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## **THE MAKARONY POLSKIE CAPITAL GROUP**

# **ABRIDGED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR 3Q 2010**

**RZESZÓW, 10 NOVEMBER 2010**

**Abridged Interim Consolidated Financial Statements of the Makarony Polskie Capital Group:**

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## **Introduction**

The data presented in the "Statement of Financial Position" are shown in juxtaposition with comparative financial data as at 31 December 2009 published in the consolidated and solo 2009 Annual Reports. The data presented in the "Statement of Comprehensive Income", "Statement of Cash Flows" are shown in juxtaposition with the financial data for the period from 1 January 2010 to 30 September 2010, for 3Q 2010 and for the period from 1 January 2009 to 30 September 2009 and for 3Q 2009 (published in the Interim Financial Statements for 3Q 2009). The "Statement of Changes in Equity" shows comparative financial data for the period from 1 January 2009 to 31 December 2009 and for the period from 1 January 2009 to 30 September 2009. The financial data are shown in compliance with the International Financial Reporting Standards.

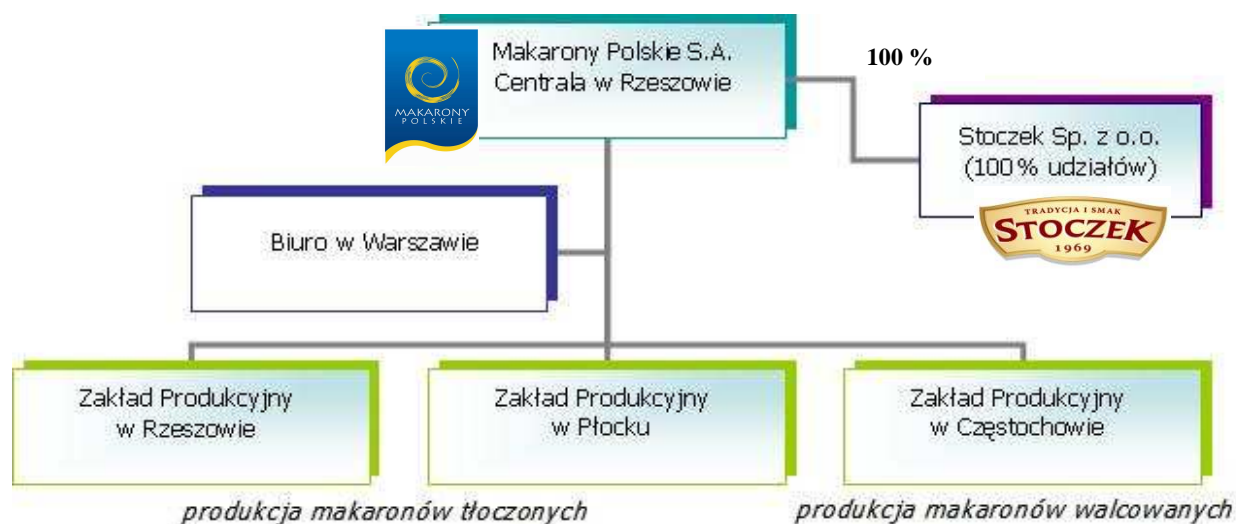
Selected figures in EUR are presented in pursuance of Article 91(2) of the Ordinance of the Minister of Finance of 19 February 2009:

- ✓ items of the Consolidated Statement of Financial Position were converted at the average FX rate announced by the National Bank of Poland (NBP) as binding as at the end of the reporting period (30 September 2010 EUR 1 = PLN 3.9870; 31 December 2009 EUR 1 = PLN 4.1082),
- ✓ items of the Consolidated Statement of Comprehensive Income and Statement of Cash Flows were converted at the FX rate being arithmetic mean of the average FX rates determined by NBP as binding as at the last day of each month in the period from 1 January to 30 September of a given year: within three quarters of 2010 EUR 1 = PLN 4.0027, whereas in the same period of 2009 EUR 1 = PLN 4.3993.

These Abridged Consolidated Financial Statements were approved by the Management Board for publication on 10 November 2010.

## I. General Information

Structure of the Makarony Polskie Capital Group as at 30 September 2010 and as at the report submission date:



As at 30 September 2010, the Makarony Polskie Capital Group ("The Group") consists of two companies: Makarony Polskie S.A. ("The Parent", "The Company") and its subsidiary Stoczek Sp. z o.o. seated in Stoczek Łukowski.

Makarony Polskie S.A. is in the business of pasta production and sale.

After taking over control of Stoczek Sp. z o.o., tinned vegetable and meat, fruit and vegetable preserves, and tinned meat and fatty meat were added to the product offer of the Group. The transaction took place on 1 June 2007.

### **Makarony Polskie S.A.**

**Registered seat:** 35-082 Rzeszów, ul. Podkarpacka 15

**District Court in Rzeszów, 12<sup>th</sup> Commercial Section of the National Court Register**

**KRS number** 0000212001

**Management Board Office:** 05-091 Ząbki, ul. Piłsudskiego 180

**Share capital:** PLN 27,750,213

**Regon number:** 691674708

**VAT identification number:** 813-32-78-856

[www.makarony.pl](http://www.makarony.pl)

**Stoczek Sp. z o.o.**

**Registered seat:** 21-450 Stoczek Łukowski, ul. Dwernickiego 5

**District Court in Lublin, 11<sup>th</sup> Commercial Section of the National Court Register**

**KRS number:** 0000050439

**Share capital:** PLN 15,207,800

**Regon number:** 711584640

**NIP identification number:** 825-17-27-212

[www.stoczek.com.pl](http://www.stoczek.com.pl)

100% shares of the share capital of Stoczek Sp. z o.o. is owned by Makarony Polskie S.A.

As at 30 September 2010, the share of the Parent's votes in the total number of votes at the General Meeting of the subsidiary is the same as its share in the subsidiary's capital.

**Management Board of the Parent**

As at 30 September 2010 and as at the Report submission date the composition of the Management Board of Makarony Polskie S.A. was as follows:

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

Number and nominal value of shares of Makarony Polskie S.A. held by the Management Board Members as at the report date:

Management Board	Shares held by the Management Board Members as at the date of the 3Q 2010 stock exchange report		Shares held by the Management Board Members as at the date of the 1H 2010 stock exchange report	
	Number of shares	Nominal value	Number of shares	Nominal value
Paweł Nowakowski	218,066	654,198	218,066	654,198
Marek Feruś	-	-	-	-
Krzysztof Rubak	2,000	6,000	2,000	6,000

The Company knows nothing about any changes in the shareholding of the Members of the Management Board of Makarony Polskie S.A. in 3Q 2010 and in the period by the publication hereof.

**The Supervisory Board of the Parent**

As at 30 September 2010 and as at the Report submission date the composition of the Supervisory Board was as follows:

- ✓ Zenon Daniłowski, Chairman of the Supervisory Board,
- ✓ Marek Jutkiewicz, Vice Chairman of the Supervisory Board,
- ✓ Grzegorz Słomkowski, Vice Chairman of the Supervisory Board,
- ✓ Urszula Rogóż-Bury, Secretary of the Supervisory Board,
- ✓ Marek Rocki, Member of the Supervisory Board.

**The Makarony Polskie Capital Group**  
**Consolidated Financial Statements for 3Q 2010 (In PLN thousands)**

Number and nominal value of the shares of Makarony Polskie S.A. held by the Supervisory Board Members as at the end of the reporting period:

Supervisory Board	Shares held by the Supervisory Board Members as at the date of the 3Q 2010 report		Shares held by the Supervisory Board Members as at the date of the 1H 2010 report	
	Number of shares	Nominal value	Number of shares	Nominal value
Zenon Daniłowski	130 000	390 000	130 000	390 000
Marek Jutkiewicz	1 360 000	4 080 000	1 360 000	4 080 000
Grzegorz Słomkowski *	1 183 040	3 549 120	1 183 040	3 549 120
Urszula Rogóż – Bury	12 680	38 040	12 680	38 040
Marek Rocki	-	-	-	-

\* Total number of shares held by Mr. Grzegorz Słomkowski (Vice Chairman of the Supervisory Board) and his spouse

According to the Company's knowledge, no changes in the shareholding of the Members of the Supervisory Board of Makarony Polskie S.A. took place in the 3Q 2010 and in the period by the publication hereof.

### General Meeting of Makarony Polskie S.A.

As at 30 September 2010, the share capital of Makarony Polskie S.A. totalled PLN 27,750,213 and it was composed of:

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

The share capital of Makarony Polskie S.A. did not change by the report submission date.

### Shareholders with at least 5%, directly or indirectly through subsidiaries, of the total number of votes at the General Meeting as at the report submission date.

