Financial statement of Makarony Polskie Group for the financial year 2017

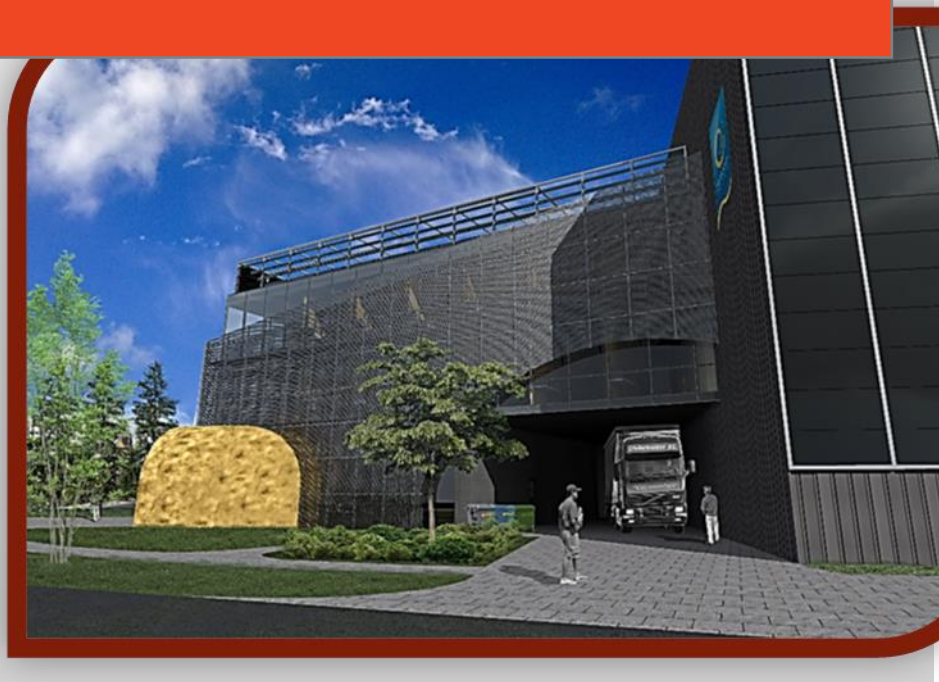


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General information

Organizational structure of Makarony Polskie Group

Makarony Polskie Group (hereinafter: „Group") consists of three companies:

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



100% of shares 100% of shares

Makarony Polskie SA is a producer of a wide range of pasta, manufactured in pressed and rolled technology. The company offers pasta in many different forms, produced on the basis of durum wheat flour and common wheat flour. In its portfolio, the Company also has products responding to the trends of healthy food, such as pasta made of flours less frequently used, e.g. spelt, buckwheat, rye as well as BIO products. The diversified range of products includes flavored pasta (e.g. with spinach and garlic, chili pepper, lovage, parsley and dill) and large pasta forms intended for stuffing. The basic pasta brands offered by the company are the following: Makarony Polskie, Sorenti and Abak (co-brand with Makarony Polskie). Pasta sauces are also offered under the brand Sorenti.

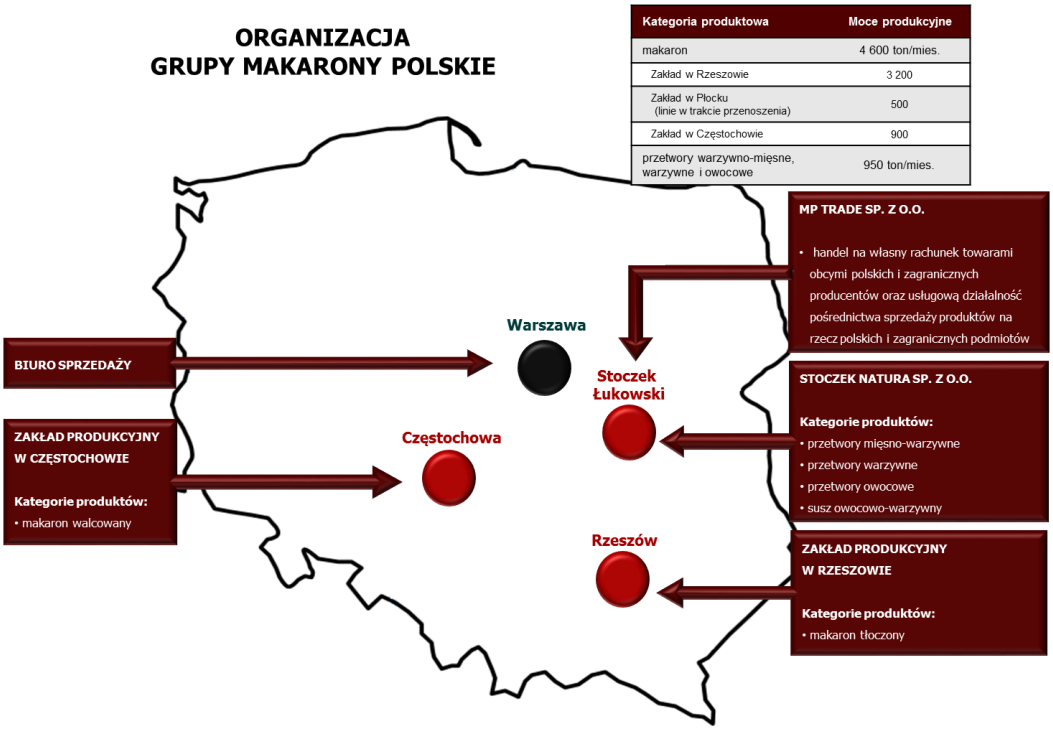
Stoczek Natura Sp. z o.o. is a producer of meat and vegetable preserves (ready-to-eat dishes, pâtés, lard, preserves), vegetable preserves (salads, pickles, bakery filling), fruit preserves (jams, syrups, marmalades, confectionery filling). The company's products are offered under the following brands: Stoczek, Tenczynek and Męska Rzecz. In the fourth quarter of 2017, the company expanded its portfolio by dried fruit and vegetables, offered under the brand Deli-Susz.

MP Trade Sp. z o.o. develops its own trade of foreign goods of Polish and foreign producers and also offers brokerage services in the scope of sales of products for the benefit of Polish and foreign entities.

Changes in the organizational structure of Makarony Polskie Group in 2017

In 2017, 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 execute transactions of purchase and sale of products, goods and services between themselves. All transactions are carried out on market-related terms and conditions.



At the turn of the 2nd and 3rd quarter of 2017, company Makarony Polskie SA carried out organizational changes consisting in the reconstruction and expansion of the internal sales team, i. a. by means of acquisition from MP Trade Sp. z o. o. of a traditional trade team operating within its structures (in the 3rd quarter of 2017). The new sales team of Makarony Polskie SA, starting from the 3rd quarter of 2017, is responsible for entire domestic sales of Makarony Polskie SA and Stoczek Natura Sp. z o.o., i.e. both under their own brands, as well as under private labels, in all distribution channels. Export sales of the Group's production companies on European markets is also ultimately planned to be included in the services rendered by this sales team.

The decision to implement the above mentioned organizational changes was based on the progressing specialization of MP Trade Sp. z o. o. and its focus on the development of export sales, in particular on African and Arab markets. The purpose of the reorganization is

primarily to improve the functioning of the domestic sales structures and does not significantly affect the profitability of the contracts handled.

During the financial year 2017, the company Makarony Polskie SA, taking into account development and investment plans of the company Stoczek Natura Sp. z o.o., decided to increase share capital of this company by PLN 187.500 by issuing 1 875 new shares of a nominal value of PLN 100 / share. The issue price of new shares was PLN 1.600 / share. The shares were covered by a cash contribution. The surplus of the issue price over the nominal value was allocated to the company's supplementary capital. All 1,875 new shares in the increased share capital of Stoczek Natura Sp. z o. o. were taken up by the company Makarony Polskie SA. Registration of the changes in the share capital was made by the court of the National Court Register on March 15, 2018.

At the end of 2017, the company Stoczek Natura Sp. z o.o. decided to return to the concept of production and sale of dried fruit and vegetables abandoned in 2016. At the moment, this activity is not important from the point of view of the company's operations, however, the management board of Stoczek Natura Sp. z o.o., taking into account market trends aimed at high customers' demand for natural and healthy products, decided to expand the existing portfolio. Dried fruit and vegetable will enable greater diversification of the company's operations, and at the same time may be a long-term and prospective direction of the future development. The company Stoczek Natura Sp. z o.o. invested in the purchase of assets used to produce dried fruit and vegetables as well as 'Deli-Susz' trademark, under which the company now offers five products based on Polish dried apple: apple chips in three flavors (natural, with cinnamon and sour) and two flavors of dried fruit mixes (apple + raspberry, apple + cherry). These are products that respond to the trend of looking for healthy alternatives to high-calorie snacks full of chemical additives, due to the fact that they are 100% natural, without the addition of preservatives, artificial colors, sugar or fats.

Registration data

Makarony Polskie SA

Headquarters: 35-082 Rzeszów, ul. Podkarpacka 15A,

District Court in Rzeszów, XII Commercial Department of the National Court Register

KRS (National Court Register) Number 0000212001,

Share capital: PLN 27 750 213 fully paid-up

Commercial Evidence Number (REGON): 691674708,

Taxpayer's Identification Number (NIP): 813-32-78-856,

www.makarony.pl

Stoczek Natura Sp. z o.o.

Headquarters: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,

Commercial Court Lublin East with the seat in Świdnik, VI Commercial Department

KRS (National Court Register) Number: 0000050439,

Share capital: PLN 15 520 300 (as at 31.12.2017), PLN 15 707 800 (as at 15.03.2018)

Commercial Evidence Number (REGON): 711584640,

Taxpayer's Identification Number (NIP): 825-17-27-212,

www.stoczek.com.pl

MP Trade Sp. z o.o.

Headquarters: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,

Commercial Court Lublin East with the seat in Świdnik, VI Commercial Department

KRS (National Court Register) Number: 0000579926,

Share capital: PLN 500 000,

Commercial Evidence Number (REGON): 362706449,

Taxpayer's Identification Number (NIP): 825-21-76-004,

www.mp-trade.pl

Employment as at December 31, 2017 in the Makarony Polskie Group was as follows:

Makarony Polskie SA – 132 employees,

Stoczek Natura Sp. z o.o. – 46 employees,

MP Trade Sp. z o. o. – 3 employees.

Composition of the Management Board of the parent company

In the period from January 1, 2017 to the date of publication of the present financial statement, the Management Board of the Company has acted in a one-man composition. The function of the President of the Management Board is performed by Zenon Daniłowski.

On May 24, 2017, due to expiry of the 7th term of the Company's Management Board, the Supervisory Board of Makarony Polskie SA decided that the Management Board for the 8th term would be one-man Board, and again entrusted the function of the President of the Management Board to Mr. Zenon Daniłowski.

Number and nominal value of Company shares held by Members of the Management Board as at the date of the statement:

Member of the Management Board	2017		2016	
	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 (previous name: 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 statement amounts to 2,311,594 shares with the value of PLN 6,934,772.

According to the information possessed by the Company, during the year 2017 and until the date of publication of the present statement, there have been no changes in the ownership of shares held by the President of the Management Board.

Composition of the Management Board in the subsidiaries

As at December 31, 2017, and as at the date of publication of the present financial statement, management boards of subsidiary Companies have acted in the following composition.

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

The function of the Proxy in the company Stoczek Natura Sp. z o.o. is performed by Ms. Alicja Hinz - Chief Accountant (the proxy is of joint character - the Proxy may represent the company only by acting jointly with another proxy or a member of the Management Board).

The function of the Proxy in the company MP Trade Sp. z o.o. is performed by Mr. Dariusz Cylka (the proxy is of joint character - the Proxy may represent the company only by acting jointly with another proxy or a member of the Management Board).

Supervisory Board

In the period from January 1, 2017 to the date of publication of the present financial statement, Supervisory Board has acted in the following composition.

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

Number and nominal value of Company shares held by Members of the Supervisory Board as at the date of the statement:

Member of the Supervisory Board	2017		2016	
	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 Elwaziri	0	0	0	0
Wiesław Wasilewski	5 000	15 000	5 000	15 000

* Messrs. Michał Słomkowski and Samer Elwaziri were appointed to the Supervisory Board of the Company during the financial year 2016.

According to the information possessed by the Company, during the year 2017 and until the date of publication of the present statement, there have been no changes in the ownership of shares held by the Members of the Supervisory Board.

Shares in subsidiaries

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

General Meeting of the company Makarony Polskie SA

Share capital of Makarony Polskie SA as at December 31, 2017 amounted to PLN 27 750 213 and was divided into 9 250 071 shares with a nominal value of PLN 3 each. The share capital has not changed until the date of submission of the present statement.
The table below shows 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 present statement (in accordance with the information available):

Shareholder	Shares held in share capital		Votes at the General Meeting	
	number	interest%	number	interest%
Praska Giełda Spożywcza SA Group, including:	2 311 594	24,99%	2 311 594	24,99%
Praska Giełda Spożywcza SA (previously: Agro-Technika SA)	2 050 000	22,16%	2 050 000	22,16%
Zenon Daniłowski	140 000	1,51%	140 000	1,51%
Polskie Smaki Sp. z o.o.	121 594	1,31%	121 594	1,31%
Raya Holding for Technology & Communications S.A.E. including:	1 793 406	19,39%	1 793 406	19,39%

Madova Sp. z o.o.	1 793 406	19,39%	1 793 406	19,39%
Elżbieta and Grzegorz Słomkowscy, including:	1 183 040	12,79%	1 183 040	12,79%
Z.P.H. "ELPAST" Elżbieta and Grzegorz Słomkowscy s.c.	1 169 750	12,65%	1 169 750	12,65%
Grzegorz Słodkowski	13 290	0,14%	13 290	0,14%
Rother shareholders akcjonariusze	3 962 031	42,83%	3 962 031	42,83%
TOTAL	9 250 071	100,00%	9 250 071	100,00%

Changes in shareholding in 2017

During 2017, the Company received the following notifications regarding changes in share ownership by shareholders holding, directly or indirectly through subsidiaries, at least 5% of votes in the total number of votes at the General Meeting of Shareholders of the Company (hereinafter: GM):

- Praska Giełda Spożywcza SA with its registered office in Ząbki (hereinafter: PGS):
  - on February 20, 2017 the company informed about the transaction of disposal of shares concluded through the brokerage office on February 17, 2017, beyond the regulated market, as a result of which it sold 350,000 shares of the Company entitling to the same number of votes at the GM,
  - on March 24, 2017, the company informed that pursuant to two transactions of disposal of shares on the regulated market on March, 22 2017 and on March 23, 2017, it sold 400,000 shares of the Company entitling to the same number of votes at the GM,
  - on March 30, 2017, it informed that pursuant to three acquisitions of shares on the regulated market made on March 28, 2017, it purchased 800,000 shares of the Company entitling to the same number of votes at the GM.

Before the above mentioned changes, PGS held directly and indirectly together with its subsidiaries 2,121,594 shares of the Company, representing 22.93% of share in the share capital, entitling to 2 121 594 votes at the GM (22.93% share in the total number of votes), of which PGS held: directly 2,000,000 shares representing 21.62% of the Company's share capital, entitling to 2,000,000 votes at the GM (21.62% share in the total number of votes); indirectly 121 594 shares representing 1.31% share in the Company's share capital, entitling to 121,594 votes at the GM (1.31% share in the total number of votes).

Having realized the above mentioned transactions, PGS is currently holding directly and indirectly 2,171,594 shares of the Company, representing a 23.47% share in the share capital, entitling to 2 171 594 votes at the GM (23.47% share in the total number of votes), of which PGS holds: directly 2,050,000 shares representing

22.16% of the Company's share capital, entitling to 2,050,000 votes at the GM (22.16% of the total number of votes); indirectly 121 594 shares representing 1.31% share in the Company's share capital, entitling to 121,594 votes at the GM (1.31% share in the total number of votes).

The company Polskie Smaki Sp. z o. o. is a subsidiary of PGS, holding shares of Makarony Polskie SA z o.o. At the same time, PGS informed that there are no persons referred to in art. 87 par. 1 point 3 letter c of the Act on Public Offering and that PGS does not have financial instruments referred to in art. 69b par. 1 of the Act on Public Offering.

On March 29,2017 Mr. Krzysztof Moska announced that as a result of the sale transaction concluded on March 28, 2017, of 800,000 shares of the Company constituting 8.65% of the share capital and 8.65% of the total number of votes at the GM, within three session block sales transactions on the WSE main market, there was a change in the previous ownership of Mr. Krzysztof Moska's share in the total number of votes at the GM in a way that there was a reduction below 5% of the total number of votes at the GM.

Prior to the change in ownership, Mr. Krzysztof Moska held 1 101 047 shares of the Company, constituting 11.90% of the share capital and 11.90% of the total number of votes at the GM, ie entitling to exercise 1 101 047 votes.

After the change in ownership, Mr. Krzysztof Moska holds a total of 301,047 shares of the Company, representing 3.25% of the share capital and 3.25% of the total number of votes at the GM, entitling to exercise 301,047 votes.

At the same time Mr. Krzysztof Moska announced that he did not have any subsidiaries holding shares of the Company and that there are no persons referred to in art. 87 par. 1 point 3 letter c of the Act on Public Offering. Mr. Krzysztof Moska also declared that he does not have any financial instruments referred to in art. 69b par. 1 of the Act on Public Offering.

- On April 5, 2017, Mr. Leszek Sobik announced that on April 3, 2017, he sold 150,000 shares of the Company in the D + 1 block non-session transaction, as a result of which he decreased the shareholding threshold in the Company below 5%, i.e. at 3.89%. Prior to the transaction, Mr. Leszek Sobik held 509,541 shares in the Company, constituting a total of 5.51% in the share capital, entitling to exercise 509,541 votes at the GM, which constituted 5.51% of votes at the GM. After completing the above mentioned transaction, Mr. Leszek Sobik holds 359 541

shares of Makarony Polskie SA, representing 3.89% of the Company's share capital, entitling to exercise 359 541 votes at the GM, which constitutes 3.89% of votes. At the same time, Mr. Leszek Sobik announced that subsidiaries do not hold any shares

On April 18, 2017, the Company received from the company Praska Giełda Spożywcza SA (hereinafter: PGS) – an entity close to Mr Zenon Daniłowski, President of the Management Board of Makarony Polskie SA, notification of transactions made on shares in the Company referred to in art. 19 para. 1 of Market Abuse Regulation. PGS announced that on April 13, 2017, it established a pledge on 800,000 shares of the Company.

The company has no other information that would indicate changes in the number of shares held by significant shareholders (holding blocks of shares over 5%) in 2017 and in the period until the date of publication of the present statement.

The company has no knowledge of other contracts (including those concluded after the balance sheet date) which may cause future changes in the proportions of shares held by the existing shareholders.

Publication and approval of financial statement

The present consolidated financial statement was subject to audit by an entity authorized to audit financial statements and was approved by the Management Board for publication on March 20, 2018.

