MGB Metro Group Buying Polska Sp. z o.o. and Spółka Sp. K.
Subject of the contract is sale and delivery of food products under Sorenti, Abak and Stoczek brands, the products will be delivered to the companies from Metro Group. The contract has been concluded for an unspecified period of time. The estimated value of annual incomes under the contract should total over PLN 6 million.

4. Contracts with the Agency for Agricultural Markets

The Company co-operates with Agencja Rynku Rolnego (ARR) in the framework programme: „Food Aid Support for the Poorest Citizens in the European Union 2009". Total value of contracts concluded by Makarony Polskie and ARR in 2009 amounted to PLN 15.656 thousand and covered:

- ✓ Contract for the supply of jams to be completed by 31 December 2009. Net value of the contract is PLN 3.516 thousand. In exchange for jam the Company will receive sugar – to be collected from the European Union's emergency warehouses to be indicated by ARR.
- ✓ Contract for the supply of pasta to be completed by 31 December 2009. Net value of the contract totaled PLN 12.140 thousand.

Both contracts are collateralized with performance warranty up to 110 % of contractual amount.

5. Contract with Polskie Młyny S.A. (Polish Mills)

On 3 November 2008 the Company signed contract with Polskie Młyny based in Warsaw. Polskie Młyny as the flour producer provides Makarony Polskie's production works with the flour. The contract details volumes of the deliveries and fixed purchase price until end-February 2009. Moreover, the contract stipulates the operational procedure of setting volumes of deliveries and fixed purchase prices for further perods. The expected annual value of the purchases under this contract amounts to over PLN 7 million and covers nearly 30 % of the Company's total demand for pasta flour. The contract was entered into in compliance with general policy of the Company on the supply of raw materials for fixed prices in order to execute contracts with the buyers. In March 2009 both companies expanded the cooperation and concluded new contract for PLN 6 million for the period from March until December 2009. The contract details volume of deliveries and fixed price for raw materials within the above period.

3.2. OTHER SIGNIFICANT EVENTS

- Makarony Polskie's mergerwith Abak

On 30 January 2008, in the connection with the ongoing process of internal reorganization of Makarony Polskie Group, the Board of Management of Makarony Polskie decided on the Company's merger – pursuant to art. 492 subart. 1 item 1 of Polish Code of Commercial Companies – with its one-shareholder subsidiary Abak Sp. z o.o. headquartered in Częstochowa. The aim of internal consolidation process was to simplify and improve the transparency of Makarony Polskie Capital Group's structure. Both Makarony Polskie and Abak manufacture pasta products. Consollidation of these companies had positive impact on Makarony Polskie Group's financial standing and improved the efficiency of the Group's management, while reducing at the same time the overhead expenses. On 30 January 2008 the Management Boards of Makarony Polskie and Abak signed the merger plan. Merger plan has been outlined in detail in the current report ref. no: 11/2008. On 22 April 2008 the Extraordinary General Meeting of Shareholders of Makarony Polskie passed the resolution on approving the merger of Makarony Polskie (the acquiring company) with Abak. The merger has been executed through the acquisition of Abak by Makarony Polskie pursuant to art. 492 art. 1 subart. 1 of the Polish Code of Commercial Companies, i.e. by the transfer of the all Abak's assets to Makarony Polskie. Following the merger Abak was dissolved.

Makarony Polskie owned 1 980 shares in Abak, constituting 100 % of the share capital and entitling to 100 % of votes at the General Meeting of Shareholders. Therefore, the merger took place by taking into account the provisions of art. 515 of Polish Code of Commercial Companies, i.e. without raising Makarony Polskie's share capital and art. 515 subart. 1, 5 and 6 of Polish Code of Commercial Companies, i.e.

basing on the regulations applied in case an acquiring company acquires its own one-shareholder company.
The merger has been registered in the National Court Register on 16 May 2008.

- Admission of Makarony Polskie's ordinary bearer shares series E to the stock exchange turnover and registration with the National Depository for Securities (KDPW).

As of 20 March 2008 the Management Board of Warsaw Stock Exchange admitted 331 250 Makarony Polskie's ordinary bearer shares series E of nominal value PLN 3 each, to the stock exchange turnover on the main market. The above mentioned shares were registered with the National Depository for Securities (KDPW) on 14 March 2008.

- Contract with Polska Agencja Rozwoju Przedsiębiorczości (Polish Agency for Enterprise Development) – subsidy for an investment project.

On 4 June 2008 the Company concluded an investment project subsidy contract with Polish Agency for Enterprise Development (PARP) – "Launching of the production of new quality pasta types based on innovative technologies" within the framework of "Sectoral Operational Program – Improvement of the Competitiveness of Enterprises, 2004-2006, Priority 2: Direct Support of Enterprises, Action 2.2: Support of product and technological competitiveness of enterprises, Sub-action 2.2.1: Support for enterprises accomplishing new investments".

Subject of the contract is to subsidize investment projects which improve the technological process and increase of production capacity in pasta production works in Rzeszów by purchasing two technological lines: long pasta forms production line and short pasta forms production line, as well as the modernization of flour processing unit and creating a research and development laboratory.

Under the on-going investment project the Company intends to purchase a spaghetti production line (1.900 kg/h production capacity) and a production line for short forms of pasta (2.100 kg/h production capacity). Aggregate production capacity in three production works will total approx. 4.300 tons per month thus making around 30 % of total pasta production in Poland which will rank the Company among the largest pasta producers in the Central and Eastern Europe. Full production capacity of new machinery will be reached in 2Q 2009.

In accordance with the annex to the subsidy contract dated 6 January 2008, the investment should be completed by 28 February 2009. Currently total project expenditures, in accordance with the annex to the

contract, constitute PLN 19.209 thousand, out of which the eligible expenditures PLN 19.078 thousand which makes the subsidy of PLN 11.447 thousand (60 % of the eligible expenditures).

- Contract with Polska Agencja Rozwoju Przedsiębiorczości (PARP - Polish Agency for Enterprise Development) – subsidy for a training program.

On 30 December 2008 the Company concluded contract with Polish Agency for Enterprise Development (PARP) to subsidize a training program "Staff qualifications – a key to the development of Makarony Polskie Group". Under the contract the Company (along with Stoczek subsidiary company) received funding in the form of a development subsidy of PLN 3.101 thousand for project implementation (granted public aid for project implementation totals PLN 2.481 thousand and the Company's own contribution will amount PLN 775 thousand). According to the subsidy contract, the project should be implemented from 1 January 2009 until 31 August 2010. Trainings schedule was broken down into sections dedicated to individual groups of employees. Training program will be attended by the employees representing all the staff employed with Makarony Polskie and Stoczek. Key element of the project are subsidies for IT trainings, preparing for future implementation of IT system – ERP class. Value of the project was pre-estimated.

- Contract with BGŻ Bank for a long-term loan

With reference to the contract for a subsidy for the investment project "Launch of new quality pasta production based on innovative technologies" a long-term investment loan contract has been signed with Bank Gospodarki Żywnościowej S.A. (Food Industry Bank). Loan of PLN 15.266 thousand will be used to finance 80 % of the above specified investment project. Loan interest rate is floating, based on the reference WIBOR 3M interest rate, increased by the bank's trade margin usually applied by BGŻ Bank. Loan grace period will end on 30 May 2009, provided the subsidized loan repayment during the grace period does not interrupt the grace period. Loan (capital) will be repaid in 85 instalments, ouf ot which: 1 instalment in the amount of PLN 9.647 thousand is due on 31 May 2009 (or earlier if the funds from subsidy will be available), 83 monthly instalments PLN 67 thousand each, due since 30 June 2009 until 30 April 2016 and 1 equating instalment of PLN 48 thousand, payable on 31 May 2016. Legal security for loan repayment along with due interest constitutes the assignment of receivables from the subsidy contract (reported by the Company in the current report no: 27/2008 of 5 June 2008), registered pledge on purchased under the investment project two technological production lines for the production of long and short pasta forms along insurance policy assignment, blank bill of exchange issued by the Company along with bill of exchange agreement, as well as the mandate to operate the Company's current bank account in BGŻ Bank.

The Company has distributed part of the subsidy in the amount of PLN 4,193 thousand, received on 28 January 2009 (current report no: 6/2009 of 28 January 2009) in such a manner that PLN 2,393 thousand was appropriated for the repayment of loan debt and PLN 1,800 thousand will be used for financing the last stage of the investment project.