Shareholder	Number of shares	% share in share capital	Number of votes at the General Meeting	% share in votes at the General Meeting
Agro-Technika S.A.	2,000,000	21.62%	2,000,000	21.62%
Marek Jutkiewicz	1,360,000	14.70%	1,360,000	14.70%
Elżbieta i Grzegorz Słomkowsy	1,183,040	12.79%	1,183,040	12.79%
OFE Polsat	488,733	5.28%	488,733	5.28%
Others	4,218,298	45.60%	4,218,298	45.60%
<b>TOTAL</b>	<b>9,250,071</b>	<b>100.00%</b>	<b>9,250,071</b>	<b>100.00%</b>

### Management Board of the subsidiary

As at 30 September 2010 and as at the report submission date, the composition of the Management Board of Stoczek Sp. z o.o. was as follows:

- ✓ Jacek Wilkoszewski – President of the Management Board,
- ✓ Leszek Trzeciński – Vice President of the Management Board.

### **Basis for developing Consolidated Financial Statements**

The Consolidated Financial Statements of the Makarony Polskie Capital Group that covers information on the Parent and its Subsidiary was prepared in compliance with the International Financial Reporting Standards (IFRS) that were approved by the European Union. Any issues not governed therein are presented herein in line with the requirements of the Act on Accounting dated 29 September 1994 (Journal of Laws of 2002, no. 76, item 694 as amended) and secondary legislature issued based thereon, and in compliance with the requirements stipulated in the Ordinance of the Minister of Finance of 19 February 2009 on Current and Interim Information to be Disclosed by Issuers of Securities (Journal of Laws of 2009, no. 33, item 259).

IFRS are the standards and interpretations accepted by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

The Subsidiary keeps its accounting books in line with the accounting policy (principles) stipulated by the Act on Accounting of 29 September 1994 (the "Act") inclusive of amendments thereto and in line with the regulations enacted based thereon ("Polish Accounting Standards"). The Consolidated Financial Statements include adjustments that are not reflected in the accounting books of the Subsidiary but that were needed to conform the financial statements of the Subsidiary to the standards and interpretations issued by the International Accounting Standards Committee and by the International Financial Reporting Interpretations Committee.

The Consolidated Financial Statements were prepared in compliance with the historic cost principle, with the exception of the financial assets and liabilities that are measured at fair value.

The Abridged Consolidated Financial Statements were prepared on the going concern basis, both as regards the Parent and the subsidiary, in the foreseeable future. There are no indicators of any threat to continuing operations of the Group companies.

Financial statements of the members of the capital group are prepared in PLN. All figures presented herein are in PLN thousands, unless specified otherwise.

The consolidated and solo P/Ls are presented by function. The reporting period of the Subsidiary is the same as the reporting period of the Parent.

Equity adjustments taken into account in the consolidated financial statement are the adjustments that resulted in elimination of specific elements of the Subsidiary's equity in order to reflect the share of Makarony Polskie S.A. in the losses from previous years, in current year results, and in order to determine the business combination cost and goodwill.

### **Currency of measurement and currency of the financial statements**

Polish zloty is the currency of measurement for all Group companies included in these Consolidated Financial Statements and the reporting currency of these Consolidated Financial Statements.

## II. Selected Financial Data – the Makarony Polskie Capital Group

Selected financial data	3 quarters of 2010	3 quarters of 2009	3 quarters of 2010 (in EUR thousand)	3 quarters of 2009 (in EUR thousand)
Net sales revenue on products, services, goods and materials	111,827	86,556	27,938	19,675
Profit (loss) on continuing operations	4,323	3,546	1,080	806
Gross profit (loss)	3,092	2,161	772	491
Net profit (loss) on continuing operations	2,998	1,796	749	408
Net cash flows on operating activities	6,601	2,024	1,649	460
Net cash flows on investing activities	- 2,194	- 6,620	- 548	- 1,505
Net cash flows on financing activities	- 4,019	4,212	- 1,004	957
Total net cash flows	388	- 384	97	- 87
Total assets ***	130,260	117,963	32,671	28,714
Liabilities and provisions for payables ***	66,020	56,721	16,559	13,807
Long-term liabilities ***	23,880	30,012	5,989	7,305
Short-term liabilities ***	42,140	26,709	10,569	6,501
Equity ***	64,240	61,242	16,112	14,907
Share capital ***	27,750	27,750	6,960	6,755
Number of shares as at the end of the reporting period	9,250,071	9,250,071	9,250,071	9,250,071
Weighted average number of shares in three quarters of a given year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per one ordinary share (in PLN/EUR) *	0.32	0.19	0.08	0.04
Book value per share (in PLN/EUR) **	6.94	6.62	1.74	1.61

\* Net profit/loss per one ordinary share = net result/weighted average number of shares in the period

\*\* Book value per one ordinary share = equity/number of shares as at a given balance sheet moment

\*\*\* Comparative data regarding the Statement of Financial Position as at 31 December 2009.



### III. Consolidated Statement of Financial Position

<b>ASSETS</b>	<b>30 September 2010</b>	<b>31 December 2009</b>
<b>NON-CURRENT ASSETS</b>	<b>86,734</b>	<b>86,917</b>
Property, plant and equipment	74,837	75,105
Goodwill	4,981	5,946
Other intangible assets	5,946	5,007
Long-term financial assets	394	374
Deferred tax assets	371	105
Long-term prepayments and deferred costs	205	380
<b>CURRENT ASSETS</b>	<b>43,526</b>	<b>29,884</b>
Inventories	11,394	8,636
Short-term receivables	29,095	19,176
Deferred income tax assets	143	15
Cash and cash equivalents	1,452	938
Short-term prepayments and deferred costs	1,442	1,119
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>-</b>	<b>1,162</b>
<b>TOTAL ASSETS</b>	<b>130,260</b>	<b>117,963</b>

<b>EQUITY AND LIABILITIES</b>	<b>30 September 2010</b>	<b>31 December 2009</b>
<b>EQUITY</b>	<b>64,240</b>	<b>61,242</b>
Share capital	27,750	27,750
Other capital	33,769	31,537
Retained profit/loss (profit/loss from previous periods)	- 277	- 243
Net profit	2,998	2,198
<b>NON-CURRENT LIABILITIES</b>	<b>23,880</b>	<b>30,012</b>
Deferred tax provision	1,064	705
Long-term bank loans and borrowings	13,432	19,570
Provision for pension and similar (long-term) benefits	214	184
Long-term accruals and deferred income	7,926	9,213
Non-current liabilities from finance lease agreements	1,244	340
<b>CURRENT LIABILITIES</b>	<b>42,140</b>	<b>26,709</b>
Short-term bank loans and borrowings	5,932	2,639
Current financial liabilities	1,944	3,788
Other current liabilities	30,894	18,434
Corporate income tax to be paid	-	-
Short-term accruals and deferred income	2,332	1,720
Provision for pension and similar (short-term) benefits	177	71
Other short-term provisions	861	57
<b>TOTAL LIABILITIES</b>	<b>66,020</b>	<b>56,721</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>130,260</b>	<b>117,963</b>

#### IV. Consolidated Statement of Comprehensive Income

FOR THE PERIOD	01.01.2010- 30.09.2010	3Q 2010	01.01.2009- 30.09.2009	3Q 2009
<b>Net sales revenue</b>	<b>111,827</b>	<b>37,747</b>	<b>86,556</b>	<b>30,677</b>
Net sales revenue on products and services	86,035	31,952	71,106	25,509
Net sales revenue on goods and materials	25,792	5,795	15,450	5,168
<b>Prime costs</b>	<b>90,795</b>	<b>30,294</b>	<b>69,107</b>	<b>24,978</b>
Costs of manufacture of sold products and services	69,107	27,184	58,737	21,435
Value of sold goods and materials	21,688	3,110	10,370	3,543
<b>Gross sales profit (loss)</b>	<b>21,032</b>	<b>7,453</b>	<b>17,449</b>	<b>5,699</b>
Costs of sale	14,669	5,492	10,825	3,780
Costs of general governance	4,640	1,311	4,670	1,595
Other income	3,674	619	1,927	736
Other costs	1,074	618	335	83
<b>Profit (loss) on continuing operations</b>	<b>4,323</b>	<b>651</b>	<b>3,546</b>	<b>977</b>
Financial income	307	164	264	125
Financial costs	1,538	431	1,649	312
<b>Gross profit (loss)</b>	<b>3,092</b>	<b>384</b>	<b>2,161</b>	<b>790</b>
Income tax - current	-	-77	180	36
Income tax - deferred	94	52	185	108
<b>Net profit (loss) on continuing operations</b>	<b>2,998</b>	<b>409</b>	<b>1,796</b>	<b>646</b>