Financial statement of the Makarony Polskie Group for the year 2016 was approved by Resolution No. 5 of the Ordinary General Meeting of Makarony Polskie of June 29, 2017.

Basis for preparation of financial statement

Declaration of compliance and basis for preparation of financial statement

The consolidated financial statement has 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"), published and in force at the time of preparation of the present financial statement. As at the date of approval of the present statement for publication, taking into account the ongoing process of introducing IFRS in the EU and the activity carried out by the Group in terms of accounting principles applied by the Group, there is no difference between the IFRS standards that have come into force and the IFRS standards approved by the EU.

The rules for presentation of the present statement are also governed by the provisions of Regulation of the Minister of Finance of February 19, 2009 on current and periodic information provided by issuers of securities (Journal of the Laws of 2009, No. 33, item 259).

Basis of valuation

The presented consolidated financial statement has been prepared in accordance with the historical cost principle, except for the fair value of some assets, i.e. assets acquired as part of the purchase transaction, Abak Sp. z o.o. and investment land.

Functional and presentational currency

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

Financial data, unless otherwise indicated, are given in thousands of zlotys.

Applied accounting standards and basis for preparation of financial statement

Accounting principles applied to prepare the consolidated financial statement are consistent with those used in the preparation of the annual consolidated financial statements for the year ended on December 31, 2016 (published on March 21, 2017) except for the following amendments to standards and new interpretations applicable to annual periods commencing on January 1, 2017

The duration of the Group companies' operations is unlimited. The consolidated financial statement has been prepared for the same reporting period using coherent accounting principles. The financial year of the Group's companies is the calendar year, with the exception of the newly established subsidiary MP Trade Sp. z o. o. for which the first financial year was extended from the date of its creation, i.e. from September 28, 2015 to December 31, 2016.

Statement on compliance with rules

Polish legal regulations impose on the Group the obligation to prepare consolidated financial statement in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"). Taking into account the ongoing process of introducing IFRS standards in EU and the company's operations, there is difference between the IFRS standards that have come into force and the IFRS standards approved by the EU for the financial year ended on December 31, 2017 within the scope of accounting principles applied by the Group.

The present consolidated financial statement has been prepared in accordance with all applicable IFRS standards adopted by the European Union. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Application of the following amendments to the standards and new interpretations applicable to annual periods beginning on January 1, 2017:

Amendments to IAS 12 "Deferred tax" Recognition of deferred income tax assets resulting from unsettled tax losses (published on January 19, 2016).

Amendments to IAS 7 "Statement of cash flows" Disclosure initiative (published on January 29, 2016).

Amendments to IFRS 12 "Disclosure of interests in other entities" as part of changes resulting from the review of IFRS for the years 2014-2016 (published on December 8, 2016)

The above mentioned changes which were introduced as well as new standards have been analyzed by the Group and it turned out that they do not have any material impact on the financial position, results of the Groups operations or the scope of information presented in the present consolidated financial statement.

Standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but have not yet been entered into force:

IFRS 9 Financial Instruments (published on July 24, 2014) - applicable to annual periods beginning on January 1, 2018 or later.

IFRS 14 Regulatory accrued and deferred settlements (published on January 30, 2014) - according to the decision of the European Commission, the process of approving the standard in its preliminary version will not be initiated before the release of the final version of the standard until the date of approval of the present financial statement not approved by the EU - applicable to annual periods beginning on January 1, 2016 or later.

IFRS 15 Revenue from Contracts with Customers (published on May 28, 2014), including amendments to IFRS 15 Date of entry into force of IFRS 15 (published on September 11, 2015) - applicable to annual periods starting on January 1, 2018 or later .

Amendments to IFRS 10 and IAS 28 Transactions of sale or contribution of assets between an investor and its affiliate or joint venture (published on 11 September 2014) - works leading to the approval of these amendments were postponed by the EU for an indefinite period - the date of entry into force was postponed by the IASB for an indefinite period.

IFRS 16 Leasing (published on January 13, 2016) – has not been approved by the EU until the date of approval of the present financial statement - applicable to annual periods beginning on January 1, 2019 or later.

Amendments to IFRS 4 Application of IFRS 9 Financial Instruments, including IFRS 4 Insurance Contracts (published on September 12, 2016) - applicable to annual periods beginning on January 1, 2018 or later.

Explanations to IFRS 15 Revenue from contracts with customers (published on April 12, 2016) - applicable to annual periods beginning on January 1, 2018 or later.

Amendments to IFRS 2 Classification and measurement of payment transactions based on shares (published on June 20, 2016) - applicable to annual periods beginning on January 1, 2018 or later.

Amendments to IAS 28 Investments in Associates and Joint Ventures constituting a part of the changes resulting from the review of IFRS in the years 2014-2016 (published on December 8, 2016) - applicable to annual periods beginning on January 1, 2018 or later.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards as part of changes resulting from the review of IFRS in the years 2014-2016 (published on December 8, 2016) - applicable to annual periods beginning on January 1, 2018 or later.

IFRIC Interpretation 22 Transactions in Foreign Currency and Advance Payments (published on December 8, 2016) - has not been approved by the EU until the date of approval of the present financial statement - applicable to annual periods beginning on January 1, 2018 or later.

Amendments to IAS 40: Transfer of investment property (published on December 8, 2016) - have not been approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2018 or later,

IFRS 17 Insurance Contracts (published on May 18, 2017) - has not been approved by the EU until the date of approval of the present financial statement - applicable to annual periods beginning on January 1, 2021 or later,

IFRIC 23 Uncertainty related to the recognition of income tax (published on June 7, 2017) - has not been approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2019 or later.

Amendments to IFRS 9 Contracts with features of prepayments with negative compensation (published on 12 October 2017) - have not been approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2019 or later.

Amendments to IAS 28 Long-term shares in associates and joint ventures (published on 12 October 2017) - have not been approved by the EU until the date of approval of the present financial statement - applicable to annual periods beginning on January 1, 2019 or later.

Changes resulting from the review of IFRS for the years 2015-2017 (published on December 12, 2017) - have not been approved by the EU until the date of approval of the present financial statement - applicable to annual periods beginning on January 1, 2019 or later.

Amendments to IAS 19 Change, limitation or settlement of the program (published on February 7, 2018) - have not been approved by the EU until the date of approval of the present financial statement - applicable to annual periods beginning on January 1, 2019 or later.

As at the date of publication of the present statement, the company has not decided on earlier application of any of the standards, interpretations or changes that have not come into force yet. The Management Board is in the process of analyzing and assessing their impact on the accounting principles (policy) applied by the Group and future financial statements.

The Management Board of the parent company does not expect the introduction of the above mentioned standards, amendments to standards and interpretations to have a significant impact on the company's accounting policy that has been applied so far.

Entities subject to consolidation

acc. to the status as at December 31, 2016	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o.o.
Nature of the relationship	direct subsidiary	direct subsidiary
Method of consolidation	full	full
Date of taking control	June 1, 2007	September 28, 2015
% of possessed capital	100%	100%

Continuity of operation

Financial statement of the Makarony Polskie Group has been prepared based on the assumption that the Group companies will continue their business operations in the foreseeable future and in the scope not significantly reduced. The Group did not continue operations which were abandoned in 2017.

Makarony Polskie Group will focus its activities on the following fields:

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 and 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,
- extension of production and warehouse building by the next part, i.e. the building of a flour junction for the purpose of storing raw materials and loose powder additives as

well as cold store for raw materials and liquid additives as a part of the project consisting in the establishment of Research and Development Centre

- completing the investment in an automated system of dosing flour and loose ingredients in the production plant in Częstochowa, which enabled the extension of production capabilities and making the production process more flexible,
- decision was made to buy automatic, horizontally packing machine, which will allow packaging of products into a new attractive category of packaging as well as formation of promotional packages that will be widely used in marketing campaigns,
- in 2018, the company Makarony Polskie SA will realize the purchase of a machine for forming non-standard shapes based on long rolled pasta within the following types of pasta: ribbons and papardelle,
- in 2018 the following types of rolled pasta will be introduced into the market – fettuccine - multi-egg pasta with non-standard additives, as well as pasta in the form of rectangular, large lobes - lasagne,
- a number of investments will be made at the plant in Częstochowa, which will contribute to reducing energy and labour consumption in the production process and increasing product safety,
- In the company Stoczek Natura Sp. z o.o. research is carried out to adapt to global food production trends: convenience products, healthy products, products packaged in a modified atmosphere, innovative forms of packaging of the products offered,
- a modern line for packaging stuffing and fillings, equipped with thermo-forming function, purchased by Stoczek Natura Sp. z o.o. enables the company to offer products in a new, better quality formula and with extended shelf-life in relation to the currently offered products. Currently final negotiations are being carried out with contractors for the delivery of the above-mentioned products. The company Stoczek Natura Sp. z o.o. expects a significant increase in revenues in this segment in the second half of 2018.

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

- project under the name "Implementation of the results of research and development in the field of functional food in the company Makarony Polskie SA", realized as part of Measure 1.4 Support for SMEs, Regional Operational Program of the Podkarpackie Voivodeship 2014-2020, assumes the implementation of the results of research and development carried out in cooperation with scientific unit based on the development of innovative recipes of products with the use of raw materials not normally used in the pasta industry The main objective of the project is the expansion of the company Makarony Polskie SA on the functional food market,

- a project called "Establishment of the Research and Development Center of the Pasta Industry at the company Makarony Polskie SA", implemented as part of Measure 2.1 Support for investment in R&D infrastructure of enterprises, Intelligent Development Operational Program 2014-2020, assumes establishment of a Research and Development Center of the Pasta Industry at the company Makarony Polskie SA. The Research and Development Center will conduct studies on innovative products with health-promoting features that will ultimately enrich the Company's product offer as well as studies on issues relevant to the entire pasta industry. Within the project realization the Company intends to purchase fixed assets and construction works. For the needs of R&D Centre, among others, a modern production test line will be purchased, whose parameters will reflect the conditions prevailing during the industrial production process (this line will be an asset of significant value),
- The program called "Pasta of Europe" implemented since 2016 by the Polish Chamber of Pasta (PIM), in which, together with other producers participating in PIM, the company Makarony Polskie SA is participating, is aimed at promoting pasta on the territory of the Ukraine and the People's Republic of China. Ukrainian and Chinese recipients (consumers, distributors) are taught about the healthy properties of pasta, as well as the diversity and high quality of pasta products from European Union countries, including Poland (broadcasting of advertisements on TV, in the press and on websites, promotional campaigns carried out during fairs and in stores). The implementation of the Program is to contribute to the development of the sales market and the increase in the volume of sales of pasta produced in the European Union. The program will be implemented for 3 years (in the years 2016-2018).
- the project of the company Stoczek Natura Sp. z o.o. under the name "Improvement of energy efficiency of the company Stoczek Natura Sp. z o.o. ", implemented as part of the Priority Axis 5 Energy efficiency and low-emission economy, Measure 5.1 Improvement of the energy efficiency of enterprises of the Regional Operational Program of the Lubelskie Voivodeship for the years 2014-2020, assumes improvement of energy efficiency of the company Stoczek Natura Sp. z o.o. through a deep thermo-modernization of the company's building.

  On the basis of the conducted energy audit, the company will – within the project - implement improvements in the scope of the reduction of heat and electricity demand, intended to ensure conditions enabling realization of the production process taking place in the company’s premises. The aim of the project will be achieved by means of the following: implementation of preparatory works, purchase of materials and construction works as well as indispensable fixed assets. The total cost of the project amounts to c.a. PLN 2.96 m net. Co-financing amounts to c.a. PLN 1.49 m.

- the project of the company Stoczek Natura Sp. z o.o. under the name "Improvement of the competitiveness of the company Stoczek Natura Sp. z o.o. ", implemented as part of measure 3.7 of the ROP WL 2014-2020, assumes increase in competitiveness and innovativeness of the company on the domestic and international market by implementing the results of R&D studies as well as introducing innovations in the form of production technology of ready-to-eat meat dish into the production process. The subject of the project is the implementation of innovative solutions by means of modernization of the line for the production of ready-to-eat dishes in jars and cans.

  The implementation of the project will have positive impact on the improvement of the quality and innovativeness of the offered products, their repeatability as well as on the increase in production efficiency. In addition, as a result of project realization, the company will be able to introduce to the commercial offer new products with health-promoting values, addressed to a new group of consumers.

  The planned project implementation period: May 2017 - December 2018. The total cost of the project amounts to PLN 4.94 m net. Co-financing amounts to nearly PLN 3 m (60%).

- Companies of the Group apply for EU funds within the 2014-2020 perspective in order to accelerate and expand the scope of investments in the modernization of machinery used in the current production profile and to develop new business areas, e. g. production of stuffing and fillings, initiating presence in the HoReCa segment - to maintain market position and meet the growing demand for new, innovative products and packaging; in the companies Makarony Polskie SA and Stoczek Natura Sp. z o.o. in the first half of 2017, design audits were carried out, within which design strategies for each company were developed. These documents contain recommendations for further activities related to the application of design in the company. As part a of the next stage, it will be possible to implement the recommendation resulting from the developed design strategy, i.e. to carry out activities using design processes whose final result will be the introduction of innovations on the market.

Development of business activity in the private label segment

- enriching the offer addressed to new and existing customers with health-promoting products, flavored pasta and premium products (e.g. new forms and shapes, innovative packaging),
- ·enriching the offer addressed to new and existing customers with ready-to-eat dishes, meat, meat preserves and soups,
- activities aimed at the increase in the profitability of the sales channel.

Development of B2B sales channels and Institutions

- development of the category of pasta, processed meat and vegetables, processed fruit and vegetables, adapted to the expectations of customers of this channel,
- establishment of cooperation relationships with other producers of pastas and ready-to-eat dishes as well as the producers of complementary goods, in order to supplement the offer for the final recipient,
- individualization of the offer and thus increase in the competitiveness,
- using the company Stoczek Natura Sp. z o.o.'s production potential in the scope of service packaging of products and on the basis of new forms of packaging,
- further development of production of semi-finished products based on the production capacity of the plant in Stoczek Łukowski, including sweet stuffing and salty fillings.

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

- intensification of marketing activities aimed at the development of the Makarony Polskie brand, as well as re-branding and new definition of Stoczek Natura, Sorenti and Tenczynek brands - the Group has established co-operation with Dom Mediowy; a review of individual brands is currently being carried out, due to the fact that, based on the experience of the most recent years, it should be stated that high quality and innovation are not enough; in 2018, the Group intends to prepare a marketing program,
- 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 as well as convenience networks - as a selective distribution strategy, taking into account specific categories in which the Group operates,
- focus on fast and effective creation of availability of branded assortments in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities that support sales and resale of products and establish lasting relationships with customers.

Export development

- focusing on two strategic directions: Ukraine and Egypt, where the Group offers products under the Sorenti brand and where the majority of exports is located; year 2018 will be a period of strengthening the Group's cooperation with networks in the Ukraine and RAYA / Eden in Egypt; the Group together with an Egyptian partner conducts market research and establishes new trade contacts on the Egyptian, Middle East and African markets,

- a systematic increase in the number of customers on foreign markets, especially in the European Union,
- intensification of communication with existing and potential recipients by participating, among others, in trade fairs and organization of B2B meetings on target markets,
- acquisition and implementation of projects concerning deliveries under recipient's own brand, mainly for the African market,
- development of the product offer by offering functional products on foreign markets, e.g.: whole grain pasta with high fiber content, pasta made of spelt and buckwheat, as well as BIO products and new product categories.

During the first half of 2017, the companies Makarony Polskie SA and Raya Holding for Technology & Telecommunications S.A.E. with its headquarters in Giza, Egypt (hereinafter: Raya), undertook initial negotiations concerning the definition of principles of cooperation and strategic partnership in the field of potential actions on African markets (the Company informed about receiving an invitation to start negotiations in this respect in the current report No. 9 / 2016 of June 9, 2016).

As a result of the negotiations it was decided to establish cooperation in the subject of development of the sale of pasta and other food products on the markets of African and Arab countries.

The company will keep informing about further progress of negotiations in stock market reports.

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

Uncertainty of estimates

The following are the key assumptions about the future and other key sources of uncertainty as at the balance sheet date, which are associated with a significant risk of a material adjustment to the carrying amount of assets and liabilities in the following financial year:

- depreciation rates,
- impairment of assets (including receivables),
- the value of provisions,
- assets due to deferred tax (the companies recognize deferred tax assets based on the assumption that in the future taxable profits will be achieved enabling its use,

deterioration of the future tax results could cause these assumptions to become unjustified in the future).

- valuation of assets with an indefinite useful life.

As at the date of preparation of the present statement, there are no reasons to write off the value of the Abak and Tenczynek brands. Appropriate tests, in accordance with the applicable rules, were carried out at the end of December 31, 2017.

Assumptions about the future and adopted estimates are consistent with the assumptions and estimates adopted by the Group in the financial statement for the year 2016.

Selected financial data – Makarony Polskie Group

Selected financial data	December 31, 2017	December 31, 2016	December 31, 2017 (EUR thousand)	December 31, 2016 (EUR thousand)
Net revenues from the sale of products, services, goods and materials	144 872	124 181	34 130	28 428
Profit (loss) from continuing operations	7 988	7 603	1 882	1 741
Gross profit (loss)	6 912	6 567	1 628	1 503
Net profit (loss) from continuing operations	5 517	5 092	1 300	1 166
EBIT	7 988	7 603	1 882	1 741
EBITDA (EBIT + depreciation)	12 911	12 157	3 042	2 783
Net cash flow from operating activities	7 715	13 480	1 818	3 086
Net cash flow from investment activities	- 3 859	- 6 562	- 909	-1 502
Net cash flow from financial activities	- 3 317	- 7 000	- 781	-1602
Total net cash flow	539	- 82	127	- 19
Total assets	137 208	128 386	32 896	29 020
Liabilities and provisions for liabilities	61 188	55 570	14 670	12 561
Long-term liabilities	20 523	23 129	4 920	5 228
Short-term liabilities	40 665	32 441	9 750	7 333
Equity	76 020	72 816	18 226	16 459
Share capital	27 750	27 750	6 653	6 273
Number of shares (in units)	9 250 071	9 250 071	9 250 071	9 250 071
The weighted average number of shares (in units) in the period of a given financial year	9 250 071	9 250 071	9 250 071	9 250 071
Profit/ loss per one ordinary share (in PLN/EUR) *	0,60	0,55	0,14	0,13
Book value per share (in PLN / EUR) **	8,22	7,87	1,97	1,78

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

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

Selected financial data in EUR were presented in accordance with §91 para. 2 of the Ordinance of the Minister of Finance of 19 February 2009:

- items of the statement of the financial position have been translated at the average exchange rate announced by the National Bank of Poland effective as at the balance sheet date (December 31, 2017: EUR 1 = PLN 4.1709, December 31, 2016: EUR 1 = PLN 4.4240),

- items of the statement of comprehensive income and cash flow statement have been translated at the exchange rate constituting the arithmetic average of the average exchange rates set by the National Bank of Poland effective on the last day of each month of 2017 = 4.2447 PLN and at the end of each month of 2016 = 4.3682 PLN

The financial statement has been prepared on the basis of International Financial Reporting Standards as adopted by the European Union (EU) and in accordance with the requirements set out in the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information provided by the issuers of securities (Journal of the Laws of 2009, No. 33, item 259).