3.3. SIGNIFICANT CONTRACTS CONCLUDED BETWEEN THE SHAREHOLDERS

Board of Management of Makarony Polskie does not have information on significant contracts concluded among the Company's shareholders.

3.4. INSURANCE CONTRACTS CONCLUDED FOR THE COMPANIES FROM MAKARONY POLSKIE GROUP

Insurance contracts concluded by the Makarony Polskie Group member companies from, binding as of 31 December 2008.

I. Makarony Polskie S.A.

No:	Insurer	Insurance period	Total insurance amount (TPLN)	Type of the insurance
1.	Sopockie Towarzystwo Ubezpieczeń STU Ergo Hestia S.A. Rzeszów Property insurance - covers the production works in Rzeszów, Płock and Częstochowa	01.11.2008 - 31.10.2009	28 813	Comprehensive insurance against all risks.
2.			434	Insurance of the electronic equipment.
3.			200	Third-party liability insurance cover by way of running business activity or using a property (including third-party liability insurance for a product).
		01.11.2008 - 31.03.2009	2 586	Comprehensive insurance cover against all risks – pasta production line (line already sold).
		20.02.2009- 31.10.2009	4 700	Comprehensive insurance cover against all risks – building in Częstochowa**

4.	Powszechny Zakład Ubezpieczeń S.A. Częstochowa Property insurance – covers the production works in Częstochowa (Abak pre-merger insurance policy)	04.04.2008 - 03.04.2009	720	Insurance against fire and natural forces (pasta production line).
5.		27.04.2008 - 26.04.2009	770	Insurance against fire and natural forces (machines and equipment).
6.		14.03.2008 - 20.02.2009	1 300	Insurance against fire and natural forces (buildings and structures).
7.		21.02.2008 - 20.02.2009	3 200	Insurance against fire and natural forces (buildings and structures).
8.		21.05.2008 - 20.05.2009	430	Insurance against fire and natural forces (rolling-thread pasta production line).

* - part of the property in Częstochowa-based production works not covered by PZU insurance policy (insurance contracts are renewed following the expiration of the subsequent insurance contracts).

** - insurance contract concluded in November 2008, however the insurance coverage period has been determined for 20 February 2009 – 31 October 2009, i.e. following the expiration of the property insurance contract with PZU insurance company.

Following the end of the accounting year the Company concluded additional property insurance contracts increasing the insurance amount:

1 – insurance amount has been increased up to PLN 53,511 thousand,

2 – insurance amount has been increased up to PLN 440 thousand.

II. Stoczek Sp. z o.o.

No:	Insurer	Insurance period	Total insurance amount (TPLN)	Type of the insurance
1.	UNIQA SA	20.05.2008-19.05.2009	35 572	Insurance against fire and natural forces
2.	PZU SA	13.03.2008-12.03.2009	3 396	Insurance against fire and natural forces
3.	UNIQA SA	20.05.2008-19.05.2009	200	Third-party insurance coverage by way of running business activity or owning a property.
4.	UNIQA SA	20.05.2008-19.05.2009	50	Burglary, theft and robbery insurance.
5.	UNIQA SA	20.05.2008-19.05.2009	200	Property insurance in domestic transport.

On 13 March 2009 the insurance contract with PZU has been extended for insurance coverage against fire and natural forces for ther period from 13 March 2009 through 12 March 2010, the insurance amount totals. PLN 3 396 thousand.

3.5. COOPERATION CONTRACTS CONCLUDED FOR 2008

- Agreements for joint distribution of products offered by Makarony Polskie Group

  Due to the acquisition of 100 % Stoczek's and Abak's shares by Makarony Polskie and in order to improve the effectiveness of the sale of Makarony Polskie Group's products within the territory of the Republic of Poland, the companies concluded agreements on joint distribution of their products:

  - Agreement of 31 October 2007 concluded by and between Makarony Polskie and Abak

    Makarony Polskie obligated itself to undertake actions necessary for proper distribution of Abak's products, particularly to ensure cooperation with the distributors of Abak products. This agreement was valid until 15 May 2008, i.e. until Abak's incorporation into Makarony Polskie. The remuneration by the way of this contract reflected the existing market conditions.
  - Distribution agreement with Stoczke of 27 December 2007

    Makarony Polskie and Stoczek agreed that the sale of their products will be conducted through Makarony Polskie's distribution network. The remuneration by the way of this contract reflected the existing market conditions.

3.6. TRANSACTIONS WITH AFFILIATED COMPANIES EXCEEDING IN PLN THE EQUIVALENT OF EUR 500,000

Makarony Polskie concluded with Stoczek subsidiary company the trade contract for the production and delivery of ready meals and jams for the period from March through December 2008. Net value of the contract amounted to PLN 5.78 million. Subject of the contract covered the subcontracting services for the contract concluded by Makarony Polskie and the Agency for Agricultural Markets for the delivery of foodstuffs to the charity organization under the framework programme: „Food Aid Support for the Poorest Citizens in the European Union 2008".

Makarony Polskie rendered also distributive services for Stoczek and Abak, on the grounds of the agreements detailed in item 3.5.

The status quo of loans advanced by Makarony Polskie to Stoczek as of 31 December 2008 was PLN 996 thousand (including interest). In accordance with the provisions of the contracts, this amount should be repaid by 30 June 2009. Loan contracts are described in detail in item 3.9.

In 2008 Makarony Polskie has given securities to Stoczek subsidiary company. Detailed list of the securities is presented in item 3.9.

All contracts concluded among the companies within the Group reflected current market conditions.

3.7. CONTRACTED CREDITS AND LOANS, DUE DATES. PLEDGES AND GUARANTEES GIVEN TO THE COMPANIES

As of 31 December 2008 short-term liabilities arising from the contracted short-term credits and loans amounted to PLN 21 303 thousand, the balance of long-term liabilties by way of credits and loans constituted PLN 5,393 thousand.

I. List of contracts concluded by Makarony Polskie as at 31 December 2008:

- Overdraft in BGŻ S.A.

Terms and conditions of credit facility	
Credit amount	PLN 3 500 thousand
Credit period	04.12.2007 – 02.12.2009
Credit status quo as at 31 December 2008	PLN 3 499 thousand
Repayment schedule	02.12.2009 – PLN 3 500 thousand
Credit security	✓ bail mortgage up to the amount of PLN 5 250 thousand imposed on the real estates in Rzeszów registered in the real-estate register ref. no: KW RZ1Z/00076860/5 along with the the insurance policy assignment, ✓ blank bill of exchange along with the promissory note declaration, ✓ power of attorney granting access to the Company's bank account with BGŻ

- Long-term investment credit facility in the investment account maintained with Bank Gospodarki Żywnościowej S.A.

Terms and conditions of credit facility	
Credit amount	PLN 1 366 thousand
Credit period	16.02.2005 – 15.02.2013
Credit status quo as at 31 December 2008	PLN 246 thousand
Harmonogram spłat	✓ one PLN 44 thousand quarterly instalment, due on 10 October 2005, , ✓ 29 subsequent quarterly instalments of PLN 13 thousand each, due on 10th day of the month following end of a quarter, ✓ one PLN 911 thousand instalment, due on 30 June 2006, ✓ one PLN 13 thousand instalment due on 15 February 2013.

Credit security	✓ registered pledge on machines and facilities, i.e. packaging machine and parquet floor block making machine in Rzeszów and the packaging machine and flour processing unit in Płock of total amount PLN 1 439 thousand along with insurance policy assignment, ✓ power of attorney granting access to the Company's current bank accounts, ✓ assignment of receivables from the contract ref. no: SPO-WKP/2.3/2/14/931 of 3 October 2005 concluded with Polish Agency for the Enterprise Development.

- Long-term investment credit facility in the investment account maintained with Bank Gospodarki Żywnościowej S.A.

Terms and conditions of credit	
Credit amount	PLN 15 266 thousand
Credit period	05.06.2008 – 31.03.2016
Credit status quo as at 31 December 2008	PLN 9 229 thousand
Repayment schedule	✓ grace period until 30.03.2009 ✓ one instalment of PLN 11 449 thousand, due on 31.03.2009 roku (from the subsidy), ✓ 83 subsequent monthly instalments PLN 45 thousand each, to be paid from 30.04.2009 through 28.02.2016 roku, ✓ one equalizing instalment due on 31.03.2016.
Credit security	✓ assignment of receivables from the subsidy contract for the project titled „Launching of the products of new quality pasta types based on innovative technologies". The contract was concluded by and among the Company and Polish Agency for Enterprise Development (PARP) on 04.06.2008, ✓ registered pledge on technological lines for the production of short and long forms of pasta purchased under investment project, along with the assignment of the insurance policy, ✓ blank bill of exchange along with the promissory note declaration, ✓ power of attorney granting access to the Company's current bank maintained with BGŻ Bank.

