Condensed consolidated financial statements of Makarony Polskie Group for the period from 1 January to 31 March 2019



Rzeszow, 29 May 2019

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General information

Organizational structure of the Makarony Polskie Group

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

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



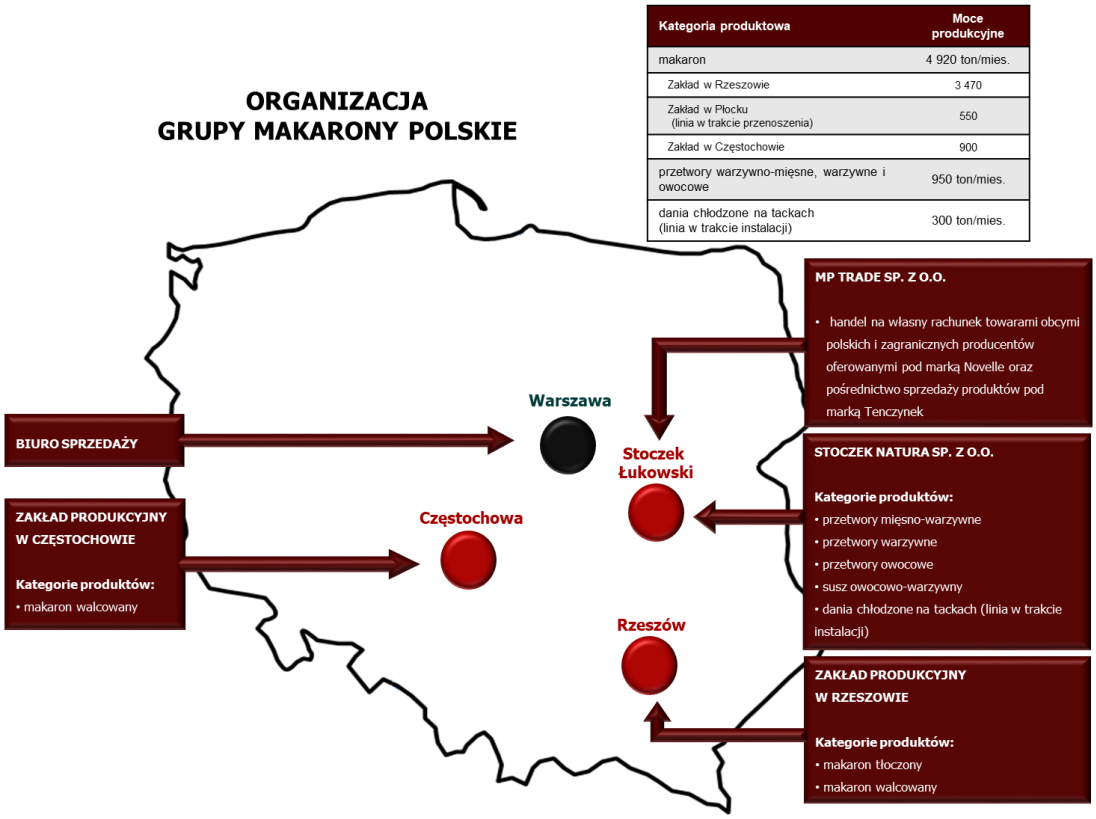
Makarony Polskie SA is a producer of a wide range of pasta, produced in stamped and rolled technology. The Company offers pasta in many different forms, made on the basis of durum flour and wheat flour. In its portfolio, the Company also has products that respond to the trends of pro-health food, such as pasta from flours less frequently used, for example, spelled, buckwheat, rye and BIO products. The range of products is enriched with flavored pasta (e.g. with spinach and garlic, chili peppers, lovage, parsley and dill), large pasta forms for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas.
The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand z Makarony Polskie). Under the Sorenti brand, pasta sauces are also offered.

Stoczek Natura Sp. z o.o. is a producer of meat and vegetable preserves (ready meals, pies, lard preserves), vegetable preserves (salads, marinades, bakery pastries), processed fruit (jams, syrups, plum confectioners, confectionery fillings) offered under Stoczek, Tenczynek and Męska Rzecz brands, and also dried fruit and vegetables offered under Deli-Susz brand.

MP Trade Sp. z o.o.develops trade on own account with foreign goods of Polish and foreign producers. In 2018, the company's activity focused on the intermediation of the sale of Tenczynek brand products and the sale of products bought from external suppliers under its own Novelle brand. The adopted business model of the Company is now often found on the market. In that model, the main value

creating the Company's value is the increase in the value of the brand, and production is contracted outside.

From the beginning of 2019, MP Trade Sp. z o.o. has developed the Novelle brand by preparing a line of products based on vegetable protein. New products will be introduced for sale gradually. At the same time, sales of foreign goods are also developing.



Organizational data

Makarony Polskie SA

Registered Office: 35-082 Rzeszów, ul. Podkarpacka 15a,
District Court in Rzeszow, 12th Commercial Division of the National Court Register
KRS number 0000212001,
Share Capital: PLN 27 750 213 (fully paid-up),
REGON (National Business Registry Number): 691674708,
NIP [tax identification number]: 813-32-78-856,
www.makarony.pl

Stoczek Natura Sp. z o.o.

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

Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department

KRS number: 0000050439,

Share Capital: PLN 15 707 800

REGON (National Business Registry Number): 711584640,

NIP [tax identification number]: 825-17-27-212,

www.stoczek.com.pl

MP Trade Sp. z o. o.

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

Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department

KRS number: 0000579926,

Share Capital: PLN 1,500,000,

REGON (National Business Registry Number): 362706449,

NIP [tax identification number]: 825-21-76-004,

www.mp-trade.pl

100% of shares in the share capital of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. is owned by Makarony Polskie SA. As at 31 March 2019, the share in the total number of votes at the Shareholders' 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.

Employment as at 31 March 2019 in the Makarony Polskie Group

The employment balance as at 31 March 2019 in the Makarony Polskie Group was as follows:

- Makarony Polskie SA – 148 employees,
- Stoczek Natura Sp. z o.o. – 47 employees,
- MP Trade Sp. z o.o. – 0 employees.

Composition of the Parent's Management Board

On 31 March 2019 and on the day of submitting the statements, the management board of the parent company is a one-man management board, and Zenon Daniłowski is the President of the Management Board of Makarony Polskie SA.

On the day of the Ordinary General Meeting approving the Company's financial statements for the financial year 2018, the eighth term of office of the Management Board will come to an end. At the same time, on the same day, the Resolutions No. 6 and 7 of the Company's Supervisory Board of 26 April 2019 on determining that the Management Board of the ninth term will be a one-man management board and appointing the Management Board of the ninth term, i.e., Mr. Zenon Daniłowski, entrusted with the office of President of the Management Board, shall come into force. The Supervisory Board in the indicated Resolutions decided that these resolutions shall come into force on the day of the General Meeting of Shareholders of the Company approving the financial statements for the financial year 2018 - that General Meeting of Shareholders with the current report No. 11 of 14 May 2019, was convened for 18 June 2019.

Number and par value of the shares of Makarony Polskie SA company and shares in the companies of the Makarony Polskie Group owned by Members of the Management Board as at the date of the statements are as follows:

Member of the Management Board	Q1 2019		2018	
	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 held by the Company, during Q1 2018 and until the date of publication of these statements, there were no changes in the ownership of shares held by the President of the Management Board.

The President of the Management Board of Makarony Polskie SA does not hold shares in subsidiaries of the Makarony Polskie Group.

Composition of the Supervisory Board of the parent company

On 31 March 2019 and on the day of publication of the statements, the Supervisory Board consisted of:

- Roman Sobiecki – Chairman of the Supervisory Board
- Samer Abdelfatah Mohamed El Waziri – Vice Chairman 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

The Audit Committee has the following functions within the Supervisory Board:

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

Number and par value of the shares of Makarony Polskie SA company and shares in the companies of the Makarony Polskie Group owned by Members of the Supervisory Board as at the date of the statements are as follows (according to the information available):

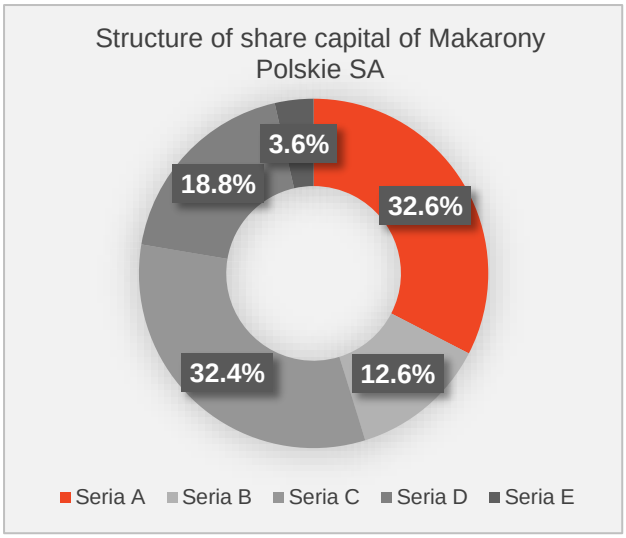
Member of the Supervisory Board	Q1 2018		2017	
	number of shares	nominal value	number of shares	nominal value
Michał Słomkowski	0	0	0	0
Wiesław Wasilewski	5 000	15 000	5 000	15 000
Marek Rocki	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer El Waziri	0	0	0	0

In accordance with the information held by the Company, during Q1 2019 and until the date of publication of these statements, there were no changes in the ownership of shares held by the Members of the Supervisory Board.

The supervising persons of Makarony Polskie SA do not hold shares in subsidiaries of the Makarony Polskie Group.

General Meeting of the parent company

The share capital of Makarony Polskie SA as at 31 March 2019 amounted to PLN 27 750 213 and was divided into 9 250 071 shares with a nominal value of PLN 3 each. The share capital has not changed until the date of these statements.



The Company's shares are ordinary bearer shares listed on the regulated market operated by the Warsaw Stock Exchange. The company has not issued any securities that grant special controlling rights to any of its shareholders.

Shareholders holding directly or indirectly through subsidiaries, at least 5% of votes in the total number of votes at the General Assembly of the Company as at the date of the statements (in accordance with the information available):

Shareholder	Shares in share capital		Votes at the General Assembly	
	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, including:	2 311 594	24.99%	2 311 594	24.99%
Praska Giełda Spożywcza SA (former: 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. including:	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 i Grzegorz Słomkowscy, including:	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%*
Krzysztof Moska	580 969	6.28%	580 969	6.28%
Other shareholders	3 381 062	36.55%	3 381 062	36.55%
TOTAL	9 250 071	100.00%	9 250 071	100.00%

The Company has no information that would indicate changes in the number of shares held by material shareholders (holding stakes over 5%) during Q1 2019 and until the date of publication of these statements.