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

PERIOD	Note	01.01.2017-31.12.2017	01.01.2016-31.12.2016
Net revenues from sales	**1,2,3**	**144 872**	**124 181**
Net revenues from sales of goods and services		138 783	118 281
Net revenues from sales of goods and materials		6 089	5 900
Cost of sales	**2,4**	**112 748**	**95 272**
Cost of production of products and services sold		107 024	89 541
Value of goods and materials sold		5 724	5 731
Gross profit (loss) on sales		**32 124**	**28 909**
Costs of sales	5	18 763	16 726
General management costs	6	5 865	4 760
Other revenues	7	925	870
Other costs	8	433	690
Profit (loss) from continuing operations		**7 988**	**7 603**
Financial revenues	9	404	201
Financial costs	10	1 480	1 237
Gross profit		**6 912**	**6 567**
Current income tax	11	1 232	937
Deferred income tax	12	163	538
Net profit (loss) from continuing operations		**5 517**	**5 092**
Including profit (loss) attributable to:		5 517	5 092
Shareholders of the parent company		5 517	5 092
Non-controlling interests		0	0
Basic net result per share in zlotys	13	0,60	0,55
Diluted net result per share in zlotys		0,60	0,55
Other comprehensive net income/ loss		0	0
Total net comprehensive income		5 517	5 092
Comprehensive net income attributable to:		5 517	5 092
Shareholders of the parent company		5 517	5 092
Non-controlling interests		0	0

Consolidated statement of the other comprehensive net income – application of hedge accounting

PERIOD	Note	01.01.2017-31.12.2017
Net comprehensive income	5 517	5 092
Profit/ loss due to application of hedge accounting	0	66
Total net comprehensive income	5 517	5 158

Consolidated statement of financial position

ASSETS	Note	01.01.2017-31.12.2017	01.01.2016-31.12.2016
FIXED ASSETS		**91 110**	**90 606**
Tangible fixed assets	14	74 061	73 520
Investment property	15	642	1 235
Goodwill	16	5 949	5 949
Other intangible assets	17	9 953	9 559
Long-term financial assets	18	0	0
Deferred income tax assets		5	17
Other long-term assets	24	500	326
CURRENT ASSETS		**46 098**	**37 780**
Inventory	19	15 624	13 015
Short-term receivables	20	28 513	23 469
Income tax receivables	20	29	8
Granted loans	22	0	0
Cash and cash equivalents	23	1 454	920
Other short-term assets	24	478	368
FIXED ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**137 208**	**128 386**

LIABILITIES	Note	01.01.2017-31.12.2017	01.01.2016-31.12.2016
EQUITY		**76 020**	**72 816**
Share capital	25	27 750	27 750
Other capital	26	42 184	39 505
Retained profit/ loss (profit/ loss of the previous years)	27	569	469
Net profit/ loss		5 517	5 092
LONG-TERM LIABILITIES		**20 523**	**23 129**
Deferred income tax provision	12	3 538	3 387
Long-term bank credits and loans	28	8 221	11 117
Provision for retirement benefits and similar benefits	30	190	143
Revenues referring to future periods	33	6 538	7 053
Long-term financial liabilities	31	2 036	1 429
SHORT-TERM LIABILITIES		**40 665**	**32 441**
Short-term bank credits and loans	28	12 272	8 455
Short-term financial liabilities	31	826	709
Other short-term liabilities	32	26 800	22 658
Income tax liabilities	32	65	0
Revenues referring to future periods – short term	33	553	548
Provision for retirement benefits and similar benefits (short-term)	30	149	71
Other short-term provisions	30	0	0
TOTAL LIABILITIES		**61 188**	**55 570**
SUM OF LIABILITIES		**137 208**	**128 386**

Consolidated statement of cash flows – indirect method

PERIOD	01.01.2017-31.12.2017	01.01.2016-31.12.2016
Cash flows from operations		
Profit before taxation	**6 912**	**6 567**
Adjustments by the following items:	**803**	**6 913**
Depreciation	4 923	4 554
Profits/losses on foreign exchange differences	5	0
Costs and revenues on interests	860	943
Revenues on dividends	0	0
Profit/ loss on investment activity	- 52	- 245
Change in the provision	126	- 21
Change in the inventory	- 2 609	- 1 025
Change in receivables	- 5 044	3 002
Change in liabilities and accrued income and charges	3 370	634
Paid/ reimbursed corporate income tax	- 1 212	- 937
Other adjustments	436	8
Net cash flows from operating activities	**7 715**	**13 480**
Cash flows from investment activity	0	0
Revenues from sales of fixed assets and intangible assets	158	1 946
Revenues from sales of financial assets	0	0
Expenses on purchase of tangible fixed assets and intangible assets	- 4 017	- 8 508
Expenses on purchase of subsidiaries and affiliates	0	0
Revenues from interests	0	0
Revenues from granted loans	0	0
Granted loans	0	0
Other	0	0
Net cash flows from investment activity	**- 3 859**	**- 6 562**

Cash flows from financial activity		
Revenues from credits and loans	6 117	2 503
Repayment of credits and loans	- 5 200	-4 681
Payment of liabilities due to financial leasing contracts	- 1 067	- 641
Interests paid	- 854	- 943
Dividend paid to the shareholders	- 2 313	- 3 238
Expenses on the purchase of financial assets	0	0
Other financial revenues	0	0
Net cash flows from financial operations	**- 3 317**	**- 7 000**
Increase/ decrease of cash flows and Cash equivalents	**539**	**- 82**
Cash, cash equivalents and credits in the current account at the beginning of the period	920	1 002
Profit/ loss on exchange rate differences related to the evaluation of cash, cash equivalents and credits in the current account	- 5	0
Cash, cash equivalents and credits in the current account at the end of the period	**1 454**	**920**

Statement of changes in consolidated equity

For the period from January 1, 2017 until December 31, 2017

	Share capital	Other capital	Result for the current year	Profit/ loss for the previous years	Total
State as at January 1, 2017	27 750	39 505	0	5 561	72 816
Share of profit/ cover of loss	0	2 679	0	- 2 679	0
Profit/ loss on application of hedge accounting	0	0	0	0	0
Payment of the dividend	0	0	0	- 2 313	-2 313
Net result for the year 2017	0	0	5 517	0	5 517
State as at December 31, 2017	27 750	42 184	5 517	569	76 020

For the period from January 1, 2016 until December 31, 2016

	Share capital	Other capital	Result for the current year	Profit/ loss for the previous years	Total
State as at January 1, 2016	27 750	37 665	0	5 481	70 896
Share of profit/ cover of loss	0	1 774	0	-1 774	0
Profit/ loss on application of hedge accounting	0	66	0	0	66
Payment of the dividend	0	0	0	- 3 238	-3 238
Net result for the year 2017	0	0	5 092	0	5 092
State as at December 31, 2016	27 750	39 505	5 092	469	72 816

Additional explanatory notes

Notes to the statement of comprehensive income

Note No 1
Revenues from sales

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

	For the period from 01.01 to 31.12.2017	For the period from 01.01 to 31.12.2016
Revenues from the sale of products	134 838	114 163
Revenues from the sale of services, including:	3 945	4 118
- due to rent and storage	2 636	2 547
- distribution services	0	310
- marketing services – market research	0	300
- service production	1 292	956
- other services	17	5
Revenues from the sales of materials	3 668	3 054
Revenues form the sales of goods	2 421	2 846
Total	**144 872**	**124 181**

Makarony Polskie Group distinguishes product groups presented in the table below

iin thousands PLN)	For the period from 01.01 to 31.12.2017	For the period from 01.01 to 31.12.2016
Pasta	101 255	95 166
Meat and vegetable preserves	28 880	14 244
Vegetable preserves and stuffing	2 548	3 442
Fruit preserves	4 574	4 153
Other	7 615	7 176
Total	144 872	124 181

The sales revenues of the Makarony Polskie Group in 2017 amounted to PLN 144.9 million and were c.a. PLN 20.7 million higher than in 2016.

The value of sales in the pasta category was higher by c.a. PLN 6.1 million, i.e. approx. 6.4% compared to 2016. The increase was the result of a series of in-out actions on innovative health-promoting products.

Sales of meat and vegetable preserves increased in the analyzed period by c.a. PLN 14.6 million to the amount of c.a. PLN 28.9 million. The increase of c.a. 103.5% y-to-y was the result of expanding the range of canned products offered within Stoczek and Męska Rzecz brands, acquiring several contracts for the production of goods under network brands, implementing a contract for the delivery of ready-to-eat dishes for the National Agricultural Support Center, as well as also a well-conducted promotional campaign for ready-to-eat dishes in jars. In subsequent periods, further growth in this category is planned, by means of i.a. by introducing new market features.

Sales in the categories of fruit and vegetable preserves remain stable. In the case of fruit, preserves the Group recorded a slight increase at the level of 0.4 million PLN y-to-y, whereas in the category of vegetable preserves there was a slight decrease by 0.9 million PLN y-to-y.

The Group assumes concentration on production of key product categories, gradually verifying the profitability and volume of production of vegetable and fruit preserves. In niche categories in which the market share of the Group does not guarantee the effective use of production capacity, the Group allows the possibility of outsourcing of these products using a specialized commercial company, MP Trade Sp. z o.o. At the same time, the Group is constantly looking for new areas of activity ensuring high margin, both by optimizing the use of current production capacities, as well as by launching a completely new production.

Note No 2

Basic information concerning operating segments

Period from 01.01 to 31.12.2017	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Segments total
Total revenues of segments	**101 255**	**28 880**	**2 548**	**4 574**	**7 615**	**144 872**
Sales to external customers	101 255	28 880	2 548	4 574	7 615	144 872
Sales between segments	0	0	0	0	0	0
Costs of segments	**77 617**	**23 808**	**2 082**	**4 044**	**5 197**	**112 748**

Profit or loss on segments	**23 638**	**5 072**	**466**	**530**	**2 418**	**32 124**
Costs of sales	0	0	0	0	0	-18 763
Costs of the management boards	0	0	0	0	0	- 5 865
Other revenues	0	0	0	0	0	925
Other costs	0	0	0	0	0	- 433
Financial revenues	0	0	0	0	0	404
Financial costs	0	0	0	0	0	- 1 480
Elimination of profit/ loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0
Unallocated amounts	0	0	0	0	0	0
Gross profit/ loss on continuing operation	0	0	0	0	0	6 912

Period from 01.01 to 31.12.2016	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Segments total
Total revenues of segments	**95 166**	**14 244**	**3 442**	**4 153**	**7 176**	**124 181**
Sales to external customers	95 166	14 244	3 442	4 153	7 176	124 181
Sales between segments	0	0	0	0	0	0
Costs of segments	**72 226**	**12 392**	**3 083**	**3 857**	**3 714**	**95 272**
Profit or loss on segments	**22 940**	**1 852**	**359**	**296**	**3 462**	**28 909**
Costs of sales	0	0	0	0	0	-16 726
Costs of the management boards	0	0	0	0	0	- 4 760
Other revenues	0	0	0	0	0	870
Other costs	0	0	0	0	0	- 690
Financial revenues	0	0	0	0	0	201
Financial costs	0	0	0	0	0	- 1 237
Elimination of profit/ loss between segments	0	0	0	0	0	0
Other profit or loss	0	0	0	0	0	0
Unallocated amounts	0	0	0	0	0	0

Gross profit/ loss on continuing operation	0	0	0	0	0	6 567

The Group has applied IFRS 8 "Operating Segments". In accordance with the requirements of IFRS 8, operating segments should be identified on the basis of internal reports on these elements, which are regularly verified by persons deciding about allocation of resources to a given segment and assessing its financial results. The Group companies operate mainly on the territory of Poland, whose regions, due to their proximity to locations, similar economic conditions and general risks, should be considered as a homogeneous area.

Note No 3

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

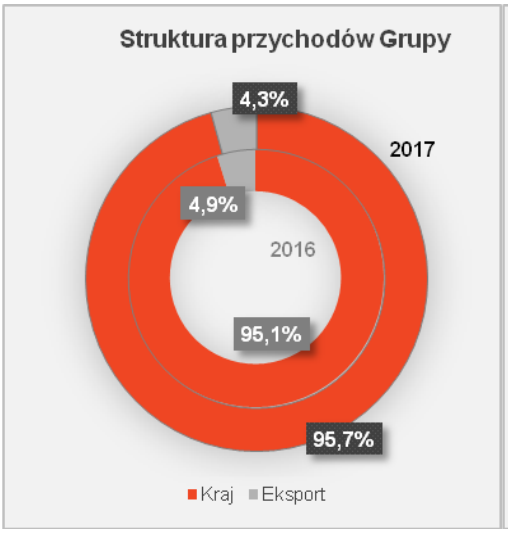
	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Poland (domestic)	138 527	118 853
Export, including:	6 345	5 328
- European Union countries	1 708	2 720
- other countries	4 637	2 608
Total	**144 872**	**124 181**

REVENUES FROM SALES DIVIDED INTO SALES MARKETS

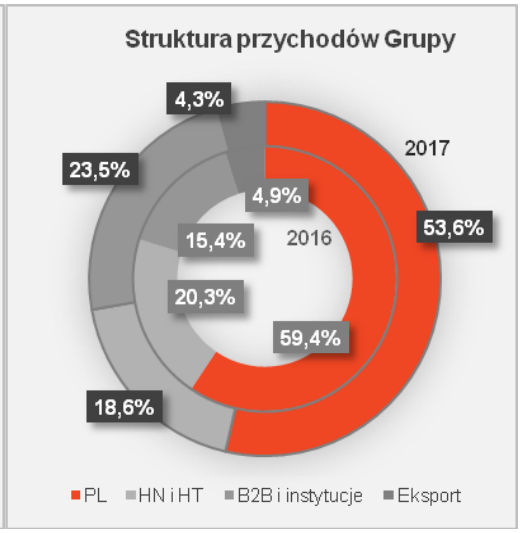
Sales markets of the Makarony Polskie Group can be divided into the domestic market (including private label, traditional trade, modern trade, B2B and institutions) and exports (including sales through domestic intermediaries). In the Like-for-like (LFL) approach, in 2017 the Group achieved the following revenues from sales:

in thousands PLN	2017	2016	y-to-y
Revenues from sales	144 872	124 181	16,7

The structure of revenues of the Group



The structure of revenues of the Group



■ Domestic (Poland) ■ Export ■ PL ■ Traditional trade ■ Modern trade ■ B2B and institutions ■ Export

Private label

The largest share in the Group's revenues (53.6%) had the private label channel (PL) offering products under own brands of domestic and foreign networks (including sales to Lidl contractor operating within one Group in Europe).

PL (In thousands PLN)	2017	2016	y-to-y
Revenues from sales	77 685	73 799	5,3%

In the private label sector, the company Makarony Polskie SA is a leading supplier of rolled and pressed pasta and a major producer of meat and vegetable preserves, vegetable and fruit preserves on the domestic market.

Sales in this channel increased by 5.3% in the year 2017 vs. 2016. The increase in revenues from sales resulted from obtaining new contracts in the field of ready-to-eat dishes and jams and carrying out many in-out actions related to new private label products.

The main recipients in this channel are such networks as: Jeronimo Distribution Poland, Lidl, Netto, Auchan, Aldi, Żabka, Intermarche, Stokrotka, GK Specjał, Lewiatan. In 2017, only one of the clients exceeded the threshold of 10% share in consolidated revenues on sales (of brand and private label products altogether). This is the Biedronka network with a share amounting to c.a. 26.4%. The Group companies are not in any formal way connected with the operator of this network, and the cooperation takes place on a partnership basis and is beneficial for the Makarony Polskie Group.

Private label is a global trend in which Makarony Polskie Group has been involved on a very wide scale, in many product categories: pasta, jams, or ready-to-eat dishes. The Group is a

Within B2B channel, the Group develops mainly the sales of pasta and semi-finished products for bakery and confectionery industries, as well as service activities consisting in filling jars and cans for customers as a subcontractor.

supplier to all major discount stores in Poland and has a stable margin in this channel. Price negotiations are often difficult, which is due to the nature of this business, but most often we try to reach an agreement.

Modern trade and traditional trade

Another significant revenue for the Group at the level of 18.6%, achieved on the domestic market, is the sale of the Group's brands (brands: Makarony Polskie, Sorenti, Stoczek, Tenczynek and Męska Rzecz) in modern trade channels (MT) and traditional trade (TT):

MT and TT (In thousands PLN)	2017	2016	r/r
Revenues from sales	26 943	25 230	6,8%

The increase in sales value was mainly due to the following:

- introduction of new products from the category of ready-to-eat dishes, for example: soup in jars and canned dishes within the Stoczek Męska Rzecz brand;

- introduction of new products, i.e. health-promoting buckwheat, spelt and rye pasta to the offer;

- recognition of the end-user's needs and adequate preparation of the offer and sale campaigns realized together with the Group's customers,

In 2018, the Group intends to develop cooperation and acquire new foreign, domestic and local networks which have not been supported so far. In addition, in cooperation with the companies offering External Sales Force, the Group aims to improve and service the number among current customers and acquire new recipients.

B2B and Institutions

In 2017 B2B and Institutions accounted for c.a. 23.5% in total revenues of the Group:

B2B and Institutions (in thousands PLN)	2017	2016	r/r
Revenues from sales	34 015	19 071	78,4%

Sales in B2B and Institutions distribution channel in 2017 amounted to PLN 34.0 million and were higher by PLN 14.9 million (i.e. 78.4%) compared to 2016.

Within the B2B channel, the Group sells pasta and develops the production of semi-finished products (sweet fillings, salty stuffing) for the bakery and confectionery industry.

The B2B channel also shows sales intended for re-export, through a sales group appointed by producers gathered around the "Pasta of Europe" project.

The increase in sales result from the launch of new products for sale with an innovative composition and packaging, which allowed the acquisition of new contractors and increased sales from the existing customers. It also results from the acquisition and implementation of the contract for the Material Reserves Agency and the National Center for Agricultural Support.

The relatively new form of the Group's activity, which is the production of sweet fillings and salt stuffing, has been positively received by the market from the very beginning. The group is still working on acquiring new, prospective recipients. In the second half of 2017, the Group made an investment in a modern technological line for packaging fillings and stuffing, equipped with thermoforming function, which allows them to offer these products in a new formula with better quality and extended shelf-life.

On the basis of the production plant in Stoczek, the Group also develops its service activity consisting in filling jars and cans for customers through subcontracting. The Group has recorded an increase in the value of sales from this form of activity.