On 9 February 2009 Makarony Polskie and Bank BGŻ concluded annex to the loan contract, extending the grace period for the repayment of the loan from 30 March 2009 until 30 May 2009. According to the annex to the contract also the repayment schedule was changed for 85 instalments, out of which:

- 1 instalment of PLN 9,647,080.20 to be paid from the subsidy on 31 May 2009, or earlier should the subsidy come earlier,
- 83 monthly instalments PLN 67,121.00 each, to be paid from 30 June 2009 until 30 April 2016,
- 1 equalizing instalment of PLN 47,896.80 to be paid on 31 May 2016.

The Company has distributed part of the received subsidy in the amount of PLN 4 193 thousand, received on 28 January 2009 (current report no: 6/2009 from 28 January 2009) in such a manner that PLN 2 393 thousand was appropriated to the repayment of loan debt and PLN 1 800 thousand was utilized to finance the last stage of the investment project.

- Credit facility under multi-purpose credit line in Fortis Bank S.A.

Terms and conditions of credit	
Credit amount	PLN 2 000 thousand
Credit period	05.03.2008 – 02.03.2018
Credit status quo as at 31 December 2008	PLN 1 990 thousand
Repayment schedule	✓ one instalment due on the maturity date
Credit security	✓ blank bill of exchange, ✓ registered pledge on the technological line for the production of short pasta forms, located in the Płock-based production works, along with the assignment of the insurance policy, ✓ bail mortgage up to the amount of PLN 3 000 thousand on the real estates in Płock entered into the real-estate register ref. no: KW PL1P/00094893/6 along with the insurance policy assignment.

On 13 March 2008 Makarony Polskie and Fortis Bank concluded an annex to the multi-purpose credit facility. Since 30 April 2009 the maximum limit of credit line facility granted to the Company shall be increased from PLN 2.0 million up to PLN 3.0 million.

- Revolving loan in the current account maintained with ING Bank Śląski S.A.

Terms and conditions of credit	
Credit amount	PLN 1 500 thousand
Credit period	14.12.2004 - 29.05.2009
Credit status quo as at 31 December 2008	PLN 1 498 thousand
Repayment schedule	✓ one instalment due on the maturity date
Credit security	✓ registered pledge on 123 fixed assets and 4 machines in Częstochowa – temporarily until the pledge on 73 fixed assets in Częstochowa becomes final and valid, ✓ registered pledge on 73 fixed assets in Częstochowa ✓ registered pledge on the stock-in-trade (PLN 500 thousand) and raw materials (PLN 200 thousand) in Częstochowa – PLN 700 thousand, ✓ bail mortgage ref. no KW Cz1C/00021785/1 for the amount of PLN 380 thousand, ✓ power of attorney granting access to the bank account maintained with Bank Ochrony Środowiska (Bank for the Protection of Natural Environment), Częstochowa branch.

- Mortgage loan in PLN from BRE Bank S.A.

Terms and conditions of credit	
Credit amount	PLN 2 140 thousand
Credit period	23.07.2007 – 22.07.2017
Credit status quo as at 31 December 2008	PLN 1 837 thousand

Repayment schedule	✓ 119 monthly instalments of PLN 17.8 thousand each, to be paid from 20.08.2007 until 20.06.2017, ✓ one equalizing instalment due on 31.07.2017.
Credit security	✓ ordinary mortgage ref. no KW 111425- 2 140 tys. zł, ✓ bail mortgage ref. no KW 111425- 145 tys. zł, ✓ blank bill of exchange along with promissory note declaration.

- Factoring contract concluded with ING Bank Śląski S.A.

Terms and conditions of the contract	
Value of the contract	PLN 3 300 thousand
Duration of the contract	23.07.2007 – 29.05.2009
Status quo as at 31 December 2008	PLN 3 275 thousand
Repayment schedule	✓ due date of invoices sold to the factoring company,
Security	✓ deposit money amounting to 10 % of the discounted accounts receivable, collected in the moment of discounting the accounts receivable and reimbursed following the receipt of due payments, ✓ blank bill of exchange along with promissory note declaration.

- Performance bond contract concluded with STU Ergo Hestia S.A.

Guarator	Guarantee amount	Guarantee period	Subject of guarantee
STU Ergo Hestia S.A.	PLN 6,892 thousand	14.01.2008-30.06.2008	Due performance of the contract concluded with the Agency for Agricultural Markets under the programme of Common Agricultural Policy „„Food Aid Support for the Poorest Citizens in the European Union 2009".
STU Ergo Hestia S.A.	PLN 200 thousand **	11.12.2008 - 15.03.2009	Deposit money for ARR (Agency for Agricultural Markets) bid under the programme of Common Agricultural Policy „„Food Aid Support for the Poorest Citizens in the European Union 2009".

* - guarantee released in January 2009 due to end of the performance of the secured contract

** - deposit money returned in February 2009 in the connection with the contract concluded by Makarony Polskie S.A. with the Agency for Agricultural Markets.

Following the end o the accounting year the insurance company STU Ergo Hestia S.A. has granted to Makarony Polskie S.A. the guarantee for due performance of the subsidy contract concluded with Polish Agency for Enterprise Development under the Operational Programme – Human Resources Capital and the guarantee for due performance of the contract concluded with the Agency for Agricultural Markets under the programme of Common Agricultural Policy "Food Aid Support for the Poorest Citizens in the European Union 2009" (the guarantee has been secured by i.a. blank bill of exchange pledged by Stoczek Sp. z o.o. subsidiary company).

II. Contracts concluded by Stoczek Sp. z o.o., binding as at 31 December 2008:

- Investment credit in ING Bank Śląski S.A.

Credit terms & conditions	
Credit amount	PLN 4 522 thousand
Credit period	27.07.2001-30.06.2009
Credit status quo as at 31 December 2008	PLN 463 thousand
Repayment schedule	✓ 5 monthly instalments PLN 77 thousand each, ✓ 1 equalizing instalment due on 30.06.2009
Credit security	✓ transfer of ownership of the purchased machines and equipment of total value of PLN 4,522,470, ✓ assignment of insurance policy for the real property, machines and equipment constituting the subject of ownership transfer, ✓ credit payment guarantee granted by Fortis Bank.

- Working capital credit from Bank Pekao S.A. (earlier: BPH S.A.)

Credit terms & conditions	
Credit amount	EUR 300 thousand
Credit period	06.07.2007-30.12.2009
Credit status quo as at 31 December 2008	EUR 290 thousand
Repayment schedule	✓ 31.03.2009 – EUR 10 thousand ✓ 30.06.2009 – EUR 30 thousand ✓ 30.09.2009 – EUR 50 thousand ✓ 30.12.2009 – EUR 200 thousand
Credit security	✓ transfer of receivables from the contract ref. no: 1/2007 of 04.06.2007 concluded between Stoczek and Lutece, Holland, ✓ blank bill of exchange along with the promissory note declaration guaranteed by Makarony Polskie, ✓ power of attorney granting access to Stoczek's bank accounts maintained with Bank Pekao (former: BPH), ✓ registered pledge on PAC-53 packaging machine (produced by Mlecz-Masz Bydgoszcz), as of 19.11.2008 net value of PLN 110,934.36, ✓ registered pledge on TZF-2B fluidization tunnel freezer (producer: Unidex Straszęcin), as of 19.11.2008 net value of PLN 501,666.07, ✓ registered pledge on the champignon packaging line (producer: Ford Technology Noord-Oost Nederland B.V.), as of 19.11.2008 net value of PLN 639,929.00.

In the annex signed on 30 June 2008 by and among Stoczek and Bank Pekao, the deadline for credit payment has been postponed from 30 June 2008 until 29 December 2008. Next annex of 18 December 2008 changed the final date for payment for 30 December 2009.

- Non-revolving credit in Fortis Bank S.A.