Composition of the Management Board of subsidiaries

Spółka Stoczek Natura Sp. z o.o. - the management board is composed of two people:

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

In the period of the first quarter of 2019 and until the date of publication of these statements, no changes occurred in the composition of the management board of Stoczek Natura Sp. o.o.

Spółka MP Trade Sp. z o.o. - the management board is composed of one person:

- Zenon Daniłowski – President of the Management Board.

In the period of the first quarter of 2019 and until the date of publication of these statements, no changes occurred in the composition of the management board of MP Trade Sp. z o.o.

Publication and approval of the financial statements

This condensed, consolidated and separate financial data has not been audited by an entity authorized to audit financial statements; was approved by the Management Board for publication on 29 May 2019.

Legal basis for preparation of consolidated financial statements

Declaration of compliance and the basis for preparing the statements

The Condensed consolidated financial statements have been prepared on the basis of International Accounting Standards as adopted by the European Union (EU) and related interpretations announced in the form of implementing regulations of the European Commission (hereinafter referred to as "IFRS"), applicable to interim financial reporting as approved by the European Union (IAS 34 "Interim financial reporting") in accordance with Article 55 paragraph 5 of the Accounting Act (Journal of Laws of 2018, item 395, as amended) and implementing provisions issued based on it, and in accordance with the requirements set out, in the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757). published and in force at the time of preparation of these condensed, consolidated financial statements

The condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the financial statements of the Group and the Parent Company for the year ended 31 December 2018.

Basis for valuation

The presented consolidated financial statements have been prepared in accordance with the historical cost principle, with the exception of fair value measurement of certain assets, i.e., the assets purchased as part of the property purchase transaction as part of a transaction for the purchase of fixed assets used to manufacture products under the Tenczynek brand of Stoczek company, including the goodwill arising from the transaction, assets purchased as part of the purchase of Abak Sp. o.o. and investment land.

Functional and presentation currency

The measurement currency of the Group, included in these consolidated financial statements and the reporting currency of these financial statements is the Polish zloty.

Unless indicated otherwise, the financial data is denominated in PLN k.

Legal basis for preparation of consolidated financial statements

Accounting principles applied and the basis for preparing the statements

The accounting principles used to prepare the interim condensed consolidated financial statements are consistent with those applied to the preparation of the annual financial statements of the Group of Companies for the year ended 31 December 2018 (published on 25 April 2019).

The financial statements of all entities were prepared for the same reporting period using consistent accounting principles. The financial year of the Group shall be the calendar year.

Parent company - Makarony Polskie SA and subsidiaries - Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. prepare financial statements according to IAS/IFRS. All transactions, balances, revenues and costs between related entities covered by consolidation are subject to consolidation exclusions.

Duration of the Group operation is not limited.

Explanations regarding seasonality or cyclicality in relation to the Group's interim operations

The Group's operations do not show material seasonal or cyclical trends.

Changes to the rules for preparing financial statements

In the first quarter of 2019, there were no changes in the valuation principles applied to the preparation of the consolidated financial statements, except for amendments to standards and new interpretations applicable to annual periods beginning on 1 January 2019.
As of 1 January 2019, the Group implemented IFRS 16 - "Leasing", which requires the recognition of contracts bearing the hallmarks of leasing in the financial statements.

Uncertainty of estimates

The basic assumptions related to the future and other key sources of uncertainties present at the balance sheet date to which the risk of balance sheet assets and liabilities is related in the following fiscal year are presented below

- depreciation rates,
- impairment of assets (including receivables),
- provisions value,

- deferred tax assets (companies recognize assets a component of assets by virtue of deferred tax based on the assumption that tax profit shall be attained in the future allowing its utilization; deterioration of the obtained tax results in the future could cause that such assumption would be unjustified.
- valuation of assets with an indefinite useful life (as at the date of these statements, there are no indications of impairment of Stoczek's goodwill and the value of the Abak and Tenczynek brands. The relevant tests, in accordance with the applicable rules, were made as at the end of 31 December 2018.

Assumptions about the future and adopted estimates are consistent with the assumptions and estimates adopted by the Group in the financial statements for 2018.

Going Concern

The consolidated financial statements of the Makarony Polskie Group have been prepared on the assumption that the business of the Group companies will be continued in the foreseeable future and not significantly reduced. The Group did not conduct operations which were discontinued in the first quarter of 2019.

Events affecting assets, liabilities, equity, net result or cash flow statement that are unusual due to their nature, size or frequency

In the first quarter of 2019, no such unusual events occurred.

Position of the Management Board regarding the publication of the Group's results forecasts

The Makarony Polskie Group did not publish financial forecasts for 2019.

Factors and risks having a material impact on the financial results in the first quarter of 2019 and in subsequent periods

After the first quarter of 2019, the Makarony Polskie Group generated a net profit of PLN 2.5 m. The Group has introduced many changes aimed at increasing production efficiency and reducing fixed costs.

The results will be influenced by, among others the following activities:

Building a competitive advantage through investments in R&D, product, process and organizational innovations

- development of R&D activity in the area of innovative products: functional, health-oriented food in Makarony Polskie SA, an interdisciplinary team was established, which in cooperation with scientific institutions works on developing innovative technologies for the production of new low-processed and health-promoting products that are easy to prepare,
- implementation of the extension of the production and storage building by the next part, i.e. the building of the flour junction for the storage of raw materials and powdery additives, as well as the cold store for raw materials and liquid additives as part of the CBR project implementation,
- in the Częstochowa plant investments are being performed, which will contribute to reducing energy consumption and labor consumption in the production process as well as increasing product safety,
- in the Rzeszów plant investments are being performed, which will contribute to reducing labor consumption in the production process, limitation of losses as well as increasing product safety,
- in Stoczek Natura Sp. z o.o. research is performed to adapt to global food production trends: convenience products, health-related products, innovative forms of packaging of offered products.

Acquiring funds from the European Union for the implementation of activities and investments planned by the Group

- project entitled "Implementation of research and development results in the field of functional food in Makarony Polskie SA", implemented under Measure 1.4 Support for SMEs, Regional Operational Program of the Podkarpackie Region 2014-2020, assumes the implementation of research and development results performed in cooperation with the scientific unit, based on the development of innovative recipes of products using raw materials that are not standard in the pasta industry. The main objective of the project is the expansion of Makarony Polskie SA on the functional food market,
- project entitled "Establishment of the Research and Development Center of Pasta Industry at Makarony Polskie SA", implemented under Measure 2.1 Support for investment in enterprise R&D infrastructure, Intelligent Development Operational Program 2014-2020, assumes establishment of a Research and Development Center of Pasta Industry at the Makarony Polskie SA. The B&R Center will conduct work on innovative products with pro-health features that will ultimately enrich the Company's product offer as well as issues relevant to the entire pasta industry. The Company plans to purchase fixed assets and

construction works, as part of the project. For the needs of the B&R Center, the purchase will include a modern production test line, whose parameters will reflect the conditions prevailing during the industrial production process (that line will be an asset of material value),

- project of Stoczek Natura Sp. z o.o. entitled "Improving the energy efficiency of Stoczek Natura Sp. z o.o." implemented under the Priority Axis 5 Energy efficiency and low-emission economy Measure 5.1 Improving the energy efficiency of enterprises of the Regional Operational Program of the Lubelskie Region for the years 2014-2020, assumes improvement of the energy efficiency of Stoczek Natura Sp. z o.o. through a deep thermo-modernization of the company's building.

  Based on the conducted energy audit, the enterprise will implement as part of the project improvement in the reduction of heat and electricity demand, serving to ensure conditions in the premises enabling the implementation of the production process taking place there. The objective of the project will be achieved through: implementation of preparatory works, purchase of materials and construction works as well as necessary fixed assets.
- project of Stoczek Natura Sp. z o.o. entitled "Increase in competitiveness of Stoczek Natura Sp. z o.o.", implemented under measure 3.7 RPO WL 2014-2020, assumes increasing the competitiveness and innovativeness of the Company on the domestic and international market by implementing the results of R&D works possessed and introducing to the production innovations in the form of meat product ready meals technology. The subject of the project is the implementation of innovative solutions through the modernization of the line for the production of ready meals in jars and cans.

  The implementation of the project will positively affect the improvement of the quality and innovativeness of the offered products, their repeatability and increased production efficiency. In addition, as a result of the project, the Company will be able to introduce new products with pro-health values to the commercial offer, addressed to a new group of consumers.
- project of Stoczek Natura Sp. z o.o. entitled "Introduction of product innovation to increase the competitiveness of Stoczek Natura Sp. z o.o. ", implemented as part of the Operational Program Eastern Poland for the years 2014-2020 from Measure 1.4 Pattern for competition, assumes the development of the company, increase its competitiveness and innovation, by increasing the company's potential in the skillful management of design and increasing the use of design in business. The planned effect of the project is the introduction of new innovative products on trays to the company's offer, implementation of product, process and marketing innovation, purchase of a modern technological line for the production of ready meals on trays, extension of the customer group, increase in sales revenue, automation of production processes, increase of awareness of design management in organizational structures, consistent company communication in the field of visual identification for the company and diversification of plant production through the

introduction of previously unproduced products. The completion of the project is scheduled for August 2019

- Group companies apply for EU funds under the 2014-2020 perspective to accelerate and expand the scope of investments in the modernization of machinery used in the current production profile and to develop new business areas to maintain market position and meet the growing demand for new, innovative products and packaging.

Activity development in the private label segment

- enriching the offer addressed to new and existing customers with health-related products, flavored pasta and premium products (e.g. new forms and shapes, innovative packaging),
- enriching the offer directed to new and existing customers with ready meals, meat, canned meat and soups,
- activities aimed at improving the profitability of the sales channel.

Development of B2B sales channels and Institutions

- development of the category of pasta, meat and vegetable preserves, vegetable and fruit preparations, adapted to the expectations of the customers of that channel,
- establishing cooperation relations with other producers of pastas and ready meals and producers of complementary goods, in order to supplement the offer for the final recipient,
- individualizing the offer and thus increasing competitiveness,
- using the production potential of Stoczek Natura Sp. z o.o. in the scope of service packaging of products and based on new forms of packaging,
- further development of production of semi-finished products based on the production capacity of the plant in Stoczek Łukowski, including sweet stuffing and salty fillings.

Increase in shares and increase of the distribution level on the domestic market

- intensification of marketing activities aimed at the development of the Makarony Polskie and Novelle brands, as well as rebranding and new definition of Stoczek Natura, Sorenti, Tenczynek; strengthening and development of the product portfolio in line with market trends, including the introduction of a line of vegan products (Novelle brand) and a line of rolled pasta in the form of fettuccine and ribbon pasta,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the Group operates,

- focusing on fast and efficient building of brand availability in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting sales and resale of products and building lasting relationships with customers.