Export

Export accounted for 4.3% of the Group's total revenues for the year 2017:

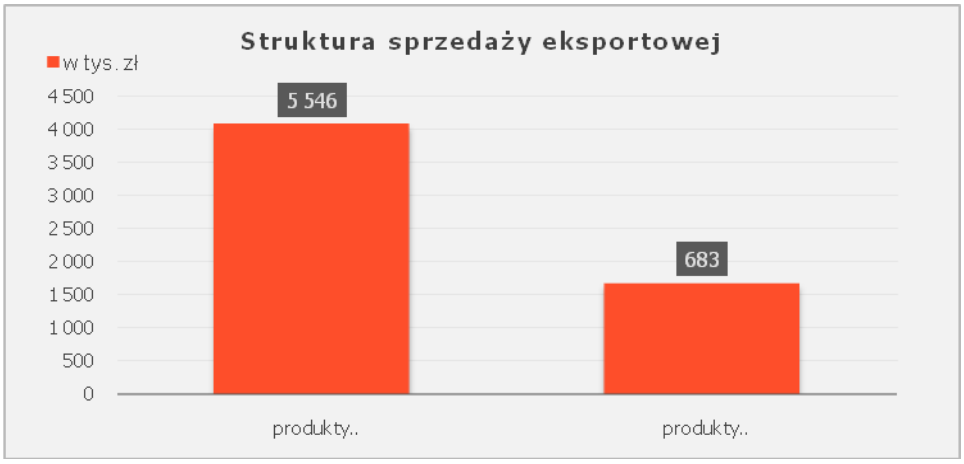
Export (in thousands PLN)	2017	2016	r/r
Revenues from sales	6 229	6 081	2,4%

In 2017 the Group's export sales exceeded PLN 6.2 million (realized with the company's own sales team and intermediaries). This result was higher than the result achieved in 2016 by 2.4%. The Group is currently implementing a long-term strategy of acquiring new sales markets. Direct relationships established with final recipients positively translate into the level of the realized margin.

The chart below presents the structure of export sales divided into products manufactured by the Group's Production Plants in Rzeszów and Częstochowa (pasta) and the Production Plant in Stoczek Łukowski (Stoczek's products):

The company participates in a program called "Pasta of Europe", educating Ukrainian and Chinese recipients about the healthy properties of pasta, its diversity ans well as high-quality of products from the EU, including Poland.

The structure of export sales



In thousands PLN products products

In 2017, Makarony Polskie Group operated mainly on the European markets (Ukraine, Portugal, Norway, Slovakia, Germany, France) and in Africa.

The company participates in a program called "Pasta of Europe", educating Ukrainian and Chinese recipients about the healthy properties of pasta, its diversity as well as high-quality of products from the EU, including Poland.

The company Makarony Polskie SA executed a contract for delivery of pasta signed in 2015 with the Ukrainian trade network. The value of sales in 2017 increased by over 200% compared to 2016. Sales to this client exceeded revenues planned for 2016-2017 by over 15% (PLN 4 million planned).

In 2016, the Company, along with other producers gathered in the Polish Chamber of Pasta (PIM), proceeded to implement the "Pasta of Europe" program realized by PIM. The aim of this program is to promote pasta in Ukraine and the People's Republic of China. Ukrainian and Chinese recipients (consumers, distributors) are educated about healthy properties of pasta, as well as the diversity and high quality of pasta products from European Union countries, including Poland (broadcasts on TV, advertisements in the press and websites, promotional campaigns during fairs and in stores). Implementation of the Program is to contribute to the development of the sales market and the increase in the volume of sales of pasta produced in the European Union. The program will be implemented for the period of 3 years (2016-2018). The producers participating in the program established an informal sales group. In 2017, within realization of this project, the export sales



of the Company on the Ukrainian market increased by over 100% and will also be continued in 2018.

In 2017-2018, the Group intends to focus its activities on the markets of North Africa and Ukraine. In order to achieve the above mentioned objectives, the Group acquired partners on local markets, who support the Group in further development of sales in these markets.

SIGNIFICANT RECIPIENT

In 2017, only one of the customers exceeded the threshold of 10% share in consolidated revenues on sales (including brand and private label products). This customer is the Biedronka network with a share of c.a. 26.4%. The Group companies are not in any formal way connected with the operator of this network, and the cooperation takes place on a partnership basis and is beneficial for the Makarony Polskie Group.

Note No 4
Costs of employee benefits and costs of depreciation

Costs of employee benefits	For the period from 01.01 until 31.12.2017	Foe the period from 01.01 until 31.12.2016
Costs of salaries	10 395	8 860
Costs of social insurance	1 735	1 587
Costs of other employee benefits, including:	812	466
- costs of termination benefits	128	80
- costs of retirement pension and disability pension	33	67
- costs of cash equivalents for unused annual leaves	231	68
- other benefits	420	251
Total	**12 942**	**10 913**

Employee benefits are divided into the following categories:

– short-term benefits including salaries, social security contributions, paid absences and non-cash benefits. The costs of short-term benefits are recognized in the statement of comprehensive income on an ongoing basis in the period to which they pertainn. At the end of the reporting period, the expected undiscounted value of short-term benefits for a given financial period remaining to be paid, is recognized by the Group as an element of accrued expenses;

– post-employment benefits – within this type of benefits, the Group pays severance pay to employees.

A provision is created for future payment of retirement benefits. This provision is periodically verified by an independent actuary with the application of IFRS rules

Costs of depreciation	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Depreciation	4 923	4 554

Note No 5

Costs of sales

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Depreciation	549	519
Consumption of materials and energy	437	465
Costs of outsourced services	12 087	10 390
Taxes and charge	335	341
Salaries	3 385	2 769
Employee benefits	641	575
Other costs	1 329	1 667
Total	**18 763**	**16 726**

Note No 6

Costs of the management board

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Depreciation	415	397
Consumption of materials and energy	118	100
Costs of outsourced services	1 500	1160
Taxes and charge	265	216
Salaries	2 658	2 141
Employee benefits	349	337
Other costs	560	409
Total	**5 865**	**4 760**

Note No 7

Other revenues

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
State subsidies	511	497
Profit from sales of tangible assets	52	245
Cancellation of other provisions and reversal of revaluating write-offs	0	0
Compensations and complaints	53	26
Sales of scrap and waste	25	15
Reimbursement of court and bailiff fees	8	7
Inventory surplus	52	8
Reimbursement of surplus insurance contributions	21	34
Booked revenues due to reimbursement of qualified costs - subsidy	67	0
Liabilities written off	3	0
Reversal of revaluating write-offs due to impairment loss of the inventory	21	2
Reversal of revaluating write-offs due to impairment loss of tangible assets	0	0
Liabilities - leasing	12	13
Discounts for turnover	35	19
Partial resale of expenditures incurred on rent	64	0
Other	1	4
Total	**925**	**870**

Other operating revenues include income and profits not directly related to the Group's operating activities. This category includes subsidies, profits from the sale of tangible assets, compensation received in relation to the reimbursement of court costs, overpaid tax liabilities, except for corporate tax and compensation received due to losses in property which was covered by insurance.

Other receivables also include reversals of revaluating write-offs on receivables and inventories as well as write-offs for permanent impairment of fixed assets and inventory surpluses in current assets

Note No 8

Other costs

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Donations	13	3

Penalties and fines	23	59
Shortages in working capital	59	13
Write-off revaluating inventories	0	21
Costs of court and bailiffs proceedings	0	213
Liquidation of damaged and overdue inventories	267	203
Advertising sponsorship	42	37
Write-off revaluating receivables, other write-offs and provisions	0	76
Costs of repairs covered by insurance	12	0
Written off receivables – cancelled and unrecoverable	9	45
Investments written off	4	16
Other	4	4
Total	**433**	**690**

Other operating costs include costs and losses not directly related to the Group's operating activities. This category includes losses on the sale of tangible assets, donations made in kind and in cash to other entities, including public benefit entities and the effects resulting from guarantees and sureties granted to other entities.

Other costs also include the costs of write-offs revaluating receivables and inventories as well as write-offs due to permanent impairment loss on fixed assets components, non-culpable shortages in current assets.

Note No 9
Financial revenues

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Interest income, including:	242	176
- interest received on bank deposits	0	0
- interest received on loans	0	0
- interest on receivables	242	176
Profit on foreign exchange differences	162	0
Revaluation of short-term investments	0	8
Other financial revenues	0	17
Profit on disposal of financial assets	0	0
Total	**404**	**201**

Financial revenues include revenues from dividends received, interest on deposit and investment operations in various forms of financial instruments. Financial activities also include profits on foreign exchange differences.

Note No 10
Financial costs

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Costs of interest, including:	849	943
- bank credit	548	670
- costs of factoring and leasing	298	273
- interest on liabilities	3	0
- budget interest	0	0
Other financial costs, including:	631	294
- loss on negative foreign exchange differences	0	142
- guarantees	23	24
- bank and factoring charge and commissions	176	128
- write-off revaluating investment property	432	0
Total	**1 480**	**1 237**

Financial costs also include costs due to the use of external sources of financing, interest payable under financial leasing contracts to which the Group is a party and other financial costs. Financial activities also include losses due to exchange rate differences and write-offs revaluating investment properties.

Note No 11
Income tax

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Current income tax	1 232	937
Deferred income tax	163	538
Tax burden / recognition recognized in the statement of comprehensive income, including:	1 395	1 475
- attributed to continuing operations	1 395	1 475

Reconciliation of income tax on the gross financial result before taxation with income tax reported in the statement of comprehensive income:

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Gross financial result before taxation on continuing operations	6 912	6 567
Loss/ profit before taxation on discontinued operations	0	0
Gross financial result before taxation	6 912	6 567
Tax rate (in %)	19	19
- tax costs not included in carrying costs (-)	- 1 880	- 1 998
- carrying costs not included in tax costs (+)	2 739	1 183
- revenues not included in tax revenues (-)	- 709	- 522
- tax revenues not included in carrying revenues (+)	57	120
- subsidies granted	0	0
Tax base /tax loss of the Group	7 119	5 350
Income deductions :		
- tax shield 2012- Makarony Polskie SA	- 49	- 1 228
- tax shield 2012- Stoczek Natura Sp. z o.o.	- 629	0
- tax shield 2014-Stoczek Natura Sp. z o.o.	- 23	0
- tax shield 2015- MP Trade Sp. z o.o.	0	- 77
- tax shield 2015-Stoczek Natura Sp. z o. o	- 362	0
- tax shield 2016-Stoczek Natura Sp. z o. o	- 126	0
Taxable income of the Group	5 930	4 045
Tax base	6 488	4 930
Income tax reported in the statement on comprehensive income – current part	1 232	937

The Group is not a tax capital group, as a result of which the income of the Group for taxation is reduced by the tax shields of the Parent Company and Subsidiaries. For the purpose of comparability of periods in the year 2016, the unpaid income of MP Trade Sp. z o.o. for 2015 was presented in 2016 as a tax loss.

Note No 12

Deferred income tax

	Statement on financial position as at 31.12.2017	Statement on financial position as at 31.12.2016	Statement on comprehensive income for the period from 01.01 do 31.12.2017	Statement on comprehensive income for the period from 01.01 do 31.12.2016
Deferred tax liability				
- difference between carrying value and tax net value of tangible fixed assets	3 709	3 634	75	286
- exchange rate differences	10	3	7	- 3
- difference between leasing liabilities and net value of fixed tangible assets	156	112	44	53
- interest accrued	13	6	7	- 17
Gross provision on deferred tax income	3 888	3 755	133	319
Assets due to deferred tax income				
- salaries paid after balance sweet date	9	12	- 3	4
- social security contributions	51	47	4	2
- similar retirement and disability pension benefits	65	41	24	- 4
- interest on liabilities	8	0	8	0
- exchange rate differences	5	6	- 1	4
- deductible tax loss	217	275	- 58	- 156
- past due liabilities as at the balance sweet date	0	0	0	- 72
- write-off revaluating inventories	0	4	- 4	3
- accrued Social Benefits Fund	0	0	0	0
- write-off revaluating receivables	0	0	0	0
Deferred tax assets recognized in the statement on financial position	355	385	- 30	- 219
Reversal of write-off due to deferred tax	0	0	0	0
Burden/ recognition due to deferred income tax	- 3 533	- 3 370	163	538

DEFERRED INCOME TAX ASSETS NOR RECOGNIZED IN THE BALANCE SHEET

	As at 31.12.2017	As at 31.12.2016
- Assets – deductible tax loss	217	275
Assets due to deferred income tax not recognized In the balance sheet	106	168

The current tax burden is calculated on the basis of the applicable tax regulations. The application of these regulations differentiates the tax profit (loss) from the net book profit (loss) due to the exclusion of non-taxable revenues and costs that are not tax-deductible as well as items of costs and revenues that will never be subject to tax. Tax charges are

calculated on the basis of tax rates applicable in a given financial year - currently 19% - provisions which assume differentiation of tax rates for future periods are not applicable to the Group companies.

In the scope of income tax, the Group is subject to general provisions in this respect. The Group is not a tax Group, and it 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.

Note No 13

Data pertaining to the financial result and shares which were used to calculate both basic as well as diluted profit per share

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Net profit/ loss per share	0,60	0,55
Book value per share in PLN	8,22	7,87

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Net profit/ loss from continuing operations attributable to shareholders of the parent entity	5 517	5 092
Profit/ loss from discontinued operations attributable to shareholders of the parent entity	0	0
Net profit/ loss attributable to shareholders of the parent entity	5 517	5 092
Net profit/ loss attributable to ordinary shareholders used to calculate the diluted profit/ loss per share	not applicable	not applicable

	For the period from 01.01 until 31.12.2017	For the period from 01.01 until 31.12.2016
Weighted average number of ordinary shares issued used for calculation of basic profit/ loss per share	9 250 071	9 250 071
Dilution effect	not applicable	not applicable
Adjusted weighted average number of ordinary shares issued used for calculation of diluted profit/ loss per share	not applicable	not applicable

Net profit per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the parent Company by the weighted average number of issued ordinary shares for the period.

Diluted profit per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the parent entity (after deduction of the interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of

ordinary shares for the period (adjusted by the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares). In the parent company in 2017 as well as until the date of preparation of the present report, there were no factors diluting the share capital.

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

Explanatory notes to the statement on financial situation

Note No 14
Tangible fixed assets

Gross tangible fixed assets:	31.12.2017	31.12.2016
Land, buildings and structures	46 535	46 365
Machines and equipment	70 829	67 856
Transport means	3 538	3 696
Fixed assets under construction	6 859	5 232
Other	2 607	2 389
Gross value at the end of the period	**130 368**	**125 538**

Amortizations and revaluating write-offs	31.12.2017	31.12.2016
Land, buildings and structures	17 283	16 150
Machines and equipment	34 820	31 741
Transport means	2 223	2 223
Fixed assets under construction	0	0
Other	1 981	1 904
Amortizations and revaluating write-offs	**56 307**	**52 018**

Net tangible fixed assets:	31.12.2017	31.12.2016
Land, buildings and structures	29 252	30 215
Machines and equipment	36 009	36 115
Transport means	1 315	1 473
Fixed assets under construction	6 859	5232
Other	626	485
Net value at the end of the period	**74 061**	**73 520**

CHANGES IN FIXED ASSETS

For the period from January 1, 2017 to December 31, 2017

	Lands, buildings	Machines and equipment	Transport means	Fixed assets under construction	Other	Total
Gross value at the beginning of the period	46 365	67 856	3 696	5 232	2 389	125 538
Increase	211	3 096	298	3 553	225	7 383
- purchase	51	1 553	41	3 553	225	5 423
- other	160	1 543	257	0	0	1 960
Decrease	41	123	456	1 926	7	2 553
- disposal	41	118	414	0	0	573
- other	0	5	42	1 926	7	1 980
Gross value at the end of the period	46 535	70 829	3 538	6 859	2 607	130 368
Value of amortization at the beginning of the period	14 552	31 570	2 223	0	1 904	50 249
Increase	1 203	3 207	401	0	84	4 895
Decrease	5	98	401	0	7	511
Value of amortization at the end of the period	15 750	34 679	2 223	0	1 981	54 633
Revaluating write-off at the beginning of the period	1 598	171	0	0	0	1 769
Revaluating write-off at the end of the period	1 533	141	0	0	0	1 674
Value including amortization and revaluating write-off at the end of the period	17 283	34 820	2 223	0	1 981	56 307
Net value at the end of the period	29 252	36 009	1 315	6 859	626	74 061

For the period from January 1, 2016 to December 31, 2016

	Lands, buildings	Machines and equipment	Transport means	Fixed assets under construction	Other	Total
Gross value at the beginning of the period	45 676	65 025	3 545	2 210	2 368	118 824
Increase	820	2 938	810	8 467	30	13 065
- purchase	820	2 737	64	8 467	30	12 118
- other	0	201	746	0	0	947
Decrease	131	107	659	5 445	9	6 351
- disposal	131	0	601	1 696	9	2 437
- other	0	107	58	3 749	0	3 914
Gross value at the end of the period	46 365	67 856	3 696	5 232	2 389	125 538
Value of amortization at	13 550	28 785	2 553	0	1 848	46 736

the beginning of the period						
Increase	1 133	2 892	299	0	65	4 389
Decrease	131	107	629	0	9	876
Value of amortization at the end of the period	14 552	31 570	2 223	0	1 904	50 249
Revaluating write-off at the beginning of the period	1 664	202	0	124	0	1 990
Revaluating write-off at the end of the period	1 598	171	0	0	0	1 769
Value including amortization and revaluating write-off at the end of the period	16 150	31 741	2 223	0	1 904	52 018
Net value at the end of the period	30 215	36 115	1 473	5 232	485	73 520

Revaluating write-offs due to impairment losses are recognized in the items of other expenses in the statement of comprehensive income. In 2017 the Group did not make write-offs revaluating tangible fixed assets. In proportion to the period of use, the Group dissolves write-offs revaluating fixed assets made at the time of purchase of shares in the company Stoczek (2007). At the end of 2017 the subsidiary Stoczek Natura sp. z o.o. by means of resolution of the Management Board made a decision to change the use of land from currently used to the land for lease purposes - change made for the company's own purposes. This decision was taken due to the planned extension and modernization of the production plant Stoczek Natura Sp. z o. o.

At the same time, the Group companies verified the fair value and the useful life of fixed assets as at December 31, 2017.

The Group uses machines, equipment and means of transport used on the basis of leasing agreements. The balance sheet value of fixed assets used on the basis of financial leasing agreements as at December 31, 2017 amounted to PLN 3,682 000 and as at December 31, 2016 it amounted to PLN 2,724 000.

As at 31 December 2017, in the subsidiary company Stoczek Natura sp. z o.o., the value of registered pledges on machines and equipment amounted to PLN 3,000,000, including

- security of BGK Bank credit agreement - PLN 3,000 000

The establishment of registered pledges on fixed assets results from the obligations contained in the credit agreements described in note 28.