## V. Consolidated Statement of Cash Flows

FOR THE PERIOD	01.01.2010- 30.09.2010	3Q 2010	01.01.2009- 30.09.2009	3Q 2009
<b>Operating cash flows</b>				
Profit/loss before tax	3,092	384	2,161	790
<b>Adjustment by:</b>	<b>3,509</b>	<b>- 1,807</b>	<b>- 137</b>	<b>732</b>
Amortization and depreciation	4,110	1,405	4,074	1,427
Foreign exchange gains/losses	- 452	- 14	127	- 155
Interest costs and income	1,083	326	1,001	221
Investment profits/losses	- 202	- 152	- 111	- 32
Movements in provisions	1,002	54	431	- 462
Movements in inventories	- 1,674	- 205	- 2,368	133
Movements in receivables	- 8,627	197	- 3,527	863
Movements in liabilities, prepayments and accruals	8,393	- 3,309	46	- 1,322
Paid/reimbursed corporate income tax	- 128	- 113	178	39
Other adjustments	4	4	12	20
<b>Net operating cash flows</b>	<b>6,601</b>	<b>- 1,423</b>	<b>2,024</b>	<b>1,522</b>
<b>Investment cash flows</b>				
Inflows on the sale of fixed assets and intangible assets	280	202	94	4
Interest inflows			308	150
Outflows on the acquisition of property, plant and equipment and on the acquisition of intangible assets	- 2,453	- 1,287	- 7,022	- 953
Outflows on the purchase of investment assets	- 21	-	-	-
Other	-	-	-	-
<b>Net cash flows on investing activities</b>	<b>- 2,194</b>	<b>- 1,085</b>	<b>- 6,620</b>	<b>- 799</b>
<b>Cash flows on financing activities</b>				
Cash inflows from loans and borrowings	880	766	650	350
Repayment of loans and borrowings	- 3,761	552	- 7 034	- 667
Repayment of finance lease liabilities	- 658	- 289	- 393	- 135
Interest paid	- 1,059	- 335	- 1,412	- 351
Other financing inflows	579	90	12,401	494
<b>Net cash flows on financing activities</b>	<b>- 4,019</b>	<b>784</b>	<b>4,212</b>	<b>- 309</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>388</b>	<b>- 1,724</b>	<b>- 384</b>	<b>414</b>
<b>Cash, cash equivalents and loans in current account at beginning of period</b>	<b>938</b>	<b>3,100</b>	<b>1,291</b>	<b>541</b>
<b>Profit/loss on exchange rate differences related to measurement of cash, cash equivalents and loans in current account</b>	<b>126</b>	<b>76</b>	<b>48</b>	<b>-</b>
<b>Cash, cash equivalents and loans in current account at the end of the period</b>	<b>1,452</b>	<b>1,452</b>	<b>955</b>	<b>955</b>

## VI. Statement of Changes in Consolidated Equity

For the period from 1 January 2010 to 30 September 2010

	Share capital	Other capitals	Current year profit	Loss from previous years	Total
<b>As at 1 January 2010</b>	<b>27,750</b>	<b>31,537</b>	-	<b>1,955</b>	<b>61,242</b>
Profit distribution/Covering losses	-	2,232	-	- 2,232	-
Profit for the period from 1 January 2010 to 30 September 2010	-	-	2,998	-	2,998
<b>As at 30 September 2010</b>	<b>27,750</b>	<b>33,769</b>	<b>2,998</b>	<b>- 277</b>	<b>64,240</b>

For the period from 1 January 2009 to 31 December 2009

	Share capital	Other capitals	Current year profit	Profit/loss from previous years	Total
<b>As at 1 January 2009</b>	<b>27,750</b>	<b>31,941</b>	-	<b>- 647</b>	<b>59,044</b>
Profit distribution/covering losses	-	- 404	-	404	-
Profit in 2009	-	-	2,198	-	2,198
<b>As at 31 December 2009</b>	<b>27,750</b>	<b>31,537</b>	-	<b>- 243</b>	<b>61,242</b>

For the period from 1 January 2009 to 30 September 2009

	Share capital	Other capitals	Current year profit	Profit/loss from previous years	Total
<b>As at 1 January 2009</b>	<b>27,750</b>	<b>31,941</b>	-	<b>- 647</b>	<b>59,044</b>
	-	- 404	-	404	-
Profit for the period from 1 January 2009 to 30 September 2009	-	-	1,796	-	<b>1,796</b>
<b>As at 30 September 2009</b>	<b>27,750</b>	<b>31,537</b>	<b>1,796</b>	<b>- 243</b>	<b>60,840</b>

## VII. Information about the Makarony Polskie Capital Group

### 1. Agreements material for the Group's business

#### 1. Contract with the Kaufland network

On 5 November 2010, Makarony Polskie S.A. determined fixed price conditions that will be binding in the period from 15 November 2010 to 31 October 2011 for the Kaufland network (Kaufland Polskie Markety Sp. z o.o. Sp. k., Kaufland Česká Republika, Kaufland Slovenská Republika, Kaufland Romania). The contract was signed for the supply of pasta to Kaufland under the Kaufland brandname. Estimated value of the contract in that period will be approximately PLN 11 million.

Under all binding contracts, the Makarony Polskie Group supplies pasta to the Kaufland network under the Sorenti and Abak brandnames and under the Kaufland private label, ready-made goods under Stoczek brandname and under Kaufland private label. The total estimated value of turnover under agreements signed by the Makarony Polskie Group and its affiliates functioning under the Kaufland Group is about PLN 14 million on the annual basis.

#### 2. Agreement with Jeronimo Martins Dystrybucja Polska S.A.

Based on the agreement concluded in 2004 by Makarony Polskie S.A. with Jeronimo Martins Dystrybucja, "Dobrusia" and "Vitalia" pasta is sold to the Biedronka network. Income generated by Makarony Polskie S.A. based on the agreement signed with Jeronimo Martins Dystrybucja Polska S.A. constituted so far approximately 18% of the total annual revenues of the Company. In 2010, the estimated value of revenues under the contract will be about PLN 27 million.

#### 3. Agreement concluded by Makarony Polskie S.A. with the Agricultural Market Agency

On 12 February 2010, Makarony Polskie S.A. and the Agricultural Market Agency signed an agreement for supply of foodstuff – pasta – to the warehouses of charity organisations under the "Supplying food for the poorest people of the EU in 2010" programme. Net value of the agreement is PLN 13.2 million. The Agreement will be executed by the end of December 2010. The Company will receive barley from for intervention warehouses as a consideration for the supply of the foodstuff.

#### 4. Contract concluded by Stoczek Sp. z o.o. with TDM Arrtrans S.A.

On 22 March 2010, Stoczek Sp. z o.o. and Towarowy Dom Maklerski Arrtrans S.A. /Commodity Brokerage House/ seated in Łódź signed a contract for supplying ready made dishes of the contract total net value of PLN 13.1 million.

The Contract will be executed from April to November 2010.

## 2. Information regarding issue, redemption and repayment of the debt and equity securities

In 3Q 2010, the companies of the Makarony Polskie Capital Group neither issued nor redeemed/repaid debt or equity securities.

## 3. Information regarding changes in contingent liabilities or assets that happened from the end of the last financial year

The change of the contingent liabilities or assets that happened from the end of the last financial year:

Off-balance sheet items	30 September 2010	31 December 2009
<b>1. Contingent receivables</b>	<b>34,397</b>	<b>44,949</b>
1.1. From affiliates:	19,046	36,295
- received guarantees and warranties	10,046	16,925
- collaterals on property	9,000	19,370
1.2. From other entities:	15,351	8,654
- received guarantees and warranties	15,346	8,649
- promissory notes	5	5
<b>2. Contingent liabilities</b>	<b>25,246</b>	<b>36,295</b>
2.1. As regards affiliates	25,246	36,295
- extended guarantees and warranties	13,046	16,925
- collaterals on property	12,200	19,370
2.2. As regards other entities	-	-
- extended guarantees and warranties	-	-
<b>3. Other related to:</b>	<b>116,159</b>	<b>99,917</b>
- notes payable	51,894	61,088
- collaterals on property	67,265	37,704
- other – assignment of debt claims and power of attorney for bank account use	-	1,125
<b>Total off-balance sheet items</b>	<b>- 110,008</b>	<b>- 91,263</b>

Value of the received guarantees, collaterals, notes payables, mortgages and other off-balance sheet liabilities are presented in the above table as maximum values, without exclusions between the related companies.

#### **4. Information about dividends paid and approved to be paid**

Pursuant to Article 395 of the Commercial Companies Code, the Ordinary General Meeting of Shareholders is the authority empowered to pass resolutions on profit distribution (or on covering losses) and on dividend payment. In accordance with the Articles of Incorporation, the Ordinary General Meeting of Shareholders should take place within 6 months after the end of each financial year.

Dividend payment term (Article 348 (3) of the Commercial Companies Code) is determined by the Ordinary General Meeting of public company in the form of the resolution on profit distribution for the last financial year.