Export development

- focusing on European markets, including in particular Ukraine, where the Group systematically develops its cooperation with networks.
- changing the Group's operating model in the Egyptian, Middle East and Africa markets to improve its efficiency - the Group offers products under the Sorenti brand for which the majority of exports are made,
- systematic increase in the number of customers on foreign markets, especially in the European Union,
- intensification of communication with current and potential recipients through the participation of, among others in trade fairs and organization of B2B meetings in target markets,
- acquiring and implementing projects concerning deliveries under the own recipient's brand,
- development of the product offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, buckwheat, vegetable and BIO products and new product categories.

In the opinion of the Management Board of Makarony Polskie SA, the current financial situation of the Company and the Group allows for the implementation of the above-mentioned development directions.

Threats and risks related to the Group's operations in the remaining months of 2019

The current financial situation of the Group, its production potential and market position create opportunities for further development, however, there are many factors, especially those of an external nature, which may directly or indirectly affect the financial results achieved in subsequent years.

The risk of changes in market trends

The risk may be a possible change in shopping and eating habits of consumers, e.g. due to rising prices or widely published information on the health benefits of a given product category.

Current market trends are monitored on a regular basis. The Group's companies quickly and flexibly match their offer to them, both in terms of the products themselves and their production technology. The current product range of the Group is modified in line with market trends, e.g. health-related products, "Fit", products with reduced gluten content, pasta with flavors and ancient cereals (e.g. spelled, buckwheat), products based on, or with addition, vegetable flour are systematically developed. and a line of ready-to-eat products - suitable for vegetarians.

Risk related to competition

All areas of the Makarony Polskie Group's operations belong to highly competitive segments. There is a risk that the intensified actions of competitors, manifested mainly in the deterioration of trading conditions will affect the profitability and revenues of the Group, may affect the achievement of objectives assumed by the Group. All activities of the competitive environment are monitored and analyzed on an ongoing basis, which allows for quick response in the area of possible threats.

The Group attempts to minimize this risk by diversifying its activities and developing innovative products (including teams designed to run R&D projects).

Risk of dependence on recipients

A significant part of revenues is generated by the Group through cooperation with organized and centrally-decisive retail chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial contracts do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in the inability to meet demand or incomplete use of production capacity, which will have an impact on the results. In the Group's opinion, this risk is not significant, as the number of products delivered so far has not been subject to significant fluctuations per year, shaping the foreseeable limits. In addition, the Group companies conduct systematic actions towards the diversification of customers and increasing the number of so-called medium-sized customers.

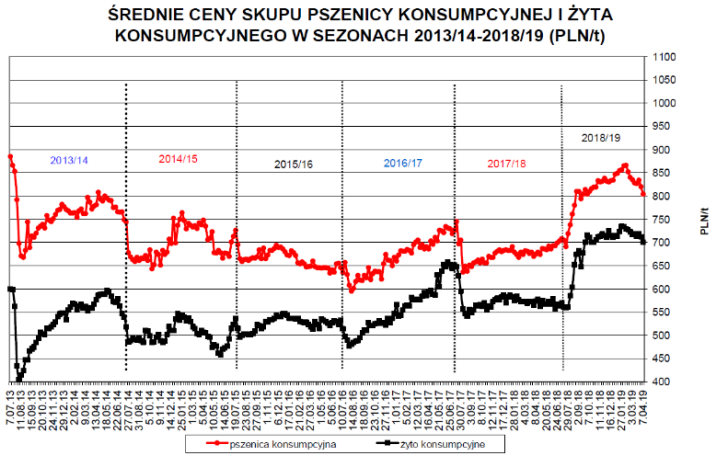
Risk related to changes in raw material prices

The Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase contracts in annual and semi-annual periods, which helps to prevent material decreases in the profitability of the pasta produced. With regard to the current situation on the cereal market, the Company also regularly monitors forecasts concerning both the domestic market and prices of wheat on global markets.

During the year 2018, Makarony Polskie SA had concluded forward contracts for the delivery of flour in the first half of 2018, which allowed it to maintain the purchase price of the raw material at a stable level during this period. However, due to unfavorable weather conditions prevailing in 2018 (alternating droughts and heavy rains in the wrong period of cereal growth), which influenced the level and quality of harvests, in the third and fourth quarter of 2018, the market experienced a sharp rise in wheat prices. A large part of flour producers was not interested in concluding contracts in semi-annual or annual periods. The remaining producers, bearing in mind the increase in wheat prices, proposed very high flour prices for such contracts. Taking the above into account, after an in-depth market analysis (a large amount of wheat collected in Poland, no exports, lower wheat prices in neighboring countries), the Makarony Polskie Group decided to buy flour on a monthly basis, on the so-called spot.

In the first quarter of 2019, the prices of purchase of flour were stable, however, they remained at a high level, similar to that from the fourth quarter of 2018. A slight downward trend occurred in March 2019, and information from European and non-European cereal markets indicates that this trend should also continue in the coming months. Regardless of the above, Makarony Polskie SA is aware that wheat production is highly sensitive to unpredictable weather conditions, therefore prices are subject to increases due to possible speculations or natural disasters, which is why the forecasts concerning both the domestic market will be monitored on an ongoing basis. as well as prices of consumer wheat on global markets.

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



Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 15'2019, Sparks Polska

The egg mass market, after material increases in the price of egg pulp (by 250-260%, to the level of PLN 10.0-11.2 k for one ton of weight) in the last months of 2017, caused by the withdrawal of large batches of eggs contaminated with nitrofen from the EU market and by the removal of large flocks of laying hens, stabilized in the first half of 2018, and then a systematic drop in prices was observed.

Taking into account the current market trends, the Company decided not to enter into long-term contracts and in 2018 made purchases on a monthly basis, on the spot.

At the end of Q4 2018, the price of egg pulp amounted to PLN 3.8-4.2 k for one ton of egg pulp. In Q1 2019 there was a slight increase in prices, which resulted, among others, from the increased demand for eggs before Easter. Current prices of the egg pulp on the market are at the level of PLN 3.9-4.5 k for one ton of egg pulp. In the next few months, the egg market should be stable with a slight downward tendency - due to the growing production associated with a material increase in the number of laying hens and a decrease in egg exports.

Stoczek Natura Sp. z o.o. is a producer of fruit and vegetable preserves (including jams and salads) and ready meals. The prices of fruit and vegetables are strongly dependent on weather conditions. The Company cooperates with domestic fruit and vegetable suppliers, it also has an extensive database of foreign suppliers of key raw materials, which gives the Company greater opportunities to obtain cheap, good quality raw materials. Purchase of fruit and vegetables is performed seasonally, in months in which their prices are the lowest. If necessary, purchased raw materials are stored in Company warehouses and cold stores. Stoczek Natura Sp. o.o. is exposed to the increase in raw material prices resulting from various types of weather anomalies. Aiming at minimizing this risk, the Company maintains an extensive base of suppliers of key raw materials. In addition, Stoczek Natura Sp. z o.o., striving to optimize the operation of the plant, provides for the possibility of outsourcing the production of those categories of fruit and vegetable products, whose market share does not guarantee the Company the optimal use of existing production capacity and purchase of raw materials at attractive prices.

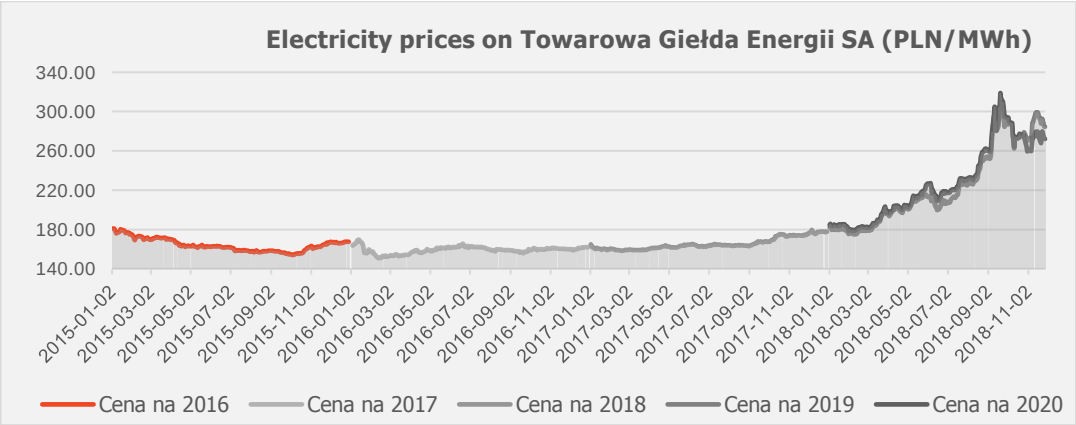
Risk related to changes in electricity prices

One of the material production costs is the cost of electricity purchase. The Makarony Polskie Group consistently strives to implement its strategy in the area of securing electricity prices with long-term purchase contracts for a period of at least one year, which helps to prevent material decreases in the profitability of the pasta and other products produced. Obtaining low prices is possible by using various purchase options as part of operating purchasing groups created by Group companies or participation in larger purchasing groups created by various organizations and companies, e.g. by the Podkarpackie Business Club. In previous years, this policy has allowed for material reductions in electricity purchase prices or maintaining its constant level.

In 2018 material changes occurred on the energy market, which caused a material increase in energy prices on the Polish Power Exchange (hereinafter: TGE). It was caused by several factors, the most material of which is the increase in world coal prices from USD 50 per ton

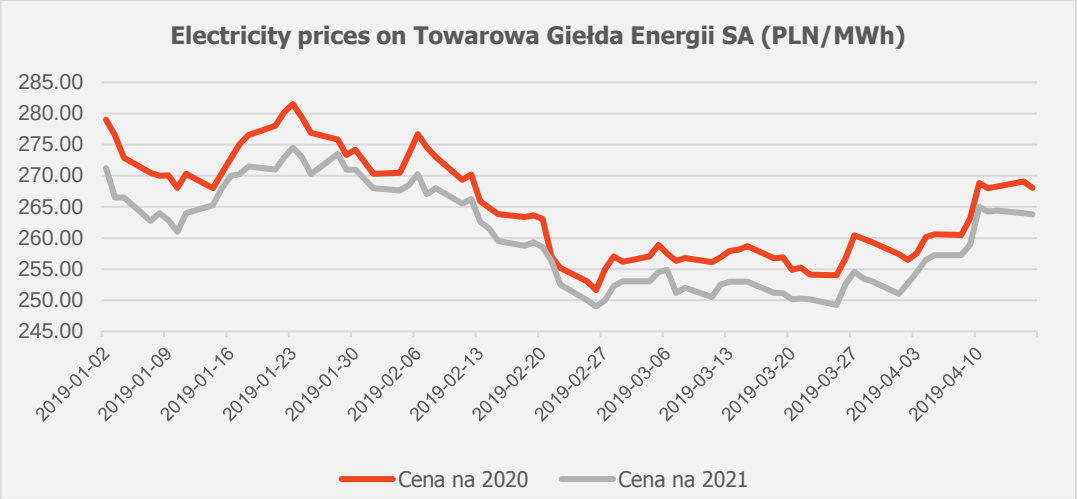
in 2016 to even USD 100 in 2017, the increase in the price of emission permits in Europe in the last year from under EUR 5 per ton to almost 20/25 EUR in 2018.