MORTGAGES ESTABLISHED OR UNDER ESTABLISHMENT ON REAL ESTATES BELONGING TO GROUP COMPANIES

Real estate	State as at 31.12.2017	Name of creditor	Basis for the liability	Company's liability
Real estates in Rzeszów Land and Mortgage Register (hereinafter: L&MR) No RZ1Z/00076860/5 Real estates in Płock, L&MR No PL1P/00094893/6	PLN 33 000 000	BZ WBK SA	contractual joint mortgage	Agreement on overdraft credit in current account in the amount of PLN 5 000 000 concluded by Makarony Polskie SA Investment credit agreement in the amount of PLN 13 849 000 concluded by Makarony Polskie SA Working-capital credit agreement in the amount of PLN 3 000 000 concluded by Makarony Polskie SA Framework agreement regarding the procedure of concluding and settlement of transactions
Real estates in Rzeszów L&MR No RZ1Z/00076860/5 Real estates in Płock L&MR No PL1P/00094893/6	PLN 12 000 000	BZ WBK SA	contractual joint mortgage	Investment EU credit agreement in the amount of PLN 8 000 000 concluded by Makarony Polskie SA
Real estates in Rzeszów L&MR No RZ1Z/00076860/5 Real estates in Płock L&MR No PL1P/00094893/6	PLN 18 182 000	BZ WBK SA	contractual joint mortgage	Investment EU credit agreement in the amount of PLN 12 121 000 concluded by Makarony Polskie SA
Real estates In Rzeszów L&MR No RZ1Z/00076860/5 Real estates in Płock L&MR No PL1P/00094893/6	PLN 2 700 000	BZ WBK SA	contractual joint mortgage	Revolving credit agreement in the amount of PLN 1 800 000 concluded by Makarony Polskie SA
Real estates in Rzeszów L&MR No RZ1Z/00076860/5 Real estates in Płock L&MR No PL1P/00094893/6	PLN 373 000	BZ WBK SA	contractual joint mortgage	Agreement on granting bank guarantee in the amount of PLN 249 000 concluded by Makarony Polskie SA

Real estatess in Rzeszów L&MR No RZ1Z/00076860/5 Real estates in Płock L&MR No PL1P/00094893/6	PLN 1 517 000	BZ WBK SA	contractual joint mortgage	Agreement on granting bank guarantee in the amount of PLN 1 011 000 concluded by Makarony Polskie SA
Real estate in Częstochowa L&MR No CZ1C/00111425/8	PLN 16 500 000	Bank Gospodarstwa Krajowego	contractual joint mortgage	Agreement on overdraft credit in current account in the amount of PLN 6 000 000 concluded by Makarony Polskie SA
Real estates in Stoczek Łukowski LU1U/00022979/2				Agreement on working-capital non-revolving credit in credit account in the amount of PLN 5 000 000 concluded by Makarony Polskie SA
Real estates in Stoczek Łukowski LU1U/00022979/2	PLN 4 500 000	Bank Gospodarstwa Krajowego	mortgage	Agreement on overdraft credit in current account in the amount of PLN 3 000 000 concluded by Stoczek Natura Sp. z o.o.
Real estates in Stoczek Łukowski LU1U/00022979/2	PLN 2 207 000	Bank Gospodarstwa Krajowego	mortgage	Agreement on granting guarantee in the amount of PLN 1 472 000 concluded by Stoczek Natura Sp. z o.o.
Real estates in Stoczek Łukowski LU1U/00022979/2	PLN 2 323 000	Bank Gospodarstwa Krajowego	mortgage	Agreement on granting guarantee in the amount of PLN 1 549 tys. zł concluded by Stoczek Natura Sp. z o.o.
Real estates in Stoczek Łukowski LU1U/00022979/2	PLN 756 000	Bank Gospodarstwa Krajowego	mortgage	Agreement on granting guarantee in the amount of PLN 504 000 concluded by Stoczek Natura Sp. z o.o.

Note No 15
Investment property

	31.12.2017	31.12.2016
Investment property in Rzeszów and in Stoczek Łukowski	642	1 235

The value of investment property in the Makarony Polskie Group is revaluated to fair value in accordance with IAS 40 on the basis on appraisal reports prepared by experts.

At the end of 2017, subsidiary company Stoczek Natura sp. z o. o. by means of the resolution of the Management Board made a decision to change the intended use of land from the currently used into the land used for lease purposes – for the company's own

purposes. This decision was taken due to the planned extension and modernization of the production plant Stoczek Natura Sp. z o. o.

Note No 16

Goodwill

For the period from 01.01.2017 until 31.12.2017	Goodwill
Gross value at the beginning of the period	**5 949**
Increase	0
Decrease	0
Gross value at the end of the period	**5 949**
Write-off due to impairment loss at the beginning of the period	0
Recognition of write-off due to impairment loss in the period	0
Reversal of write-off due to impairment loss in the period	0
Write-off due to impairment loss at the end of the period	0
Net value at the end of the period	**5 949**

For the period from 01.01.2016 until 31.12.2016	Goodwill
Gross value at the beginning of the period	**5 949**
Increase	0
Decrease	0
Gross value at the end of the period	**5 949**
Write-off due to impairment loss at the beginning of the period	0
Recognition of write-off due to impairment loss in the period	0
Reversal of write-off due to impairment loss in the period	0
Write-off due to impairment loss at the end of the period	0
Net value at the end of the period	**5 949**

Goodwill in the amount of PLN 5,949 000 recognized in assets reflects the difference between the purchase price paid for 100% of shares in the company Stoczek Natura Sp. z o.o., and the fair value of the net assets of this company as at June 1, 2007, i.e. as at the date of the transfer of share ownership.

Goodwill arising from the acquisition of an enterprise is initially recognized at the purchase price constituting the surplus of the cost of the combination over the share of the acquiring entity in the net fair value of identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is reported at purchase price less any accumulated revaluating write-offs due to impairment loss. Goodwill is not subject to depreciation.

In relation to the establishment of the company MP TradeSp. z o.o in 2015, the Group recognized a positive value between the purchase value of 100% of shares and expenses incurred on taking up shares. Goodwill amounts to PLN 3 000 and is not subject to depreciation.

Note No 17
Other intangible assets

CHANGES IN INTANGIBLE ASSETS

For the period from January 1, 2017 until December 31, 2017

	Brand equity	Other intangible assets			
		Patents, trademarks and development	Computer software		Patents, trademarks and development
Gross value at the beginning of the period	9 087	600	1 362	429	11 478
Increase	0	455	0	61	516
- purchase	0	455	0	61	516
Decrease	0	0	0	0	0
Gross value at the end of the period	9 087	1 055	1 362	490	11 994
Value of amortization at the beginning of the period	0	250	1 240	429	1 919
increase	0	0	122	0	122
Decrease	0	0	0	0	0
Value of amortization at the end of the period	0	250	1 362	429	2 041
Net value at the end of the period	9 087	805	0	61	9 953

For the period from January 1, 2017 until December 31, 2016

	Brand equity	Other intangible assets			
		Patents, trademarks and development	Computer software		Patents, trademarks and development
Gross value at the beginning of the period	9 087	600	1 362	429	11 478
Increase	0	0	0	0	0

- purchase	0	0	0	0	0
Decrease	0	0	0	0	0
Gross value at the end of the period	9 087	600	1 362	429	11 478
Value of amortization at the beginning of the period	0	250	990	418	1 658
increase	0	0	250	11	261
decrease	0	0	0	0	0
Value of amortization at the end of the period	0	250	1 240	429	1 919
Net value at the end of the period	9 087	350	122	0	9 559

Depreciation of intangible assets is carried out according to depreciation rates reflecting the expected period of their use.

The Group does not depreciate intangible assets with an indefinite useful life. They are subject to annual impairment tests and an analysis of whether there are reasons to recognize these assets as being used for a specified period of time.

Relevant impairment tests and analyzes were made as at December 31, 2017.

Note No 18

Long-term financial assets

Other long-term financial assets	31.12.2017	31.12.2016
Total long-term financial assets	0	0

Note No 19

Inventories

State as at December 31, 2017

	Valuation at cost of purchase/cost of production	Revaluating write-off on BO	Created write-off	Reversed revaluating write-off	Carrying value of inventories as at the end of the period
Materials	6 283	21	0	21	6 283
Auxiliary materials	590	0	0	0	590
Work in progress	156	0	0	0	156
Finished products	8 145	0	0	0	8 145
Goods	450	0	0	0	450
TOTAL	**15 624**	**21**	**0**	**21**	**15 624**

State as at December 31, 2016

	Valuation at cost of purchase/cost of production	Revaluating write-off on BO	Created write-off	Reversed revaluating write-off	Carrying value of inventories as at the end of the period
Materials	5 271	2	21	2	5 250
Auxiliary materials	482	0	0	0	482
Work in progress	171	0	0	0	171
Finished products	6 733	0	0	0	6 733
Goods	379	0	0	0	379
TOTAL	**13 036**	**2**	**21**	**2**	**13 015**

Due to the current inventory turnover, in 2018 the Group plans to use all inventories constituting a component of the statement of financial position as at 31 December 2017 amounting to PLN 15 624 000. Write-offs due to impairment losses on current assets components (inventories) are made when a given component is considered non-transferable, is physically destroyed, the shelf life of finished products and raw materials makes it impossible to sell this component or use and when the cost of manufacturing exceeds its price.

As at December, 31 2017, the value of registered pledges on inventories of finished products, materials and goods amounted to PLN 5,000 000. PLN, including:

- security of credit agreement concluded with BZ WBK- PLN 5,000 000

Note No 20
Receivables

	31.12.2017	31.12.2016
Receivables from deliveries and services from other entities:	22 290	19 746
- short-term portion	22 290	19 746
Receivables from subsidiaries:	0	0
- short-term portion	0	0
Prepayments:	0	0
- short-term portion	0	0
Other receivables: from other entities	6 328	3 807
- short-term portion	6 328	3 807
Gross total value of receivables	28 618	23 553
Write-offs due to impairment losses at the beginning of the period	76	589
Recognition of write-offs due to impairment losses in the period	0	76
Reversal of write-offs due to impairment losses in the period	0	589
Write-offs due to impairment losses at the end of the period	76	76
Net receivables	28 542	23 477

WRITE-OFFS REVALUATING RECEIVABLES

2017	State as at the beginning of the period	Creation	Use and dissolution	State as at the end of the period
Write-offs revaluating receivables	76	0	0	76

2016	State as at the beginning of the period	Creation	Use and dissolution	State as at the end of the period
Write-offs revaluating receivables	589	76	589	76

Other short-term receivables	31.12.2017	31.12.2016
Current VAT	1 143	1 382
Deferred VAT	724	978
Corporate income tax	29	8
Other receivables from employees	4	5
Bid bonds paid	2 107	63
Salaries and social insurance allowances paid	41	0
Prepayments	2 105	1 370
Other	175	1
Other gross receivables – total	6 328	3 807
Write offs revaluating receivables	0	0
Other net receivables	6 328	3 807

GROSS RECEIVABLES – CURRENCY STRUCTURE

Short-term gross receivables	31.12.2017	31.12.2016
- in Polish currency	26 514	23 252
- in foreign currencies:	2 104	301
a) EUR unit/ currency	505	68
in PLN	2 104	301
b) USD unit/ currency	0	0
in PLN	0	0
b) GBP unit/ currency	0	0
in PLN	0	0
Short-term gross receivables	**28 618**	**23 553**

TRADE RECEIVABLES DUE TO DELIVERIES AND SERVICES - AGING

	31.12.2017	31.12.2016
1) Total current receivables	19 080	16 287
2) Total overdue receivables:	3 210	3 459
a) up to 1 month	2 926	3 345

b) above 1 month up to 3 months	93	35
c) above 3 month up to 6 months	12	9
d) above 6 month up to 1 year	103	70
e) above 1 year	76	0
Total gross trade receivables	**22 290**	**19 746**
Write-offs revaluating trade receivables	76	76
Net trade receivables	22 214	19 670

Trade receivables consist of amounts due to trade transactions made from a large number of customers, distributed among various industries and geographic areas.

The Group is not exposed to significant credit risk towards a single counterparty or a group of counterparties with similar characteristic features. Trade receivables do not bear interest and usually have a payment period of 45 to 90 days. Write-offs revaluating receivables are made towards counterparties who are put into liquidation and bankruptcy or counterparties who do not realize due payments for more than 12 months after the due date, and their economic and financial situation indicates a high risk of non-payment. Receivables in court are covered by a 100% write-off. The company has an appropriate policy for making deferred payment sales only to verified customers. Transactions with other customers, including most foreign contractors, are covered by receivables insurance. Thanks to this, in the opinion of the management, there is no significant credit risk beyond the level specified by the provision for bad debts appropriate to trade receivables in the company Makarony Polskie SA.

Note No 21

Receivables due to corporate income tax

	31.12.2017	31.12.2016
Receivables due to corporate income tax	29	8

Note No 22

Granted loans

	31.12.2017	31.12.2016
State as at the beginning of the period	0	0
Granted loan	0	0
Accrued interest	0	0
Repayment within the period	0	0
State as at the end of the period	0	0

As at December 31, 2013, the Makarony Polskie Group did not grant any loans.

Note No 23
Cash and cash equivalents

	31.12.2017	31.12.2016
Cash in bank and o hand	1 454	920
Total, including:	1 454	920
- Cash in bank and on hand and attributed to discontinued operations	not applicable	not applicable

The value of cash and cash equivalents reflects their amount shown in the cash flow statement. The fair value of these funds corresponds to their value in the statement of financial position.

Cash at the bank bear interest at variable interest rates, the amount of which depends on the interest rate on one-day bank deposits. Short-term deposits are made for various periods, from one day to one month, depending on the Group's current demand for cash and bear interest at the interest rates set for these deposits. Cash and cash equivalents at the end of the financial year shown in the statement of cash flows can be adjusted to balance sheet items.

Note No 24
Other assets

Other assets:	**31.12.2017**	**31.12.2016**
- long-term portion	500	326
- short-term portion	478	368

Long-term accruals and deferred income as at December 31, 2017 in the amount of PLN 500,000 include consultancy services and fees for the granted guarantee.

SHORT-TERM ACCRUALS AND DEFERRED INCOME

Short-term accruals and deferred income	31.12.2017	31.12.2016
- insurance	195	161
- subscription, communication fees	22	89
- public advertising / marketing services		
- electricity		
- provision for investment credit	23	30
- fees for guarantees	14	23
- consultancy services	222	63
- other	2	2
Total	**478**	**368**

LONG-TERM ACCRUALS AND DEFERRED INCOME

Long-term accruals and deferred income	31.12.2017	31.12.2016
- consultancy services	498	302
- provision for investment credit	0	23
- fees for guarantees	2	1
Total	**500**	**326**

Note No 25
Share capital

Share capital of the company Makarony Polskie SA:

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

Structure of share capital of the Company:

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

As at December 31, 2017

2015	Type of shares	Type of share privileges	Number of shares In units	Nominal value		Capital coverage method	Date of registration	Right to the dividend (from date)
				of 1 share in PLN	of series (issues) in thousand PLN			
A series	bearer shares	ordinary shares	3 013 250	3	9 040	financial contributions	05.07.2004	01.01.2004
B series	bearer shares	ordinary shares	1 169 750	3	3 509	contributions in kind	29.10.2004	01.01.2004
C series	bearer shares	ordinary shares	3 000 000	3	9 000	financial contributions	18.04.2007.	01.01.2007
D series	bearer shares	ordinary shares	1 735 821	3	5 207	financial contributions	22.06.2007	01.01.2007
E series	bearer shares	ordinary shares	331 250	3	994	financial contributions	11.02.2008	01.01.2008
Total			**9 250 071**		**27 750**			

As at December 31, 2016

2014	Type of shares	Type of share privileges	Number of shares In units	Nominal value		Capital coverage method	Date of registration	Right to the dividend (from date)
				of 1 share in PLN	of series (issues) in thousand PLN			
A series	bearer shares	ordinary shares	3 013 250	3	9 040	financial contributions	05.07.2004	01.01.2004
B series	bearer shares	ordinary shares	1 169 750	3	3 509	contributions in kind	29.10.2004	01.01.2004
C series	bearer shares	ordinary shares	3 000 000	3	9 000	financial contributions	18.04.2007.	01.01.2007
D series	bearer shares	ordinary shares	1 735 821	3	5 207	financial contributions	22.06.2007	01.01.2007
E series	bearer shares	ordinary shares	331 250	3	994	financial contributions	11.02.2008	01.01.2008
Total			**9 250 071**		**27 750**			

In the period from December 31, 2017 to the date of submitting the report, the company Makarony Polskie SA did not carry out any subsequent issue of shares.

Note No 26
Other capital

Other capital	31.12.2017	31.12.2016
Balance at the beginning of the period	39 505	37 665
Change of accounting principles (policy)	0	0
Balance at the beginning of the	39 505	37 665

period after adjustments (transformation)		
- issue of share capital	0	0
- other changes in capital	0	0
- division of profit/ cover of loss	2 679	1 774
- supplementary capital	42 184	39 439
- application of hedge accounting	0	66
Other capital at the end of the period	42 184	39 505

Note No 27

Result from previous years

Profit/ loss from previous years	31.12.2017	31.12.2016
Balance at the beginning of the period	5 561	5 481
Adjustment of errors	0	0
- profit/ loss from previous years at the beginning of the period	5 561	5 481
- decrease due to the transfer to supplementary capital	- 2 679	- 1 774
- payment of dividend	- 2 313	- 3 238
Net profit/ loss at the end of the period	**569**	**469**

Note No 28

Information about credits and sureties granted at December 31, 2017

LONG-TERM AND SHORT-TERM CREDITS AND LOANS

	31.12.2017	31.12.2016
- long-term portion	8 221	11 117
- short-term portion	12 272	8 455
Total	**20 493**	**19 572**

The status of loan and factoring agreements in force as at December 31, 2017, to which the Company Makarony Polskie SA was a party, is presented in the tables below:

– overdraft in BZ WBK SA

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 5 000 000
Credit period	18.10.2013 – 31.05.2018
Interest rate	WIBOR 1M + bank margin not varying from standards used by the bank

Credit balance	PLN 615 000
Timetable for repayment	once on the maturity date of the obligation
Credit collateral	– joint mortgage of up to PLN 33,000 000. on real estate marked as: – a) in Land and Mortgage Register No. RZ1Z / 00076860/5 located in Rzeszów with the assignment of rights from the real estate insurance policy, – b) in Land and Mortgage Register No. PL1P / 00094893/6 in Płock along with the assignment of rights from the property insurance policy; – blank promissory note issued by the Borrower together with a promissory note declaration, – registered pledge on inventories with a value not lower than PLN 5,000 000 together with the assignment of rights under the registered pledge insurance policy, – surety granted by the company Stoczek Natura Sp. z o.o., – a statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed.

In April 2017, the Company and Bank Zachodni WBK SA concluded an annex to the overdraft facility agreement, the purpose of which was to extend the repayment date of the liability by May 31, 2018 and to harmonize the provisions of credit agreements concluded between the Company and the Bank, i.a. in the area of loan agreement collaterals.