Credit terms & conditions	
Credit amount	PLN 5 230 thousand
Credit period	11.03.2008 – 11.03.2013
Credit status quo as at 31 December 2008	PLN 4 679 thousand
Repayment schedule	✓ 51 equal monthly instalments of PLN 91.7 thousand each.
Credit security	✓ bail mortgage up to the amount of PLN 6 465 thousand on the real property situated in Stoczek Łukowski, Poland, real estate register ref. no: KW 22979, ✓ assignment of the insurance policy (real estate insurance), ✓ guarantee under civil law, granted by Makarony Polskie Rzeszów, ✓ Borrower's declaration on submitting to the execution, ✓ Guarantor's declaration on submitting to the execution.

- Credit in the credit line from Fortis Bank S.A.

Credit terms & conditions	
Credit amount	PLN 2 000 thousand
Credit period	11.03.2008 – 09.03.2009
Credit status quo as at 31 December 2008	PLN 2 000 thousand
Repayment schedule	✓ one instalment due on the credit maturity date
Credit surety	✓ blank bill of exchange along with the promissory note declaration, ✓ bail mortgage up to the amount of PLN 2 419 thousand on the real estate in Stoczek Łukowski, Poland, mortgage register ref. no: KW 22979, ✓ assignment of the insurance policy (real estate insurance), ✓ assignment of the accounts receivable by way of the existing and future receivables, except for Lutece BV, Holland, ✓ guarantee under civil law granted by Makarony Polskie Rzeszów, ✓ Borrower's declaration on submitting to the execution, ✓ Guarantor's declaration on submitting to the execution.

On 27 February 2009 on the grounds of Change 1 to the credit contract the parties extended crediting period until 13 March 2009. On 13 March 2009 on the grounds of Change 2 to the credit contract the facility was availed until 15 March 2010, whilst as of 30 April 2009 the credit limit was reduced down to PLN 1 000 thousand.

- Loan agreements

During year 2008 Stoczek concluded two loan agreements, the loans (described in detail in item 3.9) were granted by Stoczek's only shareholder – Makarony Polskie S.A.

- Warranties given to Stoczek Sp. z o.o.

In 2008 Makarony Polskie S.A. has granted to Stoczek Sp. z o.o. warranties described in subart. 3.9.

- Guarantee contract concluded with Fortis Bank S.A.

Guarantor	Guarantee amount	Duration of the guarantee	Subject of security
Fortis Bank S.A.	PLN 1 233 Thousand	until 31 July 2009	Investment credit in ING Bank Śląski S.A. for PLN 4 522 thousand

- Guarantees given by STU Ergo Hestia S.A.

Guarantor	Guarantee amount	Duration of the guarantee	Subject of security
STU Ergo Hestia S.A.	PLN 200 thousand*	11.12.2008 - 15.03.2009	Deposit money for the bid of Agency for Agricultural Markets under the programme of Common Agricultural Policy „Food Aid for the Poorest Citizens of the European Union 2009"

* - deposit money returned in February 2009 in the connection with contract concluded by Stoczek with the Agency for Agricultural Markets.

Following the end of the accounting year STU Ergo Hestia S.A. issued the performance bond to Stoczek Sp. z o.o. in the connection with the contract with Agency for Agricultural Markets under the programme of Common Agricultural Policy „Food Aid for the Poorest Citizens of the European Union 2009".

- Working capital credit from Bank Spółdzielczy Łosice (contract concluded after the balance sheet date)

On 3 February 2009 Stoczek signed the working capital credit contract with Bank Spółdzielczy in Łosice for the total amount of PLN 300 thousand, credit period from 5 February 2009 until 30 September 2009, ultimate payment date 30 September 2009. Credit is secured by:

- ✓ blank bill of exchange issued by the Borrower, and
- ✓ bill of exchange guarantee up to the amount of PLN 450 thousand, issued by Makarony Polskie.

3.8. MAIN DEPOSITS AND CAPITAL INVESTMENTS MADE IN 2008

W roku 2008 Grupa Kapitałowa Makarony Polskie nie prowadziła inwestycji kapitałowych.

3.9. INFORMATION ON LOANS, PLEDGES AND GUARANTEES GIVEN IN THE ACCOUNTING YEAR, ESPECIALLY LOANS, PLEDGES AND GUARANTEES GIVEN TO THE COMPANIES AFFILIATED WITH THE ISSUER

Information on granted loans

In 2008 Makarony Polskie S.A. concluded two loan contracts with Stoczek Sp. z o.o. subsidiary company.

	31.12.2008	Contract date	Due on
Loan granted to Stoczek Sp. z o.o.	300 000	Loan contract of 28.12.2006 along with annexes	30.06.2009
Loan granted to Stoczek Sp. z o.o.	600 000	Loan contract of 24.09.2007 along with annexes	30.06.2009

The parties adjust the interest rates to the volatile market conditions by signing annexes to the loan contracts.

Warranties

Credit facilities guaranteed in 2008 by Makarony Polskie S.A. for Stoczek Sp. z o.o. subsidiary company.

	as at 31.12.2008	Creditor	Liability	Warranty granted on	Third-party liabilities	Warranty valid until
Guaranteed: credit for and blank bill of exchange for Stoczek up to EUR 450,000	EUR 450 thousand	Bank Pekao S.A. (earlier: Bank BPH S.A.)	Credit guarantee	09.07.2007	Foreign currencz working credit facility for Stoczek – EUR 300 thousand	31.12.2012*
Guaranteed: non-revolving credit for Stoczek in the amount of PLN 5,230 thousand	PLN 7 845 thousand	Fortis Bank S.A.	Credit guarantee	11.03.2008	Non-revolving credit facility for Stoczke – PLN 5,230 thousand	11.03.2016
Guaranteed: multi-purpose credit line in the amount of PLN 2.0 million	PLN 3 000 thousand	Fortis Bank S.A.	Credit guarantee	11.03.2008	Multi-purpose credit facility for Stoczek – PLN 2 million.	10.03.2021
Guaranteed: guarantee line in the amount of PLN 1,233 thousand	PLN 1 850 thousand	Fortis Bank S.A.	Credit guarantee	11.03.2008	Guarantee line for Stoczek – PLN 1,233 thousand	31.08.2012

Guaranteed blank bill of exchange of Stoczek Sp. z o.o. up to PLN 200 thousand for deposit money for ARR bid	PLN 200 thousand	STU ERGO HESTIA S.A.	Guaranteed blank bill of exchange	10.12.2008	Guarantee – deposit money for ARR (Agency for Agricultural Markets) bid.	Guarantee expired in 2009 – deposit money returned by

*initially the warranty was valid until 30 June 2010.

On 30 June 2008 Stoczek Sp. z o.o. and Bank Pekao S.A. concluded an annex to delay the repayment of the credit from 30 June 2008 until 29 December 2008, hence the guarantee granted by Makarony Polskie S.A. was expanded from 30 June 2010 until 30 December 2011.
On 18 December 2008 Stoczek Sp. z o.o. and Bank Pekao S.A. concluded an annex to delay the repayment of the credit from 29 December 2008 until 30 December 2009, hence the guarantee granted by Makarony Polskie S.A. was expanded from 31 December 2011 until 29 December 2012.

After the end of the accounting year Makarony Polskie S.A. guaranteed Stoczek's bill of exchange up to PLN 600 thousand as the security for working capital credit contracted by Stoczek from the Cooperative Bank in Łosice (gurantee valid until 30 September 2012). Moreover, Makarony Polskie guaranteed Stoczek's blank bill of exchange securing the performance warranty of Agency for Agricultural Markets contract, granted to Stoczek by the insurance company STU Ergo Hestia S.A.

After the end of the accounting year Stoczek Sp. z o.o. guaranteed for Makarony Polskie S.A. one of the bills of exchange securing the performance warranty for the contract with Agency for Agricultural Markets, granted to Makarony Polskie by STU Ergo Hestia S.A.

Information on granted guarantees

In 2008 the companies creating Makarony Polskie Group have not granted any guarantees.

4. OTHER INFORMATION

4.1. CONTRACTS CONCLUDED BY AND BETWEEN THE COMPANY AND THE MANAGING PERSONS, STIPULATING THAT IN CASE OF THEIR RESIGNATION OR RELIEVING THEM FROM THEIR POSTS WITHOUT A MATERIAL REASON, OR IN CASE OF THEIR RECALLING OR DISMISSAL DUE TO THE COMPANY'S MERGER BY ACQUISITION, THE SAID MANAGING PERSONS WILL BE ENTITLED TO RECEIVE A COMPENSATION

I. Makarony Polskie S.A.

Paweł Nowakowski – President of the Management Board

On the grounds of binding provisions of the job contract concluded with Paweł Nowakowski's (President of the Management Board) on 22 June 2007, in case of the termination of the job contract by the employer, the employee will be entitled to receive a severance pay constituting the equivalent of his 3-month salary.

