Condensed consolidated financial statements of the Makarony Polskie Group for the period from 1 January to 30 September 2020



Rzeszów, 26 November 2020

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General information

Organizational structure of the Makarony Polskie Group

The Makarony Polskie Group ("Group") consists of 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 extruded 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 made from spelt, buckwheat and rye flour. The range of products is enriched with large pasta forms for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The Company has great opportunities to extend the range of pasta made from flours less frequent such as from legumes and the portfolio will be developed in this direction.

The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand from Makarony Polskie).

Stoczek Natura Sp. z o.o. is a producer of meat and vegetable preserves (ready-made dishes, pies, lard, preserves), vegetable preserves (salads, marinades, bakery pastries), processed fruit (jams, syrups, damson cheese, confectionery fillings) offered under Stoczek, Tenczynek, Męska Rzecz, DeliSusz and a new brand SoFood which represents a developmental category of ready-made dishes on trays. The products which are easy to prepare and can be placed on the so called shelf stable

MP Trade Sp. z o.o. develops trade on its own account with external goods of Polish and foreign producers. The Company's activity focuses on the sales of products bought from external suppliers under its own Novelle brand and granting the license for Novelle brand to Makarony Polskie SA within the scope of production

Within the Makarony Polskie Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services.

All transactions are performed under the market terms and conditions.

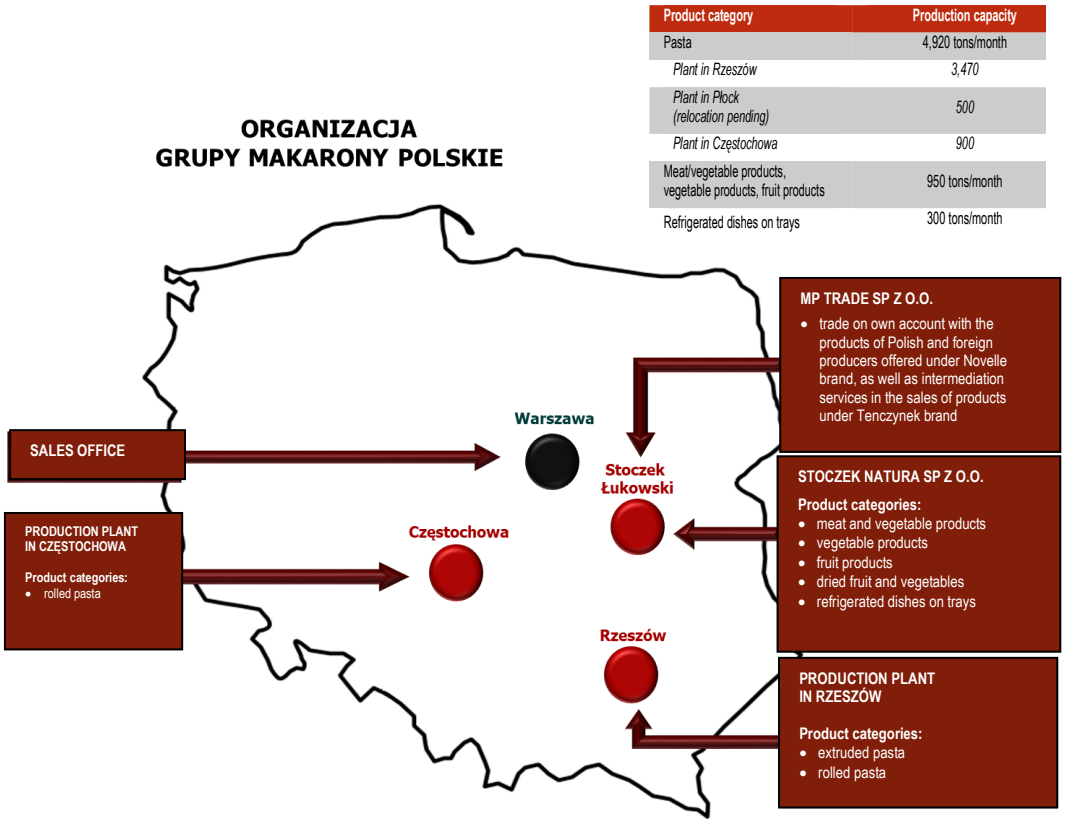
of vegetable pasta and other goods produced within the Makarony Polskie Group. The business model adopted by the Company creates its value by the increase in the value of the brand and the production is contracted outside.

Changes in the organization of the Makarony Polskie Group during Q.3, 2020

In Q.3, 2020, there were no changes in the Makarony Polskie Group that would significantly affect the structure or organization of the Group.

Within the Makarony Polskie Group, individual companies conclude with each other transactions of purchase and sale of products, goods and services. All transactions are performed under the market terms and conditions.

Product category	Production capacity
Pasta	4,920 tons/month
Plant in Rzeszów	*3,470*
Plant in Plock (relocation pending)	*500*
Plant in Częstochowa	*900*
Meat/vegetable products, vegetable products, fruit products	950 tons/month
Refrigerated dishes on trays	300 tons/month



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,

The Makarony Polskie Group consists of three companies: two production ones and one commercial company.

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 30 September 2020, the share in the total number of votes at the Meeting of Shareholders 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 30 September 2020 in the Makarony Polskie Group

In accordance with the adopted policy, the Makarony Polskie Group consistently maintains total employment at the level of the necessary minimum, while ensuring flexibility of employment in the Production Facilities and its correlation with changes in production volume.

Employment as at 30 September 2020 in the Makarony Polskie Group was as follows:

- Makarony Polskie SA – 164 employees,
- Stoczek Natura Sp. z o.o. – 45 employees,
- MP Trade Sp. z o.o. – 0 employees

Composition of the Parent Company's Management Board

On 30 September 2020 and on the date of publication of the report, the Management Board of the parent company consisted of one person and the President of the Management Board of Makarony Polskie SA was Zenon Daniłowski.

Shares held by the Members of the Management Board

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

Management Board Member	Q.3, 2020		First half of 2020	
	number of shares	nominal value	number of shares	nominal value
Zenon Daniłowski	140,000	420,000	140,000	420,000

* President of the Management Board Zenon Daniłowski is associated with the following companies: Praska Giełda Spożywcza SA (former: Agro-Technika SA) and Polskie Smaki Sp. z o.o., which also hold shares in the Company; the total balance of ownership as at the date of publication of the report is 2,311,594 shares worth PLN 6,934,782.

According to the information possessed by the Company, no changes in the status of shares held by the President of the Management Board occurred during the third quarter of 2020 and by the date of publishing these statements.

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

Composition of the Parent Company's Supervisory Board

From 1 January 2020 until 24 September 2020, 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.

On 24 September 2020 the Annual General Meeting of the Company appointed the Supervisory Board of the 9th term. The number of members of the Supervisory Board of the 9th term was set as 6 persons.

The following persons were appointed to the Supervisory Board of the 9th term:

- Roman Sobiecki
- Michał Słomkowski
- Wiesław Wasilewski
- Marek Rocki
- Janusz Pierun
- Ahmed Khalil.

AUDIT COMMITTEE

From January 2020 to the date of publishing these statements, the Audit Committee has consisted of:

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

In accordance with the legal requirements, the members of the Audit Committee possess knowledge and skills in accounting or auditing financial statements, as well as knowledge and skills in the sector in which the Company operates.

Shares held by the Members of the Supervisory Board

The number and nominal value of shares of the Company held by the Members of the Supervisory Board as at the date of preparing the statements:

Supervisory Board Member	Q.3, 2020		First half of 2020	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer El Waziri	0	0	0	0
Wiesław Wasilewski	5,000	15,000	5,000	15,000

According to the information possessed by the Company, no changes in the status of shares held by the Members of the Supervisory Board occurred during the third quarter of 2020 and by the date of publishing these statements.

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

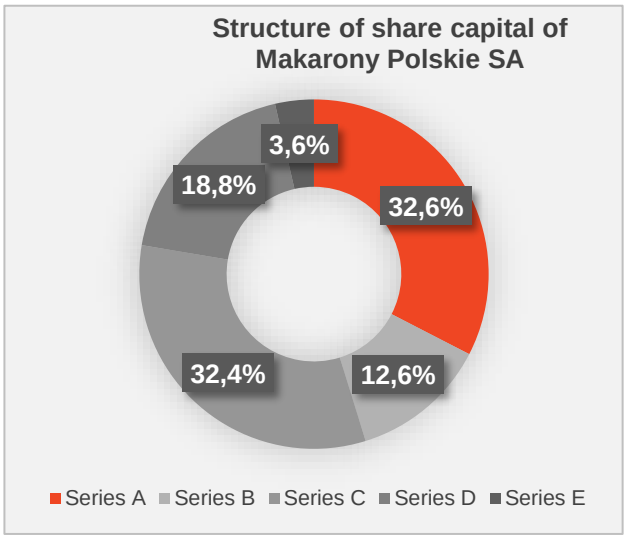
General Meeting of the Parent Company

Share capital of Makarony Polskie SA:

- amount of share capital PLN 27,750,213
- total number of shares 9,250,071 shares,
- total number of votes at the General Meeting 9,250,071 votes.

Structure of the Company's share capital:

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



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.

There are no restrictions on exercising voting rights in the Company. There are also no restrictions regarding the transfer of ownership of securities issued by the Company.