– Investment credit in BZ WBK SA

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 13 849 000
Credit period	18.10.2013 – 30.04.2020
Interest rate	WIBOR 3M + bank margin not varying from standards used by the bank
Credit balance	PLN 9 244 000
Timetable for repayment	52 monthly installments starting from December 31, 2015 in the following amounts: 52 installments in the amount of PLN 0.17 million each and the last 53rd balancing installment
Credit collateral	– joint mortgage of up to PLN 33,000 000. on real estate marked as: – a) in Land and Mortgage Register No. RZ1Z / 00076860/5 located in Rzeszów with the assignment of rights from the real estate insurance policy, – b) in Land and Mortgage Register No. PL1P / 00094893/6 in Płock along with the assignment of rights from the property insurance policy; – registered pledge on fixed assets (production lines In the plant in Rzeszów), – transfer of receivables under insurance agreement related to the object of the pledge – blank promissory note issued by the Borrower together with a promissory note declaration, – civil surety granted by the company Stoczek Natura Sp. z o.o., – a statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed.

In April 2017, Makarony Polskie SA concluded with Bank BZ WBK an annex to the investment credit agreement, the purpose of which was to unify the provisions of credit agreements concluded between the Company and the Bank, i.a. in the area of loan agreement collaterals.

– Working capital credit in BZ WBK SA

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 3 000 000
Credit period	20.05.2015 – 31.05.2018
Interest rate	WIBOR 3M + bank margin not varying from standards used by the bank
Credit balance	PLN 501 000
Timetable for repayment	36 monthly installments starting from June 30, 2015 amounting to PLN 0,08 million
Credit collateral	– joint mortgage of up to PLN 33,000 000. on real estate marked as: – a) in Land and Mortgage Register No. RZ1Z / 00076860/5 located in Rzeszów with the assignment of rights from the real estate insurance policy, – b) in Land and Mortgage Register No. PL1P / 00094893/6 in Płock along with the assignment of rights from the property insurance policy; – registered pledge on fixed assets (production lines In the plant in Rzeszów), – transfer of receivables under insurance agreement related to the object of the pledge – blank promissory note issued by the Borrower together with a promissory note declaration, – a statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed.

In April 2017, Makarony Polskie SA concluded with Bank BZ WBK an annex to the working capital credit agreement, the purpose of which was to unify the provisions of credit agreements concluded between the Company and the Bank, i.a. in the area of loan agreement collaterals.

– Investment EU credit in BZ WBK SA

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 12 121 000
Credit period	07.02.2017 - 28.02.2022
Interest rate	WIBOR 3M + bank margin not varying from standards used by the bank
Credit balance	PLN 0
Timetable for repayment	The credit will be repaid in 32 monthly installments starting from July 31, 2019, in the following amounts: 31 installments in the

	amount of PLN 0.15 million each and the last 32nd balancing installment in the amount of PLN 7.65 million. In case the credit is repaid from the co-financing received, the repayment schedule will change by means of changing the balloon installment. Installments of the credit repayment will be changed in such a relation to the installments specified in the original schedule, in which the amount of credit used remains to the amount of the credit granted. After receiving the refund, the credit will be repaid in 32 monthly installments starting from July 31, 2019, in the following amounts: 31 installments in the amount of PLN 0.04 million each and the last 32nd balancing installment in the amount of PLN 1.90 million.
Credit collateral	– joint mortgage of up to PLN 18,200 000. on real estate marked as: – a) in Land and Mortgage Register No. RZ1Z / 00076860/5 located in Rzeszów with the assignment of rights from the real estate insurance policy, – b) in Land and Mortgage Register No. PL1P / 00094893/6 in Płock along with the assignment of rights from the property insurance policy; – registered pledge on the semi-industrial line for tests and trias with accessories, – transfer of receivables under insurance agreement related to the object of the pledge – blank promissory note issued by the Borrower together with a promissory note declaration, – civil surety granted by the company Stoczek Natura Sp. z o.o., – a statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed.

The credit was taken by the Company in February 2017 and is intended to finance the investment project "Establishment of the Research and Development Center of the Pasta Industry at the company Makarony Polskie SA".

– Investment EU credit in BZ WBK SA

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 8 000 000
Credit period	15.09.2017 - 31.01.2022
Interest rate	WIBOR 3M + bank margin not varying from standards used by the bank
Credit balance	PLN 1 063 000
Timetable for repayment	The credit will be repaid in 43 monthly installments starting from July 31, 2018, in the following amounts: 42 installments in the amount of PLN 0.09 million each and the last 43rd balancing installment in the amount of PLN 4.13 million. In case the credit is repaid from the co-financing received, the repayment schedule will change by means of changing the balloon installment. Installments of the credit repayment will be changed in such a relation to the installments specified in the original schedule, in which the amount of credit used remains to the amount of the credit granted. After receiving the refund, the credit will be repaid in 43 monthly installments starting from July 31, 2018, in the following amounts:

	42 installments in the amount of PLN 0.03 million each and the last 43rd balancing installment in the amount of PLN 1.29 million.
Credit collateral	– joint mortgage of up to PLN 12,000 000 on real estate marked as: – a) in Land and Mortgage Register No. RZ1Z / 00076860/5 located in Rzeszów with the assignment of rights from the real estate insurance policy, – b) in Land and Mortgage Register No. PL1P / 00094893/6 in Płock along with the assignment of rights from the property insurance policy; – registered pledge on the purchased line in the scope of the co-financing project, – transfer of receivables under insurance agreement related to the object of the pledge – blank promissory note issued by the Borrower together with a promissory note declaration, – civil surety granted by the company Stoczek Natura Sp. z o.o., – assignment from co-financing contract

The credit was taken by the Company in September 2017 and is intended to finance the investment project "Implementation of the results of research and development in the field of functional food in the company Makarony Polskie SA".

– Revolving credit in BZ WBK SA

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 1 800 000
Credit period	15.09.2017 - 31.10.2019
Interest rate	WIBOR 1M + bank margin not varying from standards used by the bank
Credit balance	PLN 0
Timetable for repayment	repayment of the disbursed credit tranche is realized after 90 days
Credit collateral	– joint mortgage of up to PLN 2,700 000 on real estate marked as: – a) in Land and Mortgage Register No. RZ1Z / 00076860/5 located in Rzeszów with the assignment of rights from the real estate insurance policy, – b) in Land and Mortgage Register No. PL1P / 00094893/6 in Płock along with the assignment of rights from the property insurance policy; – registered pledge on the purchased line in the scope of the co-financing project, – transfer of receivables under insurance agreement related to the object of the pledge – blank promissory note issued by the Borrower together with a promissory note declaration, – a statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed.

The credit was taken by the Company in September 2017 and is intended to finance VAT for purchases realized within the scope of investment projects.

– Overdraft in current account in Bank Gospodarstwa Krajowego

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 6 000 000
Credit period	14.06.2013 – 30.06.2018
Interest rate	WIBOR 3M + bank margin not varying from standards used by the bank
Credit balance	PLN 3 554 000
Timetable for repayment	once on the maturity date of the obligation
Credit collateral	– joint mortgage of up to PLN 16,500 000 on real estate marked as: a) in Land and Mortgage Register No CZ1C/00111425/8 located in Częstochowa with the assignment of rights from the real estate insurance policy, b) in Land and Mortgage Register No LU1U/00022979/2 in Stoczek Łukowski with the assignment of rights from the real estate insurance policy, – blank promissory note issued by the Borrower together with a promissory note declaration, – power of attorney to current account kept by BGK, – surety granted by the company Stoczek Natura Sp. z o.o., – Creditor's and Guarantor's statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed (up to the amount of PLN 12 mln)

In July 2017, the Company concluded an annex to the agreement on overdraft in current account with Bank Gospodarstwa Krajowego, under which the payment deadline was extended until June 30, 2018 and the provisions regarding the Company's disclosure obligations towards the Bank were amended.

– Non-revolving working capital credit in credit account kept by Bank Gospodarstwa Krajowego

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 5 000 000
Credit period	30.06.2015 – 29.06.2018
Interest rate	WIBOR 3M + bank margin not varying from standards used by the bank
Credit balance	PLN 2 500 000
Timetable for repayment	12 quarterly installments payable on the last day of each quarter starting from September 30, 2015 in the following amounts: 11 installments in the amount of PLN 0,25 million each and the last 12th balancing installment in the amount of PLN 2,25 million payable on June 29, 2018.

Credit collateral	– joint mortgage of up to PLN 16,500 000 on real estate marked as: a) in Land and Mortgage Register No CZ1C/00111425/8 located in Częstochowa with the assignment of rights from the real estate insurance policy, b) in Land and Mortgage Register No LU1U/00022979/2 in Stoczek Łukowski with the assignment of rights from the real estate insurance policy, – blank promissory note issued by the Borrower together with a promissory note declaration, – power of attorney to current account kept by BGK, – surety granted by the company Stoczek Natura Sp. z o.o., – transfer of receivables under insurance agreement related to the object of the pledge – Creditor's and Guarantor's statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed (up to the amount of PLN 10 mln)

In July 2017, Makarony Polskie SA concluded an annex to the non-revolving working capital credit agreement concluded with Bank Gospodarstwa Krajowego, which changed the provisions regarding the Company's disclosure obligations towards the Bank.

– Factoring agreement (full factoring) in BZ WBK Faktor Sp. z o.o.

Terms and conditions of the agreement	December 31, 2017
Contractual value	PLN 9 500 000
Duration	Agreement concluded for an indefinite period of time
Interest rate	WIBOR 1M + bank margin not varying from standards used by the bank
Factoring balance	PLN 6 605 000
Agreement collateral	– irrevocable power of attorney to the account – blank promissory note with promissory note declaration

As at December 31, 2017, the company Stoczek Natura Sp. z o.o. was a party to one credit agreement and its status is presented in the table below:

– Overdraft in current account in Bank Gospodarstwa Krajowego

Credit terms and conditions	December 31, 2017
Contractual value of the credit	PLN 3 000 000
Credit period	16.11.2017 – 16.11.2018
Interest rate	WIBOR 3M + bank margin not varying from standards used by the bank
Credit balance	PLN 2 983 000
Timetable for repayment	once on the maturity date of the obligation
Credit collateral	– contractual mortgage up to the amount of PLN 4 500 000 on real estate marked in the Land and Mortgage Register No LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the real estate insurance policy,

	– blank promissory note issued by the Borrower together with a promissory note declaration, – authorization to current account kept by BGK, – surety granted by the company Stoczek Natura Sp. z o.o., – registered pledge on machines and equipment (located in the production plant in Stoczek Łukowski), – Creditor's and Guarantor's statement on submission to enforcement made under Art. 777 of the Civil Procedures Code in the form of a notarial deed (up to the amount of PLN 6 mln)

INFORMATION ON GRANTED AND RECEIVED SURETIES

As at December 31, 2017 the company Makarony Polskie SA granted the following sureties to the Polish Chamber of Pasta:

Foreign obligations	Name of the Creditor	Amount of surety in thousands PLN	Date of expiry	State of the secured liability In thousands PLN as at 31.12.2017
Surety on revolving credit in the amount of PLN 2,35 million*	BPS	4 275	30.05.2021	498
Surety on revolving credit in the amount of PLN 0,5 million*	BPS	750	30.05.2021	23

*Credits are intended to finance a three-year information and promotion campaign called "Pasta of Europe". Activities will be carried out on the markets of China and Ukraine. The cost of the campaign is supported by the European Union and the Agricultural Market Agency. External co-financing secures the repayment of the loan.

Makarony Polskie SA granted sureties to the Company Stoczek Natura Sp. z o.o., and their state as at December 31, 2017 is presented below:

Foreign obligations	Name of the Creditor	Amount of surety in thousands PLN	Date of expiry	State of the secured liability In thousands PLN as at 31.12.2017
Surety on overdraft in the current account in the amount of PLN 3,0 million	Bank BGK	3 000	16.05.2019	2 983
Surety on bank guarantee in the amount of PLN 1,5 million	Bank BGK	1 472	28.02.2019	-
Surety on bank guarantee in the amount of PLN 0,5 million	Bank BGK	504	13.06.2022	-
Surety on bank guarantee in the amount of PLN 1,5 million	Bank BGK	1 549	15.06.2022	-

The company Stoczek Natura Sp. z o.o. granted sureties to the parent company Makarony Polskie SA, and their status as at December 31, 2017 is presented below:

Foreign obligations	Name of the Creditor	Amount of surety in thousands PLN	Date of expiry	State of the secured liability In thousands PLN as at 31.12.2017
Surety on credit in current account in the amount of PLN 5,0 million	BZ WBK	7 500	31.05.2019	615
Surety on investment credit in the amount of PLN 13,8 million	BZ WBK	30 000	30.09.2021	9 244
Surety on non-revolving working capital credit In credit account in the amount of PLN 5,0 million	Bank BGK	5 000	29.12.2018	2 500
Surety on overdraft in current account in the amount of PLN 6,0 million*	Bank BGK	6 000	31.12.2018	3 554
Surety on EU investment credit in the amount of PLN 8,0 million	BZ WBK	8 000	valid until co-financing is finally settled	1 063
Surety on EU investment credit in the amount of PLN 12,1 million	BZ WBK	12 121	valid until co-financing is finally settled	0

*During the financial year, the company Stoczek Natura Sp. z o.o. concluded with BGK an annex to the agreement on surety of credit in the current account of the company Makarony Polskie. Pursuant to the concluded annex, the validity period of the liability was extended until December 31, 2018.

The companies Makarony Polskie SA and Stoczek Natura Sp. z o.o. received remuneration for granting sureties.

In the financial year 2017, the company MP Trade Sp. z o.o. did not grant any sureties.

Note No 29

Guarantees obtained

During the financial year 2017, the Group companies did not grant any guarantees, and the companies Makarony Polskie SA and Stoczek Natura Sp. z o.o used the guarantees obtained.

The list of guarantees in force at the company Makarony Polskie SA as at December 31, 2017 is shown in the table below:

Guarantor	Amount of guarantee in thousands PLN	Guarantee validity period	Item secured by the guarantee	Security
STU Ergo Hestia S.A	272	until 02.03.2018	guarantee securing the Company's obligations resulting from the contract for the maintenance service of grain products within the contract with the Material Reserves Agency	own blank promissory note together with a promissory note declaration
STU Ergo Hestia S.A	272	until 02.03.2018	guarantee securing the Company's obligations resulting from the contract for the maintenance service of grain products within the contract with the Material Reserves Agency	own blank promissory note together with a promissory note declaration
BZ WBK SA	1 011	until 28.12.2021	guarantee securing the Company's obligations resulting from the contract sales and storage of pasta within the contract with the Material Reserves Agency	joint mortgage up to the amount of PLN 1 517 000 on Real estates marked as: - in Land and Mortgage Register No CZ1C/00111425/8 located in Częstochowa with the assignment of rights from the real estate insurance policy, - in Land and Mortgage Register No LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the real estate insurance policy, - own blank promissory note together with a promissory note declaration
BZ WBK SA	249	until 22.01.2021	guarantee securing the Company's obligations resulting from the contract for the maintenance of pasta within the contract with the Material Reserves Agency	joint mortgage up to the amount of PLN 373 000 on Real estates marked as: - in Land and Mortgage Register No CZ1C/00111425/8 located in Częstochowa with the assignment of rights from the real estate insurance policy, - in Land and Mortgage Register No LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the real estate insurance policy, - own blank promissory note together with a promissory note declaration

Until November 2017, the company Makarony Polskie SA used a guarantee in the amount of PLN 932,000 granted by Gothaer TU SA. The guarantee secured the proper performance of the contract with the Material Reserves Agency and due to the overall settlement of the secured contract, the guarantee was released.

The list of guarantees in force in the company Stoczek Natura Sp. z o.o. as at December 31, 2017 is illustrated in the table below:

Guarantor	Amount of guarantee in thousands PLN	Guarantee validity period	Item secured by the guarantee	Security
Bank Gospodarstwa Krajowego	1 472	until 31.08.2018	guarantee securing the Company's obligations resulting from the contract for delivery of ford products within the contract with National Agricultural Support Centre	- mortgage up to the amount of PLN 2 207 000 on real estate marked in Land and Mortgage Register No LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the real estate insurance policy, - blank promissory note issued by the Contractor together with a promissory note declaration, - Power of attorney to the account kept by BGK; - surety granted by the Company Makarony Polskie SA
Bank Gospodarstwa Krajowego	504	until 13.12.2021	guarantee securing the Company's obligations resulting from storing of ready-to-eat dishes within the contract with the Material Reserves Agency	- mortgage up to the amount of PLN 756 000 on real estate marked in Land and Mortgage Register No LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the real estate insurance policy, - blank promissory note issued by the Contractor together with a promissory note declaration, - Power of attorney to the account kept by BGK; - surety granted by the Company Makarony Polskie SA
Bank Gospodarstwa Krajowego	1 549	until 15.12.2021	guarantee securing the Company's obligations resulting from storing of ready-to-eat dishes within the contract with the Material Reserves Agency	- mortgage up to the amount of PLN 2 323 000 on real estate marked in Land and Mortgage Register No LU1U/00022979/2 located in Stoczek Łukowski with the assignment of rights from the real estate insurance policy, - blank promissory note issued by the Contractor together with a promissory note declaration, - Power of attorney to the account kept by BGK; - surety granted by the Company Makarony Polskie SA

Note No 30

Provisions on retirement benefits and similar benefits

Year 2017	State at the beginning of the period	Creation	Use and release	State At the end of the period
Provision on retirement pensions and similar benefits, including:	214	186	61	339
a) long-term	143	48	1	190
b) short-term	71	138	60	149
Other provisions, including:	0	0	0	0
a) provision for the audit of financial statements	0	0	0	0
b) other	0	0	0	0
Total	214	186	61	339

Year 2016	State at the beginning of the period	Creation	Use and release	State At the end of the period
Provision on retirement pensions and similar benefits, including:	234	38	58	214
a) long-term	144	7	8	143
b) short-term	90	31	50	71
Other provisions, including:	0	0	0	0
a) provision for the audit of financial statements	0	0	0	0
b) other	0	0	0	0
Total	234	38	58	214

The Group pays to retiring employees retirement benefits in the amount specified in the Labor Code and internal regulations. Therefore, on the basis of the valuation made by the actuary, it creates a provision for the current value of liabilities due to retirement benefits.