Krzysztof Rubak – Vice-President of the Management Board

On the grounds of binding provisions of the job contract concluded with Krzysztof Rubak (Vice-President of the Management Board) on 27 September 2007, in case of the termination of the job contract by the employer, the employee will be entitled to receive a severance pay constituting the equivalent of his 3-month salary.

Cezary Goławski – Vice-President of the Management Board

On the grounds of binding provisions of the job contract concluded with Cezary Goławski's (Vice-President of the Management Board) on 10 February 2009, in case of the termination of the job contract by the employer, the employee will be entitled to receive a severance pay constituting the equivalent of his 3-month salary.

In the reporting period the Company has not concluded with the managing persons any agreements stipulating compensations in case of their resignation or dismissal from current positions without a material reason or in case their recalling or dismissal would take place due to the Company's merger through an acquisition.

II. Stoczek Sp. z o.o.

Beata Elert- Bochenkiewicz – Prezes

On the grounds of binding provisions of the job contract concluded with Beata Elert – Bochenkiewicz (President of the Management Board) on 25 August 2008, in case of the termination of the job contract

by the employer, the employee will be entitled to receive a severance pay constituting the equivalent of her 3-month salary.

In case of the termination of job contract initiated by the employer in the first year of the employment, the employee will be entitled to receive a compensation for the period remaining until full year in the amount of basic salary, regardless the conditions of job contract termination.

Andrzej Doński – Vice-President

Andrzej Doński holds the position in the Board of Management on the grounds of the appointment and has not signed a job contract with the Company.

4.2. INFORMATION ON THE SHARES OF THE DOMINANT COMPANY AND THE AFFILIATED ENTITIES OWNED BY THE PERSONS MANAGING AND SUPERVISING THE DOMINANT COMPANY

Number and nominal value of shares of Makarony Polskie and Makarony Polskie Group owned by members of the Board of Management as at the date of drawing up this statement (according to the available information):

Board of Management	Shares of Makarony Polskie		Shares in the entities of the Capital Group	
	number	nominal value	number	nominal value
Paweł Nowakowski	200 000	600 000	0	0
Krzysztof Rubak	2 000	6 000	0	0

Information regarding the remuneration paid out to the Board of Management members is presented in the financial statement, **note 28.**

Number and par value of Makarony Polskie's shares and the shares in the entities of Makarony Polskie Group owned by members of the Supervisory Council as at the date of drawing this report (according to the available information):

Supervisory Council	Shares of Makarony Polskie		Shares in the entities of the Capital Group	
	number	nominal value	number	nominal value
Zenon Daniłowski	133 570	400 710	0	0
Grzegorz Słomkowski*	1 183 040	3 549 120	0	0
Urszula Rogóż – Bury	12 680	38 040	0	0

Dariusz Bliźniak	0	0	0	0
Piotr Łukasiuk	0	0	0	0

*Total number of shares owned by Grzegorz Słomkowski (Vice-Chairman of the Supervisory Council) and his spouse.

Information regarding the remuneration paid out to the Supervisory Council members is presented in the financial statement, **note 28.**

4.3. BUYBACK

In 2008, as well as until the publication date of this report, Makarony Polskie had not executed any buybacks.

4.4. MATCHING SHARES SUPERVISION SYSTEM

In 2008, ase well as until the publication date of this report, Makarony Polskie had not executed any matching shares programs.

4.5. PENDING COURT, ARBITRATION OR PUBLIC ADMINISTRATION PROCEEDINGS

Not applicable.

4.6. CONTRACTS KNOWN TO THE COMPANY (ALSO CONTRACTS CONCLUDED AFTER THE BALANCE-SHEET DATE) WHICH MAY EFFECT IN FUTURE CHANGE IN THE PROPORTION OF SHARES OWNED BY THE EXISTING SHAREHOLDERS

Board of Management is not aware of any contracts (also contracts entered into after the balance-sheet date) which may effect in future change in the proportion of shares owned by the existing shareholders.

4.7. INFORMATION ON THE CERTIFIED AUDITOR

On 16 June 2008 the Supervisory Council of Makarony Polskie has chosen Moore Stephens Józef Król Sp. z o.o. seated in Rzeszów to audit the semi-annual stand-alone and consolidated financial statement as at 30 June 2008, as well as to audit the stand-alone and consolidated financial statement of the Company for the accounting year ended on 31 December 2008.

The contract for audit was signed on 7 July 2008.

Total fee for the financial statement audit of Makarony Polskie Capital Group amounted to PLN 63 thousand net (out of which PLN 17 thousand net constitutes the auditor's fee – agreed on the grounds of separate agreements - for auditing the financial statements of the affiliated companies).

Audit of the financial statements of Makarony Polskie Group for the accounting year 2007 was executed by the Piotr Rojek Financial and Accounting Advisory Bureau (Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.) headquartered in Katowice. Total fee for the audit of financial statement of the companies affiliated with Makarony Polskie Capital Group amounted to PLN 64 thousan net. Moreover, Makarony Polskie Capital Group paid out to the Financial and Accounting Advisory Bureau PLN 91 thousand net fee by way of the following contracts:

- Contract with Makarony Polskie of 7 September 2006 regarding the audit of historical financial statements for 2003-2005 in accordance with adequate standards, for the purposes of Issue Prospectus,
- Contract with Makarony Polskie of 15 January 2007 for passing a judgement on pro-forma statement and the audit of consolidated financial forecasts for 2007 for the purposes of the Issue Prospectus,
- Contract with Makarony Polskie of 31 July 2007 for the a limited due diligence of selected elements of Abak Częstochowa's business operations,
- Contract with Stoczek Sp. z o.o. of 23 July 2007 regarding the verification of the company's accounts balance as at 31 May 2007.

5. STATEMENT ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES

5.1. SET OF CORPORATE GOVERNANCE RULES TO BE COMPLIED WITH BY MAKARONY POLSKIE S.A. LOCATION WHERE THE TEXT OF CORPORATE GOVERNANCE RULES IS PUBLICLY AVAILABLE

In 2008 the Company has applied the rules of „The Best Practices of WSE Listed Companies" (Enclosure to the Resolution ref. no: 12/1170/2007 of the WSE Council of 4 July 2007). The document containing the set of best practices is available at the Warsaw Stock Exchange website: http://corp-gov.gpw.pl.

5.2. CORPORATE COVERNANCE RULES NOT OBSERVED BY THE ISSUER. CIRCUMSTANCES AND REASONS FOR NON OBSERVANCE OF A GIVEN RULE

In 2008 Makarony Polskie S.A. has not complied with the recommendation I.1 i.e. has not transmitted the sessions of the General Meeting of Shareholders via internet, has not recorded course of the meeting and has not publicized it at the website. Management Board of Makarony Polskie S.A. decided that currently it is not reasonable from business point of view to incur such costs.

With regard to the rule II.2 saying that the Company should maintain English version of its website at least within the scope specified in the section II.1 of GPRs – Good Practice Recommendations (this practice should be followed from 1 January 2009 at the latest). In 2008 Makarony Polskie S.A. maintained website in English, yet this website did not contained all the elements indicated in the part II.1 of the "Good Practices of Companies Listed on the Warsaw Stock Exchange".
Since January 2009 the Company's website contains English translation of all the elements listed in section II.1 of the catalog of "Good Practices of Companies Listed on the Warsaw Stock Exchange".

With regard to the rule III.7 saying that the supervisory council should include at least auditing committee and in companies where the supervisory council is composed of minimum number of members required by the law – the tasks of the auditing committee may be performed by the supervisory council. The Company has decided that taking into account the size of the Company's business operations, there is no rationale to elect the auditing committee from among five members of the supervisory council. The supervisory council assumed these tasks and passed relevant resolution.

5.3. DESCRIPTION OF MAIN INTERNAL CONTROL AND RISK MANAGEMENT METHODS APPLIED IN THE PROCESS OF DRAWING UP FINANCIAL STATEMENTS OF MAKARONY POLSKIE S.A. AND MAKARONY POLSKIE GROUP

The Company on current basis monitors significant factors related with legal, tax, business, operational etc. risks, determining general business operations of Makarony Polskie S.A.

