Condensed Consolidated Financial Statements of the Makarony Polskie Group for the period from 1 January to 31 March 2018



Rzeszów, 17 May 2018

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General Information

Organisational structure of the Makarony Polskie Group

The Makarony Polskie Group ("Group") consists of three companies:

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



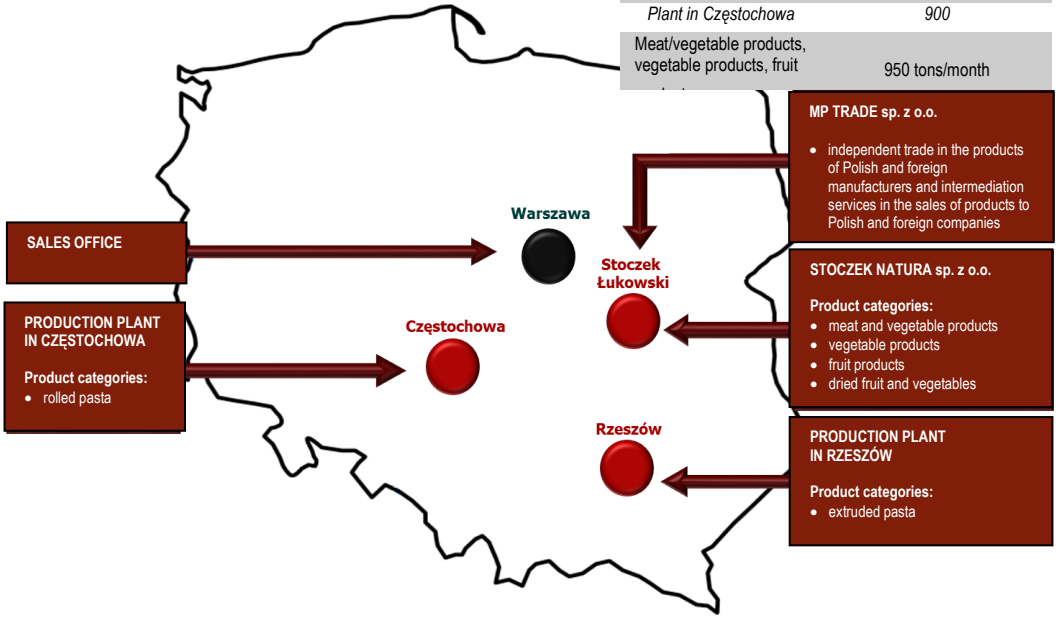
Makarony Polskie SA is a manufacturer of a broad assortment of pasta made by extrusion or rolling. The Company offers pasta in various forms, produced from durum wheat flour or regular wheat flour. In its portfolio the Company has also products which reply to the health-promoting food trends, such as pasta made of rare spelt, buckwheat or rye flours, as well as BIO products. The product offer is supplemented by flavoured pasta (e.g. with addition of spinach, garlic, chilli pepper, lovage, parsley or dill) and large pasta forms for stuffing.
The basic offered pasta brands are Makarony Polskie, Sorenti and Abak (bi-brand with Makarony Polskie). Under the Sorenti brand also pasta sauces are offered.

Stoczek Natura Sp. z o.o. is the manufacturer of meat and vegetable products (ready-cooked meals, pâtés, lard, tinned food), vegetable products (salads, pickles, bakery stuffing) and fruit products (jams, syrups, fruit pastes, sweet fillings). The company offers its products under the brands Stoczek, Tenczynek and Męska Rzecz.
In the Q.4, 2017 the company extended its portfolio for dried fruits and vegetables, offered under the Deli-Susz brand.

MP Trade Sp. z o.o. MP trade develops independent trade in third party goods of Polish and external manufacturers and also provides intermediation services in selling products to Polish and foreign entities.

ORGANISATION OF THE MAKARONY POLSKIE GROUP

Product category	Production capacity
Pasta	4,600 tons/month
Plant in Rzeszów	*3,200*
Plant in Płock (relocation pending)	*500*
Plant in Częstochowa	*900*
Meat/vegetable products, vegetable products, fruit	950 tons/month



Organisational data

Makarony Polskie SA

Registered office: 35-082 Rzeszów, ul. Podkarpacka 15a,

District Court in Rzeszów, 12th Commercial Division of the National Court Register,

court registration number (KRS): 0000212001,

Share capital: PLN 27,750,213 (paid up in full),

statistical identification number (REGON): 691674708,

tax identification number (NIP): 813-32-78-856,

www.makarony.pl

Stoczek Natura Sp. z o.o.

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

District Court for Lublin Wschód with its registered office in Świdnik, 6th Commercial Division,

court registration number (KRS): 0000050439,

share capital: PLN 15,520,300 (as at 31 December 2017) and PLN 15,707,800 (as at 15 March 2018)

statistical identification number (REGON): 711584640,

tax identification number (NIP): 825-17-27-212,

www.stoczek.com.pl

MP Trade Sp. z o.o.

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

District Court for Lublin Wschód with its registered office in Świdnik, 6th Commercial Division,

court registration number (KRS): 0000579926,

Share capital: PLN 500,000,

statistical identification number (REGON): 362706449,

tax identification number (NIP): 825-21-76-004,

www.mp-trade.pl

100% in the share capital of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. belongs to Makarony Polskie SA. As at 31 March 2018 the share in the general number of votes in the General Meetings of these companies held by the Parent Company is equal to the share in the capital of each of the subsidiaries.

The duration of all companies of the Makarony Polskie Group is unlimited.

Headcount at Makarony Polskie Group as at 31 March 2018

Headcount at Makarony Polskie Group as at 31 March 2018 was as follows:

– Makarony Polskie SA – 132 people,
– Stoczek Natura Sp. z o.o. – 48 people,
– MP Trade Sp. z o.o. – 1 person.

Management Board of the Parent Company

On 31 March 2018 and on the date of submitting the report, the Management Board of the parent Company consisted of one person, and the President of the Management Board of Makarony Polskie SA was Zenon Daniłowski.

The number and nominal value of shares of Makarony Polskie SA and shares in the companies of the Makarony Polskie Group held by the Members of the Management Board as at the date of preparing the statements:

Management Board Member	Q.1, 2018		2017	
	Number of shares	Nominal value	Number of shares	Nominal value
Zenon Daniłowski	140,000	420,000	140,000	420,000

In accordance with the information possessed by the Company no changes in the status of shares held by the President of the Management Board occurred during the first quarter of 2018 and by the date of publishing these statements.

The President of the Management Board of Makarony Polskie SA has no shares in the subsidiaries of the Makarony Polskie Group.

Supervisory Board of the Parent Company

On 31 March 2018 and on the date of publishing the statements, the Supervisory Board consisted of:

- Roman Sobiecki – Chairman of the Supervisory Board,
- Samer Abdelfatah Mohamed El Waziri – Member of the Supervisory Board,
- Marek Rocki – Member of the Supervisory Board,
- Michał Słomkowski – Member of the Supervisory Board,
- Wiesław Wasilewski – Member of the Supervisory Board.

Since 18 October 2017 the Audit Committee operates within the Supervisory Board, consisting of:

- Roman Sobiecki – Chairman of the Audit Committee,
- Michał Słomkowski – Member of the Audit Committee,
- Wiesław Wasilewski – Member of the Audit Committee.

Number and nominal value of shares of Makarony Polskie SA and shares in the companies of the Makarony Polskie Group held by the Members of the Supervisory Board as at the date of preparing these statements (based on the information possessed):

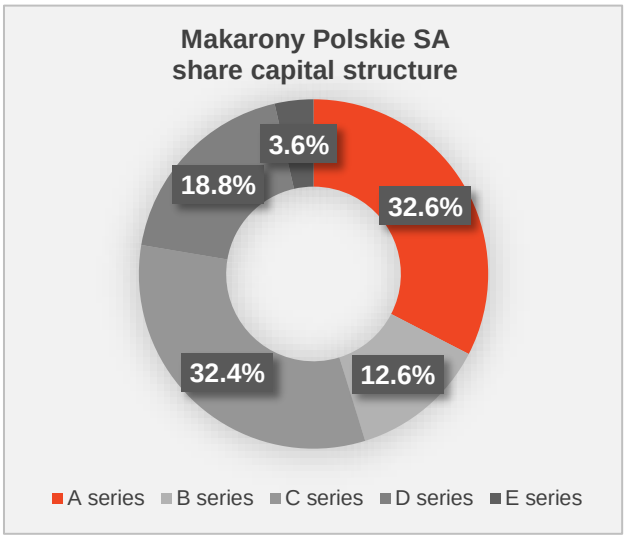
Member of the Supervisory Board	Q.1, 2018		2017	
	Number of shares	Nominal value	Number of shares	Nominal value
Michał Słomkowski	0	0	–	–
Wiesław Wasilewski	5,000	15,000	5,000	15,000
Marek Rocki	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer El Waziri	0	0	–	–

In accordance with the information possessed by the Company no changes in the status of shares held by the Members of the Supervisory Board occurred during the first quarter of 2018 and by the date of publishing these statements.

The supervising staff of Makarony Polskie SA have no shares in the subsidiaries of the Makarony Polskie Group.

General Meeting of the Parent Company

The share capital of Makarony Polskie SA as at 31 March 2018 amounted to PLN 27,750,213 and was divided into 9,250,071 shares of the nominal value of PLN 3.00 each. The value of the share capital has not changed by the date of submitting these statements.



The shares of the Company are ordinary bearer shares quoted on regulated market maintained by Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange]. The Company has not issued securities which would grant special control rights to any of the shareholders.

Shareholders who held directly or indirectly through their subsidiaries at least 5% of the total number of votes in the General Meeting of the Company as at the date of preparing the report (based on the information possessed):

Shareholder	Shares in the share capital		Votes in the General Meeting	
	number	% share	number	% share
Praska Giełda Spożywcza SA Group, of which:	2,311,594	24.99%	2,311,594	24.99%
Praska Giełda Spożywcza SA (formerly: Agro-Technika SA)	*2,050,000*	*22.16%*	*2,050,000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*

Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology & Communications S.A.E., of which:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta and Grzegorz Słomkowski, of which:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Other shareholders	3,962,031	42.83%	3,962,031	42.83%
TOTAL	9,250,071	100.00%	9,250,071	100.00%

The Company does not have any information that would indicate changes in the number of shares held by the shareholders (holding shares stakes exceeding 5%) during the first quarter 2018 and by the date of publishing these statements.