Shares held by main shareholders (over 5% of share capital)

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

Shareholder	Shares in the share capital		Votes in the General Meeting	
	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, of which:	2,311,594	24.99%	2,311,594	24.99%
Praska Giełda Spożywcza SA (formerly: Agro-Technika SA)	*2,050,000*	*22.16%*	*2,050,000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology & Communications S.A.E. of which:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta i Grzegorz Słomkowscy, of which:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Agroma Ltd	950,000	10.27%	950,000	10.27%
Other shareholders	3,012,031	32.56%	3,012,031	32.56%
TOTAL	**9,250,071**	**100.00%**	**9,250,071**	**100.00%**

Changes in the shareholding in Q.3, 2020

The Company does not have any other information that would indicate changes in the number of shares held by the major shareholders (holding shares stakes exceeding 5%) during Q.3,2020 and by the date of publication of these statements.

The Company has no knowledge about any agreements (including ones concluded post the balance-sheet date) that might lead to the future changes in the structure of shareholding held by the current shareholders.

Management Board of subsidiaries

As at 30 September 2020 and the date of publication of these statements, the composition of the Management Boards of the subsidiaries was as follows:

- Stoczek Natura Sp. z o.o. – Adam Ławnik – President of the Management Board,
- MP Trade Sp. z o.o. – Zenon Daniłowski – President of the Management Board.

The function of the Commercial proxy in Stoczek Natura Sp. z o.o. is fulfilled by:

- Alicja Hinz – from 5 October 2001,

– Jerzy Krzyżowski – from 17 January 2020.

The commercial proxies granted are joint - a commercial proxy may represent the Company only jointly with another commercial proxy or a member of the Management Board.

During Q.3,2020 and by the date of publication of these statements, there were no changes in the composition of the Management Boards of subsidiaries.

Publication and approval of the financial statements

These condensed consolidated and separate financial data have not been subject to audit by an entity authorized to audit financial statements, they were approved for publication by the Management Board on 26 November 2020.

Legal basis for preparation of the consolidated financial statements

Declaration of compliance and 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 2019, item 351, 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. These condensed financial statements do not include all information and disclosures required in annual financial statements and should be read jointly with the financial statements of the Group and Parent Company for the year ended December 2019.

Basis for valuation

The condensed consolidated financial statements presented have been prepared in accordance with the historical cost principle, with the exception of fair value measurement of some assets, i.e. assets acquired as part of the purchase transaction, Abak Sp. z o.o., Tenczynek, Deli-susz, So Food brands and investment lands.

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 '000.

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 Capital Group for the year ended 31 December 2019 (published on 8 April 2020).

Legal basis for preparation of the consolidated financial statements

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 - 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 companies' operation is not limited.

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

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

Changes to the rules for preparing financial statements

In Q.3, 2020 no changes occurred in the measuring principles applied when preparing the financial statements.

Uncertainty of estimations

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

- depreciation rates,
- impairment of assets (including receivables),
- provisions value,
- deferred tax assets (companies recognize assets for deferred tax based on the assumption that a tax profit shall be obtained 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.
- marginal loan rate and rental period assumed for contracts with an indefinite period of time in connection with the implementation of IFRS 16.

The Group does not currently see any significant risk of impairment of assets, including in particular the assets subject to the tests for impairment. As at 31 December, the Group carries out annual tests for impairment of intangible assets with an indefinite useful life. The relevant tests, in accordance with the applicable rules, were made as at the end of 31 December 2019.

As at the balance sheet date, an analysis of indications of impairment of assets was made. In the opinion of the Management Board of the Parent Company, as at the balance sheet date, i.e. 30.09.2020, there were no indications of potential impairment of the ABAK and Tenczynek brands and the goodwill of Stoczek Natura. Assumptions regarding the future and estimates adopted are consistent with the assumptions and estimated adopted by the Group in the financial statements for 2019.

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 Q.3,2020.

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

Impact of the COVID-19 pandemic on the activities of the Makarony Polskie Group

The impact of the Covid-19 pandemic which started at the end of Q1, 2020 on the activities and financial results of the Makarony Polskie Group is visible in several areas:

- The Group recorded an increase in the prices of key raw materials – flour, meat and egg pulp – in connection with an increased demand and turmoil in the supply chain (e.g. obstacles to international trade by reintroduction of border controls and closure of a part of border crossings).
- The pressure coming from the business environment, among others, state authorities to maintain the stable prices, as well as the reluctance of the key customers to introduce increases as part of the contracts concluded, had an impact on the delay in implementing new sales prices allowing the Group for partial compensation for increased cost factors. The above-mentioned issued had an impact on reducing the profitability at the level of gross sales profit from 22.9% in Q. 1-3, 2019 to 19.9% in Q.1-3, 2020.
- In connection with the decrease in the revenues in Q.2, 2020 compared to Q.1, 2019 (by PLN 14.0 million), the Group companies decided to avail of public assistance within the Anti-Crisis Shield which aims at maintaining the level of employment in subsequent periods. As at the balance sheet date, the assistance includes: subsidy from the Polish Development Fund in the amount of PLN 1.5 million and subsidy for the working capital from PARP (Polish Agency for Enterprise Development) in the amount of PLN 0.4 million received by Makarony Polskie SA, remission of social insurance contributions in the

amount of PLN 0.15 million and subsidy from the Polish Development Fund in the amount of PLN 1.5 million at Stoczek Natura Sp. z o.o.

Immediately after information about the Covid-19 epidemic getting closer to Poland had appeared, before an official announcement of the state of epidemic in Poland, the Group implemented additional safety procedures and protective measures which are supposed to ensure the production continuity and reduce the risk of virus spreading among the staff. These procedures are subject to systematic validation and modified depending on the needs and development of the epidemiologic situation.

In the opinion of the Management Board, there are no risks in the Group that would prevent it from paying the liabilities incurred. The Group does not have any problems with repayment of receivables by its contractors (no changes in terms of collecting the receivables have been identified). The Group has not identified an increase in risks in terms of valuation and growing stock inventories. As at the date of publication of the statements, the Company does not identify any material risk of failure to meet the financial covenants in credit agreements in connection with the COVID-19 pandemic.

The Management Board of Makarony Polskie SA closely monitors the situation connected with the COVID-19 pandemic and undertakes actions aimed at minimizing a negative impact on the functioning of the Company and the Group in terms of safety, financial liquidity and results achieved. In the opinion of the Management Board, a current financial situation of the Company and the Group does not pose a threat to the activities of the Group in subsequent periods.

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

The Makarony Polskie Group did not publish financial forecasts for 2020.

Legal basis for preparation of the consolidated financial statements

Factors and risks significantly affecting the financial results in Q.3, 2020 and in the subsequent periods

After Q.3, 2020 the Makarony Polskie Group generated a net profit at the level of PLN 5.20 million. Changes were introduced at the Group in order to improve production effectiveness and reduce fixed costs.

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.

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-promoting 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,
- the project related to the adaptation of the electric, cooling and technological installation was completed by adjusting the parameters of the connections to the future increased production capacities of the production plant in Rzeszow,
- in the production plant in Częstochowa in 2020, an investment project was carried out to improve the conditions in the area of intensive human labor through a high-efficiency system of industrial ventilation,
- in the production plant in Częstochowa, works have been started on the construction of a drying tunnel for go-through drying of pasta which will allow for increasing the production flexibility and reducing the energy consumption of the drying process, planning works have also been carried out with regard to the construction of a high-bay warehouse for finished products and packaging,
- in the production plant in Rzeszów an investment in a semi-industrial line for technological tests was completed, it will significantly accelerate the process of development and implementation of the product innovations,, works connected with the adaptation of rooms for the Research and Development Center were carried out and laboratory equipment was purchased, additional silos for pasta being a buffer between a production and packaging were assembled, which will increase the production efficiency, the packaging capacity for short pasta forms in connection with the purchase of a packaging line, brick type was increased; in Q.4. the investment in the automatic system for mixing various indices in one collective package is being terminated,

- Stoczek Natura is modernizing production halls in connection with ongoing purchases of new machinery and equipment.

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 at Makarony Polskie SA", implemented under Measure 1.4 Support for SMEs, Regional Operational Program of the Podkarpackie Region 2014-2020, implemented by the company in the period from March 2017 to April 2019 enabled the Company 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 has completed the supported investment project in April 2019. The company, fulfilling all obligations under the co-financing agreement, fully settled the project (and received the final refinancing of expenses incurred) which occurred in July 2019,
- 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 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 "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. The Company completed the supported investment project in February 2020

and submitted an application for final project settlement to the institution granting the support;

- 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-made dishes 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 non-produced products. The Company completed the supported investment project in August 2019. By fulfilling all obligations resulting from the co-financing agreement, the Company fully settled the project (and it received the final refinancing of incurred expenses), which took place in January 2020. Since Q.1, 2020 the Company's offer includes 9 indices from the category of ready-made dishes on trays. These are products ready to eat, they can be reheated in a microwave or in a traditional way. They were positively received by the customers. This new, dynamically developing category, that is ready-made dishes on trays, opens up new opportunities of sales development for the Company, especially on the export markets.

Activity development in the private label segment

- enriching the offer addressed to new and existing customers with health-promoting products, high-protein, made of leguminous flour and premium products, including pasta with the addition of quail eggs;
- 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.