The Management Board is responsible for the internal control system in the Company and its effectiveness in the process of drawing up financial statements and interim reports, which are prepared and published in accordance with the ordinance of 19 February 2009 on current and interim reports provided by the issuers of the securities.
Main assumption of the internal control system in the Company's financial reporting is to safeguard the adequacy and correctness of financial data contained in the financial statements and interim reports.

On the annual basis the Company makes strategy and long-term business plans reviews. Basing on the conclusions made during the review, a detailed budgeting process is being caried out covering all the areas of the Company's operations. Medium- and top managers are strongly involved in this process. The budget is approved by the Management Board and the Supervisory Council.

During the year the Company's Management Board reviews financial performance and compares it with the adopted budget. This analysis is based on the accounting policy adopted in the Company, according to the format and detailness of the financial figures presented in the Company and Group interim financial reports.

Financial Department of the Company is responsible for drawing up financial statements, interim financial reporting and current management reporting. Financial figures in the financial statements, interim financial reports and other reports provided to the investors are presented according to coherent accounting principles.

Financial data for the financial statements and interim reports are generated from monthly financial and operating reporting system in the Company. Following the closing of books in each calendar month the Financial Department together with the Management Board members review financial performance of the Company compared with the assumptions and taking into account individual business segments.

Identified errors are adjusted on a current basis in the books according to the adopted accounting policy.

The process of drawing up financial statements and interim reports commences once the CEO accepts the results of ended month / period.

Financial statements of the Company are being drawn up by the Financial Department basing on financial data contained in the accounting system, once the said data are accepted by the CEO and supplemented with additional information provided by other working teams.

Interim reports of the Company are being drawn up by the Financial Department basing on financial data contained in the interim financial reporting, once the said data are accepted by the CEO and supplmeneted with additional information provided by other working teams.

Once the review or auditing process is completed, the financial statements and interim reports are submitted to members of the Supervisory Council.

5.4. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY LARGE BLOCKS OF SHARES

As of the date of this statement, the initial capital of Makarony Polskie S.A. amounted to PLN 27,750,213 and was divided into 9,250,071 shares, nominal value PLN 3.00 each share.

The shareholders holding directly or indirectly via subsidiary entities at least 5 % of votes in the total number of votes at the General Meeting of Shareholders as at 31 December 2008 (according to the available information):

Sharehodler	Number of shares	Share in the initial capital	Number of votes at the General Meeting of Shareholders	Share in the votes at the General Meeting of Shareholders
Agro-Technika S.A.	2 001 925	21,64%	2 001 925	21,64%
Zdzisław Sawicki	1 230 881	13,31%	1 230 881	13,31%
Elżbieta and Grzegorz Słomkowski*	1 183 040	12,79%	1 183 040	12,79%
Other	4 834 225	52,26%	4 834 225	52,26%
RAZEM	**9 250 071**	**100,00%**	**9 250 071**	**100,00%**

*out of which Grzegorz Słomkowski individually

Changes which took place in the ownership of significant blocks of shares in 2008:

- ✓ On 11 February 2008 the District Court in Rzeszów registered the issue of 331,250 shares series E of Makarony Polskie S.A., addressed to the shareholders of being acquired Abak Sp. z o.o., thus resulting in the decreasing of shares of significant shareholders in the initial capital and number of votes at the General Meeting of Shareholders.
- ✓ On 28 April 2008 the Management Board of Makarony Polskie S.A. was notified by Zdzisław Sawicki, the shareholder, that following the purchase of 186,105 shares he increased his stockholding up to 1,230,881 shares of Makarony Polskie S.A., i.e. 13,31 % of the initial capital and the same percentage of votes at the General Meeting of Shareholders.

After the end of the accounting year, until the publication of the report the Company has not become aware of any changes in the ownership of significant blocks of shares.

5.5. HOLDERS OF THE SECURITIES GRANTING SPECIAL CONTROL RIGHTS

Not applicable.

5.6. VOTING CAP

Not applicable.

5.7. RESTRICTIONS IMPOSED ON MAKARONY POLSKIE SHARES OWNERSHIP TRANSFER

As at 1 January 2008 the following lock-up agreements remained in binding force:

	Shareholder	Agreement signed on	Duration	Number of locked-up shares	Percentage of the locked-up shares in the total number of shares of all the series
1	Agro-Technika S.A.	24 November 2006	12 months following the approval of the Prospectus	2 001 925	21,64%
2	Elżbieta and Grzegorz Słomkowski	24 November 2006	12 months following the approval of the Prospectus	1 169 750	12,65%

3	Paweł Nowakowski	24 November 2006	12 months following the approval of the Prospectus	188 571	2,04%
4	Zdzisław Sawicki	22 February 2007	12 months following the approval of the Prospectus	892 000	9,64%
5	Włodzimierz Parzydło	19 April 2007	12 months following the approval of the Prospectus	92 500	1,00%
6	Andrzej Boral	11 December 2007	until 30 June 2008	220 833	2,39%
7	Krystyna Rubak	11 December 2007	until 30 June 2008	110 417	1,19%
		Total		**4 675 996**	50,55%

The aim of above listed agreements was to strengthen the relations linking the shareholders with the Company, in order to safeguard its further, stable development.

In March 2008 certain lock-up agreements concluded by the shareholders holding shares of series A, B and D (lines 1-5 in the above table) have expired. On the grounds of these agreements the shareholders have been obligated not to sell the shares, not otherwise transfer the ownership and rights to dispose of the shares, as well as not to encumber the shares specified in the agreement starting from the date of signing the agreement within 12 months following the approval of the Company's Issue Prospectus by Polish Financial Supervision Authority (Makarony Polskie S.A.'s Issue Prospectus has been approved by Polish Financial Supervision Authority on 22 March 2007).

In June 2008 have expired lock-up agreements concluded between PKO BP Brokerage House and the holders of shares series E who obligated themselves not to sell the shares or not otherwise transfer the ownership and rights to dispose of the shares during the period from the acquisition of shares series E until 30 June 2008 (line 6 and 7 of the above table).

Moreover, there are no voting caps and restrictions on the transferability of the Issuer's shares. The Company's Statutes in the wording binding as at the date of this report does not stipulate any restrictions on the transferability of shares and voting caps. Restrictions on the transferability and voting caps regarding the Company's shares result only from public regulations, i.a. Polish Code of Commercial Companies, Polish Code of Penal Proceedings and the provisions regulating the turnover of shares at the Warsaw Stock Exchange.

5.8. DESCRIPTION OF RULES OF APPOINTING AND RECALLING OF THE PERSONS MANAGING THE ORGANIZATION AND THEIR COMPETENCES, PARTICULARLY THE RIGHT TO RESOLVE ON THE ISSUE OR BUYBACK OF SHARES

The Management Board of the Company is composed of one up to three members, including the President and Vice-President, appointed and recalled by the Supervisory Council.

The term-of-office of the Management Board members is two years. Board members may be appointed for the subsequent two-year term-of-office. The mandates of Board members expire in accordance with art. 369 subart. 4 of Polish Code of Commercial Companies. If during the Management Board's term of office a Board member is replaced or an additional member is appointed, the mandate of newly appointed member of the Management Board expires with the mandates of other members of the Company's Management Board.

The Management Board represents the Company in relations with third parties and takes decisions in all the matters which in accordance with the Company's Statutes and currently binding regulations have not been reserved for the competence of other governing bodies of the Company.

Declarations of will on the Management Board's behalf are made by:

a) in case of the Management Board composed of one person – one person,
b) in case of the collective composition of the Management Board:
   - two members of the Management Board jointly, or
   - one member of the Management Board jointly with the Proxy.

Right to decide on the issue of buyback of shares in Makarony Polskie S.A.

Pursuant to the art. 9 of the Company Statutes, the initial capital may be raised and decreased according to the rules and proceedings stipulated in Polish Code of Commercial Companies, as well as through open bid on the terms and conditions specified by the Law of 29 July 2005 on public offer and the conditions for introducing financial instruments to the organized trading system and on public companies.

5.9. RULES OF CHANGING THE COMPANY STATUTES

The Statutes of Makarony Polskie S.A. in currently binding wording does not include any regulations regarding change of the Company's Statutes different from the provisions of Polish Code of Commercial Companies.