On 18 April 2017, the Company received a notification from Praska Giełda Spożywcza SA (hereinafter PGS) – a person closely related to Mr Zenon Daniłowski, President of the Management Board of Makarony Polskie SA – regarding transactions in the Company shares referred to in Article 19.1 of the Market Abuse Regulation (MAR). PGS informed that on 13 April 2017 it established a pledge on 800,000 shares of the Company.

Management Boards of subsidiaries

Stoczek Natura Sp. z o.o. – the Management Board consists of two persons:

- Rafał Dziobko – President of the Management Board,
- Adam Ławnik – Vice President of the Management Board.

In Q.1, 2018 and by the date of publishing these statements, there were no changes in the Management Board of Stoczek Natura Sp. z o.o.

MP Trade Sp. z o.o. – the Management Board consists of one person:

- Zenon Daniłowski – President of the Management Board.

In Q.1, 2018 and by the date of publishing these statements, there were no changes in the Management Board of MP Trade Sp. z o.o.

Publication and approval of financial statements

These condensed consolidated and separate financial data have not been subject to audit by an entity authorised to audit financial statements. The Management Board approved the statements publication on 17 May 2018.

Legal basis for the consolidated financial statements

Declaration of compliance and basis for preparing the statements

These condensed consolidated financial statements have been prepared based on the International Accounting Standards in the form approved by the European Union (EU) and the related interpretations announced in the form of enforcement regulations by the European Commission (hereinafter referred to as "IFRS"), applicable to interim financial reporting in the form approved by the European Union (IAS 34 "Interim Financial Reporting"), published and binding when preparing these condensed consolidated financial statements. The interim condensed financial statements do not cover all information and disclosures required to be made in the annual financial statements, and must be read together with the financial statements of the Group and the Parent Company for the year ending 31 December 2017.

The principles of presentation of these statements are also specified in the Regulation of the Minister of Justice of 29 March 2018 on current and interim information disclosed by the issuers of securities (Journal of Laws of 2018, item 757).

Basis for valuation

The presented consolidated financial statements were prepared based on the historical cost concept, except for some assets which were measured at fair value, i.e. assets acquired through the assets purchase transaction within the purchase transaction of fixed assets used in the manufacture of Tenczynek brand products by Stoczek, including goodwill originating from the transaction, as well as the assets acquired through the Abak Sp. z o.o. purchase transaction, and investment land.

Functional and presentation currency

The measurement currency for the Group applied in these financial statements as well as the reporting currency of these financial statements is Polish zloty (PLN).

Unless otherwise specified, financial data are expressed in thousands zlotys.

Legal basis for the consolidated financial statements

Applied accounting policy and basis for preparing the statements

The accounting policy applicable to interim condensed consolidated financial statements complies with that applied in preparing annual financial statements of the Capital Group for the year ending 31 December 2017 (published on 20 March 2018).

The financial statements of all companies were prepared for the same reporting period, by application of cohesive financial principles. The reporting year of the Group companies is a calendar year.

The Parent Company – Makarony Polskie SA and subsidiaries – Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. prepare financial statements in accordance with IAS/IFRS. Consolidation exclusion applies to any transactions, balances, revenues and costs between the related companies subject to consolidation.

The term of the Group companies is unlimited.

Explanations regarding seasonality and cycles in reference to interim activities of the Group

The activity of the Group does not reflect major seasonal or cyclical trends.

Changes in the principles of preparing financial statements

In Q.1, 2018 no changes occurred in the measuring principles applied when preparing the financial statements.

Uncertainty of estimations

Below presented are the basic assumptions regarding the future and other key sources of uncertainty present as at the balance-sheet date, for which there is a major risk of a significant adjustment of the carrying amount of assets and liabilities in the subsequent financial year:

- depreciation rates;
- loss of value of assets (including receivables);
- value of provisions;
- deferred tax assets (the companies disclose deferred tax assets based on the assumption that in future taxable profit will be generated enabling the deferred assets utilisation; deterioration of the generated tax results in future could make this assumption unjustified);

- valuation of assets of unspecified period of use (as at the date of preparing these financial statements there are no reasons for impairment allowance on account of Stoczek goodwill or value of the Abak and Tenczynek brands. The applicable tests compliant with the binding policies were performed as for the balance at the end of 31 December 2017).

Assumptions regarding the future and the assumed estimations are cohesive with the assumptions and estimations made by the Group in the financial statements for 2017.

Going concern

The consolidated financial statements of the Makarony Polskie Group was prepared on going concern basis applied in reference to the Group companies, as regards foreseeable future, and in the scope which is not going to change significantly. The Group did not carry out any activities which would have been abandoned in the first quarter of 2018.

Events affecting assets, liabilities, equity, net result or cash flow statement, which are atypical owing to their nature, size or frequency

In Q.1, 2018 no such events occurred.

Management Board stand regarding publication of the projected results of the Group

The Makarony Polskie Group has not published any financial projections for 2018.

Factors and risks significantly affecting the financial results in Q.1, 2018 and in the subsequent periods

Post Q.1, 2018 the Makarony Polskie Group generated net profit at the level of PLN 2.3 million. A series of changes were introduced at the Group in order to improve production effectiveness and reduce fixed costs.

The following activities, among others, will contribute to the generated results.

Building competitive advantage by investments in R&D as well as product, process and organisational innovations:

- R&D development in the area of innovative products such as functional or health-promoting food – an interdisciplinary team has been established at Makarony Polskie SA which in cooperation with scientific institutions works on the development of innovative manufacturing technologies of new low-processed and health-promoting products that are easy to prepare;
- extension of the production and warehouse building for another part, i.e. flour handling station to house bulk raw materials and additives store as well as cold store for liquid raw materials and additives within the performance of the R&D Centre creation project;
- completion of investment in automated flour and bulk ingredients dosing system at the production plant in Częstochowa, which will enable extension of the production capacity and make the production process more flexible;
- decision on purchasing an automatic horizontal packing machine, which will enable packing products in a new attractive type of packaging and forming promotional packages to be broadly used in marketing activities;
- in 2018 Makarony Polskie SA will purchase a machine to produce non-standard shapes from long rolled pasta, within the ribbon and papardelle types of pasta;
- in 2018 rolled tagliatelle type egg pasta will be sold with non-standard additives, as well as lasagne pasta, i.e. large rectangular pasta sheets;
- at the Częstochowa plant a series of investments will be made in order to reduce energy consumption and workload in the production process, and to improve product safety;
- at Stoczek Natura Sp. z o.o. research has been carried out in order to adjust the plant to the global trends in food production: convenience products, health promoting products, products packed in modified atmosphere, and innovative forms of packaging of the offered products;
- a modern line for packing stuffing and fillings, with thermal-forming function, purchased by Stoczek Natura Sp. z o.o. enables the company to offer products in a new better quality formula and extended shelf life compared to the products offered at present. Final negotiations with the contractors for the delivery of the said products are pending. Stoczek expects a major growth of revenues in that segment in the second part of 2018.

EU funds obtained for the performance of activities and projects planned by the Group:

- the project entitled "Implementation of the Results of R&D Works on Functional Food at Makarony Polskie SA" carried out within Measure 1.4 – Support to SME, under the Regional Operational Programme of the Podkarpackie Province 2014–2020, assumes implementation of the research and development works carried out in cooperation with a scientific unit, consisting in the development of innovative products recipes, with the use of raw-materials which have not been used in the pasta sector on a standard basis. The main objective of the project is the expansion of Makarony Polskie SA on the market of functional food;
- the project entitled "Creation of a Research and Development Centre of the Pasta Industry at Makarony Polskie SA", carried out within Measure 2.1 – Support for Investments in R&D Infrastructure of Enterprises, under the Smart Growth Operational Programme 2014–2020, assumes creation of an R&D Centre of the Pasta Industry at Makarony Polskie SA. At the Centre works will be carried on innovative health-promoting products, which will finally enlarge the product offer of the Company, as well as research work on issues important to the whole pasta industry. Within the project the Company plans to purchase fixed assets and finance construction works. For the purposes of the R&D Centre a modern line for production tests will be purchased, among other things, the parameters of which will reflect the conditions of the actual industrial production process (the line will be an asset of significant value);
- the "Makarony Europy" [European Pasta] programme introduced in 2016 by the Polish Pasta Chamber (PIM), in which Makarony Polskie participates along with other manufacturers associated with the PIM, is to promote pasta in Ukraine and the People's Republic of China. The Ukrainian and Chinese recipients (consumers, distributors) have been educated about the healthy characteristics of pasta, variety of pastas and high quality of products originating from the EU, including Poland (advertisements broadcast on TV, published in newspapers and on the Internet, as well as promotional actions carried out during fairs and at sales outlets). The programme is to contribute to the development of sales markets and increase in the sales volume of pasta manufactured in the European Union. The programme will last three years (2016–2018);
- the project of Stoczek Natura Sp. z o.o. entitled "Energy effectiveness improvement at Stoczek Natura Sp. z o.o." carried out within Priority Axis 5 – Energy efficiency and low-emission economy, Measure 5.1. – Improvement of energy efficiency of the companies, under the Regional Operational Programme of the Lubelskie Province for the years 2014–2020, assumes the improvement of energy effectiveness of Stoczek Natura Sp. z o.o. through extensive thermal upgrading of the company building.

Based on the energy audit the company is going to implement within the project some improvements contributing to lower demand for heat and electricity needed to ensure conditions enabling the performance of the production processes at the respective premises. The objective of the project will be achieved through preparatory works, purchase of materials and construction works, as well as the necessary fixed assets;

- the project of Stoczek Natura Sp. z o.o. entitled "Growth of competitiveness of Stoczek Natura Sp. z o.o." within Measure 3.7, under the Regional Operational Programme of the Lubelskie Province for the years 2014–2020, assumes growth of competitiveness and innovativeness of the company on the domestic and international markets by way of implementation of the results of R&D works possessed and introduction of production innovations in the form of manufacturing technology of a ready-cooked meat product. The objective of the project is to implement innovative solutions by way of modernisation of the line for production of ready-cooked meals in jars and cans.