The chart presents changes in electricity prices on the Polish Power Exchange in the years 2015-2018.



The purchase of electricity on the TGE with such a price level as the one from around June 2018 would result in an increase in the cost of electricity for the Group's companies in 2019 by approximately 40-50%. The intervention of the Polish government, which took place at the end of 2018, most likely (there is still a lack of final legal regulations) will end in the fact that the electricity price for our Group companies will remain at the level of 2018. However, this does not eliminate the threat of an increase in energy prices over a longer period of time. In the first quarter of 2019, the Company bought electricity at prices from 2018, but there is still no information as to whether this is the final regulation. Everyone is waiting for the appropriate implementing regulation of the Ministry of Energy.

At the moment there is no binding information of what is planned for 2020. If there is no further government intervention or other system solutions limiting the increase in electricity purchase prices, this may lead to a material increase in the cost of electricity purchase from 2020. Based on current quotations of electricity prices presented in the chart below, this could increase the cost of electricity purchase by 35-45% in 2020 compared to 2018.



The Group's companies closely monitor the development of the market situation in this area in order to purchase energy for the next year or longer. Possible investments in renewable energy sources, trigeneration and cogeneration are also analyzed.

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes. An unfavorable factor for the operations of the Group's companies may be the changing legal regulations as well as its various interpretations. Practice shows that the interpretation of legal provisions by tax authorities and judicial decisions in the aspect of taxation are often inconsistent. In the case of companies operating on the Polish market, there is a greater risk of doing business than in countries with stable and well-established legal and tax systems.

The protection of the interests of the Group in terms of legal changes is supervised by legal teams that in due course take appropriate actions aimed at minimizing the possible effects of these changes. Quality teams keep track of all legal regulations regarding products and packaging, and the changes required by law are implemented without unnecessary delay.

Risk related to changes in exchange rates

The Makarony Polskie Group is an importer of raw materials (including semolina) and exporter of finished products. The sales prices of the Company's products are each time determined and take into account the current value of exchange rates so as to ensure satisfactory sales profitability.

The weakening of the zloty may have a negative impact on the profitability level of operations conducted by the Group as an importer. To minimize the risk of changes in foreign exchange rates, the funds obtained by the Group from export sales are used to purchase raw materials outside Poland.

The table presents the currency structure for given classes of financial instruments as at 31 March 2019:

Groups/categories of financial instruments	Carrying amount as at 31.03.2019 PLN k	Currency exposure as at 31.03.2019 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	361	129	84	45
Short-term receivables	32 419	5 716	5 716	
Financial liabilities				
Other short-term liabilities	29 473	4 851	4 851	

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 31 March 2019:

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	4	-4	2	-2
Short-term receivables	286	-286	-	-
Financial liabilities				
Other short-term liabilities	-243	243	-	-

Risk related to remuneration pressure

Systematic increases in the minimum wage and the minimum hourly rate on civil law contracts cause that wage pressure increases among employees and potential job candidates. This phenomenon is compounded by the fact that the labor market is tilting more and more towards the employee's market. Employers, including Group companies, more often have difficulty finding suitable candidates for vacant positions, both among specialists and managerial staff as well as among unskilled people.

Aiming at minimizing staff rotation, especially among key employees and specialists, the Group is trying to systematically implement motivational remuneration systems (combined with, among others, production and sales efficiencies), which by closely associating the results of individual teams/people with the effectiveness of achieving the Group's goals entrusted to those teams/employees, allow to combine the level of wages satisfying employees with the profitability of the company's operations. In order to increase motivation and build employee loyalty towards the employer, the Group companies systematically diversify the package of non-financial benefits, such as sports cards, group insurance, holiday cards or private medical care, in order to best match the needs and expectations of employees.

Interest rate risk

Interest rate risk is the risk of incurring losses as a result of changes in market interest rates and changes in statutory interest rates. Both the amount of revenues and costs of the Company are sensitive to changes in the level of market interest rates.

The Group finances its operations with loans, which increases its sensitivity to the risk caused by interest rate changes in both long-term and short-term financial liabilities.

In 2019, the Group used external financing in the form of bank loans: current, investment and overdrafts.

As at 31 March 2019, the Group had a liability due to loans taken out, in the amount of PLN 30,828 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	30 828	15 898	14 930

The Company has liabilities due to loans for which interest is calculated on the basis of a variable interest rate, and therefore there is a risk of an increase in these rates in relation to the conclusion of the contract.

The structure of financial instruments exposed to the risk of changes in interest rates as at 31 March 2019 is presented in the table below:

Groups/categories of financial instruments	Carrying amount as at 31.03.2019 PLN k	Value at risk as at 31.03.2019 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and at bank	361	-	-
Financial liabilities			
Bank loans	30 828	30 828	30 828
Other financial liabilities	2 065	2 065	2 065

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 31 March 2019:

Interest rate	Deviation assumptions (in percentage points) 31.03.2019		Value at risk as at 31.03.2019 PLN k	Impact on the financial result 31.03.2019 PLN k	
WIBOR	1%	-1%	32 893	-328.9	328.9

Credit risk

Credit risk means the risk that the Group's contractors will default on their obligations. The Group applies the principle of making transactions with counterparties whose creditworthiness has been verified and of obtaining, if necessary, an appropriate security as a tool to mitigate the risk of financial loss arising from a breach of agreement. The Group uses financial information available to the public and its own transaction data, assessing the financial condition of its main customers.

The Group's exposure to the risk of counterparties' creditworthiness is constantly monitored; the credit risk control is enabled by limits verified and approved on an ongoing basis within the control structures of the Group. In addition, the Group has covered the selected counterparties by trade receivables insurance granted by one of the major insurers operating in this area on the Polish market.

The Group is not exposed to material credit risk to a single counterparty or a group of counterparties.

Selected financial data – Makarony Polskie Group

The Selected financial data in EURO was presented in accordance with the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

- -items of the statement of financial position have been converted at the average exchange rate announced by the National Bank of Poland as at the balance sheet date (31 March 2019, EUR 1 = PLN 4.3013; 31 December 2018: EUR 1 = PLN 4.30)
- items of the statement of comprehensive income and statement of cash flows have been converted at the exchange rate being the arithmetic average of the average rates set by the National Bank of Poland effective on the last day of each month of Q1 2019 = PLN 4.2978 and at the end of each month of Q1 2018 = PLN 4.1784

Selected financial data	31 March 2019	31 March 2018	31 March 2019 (in k. EURO)	31 March 2018 (in k. EURO)
Revenues from sale of products, services, goods and materials	40 209	42 445	9 356	10 158
Profit (loss) from continued operations	3 258	3 135	758	750
Gross profit (loss)	2 983	2 868	694	686
Net profit (loss) from continued operations	2 454	2 253	571	539
EBIT	3 258	3 135	758	750
EBITDA (EBIT + depreciation)	4 736	4 576	1 102	1 095
Net cash flows from operating activities	- 1,986	- 109	- 462	- 26
Net cash flows from investment activities	- 3,763	- 776	- 876	- 186
Net cash flows from financial activities	5 750	- 186	1 338	- 45
Total net cash flows	1	- 1,071	0.2	- 256
Total assets ***	160 007	145 791	37 200	33 905
Liabilities and provisions for liabilities ***	78 724	66 962	18 302	15 573
Long-term liabilities ***	29 286	21 686	6 808	5 043
Short-term liabilities ***	49 438	45 276	11 494	10 530
Equity ***	81 283	78 829	18 897	18 332
Share capital ***	27 750	27 750	6 453	6 453
Number of shares (units)	9 250 071	9 250 071	9 250 071	9 250 071

Weighted average number of shares (in units) during the current financial year	9 250 071	9 250 071	9 250 071	9 250 071
Profit/loss per ordinary share (in PLN/EUR) *	0.27	0.24	0.06	0.06
Book value per one share (in PLN/EUR)**	8.79	8.52	2.04	1.98

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

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

*** Comparable data regarding the statement of financial position as at 31 December 2018

Consolidated statement of comprehensive revenues

FOR THE PERIOD	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Net incomes from sales	40 209	42 445
Revenues from sale of other products and services	38 077	40 596
Revenues from sale of goods and materials	2 132	1 849
Own cost	30 699	33 220
Production costs of products and services sold	28 825	31 468
Value of goods and materials sold	1,874	1 752
Gross profit (loss) on sales	9 510	9 225
Costs of sale	5 001	4 498
General administrative costs	1 344	1,741
Other revenues	208	222
Other costs	115	73
Profit (loss) from continued operations	3 258	3 135
Financial incomes	0	2
Financial costs	275	269
Gross profit	2 983	2 868
Income tax - current part	346	294
Income tax - deferred part	183	321
Net profit (loss) from continued operations	2 454	2 253
In this attributable to:		
Shareholders of the parent Company	2 454	2 253
Non-controlling shares		
Basic net result per share in PLN	0.27	0,24
Diluted net result per share in PLN	0.27	0,24
Other total net income/loss		
Total net income	2 454	2 253
Total net income attributable to:		
Shareholders of the parent Company	2 454	2 253
Non-controlling shares		

Consolidated statement of comprehensive revenues

Statement of other comprehensive net income - application of hedge accounting

FOR THE PERIOD	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Total net income	2 454	2 253
Profit/loss due to application of hedge accounting	0	0
Total net income	2 454	2 253

Consolidated statement of financial position

ASSETS	31 March 2019	31 December 2018	31 March 2018
FIXED ASSETS	**107 694**	**101 492**	**90 215**
Tangible fixed assets	87 469	84 803	73 428
Right-of-use asset - IFRS -16	3 581	0	0
Investment real estate	603	603	642
Goodwill	5 949	5 949	5 949
Other intangible assets	9 936	9 945	9 949
Long-term financial assets	0	0	0
Assets for deferred income tax	1	1	6
Other long-term assets	155	191	241
CURRENT ASSETS	**52 313**	**44 300**	**51 414**
Inventories	19 138	18 157	16 539
Short-term receivables	32 419	25 427	34 022
Income tax receivables	0	0	29
Borrowings granted	0	0	0
Cash and cash equivalents	361	359	383
Other short-term assets	395	357	441
FIXED ASSETS HELD FOR SALE	**0**	**0**	**0**
TOTAL ASSETS	**160 007**	**145 791**	**141 629**