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

Note No 31

Long-term and short-term financial obligations

LIABILITIES DUE TO FINANCIAL LEASING AGREEMENTS

	Present value of the minimum lease payments	
	as at 31.12.2017	as at 31.12.2016
in the period of up to 1 year	826	709
in the period from 1 year to 5 years	2 036	1 429
Total	**2 832**	**2 138**

OTHER FINANCIAL LIABILITIES – HEDGE ACCOUNTING

	as at 31.12.2017	as at 31.12.2016
in the period of up to 1 year	0	0
in the period from 1 year to 5 years	0	0
Total	**0**	**0**

Note No 32

Other liabilities

	31.12.2017	31.12.2016
Trade liabilities from other entities:	**24 984**	**20 843**
- long-term portion	0	0
- short-term portion	24 984	20 843
Liabilities towards subsidiaries:	**0**	**0**
- long-term portion	0	0
- short-term portion	0	0
Liabilities towards entities	**0**	**0**
Prepayments:	100	83
Other liabilities:	**1 732**	**1 732**
- long-term portion	0	0
- short-term portion	1 781	1 732
Total liabilities	**26 865**	**22 658**

Trade liabilities:	31.12.2017	31.12.2016
- towards affiliated entities	0	0
- towards other entities	24 984	20 843
Total	**24 984**	**20 843**

Liabilities to State Treasury and other liabilities	31.12.2017	31.12.2016
- Personal Income Tax	188	164
- Social Insurance Company	481	498
- VAT	17	112
- salaries	589	508
- State Fund for the Rehabilitation of the Disabled	9	11
- Corporate Income Tax	65	22
- liabilities due to factoring agreements	0	0
- other	432	417
Total	**1 781**	**1 732**

LIABILITIES – CURRENCY STRUCTURE

	31.12.2017	31.12.2016
- In Polish currency	22 957	18 946
- In foreign currencies:	3 908	3 712
a) EUR unit/currency	937	839
in PLN	3 908	3 712
b) GBP unit/ currency	0	0
in PLN	0	0
Total	**26 865**	**22 658**

TRADE LIABILITIES – AGING

	31.12.2017	31.12.2016
1) Total current liabilities	20 962	17 794
2) Total overdue liabilities:	4 022	3 049
a) up to 1 month	3 970	2 801
b) above 1 month up to 3 months	52	229
c) above 3 month up to 6 months	0	19
d) above 6 month up to 1 year	0	0
e) above 1 year	0	0
Total trade liabilities	**24 984**	**20 843**

Note No 33

Deferred revenues

	31.12.2017	31.12.2016
Deferred revenues	**7 091**	**7 601**
- long-term portion	6 538	7 053
- short-term portion	553	548

The short- and long-term portion of deferred and accrued expenses includes subsidies for the purchase of machinery and equipment received by the parent company Makarony Polskie SA. The subsidy amounts were granted in 2006 and in 2009.

If the subsidy relates to an asset, its fair value is recognized in the deferred and accrued income account and then gradually, by equal annual write-offs, this value is written off in the statement of comprehensive income for the estimated useful life of the asset related to this value.

Note No 34
Off-balance items

(In thousands PLN)	December 31, 2017	December 31, 2016
1. Contingent assets	**5 329**	**1 477**
- received guarantees and sureties	5 329	1 477
- collaterals on property	0	0
- promissory notes	0	0
2. Contingent liabilities	**171 729**	**118 771**
- due to granted guarantees and sureties	5 025	5 025
- due to collaterals on property	118 725	80 750
- due to promissory notes	47 979	32 996
Total off-balance items	**-166 400**	**-117 294**

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

Note No 35
Transactions with affiliated entities

DIVIDENDS PAID AND PROPOSED FOR PAYMENT

During 2017, Management Board of the Company recommended to the Ordinary General Shareholders' Meeting that the net profit for the financial year 2016 in the amount of PLN 4,965,759.43 should be divided as follows:

- the amount of PLN 2 312 517.75 should be allocated to dividend payment, i.e. to pay a dividend in the amount of PLN 0.25 gross per share,

- the remaining part of the profit in the amount of PLN 2 653 241.68 should be allocated to the Company's supplementary capital.

On June 29, 2017, the Ordinary General Meeting of Shareholders of Makarony Polskie SA decided to distribute the profit for the financial year 2016 in accordance with the recommendation of the Management Board.

The dividend day was set for July 14, 2017. The dividend was paid on July 28, 2017. There were 9 250 071 shares of the Company entitled to the dividend.

The Management Board of Makarony Polskie SA decided that in the years 2018-2019 it will not recommend to the General Meeting of Shareholders that the dividend should be paid to shareholders. This decision is dictated by the ambitious multi-million investment plans adopted by the Group for the years 2018-2019. The Group companies have obtained both co-financing from European Union funds as well as foreign financing (long-term investment credits) for the implementation of these investments, however, in order to ensure proper cash flows, it is also necessary to ensure an appropriate level of Groups' own contribution. Taking the aforementioned into account, the Management Board decided as above.

The Management Board of the Company is of the opinion that the planned investments are important for further dynamic development of the Group and strengthening its market position, and in the long-term perspective they will also translate into an increase in goodwill for shareholders and the opportunity to achieve a higher return on investment in shares of the company Makarony Polskie SA.

The investments are aimed not only at modernization and extension of the machinery, but also creation of a research and development base allowing for quick response to emerging consumer needs and market trends, as well as offering innovative, including functional, products to the market.

Considering the aforementioned, the Management Board of the Company decided to recommend to the Ordinary General Meeting of Shareholders that the net profit for the period from January 1, 2017 to December 31, 2017 in the amount of c.a. PLN 5,249,000. PLN should be allocated to the supplementary capital of the company Makarony Polskie SA.

At the same time, the Company informs that pursuant to art. 382 §3 of the Code of Commercial Companies, this recommendation will be directed and reviewed by the Supervisory Board of the Company. The final decision regarding the distribution of profits for the 2017 financial year will be taken by the Ordinary General Meeting of the Company.

SETTLEMENTS WITH AFFILIATED ENTITIES

In 2017, the companies of the Makarony Polskie Group did not conclude any significant transactions between themselves on non-market terms.

Within the Makarony Polskie Group, individual companies conclude transactions of purchase and sale of products, goods and services among themselves. There are agreements between the companies specifying the terms of cooperation, adapted to the Group's organizational structure. All transactions are carried out on market terms and conditions.

Affiliated entity	Sales to affiliated entities – total revenues		Purchase from affiliated entities	
	For the period from 01.01 to 31.12.2017	For the period from 01.01 to 31.12.2016	For the period from 01.01 to 31.12.2017	For the period from 01.01 to 31.12.2016
Parent entity- Makarony Polskie S.A.	3 806	4 339	18 774	13 669
from/to Stoczek Sp. z o.o.	860	588	16 676	11 967
from/to MP Trade Sp. z.o.o.	2 946	3 751	2 098	1 702

Affiliated entity	Receivables from affiliated entities		Liabilities towards affiliated entities	
	As at 31.12.2017	As at 31.12.2016	As at 31.12.2017	As at 31.12.2016
Parent entity- Makarony Polskie S.A.	1 844	2 152	436	170
from/to Stoczek Sp. z o.o.	1 549	768	351	13
from/to MP Trade Sp. z.o.o.	295	1 384	85	157

SETTLEMENTS WITH SUBSIDIARIES

Subsidiary	Sales to subsidiaries – total revenues		Purchase from subsidiaries	
	For the period from 01.01 to 31.12.2017	For the period from 01.01 to 31.12.2016	For the period from 01.01 to 31.12.2017	For the period from 01.01 to 31.12.2016
Total subsidiaries	3 641	4 209	3 641	4209
from/to Stoczek Sp. z o.o.	3 484	3 648	157	561
from/to MP Trade Sp. z.o.o.	157	561	3 484	3 648

Subsidiary	Receivables from subsidiaries		Liabilities towards subsidiaries	
	As at 31.12.2017	As at 31.12.2016	As at 31.12.2017	As at 31.12.2016
Total subsidiaries	720	1 199	720	1 199
from/to Stoczek Sp. z o.o.	720	1 183	0	16
from/to MP Trade Sp. z.o.o.	0	16	720	1 183

Note No 36

Other items related to assets, liabilities, equity, revenues, costs and net profit or cash flow statement which are not typical due to their nature, size or scope

Realization of investments in production plants in Rzeszów, Częstochowa and Stoczek Łukowski

- in the production plant in Rzeszów, an investment was implemented, improving the efficiency of raw material utilization; moreover, the system of dosing liquid components was modernized by means of adapting it to gluten-free raw materials requiring a higher temperature medium,
- in the production plant in Częstochowa, the production line control system was modernized; this modernization contributed to the increase in the efficiency of property use; investment in a new, independent water and sewage connection was implemented, which contributed to the decrease in expenditures on the utilities; drying cabins, were purchased – this investment allowed to improve the quality of the product, reduce the energy consumption of production, and ultimately the investment shall contribute to the extension of the offer by the following types of pasta: fetuccine and lasagne; the weighing system for unit packaging was expanded, which will have an impact on further increase in the efficiency of packaging,
- for the production plant in Stoczek Łukowski a modern line for packaging stuffing and fillings, equipped with thermo-forming function was purchased; this investment will enable the company to offer products with extended shelf-life in relation to the currently offered products and to improve safety of production.

Extension of the product portfolio

In 2020 the pasta world market will be worth over PLN 110 billion (USD 31 billion), and the average annual growth rate (CAGR) for 2016-2020 will amount to 5.76%. The key trends affecting the pasta market are the following: the growing popularity of health-promoting pasta (health & wellness pasta), the growing demand for local flavors and varieties, the emphasis on the use of natural additives.

In 2016, responding to market trends, the Makarony Polskie Group continued the implementation of the portfolio optimization strategy and supplementation of the portfolio with high-margin products from the premium segment. There is ongoing work and research on new health-promoting products (e.g. gluten-free products, organic products, products rich in fiber or with a reduced carbohydrate content), organic products (BIO), flavored pasta, premium products (e.g. new shapes and forms of pasta, innovative packaging). Responding to the growing demand for health-promoting products focused on vegetable and high-protein pasta, the Group introduced to its portfolio the following types of pasta: flavour ribbons with added rosemary, spinach and garlic, peppers and chili and cinnamon, cut pasta with parsley and lovage as well as pasta made of buckwheat flour and BIO pasta.

The company Stoczek Natura Sp. z o. o. is systematically introducing new products to its offer. z o. o. in 2017, the company's portfolio was enriched, among others, by canned soups, canned dinner dishes, meat and preserves and dried fruit; in 2018 the company plans to introduce products that respond to the strong convenience market trend.

The Group's portfolio will also be supplemented with products manufactured by other producers, which are complementary to the basic product offer.

Increase in the scale of operations in the company Stoczek Natura Sp. z o.o.

In 2017, the company Stoczek Natura Sp. z o. o. recorded an increase in revenues by c.a. 64% y-to-y (PLN 13.7 million). The company recorded the largest increase in sales in the segment of processed meat and meat products (increase by 104% y-to-y which resulted from:

- a large positive sales dynamics in the Stoczek and Stoczek Męska Rzecz brands, which was supported by the expansion of the product offer, i. a. by canned soups, canned dinner dishes, meat and preserves, as well as a well-conducted promotional campaign for products in the current / basic offer,

- acquisition and implementation of private label and B2B contracts, as well as contracts for the delivery of ready-made meals for the National Center for Agricultural Support,

Material increase in the scale of the use of production capacity has significantly contributed to the reduction of unit costs in the enterprise and had a positive impact on the results achieved by the company Stoczek Natura Sp. z o. o.

Reorganization and change of the operating profile of the company MP Trade Sp. z o. o.

Due to the change in the business profile of MP Trade Sp. z o. o. and ongoing reorganization, this company significantly reduced employment and incurred one-time reorganization expenses.

In 2017, there were no other items than those shown in financial statement of the Group.

Note No 37
Significant Agreements

Agreements with Jeronimo Martins Polska SA

On the basis of an agreement concluded between Makarony Polskie SA and Jeronimo Martins Polska SA, pasta under private labels of the following chains: Vitalia, Pasatni, Dobrusia and Makaron Szlachecki are sold to the Biedronka chain.

- Agreements with Lidl chain

The company Makarony Polskie SA concluded trade agreements with Lidl chain for cooperation regarding the supply of pasta produced by the Company to Lidl chain, which jointly meet the criteria of a significant agreement.

- Agreement on co-financing the project under the name "Implementation of the results of research and development in the field of functional food in the company Makarony Polskie SA",

In March 2017, the Company concluded with the Podkarpackie Voivodeship Executive Board an agreement on co-financing of the project entitled "Implementation of the results of research and development in the field of functional food in the company Makarony Polskie SA", implemented under Measure 1.4 Support for SMEs of the Regional Operational Program of the Podkarpackie Voivodeship 2014- 2020.

The subject of the concluded grant agreement is the implementation of the results of research and development works carried out in cooperation with a scientific unit, consisting in the development of innovative recipes of products using raw materials not normally used in the pasta industry. The main objective of the project is the expansion of the company Makarony Polskie SA on the functional food market.

The project will be implemented until June 2018. Within the project, the Company plans to purchase fixed assets. Modern line for pasta production will constitute an asset of a significant value acquired under this project.

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

The terms and conditions of the contract are consistent with those commonly used for this type of contracts. The guarantee of proper performance of the contract is a blank promissory note submitted by the Company along with a promissory note declaration

Agreement on co-financing of the project called "Establishment of the Research and Development Center of the Pasta Industry at the company Makarony Polskie SA"

In April 2017, the Company concluded with the Ministry of Development and Finance an agreement on co-financing of the project called "Establishment of the Research and Development Center of the Pasta Industry at the company Makarony Polskie SA", implemented as part of Measure 2.1 Support for investment in R & D infrastructure of enterprises within Intelligent Development Operational Program 2014-2020.

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

The project will be implemented until June 2019. Within the project, the Company plans to purchase fixed assets and construction works. Modern line for production tests will be purchased for the needs of R&D Center. Parameters of this line will reflect conditions during industrial production process (this line will constitute an asset of a significant value).

The total cost of the project is c.a. PLN 18.6 million. The total maximum amount of expenditure eligible for support is PLN 15.2 million. Co-financing amounts to PLN 9.1 million.

The terms and conditions of the contract are consistent with those commonly used for this type of contracts. The guarantee of proper performance of the contract is a blank promissory note submitted by the Company along with a promissory note declaration

Decision on the withdrawal of the application for co-financing from the procedure of applying for a subsidy for the project called "Growth of competitiveness of Makarony Polskie S.A. by implementing the results of research and development in the form of process innovation."

In February 2017, Bank Gospodarstwa Krajowego published a list of projects selected for co-financing within the competition for sub-measure 3.2.2. Loan for technological innovation, Intelligent Development Operational Program 2014-2020, which included the Company's

project called "Growth of competitiveness of Makarony Polskie SA by implementing the results of research and development in the form of process innovation ".

In April 2017 the Company decided to withdraw the application for co-financing from the subsidy application procedure. A written statement on the withdrawal of the application was sent to Bank Gospodarstwa Krajowego, Department of European Programs, pursuant to §6 para. 23 of the Competition Regulations.

The withdrawal of the application for co-financing from the subsidy application procedure, and thus withdrawal from signing of the contract for co-financing and resignation from the project implementation results from the Company's involvement in the realization of two other aforementioned major investment projects which have also been co-financed. This translated into a change of evaluation of cost-effectiveness of the above mentioned project and the benefits achieved as a result of its implementation.

”Agreement on co-financing of the project of the company Stoczek Natura Sp. z o.o. called "Growth of competitiveness of Stoczek Natura Sp. z o.o. "

In November 2017, the company Stoczek Natura Sp. z o.o. concluded agreements for co-financing project called "Increase in competitiveness of Stoczek Natura Sp. z o.o." as part of measure 3.7 Increase of competitiveness of SMEs within the Regional Operational Program of the Lubelskie Voivodeship for the years 2014-2020.

The main goal of the project is to increase the competitiveness and innovativeness of the company of Stoczek Natura Sp. z o.o. on the domestic and international market by implementing the results of the conducted R&D research and – on the basis of this research - introducing into the production process of innovations in the form of ready-to-eat dish meat product technology, in which the fat component as a raw material for production is partly or completely replaced with inulin. The task consist in the implementation of the innovative solutions described in the project by modernizing the production lines of ready-to-eat meals in jars and cans, which will be possible thanks to the purchase of new fixed assets and intangible assets. The implementation of the project will have positive impact on the improvement of the quality and innovativeness of the offered products, their repeatability and increase in production efficiency. In addition, as a result of the project implementation, the company will be able to introduce new health-promoting products into the commercial offer, addressed to a new group of consumers. In the course of project implementation, modern information and communication technologies will be used (streamlining the management process), which will also positively affect the company's competitiveness and the building of an information society. An increase in innovation will be ensured, i.a. through investment support intended for the implementation of research results.

The terms and conditions of the contract are consistent with those commonly used for this type of contracts. The project will be implemented until February 2019. The total cost of the project is PLN 6.07 million. The total Co-financing amounts to PLN 2.96 million.

An agreement between the company Stoczek Natura Sp. z o.o. and the Agricultural Market Agency (currently: National Center for Agricultural Support)

In August 2017, the company Stoczek Natura Sp. z o. o. concluded an agreement with the Agricultural Market Agency (currently: National Center for Agricultural Support, further KOWR) for the supply of food products to warehouses of partner organizations within the Operational Program Food Aid 2014 - 2020 Subprogram 2017 (14/2017).

The object of the concluded agreement is delivery of pork stew with vegetables to the warehouses of the partner organizations of National Center for Agricultural Support, i.e. the Federation of Polish Food Banks, the Polish Committee for Social Aid, Caritas Poland, and the Polish Red Cross. The agreement will be realized in the period from August 2017 until May 31, 2018. The value of the agreement amounts to PLN 14.7 million.

In accordance with the requirements of the tender won, the company Stoczek Natura Sp. z o. o. submitted to the National Center for Agricultural Support a security for proper performance of the contact in the amount of PLN 1.47 million.

An agreement between the company Stoczek Natura Sp. zo.o and Material Reserves Agency

In October 2017, the company Stoczek Natura Sp. z o.o. concluded an agreement with the Material Reserves Agency for provision of comprehensive storage services for products covered by the agreement, including storage and replacement of these products. The duration of the agreement is 4 years, and its value is c.a. PLN 7 million net.

The terms and conditions of the agreement are consistent with those commonly used for this type of agreements. The company Stoczek Natura Sp. z o.o. submitted to the Material Reserves Agency a guarantee of proper performance of the agreement in the amount corresponding to 25% of the gross value of the products covered by the agreement.

An agreement between the company Makarony Polskie SA and the Material Reserves Agency

In November 2017 the Company concluded an agreement with the Material Reserves Agency for the sale of pasta and storage services including replacement. The duration of the agreement is 4 years. The total value of the agreement will exceed PLN 10 million. The terms and conditions of the agreement are consistent with those commonly used for this type of agreements. The Company submitted to the Material Reserves Agency a guarantee of proper performance of the agreement in the amount corresponding to 30% of the gross value of the products covered by the agreement.

Agreements concluded by the companies with Bank Gospodarstwa Krajowego

In July 2017, Makarony Polskie SA concluded with Bank Gospodarstwa Krajowego annexes to credit agreements for a total contractual value of PLN 11.0 million, i.e. agreements on overdraft in the current account as well as agreements on a non-revolving working capital credit in credit account.