  The performance of the project will positively affect the improvement of quality and innovativeness of the offered products, their repeatability and increase of production capacity. Additionally, as a result of the project performance, the subsidiary will gain the opportunity to introduce in its commercial offer new health-promoting products, which will be directed to a new group of consumers;
- within the 2014–2020 perspective the Group companies have applied for EU funds in order to accelerate investments and extend the scope of investments in modernisation of the currently used production machines and to develop new areas of operation, e.g. fillings and stuffing production, initiation of presence in the HoReCa segment with the aim to maintain the market position and cope with the growing demand for new innovative products and packaging. Among other things, a design audit was carried out at Stoczek Natura Sp. z o.o. in 2017 within which the design strategy was developed. The document comprises a recommendation for further actions related to the use of design at the company. At the further stage, the recommendations of the design strategy may be implemented, which means that actions with the use of design processes will be carried out with the final result of introducing innovations on the market.

Development of Private Label segment activities:

- extension of the product offer directed to new and existing customers with health-promoting products, flavoured pasta and premium products (e.g. new forms and shapes, innovative packaging);
- extension of the product offer directed to new and existing customers with ready-cooked meals, meat products, meat preserves and soups;
- activities focused on the sales channel profitability improvement.

Development of B2B and Institutions sales channel:

- development of pasta categories, as well as meat/vegetable products and fruit products tailored to the expectations of the channel customers;
- establishing cooperation with other pasta and ready-cooked meals manufacturers, as well as complementary products manufacturers in order to supplement the offer for the final recipient;
- products assortment individualisation and, thus, competitiveness improvement;
- use of the production potential of Stoczek Natura Sp. z o.o. as regards products packing as a subcontractor and utilisation of new forms of packaging;
- further development of semi-products manufacturing based on the production capacity of the plant in Stoczek Łukowski, which includes sweet fillings and salty stuffing.

Increase of domestic market share and distribution level:

- intensification of marketing activities focusing on the development of the Makarony Polskie brand, as well as rebranding and new definition of the brands of Stoczek Natura, Sorenti and Tenczynek – the Group has started cooperation with Media House and at the moment a review of the particular brands is carried out, as the experience of the previous years shows that high quality and innovations are not enough; in 2018 the Group plans to prepare a marketing programme;
- development and implementation of the mechanisms of cooperation with wholesale customers, local retail networks and shop chains, particularly as regards international medium and small scale chains and convenience chains – as a strategy of selective distribution in consideration of the specifics of the categories within the Group area of operation;
- concentration on fast and effective creation of brand assortment availability in the modern channel and implementation of effective distribution policy in the traditional channel;
- intensified trade marketing activities to support sale and resale of products and build standing relations with the customers.

Exports development:

- focus on two strategic directions: Ukraine and Egypt, where the Group offers its products under the Sorenti brand, and were most of the exports are directed. Year 2018 shall be the period of strengthening the Group cooperation with the chains in Ukraine and with RAYA/Eden in Egypt. On the Egyptian, Middle East and African markets the Company operates jointly with the Egyptian partner in order to carry out market research and establish new commercial contacts;

- systematic growth in the number of customers on foreign markets, and specifically in the EU;
- intensified communication with the current and potential recipients by virtue of participation in sector fairs and organisation of B2B meetings on the target markets, for example;
- attracting and performing projects focused on the supply of products identified with the recipient's own brand, mainly to the African market;
- product assortment extension by offering functional products on foreign markets, e.g. wholemeal pastas with high fibre content, spelt and buckwheat flour pastas, BIO products as well as new product categories.

In the opinion of the Management Board of Makarony Polskie SA, the current financial standing of the Group allows for the implementation of the above presented development directions.

Hazards and risks related to the Group activities in the remaining months of 2018

The current financial standing of the Group, its production potential and market position provide opportunities for further development. There are, however, many factors, specifically external ones, which may directly or indirectly impact the financial results generated in the coming years.

Risk of market trends changes

The risk may result from the possible changes in consumer behaviour, e.g. due to growing prices or generally published information, for example regarding the health advantage of a given category of products.

Market trends are monitored on a current basis. The Group companies adjust their offer in a fast and flexible manner, both as regards the very products and the technology of the products manufacturing. The current product offer of the Group has been modified in accordance with the market trends, e.g. systematically developed are health-promoting products, "Fit" products, and ones with lower gluten content, flavoured pasta and pasta made of antique grains (e.g. spelt). Also pending are works on the extension of portfolio with products based on vegetable flours.

Competition risk

All areas of activity of the Makarony Polskie Group fall within strong competition segments. There is a risk that increased activity of the competitors, reflected mainly in commercial conditions deterioration, will affect the profitability and revenues of the Group and, thus,

achievement of the assumed objectives. The activities of the competitors are monitored on a current basis and carefully analysed. Therefore, the Group is capable of fast reacting to the possible threats.

The Group has been trying to minimise the risk through diversification of its activities, and development of innovative products (e.g. teams have been established to work on R&D projects).

Risk of dependence on the recipients

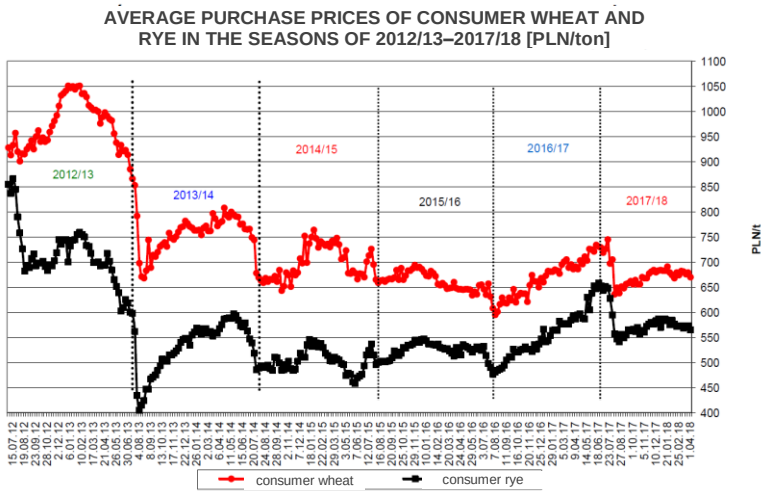
A major part of revenues is generated by the Group through cooperation with organised commercial networks, which are centralised as regards decision-making. The possible lack of continuity in cooperation with the recipients may affect sales values. Some commercial agreements do not include strictly determined values of the planned purchases to be made by the recipient during the term of the agreement. There is a risk that the recipients will file orders which are different in quantity from those assumed by the Group in its monthly plans. This may result in inability to satisfy the demand or incomplete use of the production capacity, which will obviously translate into the Group results. In the opinion of the Group, the risk is not high, because the quantities of products supplied so far have not significantly fluctuated within a yearly timeframe, staying at the levels which were possible to foresee. Additionally, the Group companies have been systematically implementing solutions for recipients diversification and increase of the number of medium-sized customers.

Risk related to changes in raw materials prices

The Group policy as regards securing raw materials prices with long-term purchase contracts in annual and semi-annual periods made it possible to maintain the average flour and liquid egg pulp purchase prices on a stable level and, thus, avoid major profitability reduction for the manufactured pasta.

In relation to the current situation on the grain market, the Company has monitored on a current basis the forecasts regarding both the domestic market and consumer wheat quoting on the world's markets. As results from the information coming from the European and non-European grain markets, the grain prices should remain on a stable level in the perspective of the coming months, with a slight dropping tendency possible. Yet, the Makarony Polskie SA is aware that the current level of flour prices, which has not changed for many years, is so low that prices are highly exposed to growth resulting from the possible speculations or natural disasters. The Company has systematically implemented measures in order to secure purchase prices of some of the raw materials in order to minimise the consequences of the possible flour prices fluctuations.

The chart below presents the prices of soft grains in Poland in the recent years:



Source: Grains Market, Week 14'2018, Sparks Polska.

After significant increases of liquid egg pulp prices (by 250–260%) at the end of the third and fourth quarter of 2017, resulting from the withdrawal from the EU market of large quantity of eggs contaminated with fipronil and wiping out of large flocks of lying hens, the market stabilised as expected in the first quarter of 2018, and the prices have been systematically dropping. This is an effect of reaching maturity by the new flocks of young hens, which started to lay large quantities of eggs in Q.1, 2018. The current market prices of liquid egg pulp oscillate around PLN 4.0-4.9 thousand per ton. Forecasts for the coming months assume that egg and liquid egg pulp prices may still be dropping slightly, and the possible corrections of prices up may be expected in the third quarter, as usual, whereas the fluctuations should not significantly affect the profitability of products.

Stoczek Natura Sp. z o.o. is a manufacturer of fruit and vegetable products (including jams and salads) as well as ready-cooked meals. The prices of fruit and vegetables are highly dependent on weather conditions. The Company cooperates with the domestic suppliers of fruit and vegetables and, additionally, the base of foreign suppliers of key raw materials was extended in 2017, which gives the company better possibilities to obtain cheap raw materials of good quality. The purchase of fruit and vegetables is carried out seasonally, in the months in which the prices are the lowest. In need the purchased raw materials are stored in the in-house warehouses and cold stores. Stoczek Natura Sp. z o.o. is exposed to the growth of raw materials prices resulting from various abnormal weather conditions. Striving for the risk mitigation the company has extended the base of key raw materials suppliers. Additionally, in order to optimise plant operation, Stoczek Natura Sp. z o.o. has planned to outsource production of those categories of fruit and vegetable products whose market share does not guarantee to the company the optimal use of the possessed production capacity and purchase of raw materials at attractive prices.

Risk of changing legal and tax environment

The Polish legal and tax system is characterised with frequent changes. Unfavourable factors for the operations of the Group companies may be both the changing legal regulations and differentiated interpretations thereof. In practice, the interpretation of legal regulations by the Polish tax authorities and courts as regards taxes is often non-cohesive. As refers to companies operating on the Polish market the risk of running business is higher than in the countries with stable and long-established legal and tax systems.