In accordance with art. 430 of Polish Code of Commercial Companies, change of the Statutes requires a resolution to be passed by the General Meeting of Shareholders and a relevant entry in the register. Resolution of the General Meeting of Shareholders on the change of Company's Statutes requires the majority of 3/4 votes cast pursuant to art. 415 of Polish Code of Commercial Companies.

The text of Makarony Polskie's Statutes is available at the Company's website: www.makarony.pl.

5.10. DESCRIPTION OF MODE AND RULES OF OPERATION OF THE GENERAL MEETING OF SHAREHOLDERS, ITS KEY COMPETENCES, SHAREHOLDER RIGHTS AND METHODS OF THEIR EXERCISING

The General Meeting of Shareholders operates in accordance with the Company's Statutes and the Rules of the General Meeting of the Shareholders of Makarony Polskie S.A. approved by the resolution ref. no: 20 of the Ordinary General Meeting of Makarony Polskie of 27 September 2006.

The General Meeting of Shareholders is convened in the Company's seat or in other location within the territory of the Republic of Poland, date of the General Meeting is specified in the announcement published in the Court and Business Bulletin in the accordance with currently binding regulations. Venues and dates of the General Meeting of Shareholders are chosen in such a manner to allow the participation of as many shareholders as possible.

Ordinary General Meeting of Shareholders is convened on annual basis by the Management Board and takes place within 6 months following the end of each financial year. The Extraordinary General Meeting of Shareholders is convened by the Board of Management members on their own initiative, upon written motion filed by the Supervisory Council or at least its two members, or upon written motion of the shareholders representing at least 1/10 of the Company's initial capital, within 2 weeks following the submittal of such a motion, with the date of the meeting fixed within 6 weeks following the submittal of such a motion.

In 2007 the Ordinary General Meeting of Shareholders of Makarony Polskie S.A. took place on 22 June. The Management Board convened one Extraordinary Meeting of Shareholders which took place on 4 December 2007. The Company's shareholders and members of the Supervisory Council have not submitted any motions requesting to convene the General Meeting of Shareholders.

The competences of the General Meeting of Shareholders of Makarony Polskie S.A., in accordance with currently binding Statutes, include as follows:

a) consideration and acceptance of the Management Board's report from the Company's business operations and the financial statement for last accounting year,
b) passing resolutions on the distribution of profit to be paid out the form of a dividend, or by excluding the profit in full or in part from the payment and retaining in the Company for its purposes, as well as passing resolutions on the coverage of losses,
c) granting a vote of approval to the members of the Company's governing bodies for the execution of their esponsibilities,
d) selling or leasing out the Company's business or its organized part, as well as establishing thereon a limited real estate security right,
e) (deleted),
f) transformation of the Company's legal form or the Company's merger with another company or legal entity,
g) deciding on the claims for redress of a damage caused while establishing the Company, supervising or managing the Company's business,
h) amending the Company's Statutes, raising and decreasing of the Company's initial capital,
i) issue of convertible bonds or bonds with priority rights,
j) buyback,
k) redemption of the Company's shares and purchase of the Company's shares in order to be redeemed,
l) liquidation and dissolution of the Company,
m) defining the number of the Supervisory Council members, appointing and recalling the Supervisory Council members,
n) defining rules and terms and conditions of remuneration and the amount of the remuneration for the Supervisory Council members,
o) approving the regulations of the Supervisory Council,
p) determining date based on which the list of shareholders entitled to the dividend for a given year shall be drawn up, i.e. determining the date of the dividend, subject to the provisions of art. 348 subart. 2 of Polish Code of Commercial Companies,

q) deciding on issues presented by the Management Board or the Supervisory Council to be resolved by the General Meeting of Shareholders,
r) other matters to be resolved by the General Meeting of Shareholders based on current regulations or the Company's Statutes.

Purchasing and/or selling by the Company of a real property, perpetual usufruct or a share in a real property does not require the resolution to be passed by the General Meeting of Shareholders, provided the sale or purchase of a real property, perpetual usufruct or shares in the real estate of the value above 10 % of the Company's equity capital calculated in accordance with last balance-sheet approved by the General Meeting of Shareholders required the resolution to be passed by the Supervisory Council, unless the said actions have been envisaged in the annual financial plan of the company, approved by the Supervisory Council (art. 19 letter "d" of the Statutes).

Unless the provisions of the Polish Code of Commercial Companies stipulate otherwise, the General Meeting of Shareholders is competent to pass resolutions regardless the number of shares represented at the meeting. Provided the provisions stipulated in art. 404 of Polish Code of Commercial Companies, the General Meeting of Shareholders may pass resolutions only with regard to the issues stipulated in the Code of Commercial Companies and the Statute, and included in the agenda of a given General Meeting.

Unless current regulations or the provisions of this Statute state otherwise, resolutions of the General Meeting are passed by the absolute majority of votes cast.

The voting is open. Secret ballot is ordered by the Chairman of the Meeting of Shareholders in personal matters and upon a motion lodged by a shareholder. Right to request secret ballot is not applicable in passing resolutions on general administrative issues. The General Meeting may abrogate the secrecy of voting in matters regarding the election of commissions appointed by the Meeting.

In 2008 the General Meeting of Shareholders has attended to the following matters:

1. reviewing and approving the Company's and Group's financial statement for 2007 accounting year,
2. reviewing and approving the Management Board's report from the Company's and Group's operations in 2007,
3. reviewing the Supervisory Council's report from: the assessment of Company's situation, audit of the Company's and Group's financial statement for 2007, the Management Board's report from the Company's and Group's operations in 2007, as well as the Management Board's motion on the distribution of profit, ,

4. considering the Supervisory Board's assessment on the Company's situation in accordance with Rule III.1.1 and the self-assessment of the Supervisory Council prepared in accordance with Rule III.1.2. of „The Best Practices of WSE Listed Companies",
5. distributing profit for the accounting year 2007, as well as the Company's profit for previous years, reflected in the balance-sheet drawn up as at 31 December 2007,
6. approving the performance of duties by the Board of Management members in the accounting year 2007,
7. approving the performance of duties by the Supervisory Council members in the accounting year 2007,
8. appointing of the Supervisory Council members of Makarony Polskie S.A. of the 3rd term of office,
9. merging the Company, as the acquiring company, with Abak Sp. z o.o. headquartered in Częstochowa, by transferring all assets of the acquired company to Makarony Polskie S.A.

5.11. COMPOSITION OF THE COMPANY'S GOVERNING BODIES AND THEIR COMMITTEES. DESCRIPTION OF OPERATIONS AND CHANGES IN COMPOSITION DURING LAST ACCOUNTING YEAR

MANAGEMENT BOARD

The Management Board Zarząd Makarony Polskie S.A. operates on the grounds of binding regulations, particularly the Code of Commercial Companies, the Company's Statutes and the Regulations of the Management Board approved by the resolution no: 7 of 20 June 2006 passed by the Supervisory Council of Makarony Polskie S.A.

The works of the collective Management Board are headed by the President of the Management Board. The Management Board members take decisions in the form of resolutions passed at the meetings convoked where necessary (however at least once in a month) or using means of direct remote communication, including among others the electronic mail.

Meetings of the Management Board are convened by the President of the Management Board who also drafts agendas and chairs the meetings. In the absence of the President of the Management Board, he is substituted by duly authorized Vice-President. Meetings of the Management Board, including the resolutions passed, are recorded in the minutes signed by all members of the Management Board. Meetings of the Management Board may be attended - without voting y rights - bmembers of the Supervisory Council delegated by the Council, as well as by the invited persons.

Resolutions of the Management Board are passed by the absolute majority of the votes cast. Resolutions of the Management Board may be passed provided all members have been properly notified about the

meeting, and in case of resolutions passed by using means of direct remote communication, prior consent of all the Management Board shall be required for such a mode of debating. President of the Management Board may run the Company's business without prior resolution of the Management Board.
Members of the Management Board are obligated to inform the Supervisory Council about each conflict of interest arising in the connection with the occupied position which may foreseeably produce a conflict of interest which could potentially give rise to a conflict of interest between the Company and a member of the Management Board, his/her spouse or relatives and related by affinity up to the second degree, a Management Board member should refrain from taking part in any decision-making process and request to make relevant recording in the minutes.
As at 1 January 2008 the Management Board was composed of the following persons:

- Paweł Nowakowski – President of the Management Board,
- Włodzimierz Parzydło – Vice-President of the Management Board,
- Grzegorz Słomkowski – Vice-President of the Management Board.