The Ordinary General Meeting of Makarony Polskie decided to allocate the 2009 profit for supplementary capital. In 3Q 2010, the Ordinary General Meeting of Makarony Polskie S.A. was not convened.

#### **5. Material achievements and failures in the period from 1 January 2010 to the report publication date inclusive of a list of most important events pertaining thereto**

Detailed information on the factors having an impact on the achieved quarterly results and forecasts for the consecutive months are described among others in the **"Commentary to consolidated and solo financial results"**.

#### **6. Segments of operation**

In geographical terms, the Makarony Polskie Group distinguishes the domestic and export sale segments.

Description of the sale by specific reporting segments is shown under the **"Commentary to consolidated and solo financial results"**.

#### **7. Information on pending proceedings regarding liabilities or debt claims of the Parent or of the Subsidiary**

In the presented reporting period, there were no pending proceedings before any court of justice, any court of arbitration or any public administration authority as regards liabilities and debt claims of Makarony Polskie S.A. or of its Subsidiary, of the total disputable value of at least 10% of the equity of Makarony Polskie S.A.

## **8. Cyclical and seasonal nature of business**

In terms of annual business, operations of the member companies of the Makarony Polskie Capital Group are not materially seasonal.

The sales figures of Makarony Polskie S.A. are slightly lower in April, May and December, which is connected with fewer trading days due to holidays. Whereas, in summer time more ready made dishes as well as fruit and vegetable preserves produced by Stoczek Sp. z o.o. are sold.

## **9. Description of transactions between related entities**

In the period from 1 January 2010 to 30 September 2010, Makarony Polskie S.A. did not conclude any one-time transactions with its Subsidiary Stoczek Sp. z o.o. of the transaction amount exceeding 10% of the total vale of sale.

In the reporting period, there were no material transactions concluded between the related entities. Any transactions by and between the related entities were of typical trading settlement nature. Makarony Polskie S.A. rendered distribution and marketing services for Stoczek Sp. z o.o., which resulted from following the strategy of lowering the structural costs by centralising certain functions of the Group. The total value of transactions did not exceed 10% of the total sales in particular companies.

All and any agreements by and between the Group Members were concluded on the market terms and conditions.

## **10. Information on granting a warranty for a loan, borrowing and on granting a guarantee by Makarony Polskie S.A. – status as at the report submission date**

Makarony Polskie S.A granted warranties to its subsidiary Stoczek Sp. z o.o., and their status as at 30 September 2010 is shown the table herein below:

<b>Warranty</b>	<b>Name of creditor</b>	<b>Warranty amount</b>	<b>Collateral date</b>	<b>Valid by</b>	<b>Secured liability as at 30.09.2010</b>
Warranty for credit in current account of PLN 2.0 million	HSCB Bank Polska S.A.	PLN 3,000,000	29.10.2009	28.02.2014	PLN 1,990,000
Warranty for non-revolving loan of PLN 4.0 million	HSBC Bank Polska S.A.	PLN 6,000,000	29.10.2009	11.03.2016	PLN 3,486,000



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Warranty for multi-purpose credit line of PLN 2.0 million	Fortis Bank Polska S.A.	PLN 2,000,000	29.12.2009	27.01.2020	PLN 1,155,000
Warranty for working capital loan of PLN 650,000	Bank Spółdzielczy w Łosicach	PLN 650,000	25.09.2009	30.09.2012	PLN 650,000
Warranty for a blank promissory note issued by Stoczek securing the due performance of the contract concluded by Stoczek with Agricultural Market Agency	Stu Ergo Hestia S.A.	PLN 1,396,000	01.02.2010	30.04.2011	PLN 1,396,000

Makarony Polskie S.A. will not receive any consideration for granting the above mentioned warranties.

### 11. Information on planned issues of shares

In 3Q 2010 and in the period by the publication date hereof, the Company did not issue any shares, and no such actions are planned in foreseeable future.

### 12. Information about employment in the companies of the Makarony Polskie Group

As at 30 September 2010, the Makarony Polskie Group employed:

- Makarony Polskie S.A. – 363 employees,
- Stoczek Sp. z o.o. – 97 employees.

#### Structure of employment in Makarony Polskie S.A.

	As at 30 September 2010	As at 31 December 2009
Administration	24	25
Production	268	250
Sales	71	56
<b>Total employees</b>	<b>363</b>	<b>331</b>

#### Structure of employment in Stoczek Sp. z o.o.

	As at 30 September 2010	As at 31 December 2009
Administration	13	9
Production	75	63
Sales	9	17
<b>Total employees</b>	<b>97</b>	<b>89</b>

## VIII. ANALYSIS OF THE FINANCIAL STATEMENTS

### 1. Consolidated financial statements of the Makarony Polskie Group

<b>The Makarony Polskie Group</b>	<b>1Q-3Q 2010</b>	<b>1Q-3Q 2009</b>	<b>% change</b>
Sales revenue on products, services, goods and materials	111,827	86,556	29%
Costs of sold products, services, goods and materials	90,795	69,107	31%
Gross profit on sale	21,032	17,449	21%
Costs of sale	14,669	10,825	36%
Costs of governance	4,640	4,670	- 1%
Profit on sale	1,723	1,954	- 12%
Amortization and depreciation	4,110	4,074	1%
EBIT	4,323	3,546	22%
EBITDA	8,433	7,620	11%
Gross profit	3,092	2,161	43%
Net profit	2,998	1,796	67%
EBIT profitability	3.87%	4.10%	
EBITDA profitability	7.54%	8.80%	
Gross profitability on sale	2.76%	2.50%	
Net profitability on sale	2.68%	2.07%	

<b>The Makarony Polskie Group</b>	<b>3Q 2010</b>	<b>3Q 2009</b>	<b>% change</b>
Sales revenue on products, services, goods and materials	37,747	30,677	23%
Costs of sold products, services, goods and materials	30,294	24,978	21%
Gross profit on sale	7,453	5,699	31%
Costs of sale	5,492	3,780	45%
Costs of governance	1,311	1,595	- 18%
Profit on sale	650	324	101%
Amortization and depreciation	1,404	1,426	- 2%
EBIT	651	977	- 33%
EBITDA	2,055	2,403	- 14%
Gross profit	384	789	- 51%
Net profit	409	645	- 37%
EBIT profitability	1.72%	3.18%	
EBITDA profitability	5.44%	7.83%	
Gross profitability on sale	1.02%	2.57%	
Net profitability on sale	1.08%	2.10%	

The figures presented herein above serve as a proof that the dynamic growing trend of revenue was maintained. Within three quarters of 2010, the Group generated YTD revenue at the level of PLN 111.8 million, of which PLN 37.7 million in 3Q 2010, or the revenue grew YTD by 29% compared to the same period last year. Such an increase was possible thanks to increase in sales through basic distribution channels and increase in sales in all product categories.

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In 3Q 2010, the Makarony Polskie Group was selling its products per the mentioned herein below basic reporting segments and generated the following revenue on sales:

<b>The Makarony Polskie Group – sales</b>	<b>3Q 2010</b>	<b>3Q 2009</b>
Pasta	26,179	22,793
Ready made dishes, tinned food	9,711	3,674
Jam	487	1,343
Raw materials	-	2,168
Other	1,370	699
<b>Total</b>	<b>37,747</b>	<b>30,677</b>

The 3Q financial result was negatively influenced by significant increases in prices of basic raw materials, most of all increases in the price of flour, which raised the costs of production and did not make it possible to maintain margins at the so far level.

Furthermore, the result was impacted by the previously planned activities that were included in 2010 projections presented by the Group and which were connected with development of the sales team in the modern and traditional distribution channels. The result was also influenced by charges/costs that the Company had to incur to mark its presence in the new sales outlets, and by expenses related to placing new products on the market. Thus, dynamics of the increase in sales costs on the accrual basis (36%) is higher than the dynamics of the increase in revenue on the accrual basis (29%).

The Group still continues its strategy of minimising structural costs. For instance, the costs of governance (PLN 4.6 million YTD) remain at the same level as the same period last year despite of a strong increase in revenue in 2010.

Simultaneously, the scale of production is growing, which was reflected in lowering of the unit fixed costs. At the end of 2008, production capacity of the three production plants of Makarony Polskie was 2,400 tons of pasta. Thanks to investments made in the plant in Rzeszów and thanks to switching to the four-shift system of work in the plant in Częstochowa that guarantees continuous operation of the machines, production capacity of Makarony Polskie is now 4,300 tons monthly.

The above activities led to generating the net profit of the Group for the first three quarters of this year at the level of PLN 3.0 million, or higher by 67% than the net profit of the Group for the same period last year (PLN 1.8 million).