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

- intensification of marketing activities aimed at the increase in the presence of the Makarony Polskie brand on the market, a new definition of Stoczek Natura, Sorenti, Tenczynek and Novelle brands, as well as the introduction of a new brand, SoFood under which ready-made dishes on trays are offered – the Group is implementing a prepared plan of support for marketing activities in this area,
- 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 the European markets, including in particular Ukraine, where the Group systematically develops its cooperation with the largest commercial networks.
- 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 on target markets – in a current epidemic situation, these actions are difficult, however, the Group is preparing an action plan in this regard for 2021,
- acquiring and implementing projects concerning deliveries under the recipient's own 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 pasta, vegetable pasta and new product categories, such as ready-made dishes on trays (especially the dishes for vegetarians which are in high demand on the market).

Legal basis for preparation of the consolidated financial statements

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. The portfolio is also systematically expanded with vegetarian products from the line of ready-made dishes on trays and in jars. In 2020, the Group’s offer was enriched with quail egg pasta and ready-made dishes on trays offered for the shelf stable.

Risk related to competition

All areas of 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 material part of revenues is generated by the Group through cooperation with organized and centrally-decisive commercial networks. 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.

The situation of increased demand for the Group's products occurred, among others, in the initial period after the first COVID-19 infections appeared in Poland when the customers went shopping on a mass scale, whereas the orders from retail chains were significantly higher both in relation to the level recorded in the analogous period of the previous year and in the period before the epidemic outbreak. The Group's production plants faced the necessity of making even greater efforts to use their production capacities in the most optimal way. The difficult situation was alleviated by the recent increase in the Company's production capacities, e.g. a new line for pasta production was installed in the plant in Rzeszów, which provided the Company with an additional safety margin. However, the shortage of raw materials, especially the imported semolina, and the attendance allowance of a part of the personnel introduced by the special act turned out to be a barrier limiting the production volume.

After the first wave of market panic caused by obligatory lock-down and related uncertainty as regards further course of the epidemic, the situation on the market stabilized. The customers resigned from doing shopping "in advance", which translated into a stabilization of incoming orders in summer. In autumn, in connection with the so-called "second wave of the epidemic", another increase of orders occurred, however, in accordance with the Company's previous estimates, it was not as dynamic as the one observed at the end of Q.1, 2020.

In the Group's opinion, this risk of dependence on recipients is not significant as the Group companies conduct systematic actions towards the diversification of customers and increasing the number of the so-called medium-sized customers.

Risk related to changes in raw material prices

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 half-year 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 consumer wheat on global markets.

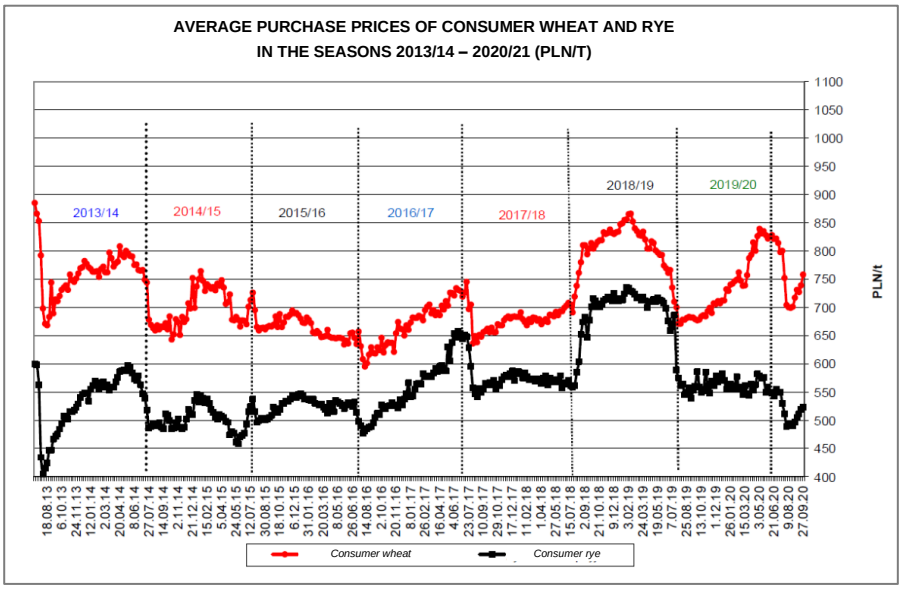
In the first quarter of 2020, flour purchase prices were stable, they remained at an average level, similar to that of the fourth quarter of 2019. The outbreak of the Sars-Cov-2 coronavirus epidemic in Europe in the second half of the first quarter brought some nervousness on the market. An increased demand for products with long shelf-life, such as flour, as well as obstacles to international trade (e.g. reintroduction of border controls and closure of a part of border crossings, extended/uncertain supply dates) translated into an increase of prices on the market of cereals and flour, which remained until the harvest, i.e. until Q.3, 2020. In August 2020, following the information coming from the European and non-European cereal markets about very good, in terms of quantity, forecasts relating to the harvest, a decrease of prices of soft wheat and flour was visible. However, it was as early as in the first decade of

September when another increase of wheat prices occurred, which was caused by significant interest of exporters in the Polish wheat. According to the forecasts, an upward price tendency on the wheat market will remain at least until the second half of Q.1, 2021 in connection with large export of Polish wheat, as well as an increased market demand for products with long shelf-life (including flour and flour products) due to the so-called second wave of the Covid-19 epidemic.

An upward tendency of prices remained also on the market of durum wheat flour, which was connected mainly with poor harvest in 2020/2021 harvest season.

Makarony Polskie SA is aware that wheat production is highly sensitive to unpredictable weather conditions, therefore, prices are vulnerable to increases caused by possible speculations or natural disasters. The Company is closely monitoring current forecasts relating to both domestic market and prices of the consumer wheat prices on the global markets, and it will carry out further activities aimed at securing the purchase prices of raw materials for the sales contracts concluded, taking into account the current tendencies.

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 40/2020, Sparks Polska

At the end of Q.4, 2019, the price of egg pulp amounted to PLN 3.8-4.5 thousand for one ton of egg pulp. In Q.1, 2020, there was a slight increase in prices, which resulted, among others, from the increased demand for eggs before Easter and local occurrence of bird flu. The prices of egg pulp on the market amounted to PLN 4.2-5.0 thousand for one ton of egg pulp. In subsequent months, the prices stabilized at the level of PLN 4.5-6.0 thousand for one ton of egg pulp. It was caused by the coronavirus outbreak. High prices remained until June.

Currently, the prices on the Polish market are very diverse and amount to PLN 3.7-4.6 thousand for one ton of egg pulp.

Forecasts for the following months assume that the prices of eggs and egg weight may remain at the level indicated above with a slight upward trend in the second part of the fourth quarter, while those fluctuations should not have a material impact on the profitability of products.

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..

Risk of variable legal and tax environment

The Polish legal and tax system is characterized with frequent changes, especially in the current COVID-19 epidemic, when the provisions of law are significantly changed from day to day, the activity of the companies, including the companies of the Makarony Polskie Group is burdened with very high uncertainty. This is a factor unfavorable for business activity which entails a high risk.

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 undue delay.

Risk related to changes in exchange rates

The Makarony Polskie Group is a semolina importer 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 30 September 2020:

Groups/categories of financial instruments	Carrying amount as at 30.09.2020 PLN `000	Currency exposure as at 30.09.2020 PLN `000	EUR PLN `000	USD PLN `000
Financial assets				
Cash and cash equivalents	651	18	16	1
Trade receivables	25,310	1,625	1,625	
Financial liabilities				
Trade liabilities	33,244	7,406	7,406	

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 30 September 2020:

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN `000		impact on the financial result PLN `000	
Financial assets				
Cash and cash equivalents	0.8	-0.8	0.1	-0.1
Trade receivables (gross)	81.2	-81.2	-	-
Financial liabilities				
Trade liabilities	-370.3	370.3	-	-

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 Q.3, 2020, the Group used external financing in the form of bank loans: working capital loans, loans in the current account and investment loans.

As at 30 September 2020, the Group had a liability due to loans taken out, in the amount of PLN 28,464 thousand:

Currency	Interest	Loan balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	28,464	15,839	12,625

The Company has liabilities due to credits 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 30 September 2020 is presented in the table below:

Groups/categories of financial instruments	Carrying amount as at 30.09.2020 PLN `000	Value exposed to risk as at 30.09.2020 PLN `000	WIBOR PLN `000
Financial assets			
Cash in hand and at bank	651	-	-
Financial liabilities			
Bank credits	28,464	28,464	28,464
Other financial liabilities	1,410	1,410	1,410

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 30 September 2020:

Interest rate	Deviation assumptions (in percentage points) 30 September 2020		Value at risk as at 30 September 2020 PLN `000	Impact on the financial result 30 September 2020 PLN `000	
WIBOR	1%	-1%	29,874	- 298.7	298.7

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 – The 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 (30 September 2020, 1 EUR= PLN 4.5268; 31 December 2019, 1 EUR = PLN 4.2585)
- 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 Q.1, 2 and 3, 2020 = PLN 4.4420 and at the end of each month of Q. 1, 2 and 3, 2019 = PLN 4.3086.