The security of the interest of the Group as regards legal changes is ensured by legal teams, which undertake proper steps in due time, with the aim of minimising the possible consequences of such changes. Quality teams watch all legal regulations regarding products and packaging on a current basis in order to implement the changes required by law without undue delay.

Risk related to foreign exchange rates fluctuation

The Makarony Polskie Group is an importer of semolina and exporter of finished products. The Company products sales prices are determined on case by case basis in consideration of the current foreign exchange rates, such as to ensure satisfactory sales profitability.

PLN weakening may have a negative impact on the profitability level of the Group activities as an importer. In order to minimise foreign exchange rate risk, the money received by the Group from export sales is used to purchase raw materials outside of Poland.

Risk related to payroll pressure

The changes in legal regulations (increase of minimum wage, determination of minimum hourly rate for civil-law agreements) result in growing payroll pressure among the employees and potential candidates. The phenomenon is intensified by the fact that the labour market is growingly more favourable to the employees. The employers, including the Group companies, may have problems in finding adequate candidates to cover vacates among the specialists and managerial staff as well as non-qualified workers.

Striving to minimise staff rotation, particularly among the key staff and specialists, the Group has been systematically implementing incentive remuneration systems (e.g. related to production and sales effectiveness), which by close relationship between the results of work of the particular teams/persons and the effective performance of the Group objectives imposed on the teams/persons allow connecting the level of remuneration satisfactory to the employees with the profitability of the company operations.

Interest rate risk

Interest rate risk is the risk of losses as a result of change in the interest rates applied by the market and change in the statutory interest. The Group finances its activities with credits and loans, which increases the Group's sensitivity to the interest rate risk, both as regards long-term and short-term financial liabilities.

In 2018 the Group availed of external sources of finance taken out at a bank in the form of working capital credits, credits in the current account and investment credits, as well as lease and factoring.

As at 31 March 2018 the Group was liable PLN 20,719,000 on account of credits and loans taken out.

Currency	Interest rate	Credit/loan balance	Including	
			Short-term	Long-term
PLN	WIBOR + bank margin	20,719	13,189	7,530

The Group is liable on account of credits and loans to which variable interest rates apply. Therefore, there is a risk of the interest rates increase in reference to the interest level as at the date of signing the agreement.

Credit risk

Credit risk is the risk of failure to service liabilities by the Group contractors. The Group follows the principle of making transactions with contractors of verified creditworthiness. In need, proper security bonds are requested in order to reduce the risk of financial losses on account of the contractor's failure to abide by the contract conditions. The Group uses generally available financial information as well as its own data regarding transactions when assessing the financial position of its main customers.

The Group exposure to the creditworthiness risk of the contractors has been monitored on a standing basis. The credit risk control is possible by virtue of limits verified and approved on a current basis within the Group controlling structures. Additionally, the Group has covered the selected contractors with trade receivables insurance provided by one of the major insurance companies operating in that segment on the Polish market.

The Group is not exposed to a major credit risk of a single contractor or a group of contractors.

Selected financial data – Makarony Polskie Group

Selected financial data in EUR have been presented in compliance with § 64.2 of the Regulation of the Minister of Finance of 29 March 2018:

- the items of the statement of financial position were converted at the mean exchange rate announced by the National Bank of Poland and binding as the balance-sheet date (31 March 2018: EUR 1 = PLN 4.2085; 31 December 2017: EUR 1 = PLN 4.1709);
- the items of the statement of comprehensive income and statement of cash flows were converted at the rate being the arithmetic mean of the mean rates announced by the National Bank of Poland and binding as at the last day of each month of Q.1, 2018 (i.e. EUR 1 = PLN 4.1784) and as at the end of each month of the Q.1, 2017 (i.e. EUR 1 = PLN 4.2891).

Selected financial data	31 March 2018	31 March 2017	31 March 2018 (EUR '000)	31 March 2017 (EUR '000)
Net sales of products, services, merchandise and materials	42,445	34,395	10,158	8,019
Profit (loss) on continued operations	3,135	2,431	750	567
Gross profit (loss)	2,868	2,338	686	545
Net profit (loss) on continued operations	2,253	1,852	539	432
EBIT	3,135	2,431	750	567
EBITDA (EBIT + depreciation)	4,576	3,684	1,095	859
Net cash flows on operating activities	-109	945	-26	220
Net cash flows on investing activities	-776	-430	-186	-100
Net cash flows on financing activities	-186	-680	-45	-159
Total net cash flows	-1,071	-165	-256	-38
Total assets ***	141,629	137,208	33,653	32,896
Liabilities and provisions for liabilities ***	63,356	61,188	15,054	14,670
Long-term liabilities ***	19,878	20,523	4,723	4,920
Short-term liabilities ***	43,478	40,665	10,331	9,750
Equity ***	78,273	76,020	18,599	18,226

Selected financial data – Makarony Polskie Group

Share capital ***	27,750	27,750	6,594	6,653
Number of shares	9,250,071	9,250,071	9,250,071	9,250,071
Average weighted number of shares in the given reporting year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (PLN/EUR) *	0.24	0.20	0.06	0.05
Book value per share (PLN/EUR) **	8.46	8.22	2.01	1.97

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

** Book value per ordinary share = equity/number of shares at the balance-sheet date

*** Comparative data from the statement of financial position as at the 31 December 2017

Consolidated statement of comprehensive income

FOR THE PERIOD	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Net sales	42,445	34,395
Net sales of products and services	40,596	32,766
Net sales of merchandise and materials	1,849	1,629
Prime cost	33,220	26,243
Cost of manufacturing of products and services sold	31,468	24,630
Value of merchandise and materials sold	1,752	1,613
Gross profit (loss) on sales	9,225	8,152
Cost of sales	4,498	4,519
General management costs	1,741	1,337
Other revenues	222	228
Other costs	73	93
Profit (loss) on continued operations	3,135	2,431
Financial revenues	2	152
Financial costs	269	245
Gross profit	2,868	2,338
Income tax – current part	294	495
Income tax – deferred part	321	-9
Net profit (loss) on continued operations	2,253	1,852
Including net profit (loss) assigned to:		
Shareholders of the Parent Company	2,253	1,852
Non-controlling interest		
Basic net earnings per share in PLN	0.24	0.20
Diluted net earnings per share in PLN	0.24	0.20
Other comprehensive income/loss, net		
Total net comprehensive income	2,253	1,852
Net comprehensive income assigned to:		
Shareholders of the Parent Company	2,253	1,852
Non-controlling interest		

Consolidated statement of comprehensive income

Statement of other comprehensive income, net – hedge accounting

FOR THE PERIOD	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Net comprehensive income	2,253	1,852
Profit/loss on account of hedge accounting application	0	0
Total net comprehensive income	2,253	1,852

Consolidated statement of financial position

ASSETS	31 March 2018	31 December 2017	31 March 2017
FIXED ASSETS	**90,215**	**91,110**	**91,329**
Tangible fixed assets	73,428	74,061	74,326
Investment properties	642	642	1,235
Goodwill	5,949	5,949	5,949
Other intangible fixed assets	9,949	9,953	9,498
Long-term financial assets	0	0	0
Deferred income tax assets	6	5	20
Other long-term assets	241	500	301
CURRENT ASSETS	**51,414**	**46,098**	**40,179**
Inventories	16,539	15,624	15,374
Short-term receivables	34,022	28,513	23,564
Deferred income tax receivables	29	29	33
Loans granted	0	0	0
Cash and cash equivalents	383	1,454	749
Other short-term assets	441	478	459
FIXED ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	**141,629**	**137,208**	**131,508**

Consolidated statement of financial position

EQUITY/LIABILITIES	31 March 2018	31 December 2017	31 March 2017
EQUITY CAPITAL	**78,273**	**76,020**	**74,668**
Share capital	27,750	27,750	27,750
Other reserve capital	42,184	42,184	39,505
Retained profit/loss (profit/loss from previous years)	6,086	569	5,561
Net profit/loss	2,253	5,517	1,852
LONG-TERM LIABILITIES	**19,878**	**20,523**	**23,074**
Deferred income tax provision	3,860	3,538	3,382
Long-term bank credits and loans	7,530	8,221	10,117
Provision for retirement benefits and equivalent (long-term)	190	190	143
Deferred income (long-term)	6,453	6,538	6,963
Long-term financial liabilities	1,845	2,036	2,469
SHORT-TERM LIABILITIES	**43,478**	**40,665**	**33,766**
Short-term bank credits and loans	13,189	12,272	9,276
Short-term financial liabilities	799	826	936
Other short-term liabilities	28,414	26,800	22,571
Deferred income tax payables	10	65	0
Deferred income (short-term)	510	553	510
Provision for retirement benefits and equivalent (short-term)	149	149	71
Other short-term provisions	407	0	402
TOTAL LIABILITIES	**63,356**	**61,188**	**56,840**
TOTAL EQUITY/LIABILITIES	**141,629**	**137,208**	**131,508**

Consolidated statement of cash flows

FOR THE PERIOD	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Net cash flows on operating activities		
Profit before tax	**2,868**	**2,338**
Adjustments for items:	-2,977	-1,393
Depreciation	1,441	1,253
Foreign exchange gains/losses	0	6
Interest cost and income	193	226
Dividend income	0	0
Profit/loss on investing operations	-28	-25
Change in the balance of provisions	407	402
Change in the balance of inventories	-915	-2,359
Change in the balance of receivables	-5,508	-95
Change in the balance of liabilities and accruals	1,782	-280
Corporate income tax paid/reimbursed	-349	-521
Other adjustments	0	0
Net cash flows on operating activities	**-109**	**945**
Cash flows on investing activities		
Revenues from sale of tangible and intangible fixed assets	28	25
Revenue from sale of financial assets	0	0
Expenses on purchase of tangible and intangible fixed assets	-804	-455
Expenses on acquisition of subsidiaries and associated companies	0	0
Interest revenues	0	0
Revenues on loans granted	0	0
Loans granted	0	0
Other	0	0
Net cash flows on investing activities	**-776**	**-430**
Cash flows on financing activities		