In 3Q 2010, one of the buyers exceeded the 10% interest in sales revenue, namely Jeronimo Martins Dystrybucja S.A. (owner of the Biedronka network) had the 18.3% share in the Company's sales revenue; Makarony Polskie and Stoczek Sp. z o.o. are not formally related to the above entity, and their relationship is of commercial nature.

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<b>The Makarony Polskie Group</b>		<b>30 September 2010</b>	<b>31 December 2009</b>	<b>% change</b>
<b>A.</b>	<b>NON-CURRENT ASSETS</b>	<b>86,734</b>	<b>86,917</b>	<b>- 0.2%</b>
1.	Property, plant and equipment	74,837	75,105	- 0.4%
2.	Other intangible assets	4,981	10,953	- 54.5%
3.	Goodwill	5,946	5,946	-
4.	Long-term financial assets	394	374	5.3%
5.	Deferred tax assets	371	105	253.3%
6.	Long-term prepayments and deferred costs	205	380	- 46.1%
<b>B.</b>	<b>CURRENT ASSETS</b>	<b>43,526</b>	<b>29,884</b>	<b>45.6%</b>
1.	Inventories	11,394	8,636	31.9%
2.	Short-term receivables	29,095	19,176	51.7%
3.	Corporate income tax receivables	143	15	853.3%
4.	Extended borrowings	-	-	-
5.	Cash and cash equivalents	1,452	938	54.8%
6.	Short-term prepayments and deferred costs	1,442	1,119	28.9%
<b>C.</b>	<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>-</b>	<b>1,162</b>	<b>- 100.0%</b>
	<b>TOTAL ASSETS</b>	<b>130,260</b>	<b>117,963</b>	<b>10.4%</b>

As at the end of 3Q 2010, the Group's assets grew by 10.4% from the end of 2009, from PLN 118.0 million to PLN 130.3 million.

Such an increase in the total assets value resulted most of all from the increase in the current assets under inventories and short-term receivables.

Value of inventories increased due to the already described increase in prices of basic raw materials and due to the purchase of seasonal raw materials (mostly fruit) for the post-season production.

Trade receivables figure results from the increased revenue on sales, inclusive of systematic rise in prices in connection with the increase of production costs (the effect of the rise in the prices of raw materials).

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	<b>The Makarony Polskie Group</b>	<b>30 September 2010</b>	<b>31 December 2009</b>	<b>% change</b>
<b>A.</b>	<b>EQUITY</b>	<b>64,240</b>	<b>61,242</b>	<b>4.9%</b>
1.	Share capital	27,750	27,750	0.0%
2.	Other capital	33,769	31,537	7.1%
3.	Retained profit/loss (Profit/loss from previous periods)	- 277	-,243	
4.	Net profit	2,998	2,198	36.4%
<b>I.</b>	<b>NON-CURRENT LIABILITIES</b>	<b>23,880</b>	<b>30,012</b>	<b>- 20.4%</b>
1.	Deferred tax provision	1,064	705	50.9%
2.	Long-term bank loans and borrowings	13,432	19,570	- 31.4%
3.	Provision for pension and similar (long-term) benefits	214	184	16.3%
4.	Long-term accruals and deferred income	7,926	9,213	- 14.0%
5.	Non-current liabilities from finance lease agreements	1,244	340	265.9%
<b>II.</b>	<b>SHORT-TERM LIABILITIES</b>	<b>42,140</b>	<b>26,709</b>	<b>57.8%</b>
1.	Short-term bank loans and borrowings	5,932	2,639	124.8%
2.	Current financial liabilities (related to leasing and factoring)	1,944	3,788	- 48.7%
3.	Other current liabilities	30,894	18,434	67.6%
4.	Corporate income tax liabilities	-	-	-
5.	Short-term accruals and deferred income	2,332	1,720	35.6%
6.	Provision for pension and similar (short-term) benefits	177	71	149.3%
7.	Other short-term provisions	861	57	1,410.5%
<b>B.</b>	<b>TOTAL LIABILITIES</b>	<b>66,020</b>	<b>56,721</b>	<b>16.4%</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>130,260</b>	<b>117,963</b>	<b>10.4%</b>

The basic reason for the increase in the total equity and liabilities up to PLN 130.3 million is increase in liabilities.

As at the end of 3Q 2010, liabilities amounted to PLN 66.0 million and consisted mostly of trade liabilities (PLN 30.9 million), interest bearing liabilities (PLN 22.4 million) and accruals and deferred income (PLN 10.2 million). Trade liabilities were determined by the already mentioned increase in prices of raw materials.

Short-term and long-term accruals and deferred income consists of the received subsidy related to the investment in the Production Plant in Rzeszów that was carried out and accomplished in 1H 2009, and which is being settled in the depreciation period of the subsidized non-current assets.

## **2. Solo financial statements of Makarony Polskie S.A.**

<b>Makarony Polskie S.A.</b>	<b>1Q-3Q 2010</b>	<b>1Q-3Q 2009</b>	<b>% change</b>
Sales revenue on products, services, goods and materials	92,949	68,349	36%
Costs of sold products, services, goods and materials	76,681	53,998	42%
Gross profit on sale	16,268	14,351	13%
Costs of sale	13,123	9,290	41%
Costs of governance	3,940	3,525	12%
Profit on sale	- 795	1,536	- 152%

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Amortization and depreciation	2,930	2,905	1%
EBIT	2,335	3,098	- 25%
EBITDA	5,265	6,003	- 12%
Gross profit	1,511	2,149	- 30%
Net profit	1,417	1,784	- 21%
EBIT profitability	2.51%	4.53%	
EBITDA profitability	5.66%	8.78%	
Gross profitability on sale	1.63%	3.14%	
Net profitability on sale	1.52%	2.61%	

<b>Makarony Polskie S.A.</b>	<b>3Q 2010</b>	<b>3Q 2009</b>	<b>% change</b>
Sales revenue on products, services, goods and materials	29,504	23,799	24%
Costs of sold products, services, goods and materials	24,727	19,240	29%
Gross profit on sale	4,777	4,559	5%
Costs of sale	4,947	3,295	50%
Costs of governance	1,053	1,186	- 11%
Profit on sale	- 1,223	78	- 1,668%
Amortization and depreciation	1,015	1,044	- 3 %
EBIT	- 827	746	- 211%
EBITDA	188	1,790	- 89%
Gross profit	- 960	626	- 253%
Net profit	- 935	482	- 294%
EBIT profitability	- 2.80%	3.13%	
EBITDA profitability	0.64%	7.52%	
Gross profitability on sale	- 3.25%	2.63%	
Net profitability on sale	- 3.17%	2.03%	

In the period from 1Q to 3Q 2010, the Company generated revenue of PLN 92.9 million, of which PLN 29.5 million in 3Q 2010. Revenue calculated on the accrual basis went up by 36% from the same period last year. Such an increase was possible thanks to increase in sale in basic distribution channels and in all product categories.

The financial result for 3Q 2010 was impacted negatively by significantly increased prices of the basic raw material that is by the rise in price of flour, which increased the production costs, and in connection with the delayed process of increasing product prices, the margins could not be maintained at the so far levels. More information about prices of raw materials and their influence on the financial results of the Makarony Polskie Group is presented in chapter IX. 2.

Furthermore, the result was impacted by the previously planned, and included in 2010 projections presented by the Group, activities connected with development of the sales team in the modern and traditional distribution channels, charges/costs that the Company had to incur to mark its presence in

the new sales outlets, and expenses related to placing new products on the market. Thus, dynamics of the increase in sales costs on the accrual basis (41%) is higher than the dynamics of the increase in revenue on the accrual basis (36%).

As the result of the above activities, net profit worked out by the Company on the accrual basis for three quarters of this year was PLN 1.4 million.