Selected financial data	30 September 2020	30 September 2019	30 September 2020 (in EUR '000)	30 September 2019 (in EUR '000)
Net revenues from sales of products, services, goods and materials	139,941	120,550	31,504	27,979
Profit (loss) from continued operations	7,841	7,330	1,765	1,701
Gross profit (loss)	6,538	6,224	1,472	1,445
Net profit (loss) from continued operations	5,202	4,975	1,171	1,155
EBIT	7,841	7,330	1,765	1,701
EBITDA (EBIT + depreciation)	13,511	12,175	3,042	2,826
Net cash flows from operating activities	7,631	12,139	1,718	2,817
Net cash flows from investment activities	- 12,698	- 19,154	- 2,859	- 4,446
Net cash flows from financial activities	4,994	6,952	1,124	1,614
Total net cash flows	- 73	- 63	- 16	- 15
Total assets ***	184,274	173,627	40,707	40,772
Liabilities and provisions for liabilities ***	101,397	93,639	22,399	21,989
Long-term liabilities ***	44,545	39,351	9,840	9,241
Short-term liabilities ***	56,852	54,288	12,559	12,748
Equity ***	82,877	79,988	18,308	18,783

Selected financial data – The Makarony Polskie Group

Share capital ***	27,750	27,750	6,130	6,516
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) *	0.56	0.54	0.13	0.13
Book value per one share (in PLN/EUR)**	8.96	8.65	1.98	2.03

* 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 2019

Consolidated statement of comprehensive income

FOR THE PERIOD	Q.3,2020	01.01.2020-30.09.2020	Q.3, 2019	01.01.2019-30.09.2019
Net revenues from sales	39,437	139,941	40,454	120,550
Net revenues from sales of products and services	38,239	132,147	39,363	116,137
Net revenues from sales of materials and goods	1,198	7,794	1,091	4,413
Own cost	32,154	112,117	31,343	92,966
Production costs of products and services sold	31,278	105,134	30,496	89,214
Value of goods and materials sold	876	6,983	847	3,752
Gross profit (loss) on sales	7,283	27,824	9,111	27,584
Sales costs	4,508	16,380	5,296	15,463
General administrative costs	1,282	4,303	1,666	5,156
Other revenues	459	1,437	358	848
Other costs	96	737	244	483
Profit (loss) from continued operations	1,856	7,841	2,263	7,330
Financial revenues	0	15	10	26
Financial costs	361	1,318	438	1,132
Gross profit	1,495	6,538	1,835	6,224
Income tax - current part	344	1,032	357	1,067
Income tax - deferred part	- 78	304	- 2	182
Profit (loss) on continued operations	1,229	5,202	1,480	4,975
In this attributable to:				
Shareholders of the Parent Company	1,229	5,202	1,480	4,975
Non-controlling shares				
Basic net result per share in PLN	0.13	0.56	0.16	0.54
Diluted net result per share in PLN	0.13	0.56	0.16	0.54
Other total net income/loss				
Total net income	1,229	5,202	1,480	4,975
Total net income attributable to:				
Shareholders of the Parent Company	1,229	5,202	1,480	4,975
Non-controlling shares				

Statement of other total net income – application of hedge accounting

FOR THE PERIOD	Q.3, 2020	01.01.2020-30.09.2020	Q.3, 2019	01.01.2019 – 30.09.2019
Total net income	1,229	5,202	1,480	4,975
Profit/loss due to application of hedge accounting	0	0	0	0
Total net income	1,229	5,202	1,480	4,975

Consolidated statement of financial position

ASSETS	30 September 2020	31 December 2019	30 September 2019
FIXED ASSETS	**132,128**	**126,942**	**119,000**
Tangible fixed assets	114,747	108,814	97,961
Fixed assets – IFRS-16	3,409	4,091	4,320
Investment properties	603	603	603
Goodwill	5,949	5,949	5,949
Other intangible assets	7,360	7,363	10,013
Long-term financial assets	0	0	0
Assets for deferred income tax	1	2	2
Other assets - long-term	59	120	152
CURRENT ASSETS	**52,146**	**46,685**	**45,311**
Inventories	25,940	20,515	19,735
Short-term receivables	25,310	25,074	25,006
Income tax receivables	0	17	0
Borrowings granted	0	0	0
Cash and cash equivalents	651	718	296
Other assets - short-term	245	361	274
FIXED ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	**184,274**	**173,627**	**164,311**

EQUITY AND LIABILITIES	30 September 2020	31 December2019	30 September 2019
EQUITY	**82,877**	**79,988**	**81,160**
Share capital	27,750	27,750	27,750
Supplementary capital	38,490	37,155	37,155
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	- 565	- 720	- 720
Net profit/loss	5,202	3,803	4,975
LONG-TERM LIABILITIES	**44,545**	**39,351**	**27,951**
Provision for deferred income tax	3,825	3,522	3,751
Long-term bank credits and borrowings	12,625	17,995	5,972
Long-term financial liabilities – subsidy of the Polish Development Fund	2,637	0	0
Provision for retirement and similar benefits (long-term)	432	357	321
Deferred income- long-term	21,669	13,042	13,052

Consolidated statement of financial position

Long-term financial liabilities-leasing	677	1,160	1,357
Long-term financial liabilities – IFRS-16	2,680	3,275	3,498
SHORT-TERM LIABILITIES	**56,852**	**54,288**	**55,200**
Short-term bank credits and borrowings	15,839	16,500	22,611
Short-term financial liabilities – subsidy of the Polish Development Fund	306	0	0
Short-term financial liabilities - leasing	733	762	944
Short-term financial liabilities - IFRS-16	841	884	875
Other short-term liabilities	33,244	33,673	28,160
Short-term liabilities for dividend	2,313	0	0
Income tax liabilities	115	426	122
Deferred income- short-term	1,388	975	925
Provision for retirement and similar benefits (short-term)	1,072	1,055	1,048
Other short-term provisions	1,001	13	515
TOTAL LIABILITIES	**101,397**	**93,639**	**83,151**
TOTAL EQUITY AND LIABILITIES	**184,274**	**173,627**	**164,311**

Consolidated statement of cash flows

FOR THE PERIOD	01.01.2020-30.09.2020	01.01.2019-30.09.2019
Cash flows from operating activities		
Profit before tax	**6,538**	**6,224**
Adjustments by items:	1,093	5,915
Depreciation	5,670	4,845
Profits/losses on exchange differences	- 6	0
Interest costs and income	722	867
Dividend income	0	0
Profit/loss from investment activities	- 17	- 35
Change in provisions	1,080	557
Change in inventories	- 5,425	- 1,578
Change in receivables	- 413	1,438
Change in liabilities and accruals	808	988
Corporate income tax paid/returned	- 1,326	- 1,166
Other adjustments	0	- 1
Net cash flows from operating activities	**7,631**	**12,139**
Cash flows from investment activities		
Proceeds from sales of fixed assets and intangible assets	59	490
Proceeds from sales of financial assets	0	0
Expenses on acquisition of tangible fixed assets and intangible assets	- 12,757	- 19,644
Expenses on acquisition of subsidiaries and affiliates	0	0
Proceeds from interest	0	0
Proceeds from borrowings granted	0	0
Borrowings granted	0	0
Other	0	0
Net cash flows from investment activities	**- 12,698**	**- 19,154**
Cash flows from financial activities		
Proceeds from credits and borrowings	5,797	13,542
Repayment of credits and borrowings	- 11,829	- 9,671
Proceeds – subsidy of the Polish Development Fund	2,943	0

Consolidated statement of cash flows

Payment of liabilities under financial lease contracts	- 1,244	- 1,411
Interest paid	- 722	- 867
Dividend paid out to shareholders	0	- 2,313
Expenses on acquisition of financial assets	0	0
Other financial revenues - subsidy	10,049	7,672
Net cash flows from financial activities	**4,994**	**6,952**
Increase/decrease in cash and cash equivalents	**- 73**	**- 63**
Cash, cash equivalents and credits in the current account at the beginning of the period	718	359
Foreign exchange profits/losses on the valuation of cash, cash equivalents and credits in the current account	6	0
Cash, cash equivalents and credits in the current account at the end of the period	**651**	**296**

Statement of changes in the consolidated equity

For the period from 1 January 2020 to 30 September 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	27,750	37,155	12,000		3,083	79,988
Distribution of profit/loss coverage		1,335			- 1,335	
Profit distribution - dividend payment					-2,313	- 2,313
Creation of reserve capital – own shares						
Other total income						
Net result after Q.3, 2020				5,202		5,202
Balance as at 30 September 2020	27,750	38,490	12,000	5,202	- 565	82,877

For the period from 1 January 2019 to 31 December 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	27,750	46,095	0		4,653	78,498
Distribution of profit/loss coverage		3,060			- 3,060	
Profit distribution - dividend payment					-2,313	- 2,313
Reversal of unrealized margin from previous years		- 12,000	12,000			
Other total income						
Net result in 2019				3,803		3,803
Balance as at 31 December 2019	27,750	37,155	12,000	3,803	- 720	79,988

For the period from 1 January 2019 to 30 September 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	27,750	46,095	0		4,653	78,498
Distribution of profit/loss coverage		3,060			- 3,060	
Profit distribution - dividend payment					-2,313	- 2,313
Creation of reserve capital – own shares		- 12,000	12,000			
Other total income						

Statement of changes in the consolidated equity

Net result after Q.3, 2019				4,975		4,975
Balance as at 30 September 2019	27,750	37,155	12,000	4,975	- 720	81,160