On 21 January 2008 Włodzimierz Parzydło resigned from the Vice-President of the Management Board as at 25 January 2008. On the grounds of the resolution no: 3 passed on 21 January 2008 the Supervisory Council appointed Krzysztof Rubak to the position of the Vice-President as of 28 January 2008.

On 30 June 2008, in the connection with planned running for a position in the Supervisory Council, Grzegorz Słomkowski filed his resignation from the position of Vice-President.

Since 30 June 2008 until 10 February 2009 the Management Board of the Company was composed of the following persons:

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

On 10 February 2009 the Supervisory Board passed resolution no: 6 expanding the composition of the Management Board of Makarony Polskie S.A. from two up to three persons. On the grounds of the resolution no: 7 the Supervisory Council appointed Cezary Goławski to the position of Vice-President.

Since 10 February 2009 until the publication of the report the Management Board is composed of the following persons:

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

Declarations of will on behalf of the Management of Board are made by:

a) in case of the Management Board composed of one person – one person,

b) in case of a collective Management Board:

- two members of the Management Board jointly, or
- one member of the Management Board jointly with a Proxy.

Proxies:

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

SUPERVISORY COUNCIL

The Supervisory Council of Makarony Polskie S.A. operates on the grounds of the Company's Statutes and the Regulations of the Supervisory Council adopted based on the resolution no: 17 passed by the Ordinary General Meeting of Shareholders on 22 June 2007.

The Supervisory Council is composed of 5 up to 7 members, appointed and recalled by the General Meeting of Shareholders. The Supervisory Council members are appointed for two-year term of office. Their mandates expire as of the date of the Ordinary General Meeting of Shareholders approving the Company's financial statement for last full accounting year of their office. If during the Superisory Council's term of office a member is replaced or an additional member is appointed, the mandate of newly appointed member of the Management Board expires with the mandates of other members of the Company's Management Board.

Since 1 January 2008 until 30 June 2008 the Supervisory Council of Makarony Polskie S.A. was composed of the following persons:

- Zenon Daniłowski – Chairman of the Supervisory Board,
- Piotr Łukasiuk,
- Dariusz Bliźniak,
- Jarosław Pardyka,
- Urszula Rogóż-Bury.

On 30 June 2008 the Ordinary General Meeting of Shareholders appointed the Supervisory Council of the third term of office, determined the number of its members for 5 persons and appointed the following persons:

1. Zenon Daniłowski,
2. Piotr Łukasiuk,

3. Grzegorz Słomkowski,
4. Urszula Rogóż-Bury,
5. Dariusz Bliźniak.

The Supervisory Council has formally set up its composition on 15 September 2008. Members of the Supervisory Council elected Zenon Daniłowski for the Chairman of the Supervisory Council of the third term of office and Grzegorz Słomkowski for the Vice-Chairman.

Since 30 June 2008 until today the composition of the Supervisory Council has not changed.

Members of the Company's Supervisory Council are chosen while taking into account adequate education and experience allowing for proper assessment of the Company's business operations and proper performance of their functions as the Supervisory Board members. Profiles of candidates nominated for members of the Supervisory Council are carefully reviewed and presented to the General Meeting so the shareholders can make a deliberate and well-grounded choice. Members of the Supervisory Council are chosen in such a manner that at least half of the composition constitute persons free from any relations with the Company, its shareholders and/or employees. Members of the Supervisory Council are entitled to the remuneration according to the rules defined by the General Meeting.

The Supervisory Council exercises control and regular supervision over the Company's all business operations. The competences of the Supervisory Council include among others:

a) assessment of the financial statement and the Management Board's report as to their compliance with the books and and bookkeeping evidence, and the status quo, as well as the Management Board's recommendations as to the distribution of profit and coverage of loss, as well as providing the General Meeting of Shareholders with annual written report from the results of the said assessment,
b) approval of annual financial plans for the Company and exercising control over their implementation,
c) selection of a chartered auditor for the examination of the Company's financial statement,
d) granting consent for the acquisition or sale of a real property, perpetual usufruct or shares in the real property of the value of 10 % (say: ten per cent) of the Company's equity capital evaluated in accordance with last balance-sheet approved by the General Meeting of Shareholders, unless pre-determined in the annual financial plan approved by the Supervisory Council,
e) granting consent for the sale of the Company's assets of more than 10 % (say: ten per cent) of total value of the Company's equity capital evaluated in accordance with last balance-sheet approved by

the General Meeting of Shareholders, unless pre-determined in the financial plan approved by the Supervisory Council,

f) granting consent for contracting an obligation or making a disposition which – basing upon one or more than one co-linked legal actions – exceeds 10 % (say: ten per cent) of the Company's equity capital evaluated in accordance with the balance-sheet approved by the General Meeting of Shareholders, unless pre-determined in the annual financial plan approved by the Supervisory Council,

g) granting consent for paying out payments to the Shareholders in advance of the forecasted dividend,

h) appointing and recalling of the Management Board or its members individually,

i) determining rules and terms and conditions of the remuneration for the Company's Management Board members and level of salaries for individual Management Board members.

The Supervisory Council is authorized to examine all the Company's operations, request from the Management Board members and employees to be provided with any reports, explanations and information, review books and documents (including financial evidence), request access to all premises occupied by the Company (art. 10 of the Supervisory Council Regulations) and members of the Supervisory Council in all their actions and activities are obligated to serve to the Company's best interest (art. 6 subart. 1 of the Supervisory Council Regulations).

The works of the Supervisory Council are headed by the Chairman elected by the Supervisory Council members from among their composition, or – in the absence of the Chairman – a Supervisory Council members assigned by the Chairman. The forms of Supervisory Council's activities are meetings, exercising controlling activities and participation in the works pursued by the Company's governing bodies.

On a yearly basis the Supervisory Council provides the General Meeting with concise assessment of the Company's standing. This assessment is distributed to all the shareholders in advance in order to familiarize with its contents prior to the General Meeting.

Presently the Supervisory Council has not formed out of its members an audit committee and a remuneration committee due to current wording of the Company's Statutes, the composition of the shareholders, as well as organizational and economic reasons, also such as additional administrative and legal services necessary to assist in the works pursued by such committees.

In accordance with art. 6 subart. 3 of the Supervisory Council's Regulations, member of the Supervisory Council should notify other members about a conflict of interest and refrain from participating in any

discussions and voting over resolution regarding issues in case of which a conflict of interes arose. Member of the Supervisory Council is also obligated to notify the Management Board about:

- personal, actual and organizational relations with a shareholder, especially with a majority shareholder and
- selling or purchasing the Company's shares, or a dominant or affiliated company, as well as about transactions with such companies, provided the said transactions are important for a Supervisory Council member's financial situation

in such a manner to allow the Management Board to publicize the information according to the principles applied by the companies listed on the stock exchange (art. 7 of the Supervisory Council Regulations).

The Supervisory Council members are obligated to have a conduct a Supervisory Council session at least once a quarter. Meetings of the Supervisory Council are convened by the Chairman or a member of the Supervisory Council authorized by the Chairman, who also determines agenda of the meeting. For a Supervisory Council meeting to be valid a presence of at least 4 members of the Supervisory Council shall be required and correct invitation procedure to be followed in case of all the Supervisory Council members.

Provided the provisions of art. 388 subart. 4 of the Code of Commercial Companies, members of the Supervisory Council may exercise their voting rights by correspondence through other member of the Supervisory Council, and the Supervisory Council may pass resolutions in writing or using means of direct remote communication.

The voting shall be open, unless shall refer to personal matters or at least one member of the Supervisory Council requests to conduct a secret ballot. The resolution shall be valid if all members of the Supervisory Council have been notified about the wording of draft resolution.

Detailed rules of conducting meetings of the Supervisory Council are determined in the Supervisory Council Regulations.

Meetings of the Supervisory Council are recorded in the minutes. The minutes are signed by all members of the Supervisory Council who are present at the meeting. A member of the Supervisory Council has the right to include in the minutes his or her separate opinion. Meetings of the Supervisory Council, except for issues regarding directly the Management Board or its members, particularly: recalling, scope of competences and remuneration, are available and open for the Management Board members. Except for

the Management Board members the Supervisory Council meetings may be attended – without voting right - also the invited persons.

Members of the Supervisory Council are obligated to be present at the General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders and their absence should be explained.

Cezary Goławski	Krzysztof Rubak	Paweł Nowakowski
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