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	<b>Makarony Polskie S.A.</b>	<b>30 September 2010</b>	<b>31 December 2009</b>	<b>% change</b>
<b>A.</b>	<b>NON-CURRENT ASSETS</b>	<b>79,066</b>	<b>79,064</b>	<b>0.0%</b>
1.	Property, plant and equipment	52,647	52,738	- 0.2%
2.	Other intangible assets	4,944	4,943	0.0%
3.	Long-term financial assets	20,972	20,951	0.1%
4.	Deferred tax assets	298	95	213.7%
5.	Long-term prepayments and deferred costs	205	337	- 39.2%
<b>B.</b>	<b>CURRENT ASSETS</b>	<b>38,132</b>	<b>26,384</b>	<b>44.5%</b>
1.	Inventories	8,734	5,219	67.4%
2.	Short-term receivables	26,922	19,354	39.1%
3.	Corporate income tax receivables	143	15	853.3%
4.	Extended borrowings	-	-	-
5.	Cash and cash equivalents	1,100	726	51.5%
6.	Short-term prepayments and deferred costs	1,233	1,070	15.2%
<b>C.</b>	<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>-</b>	<b>1,162</b>	<b>- 100.0%</b>
	<b>TOTAL ASSETS</b>	<b>117,198</b>	<b>106,610</b>	<b>9.9%</b>

	<b>Makarony Polskie S.A.</b>	<b>30 September 2010</b>	<b>31 December 2009</b>	<b>% change</b>
<b>A.</b>	<b>EQUITY</b>	<b>62,936</b>	<b>61,519</b>	<b>2.3%</b>
1.	Share capital	27,750	27,750	0.0%
2.	Other capital	33,769	31,537	7.1%
3.	Retained profit/loss (Profit/loss from previous periods)	-	-	
4.	Net profit	1,417	2,232	- 36.5%
<b>I.</b>	<b>NON-CURRENT LIABILITIES</b>	<b>21,767</b>	<b>23,863</b>	<b>- 8.8%</b>
1.	Deferred tax provision	991	694	42.8%
2.	Long-term bank loans and borrowings	11,688	13,462	- 13.2%
3.	Provision for pension and similar (long-term) benefits	174	153	13.7%
4.	Long-term accruals and deferred income	7,926	9,214	- 14.0%
5.	Non-current liabilities from finance lease agreements	988	340	190.6%
<b>II.</b>	<b>SHORT-TERM LIABILITIES</b>	<b>32,495</b>	<b>21,228</b>	<b>53.1%</b>
1.	Short-term bank loans and borrowings	2,380	860	176.7%
2.	Current financial liabilities (related to leasing and factoring)	1,886	3,772	- 50.0%
3.	Corporate income tax liabilities	-	-	-
4.	Other current liabilities	24,947	14,794	68.6%
5.	Short-term accruals and deferred income	2,332	1,720	35.6%
6.	Provision for pension and similar (short-term) benefits	173	57	203.5%
7.	Other short-term provisions	777	25	3,008.0%
<b>B.</b>	<b>TOTAL LIABILITIES</b>	<b>54,262</b>	<b>45,091</b>	<b>20.3%</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>117,198</b>	<b>106,610</b>	<b>9.9%</b>



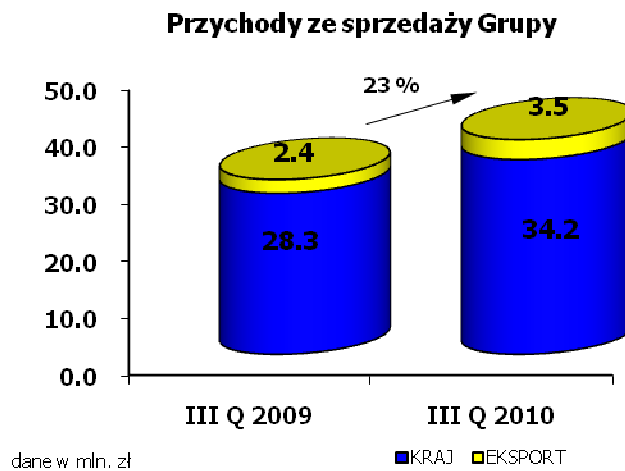
## IX. Commentary to consolidated and solo financial results

### 1. SALES ANALYSIS

#### a) Sales revenue by markets – the Makarony Polskie Group

In 3Q 2010, the Makarony Polskie Group generated sales revenue of PLN 37.7 million, higher by 23% from the same period last year. The Makarony Polskie Group sells its products mostly on the domestic market (91% of the sales revenue of the Group).

Sales revenue of the Group (in PLN million)

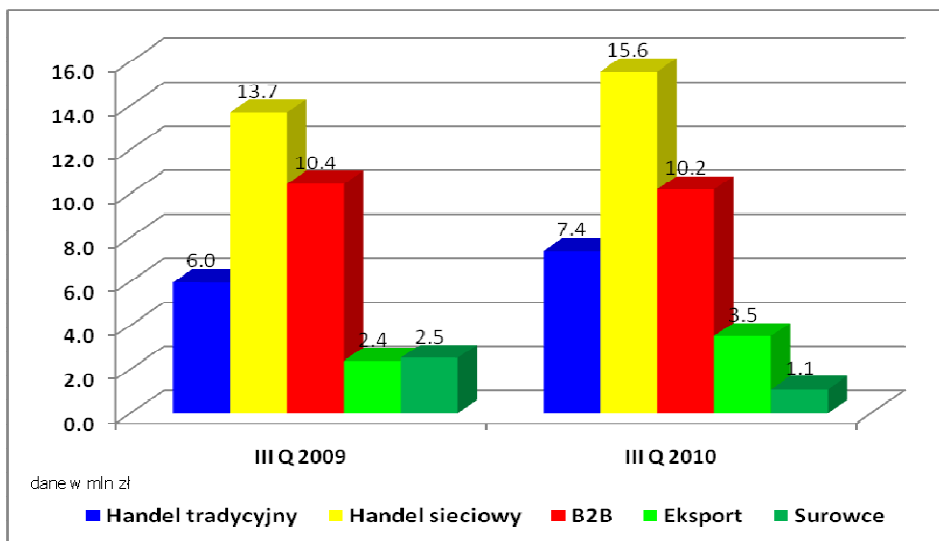


In 3Q 2010, the Group exported products worth PLN 3.5 million, more by 45% from the same period last year.

#### **Domestic market**

In 3Q 2010, domestic sales amounted to PLN 34.2 million, or increased by 20.8% from the same period last year.

**Structure of sales revenue of the Makarony Polskie Group**



In 3Q 2010, revenue was growing systematically in the core distribution channels which was reflected in the decrease of share of B2B revenue in total revenue.

Traditional trade

In 3Q 2010, the traditional trade sales figure of the Group was PLN 7.4 million, which means the 23.3% increase in the level of sales from the same period last year. The Group still takes actions aimed at strengthening this distribution channel.

Addition of new products to the assortment as well as introduction of the products to subsequent distributors is planned.

Network trade

In 3Q 2010, the network trade sales figure of the Group was PLN 15.6 million, up by 13.9% from the same period last year. The Makarony Polskie Group continues activities aimed at increasing profitability in this distribution channel, mostly by increasing the number of buyers and by launching brand-name products. Development of this distribution channel is connected with one-time outlay, which lowers profitability in the initial period of the sale.

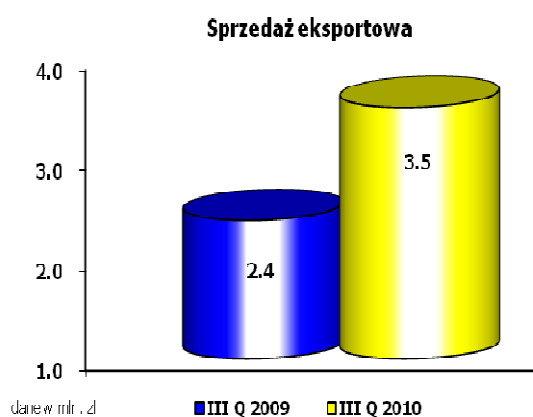
B2B

In 2010, under the institutional contracts, the Group will execute contracts for the delivery of pasta (contract execution by Makarony Polskie S.A.) and for the delivery of barley soup (contract execution by Stoczek Sp. z o.o.). The above contracts will be executed under the agreement signed with the Agricultural Market Agency. Moreover, Stoczek will execute an agreement for the production of barley soup concluded with Towarowy Dom Maklerski Arrtrans S.A. /Commodity Brokerage House/ that subcontracted manufacturing of this product. The Group supplies also ready to eat meals to PKP

*/Polish Railways/*, WARS and power company. Besides the above, the Group provides services to other producers selling them pasta and tinned food.

### **Foreign market**

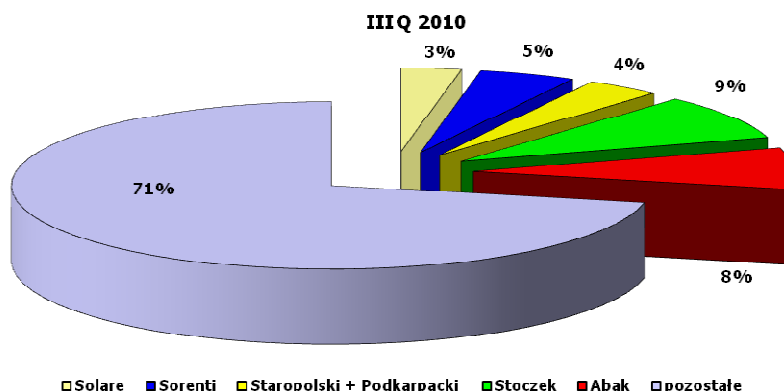
The Makarony Polskie Group exports its products to such countries as: Slovakia, the Czech Republic, Germany, Great Britain, Canada, USA, Lithuania, Ukraine, Latvia, Estonia, Australia, and the Netherlands. In 3Q 2010, export sale of the Makarony Polskie Group was PLN 3.5 million, up by 45.8% from the same period last year (PLN 2.4 million.)