Additional explanatory notes

Revenues from sales 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 01.07 to 30.09.2020	For the period from 01.01 to 30.09.2020	For the period from 01.07 to 30.09.2019	For the period from 01.01 to 30.09.2019
Revenues from sales of products	36,731	126,357	37,299	110,541
Revenues from sales of services	1,508	5,790	2,064	5,596
Revenues from sales of materials	493	5,604	599	2,731
Revenues from sales of goods	705	2,190	492	1,682
Total	**39,437**	**139,941**	**40,454**	**120,550**

Operating segments

The Makarony Polskie Group identifies the operating segments presented in the table below:

	For the period from 01.07 to 30.09.2020	For the period from 01.01 to 30.09.2020	For the period from 01.07 to 30.09.2019	For the period from 01.01 to 30.09.2019
Pasta	28,023	99,367	28,683	85,739
Meat and vegetable products	7,316	22,511	7,279	20,313
Vegetable products and stuffing	271	1,225	379	1,518
Fruit products	1,868	6,781	2,036	6,233
Other	1,959	10,057	2,077	6,747
Total	**39,437**	**139,941**	**40,454**	**120,550**

Basic information regarding operating segments:

For the period Q.1-3, 2020	Pasta	Meat and vegetable products	Vegetable products and stuffing	Fruit products	Other	Total segments
Total revenues of the segments	**99,367**	**22,511**	**1,225**	**6,781**	**10,057**	**139,941**
Sales to third party customers	99,367	22,511	1,225	6,781	10,057	139,941
Sales between the segments						
Segment costs	78,689	20,708	821	6,281	5,618	112,117
Profits/losses of the segments	**20,678**	**1,803**	**404**	**500**	**4,439**	**27,824**

For the period Q.1-3, 2019	Pasta	Meat and vegetable products	Vegetable products and stuffing	Fruit products	Other	Total segments
Total revenues of the segments	**85,739**	**20,313**	**1,518**	**6,233**	**6,747**	**120,550**
Sales to third party customers	85,739	20,313	1,518	6,233	6,747	120,550
Sales between the segments						
Segment costs	66,037	17,950	1,171	5,079	2,729	92,966
Profits/losses of the segments	**19,702**	**2,363**	**347**	**1,154**	**4,018**	**27,584**

The Group applied IFRS 8 "Operating Segments". In accordance with the IFRS 8 requirements, operating segments must be identified based on the internal reports regarding those elements, which are regularly verified by the persons deciding about the allocation of resources to the respective segments and assessing the segment 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.

Sales revenues of the Makarony Polskie Group in the period of Q.1-3, 2020 amounted to PLN 139.9 million and were by approx. 19.4 million higher than in the corresponding period of 2019.

Sales of the pasta category increased in the analyzed period by PLN 13.6 million to the amount of PLN 99.4 million. The increase of approx. 16% was a result of increased sales under commercial network brands, development of the Makarony Polskie brand on the domestic market, positive dynamics of sales growth in export and implementation at a higher level of a subcontract in an institutional contract compared to the corresponding period of the previous year.

Sales of meat and vegetable products increased in the analyzed period by approx. PLN 2.2 million to the amount of PLN 22.5 million. An increase of approx. 11% (Q.1-3, 2020 compared to Q.1-3, 2019) was a result of increased sales under private labels and commercial networks. In the analyzed period, the Group introduced on the market a new line of dishes on trays under the SoFood brand.

Another segment in which a positive dynamics of changes was noted is the segment of processed fruit. Sales of fruit products in the analyzed period amounted to nearly PLN 6.8 million and were higher by PLN 0.5 million, i.e. 9% compared to 2019, which was due to the increase of sales in the category of jams and damson cheese.

The segment of vegetable preserves and stuffing decreased in the analyzed period by PLN 0.3 million to the amount of PLN 1.1 million. The decrease resulted from the limitation of orders in the segment of stuffing.

Revenues from sales of products, services, goods and materials – geographic structure

	For the period from 01.07 to 30.09.2020	For the period from 01.01 to 30.09.2020	For the period from 01.07 to 30.09.2019	For the period from 01.01 to 30.09.2019
Poland	36,073	125,870	37,405	110,936
Exports, including:	3,364	14,071	3,049	9,614
- EU member states	1,587	4,775	638	1,671
- other countries	1,777	9,296	2,411	7,943
Total	**39,437**	**139,941**	**40,454**	**120,550**

The sales markets of the Makarony Polskie Group may be divided into domestic market (including private label, traditional trade, modern trade, and B2B and institutions) and exports market (including sales to domestic intermediaries). In Q.1-3, 2020, sales amounted to PLN 125.9 million on the domestic market and PLN 14.1 million in exports. In the corresponding period of 2019, the values were PLN 110.9 million and PLN 9.6 million, respectively.

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

	For the period from 01.01 to 30.09.2020	For the period from 01.01 to 30.09.2019
Net profit/loss per share	0.56	0.54
Book value per share in PLN(as at 30.09.2020 and 31.12.2019)	8.96	8.65

	For the period from 01.01 to 30.09.2020	For the period from 01.01 to 30.09.2019
Net profit/loss on continued operations assigned to the Parent Company shareholders	5,202	4,975
Profit/loss on discontinued operations assigned to the Parent Company shareholders	0	0
Net profit/loss assigned to the Parent Company shareholders	5,202	4,975
Net profit/loss assigned to regular shareholders, applied in calculation of diluted profit/loss per share	0	0

	For the period from 01.01 to 30.09.2020	For the period from 01.01 to 30.09.2019

Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	9,250,071	9,250,071
Dilution impact	not applicable	not applicable
Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	not applicable	not applicable

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

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

In Q.3, 2020 there were no factors at the Parent Company that would dilute share capital.

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

Share capital

Share capital of Makarony Polskie SA as at 30 September 2020 amounted to PLN 27,750,213 and was divided as follows:

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

Information on changes comparative to the consolidated and separate financial statements

In the period from 1 January 2020 to 30 September 2020, there were no changes in the data comparative to the consolidated and separate financial statements.

Information on changes in estimates related to the consolidated financial statements

CHANGES DUE TO PROVISIONS

Balance changes as at 30.09.2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1,412	92	0	1,504
a) long-term	357	75	0	432
b) short-term	1,055	17	0	1,072
Other provisions, including:	13	1,001	13	1,001
b) other	13	1,001	13	1,001
Total	1,425	1,093	13	2,505

Balance changes as at 30.09.2019	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	55	13	1,369
a) long-term	285	36	0	321
b) short-term	1,042	19	13	1,048
Other provisions, including:	0	515	0	515
b) other	0	515	0	515
Total	1,327	570	13	1,884

The Group companies pay the retiring employees severance payments in the amount specified by the Labor Code and internal regulations. In relation to this, the Group based on the assessment performed by actuary, creates a reserve for current amount of liabilities by virtue of severance payments.

Calculation of the provision has been made for people currently employed and does not apply to persons who will be hired for future work. The right to retirement bonuses is available to every employee who has reached the retirement age. For persons who are already pensioners (who have received a severance payment), the provision is not created.

DEFERRED INCOME TAX ASSETS AND PROVISIONS

Balance changes as at 30.09.2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	394	344	84	654
Provision for deferred income tax	3,914	722	158	4,478
Asset/Provision after compensation				3,824

Balance changes as at 30.09.2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	393	239	135	497
Provision for deferred income tax	3,961	347	62	4,246

Asset/Provision after compensation				3,749

The current tax charge is calculated on the basis of the applicable tax laws. The application of these provisions varies the tax profit (loss) from net accounting profit (loss), due to the exclusion of non-taxable revenues and the costs of non-deductible expenses and costs and revenues that will not be subject to tax in the given period. The tax charges are calculated based on the tax rates applicable in a given financial year - currently 19% - provisions do not assume differentiation of tax rates for future periods.

In terms of income tax, the Group is subject to general regulations in this area. The Group is not a tax Group, as well as does not operate in a special economic zone, which would differentiate the rules for determining tax charges in relation to general provisions in this respect. The tax year and the balance sheet year coincide with the calendar year. As of 1 January 2020, Makarony Polskie SA. and Stoczek Natura Sp. z o.o. chose a simplified form of paying monthly advances on corporate income tax. As of 30 September 2020 a deferred tax provision was created in the amount of PLN 695 thousand as the difference between paid advances shown in the statement of comprehensive income and the actual tax resulting from the calculated tax base.

WRITE-DOWNS ON ASSETS

Balance changes as at 30.09.2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Write-downs of receivables	241	227	0	468
Write-downs of inventories	103	0	0	103
Write-downs of tangible fixed assets	1,484	0	71	1,413
Write-downs of intangible assets	2,641	0	0	2,641

Balance changes as at 30.09.2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
Write-downs of receivables	171	0	0	171
Write-downs of inventories	44	0	0	44
Write-downs of tangible fixed assets	1,579	0	71	1,508

The Group monitors its assets on an on-going basis; in the event of impairment, the Group makes a revaluation write-down of assets. In 2020, there were indications to make a revaluation write-down of trade receivables in the amount of PLN 227 thousand.

Dividends paid and proposed for payment

In 2020, the Management Board of the Company recommended to the Annual General Meeting that the net profit for the period from 1 January 2019 to 31 December 2019 in the amount of PLN 5,585,504.32 be divided as follows:

- it is proposed that the amount of PLN 2,312,517.75 be allocated to the dividend payout, i.e. the dividend payout amounting to PLN 0.25 gross per share,
- it is proposed that the remaining part of the profit amounting to PLN 3,272,986.57 be allocated to the supplementary capital of the Company.