LIABILITIES	31 March 2019	31 December 2018	31 March 2018
EQUITY	**81 283**	**78 829**	**77 558**
Share capital	27 750	27 750	27 750
Other capital	46 095	46 095	42 184
Retained profits/losses (profit/loss from previous years)	4 984	-846	5 371
Net profit/loss	2 454	5 830	2 253

LONG-TERM LIABILITIES	**29 286**	**21 686**	**19 786**
Provision for deferred income tax	3 752	3 569	3 768
Long-term bank loans and borrowings	14 930	10 541	7 530
Provision for pensions and similar (long-term)	285	285	190
Long-term revenue of future periods	6 412	6 062	6 453
Long-term financial liabilities - leasing	1 164	1 229	1 845
Long-term financial liabilities - leasing - IFRS -16	2 743	0	0
SHORT-TERM LIABILITIES	**49 438**	**45 276**	**44 285**
Short-term bank loans and borrowings	15 898	14 170	13 189
Short-term financial liabilities - leasing	901	944	799
Short-term financial liabilities - leasing - IFRS -16	855	0	0
Other short-term liabilities	29 473	27 991	28 414
Income tax liabilities	108	220	10
Short-term revenue from future periods	546	909	510
Provision for retirement and similar benefits (short-term)	1 028	1 042	955
Other short-term provisions	629	0	408
TOTAL LIABILITIES	**78 724**	**66 962**	**64 071**
TOTAL LIABILITIES	**160 007**	**145 791**	**141 629**

Consolidated statements of cash flows

FOR THE PERIOD	01.01.2019 31.03.2019	01.01.2018 - 31.03.2018
Cash flows from operating activities		
Profit before tax	**2 983**	**2 868**
Adjustments for:	- 4,969	- 2,977
Depreciation	1 478	1 441
Profits/losses on exchange differences	- 1	0
Interest expense and income	74	193
Revenues from dividends	0	0
Profit/loss from investing activities	- 48	- 28
Change in provisions	614	407
Change in inventories	- 981	- 915
Change in receivables	- 6,993	- 5,508
Change in liabilities and accruals	1 346	1 782
Paid/refunded corporate income tax	- 458	- 349
Other adjustments	0	0
Cash flows from net operating activities	**- 1,986**	**- 109**
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	71	28
Proceeds from sale of financial assets	0	0
Expenses for the purchase of property, plant and equipment and intangible assets	- 3,834	- 804
Expenses for the acquisition of subsidiaries and affiliates	0	0
Interest income	0	0
Proceeds from loans granted	0	0
Borrowings granted	0	0
Others	0	0
Net cash flows from investing activities	**- 3,763**	**- 776**

Cash flows from financial activities		
Proceeds from loans and borrowings	6 866	1 850
Repayment of loans and borrowings	- 748	- 1,624
Payment of liabilities under financial lease agreements	- 415	- 219
Interest paid	-74	-193
Dividend paid to shareholders	0	0
Expenses for the purchase of financial assets	0	0
Other financial revenues	121	0
Net cash flows from financial activities	**5 750**	**- 186**
Increase/decrease in cash and cash equivalents	**1**	**- 1,071**
Cash, cash equivalents and overdrafts at the beginning of the period	359	1 454
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	1	0
Cash, cash equivalents and overdrafts at the end of the period	**361**	**383**

Statement of changes in consolidated equity

For the period from 1 January 2019 to 31 March 2019

	Share capital	Supplementary capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	27 750	46 095	0	4 984	78 829
Distribution of profit/loss coverage	0	0	0	0	0
Other total income	0	0	0	0	0
Dividend payment	0	0	0	0	0
Net result after Q1 2019			2 454		2 454
Balance as at 31 March 2019	27 750	46 095	2 454	4 984	81 283

For the period from 1 January 2018 to 31 December 2018

	Share capital	Supplementary capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2018	27 750	42 184	0	5 371	75 305
Distribution of profit/loss coverage	0	3 911	0	- 3 911	0
Other total income	0	0	0	7	7
Dividend payment	0	0	0	- 2 313	-2 313
Net result in 2018	0	0	5 830	0	5 830
Balance as at 31 December 2018	27 750	46 095	5 830	- 846	78 829

For the period from 1 January 2018 to 31 March 2018

	Share capital	Supplementary capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2018	27 750	42 184	0	5 371	75 305
Distribution of profit/loss coverage	0	0	0	0	0
Other total income	0	0	0	0	0
Dividend payment	0	0	0	0	0
Net result after Q1 2018	0	0	2 253	0	2 253
Balance as at 31 March 2018	27 750	42 184	2 253	5 371	77 558

Additional notes

Revenues from sale of products, services, goods and materials by business segments

For management purposes, the Group is divided into business units based on the products and services offered.

	For the period from 01.01 to 31.03.2019	For the period from 01.01 to 31.03.2018
Revenues from sales of products	36 404	38 593
Proceeds from the sale of services, including:	1 673	2 003
- from leasing and storage	1 225	1 247
- distribution services	0	0
- transportation services	0	0
- service production	448	756
- other services	0	0
Revenues from sale of materials	1 341	1 095
Revenues from sale of goods	791	754
Total	**40 209**	**42 445**

Operating segments

The Makarony Polskie Group distinguishes the product segments shown in the table below

	For the period from 01.01 to 31.03.2019	For the period from 01.01 to 31.03.2018
Pasta	28 980	26 083
Meat and vegetable preserves	5 625	10 854
Vegetable preserves and stuffing	809	920
Fruit preserves	2 192	1 942
Other	2 603	2 646
Total	**40 209**	**42 445**

Basic information about operating segments:

For the period from 01.01 to 31.03.2019	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Total segments revenues	**28 980**	**5 625**	**809**	**2 192**	**2,603**	**40,209**
Sales to external customers	28,980	5,625	809	2,192	2,603	40,209
Sales between segments	0	0	0	0	0	0
Segment costs	22,287	4,702	631	1,798	1,281	30,699
Profits or losses of segments	**6 693**	**923**	**178**	**394**	**1 322**	**9 510**
Costs of sale	0	0	0	0	0	-5 001
Management costs	0	0	0	0	0	-1 344
Other revenues	0	0	0	0	0	208
Other costs	0	0	0	0	0	-115
Financial incomes	0	0	0	0	0	0
Financial costs	0	0	0	0	0	-275
Elimination of profit/loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0
Unallocated amounts	0	0	0	0	0	0
Gross profit/loss from continued operation	0	0	0	0	0	2 983

For the period from 01.01 to 31.03.2018	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Total segments revenues	**26 083**	**10 854**	**920**	**1 942**	**2 646**	**42 445**
Sales to external customers	26 083	10 854	920	1 942	2 646	42 445
Sales between segments	0	0	0	0	0	0
Segment costs	20 135	9 230	690	1 683	1 482	33 220
Profits or losses of segments	**5 948**	**1 624**	**230**	**259**	**1 164**	**9 225**
Costs of sale	0	0	0	0	0	-4 498
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 incomes	0	0	0	0	0	2

Financial costs	0	0	0	0	0	-269
Elimination of profit/loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0
Unallocated amounts	0	0	0	0	0	0
Gross profit/loss from continued operation	0	0	0	0	0	2 868

The Company has applied IFRS 8 "Operating Segments". In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on these elements, which are regularly verified by persons deciding on the allocation of resources to a given segment and assessing its financial results. In terms of assets and liabilities, the main bodies responsible for making operational decisions do not analyze data cross-sectioned into operating segments.

Revenues from sale of products, services, goods and materials - geographical structure

	For the period from 01.01 to 31.03.2019	For the period from 01.01 to 31.03.2018
Country	37 459	40 364
Exports, including:	2 750	2 081
- European Union countries	647	584
- other countries	2 102	1 497
Total	**40 209**	**42 445**

The sales markets of the Makarony Polskie Group can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries). In the first quarter of 2019, the value of sales amounted to PLN 37.5 m on the domestic market and PLN 2.8 m in export. In the corresponding period of 2018, these amounts were PLN 40.4 m and PLN 2.1 m, respectively.

Data regarding the financial result and shares that were used to calculate basic and diluted earnings per share

	For the period from 01.01- to 31.03.2019	For the period from 01.01- to 31.12.2018	For the period from 01.01- to 31.03.2018
Net profit/loss per share	0.27	0.63	0,24
Book value per one share in PLN	8.79	8.52	8.38

	For the period from 01.01. to 31.03.2019	For the period from 01.01. to 31.12.2018	For the period from 01.01. to 31.03.2018
Net profit/loss from continuing operations attributable to shareholders of the parent	2 454	5 830	2 253
Profit/loss on discontinued operations attributable to shareholders of the parent	0	0	0
Net profit/loss attributable to equity holders of the parent	2 454	5 830	2 253
Net profit/loss attributable to ordinary shareholders applied to calculate diluted profit/loss per share	0	0	0

	For the period from 01.01 to 31.03.2019	For the period from 01.01 to 31.12.2018	For the period from 01.01 to 31.03.2018
Weighted average number of issued ordinary shares applied to calculate basic earnings/loss per share	9 250 071	9 250 071	9 250 071
Impact of dilution	not applicable	not applicable	not applicable
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per share	not applicable	not applicable	not applicable

Net profit falling per one share is calculated by dividing the net profit for the period falling to normal shareholder of the mother company by average weighed number of issued common shares present in the period.

Diluted profit falling per one share is calculated by dividing net profit in the period falling for normal shareholders of the parent company (after deducting interests on the amortizable preferred shares exchanged to common shares) per average weighed number of issued common shares present in the period (corrected by the influence of dilutive options and diluting, amortizable preferred shares exchanged to common shares).

In the parent Company in Q1 2019, there were no factors diluting the share capital.

Book value per share is the quotient of equity by the number of shares at a given balance sheet date.

Share capital

As at 31 March 2019 the share capital of Makarony Polskie SA amounted to PLN 27 750 213 and was divided as follows:

	Type of share	Type of privilege	Number of Shares in units	Nominal value of 1 share in PLN	Value of the series (issue) at nominal value in PLN k	Method of capital coverage	Date of registration	Right to dividend (from)
Series A	bearer shares	ordinary shares	3 013 250	3	9 040	cash contributions	05.07.2004	01.01.2004
Series B	bearer shares	ordinary shares	1 169 750	3	3 509	non-cash contributions	29.10.2004	01.01.2004
Series C	bearer shares	ordinary shares	3 000 000	3	9 000	cash contributions	18.04.2007	01.01.2007
Series D	bearer shares	ordinary shares	1 735 821	3	5 207	cash contributions	22.06.2007	01.01.2007
Series E	bearer shares	ordinary shares	331 250	3	994	cash contributions	11.02.2008	01.01.2008
Total			**9 250 071**		**27 750**			

Information on changes in estimates related to the consolidated financial statements

CHANGES DUE TO PROVISIONS

The Group companies corrected the financial statements for the previous years, due to the error made in previous periods when estimating the leave provision and creating a provision for deferred tax from the revaluation of the value of land realized before 31 December 2017. The above adjustments were described in detail and presented in the published annual statements for 2018.