Consolidated statement of cash flows

Revenues from credits and loans	1,850	821
Repayment of credits and loans	-1,624	-1,000
Payment of liabilities under financial lease agreements	-,219	-275
Interest paid	-193	-226
Dividend paid out to shareholders	0	0
Expenses on purchase of financial assets	0	0
Other financial revenues	0	0
Net cash flows on financing activities	**-186**	**-680**
Increase/decrease in the balance of cash and cash equivalents	**-1,071**	**-165**
Cash, cash equivalents and credit in the current account at the beginning of the period	1,454	920
Foreign exchange gains/losses on valuation of cash, cash equivalents and credit in the current account	0	-6
Cash, cash equivalents and credit in the current account at the end of the period	**383**	**749**

Statement of changes in consolidated equity

For the period from 1 January 2018 to 31 March 2018

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2018	27,750	42,184	0	6,086	76,020
Profit distribution/loss coverage	0	0	0	0	0
Profit/loss on account of hedge accounting application	0	0	0	0	0
Dividend payout	0	0	0	0	0
Net result after Q.1, 2018			2,253		2,253
As at 31 March 2018	27,750	42,184	2,253	6,086	78,273

For the period from 1 January 2017 to 31 December 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2017	27,750	39,505	0	5,561	72,816
Profit distribution/loss coverage	0	2,679	0	-2,679	0
Profit/loss on account of hedge accounting application	0	0	0	0	0
Dividend payout	0	0	0	-2,313	-2,313
Net result for 2017	0	0	5,517	0	5,517
As at 31 December 2017	27,750	42,184	5,517	569	76,020

Statement of changes in consolidated equity

For the period from 1 January 2017 to 31 March 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2017	27,750	39,505	0	5,561	72,816
Profit distribution/loss coverage	0	0	0	0	0
Profit/loss on account of hedge accounting application	0	0	0	0	0
Dividend payout	0	0	0	0	0
Net result after Q.1, 2017	0	0	1,852	0	1,852
As at 31 March 2017	27,750	39,505	1,852	5,561	74,668

Additional explanatory notes

Net sales of products, services, merchandise and materials broken down into segments of activities

For management purposes the Group has been divided into business units based on the offered product and services.

	1 January to 31 March 2018	1 January to 31 March 2017
Sales of products	38,593	31,973
Sales of services, including:	2,003	793
– lease and storage	1,247	618
– distribution services	0	0
– transport	0	0
– service production	756	175
– other services	0	0
Sales of materials	1,095	1,492
Sales of merchandise	754	137
Total	**42,445**	**34,395**

Operating segments

The Makarony Polskie Group is divided into the operating segments identified in the table below.

	1 January to 31 March 2018	1 January to 31 March 2017
Pasta	26,083	25,246
Meat and vegetable products	10,854	5,141
Vegetable products and stuffing	920	747
Fruit products	1,942	974
Other	2,646	2,287
Total	**42,445**	**34,395**

Basic information regarding operating segments:

For the period 1 January to 31 March 2018	Pasta	Meat and vegetable products	Vegetable products and stuffing	Fruit products	Other	Total segments
Total revenues of the segments	**26,083**	**10,854**	**920**	**1,942**	**2,646**	**42,445**
Sales to third party customers	26,083	10,854	920	1,942	2,646	42,445
Sales between the segments	0	0	0	0	0	0
Costs of the segments	20,135	9,230	690	1,683	1,482	33,220
Profits/losses of the segments	**5,948**	**1,624**	**230**	**259**	**1,164**	**9,225**
Cost of sales	0	0	0	0	0	-4,498
General management costs	0	0	0	0	0	-1,741
Other revenues	0	0	0	0	0	222
Other costs	0	0	0	0	0	-73
Financial revenues	0	0	0	0	0	2
Financial costs	0	0	0	0	0	-269
Elimination of loss/profit among segments	0	0	0	0	0	0
Other profit/loss	0	0	0	0	0	0
Non-assigned amounts	0	0	0	0	0	0
Gross profit/loss on continued operations	0	0	0	0	0	2,868

For the period 1 January to 31 March 2017	Pasta	Meat and vegetable products	Vegetable products and stuffing	Fruit products	Other	Total segments
Total revenues of the segments	**25,246**	**5,141**	**747**	**974**	**2,287**	**34,395**
Sales to third party customers	25,246	5,141	747	974	2,287	34,395
Sales between the segments	0	0	0	0	0	0
Costs of the segments	19,044	4,113	599	884	1,603	26,243
Profits/losses of the segments	**6,202**	**1,028**	**148**	**90**	**684**	**8,152**
Cost of sales	0	0	0	0	0	-4,519
General management costs	0	0	0	0	0	-1,337
Other revenues	0	0	0	0	0	228
Other costs	0	0	0	0	0	-93
Financial revenues	0	0	0	0	0	152
Financial costs	0	0	0	0	0	-245

Elimination of loss/profit among segments	0	0	0	0	0	0
Other profit/loss	0	0	0	0	0	0
Non-assigned amounts	0	0	0	0	0	0
Gross profit/loss on continued operations						**2,338**

The Group applies IFRS 8 "Operating Segments". In accordance with the IFRS 8 requirements, operating segments must be identified based on the internal reports regarding those elements which are regularly verified by the persons deciding about the allocation of resources to the respective segment and assessing the segment financial results. The Group companies operate mainly in the territory of Poland, the regions of which should be treated as a uniform area due to the closeness of location, similar economic conditions and general risk.

Sales of products, services, merchandise and materials – geographic structure

	1 January to 31 March 2018	1 January to 31 March 2017
Poland	40,364	32,410
Exports, including:	2,081	1,985
– EU member states	584	681
– other countries	1,497	1,304
Total	**42,445**	**34,395**

The sales markets of the Makarony Polskie Group may be divided into domestic market (including private label, traditional trade, modern trade, and B2B and institutions) and exports market (including sales to domestic intermediaries). In Q.1, 2018 sales amounted to PLN 40.4 million on the domestic market and PLN 2.1 million in exports. In the same period of 2017 the values were PLN 32.4 million and PLN 2.0 million, respectively.

Data on the financial results and shares, used in calculating the basic and diluted earnings per share

	1 January to 31 March 2018	1 January to 31 March 2017
Net profit/loss per share	0.24	0.20
Book value per share in PLN	8.46	8.07

	1 January to 31 March 2018	1 January to 31 March 2018
Net profit/loss on continued activities assigned to the Parent Company shareholders	2,253	1,852
Profit/loss on discontinued activities assigned to the Parent Company shareholders	0	0
Net profit/loss assigned to the Parent Company shareholders	2,253	1,852
Net profit/loss assigned to regular shareholders, applied in calculation of diluted profit/loss per share	0	0

	1 January to 31 March 2018	1 January to 31 March 2017
Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	9,250,071	9,250,071
Dilution impact	N/A	N/A
Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	N/A	N/A

Net profit per share is calculated by dividing net profit for the period assigned to regular shareholders of the Parent Company by the weighted average number of ordinary shares issued and outstanding during the period.

Diluted profit per share is calculated by dividing net profit for the period assigned to regular shareholders of the Parent Company (upon deduction of interest on redeemable privileged shares convertible to ordinary shares) by the weighted average of ordinary shares issued and outstanding during the period (adjusted for the impact of diluting options and diluting redeemable shares convertible to ordinary shares).

In Q.1, 2018 there were no factors at the Parent Company that would dilute share capital.

Book value per share is the quotient of equity and the number of shares as at the respective balance-sheet date.

Share capital

Share capital of Makarony Polskie SA as at 31 March 2018 amounted to PLN 27,750,213 and was divided as follows:

	Type of share	Type of privilege	Number of shares	Nominal value of one share in PLN	Series nominal value in PLN '000	Capital coverage method	Date registered	Right to dividend (from)
A series	bearer shares	ordinary shares	3,013,250	3	9,040	cash contributions	05/07/2004	01/01/2004
B series	bearer shares	ordinary shares	1,169,750	3	3,509	in-kind contributions	29/10/2004	01/01/2004
C series	bearer shares	ordinary shares	3,000,000	3	9,000	cash contributions	18/04/2007	01/01/2007
D series	bearer shares	ordinary shares	1,735,821	3	5,207	cash contributions	22/06/2007	01/01/2007
E series	bearer shares	ordinary shares	331,250	3	994	cash contributions	11/02/2008	01/01/2008
Total			**9,250,071**		**27,750**			

Information about changes in estimations regarding consolidated financial statements

CHANGES ON ACCOUNT OF PROVISIONS

Change of balance as at 31 March 2018	Balance as at 1 January 2018	Created	Utilised or reversed	Balance at the end of the period
On account of pension benefits and similar, including:	339	0	0	339
a) long-term	190	0	0	190
b) short-term	149	0	0	149
Other provisions, including:	0	407	0	407
b) other	0	407	0	407
Total	339	407	0	746

Change of balance as at 31 March 2017	Balance as at 1 January 2017	Created	Utilised or reversed	Balance at the end of the period
On account of pension benefits and similar, including:	214	0	0	214
a) long-term	143	0	0	143
b) short-term	71	0	0	71
Other provisions, including:	0	402	0	402
b) other	0	402	0	402
Total	214	402	0	616

DEFERRED TAX ASSETS AND PROVISIONS

Change of balance as at 31 March 2018	Balance as at 1 January 2018	Created	Utilised or reversed	Balance at the end of the period
Deferred income tax assets	355	166	228	293
Deferred income tax provisions	3,888	304	45	4,147
Deferred income assets/provisions after set-off	3,533			, 854

Change of balance as at 31 March 2017	Balance as at 1 January 2017	Created	Utilised or reversed	Balance at the end of the period
Deferred income tax assets	385	149	78	456
Deferred income tax provisions	3,756	87	25	3,818
Deferred income assets/provisions after set-off	3,371			3,362

IMPAIRMENT ALLOWANCES FOR ASSETS

Change of balance as at 31 March 2018	Balance as at 1 January 2018	Created	Utilised or reversed	Balance at the end of the period
Impairment allowances for receivables	76	0	0	76
Impairment allowances for inventories	0	0	0	0
Impairment allowances for tangible fixed assets	1,674	0	24	1,650

Change of balance as at 31 March 2017	Balance as at 1 January 2017	Created	Utilised or reversed	Balance at the end of the period
Impairment allowances for receivables	76	0	0	76
Impairment allowances for inventories	21	0	21	0
Impairment allowances for tangible fixed assets	, 769	0	24	1,745

The Group monitors assets on a current basis and in case of their loss of value makes impairment allowances for such assets. In Q.1, 2018 no reasons for impairment allowances occurred.