Pursuant to Article 382(3) of the Code of Commercial Companies, this recommendation was presented by the Management Board to the Supervisory Board and it was positively reviewed by the Supervisory Board.

On 24 September 2020 the Annual General Meeting of Makarony Polskie SA adopted resolutions concerning the approval of the financial statements for the financial year 2019 and net profit distribution, including the dividend payout in the amount of PLN 2,312,517.75, i.e. PLN 0.25 zloty gross per share.

The dividend record day was set for 1 October 2020. The dividend will be paid out on 23 October 2020. 9,250,071 shares of the Company are eligible for the dividend.

Settlements between affiliated entities

In Q.3, 2020, the Makarony Polskie Group companies did not conclude material transactions with each other under the terms other than market terms.

Within 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.

Affiliated entity	Sales to affiliated entities for the period of			
	Q.3, 2020	Q. 1-3, 2020	Q.3, 2019	Q. 1-3, 2019
Parent Company- Makarony Polskie S.A.	63	220	97	269
to Stoczek Sp. z o.o.	60	197	83	229
to MP Trade Sp. z o. o.	3	23	14	40

Affiliated entity	Purchases from affiliated entities for the period			
	Q.3, 2020	Q. 1-3, 2020	Q.3, 2019	Q. 1-3, 2019
Parent Company- Makarony Polskie S.A.	6,059	20,118	6,952	18,809
from Stoczek Sp. z o.o.	5,684	19,154	6,649	17,824
from MP Trade Sp. z o.o.	375	964	303	985

Affiliated entity	Receivables from affiliated entities		Liabilities towards affiliated entities	
	as at 30.09.2020	as at 30.09.2019	as at 30.09.2020	as at 30.09.2019
Parent Company- Makarony Polskie S.A.	2,121	1,303	439	519
- from/to Stoczek Sp. o.o.	2,120	1,296	42	126
from/to MP Trade Sp. z.o.o.	1	7	397	393

SETTLEMENTS BETWEEN SUBSIDIARIES

Subsidiaries	Sales and purchases between subsidiaries for the period of			
	Q.3,2020	Q.1-3, 2020	Q.3,2019	Q.1-3, 2019
Total subsidiaries	1	16	1	3
- from Stoczek Sp. o.o. to MP Trade Sp. z o.o.	1	3	1	3
- from MP Trade Sp. z. o. o. to Stoczek Sp. z o.o.	0	13	0	0

Subsidiaries	Receivables between subsidiaries		Liabilities between subsidiaries	
	as at 30.09.2020	as at 30.09.2019	as at 30.09.2020	as at 30.09.2019
Total subsidiaries	1	0	1	0
- from/to Stoczek Sp. z. o.o.	1	0	0	0
- from/to MP Trade Sp. z.o.o.	0	0	1	0

Information on issuance, redemption and repayment of debt securities

In Q.3, 2020 the Makarony Polskie Group companies did not issue, redeem or repay the debt securities.

Information on share issues carried out and planned

In Q.3, 2020 and until the date of publication of this report, the Company did not issue any shares.

Agreements and events material for the operations

In Q.3, 2020 the Makarony Polskie Group did not conclude any agreements which would meet the Company's materiality criteria.

Information on credit and credit agreements concluded and terminated and financial liabilities

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	30.09.2020	31.12.2019
- long-term part	12,625	17,995
- short-term part	15,839	16,500
Total	**28,464**	**34,495**

During Q.3, 2020, Makarony Polskie SA and Stoczek Natura Sp. z o.o. were parties to credit and factoring agreements

The status of loan and factoring agreements in effect as at 30 September 2020, to which Makarony Polskie SA was a party, is presented in the tables below:

– Credit in the current account at Santander Bank Polska SA

Credit conditions	30 September 2020
Credit contractual value	PLN 5,000 thousand
Credit period	18.10.2013 – 31.05.2021
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 3,706 thousand
Repayment schedule	One-off at the date of maturity
Credit collateral	– Joint mortgage up to PLN 17,000 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 in Płock, including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – blank promissory note issued by the Company and promissory note declaration,

	– registered pledge on inventories of the value not lower than PLN 5,000 thousand including the assignment of rights under the registered pledge insurance policy, – security bond by Stoczek Natura Sp. z o.o.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Investment credit at Santander Bank Polska SA

Credit conditions	30 September 2020
Credit contractual value	PLN 13,849 thousand
Credit period	18.10.2013 – 30.12.2023
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,194 thousand
Repayment schedule	The credit will be repaid in 49 monthly instalments in the following amounts: 48 instalments of PLN 105 thousand each, plus the last 49th settlement instalment in the amount of PLN 204 thousand
Credit collateral	– Joint mortgage up to PLN 17,000 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge on fixed assets (production lines at the Rzeszów plant) including the assignment of rights under the object of the pledge, – blank promissory note issued by the Company and promissory note declaration, – civil-law security bond by Stoczek Natura Sp. z o.o., – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– EU investment credit at Santander Bank Polska SA

Credit conditions	30 September 2020
Credit contractual value	PLN 12,121 thousand
Credit period	07.02.2017 - 28.12.2023
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,727 thousand
Repayment schedule	The credit will be repaid in 37 monthly instalments in the following amounts: 36 instalments in the amount of PLN 50 thousand, the 37th in the amount of PLN 9,061 thousand, EU refinancing granted will decrease the balloon instalment
Credit collateral	– Joint mortgage up to PLN 18,200 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW

	PL1P/00094893/6 in Płock including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge on semi-industrial line for trials and tests with accessories, including the assignment of rights under the property insurance policy – blank promissory note issued by the Company and promissory note declaration, – civil-law security bond by Stoczek Natura Sp. z o.o., – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– EU investment credit at Santander Bank Polska SA

Credit conditions	30 September 2020
Credit contractual value	PLN 8,000 thousand
Credit period	15.09.2017 - 31.12.2023
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 1,333 thousand
Repayment schedule*	The credit will be repaid in 49 capital instalments, of which 48 instalments in the amount of PLN 33 thousand, the 49th instalment in the amount of PLN 79 thousand
Credit collateral	– Joint mortgage up to PLN 2,500 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 in Płock including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge the acquired line under the grant project including the assignment of rights under the pledge object policy, – blank promissory note issued by the Company and promissory note declaration, – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Working capital credit at Santander Bank Polska SA

Credit conditions	30 September 2020
Credit contractual value	PLN 3,000 thousand
Credit period	30.09.2019 - 30.09.2022
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,182 thousand

Repayment schedule	The credit will be repaid in 33 monthly instalments, starting from 31 January 2020 in the amount of PLN 0.09 million
Credit collateral	– joint mortgage up to PLN 4,500 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 in Płock, including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, KW PL1P/00114158/9 and KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge on fixed assets (production lines in the plant in Rzeszów), including the assignment of rights under the pledge object policy, – blank promissory note issued by the Company and promissory note declaration, – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	30 September 2020
Credit contractual value	PLN 6,000 thousand
Credit period *	14.06.2013 – 30.06.2021
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,404 thousand
Repayment schedule	One-off at the date of maturity
Credit collateral	– joint mortgage up to PLN 16,500 thousand on properties entered in: a) land and mortgage register No. KW CZ1C/00111425/8 in Częstochowa, including the assignment of rights under the property insurance policy, – b) land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski (property of Stoczek Natura Sp. z o.o.) including the assignment of rights under the property insurance policy, – blank promissory note issued by the Company and promissory note declaration, – power of attorney to dispose of the current account at the Bank, – security bond by Stoczek Natura Sp. z o.o., – declaration of the Company 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 million)

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

Agreement conditions	30 September 2020
Contractual value	PLN 5,500 thousand
Duration	Agreement concluded for an indefinite period
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank

Factoring balance	PLN 4,055 thousand
Agreement collateral	– irrevocable power of attorney to the account, – blank promissory note and promissory note declaration.

As at 30 September 2020 Stoczek Natura Sp. z o.o. was a party to credit agreements and their balance is presented in the table below:

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	30 September 2020
Credit contractual value	PLN 3,000 thousand
Credit period *	16.11.2017 – 16.11.2020
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,898 thousand
Repayment schedule	One-off at the date of maturity
Credit collateral	– contractual mortgage up to PLN 4,500 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski LU1U/00022979/2 including the assignment of rights under the property insurance policy, – power of attorney to dispose of the current account at the Bank, – registered pledge on a collection of machinery and equipment (located in the plant in Stoczek Łukowski) including the assignment of rights under the property insurance policy, – security bond by Makarony Polskie SA, – declaration of the Company 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 million).

– Revolving working capital credit at Bank Gospodarstwa Krajowego

Credit conditions	30 September 2020
Credit contractual value	PLN 2,500 thousand
Credit period	08.07.2019 – 08.10.2020
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 600 thousand
Repayment schedule	in two instalments: PLN 1.9 million up to 30 July 2020; PLN 0.6 million up to 8 October 2020
Credit collateral	– contractual mortgage up to PLN 3,750 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy, – power of attorney to dispose of the current account at the Bank, – blank promissory note issued by the Company and promissory note declaration, – security bond by Makarony Polskie SA, – declaration of the Company 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 5 million).