The Group also made presentation of adjustments by the above items in the separate and consolidated statements for the period from 1 January 2018 to 31 March 2018.

Changes in the balance as at 31.03.2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1 327	0	14	1 313
a) long-term	285	0	0	285
b) short-term	1 042	0	14	1 028
Other provisions, including:	0	629	0	629
b) other	0	629	0	629
Total	1 327	629	14	1 942

Changes in the balance as at 31.12.2018	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1 145	308	126	1 327
a) long-term	190	95	0	285
b) short-term	955	213	126	1 042
Other provisions, including:	0	0	0	0
b) other	0	0	0	0
Total	1 145	308	126	1 327

Changes in the balance as at 31.03.2018 after adjustment	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1 145	0	0	1 145
a) long-term	190	0	0	190
b) short-term	955	0	0	955
Other provisions, including:	0	408	0	408
b) other	0	408	0	408
Total	1 145	408	0	1 553

Changes in the balance as at 31.03.2018 before the correction	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	339	0	0	339
a) long-term	190	0	0	190
b) short-term	149	0	0	149
Other provisions, including:	0	408	0	408
b) other	0	408	0	408
Total	339	408	0	747

DEFERRED INCOME TAX PROVISION ASSETS AND PROVISIONS

Changes in the balance as at 31.03.2019	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	393	205	135	463
Provision for deferred income tax	3 961	280	27	4 214
Asset/Provision after compensation	3,568			3 751

Changes in the balance as at 31.12.2018	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	508	51	166	393
Provision for deferred income tax	3 950	125	114	3 961

Asset/Provision after compensation	3,442			3,568

Changes in the balance as at 31/03/2018, after correction	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	508	166	228	446
Provision for deferred income tax	3 950	304	46	4 208
Asset/Provision after compensation	3,442			3 762

Changes in the balance as at 31.03.2018 before the correction	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	355	166	228	293
Provision for deferred income tax	3 888	304	46	4 146
Asset/Provision after compensation	3 533			3 853

WRITE-DOWNS ON ASSETS

Changes in the balance as at 31.03.2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
Allowances for receivables	172	0	0	172
Write-downs of inventories	44	0	0	44
Write-downs of tangible fixed assets	1 579	0	24	1 555

Changes in the balance as at 31.12.2018	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
Allowances for receivables	76	96	0	172
Write-downs of inventories	0	44	0	44
Write-downs of tangible fixed assets	1 674	0	95	1 579

Changes in the balance as at 31.03.2018	Balance as at 01.01.2018	Creation	Use and release	Balance at the end of the period
Allowances for receivables	76	0	0	76
Write-downs of inventories	0	0	21	0
Write-downs of tangible fixed assets	1 674	0	24	1 745

The Group monitors its assets on an on-going basis; in the event of impairment, the Group makes a revaluation write-down of assets. During the first quarter of 2019, there were no reasons to make any write downs.

Dividends paid and proposed for payment

Makarony Polskie SA did not pay any dividends in the first quarter and until the publication date.

In 2019, the Management Board of the Company decided to recommend to the Ordinary General Assembly that the net profit for the period from 1 January 2018 to 31 December 2018 in the amount of PLN 5 069 631.54 should be divided as follows:

- PLN 2 312 517.75 to be used to pay dividends, i.e. to pay a dividend of PLN 0.25 gross per share,
- The remaining part of the profit in the amount of PLN 2 757 113.79 should be allocated to the Company's supplementary capital.

The dividend day was proposed for 14 August 2019, and the dividend payment date is 29 August 2019.

According to Article 382 §3 of the Commercial Companies Code, this recommendation was presented by the Management Board to the Supervisory Board for information and received a positive opinion of the Supervisory Board. The final decision regarding the distribution of profits for the 2018 financial year will be taken by the Ordinary General Assembly of the Company.

The Management Board of Makarony Polskie SA decided that in subsequent financial years it will also try to recommend the payment of dividend to shareholders to the Ordinary General Assembly, although the possibility of dividend payment will depend on the amount of the achieved profit, current investment objectives and the company's situation.

Settlements between related entities

In the first quarter of 2018, Makarony Polskie SA did not conclude material transactions with subsidiaries under the terms other than market terms.

Within the Makarony Polskie Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services, There are agreements between the companies specifying the terms of cooperation, adapted to the Group's organizational structure. All transactions are performed under the market terms and conditions.

Affiliate	Sale to related entities - total revenues		Purchases from affiliates	
	For the period	For the period	For the period	For the period
	from 01.01 to 31.03.2019	from 01.01 to 31.03.2018	from 01.01 to 31.03.2019	from 01.01 to 31.03.2018
Parent Company - Makarony Polskie S.A.	62	232	5 911	6 072
from/to Stoczek Sp. z o.o.	49	219	5 492	5 527
from/to MP Trade Sp. z o.o.	13	13	420	545

Affiliate	Receivables from related entities		Liabilities towards affiliates	
	Per day 31.03.2019	Per day 31.03.2018	Per day 31.03.2019	Per day 31.03.2018
Parent Company - Makarony Polskie S.A.	174	848	572	515
- from/to Stoczek Sp. z o.o.	164	843	259	426
from/to MP Trade Sp. z o.o.	10	5	313	89

SETTLEMENTS BETWEEN SUBSIDIARIES

Subsidiaries	Sales between subsidiaries - total revenues		Purchases between subsidiaries	
	For the period	For the period	For the period	For the period
	from 01.01 to 31.03.2019	from 01.01 to 31.03.2018	from 01.01 to 31.03.2019	from 01.01 to 31.03.2018
Total subsidiary	1	3	1	3
- from/to Stoczek Sp. o.o.	1	3	0	0
from/to MP Trade Sp. z o.o.	0	0	1	3

Subsidiaries	Receivables between subsidiaries		Liabilities between subsidiaries	
	Per day 31.03.2019	Per day 31.03.2018	Per day 31.03.2019	Per day 31.03.2018
Total subsidiary	1	521	1	521
- from/to Stoczek Sp. o.o.	1	521	0	0
from/to MP Trade Sp. z o.o.	0	0	1	521

Information on issue, repurchase and repayment of debt securities

In the first quarter of 2019 the companies of the Makarony Polskie Group did not issue or redeem or repay any debt securities.

Information on conducted and planned share issues

The Company did not issue any shares during the first quarter of 2019 and until the date of publication of these statements.

Agreements and events material for the Group's operations

CONTRACT FOR CO-FINANCING THE PROJECT ENTITLED "ESTABLISHMENT OF THE RESEARCH AND DEVELOPMENT CENTER OF THE PASTA INDUSTRY AT MAKARONY POLSKIE SA"

Since April 2017, the Company has been implementing a Contract for co-financing a project entitled "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA". The contract is concluded with the Ministry of Development and Finance (MIiR), and the project received a subsidy under measure 2.1 Support for investment in R&D infrastructure of enterprises, the Intelligent Development Operational Program 2014-2020.

The subject of the concluded grant agreement is the establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA. The B&R Center will conduct work on innovative products with pro-health features that will ultimately enrich the Company's product offer as well as issues relevant to the entire pasta industry.

The Company plans to purchase fixed assets and construction works, as part of the project. For the needs of the B&R Center, the purchase will include a modern production test line, whose parameters will reflect the conditions prevailing during the industrial production process (that line will be an asset of material value),

The total cost of the project is approx. PLN 18.6 m. The total maximum amount of expenditure eligible for support is approximately PLN 15.2 m. Co-financing amounts to approx. PLN 9.1 m.

In March 2019, the Company concluded an annex with MIiR, under which the project completion date was updated as at March 31, 2020 (earlier, the date was set for June 30, 2019). The Company's request to change the date of completion of the project implementation was dictated by changes made to the construction documentation and to the scope of construction works. Postponing the project completion date will allow the Company to fully meet its obligations and to complete the project as intended.

Terms and conditions of the Agreement do not differ from those commonly used for this type of agreements. The performance bond is a blank promissory note inserted by the Company along with a promissory note declaration.

- ANNEXES TO THE INVESTMENT LOAN AGREEMENT CONCLUDED WITH SANTANDER BANK POLSKA SA

In June 2018 and January 2019, Makarony Polskie SA concluded with Santander Bank Polska SA (formerly: Bank Zachodni WBK SA, hereinafter referred to as: "Bank"), annexes to the EU investment loan agreement worth PLN 8 m. The loan is intended to finance investments related to the project entitled "Implementation of the results of research and development in the field of functional food in the Makarony Polskie SA Company."

The subject of the annexes included extension of the credit limit activation period to 31 March 2019 (originally the start-up period was until 30 June 2018) and change of the repayment schedule.

The loan will be repaid in 34 monthly installments starting from 30 April 2019, in the following amounts: 33 installments in the amount of PLN 0.1 m each and last installment 34 in the amount of PLN 4.54 m (originally the schedule assumed repayment of the loan in 43 monthly installments payable from 31 July 2018, including 42 installments of equal amount of PLN 0.09 m and the last balloon installment in the amount of PLN 4.13 m). In the case of repayment of the loan from the funding received, the repayment schedule will change due to the balloon installment change. Installments of the repaid loan will be changed in such a relation to the installments specified in the original schedule, as the amount of the loan used to the loan amount.

- CONTRACT FOR CO-FINANCING THE PROJECT ENTITLED"IMPLEMENTATION OF THE RESULTS OF RESEARCH AND DEVELOPMENT IN THE FIELD OF FUNCTIONAL FOOD IN THE MAKARONY POLSKIE SA COMPANY."

Since March 2017, the Company has been implementing a Contract for co-financing the project entitled"Implementation of the results of research and development in the field of functional food in the Makarony Polskie SA Company." The contract is concluded with the Podkarpackie Region Board and the project received a subsidy under measure 1.4 SME support, Regional Operational Program of the Podkarpackie Region 2014-2020.

The subject of the concluded grant agreement is implementation of research and development results performed in cooperation with the scientific unit, based on the development of innovative recipes of products using raw materials that are not standard in the pasta industry. The main objective of the project is the expansion of Makarony Polskie SA on the functional food market,

The Company plans to purchase fixed assets, as part of the project. The asset of the material value acquired under the project will be a modern pasta production line.

The total cost of the project is PLN 12.3 m. The total maximum amount of expenditure eligible for support is approximately PLN 10.0 m. Co-financing amounts to PLN 5.5 m.

In July 2018 and March 2019, Makarony Polskie SA concluded with the Board of the Podkarpackie Region annexes to the contract under which the project implementation date was set for April 30, 2019 (originally scheduled for June 30, 2018), provisions of the agreement on the protection of personal data, adapting them to the legal requirements arising from the entry into force of the Regulation of the European Parliament and of the Council (EU) 2016/679 of April 27, 2016. on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (general regulation on data protection).