Dividends paid out and proposed to be paid out

In the first quarter and by the date of the publication, Makarony Polskie SA has not paid out dividend.

The Management Board of Makarony Polskie SA decided that in the years 2018–2019 it is not going to recommend to the General Meeting the payout of dividend to the shareholders. The decision results from ambitious multimillion investment plans assumed by the Group for the years 2018–2019. For the performance of the investment projects the Group companies have acquired European Union subsidies as well as third-party finance (long-term investment credits), however, for the purpose of proper cash flows, it is necessary to ensure adequate own contribution on the part of the Group. Bearing that in mind, the Management Board decided as first mentioned above.

The Management Board of the Company is of the opinion that the planned investment projects are important for the further dynamic development of the Group and strengthening of its market position, whereas on long-term horizon it is also going to translate into goodwill increase for the shareholders and the possibility of generating higher return on investment in the shares of Makarony Polskie SA.

The investment projects focus not only on modernisation and extension of plant but also on the creation of research and development facilities enabling fast reaction to consumers' demands and market trends, as well as on offering innovative products on the market, including functional ones.

Therefore, the Company Management Board decided to recommend to the General Meeting that the net profit for the period from 1 January 2017 to 31 December 2017 amounting to approx. PLN 5,249,000 is allocated to the supplementary capital of Makarony Polskie SA. At the same time, the Company informs that in accordance with Article 382.3 of the Code of Commercial Companies, the recommendation will be submitted to the Company Supervisory Board for approval. The final decision regarding profit distribution for the reporting year 2017 will be made by the Annual General Meeting of the Company.

Settlements with related companies

In Q.1, 2018 Makarony Polske SA did not enter into any significant transactions with subsidiaries on other than arm's length basis.

Within the Makarony Polskie Group the particular companies make intercompany purchase and sale transactions with regard to products, merchandise and services. There have been signed agreements by and between the companies, determining the cooperation conditions, adequately to the organisational structure of the Group. All transactions are made on arm's length basis.

Related company	Sales to related companies – total revenues		Purchases from related companies	
	For the period	For the period	For the period	For the period
	1 January to 31 March 2018	1 January to 31 March 2017	1 January to 31 March 2018	1 January to 31 March 2017
Parent Company – Makarony Polskie S.A.	232	1,618	6,072	2,967
from/to Stoczek Sp. z o.o.	219	145	5,527	2,701
from/to MP Trade Sp. z o.o.	13	1,473	545	266

Related company	Receivables from related companies		Liabilities to related companies	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Parent Company – Makarony Polskie S.A.	848	2,990	515	655
from/to Stoczek Sp. z o.o.	843	961	426	518
from/to MP Trade Sp. z o.o.	5	2,029	89	137

SETTLEMENTS WITH SUBSIDIARIES

Subsidiaries	Sales among subsidiaries – total revenues		Purchases among subsidiaries	
	For the period	For the period	For the period	For the period
	1 January to 31 March 2018	1 January to 31 March 2017	1 January to 31 March 2018	1 January to 31 March 2017
Total subsidiaries	3	1,691	3	1,691
from/to Stoczek Sp. z o.o.	3	1,662	0	29
from/to MP Trade Sp. z o.o.	0	29	3	1,662

Subsidiaries	Receivables from subsidiaries		Liabilities to subsidiaries	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Total subsidiaries	521	1,924	521	1,924
from/to Stoczek Sp. z o.o.	521	1,873	0	51
from/to MP Trade Sp. z o.o.	0	51	521	1,873

Information on the issue, redemption and repayment of debt securities

In Q.1, 2018 the companies of the Makarony Polskie Group did not issue, redeem or repay any debt securities.

After the end of the reporting period, on 11 May 2018, the Management Board made a decision to request the General Meeting for:

- the issue of not more than 2,000,000 (say: two million) non-secured bearer bonds, of the nominal value and the issue price for each bond determined by the Supervisory Board but not lower than PLN 3 (say: three zlotys) and the total nominal value of the issue which will not be higher than PLN 12,000,000 (say: twelve million zlotys), convertible into the Company F series ordinary bearer shares;
- plus a conditional increase of the share capital for the amount not higher than PLN 6,000,000 (say: six million zlotys), by virtue of issue of not more than 2,000,000 (say: two million) F series ordinary bearer shares of the nominal value of PLN 3,00 (say three zlotys) each; and
- amendment of the Company Articles; and
- exclusion of the rights issue for the existing shareholders of the Company with regard to the bonds and F series shares issued for the purpose of assigning the right to take up the shares to the holders of convertible bonds (the issue of bonds convertible to the Company shares, conditional increase of the share capital, amendment of the Company Articles and exclusion of the rights issue with regard to the bonds and shares).

The request of the Management Board was positively signed off by the Supervisory Board and will be presented in the coming Annual General Meeting of the Company.

Information on the carried out and planned issues of shares

In Q.1, 2018 and in the period ending on the date of publication of this report, the Company did not issue any shares.

After the end of the reporting period, on 11 May 2018, the Management Board made a decision to request the General Meeting for:

- amendment of the Company Articles such as to provide a possibility to increase the share capital of the Company for the total amount which shall not be higher than PLN 9.300.000 (say: nine million three hundred thousand zlotys), by virtue of new shares issue (Authorised Capital), by 30 June 2021;
- granting the authorisation to the Management Board to increase the share capital of the Company by way of one or many subsequent increases of the share capital within the Authorised Capital;
- exclusion of the right of the existing shareholders to take up new shares (rights issue) in whole or in part, in reference to each increase of the share capital made within the Authorised Capital, at the consent of the Supervisory Board.

The request of the Management Board was positively signed off by the Supervisory Board and will be presented in the coming Annual General Meeting of the Company.

Agreements and events important for the operations of the Group

WITHDRAWAL BY STOCZEK NATURA SP. Z O.O. FROM THE PERFORMANCE OF THE PROJECT ENTITLED "CREATION OF AN R&D CENTRE AT STOCZEK NATURA SP. Z O.O."

In Mach 2018, Stoczek Ntura Sp. z o.o. made a decision on withdrawal from the performance of the project entitled "Creation of an R&D centre at Stoczek Natura Sp. z o.o.", within Measure 2.1 – Support for Investments in R&D Infrastructure of Enterprises, under the Smart Growth Operational Programme, and resigned from the subsidy agreement concluded with the Ministry of Investments and Development in September 2017.

The Management Board of the Subsidiary made the said decision after carrying out a thorough subject-matter and financial analysis, and in consideration of other pending and approved investment tasks and projects needed for the development of the company activities.

Information about credit and factoring agreements signed and terminated

LONG-TERM AND SHORT-TERM CREDITS AND LOANS

	31 March 2018	31 December 2017
– long-term	7,530	8,221
– short-term	13,189	12,272
Total	**20,719**	**20,493**

In Q.1, 2018 parties to credit and factoring agreements were Makarony Polskie SA and Stoczek Natura Sp. z o.o.

The balance of credit ad factoring agreements binding as at 31 March 2018, in which Makarony Polskie SA was the party, is presented in the tables below.

– Credit in the current account at BZ WBK SA

Credit conditions	31 March 2018
Credit agreement value	PLN 5,000,000
Credit period	18.10.2013–31.05.2018
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 1,382,000
Repayment schedule	One-off at the date of maturity

Credit collateral	– Joint mortgage up to PLN 33,000,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Borrower and promissory note declaration; – registered pledge on inventories of the value not lower than PLN 5,000,000, including the assignment of rights under the registered pledge insurance policy; – security bond by Stoczek Natura Sp. z o.o.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Investment credit at BZ WBK SA

Credit conditions	31 March 2018
Credit agreement value	PLN 13,849,000
Credit period	18.10.2013–30.04.2020
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 8,577,000
Repayment schedule	The credit will be repaid in 52 monthly instalments starting from 31 December 2015, in the following values: 52 instalments of PLN 0.17 million each, plus the 53rd settlement instalment to zero balance.
Credit collateral	– Joint mortgage up to PLN 33,000,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; – registered pledge on fixed assets (production lines at the Rzeszów plant); – transfer of receivables on account of insurance agreement of the object of the pledge; – blank promissory note issued by the Borrower and promissory note declaration; – civil-law security bond by Stoczek Natura Sp. z o.o.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Working capital credit at BZ WBK SA

Credit conditions	31 March 2018
Credit agreement value	PLN 3,000,000
Credit period	20.05.2015–31.05.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 168,000
Repayment schedule	The credit will be repaid in 36 monthly instalments of PLN 0.08 million each starting from 30 June 2015.