The Makarony Polskie Group develops its export department dynamically. All activities taken by the Group are reflected in obtaining new contracting parties and in increase of the sale to its existing clients. Further increase of the export figure is expected in subsequent quarters.

### **b) Sales revenue by own and third-party brands – the Makarony Polskie Group**

The Makarony Polskie Group continues development of the brand-name products. In 3Q 2010, the sale of the brand-name products generated PLN 10.4 million for the Group, while in 3Q 2009 PLN 8.3 million.



The sales policy of the Makarony Polskie Group is aimed at the increase of the share of brand-name products in total sales. Upon introducing brand-name products in traditional or network trade, the Group achieved higher profitability on sale than from the sale of products under third-party brand-names.

#### **Pasta brands: Sorenti, Abak, Staropolski, Solare**

In 3Q 2010, revenue on the sale of brand-name pasta amounted to PLN 7.2 million, up by PLN 1.4 million from the same period last year, which represents increase in sale by 24%.

#### **Stoczek brand**

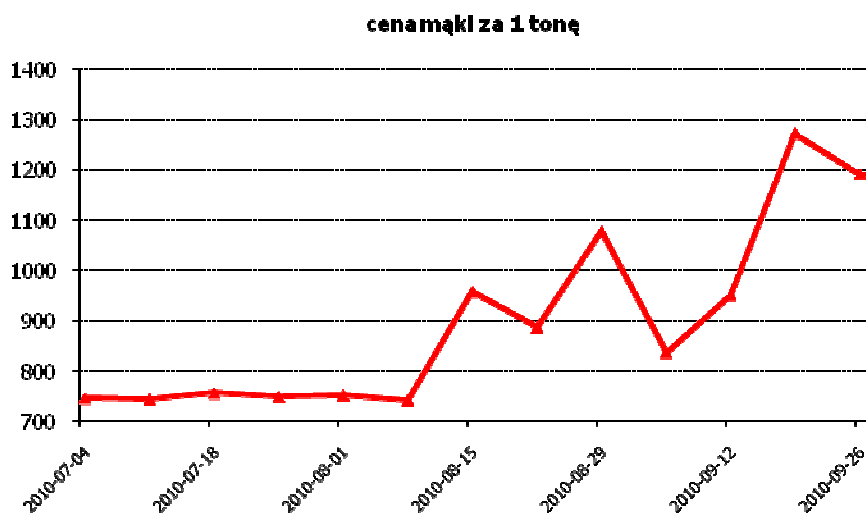
Products of Stoczek brand include: zamojskie chitterlings and tripe in broth, beans stewed with meat in tomato source, hunter's stewed dish made of sauerkraut, meat and mushrooms, meatballs, stuffed cabbage, stew and low- and high-sugar jam.

In 3Q 2010, the sale of products under the Stoczek brand was at the level of PLN 3.2 million compared to PLN 2.5 million the same period last year.

## **2. Situation on the raw materials market**

The Company monitors the situation on the raw materials market and has analysed the increase in pasta production costs that took place in the last few months. Price of flour constitutes a significant part of the cost of the end product, and thus the situation observed on the raw materials market is directly reflected in the production costs and the final financial result.

Market prices of flour in 3Q 2010 are presented on the "Price of Flour per 1 ton" graph herein below:



In the last few years, prices of flour in Poland fluctuated greatly, and any significant changes in the prices influenced the financial result of the Company. In the 2005/2006 season, PLN 350-PLN 400 was paid for 1 ton of wheat on average. In the 2007/2008 season, the said price was PLN 800-PLN 920 per 1 ton. In the 2009/2010 season, the price went down to PLN 450-PLN 500 per 1 ton. Since August this year, the price has been growing rapidly, and such a scale of increase was not witnessed in the last years. Unfortunately, the rapid increase in price of that basic raw material influenced the Company's margin on sale.

The Company uses instruments hedging prices of raw materials in medium-term perspective. The concluded hedge agreements and the hedges in place alleviated greatly a negative impact of that market factor on the financial results of the Company in 3Q this year.

The Company took actions aimed at obtaining a satisfactory level of the margin. We expect that the complex process of re-negotiation of the sales prices that will be finalised at the end of October 2010 will improve these figures significantly in 4Q 2010, and will allow us to return next year to the margins generated by the Company before the mentioned sudden fluctuations of the prices of raw materials.

We estimate that without hedging the purchase prices and without the above mentioned complex activities, the negative result on the Company's financial result could be at the level of PLN 1.5 million a month. From that perspective, the system of actions taken to protect the core business of the Company and worked out financial result should be appraised positively.

### **3. Standpoint of the Management Board regarding the feasibility of the earlier published projections of the results**

The financial projections of the Makarony Polskie Capital Group for 2010 were prepared based on the financial plan approved by the Company's Supervisory Board and were disclosed to the public on 25 March 2010. Below, you can find presentation of basic elements of the projections with their execution status (in %):

<b>The Makarony Polskie Group</b>	<b>Forecast for 2010</b>	<b>1Q-3Q 2010</b>	<b>Execution</b>
Sales revenue on products, services, goods and materials	150,485	111,827	74%
Gross profit on sale	33,632	21,032	63%
EBIT	7,385	4,323	59%
EBITDA	13,244	8,433	64%
Net profit	4,522	2,998	66%

The Management Board sustain the projections of results published in the current report no. 14/2010 of 25 March 2010.

### **4. Factors influencing materially the financial results in 4Q 2010 and in the subsequent periods**

Financial results in the subsequent quarters will be mostly influenced by the increase of sale in the Group that will result from the investments made and concluded or negotiated contracts for sale of pasta and ready made dishes. The basis assumption determining the operations of the Group companies is aiming at the increase of the market share – especially in case of the brand products. Increase of sale is planned in all distribution channels of the Group: in modern and traditional trade as well as under export. The obtained commercial contracts ensure that Makarony Polskie S.A. will sell pasta products at the level close to full utilization of its production capacity (80% of nominal capacity).

In 4Q 2010, we will observe negative effects of the rise in price of flour, however in financial terms the effects will be significantly less severe than in 3Q 2010. It results from the fact that the process of increasing product prices to the level compensating the increase in the costs of raw materials was finalised at the end of October 2010.

Increase of production capacity and mitigation of unit costs of pasta production in connection with the investments being executed will be reflected in the increase in the margin. Investments caused increase of the depreciation costs in Makarony Polskie S.A., however full utilization of the production capacity in 2010 will render it possible to further improve the profitability.

Upon the completion of the Group reorganisation process, the EBITDA margin will be at approximately 10% in 2010, and later further improvement of profitability is expected.

Production capacity, production and sale of pasta guarantees Makarony Polskie S.A. a high position among the biggest pasta producers in Poland and in the Central and Eastern Europe. Makarony Polskie S.A. intends to achieve in 2010 minimum 25% of the total volume of production on the Polish market (increase from 23% in 2009).

## X. Selected solo financial data – Makarony Polskie S.A.

<b>Selected financial data</b>	<b>3 quarters of 2010</b>	<b>3 quarters of 2009</b>	<b>3 quarters of 2010 (in EUR thousand)</b>	<b>3 quarters of 2009 (in EUR thousand)</b>
Net sales revenue on products, services, goods and materials	92,949	68,349	23,222	15,536
Profit (loss) on continuing operations	2,335	3,098	583	704
Gross profit (loss)	1,511	2,149	377	488
Net profit (loss) on continuing operations	1,417	1,784	354	408
Net cash flows on operating activities	2,904	- 1,982	725	- 451
Net cash flows on investing activities	- 1,723	- 6,596	- 430	- 1,499
Net cash flows on financing activities	- 933	7,722	- 233	1,755
Total net cash flows	248	- 856	62	- 195
Total assets ***	117,198	106,610	29,395	25,951
Liabilities and provisions for payables ***	54,262	45,091	13,610	10,976
Long-term liabilities ***	21,767	23,863	5,460	5,809
Short-term liabilities ***	32,495	21,228	8,150	5,167
Equity ***	62,936	61,519	15,785	14,975
Share capital ***	27,750	27,750	6,960	6,755
Number of shares as at the end of the reporting period	9,250,071	9,250,071	9,250,071	9,250,071
Weighted average number of shares (in pcs.) in 1Q-3Q of a given year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per one ordinary share (in PLN/EUR) *	0.15	0.19	0.04	0.04
Book value per share (in PLN/EUR) **	6.80	6.65	1.71	1.62

\* Net profit/loss per one ordinary share = net result/weighted average number of shares in the period

\*\* Book value per one ordinary share = equity/number of shares as at a given balance sheet moment

\*\*\* Comparative data that refer to the Statement of Financial Position as at 31 December 2009.