The terms of the contract are consistent with those commonly used for this type of contracts. The performance bond is a blank promissory note inserted by the Company along with a promissory note declaration.

Information on credit and factoring agreements concluded and terminated

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	31.03.2019	31.12.2018
- long-term part	14 930	10 541
- short-term part	15 898	14 170
Total	**30 828**	**24 711**

During the first quarter of 2019, Makarony Polskie SA and Stoczek Natura Sp. z o.o. were parties to loan and factoring agreements.

The status of loan and factoring agreements in effect as at 31 March 2019, for which Makarony Polskie SA was a party to the agreements, is presented in the tables below:

– Overdraft in Santander Bank Polska SA

Loan terms and conditions	
Loan contractual value	PLN 5 000 k
Loan period	18.10.2013 – 01.06.2019
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,165 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 33,000 k on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszów with the assignment of rights from the property insurance policy,

	a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; – blank promissory note issued by the Borrower together with a promissory note declaration, – registered pledge on inventories with a value not lower than PLN 5,000 k with the assignment of rights under the registered pledge insurance policy, – surety of Stoczek Natura Sp. z o.o. company, – declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed.

– Investment loan at Santander Bank Polska SA

Loan terms and conditions	
Loan contractual value	PLN 13 849 k
Loan period	18.10.2013 – 30.04.2020
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 6,744 k
Repayment schedule	52 monthly installments starting from 31 December 2015 in the following amounts: 52 installments in the amount of PLN 0.17 m each and the last 53rd equalizing installment
Loan collateral	– joint mortgage up to PLN 33,000 k on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszów with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; – registered pledge on fixed assets (production lines in the plant in Rzeszów), – transfer of receivables under the pledged item insurance contract, – blank promissory note issued by the Borrower together with a promissory note declaration, – civil law surety of 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 loan at Santander Bank Polska SA

Loan terms and conditions	
Loan contractual value	PLN 12 121 k
Loan period	07.02.2017 - 28.02.2022
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 3,690 k
Repayment schedule	The loan will be repaid in 32 monthly installments starting from 31 July 2019, in the following amounts: 31 installments in the amount of PLN 0.15 m each and the last 32 installment in the amount of PLN 7.65 m. In the case of repayment of the loan from the funding received, the repayment schedule will change due to the balloon installment change. Installments of the repaid loan will be changed in such a relation to the installments specified in the original schedule, as the amount of the loan used to the loan amount.

	After receiving the refund, the loan will be repaid in 32 monthly installments starting from 31 July 2019, in the following amounts: 31 installments in the amount of PLN 0.04 m each and the last 32nd equalizing installment in the amount of PLN 1.9 m
Loan collateral	– joint mortgage up to PLN 18,200 k on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszów with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; – registered pledge on a semi-industrial line for tests with accessories, – transfer of receivables under the pledged item insurance contract, – blank promissory note issued by the Borrower together with a promissory note declaration, – civil law surety of 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 loan at Santander Bank Polska SA

Loan terms and conditions	
Loan contractual value	PLN 8 000 k
Loan period	15.09.2017 - 31.01.2022
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 7,879 k
Repayment schedule	The loan will be repaid in 37 monthly installments starting from 31 January 2019, in the following amounts: 36 installments in the amount of PLN 0.1 m each and the last 37th equalizing installment in the amount of PLN 4.23 m In the case of repayment of the loan from the funding received, the repayment schedule will change due to the balloon installment change. Installments of the repaid loan will be changed in such a relation to the installments specified in the original schedule, as the amount of the loan used to the loan amount.
Loan collateral	– joint mortgage up to PLN 12,000 k on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszów with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; – registered pledge on the acquired line under the grant project, – transfer of receivables under the pledged item insurance contract, – blank promissory note issued by the Borrower together with a promissory note declaration, – civil law surety of Stoczek Natura Sp. z o.o., – assignment from the Grant Agreement

In January 2019, Makarony Polskie SA concluded an amendment to the investment loan agreement with Santander Bank Polska SA. The subject of the amendment is, *inter alia,* extension of the credit limit disbursement period (extension of the period until 30 April 2019) and change of the installments repayment schedule.

– Revolving loan at Santander Bank Polska SA

Loan terms and conditions	
Loan contractual value	PLN 1 800 k
Loan period	15.09.2017 - 31.10.2019
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 0 k
Repayment schedule	the repayment of the credit tranche is made after 90 days
Loan collateral	– joint mortgage up to PLN 2,700 k on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszów with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; – registered pledge on purchased lines under grant projects, – transfer of receivables under the pledged item insurance contract, – blank promissory note issued by the Borrower together with a 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.

– Overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	
Loan contractual value	PLN 6 000 k
Loan period	14.06.2013 – 30.06.2019
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 5,117 k
Repayment schedule	once on the liability maturity date
Loan collateral	– joint mortgage up to PLN 16,500 k on the following real estates: a) in the Land and Mortgage Register no. CZ1C/00111425/8, located in Częstochowa along with the assignment of rights from the property insurance policy, a) in KW No. LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the property insurance policy; – blank promissory note issued by the Borrower together with a promissory note declaration, – authorization to a current account kept at BGK bank, – surety of Stoczek Natura Sp. z o.o., – declaration of Borrower and Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 12 m).

– Nonrevolving overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	
Loan contractual value	PLN 5 000 k

Loan period	30.06.2015 – 29.06.2020
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 1,250 k
Repayment schedule	20 equal, quarterly capital installments of PLN 0.25 m from 30 September 2015 to 29 June 2020.
Loan collateral	– joint mortgage up to PLN 16,500 k on the following real estates: a) in the Land and Mortgage Register no. CZ1C/00111425/8, located in Częstochowa along with the assignment of rights from the property insurance policy, a) in KW No. LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the property insurance policy; – blank promissory note issued by the Borrower together with a promissory note declaration, – authorization to a current account kept at BGK bank, – surety of Stoczek Natura Sp. z o.o., – transfer of receivables under the pledged item insurance contract, – declaration of Borrower and Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 4 m).

– Factoring agreement (full) in Santander Factoring Sp. z o.o.

Contract terms and conditions	
Contractual value	PLN 4,500 k
Duration	Agreement concluded for an indefinite period
Interest rate	WIBOR 1M + the bank's margin that does not differ from the standards applied by the bank
Factoring balance	PLN 3,701 k
Contract collateral	– irrevocable power of attorney to the account, – blank promissory note with a promissory note declaration

As at 31 March 2019, Stoczek Natura Sp. z o.o. was a party to one loan agreement and its status is presented in the table below:

– Overdraft in Bank Gospodarstwa Krajowego

Loan terms and conditions	
Loan contractual value	PLN 3 000 k
Loan period	16.11.2017 – 16.11.2019
Interest rate	WIBOR 3M + the bank's margin that does not differ from the standards applied by the bank
Loan balance	PLN 2,980 k
Repayment schedule	once on the liability maturity date
Loan collateral	– contractual mortgage up to PLN 4,500 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, – authorization to a current account kept at BGK bank, – surety of Makarony Polskie SA,

	– registered pledge on the set of machines and devices (located in the plant in Stoczek Łukowski), – declaration of Borrower and Guarantor on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 6 m).

Information on loans granted

As at 31 March 2019, Makarony Polskie SA granted to its subsidiary Stoczek Natura Sp. z o.o. a short-term loan in the amount of PLN 2.00 m with the repayment date falling on December 31, 2019 (one-off repayment to maturity date). The interest rate on the loan was determined based on market conditions.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant loans during Q1 2019.

Information on granted and received guaranties

In Q1 2019, the Group companies did not grant any guarantees, and Makarony Polskie SA and Stoczek Natura Sp. z o.o. used the granted guarantees.

The list of guarantees in force at Makarony Polskie SA as at 31 March 2019 is illustrated in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Santander Bank Polska SA	1 011	to 28.12.2021	guarantee securing the Company's obligations under the agreement for sales and storing pasta, under the contract concluded with Agencja Rezerw Materiałowych	joint mortgage up to PLN 1,517 on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszów with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; - blank promissory note with a promissory note declaration
Santander Bank Polska SA	249	to 22.01.2021	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with Agencja Rezerw Materiałowych	joint mortgage up to PLN 373 k on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszów with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; - blank promissory note with a promissory note declaration

Statement of guarantees applicable in Stoczek Natura Sp. z o.o. as at 31 March 2019 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	504	until 13.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Agencja Rezerw Materiałowych	- contractual mortgage up to PLN 756 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, blank promissory note issued by the Customer together with a promissory note declaration, - authorization to a current account kept at BGK bank, - surety of Makarony Polskie SA
Bank Gospodarstwa Krajowego	1 549	until 15.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Agencja Rezerw Materiałowych	- contractual mortgage up to PLN 2,323 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, blank promissory note issued by the Customer together with a promissory note declaration, - authorization to a current account kept at BGK bank, - surety of Makarony Polskie SA
Bank Gospodarstwa Krajowego	24	To 25.03.2022	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Agencja Rezerw Materiałowych	blank promissory note issued by the Customer together with a promissory note declaration, - authorization to a current account kept at BGK bank,

Information on granted and received sureties

As at 31 March 2019 Makarony Polskie SA granted sureties to the Polish Chamber of Pasta and its subsidiary Stoczek Natura Sp. z o.o.:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 31.03.2019
Surety for the revolving loan in the amount of PLN 2.35 m*	BPS	4 275	30.05.2021	744
Surety for the revolving loan in the amount of PLN 0.5 m*	BPS	750	30.05.2021	214
Surety of overdraft facility in the amount of PLN 3.0 m	Bank BGK	3 000	16.05.2020	2 980

Bank guarantee in the amount of PLN 0.5 m	Bank BGK	504	13.06.2022	-
Bank guarantee in the amount of PLN 1.5 m	Bank BGK	1 549	15.06.2022	-

* The loans are used to finance the 3-year information and promotion campaign "Pasta of Europe". The activities will be performed on the markets of China and Ukraine. The cost of the campaign is supported by the European Union and the Agricultural Market Agency. External financing secures the loan repayment.

Makarony Polskie SA received remuneration for sureties granted.

As at 31 December 2019 Stoczek Natura Sp. o.o. granted sureties to the parent Company Makarony Polskie SA, and their status as at that day is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 31.03.2019
Surety of overdraft facility in the amount of PLN 5.0 m	Santander Bank Polska SA	7 500	31.05.2019	3 165
Surety of investment loan in the amount of PLN 13.8 m	Santander Bank Polska SA	30 000	30.09.2021	6 744
Non-renewable revolving overdraft of PLN 5.0 m *	Bank BGK	5 000	29.12.2020	1 250
Surety of overdraft facility in the amount of PLN 6.0 m	Bank BGK	6 000	31.12.2019	5 117
Surety of the EU investment loan in the amount of PLN 8.0 m	Santander Bank Polska SA	8 000	applies until the subsidy is settled	7 879
Surety of the EU investment loan in the amount of PLN 12.1 m	Santander Bank Polska SA	12 121	applies until the subsidy is settled	3 690

Stoczek Natura Sp. z o.o. received remuneration for the surety for the parent company Makarony Polskie SA.