Credit collateral	– Joint mortgage up to PLN 33,000,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; – registered pledge on fixed assets (production lines at the Rzeszów plant); – transfer of receivables on account of insurance agreement of the object of the pledge; – blank promissory note issued by the Borrower and promissory note declaration; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– EU investment credit at BZ WBK SA

Credit conditions	31 March 2018
Credit agreement value	PLN 12,121,000
Credit period	07.02.2017–28.02.2022
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 0,000
Repayment schedule	The credit will be repaid in 32 monthly instalments starting from 31 July 2019, in the following values: 31 instalments of PLN 0.15 million each, plus the 32th settlement instalment amounting to PLN 7.65 million. In case the credit is repaid from the subsidy received, the repayment schedule shall change in reference to the balloon instalment repayment. The instalments of the credit will be changed in such proportion to the instalments determined in the original schedule, in which the amount of the credit utilised compares to the amount of the credit granted. After the subsidy is received, the credit will be repaid in 32 monthly instalments starting from 31 July 2019, in the following values: 31 instalments of PLN 0.04 million each, plus the 32th settlement instalment amounting to PLN 1.90 million.
Credit collateral	– Joint mortgage up to PLN 18,200,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; – registered pledge on semi-industrial test line complete with accessories; – transfer of receivables on account of insurance agreement of the object of the pledge; – blank promissory note issued by the Borrower and promissory note declaration; – civil-law security bond by Stoczek Natura Sp. z o.o.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– EU investment credit at BZ WBK SA

Credit conditions	31 March 2018
Credit agreement value	PLN 8,000,000
Credit period	15.09.2017–31.01.2022
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 1,063,000
Repayment schedule	The credit will be repaid in 43 monthly instalments starting from 31 July 2018, in the following values: 42 instalments of PLN 0.09 million each, plus the 43th settlement instalment amounting to PLN 4.13 million. In case the credit is repaid from the subsidy received, the repayment schedule shall change in reference to the balloon instalment repayment. The instalments of the credit will be changed in such proportion to the instalments determined in the original schedule, in which the amount of the credit utilised compares to the amount of the credit granted. After the subsidy is received, the credit will be repaid in 43 monthly instalments starting from 31 July 2018, in the following values: 42 instalments of PLN 0.03 million each, plus the 43th settlement instalment amounting to PLN 1.29 million.
Credit collateral	– Joint mortgage up to PLN 12,000,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; – registered pledge on the production line purchased within the subsidised project; – transfer of receivables on account of insurance agreement of the object of the pledge; – blank promissory note issued by the Borrower and promissory note declaration; – civil-law security bond by Stoczek Natura Sp. z o.o.; – assignment of rights under the subsidy agreement.

– Revolving credit at BZ WBK SA

Credit conditions	31 March 2018
Credit agreement value	PLN 1,800,000
Credit period	15.09.2017–31.10.2019
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 0,000
Repayment schedule	Repayment of the credit tanche paid takes place after 90 days

Credit collateral	– Joint mortgage up to PLN 2,700,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; – registered pledge on the production lines purchased within the subsidised projects; – transfer of receivables on account of insurance agreement of the object of the pledge; – blank promissory note issued by the Borrower and promissory note declaration; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	31 March 2018
Credit agreement value	PLN 6,000,000
Credit period	14.06.2013–30.06.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,628,000
Repayment schedule	One-off at the date of maturity
Credit collateral	– Joint mortgage up to PLN 16,500,000 on properties entered in: a) land and mortgage register No. KW CZ1C/00111425/8 located in Częstochowa, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Borrower and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Stoczek Natura Sp. z o.o.; – declaration on submission to enforcement by the Borrower and the security bond provider, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to the amount of PLN 12 million).

– Non-revolving working capital credit in the credit account at Bank Gospodarstwa Krajowego

Credit conditions	31 March 2018
Credit agreement value	PLN 5,000,000
Credit period	30.06.2015–29.06.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,250,000

Repayment schedule	The credit will be repaid in 12 quarterly instalments payable on the last day of each quarter, starting from 30 September 2015, as follows: 11 instalments of PLN 0.25 million each and the last 12th settlement instalment of PLN 2.25 million payable on 29 June 2018.
Credit collateral	– Joint mortgage up to PLN 16,500,000 on properties entered in: a) land and mortgage register No. KW CZ1C/00111425/8 located in Częstochowa, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Borrower and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Stoczek Natura Sp. z o.o.; – transfer of receivables on account of insurance agreement of the object of the pledge; – declaration on submission to enforcement by the Borrower and the security bond provider, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to the amount of PLN 10 million).

– (Full) factoring agreement with BZ WBK Faktor Sp. z o.o.

Terms of the agreement	31 March 2018
Agreement value	PLN 9,500,000
Period	Agreement signed for unlimited term
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Factoring balance	PLN 4,831,000
Agreement collateral	– irrevocable power of attorney to dispose of the account; – blank promissory note with promissory note declaration.

As at 31 March 2018, Stoczek Natura Sp. z o.o. was a party to one credit agreement, with the balance presented in the table below.

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	31 March 2018
Credit agreement value	PLN 3,000,000
Credit period	16.11.2017–16.11.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,627,000
Repayment schedule	One-off at the date of maturity
Credit collateral	– Contractual mortgage up to PLN 4,500,000 on properties entered in land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA;

	– registered pledge on a set of machines and equipment (located at the Stoczek Łukowski plant); – declaration on submission to enforcement by the Borrower and the security bond provider, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to the amount of PLN 6 million).

Information on loans granted

As at 31 March 2018 Makarony Polskie SA granted a short-term loan to its subsidiary Stoczek Natura Sp. z o.o. in the amount of PLN 2.00 million with the repayment date on 31 December 2018 (one-off repayment by the date of the loan maturity). The interest rate on the loan was set on arm's length basis.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant any loans in Q.1, 2018.

Information on guarantees granted and obtained

In Q.1, 2018 the Group companies did not grant any guarantees. As regards guarantees obtained, Makarony Polskie SA and Stoczek Natura Sp. z o.o. availed of guarantees.

All guarantees binding for Makarony Polskie SA as at 31 March 2018 are presented in the table below.

Guarantor	Guarantee amount PLN '000	Guarantee validity	Object of guarantee	Collateral
BZ WBK SA	1,011	by 28 December 2021	Guarantee securing the liabilities of the Company under the agreement with the Material Reserves Agency (ARM) with regard to sales and storage of pasta reserves	Joint mortgage up to PLN 1,517,000 on properties entered in: – land and mortgage register No. KW CZ1C/00111425/8 located in Częstochowa, including the assignment of rights under the property insurance policy; – land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note with promissory note declaration.
BZ WBK SA	249	by 22 January 2021	Guarantee securing the liabilities of the Company under the agreement with the Material Reserves Agency (ARM) with regard to keeping pasta reserves	Joint mortgage up to PLN 373,000 on properties entered in: – land and mortgage register No. KW CZ1C/00111425/8 located in Częstochowa, including the assignment of rights under the property insurance policy; – land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note with promissory note declaration.

By March 2018, Makarony Polskie SA availed of two guarantees for the total amount of PLN 544,000 granted by STU Ergo Hestia S.A. The guarantees served as a performance bond for the agreement with the Material Reserves Agency (ARM). Owing to the complete settlement of the secured contract, the guarantee was released.

All guarantees binding for Stoczek Natura Sp. z o.o. as at 31 March 2018 are presented in the table below.

Guarantor	Guarantee amount PLN '000	Guarantee validity	Object of guarantee	Collateral
Bank Gospodarstwa Krajowego	1,472	by 31 August 2018	Guarantee securing the liabilities of the company under the agreement with the National Centre for the Support of Agriculture (KOWR) with regard to delivery of food products	– mortgage up to PLN 2,207,000 on properties entered in land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Ordering Party and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA.
Bank Gospodarstwa Krajowego	504	by 13 December 2021	Guarantee securing the liabilities of the company under the agreement with the Material Reserves Agency (ARM) with regard to keeping ready-cooked meals reserves	– mortgage up to PLN 756,000 on properties entered in land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Ordering Party and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA.
Bank Gospodarstwa Krajowego	1,549	by 15/12/2021	Guarantee securing the liabilities of the company under the agreement with the Material Reserves Agency (ARM) with regard to keeping ready-cooked meals reserves	– mortgage up to PLN 2,323,000 on properties entered in land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Ordering Party and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA.

Information on security bonds granted and obtained

As at 31 March 2018 Makarony Polskie SA granted security bonds to the Polish Pasta Chamber (PIM):

Third party liabilities	Name of creditor	Security bond value PLN `000	Validity date	Balance of the secured liability in PLN `000 as at 31 March 2018
Security bond for a revolving credit amounting to PLN 2.35 million*	BPS	4,275	30/05/2021	642
Security bond for a revolving credit amounting to PLN 0.5 million *	BPS	750	30/05/2021	185

* Credits intended for financing of the 3-year information and promotional campaign entitled "Makarony Europy" [European Pasta]. The activities will be carried on the Chinese and Ukrainian markets. The cost of the campaign is co-financed by the European Union and the Agricultural Market Agency (ARR). The external finance is a security for the loan repayment.

Makarony Polskie SA granted securities to Stoczek Natura Sp. z o.o. The balance of the security bonds as at 31 March 2018 is presented below.

Third party liabilities	Name of creditor	Security bond value PLN `000	Validity date	Balance of the secured liability in PLN `000 as at 31 March 2018
Security bond for a credit in the current account amounting to PLN 3.0 million	BGK	3,000	16/05/2019	2,627
Security bond for a bank guarantee amounting to PLN 1.5 million	BGK	1,472	28/02/2019	–
Security bond for a revolving credit amounting to PLN 0.5 million	BGK	504	13/06/2022	–
Security bond for a revolving credit amounting to PLN 1.5 million	BGK	1,549	15/06/2022	–

Stoczek Natura Sp. z o.o. granted security bonds to the Parent Company Makarony Polskie SA. The balance of the security bonds as at 31 March 2018 is presented below.

Third party liabilities	Name of creditor	Security bond value PLN `000	Validity date	Balance of the secured liability in PLN `000 as at 31 March 2018
Security bond for a credit in the current account amounting to PLN 5.0 million	BZ WBK	7,500	31/05/2019	1,382
Security bond for an investment credit amounting to PLN 13.8 million	BZ WBK	30,000	30/09/2021	8,577
Security bond for a non-revolving working capital credit in the credit account amounting to PLN 5.0 million	BGK	5,000	29/12/2018	2,250

Security bond for a credit in the current account amounting to PLN 6.0 million *	BGK	6,000	31/12/2018	4,628
Security bond for an EU investment credit amounting to PLN 8.0 million	BZ WBK	8,000	binding till the moment of the subsidy settlement	1,063
Security bond for an EU investment credit amounting to PLN 12.1 million	BZ WBK	12,121	binding till the moment of the subsidy settlement	0

Makarony Polskie SA and Stoczek Natura Sp. z o.o. received remuneration for granting the security bonds.