– Investment credit at Bank Gospodarstwa Krajowego

Credit conditions	30 September 2020
Credit contractual value	PLN 4,812 thousand
Credit period	08.07.2019 – 08.05.2025
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,417 thousand
Repayment schedule	in 54 monthly instalments, in which 53 equal capital instalments in the amount of PLN 90 thousand each, starting from 30.11.2020 and the last 54th settlement instalment in the amount of PLN 42 thousand
Credit collateral	– contractual mortgage up to PLN 7,218 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy, – power of attorney to dispose of the current account at the Bank, – registered pledge on a collection of machinery and equipment (located in the plant in Stoczek Łukowski), including the assignment of rights under the property insurance policy, – blank promissory note issued by the Company and promissory note declaration, – security bond by Makarony Polskie SA, – declaration of the Company 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 9.6 million).

The balance of other financial liabilities as at 30 September 2020, for which Makarony Polskie SA and Stoczek Natura Sp. z o.o. were parties is presented in the tables below:

LIABILITIES DUE TO FINANCIAL LEASING AGREEMENTS

	Present value of minimum fees	
	as at 30.09.2020	as at 31.12.2019
up to 1 year	733	762
within 1 to 5 years	677	1,160
Total	1,410	1,922

As at 30 September 2020, the Group companies have fixed assets used based on leasing agreements. The carrying value of machinery and equipment, cars and other fixed assets used under financial leasing agreements as at 30 September 2020 was PLN 2,095 thousand, and as at 31 December 2019 amounted to PLN 2,578 thousand.

LIABILITES DUE TO LEASING AGREEMENTS – IFRS-16

	Present value of minimum fees	
	as at 30.09.2020	as at 31.12.2019
up to 1 year - lease	837	880
up to 1 year – right to perpetual usufruct of land	4	4
within 1 to 5 years - lease	1,489	2,080
in the period of above one year- right to perpetual usufruct of land	1,191	1,195
Total	3,521	4,159

As of 1 January 2019 Makarony Polskie SA introduced to fixed assets the values by virtue of disclosures as a result of applying IFRS-16, fixed assets used on the basis of leasing agreements

The carrying value of fixed assets as at 30 September 2020 amounted to PLN 3,408 thousand, including the ones by virtue of lease of the rooms, the amount of PLN 2,236 thousand and right to perpetual usufruct of land, amount of PLN 1,172 thousand. As at 31 December 2019, it amounted to PLN 4,091 thousand, including the ones by virtue of lease of the rooms, the amount of PLN 2,906 thousand and right to perpetual usufruct of land, the amount of PLN 1,185 thousand.

SHORT-TERM FINANCIAL LIABILITIES – SUBSIDY OF THE POLISH DEVELOPMENT FUND

	as at 30.09.2020	as at 31.12.2019
up to 1 year	306	0
within 1 to 5 years	2,637	0
Total	2,943	0

As part of the financial shield, Makarony Polskie SA and Stoczek Natura Sp. z o.o. received financial assistance in the form of a subsidy from the Polish Development Fund in the amount of PLN 2,943 thousand.

After meeting the conditions specified in the program, the beneficiary is partially exempted from the repayment of the funds (the possibility of up to 75%).

The Polish Development Fund (PFR) is engaged in the government assistance program (so called financial shield) for micro, small and medium-sized enterprises whose financial situation has deteriorated as a result of the SARS-CoV-2 pandemic outbreak. The main objective of the program is to help the entrepreneurs to maintain financial liquidity and stability by making the financing on favorable terms available to them.

INFORMATION ON BORROWINGS GRANTED

As at 30 September 2020 Makarony Polskie SA granted a short-term borrowing to its subsidiary Stoczek Natura Sp. z o.o. in the amount of PLN 2.00 million with the repayment date on 31 December 2020 (one-off repayment by the date of the liability maturity). The interest rate on the borrowing was set on arm's length basis.

In Q.3, 2020 Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant any borrowings.

Security bonds and guarantees

INFORMATION ON GUARANTEES GRANTED AND OBTAINED

In Q.3, 2020 the Group companies did not grant any guarantees. As regards guarantees obtained, Makarony Polskie SA and Stoczek Natura Sp. z o.o. availed of guarantees.

The list of guarantees applicable in Makarony Polskie SA as at 30 September 2020 is shown in the table below:

Guarantor	Guarantee amount in PLN '000	Guarantee validity period	Subject of the guarantee	Collateral
Santander Bank Polska SA	1,011	until 28.12.2021	guarantee securing the Company's obligations under the agreement for sales and storage of pasta, under the contract concluded with the Material Reserves Agency (ARM)	– joint mortgage up to PLN 1,517 thousand on properties entered in land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and KW PL1P/00094893/6 in Płock including the assignment of rights under the property insurance policy, – blank promissory note and promissory note declaration
Santander Bank Polska SA	249	until 22.01.2021	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with the Material Reserves Agency (ARM)	– joint mortgage up to PLN 373 thousand on properties entered in land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and KW PL1P/00094893/6 in Płock including the assignment of rights under the property insurance policy, – blank promissory note and promissory note declaration

The list of guarantees applicable in Stoczek Natura Sp. z o.o. as at 30 September 2020 is shown in the table below:

Guarantor	Guarantee amount in PLN '000	Guarantee validity period	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 dishes, under the contract concluded with the Material Reserves Agency (ARM)	– mortgage up to PLN 756 thousand on the property entered into land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank; – security bond by 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 dishes, under the contract concluded with the Material Reserves Agency (ARM)	– mortgage up to PLN 2,323 thousand on the property entered in land and mortgage No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank; – security bond by Makarony Polskie SA
Bank Gospodarstwa Krajowego	24	until 25.03.2022	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with the Material Reserves Agency (ARM)	– blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank
Bank Gospodarstwa Krajowego	725	until 31.08.2023	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with the Material Reserves Agency (ARM	– mortgage up to PLN 1,088 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski including the assignment of rights under the property insurance policy; – blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank; – security bond by Makarony Polskie SA; – declaration 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 1.5 million).

INFORMATION ON SECURITY BONDS GRANTED AND OBTAINED

Makarony Polskie SA granted security bonds to the subsidiary, Stoczek Natura Sp. z o.o. and their balance as at 30 September 2020 is presented below::

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.09.2020
Security bond for a credit in the current account amounting to PLN 3.0 million	Bank BGK	3,000	16.05.2021	2,898
Security bond for a revolving working capital credit amounting to PLN 2.5 million	Bank BGK	2,500	08.04.2021	600
Security bond for an investment credit amounting to PLN 4.8 million	Bank BGK	4,812	08.11.2025	4,417
Security bond for a bank guarantee amounting to PLN 0.5 million	Bank BGK	504	13.06.2022	-
Security bond for a bank guarantee amounting to PLN 1.5 million	Bank BGK	1,549	15.06.2022	-
Security bond for a bank guarantee amounting to PLN 0.7 million	Bank BGK	725	29.02.2024	-

Makarony Polskie SA received remuneration on account of the security bonds granted.

Stoczek Natura Sp. z o.o. granted the security bonds to the Parent Company Makarony Polskie SA and their balance as at 30 September 2020 is presented below:

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.09.2020
Security bond for a credit in the current account amounting to PLN 5.0 million	Santander Bank Polska SA	15,366	30.12.2026	3,706
Security bond for an investment credit amounting to PLN 13.8 million	Santander Bank Polska SA			4,194
Security bond for a credit in the current account amounting to PLN 6.0 million *	Bank BGK	6,000	30.12.2021	4,404
Security bond for an EU investment credit amounting to PLN 12.1 million	Santander Bank Polska SA	12,121	binding till the moment of the subsidy settlement	4,727

Stoczek Natura Sp. z o.o. received remuneration on account of the security bonds granted.

In Q.3, 2020, MP Trade Sp. z o.o. did not grant any security bonds.

Off-balance-sheet items

Change in contingent liabilities or contingent assets that has occurred since the end of the last financial year:

Off-balance sheet items (in PLN'000)	30 September 2020	31 December 2019
1. Contingent assets	**4,062**	**4,062**
- received guarantees and security bonds	4,062	4,062
- collaterals on assets	0	0
- promissory notes	0	0
2. Contingent liabilities	**179,652**	**198,995**
- for guarantees and security bonds granted	0	0
- collaterals on assets	113,231	124,653
- promissory note obligations	66,421	74,342
Total off-balance items	**-175,590**	**-194,933**

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

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

In the reporting period presented, no material proceedings regarding liabilities and receivables of Makarony Polskie SA or its subsidiary were brought before any court, arbitration tribunal or public administration authority.

Other major events and transactions

In Q.3, 2020 no major events and transactions other than those described above occurred which would require disclosure in these financial statements of the Group.