## XI. Statement of Financial Position of Makarony Polskie S.A.

<b>ASSETS</b>	<b>30 September 2010</b>	<b>31 December 2009</b>
<b>NON-CURRENT ASSETS</b>	<b>79,066</b>	<b>79,064</b>
Property, plant and equipment	52,647	52,738
Other intangible assets	4,944	4,943
Long-term financial assets	20,972	20,951
Deferred tax assets	298	95
Long-term prepayments and deferred costs	205	337
<b>CURRENT ASSETS</b>	<b>38,132</b>	<b>26,384</b>
Inventories	8,734	5,219
Short-term receivables	26,922	19,354
Corporate income tax receivables	143	15
Extended borrowings	-	-
Cash and cash equivalents	1,100	726
Short-term prepayments and deferred costs	1,233	1,070
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>-</b>	<b>1,162</b>
<b>TOTAL ASSETS</b>	<b>117,198</b>	<b>106,610</b>
<b>EQUITY AND LIABILITIES</b>	<b>30 September 2010</b>	<b>31 December 2009</b>
<b>EQUITY</b>	<b>62,936</b>	<b>61,519</b>
Share capital	27,750	27,750
Other capital	33,769	31,537
Retained profit/loss (Profit/loss from previous periods)	-	-
Net profit	1,417	2,232
<b>NON-CURRENT LIABILITIES</b>	<b>21,767</b>	<b>23,863</b>
Deferred tax provision	991	694
Long-term bank loans and borrowings	11,688	13,462
Provision for pension and similar (long-term) benefits	174	153
Long-term accruals and deferred income	7,926	9,214
Non-current liabilities from finance lease agreements	988	340
<b>SHORT-TERM LIABILITIES</b>	<b>32,495</b>	<b>21,228</b>
Short-term bank loans and borrowings	2,380	860
Current financial liabilities	1,886	3,772
Corporate income tax liabilities	-	-
Other current liabilities	24,947	14,794
Short-term accruals and deferred income	2,332	1,720
Provision for pension and similar (short-term) benefits	173	57
Other short-term provisions	777	25
<b>TOTAL LIABILITIES</b>	<b>54,262</b>	<b>45,091</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>117,198</b>	<b>106,610</b>

## XII. Statement of Comprehensive Income of Makarony Polskie S.A.

FOR THE PERIOD	01.01.2010- 30.09.2010	3Q 2010	01.01.2009- 30.09.2009	3Q 2009
<b>Net sales revenue</b>	<b>92,949</b>	<b>29,504</b>	<b>68,349</b>	<b>23,799</b>
Net sales revenue on products and services	68,279	23,734	58,728	21,095
Net sales revenue on goods and materials	24,670	5,770	9,621	2,704
<b>Prime costs</b>	<b>76,681</b>	<b>24,727</b>	<b>53,998</b>	<b>19,240</b>
Costs of manufacture of sold products and services	52,403	19,532	45,325	16,758
Value of sold goods and materials	24,278	5,195	8,673	2,482
<b>Gross sales profit (loss)</b>	<b>16,268</b>	<b>4,777</b>	<b>14,351</b>	<b>4,559</b>
Costs of sale	13,123	4,947	9,290	3,295
Costs of general governance	3,940	1,053	3,525	1,186
Other income	3,719	833	1,801	718
Other costs	589	437	239	50
<b>Profit (loss) on continuing operations</b>	<b>2,335</b>	<b>- 827</b>	<b>3,098</b>	<b>746</b>
Financial income	291	170	297	124
Financial costs	1,115	303	1,246	244
<b>Gross profit (loss)</b>	<b>1,511</b>	<b>- 960</b>	<b>2,149</b>	<b>626</b>
Income tax - current	-	-77	180	36
Income tax - deferred	94	52	185	108
<b>Net profit (loss) on continuing operations</b>	<b>1,417</b>	<b>- 935</b>	<b>1,784</b>	<b>482</b>

### XIII. Statement of Cash Flows of Makarony Polskie S.A. – Indirect Method

:	01.01.2010- 30.09.2010	3Q 2010	01.01.2009- 30.09.2009	3Q 2009
<b>Operating cash flows</b>				
<b>Net profit/loss before tax</b>	<b>1,511</b>	<b>-960</b>	<b>2,149</b>	<b>626</b>
<b>Adjustment by:</b>	<b>1,393</b>	<b>- 608</b>	<b>- 4,131,</b>	<b>203</b>
Amortization and depreciation	2,930	1,015	2,905	1,044
Foreign exchange gains/losses	- 453	- 14	106	- 81
Interest costs and income	703	234	583	116
Investment profits/losses	- 107	- 99	3	1
Movements in provisions	889	37	177	- 34
Movements in inventories	- 2,352	- 654	- 2,218	- 68
Movements in receivables	- 7,567	- 1854	- 1,792	332
Movements in liabilities, prepayments and accruals	7,479	841	- 4,073	- 1,146
Paid/returned corporate income tax	- 129	114	178	39
Other adjustments	-	-	-	-
<b>Net operating cash flows</b>	<b>2,904</b>	<b>- 1,568</b>	<b>- 1,982</b>	<b>829</b>
<b>Investment cash flows</b>				
Inflows on the sale of fixed assets and intangible assets	184	176	64	-
Interest inflows	-	-	308	150
Outflows on the acquisition of property, plant and equipment and on the acquisition of intangible assets	- 1,886	- 1,078	- 6,968	- 928
Outflows on the purchase of investment assets	- 21	-	-	-
<b>Net cash flows on investing activities</b>	<b>- 1,723</b>	<b>- 902</b>	<b>- 6,596</b>	<b>- 778</b>
<b>Cash flows on financing activities</b>				
Repayment of loans and borrowings	- 1,133	116	- 4,342	- 176
Inflows from loans and borrowings	879	879	900	-
Repayment of finance lease liabilities	- 548	- 261	- 356	- 123
Interest paid	- 710	- 235	- 881	- 240
Other financing inflows	579	88	12,401	494
<b>Net cash flows on financing activities</b>	<b>- 933</b>	<b>587</b>	<b>7,722</b>	<b>- 45</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>248</b>	<b>-1,883</b>	<b>- 856</b>	<b>6</b>
<b>Cash, cash equivalents and loans in current account at the beginning of the period</b>	<b>726</b>	<b>2,908</b>	<b>1,144</b>	<b>330</b>
<b>Profit/loss on exchange rate differences related to measurement of cash, cash equivalents and loans in current account</b>	<b>126</b>	<b>75</b>	<b>48</b>	<b>-</b>
<b>Cash, cash equivalents and loans in current account at the end of the period</b>	<b>1,100</b>	<b>1,100</b>	<b>336</b>	<b>336</b>

#### XIV. Statement of Changes in Equity of Makarony Polskie S.A.

**For the period from 1 January 2010 to 30 September 2010**

	Share capital	Other capital	Current year profit/loss	Profit/loss from previous periods	Total
<b>As at 1 January 2010</b>	<b>27,750</b>	<b>31,537</b>	-	<b>2,232</b>	<b>61,519</b>
Profit distribution	-	2,232	-	- 2,232	-
Profit for the period from 01.01.2010 to 30.09.2010	-	-	1,417	-	<b>1,417</b>
<b>As at 30 September 2010</b>	<b>27,750</b>	<b>33,769</b>	<b>1,417</b>	-	<b>62,936</b>

**For the period from 1 January 2009 to 31 December 2009**

	Share capital	Other capital	Current year profit	Profit/loss from previous years	Total
<b>As at 1 January 2009</b>	<b>27,750</b>	<b>31,941</b>	-	- 404	<b>59,287</b>
Profit distribution/covering of losses	-	- 404	-	404	-
Net profit in 2009	-	-	2,232	-	2,232
<b>AS at 31 December 2009</b>	<b>27,750</b>	<b>31,537</b>	<b>2,232</b>	-	<b>61,519</b>

**For the period from 1 January 2009 to 30 September 2009**

	Share capital	Other capital	Current year profit	Profit/loss from previous years	Total
<b>As at 1 January 2009</b>	<b>27,750</b>	<b>31,941</b>	-	- 404	<b>59,287</b>
Profit distribution/covering of losses	-	- 404	-	404	-
Profit for the period from 1 January 2009 to 30 September 2009	-	-	1,784	-	<b>1,784</b>
<b>As at 30 September 2009</b>	<b>27,750</b>	<b>31,537</b>	<b>1,784</b>	-	<b>61,071</b>

.....  
Marek Feruś  
Vice President  
of the Management Board

.....  
Krzysztof Rubak  
Vice President  
of the Management Board

.....  
Paweł Nowakowski  
President  
of the Management Board

Rzeszów, 10 November 2010