Off-balance-sheet items

Off-balance-sheet items [PLN `000]	31 March 2018	31 December 2017
1. Contingent assets	**4,785**	**5,329**
– guarantees and security bonds obtained	4,785	5,329
– secured on property	0	0
– promissory notes	0	0
2. Contingent liabilities	**166,800**	**168,745**
– guarantees and security bonds granted	5,025	5,025
– secured on property	118,725	118,725
– promissory note payables	43,050	44,996
Total off-balance-sheet items	**-162,015**	**-163,416**

The values of guarantees, security bonds, promissory note payables, mortgages and other off-balance-sheet liabilities have been presented in the above table in their maximum values. The specification does not cover for security bonds among the Group companies owing to the fact that this does not affect the value of the off-balance-sheet items.

Important court litigations, arbitration proceedings or administrative proceedings

In the presented reporting period there were no pending important court ligations or any arbitration or administrative proceedings regarding the liabilities or receivables of Makarony Polskie SA or its subsidiaries.

Other major events and transactions

In Q.1, 2018 no major events and transactions other than those described above occurred which would require disclosure in these financial statements of the Group.

Major post-balance-sheet events

No other post-balance-sheet events occurred which could have a major impact on the operations of the Makarony Polskie Group.

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Zenon Daniłowski

President of the Management Board

Rzeszów, 17 May 2018

Condensed separate financial statements of Makarony Polskie SA for the period from 1 January to 31 March 2018

Selected financial data of Makarony Polskie SA

Selected financial data	31 March 2018	31 March 2017	31 March 2018 (EUR '000)	31 March 2017 (EUR '000)
Net sales of products, services, merchandise and materials	34,697	29,222	8,304	6,813
Profit (loss) on continued operations	2,641	2,179	632	508
Gross profit (loss)	2,444	2,144	585	500
Net profit (loss) on continued operations	1,979	1,715	474	400
EBIT	2,641	2,179	632	508
EBITDA (EBIT + depreciation)	3,539	3,103	847	723
Net cash flows on operating activities	91	1,106	22	258
Net cash flows on investing activities	-426	-284	-102	-66
Net cash flows on financing activities	193	-674	46	-157
Total net cash flows	-142	148	-34	35
Total assets ***	126,685	122,883	30,102	29,462
Liabilities and provisions for liabilities ***	52,546	50,723	12,486	12,161
Long-term liabilities ***	19,451	20,229	4,622	4,850
Short-term liabilities ***	33,095	30,494	7,864	7,311
Equity ***	74,139	72,160	17,616	17,301
Share capital ***	27,750	27,750	6,594	6,653
Number of shares	9,250,071	9,250,071	9,250,071	9,250,071
Average weighted number of shares in the given reporting year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (PLN/EUR) *	0.21	0.19	0.05	0.04
Book value per share (PLN/EUR) **	8.01	7.80	1.90	1.87

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

** Book value per ordinary share = equity/number of shares at the balance-sheet date

*** Comparative data from the statement of financial position as at the 31 December 2017

Statement of comprehensive income of Makarony Polskie SA

FOR THE PERIOD	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Net sales	34,697	29,222
Net sales of products and services	26,781	25,035
Net sales of merchandise and materials	7,916	4,187
Prime cost	27,006	22,893
Cost of manufacturing of products and services sold	20,022	18,732
Value of merchandise and materials sold	6,984	4,161
Gross profit (loss) on sales	7,691	6,329
Cost of sales	4,201	3,246
General management costs	983	1,021
Other revenues	190	191
Other costs	56	74
Profit (loss) on continued operations	2,641	2,179
Financial revenues	16	209
Financial costs	213	244
Gross profit	2,444	2,144
Income tax – current part	287	474
Income tax – deferred part	178	-45
Net profit (loss) on continued operations	1,979	1,715
Including net profit (loss) assigned to:		
Shareholders of the Parent Company	1,979	1,715
Non-controlling interest		
Basic net earnings per share in PLN	0,21	0,19
Diluted net earnings per share in PLN	0,21	0,19
Other comprehensive income/loss, net		
Total net comprehensive income	1,979	1,715
Net comprehensive income assigned to:		
Shareholders of the Parent Company	1,979	1,715
Non-controlling interest		

Statement of comprehensive income of Makarony Polskie SA

Statement of other comprehensive income, net – hedge accounting

FOR THE PERIOD	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Net comprehensive income	1,979	1,715
Profit/loss on account of hedge accounting application	0	0
Total net comprehensive income	1,979	1,715

Statement of financial position of Makarony Polskie SA

ASSETS	31 March 2018	31 December 2017	31 March 2017
FIXED ASSETS	**86,249**	**86,688**	**87,940**
Tangible fixed assets	51,346	51,763	52,959
Investment properties	642	642	642
Goodwill	0	0	0
Other intangible fixed assets	4,966	4,970	4,958
Total long-term financial assets, of which:	29,080	29,080	29,080
Shares	29,080	29,080	26,080
Loans granted	0	0	3,000
Deferred income tax assets	0	0	0
Other long-term assets	215	233	301
CURRENT ASSETS	**40,436**	**36,195**	**34,562**
Inventories	11,206	10,359	10,979
Short-term receivables	26,621	23,121	20,560
Deferred income tax receivables	0	0	22
Loans granted	2,006	2,013	2,062
Cash and cash equivalents	273	415	600
Other short-term assets	330	287	339
FIXED ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	**126,685**	**122,883**	**122,502**

Statement of financial position of Makarony Polskie SA

EQUITY/LIABILITIES	31 March 2018	31 December 2017	31 March 2017
EQUITY CAPITAL	**74,139**	**72,160**	**70,938**
Share capital	27,750	27,750	27,750
Other reserve capital	39,161	39,161	36,507
Retained profit/loss (profit/loss from previous years)	5,249	0	4,966
Net profit/loss	1,979	5,249	1,715
LONG-TERM LIABILITIES	**19,451**	**20,229**	**22,914**
Deferred income tax provision	3,562	3,383	3,346
Long-term bank credits and loans	7,530	8,221	10,117
Provision for retirement benefits and equivalent (long-term)	155	155	107
Deferred income (long-term)	6,452	6,538	6,964
Long-term financial liabilities	1,752	1,932	2,380
SHORT-TERM LIABILITIES	**33,095**	**30,494**	**28,650**
Short-term bank credits and loans	10,549	9,284	9,276
Short-term financial liabilities	757	785	914
Deferred income tax payables	3	65	0
Other short-term liabilities	20,791	19,730	17,532
Deferred income (short-term)	510	553	510
Provision for retirement benefits and equivalent (short-term)	78	77	37
Other short-term provisions	407	0	381
TOTAL LIABILITIES	**52,546**	**50,723**	**51,564**
TOTAL EQUITY/LIABILITIES	**126,685**	**122,883**	**122,502**

Statement of cash flows of Makarony Polskie SA

FOR THE PERIOD	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Net cash flows on operating activities		
Profit before tax	**2,444**	**2,144**
Adjustments for items:	**-2,353**	**-1,038**
Depreciation	898	924
Foreign exchange gains/losses	0	1
Interest cost and income	156	182
Dividend income	0	0
Profit/loss on investing operations	-28	-25
Change in the balance of provisions	408	382
Change in the balance of inventories	-847	-1,326
Change in the balance of receivables	-3,500	203
Change in the balance of liabilities and accruals	909	-891
Corporate income tax paid/reimbursed	-349	-488
Other adjustments	0	0
Net cash flows on operating activities	**91**	**1,106**
Cash flows on investing activities		
Revenues from sale of tangible and intangible fixed assets	28	25
Revenue from sale of financial assets	0	0
Expenses on purchase of tangible and intangible fixed assets	-478	-309
Expenses on acquisition of subsidiaries and associated companies	0	0
Interest revenues	24	0
Revenues on loans granted	0	0
Loans granted	0	0
Other	0	0
Net cash flows on investing activities	**-426**	**-284**

Statement of cash flows of Makarony Polskie SA

Cash flows on financing activities		
Revenues from credits and loans	1,842	821
Repayment of credits and loans	-1,268	-1,000
Payment of liabilities under financial lease agreements	-208	-270
Interest paid	-173	-225
Dividend paid out to shareholders	0	0
Expenses on purchase of financial assets	0	0
Other financial revenues	0	0
Net cash flows on financing activities	**193**	**-674**
Increase/decrease in the balance of cash and cash equivalents	**-142**	**148**
Cash, cash equivalents and credit in the current account at the beginning of the period	415	453
Foreign exchange gains/losses on valuation of cash, cash equivalents and credit in the current account	0	-1
Cash, cash equivalents and credit in the current account at the end of the period	**273**	**600**

Statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2018 to 31 March 2018

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2018	27,750	39,161	0	5,249	72,160
Profit distribution/loss coverage	0	0	0	0	0
Profit/loss on account of hedge accounting application	0	0	0	0	0
Dividend payout	0	0	0	0	0
Net result after Q.1, 2018	0	0	1,979	0	1,979
As at 31 March 2018	27,750	39,161	1,979	5,249	74,139

For the period from 01 January 2017 to 31 December 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2017	27,750	36,507	0	4,966	69,223
Profit distribution/loss coverage	0	2,654	0	-2,654	0
Profit/loss on account of hedge accounting application	0	0	0	0	0
Dividend payout	0	0	0	-2,312	-2,312
Net result for 2017	0	0	5,249	0	5,249
As at 31 December 2017	27,750	39,161	5,249	0	72,160

Statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2017 to 31 March 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2017	27,750	36,507	0	4,966	69,223
Profit distribution/loss coverage	0	0	0	0	0
Profit/loss on account of hedge accounting application	0	0	0	0	0
Dividend payout	0	0	0	0	0
Net result after Q.1, 2017	0	0	1,715	0	1,715
As at 31 March 2017	27,750	36,507	1,715	4,966	70,938

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Zenon Daniłowski
President of the Management Board

Rzeszów, 17 May 2018

Information about the Company

Makarony Polskie SA
with its registered office in Rzeszów
at ul. Podkarpacka 15A, 35-082 Rzeszów

www.makarony.pl

The Company was registered by the District Court in Rzeszów, 12th Commercial Division of the National Court Register, on 5 July 2004, under the number 0000212001.

Share capital: PLN 27,750,213 (paid up in full).

Tel. 17 875 30 10; Fax 17 875 30 20.

Please contact us at:

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The source of data in these financial statements is the Makarony Polskie Group, unless otherwise specified.