Material events after the balance-sheet date

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

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Zenon Daniłowski

President of the Management Board

Rzeszów, 26 November 2020

Condensed separate financial statements of Makarony Polskie SA for the period from 1 January to 30 September 2020

Selected financial data - Makarony Polskie SA

Selected financial data	30 September 2020	30 September 2019	30 September 2020 (in EUR `000)	30 September 2019 (in EUR `000)
Revenues from sales of products, services, goods and materials	128,322	109,964	28,888	25,522
Profit (loss) from continued operations	6,742	6,202	1,518	1,439
Gross profit (loss)	5,717	5,352	1,287	1,242
Net profit (loss) from continued operations	4,543	4,301	1,023	998
EBIT	6,742	6,202	1,518	1,439
EBITDA (EBIT + depreciation)	11,103	10,058	2,500	2,334
Net cash flows from operating activities	8,108	8,027	1,825	1,863
Net cash flows from investment activities	- 8,962	- 9,182	- 2,018	- 2,131
Net cash flows from financial activities	725	1,128	163	262
Total net cash flows	- 129	- 27	- 29	- 6
Assets in total ***	158,108	151,712	34,927	35,626
Liabilities and provisions for liabilities ***	78,512	74,346	17,344	17,458
Long-term liabilities ***	34,570	34,449	7,637	8,089
Short-term liabilities ***	43,942	39,897	9,707	9,369
Equity ***	79,596	77,366	17,583	18,167
Share capital ***	27,750	27,750	6,130	6,516
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) *	0.49	0.46	0.11	0.11
Book value per one share (in PLN/EUR)**	8.60	8.36	1.90	1.96

* 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 2019

Statement of comprehensive income of Makarony Polskie SA

FOR THE PERIOD	Q.3, 2020	01.01.2020-30.09.2020	Q.3, 2019	01.01.2019-30.09.2019
Net revenues from sales	35,671	128,322	37,160	109,964
Net revenues from sales of products and services	28,299	100,518	29,155	87,303
Net revenues from sales of materials and goods	7,372	27,804	8,005	22,661
Own cost	28,937	103,264	29,077	85,634
Production costs of products and services sold	22,507	78,026	21,958	65,676
Value of goods and materials sold	6,430	25,238	7,119	19,958
Gross profit (loss) on sales	6,734	25,058	8,083	24,330
Costs of sales	4,462	15,436	4,978	14,679
General administrative costs	1,003	3,228	1,205	3,689
Other revenues	388	1,060	314	701
Other costs	88	712	229	461
Profit (loss) from continued operations	1,569	6,742	1,985	6,202
Financial revenues	17	65	38	86
Financial costs	298	1,090	343	936
Gross profit	1,288	5,717	1,680	5,352
Income tax - current part	306	917	311	932
Income tax - deferred part	-80	257	- 1	119
Net profit (loss) from continued operations	1,062	4,543	1,370	4,301
In this attributable to:				
Shareholders of the parent Company	1,062	4,543	1,370	4,301
Non-controlling shares				
Basic net result per share in PLN	0.11	0.49	0.15	0.46
Diluted net result per share in PLN	0.11	0.49	0.15	0.46
Other total net income/loss				
Total net income	1,062	4,543	1,370	4,301
Total net income attributable to:				
Shareholders of the parent Company	1,062	4,543	1,370	4,301
Non-controlling shares				

Selected financial data – Makarony Polskie SA

Statement of other total net income – application of hedge accounting

FOR THE PERIOD	Q.3, 2020	01.01.2020-30.09.2020	Q.3, 2019	01.01.2019-30.09.2019
Total net income	1,062	4,543	1,370	4,301
Profit/loss due to application of hedge accounting	0	0	0	0
Total net income	1,062	4,543	1,370	4,301

Statement of financial position of Makarony Polskie SA

ASSETS	30 September 2020	31 December 2019	30 September 2019
FIXED ASSETS	**115,124**	**113,267**	**103,714**
Tangible fixed assets	76,041	73,444	63,637
Fixed assets – IFRS-16	3,409	4,091	4,320
Investment properties	603	603	603
Goodwill	0	0	0
Other intangible assets	4,932	4,944	4,950
Long-term financial assets, in which	30,080	30,080	30,080
Shares	30,080	30,080	30,080
Borrowings granted	0	0	0
Assets for deferred income tax	0	0	0
Other assets - long-term	59	105	124
CURRENT ASSETS	**42,984**	**38,445**	**36,890**
Inventories	15,652	10,655	10,951
Short-term receivables	24,529	24,825	23,443
Receivables from income tax	0	0	0
Borrowings granted	2,022	2,006	2,022
Cash and cash equivalents	579	701	267
Other assets - short-term	202	258	207
Fixed assets for sale	0	0	0
TOTAL ASSETS	**158,108**	**151,712**	**140,604**

EQUITY AND LIABILITIES	30 September 2020	31 December 2019	30 September 2019
EQUITY	**79,596**	**77,366**	**76,081**
Share capital	27,750	27,750	27,750
Supplementary capital	35,303	32,362	32,362
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	0	- 332	- 332
Net profit/loss	4,543	5,586	4,301
LONG-TERM LIABILITIES	**34,570**	**34,449**	**23,848**
Provision for deferred income tax	3,507	3,250	3,485
Long-term bank credits and borrowings	9,189	14,772	3,344
Long-term financial liabilities – subsidy of the Polish Development Fund	1,288	0	0
Provision for retirement and similar benefits (long-term)	370	300	265

Selected financial data – Makarony Polskie SA

Deferred income – long-term	16,866	11,711	11,952
Long-term financial liabilities- leasing	670	1,141	1,304
Long-term financial liabilities - IFRS -16	2,680	3,275	3,498
SHORT-TERM LIABILITIES	**43,942**	**39,897**	**40,675**
Short-term bank credits and borrowings	11,361	10,907	17,133
Short-term financial liabilities- subsidy of the Polish Development Fund	184	0	0
Short-term financial liabilities - leasing	687	685	885
Short-term financial liabilities - IFRS-16	841	884	875
Other short-term liabilities	25,747	25,411	19,658
Short-term liabilities for dividend	2,313	0	0
Income tax liabilities	102	426	104
Deferred income- short-term	1,105	885	860
Provision for retirement and similar benefits (short-term)	711	699	664
Other short-term provisions	891	0	496
TOTAL LIABILITIES	**78,512**	**74,346**	**64,523**
TOTAL EQUITY AND LIABILITIES	**158,108**	**151,712**	**140,604**

Statement of cash flows of Makarony Polskie SA

FOR THE PERIOD	01.01.2020-30.09.2020	01.01.2019-30.09.2019
Cash flows from operating activities		
Profit before tax	**5,717**	**5,352**
Adjustments by items::	**2,391**	**2,675**
Depreciation	4,361	3,856
Profits/losses on exchange differences	- 7	0
Interest expenses and income	499	665
Dividend income	0	0
Profit/loss from investment activities	- 37	- 32
Change in provisions	973	513
Change in inventories	- 4,996	416
Change in liabilities	1,189	1,105
Change in liabilities and accruals	1,651	-2,849
Paid/refunded corporate income tax	- 1,242	- 999
Other adjustments	0	0
Net cash flows from operating activities	**8,108**	**8,027**
Cash flows from investment activities		
Proceeds from sales of fixed assets and intangible assets	37	479
Proceeds from sales of financial assets	0	0
Expenses on acquisition of tangible fixed assets and intangible assets	- 9,032	- 9,694
Expenses on acquisition of financial assets	0	0
Interest proceeds	33	33
Proceeds from borrowings granted	0	0
Borrowings granted	0	0
Others	0	0
Net cash flows from investment activities	**- 8,962**	**- 9,182**
Cash flows from financial activities		
Proceeds from credits and borrowings	4,729	8,415
Proceeds – subsidy of the Polish Development Fund	1,472	0
Repayment of credits and borrowings	- 9,860	- 9,649
Payment of liabilities under leasing agreements	- 1,201	- 1,369
Interest paid	- 549	- 715
Dividend paid out to shareholders	0	- 2,313
Expenses on acquisition of financial assets	0	0
Other financial proceeds	6,134	6,759
Net cash flows from financial activities	**725**	**1,128**

Selected financial data – Makarony Polskie SA

Increase/decrease in cash and cash equivalents	**- 129**	**- 27**
Cash, cash equivalents and credits in the current account at the beginning of the period	701	294
Foreign exchange profits/losses on the valuation of cash, cash equivalents and credits in the current account	7	0
Cash, cash equivalents and credits in the current account at the end of the period	**579**	**267**

Statement of changes in Makarony Polskie SA

For the period from 1 January 2020 to 30 September 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	**27,750**	**32,362**	**12,000**		**5,254**	**77,366**
Distribution of profit/loss coverage		2,941			- 2,941	
Distribution of profit –dividend payout					- 2,313	- 2,313
Creation of reserve capital – own shares						
Other total income						
Net result after Q.3, 2020				4,543		4,543
Balance as at 30 September 2020	**27,750**	**35,303**	**12,000**	**4,543**	**0**	**79,596**

For the period from 1 January 2019 to 31 December 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	**27,750**	**42,097**	**0**		**4,246**	**74,093**
Distribution of profit/loss coverage		2,265			- 2,265	
Distribution of profit –dividend payout					- 2,313	- 2,313
Creation of reserve capital – own shares		-12,000	12,000			
Other total income						
Net result in 2019				5,586		5,586
Balance as at 31 December 2019	**27,750**	**32,362**	**12,000**	**5,586**	**- 332**	**77,366**

Selected financial data – Makarony Polskie SA

For the period from 1 January 2019 to 30 September 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	**27,750**	**42,097**	**0**		**4,246**	**74,093**
Distribution of profit/loss coverage		2,265			- 2,265	
Distribution of profit –dividend payout					- 2,313	- 2,313
Creation of reserve capital – own shares		-12,000	12,000			
Other total income						
Net result after Q.3, 2019				4,301		4,301
Balance as at 30 September 2019	**27,750**	**32,362**	**12,000**	**4,301**	**- 332**	**76,081**

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Zenon Daniłowski
President of the Management Board

Rzeszów, 26 November 2020

Information about the Company

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

www.makarony.pl

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

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

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