In the first quarter of 2019, MP Trade Sp. z o.o. did not grant any sureties.

Off-balance items

Off-balance sheet items (in PLN k)	31 March 2019	31 December 2018
1. Contingent assets	**3 337**	**3,962**
- received guarantees and sureties	3 337	3 337
- collaterals on assets	0	0
- bills of exchange	0	625
2. Contingent liabilities	**182 853**	**174 662**
- for provided guarantees and warranties	5 025	5 025
- collaterals on property	116 517	116 517
- promissory note obligations	61 311	53 120
Total off-balance items	**-179 516**	**-170 700**

The values of guarantees received, collaterals, promissory notes, mortgages and other off-balance sheet liabilities in the table above have been presented at maximum values. The statement does not include sureties between entities within the Group due to the lack of inflows on the balance of off-balance sheet items.

Material proceedings pending before a court or an authority competent for arbitration or a public administration authority

In the reporting period presented before, no proceedings regarding material liabilities and debts of Makarony Polskie SA or a subsidiary were pending before a court, competent arbitration authority or public administration body.

Other material events and transactions

In the first quarter of 2019, there were no material events or transactions other than those described above that would require disclosure in these financial statements of the Group.

Important events after the balance sheet date

After the balance sheet date, there were no other events that would have a material impact on the operations of the Makarony Polskie Group.

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Zenon Daniłowski

President of the Management Board

Rzeszów, 29 May 2019

Condensed separate financial statements of Makarony Polskie SA for the period from 1 January to 31 December 2019

Selected financial data - Makarony Polskie SA

Selected financial data	31 March 2019	31 March 2018	31 March 2019 (in k. EURO)	31 March 2018 (in k. EURO)
Revenues from sale of products, services, goods and materials	37 026	34 697	8 615	8 304
Profit (loss) from continued operations	2 710	2 641	631	632
Gross profit (loss)	2 492	2 444	580	585
Net profit (loss) from continued operations	2 071	1 979	482	474
EBIT	2 710	2 641	631	632
EBITDA (EBIT + depreciation)	3 874	3 539	901	847
Net cash flows from operating activities	- 2,612	91	- 608	22
Net cash flows from investment activities	- 3,137	- 426	- 730	- 102
Net cash flows from financial activities	5 798	193	1 349	46
Total net cash flows	49	- 142	11	-34
Total assets ***	144 381	132 640	33 567	30 847
Liabilities and provisions for liabilities ***	67 885	58 215	15 782	13 538
Long-term liabilities ***	28 523	21 337	6 631	4 962
Short-term liabilities ***	39 362	36 878	9 151	8 576
Equity ***	76 496	74 425	17 784	17 308
Share capital ***	27 750	27 750	6 452	6 453
Number of shares (units)	9 250 071	9 250 071	9 250 071	9 250 071
Weighted average number of shares (in units) during the current financial year	9 250 071	9 250 071	9 250 071	9 250 071
Profit/loss per ordinary share (in PLN/EUR) *	0.22	0.21	0.05	0.05
Book value per one share (in PLN/EUR)**	8.27	8.05	1.92	1.87

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

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

*** Comparable data regarding the statement of financial position as at 31 December 2018

Statement on total revenues of Makarony Polskie SA

FOR THE PERIOD	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Net incomes from sales	37 026	34 697
Revenues from sale of other products and services	29 492	26 781
Revenues from sale of goods and materials	7 534	7 916
Own cost	28 627	27 006
Production costs of products and services sold	22 115	20 022
Value of goods and materials sold	6 512	6 984
Gross profit (loss) on sales	8 399	7 691
Costs of sale	4 814	4 201
General administrative costs	965	983
Other revenues	199	190
Other costs	109	56
Profit (loss) from continued operations	2 710	2 641
Financial incomes	16	16
Financial costs	234	213
Gross profit	2 492	2 444
Income tax - current part	310	287
Income tax - deferred part	111	178
Net profit (loss) from continued operations	2 071	1 979
In this attributable to:		
Shareholders of the parent Company	2 071	1 979
Non-controlling shares		
Basic net result per share in PLN	0.22	0.21
Diluted net result per share in PLN	0.22	0.21
Other total net income/loss		
Total net income	2 071	1 979
Total net income attributable to:		
Shareholders of the parent Company	2 071	1 979
Non-controlling shares		

Statement of other comprehensive net income - application of hedge accounting

FOR THE PERIOD	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Total net income	2 071	1 979
Profit/loss due to application of hedge accounting	0	0
Total net income	2 071	1 979

Statements of the financial position of Makarony Polskie SA

ASSETS	31 March 2019	31 December 2018	31 March 2018
FIXED ASSETS	**100 645**	**94 736**	**86 249**
Tangible fixed assets	61 272	58 905	51 346
Right-of-use asset - IFRS -16	3 581	0	0
Investment real estate	603	603	642
Goodwill	0	0	0
Other intangible assets	4 964	4 971	4 966
Long-term financial assets, including:	30 080	30 080	29 080
Shares	30 080	30 080	29 080
Borrowings granted	0	0	0
Assets for deferred income tax	0	0	0
Other assets - long-term	145	177	215
CURRENT ASSETS	**43 736**	**37 904**	**40 436**
Inventories	11 121	11 367	11 206
Short-term receivables	29 932	23,972	26 621
Income tax receivables	0	0	0
Borrowings granted	2 006	2 006	2 006
Cash and cash equivalents	344	294	273
Other short-term assets	333	265	330
FIXED ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	**144 381**	**132 640**	**126 685**

LIABILITIES	31 March 2019	31 December 2018	31 March 2018
EQUITY	**76 496**	**74 425**	**73 647**
Share capital	27 750	27 750	27 750
Other capital	42 097	42 097	39 161
Retained profits/losses (profit/loss from previous years)	4 578	- 492	4 757
Net profit/loss	2 071	5 070	1 979

Statements of the financial position of Makarony Polskie SA

LONG-TERM LIABILITIES	**28 523**	**21 337**	**19 411**
Provision for deferred income tax	3 478	3 367	3 522
Long-term bank loans and borrowings	14 930	10 541	7 530
Provision for pensions and similar (long-term)	234	234	155
Revenue of future periods - long-term	6 056	6 062	6 452
Long-term financial liabilities - leasing	1,082	1,133	1 752
Long-term financial liabilities - leasing - IFRS -16	2 743	0	0
SHORT-TERM LIABILITIES	**39 362**	**36 878**	**33,627**
Short-term bank loans and borrowings	12,918	11,170	10,549
Short-term financial liabilities - leasing	842	885	757
Short-term financial liabilities - leasing - IFRS -16	855	0	0
Income tax liabilities	104	23 456	3
Other short-term liabilities	22 833	171	20 791
Revenue from future periods - short-term	519	519	510
Provision for retirement and similar benefits (short-term)	662	677	610
Other short-term provisions	629	0	407
TOTAL LIABILITIES	**67 885**	**58 215**	**53 038**
TOTAL LIABILITIES	**144 381**	**132 640**	**126 685**

Statement of cash flows of Makarony Polskie SA

FOR THE PERIOD	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
Cash flows from operating activities		
Profit before tax	**2 492**	**2 444**
Adjustments by items:	**- 5,104**	**- 2,353**
Depreciation	1 164	898
Profits/losses on exchange differences	- 1	0
Interest expense and income	43	156
Revenues from dividends	0	0
Profit/loss from investing activities	- 48	- 28
Change in provisions	614	408
Change in inventories	246	- 847
Change in receivables	- 5,958	- 3,500
Change in liabilities and accruals	- 787	909
Paid/refunded corporate income tax	- 377	- 349
Other adjustments	0	0
Cash flows from net operating activities	**-2 612**	**91**
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	71	28
Proceeds from sale of financial assets	0	0
Expenses for the purchase of property, plant and equipment and intangible assets	- 3,224	- 478
Expenses for the acquisition of subsidiaries and affiliates	0	0
Interest income	16	24
Proceeds from loans granted	0	0
Borrowings granted	0	0
Others	0	0
Net cash flows from investing activities	**- 3,137**	**- 426**
Cash flows from financial activities		
Proceeds from loans and borrowings	6 851	1 842

Statement of cash flows of Makarony Polskie SA

Repayment of loans and borrowings	- 714	- 1,268
Payment of liabilities under financial lease agreements	- 400	- 208
Interest paid	- 60	- 173
Dividend paid to shareholders	0	0
Expenses for the purchase of financial assets	0	0
Other financial revenues	121	0
Net cash flows from financial activities	**5 798**	**193**
Increase/decrease in cash and cash equivalents	**49**	**- 142**
Cash, cash equivalents and overdrafts at the beginning of the period	294	415
Foreign exchange gains/losses on the valuation of cash, cash equivalents and overdrafts	1	0
Cash, cash equivalents and overdrafts at the end of the period	**344**	**273**

Statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2019 to 31 March 2019

	Share capital	Supplementary capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	27 750	42 097	0	4 578	74 425
Distribution of profit/loss coverage	0	0	0	0	0
Other total income	0	0	0	0	0
Dividend payment	0	0	0	0	0
Net result after Q1 2019	0	0	2 071	0	2 071
Balance as at 31 March 2019	27 750	42 097	2 071	4 578	76 496

For the period from 1 January 2018 to 31 December 2018

	Share capital	Supplementary capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2018	27 750	39 161	0	4 757	71 668
Distribution of profit/loss coverage	0	2 936	0	- 2,936	0
Other total income	0	0	0	0	0
Dividend payment	0	0	0	- 2 313	- 2 313
Net result in 2018	0	0	5 070	0	5 070
Balance as at 31 December 2018	27 750	42 097	5 070	- 492	74 425

For the period from 1 January 2018 to 31 March 2018

	Share capital	Supplementary capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2018	27 750	39 161	0	4 757	71 668
Distribution of profit/loss coverage	0	0	0	0	0
Other total income	0	0	0	0	0
Dividend payment	0	0	0	0	0

Net result after Q1 2018	0	0	1 979	0	1 979
Balance as at 31 March 2018	27 750	39 161	1 979	4 757	73 647

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Zenon Daniłowski
President of the Management Board

Rzeszów, 29 May 2019

Informations about the company

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

www.makarony.pl

Registered in the District Court in Rzeszów, 12th Commercial Division of the National Court Register on 5 July 2004 under No. 0000212001.

Share capital: PLN 27 750 213 (fully paid-up)

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Feel free to contact us at the following email address:

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The source of data in these statements, unless otherwise indicated, is the Makarony Polskie Group