The agreement with the highest value was the agreement on the overdraft in the current account with a credit limit of PLN 6.0 million. The annex to this agreement extended the repayment deadline until June 30, 2018 and modified the provisions regarding the Company's disclosure obligations towards the Bank.

In connection with the conclusion of the above annexes, the term of validity of the surety granted to the Company by the subsidiary Stoczek Natura Sp. z o.o. from December 30, 2017 until December 31, 2018.

- In November 2017 the company Stoczek Natura Sp. z o.o. concluded with Bank Gospodarstwa Krajowego banking product agreements of total value amounting to c.a. PLN 6,0 million, which jointly meet the criteria of a significant agreement.

  The agreement of the highest value is the agreement on overdraft credit In current account with credit limit amounting to PLN 3,0 million, with the deadline for ultimate repayment set at November 16, 2018.

Detailed information related to the above mentioned liabilities are mentioned in the section "Other financial information".

Agreements concluded by the company Makarony Polskie SA with the bank BZ WBK SA

During the financial year 2017, the company Makarony Polskie SA concluded new credit agreements with BZ WBK SA as well as annexed the existing agreements:

- In February 2017, the Company concluded an agreement with the Bank for an EU investment credit of PLN 12.1 million for the period of 5 years. The credit is intended to finance the investment project called "Establishment of the Research and Development Center of the Pasta Industry at the company Makarony Polskie SA".
- In April 2017, the Company concluded with the Bank annexes to four credit agreements, with the total value of c.a. PLN 33.9 million. The subject of these annexes was the unification of the provisions of credit agreements concluded by the Company with the Bank, i. a. in the field of the Bank's commission for managing credits and in the field of securing credit agreements.
- In September 2017, the Company concluded credit agreements with the Bank with the total value of PLN 9.8 million. The agreement with the highest value was an EU investment credit agreement with a value of PLN 8 million with a final date of obligation repayment set on January 31, 2022. The credit is intended to finance investment

related to the project called "Implementation of the results of research and development in the field of functional food in the company Makarony Polskie SA".

Detailed information related to the above mentioned liabilities are mentioned in the section "Other financial information".

Resignation of the company Stoczek Natura Sp. z o.o. from the implementation of the project called "Establishment of a Research and Development Center at the company Stoczek Natura Sp. z o.o. "

In March 2018 the company Stoczek Natura Sp. z o.o. decided to withdraw from the project "Establishment of the Research and Development Center at the company Stoczek Natura Sp. z o.o. ", co-financed under Measure 2.1 Support for investments in R&D infrastructure of the enterprises within the Intelligent Development Operational Program, and to terminate the subsidy agreement concluded with the Ministry of Investment and Development in September 2017.

The management of the subsidiary company took up the aforementioned decision after a detailed material and financial analysis, taking into account other activities and investment projects which have already been implemented and adopted for implementation aimed at the necessary development of the company's operations.

During the financial year 2017, there were no significant events in the operations of the Makarony Polskie Group which would not be reflected in the present financial statement.

Note No 38

Remuneration of the members of the Management Board and Supervisory Board

MANAGEMENT BOARD

First name and surname	Function	For the period from 01.01 to 31.12.2017		For the period from 01.01 to 31.12.2016	
		fixed	variable	fixed	variable
Zenon Daniłowski	President of the Management Board	579*	81	600	62
	Total	**660***		**662**	

* including PLN 32 000 for remuneration due to performing the function of the President of the Management Board in the subsidiary company MP Trade Sp. z o.o.

SUPERVISORY BOARD

First name and surname	Function	For the period from 01.01 to 31.12.2017	For the period from 01.01 to 31.12.2016
Roman Sobiecki	President of the Supervisory Board	18	17

Grzegorz Słodkowski – until 28.06.2016	Vice-President of the Supervisory Board	0	9
Wiesław Wasilewski	Member of the Supervisory Board	14	11
Marek Rocki	Member of the Supervisory Board	14	6
Tomasz Jankowski- until 26.10.2016	Member of the Supervisory Board	0	11
Michał Słodkowski – since 28.06.2016	Member of the Supervisory Board	14	4
Samera Abdelfatah Mohamed Elwaziri- since 03.11.2016	Member of the Supervisory Board	9	0
Total		**69**	**58**

Members of the Supervisory Board receive remuneration for each meeting of the Supervisory Board in which they will participate.

Members of the Supervisory Board of Makarony Polskie SA did not receive any remuneration from subsidiaries. The President of the Management Board of Makarony Polskie SA receives remuneration for performing the function of the President of the Management Board in the company MP Trade Sp. z o. o.

The company did not grant any loans to the members of the Management Board and Supervisory Board of Makarony Polskie SA.

Note No 39

Significant events which occurred after the balance sheet date in the period from January 1, 2018 to the date of submission of the present financial statement

After balance sheet date, there were no events that could significantly affect financial results

Note No 40

Significant accounting principles applied at the preparation of the financial statement

FOREIGN CURRENCY TRANSACTIONS AND VALUATION OF ITEMS EXPRESSED IN FOREIGN CURRENCIES

The consolidated financial statement is presented in the currency of the primary economic environment in which the entities operate; Polish zloty (PLN) is the functional and reporting currency of the entity, and all values, unless indicated otherwise, are reported in thousands of zlotys (000).

Transactions expressed in currencies other than the Polish zloty are translated into Polish zlotys using the exchange rate in force on the date of the transaction.

As at the balance sheet date, monetary assets and liabilities expressed in currencies other than the Polish zloty are translated into Polish zlotys using the average exchange rate set for a given currency by the National Bank of Poland, which is in force at the end of the reporting period. Foreign exchange rate differences resulting from the translation are recognized accordingly in the financial revenues (costs) or, in cases specified in the accounting principles (policy), capitalized in the value of assets. Non-monetary assets and liabilities recognized at historical cost expressed in a foreign currency are reported at the historical exchange rate as at the transaction date. Non-monetary assets and liabilities recognized at fair value expressed in a foreign currency are translated at the exchange rate prevailing at the date of re-measurement to fair value.

OVERARCHING ACCOUNTING PRINCIPLES

The Group applies in a continuous manner principles that ensure a reliable and clear presentation of the property and financial situation, financial result and profitability.

The principle of continuity – based on the application in a continuous manner of the adopted accounting principles, i. a. the same grouping of business operations, valuation of assets, including depreciation write-offs, liabilities, determination of the financial result and preparation of financial statements; for each accounting period the opening balance is equal to the closing balance of the previous period.

The going-concern principle - based on the assuming, in the course of valuation of assets and liabilities and determining the financial result, that the entity will continue its economic activity in the foreseeable future in the scope that is not significantly reduced, unless it is inconsistent with the actual or legal status.

The principle of accrual – based on assigning to a given period all revenues achieved in this period as well as the costs related thereto, regardless of the date of their payment.

The principle of prudent valuation – based on recognizing the result, irrespective of its amount, of any reduction of useful value of property assets, adjustments caused by permanent price changes, recognition of other undisputable revenues and extraordinary profits only, as well as all other extraordinary costs and losses incurred.

The Group applies overarching valuation principles based on the historical acquisition, purchase or production price, except for the valuation of financial assets that are measured at fair value, in accordance with IFRS.

REPORTING OBLIGATIONS RESULTING FROM THE ORGANIZATIONAL STRUCTURE

The parent company prepares consolidated financial statement. The parent company and subsidiaries do not have branches preparing their own financial statements and do not prepare joint statements.

SEGMENT REPORTING

In accordance with the requirements of IFRS 8, operational segments should be identified based on internal reports on these elements, which are regularly verified by persons deciding on the allocation of resources to a given segment and assessing its financial results. The Group operates in the following reporting segments: pasta, ready-to-eat dishes and preserves, jams, raw materials and other.

Due to the geographical division of operations, the Makarony Polskie Group does not distinguish virtually any other segments apart from domestic sales. The volume of export sales is insignificant for revenues generated by the Group. The Group operates mainly on the territory of Poland, whose regions, due to the proximity of their locations, similar economic conditions and general risks, should be considered a homogeneous area.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale and discontinued operations are assets or groups of assets that are classified in this category, which are recognized in the financial statement at the lower of their carrying amount or fair value less costs to sell. From the moment of classifying assets held for sale, a given company ceases to make depreciation write-offs.

Non-current assets and groups of net assets are classified as held for sale if their carrying amount will be recovered as a result of a sale transaction rather than as a result of their continuing use. The condition for including assets in this group is an active search for a buyer by the entity's management and a high probability of selling these assets within one year from the date of their qualification as well as the availability of these assets for immediate sale.

TANGIBLE FIXED ASSETS

Tangible fixed assets include fixed assets and expenditure on fixed assets under construction, which are intended to be used by the entities in their operations as well as for administrative purposes within a period longer than one year, which in the future will cause the flow of economic benefits to the entities. They are recognized at purchase prices or costs incurred for their generation, extension or modernization, decreased by depreciation write-downs made to date, as well as write-offs due to impairment losses. Expenditures on fixed assets include capital expenditures incurred as well as expenditure incurred on future deliveries of machinery, equipment and services related to the production of fixed assets. The initial value of tangible fixed assets includes their purchase price increased by all costs directly related to the purchase and adaptation of a given asset to a usable condition (extension and / or construction, modernization, external financing costs). Costs incurred after the date of handing over of a fixed asset into use, such as maintenance and repair costs, are charged to the statement of comprehensive

income at the time they are incurred. Subsequent expenditures are included in the balance sheet value of a given fixed asset or recognized as a separate fixed asset (where appropriate) only when it is probable that this item will cause flow of economic benefits into the Group and the item's cost can be measured in a reliable way.

Tangible fixed assets are depreciated using the straight-line method in the period of expected use of a given fixed asset. Depreciation of fixed assets takes place according to rates reflecting the expected period of their use. Depreciation begins when the fixed asset is available for use, whereas depreciation is ceased on the earlier of the following: when the fixed asset is classified as held for sale or when it is removed from the balance sheet. The depreciation method, depreciation rate and residual value are subject to verification as at each balance sheet date. Any changes resulting from the verification carried out are recognized as a change in estimates, according to the guidelines included in IFRS 5 "Non-current assets held for sale and discontinued operations" or are removed from the balance sheet. Fixed assets with a value of less than PLN 3,500 are redeemed on a one-off basis in the month in which they were put into service, except for a group of assets with unit value of less than PLN 3,500, which are redeemed during their economic use, if relevant.

If, when preparing the financial statement, circumstances occurred which indicate that the carrying amount of tangible fixed assets may not be recoverable, the assets are reviewed for potential impairment loss. If there are indications that impairment loss may have occurred, and the carrying amount exceeds the estimated recoverable amount, then the value of these assets or cash-generating means to which these assets belong is reduced to the level of recoverable value. Revaluating write-offs due to impairment loss are recognized in the statement of comprehensive income under "other costs".

A given item of tangible fixed assets may be removed from the statement of financial position after its disposal or in the event when no economic benefits are expected from the continued use of such asset. Any profits or losses resulting from the removal of a given asset from the balance sheet (calculated as the difference between any net sales and the carrying amount of a given item) are recognized in the statement of comprehensive income in the period in which such removal was made.

Tangible fixed assets include i. a. the following:

- real estate, i.e. land, buildings and civil engineering facilities,
- the right of perpetual usufruct of land,
- means of transport,
- machines and equipment,
- other movable fixed assets.

Land and the right of perpetual usufruct of land are not depreciated.

FIXED ASSETS UNDER CONSTRUCTION

Fixed assets under construction are deemed to be fixed assets in the period of their construction, assembly or improvement of an already existing fixed asset and are valued at the total amount of costs directly related to their acquisition or production, less potential write-offs due to permanent impairment losses.

Fixed assets under construction are not subject to depreciation until the completion of construction process and transfer of a given fixed asset for use.

EXTERNAL FINANCING COSTS

External financing costs are capitalized as part of the cost of producing fixed assets. The external financing costs include interest and foreign exchange gains or losses up to the amount corresponding to the interest cost adjustment.

INTANGIBLE ASSETS

Intangible assets include those assets of the Company which do not have a physical form, which are identifiable, which can be measured in a reliable way and which in the future will cause flow of economic benefits to the entity.

The following are considered to be intangible assets:

- property rights (including licenses, computer programs, concessions, proprietary copyrights, related rights),
- the rights to inventions, patents, trademarks, utility and decorative designs, know-how,
- goodwill,
- costs of completed development works, the result of which will be used to produce new or improved products or technologies.

Intangible assets acquired from a business entity as part of a separate transaction are activated according to the purchase price or manufacturing costs (costs of completed development works). Except for development works, intangible assets created by the entity on its own are not recognized in assets, and expenditures incurred on their production are recognized in the costs of a given period.

The value determined in such a way is shown in the financial statements in the assets of the statement of financial position in the net value, i.e. decreased by accumulated depreciation write-offs, as well as write-offs due to permanent impairment loss.

Depreciation of intangible assets is carried out according to depreciation rates reflecting the expected period of their use.

Expenses related to intangible assets which do not cause any improvement or extension of their useful life are recognized as costs at the date when they are incurred. Otherwise, they are capitalized.

The Group does not depreciate intangible assets with an indefinite useful life. They are subject to annual impairment loss tests and an analysis of whether there are any reasons to consider these assets as being used for an indefinite period of time.

IMPAIRMENT LOSS ON NON-CURRENT AND INTANGIBLE ASSETS

As at each balance sheet date, the Group reviews the carrying amount of non-current assets. In the event of any indications of possible impairment loss on non-current and intangible assets, the recoverable value of a given asset is estimated. The established amounts of revaluating write-offs reduce the carrying amount of the asset to which they relate and are disclosed in the statement of comprehensive income.

The amount of revaluating write-offs is determined as the surplus of the carrying amount of these components over their recoverable amount. The recoverable amount corresponds to the higher of the following values: net selling price less costs of sale or value in use. When determining the value in use, the estimated future cash flows are discounted to the present value using a gross discount rate reflecting the current market value of money over time and the risk associated with the given asset component.

For assets which alone do not generate cash flows, the recoverable value is estimated in proportion to the value of cash-generating units.

The revaluating write-offs are reversed if the reasons justifying their creation disappear. The effects of the reversal of revaluating write-downs are recognized in the profit and loss account, except for the amounts previously reducing the capital from revaluation, which adjust this capital to the amount of realized decreases.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in bank and cash on hand as well as short-term deposits with an original maturity period of up to three months.

The balance of cash shown in the cash flow statement consists of the cash and cash equivalents specified above.

INVENTORIES

Inventories are assets held for sale in the ordinary course of business, being in the process of production for sale and in the form of materials or raw materials used in the production process or in the rendering of services. Inventories include materials, goods, finished products, semi-finished products and work in progress.

Inventories of materials and goods are valued as at the balance sheet date according to the lower of the two following values: the purchase price (cost of production) or net realizable value. The net selling price is the selling price in the ordinary course of business, less the estimated costs necessary to realize the sale (rebates and discounts, costs related to the adjustment of inventories for sale).

As at the balance sheet date, the valuation of finished products is carried out at the level of the actual cost of production, using the principles of prudent valuation.

If the purchase price or technical costs of production of inventories is higher than the net realizable price, the entity makes revaluating write-offs which adjust the cost of sales.

The expenditure of materials, goods and finished products from the warehouse takes place successively at prices (costs) of those assets which were acquired (produced) by the entity at the earliest - the FIFO method.

RECEIVABLES

Receivables are recognized depending on the scheduled contractual repayment date as:

- long-term - when repayment period is longer than one year from the balance sheet date,

- short-term - when repayment is to take place within a period no longer than one year from the balance sheet date.

Trade receivables are initially recognized at fair value, i.e. according to the amounts initially invoiced, and then they are valued at the adjusted purchase price (depreciated cost) using the effective interest rate method, reducing these receivables write-offs due to impairment loss.

A write-off due to impairment loss on trade receivables is created when there is objective evidence that the Group will not be able to receive all amounts due arising from the original terms of sale. The amount of the provision is the difference between the carrying amount of a given asset and the present value of estimated future cash flows, discounted at the effective interest rate. A write-off is created for other operating or financial costs in the statement of comprehensive income - depending on the type of receivable to which the write-off is related.

Settlements expressed in foreign currencies during the reporting period are valued at the average exchange rate set for a given currency by the President of the National Bank of Poland, in force on the day of the transaction, unless a different rate has been determined in the customs declaration or other document binding for the company.

As at the balance sheet date, receivables expressed in foreign currencies are recognized in the books and are valued at the average exchange rate set for a given currency by the National Bank of Poland valid for a given day.

LOANS

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans include financial assets created as a result of issuing cash, goods or services directly to the other party to the contract, with the exception of financial assets intended for sale in the short term. Loans include loans granted to entities and transactions with "buy sell back" treasury bills. Loans are classified as current assets, provided that their maturity does not exceed 12 months from the balance sheet date. Loans with maturities exceeding 12 months from the balance sheet date are classified as non-current assets. Loans granted are valuated at depreciated cost using the effective interest rate, less any write-offs due to impairment losses. Interest accrued is recognized in financial revenues in the period to which they relate. The company creates revaluating write-offs for the value of dubious interest accrued at the moment of their calculation.

FINANCIAL ASSETS ESTIMATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Short-term financial assets estimated at fair value through profit or loss include assets acquired in order to obtain economic benefits resulting from short-term price changes. Short-term financial assets are initially recognized at their purchase price and measured at fair value as at the balance sheet date. Profit or loss on the evaluation of financial assets are recognized in the statement of comprehensive income, in financial revenues or expenses.

INVESTMENTS IN SECURITIES

Investments in securities are valued as at the date of the initial recognition at the purchase price adjusted for transaction costs. If the security is delivered after a strictly defined period after the transaction date, investments in securities are recognized in the books and excluded from the books on the date of the purchase or sale of securities.

As at the balance sheet date, investments in securities are classified as held for trading or available for sale are measured at fair value. In case when securities are classified as held for trading, gains and losses resulting from changes in fair value are recognized in the statement of comprehensive income for a given period.

In case of assets available for sale, gains and losses resulting from changes in their fair value are recognized directly in equity until the sale of securities or recognition of impairment loss. Then, accumulated profits or losses previously recognized in equity are recognized in the statement of comprehensive income.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity, which the Management Board intends and is able to hold to maturity.

Short-term investments to be held to maturity (e.g. bonds, debt certificates) are valued at depreciated purchase price determined with the use of the effective interest rate method. When determining the depreciated purchase price, the discount or premium obtained at the purchase of the investment and settled over the period of its maintenance until maturity is taken into account.

DEFERRED (PREPAID) EXPENSES

The Group activates and settles over time the incurred expenses or consumption of property components, which relate to the periods following the month in which they were incurred.

Deferred (prepaid) expenses include, i. a. the following:

- costs and fees related to specific periods (taxes, fees, insurance, subscriptions, consulting services),
- prepaid public advertising costs in the media,
- financial costs settled over time (pre-paid interest or bank commissions, expenses related to the acquisition of shares and costs of calls until the investment is settled).

EQUITY

Equity is created and reported in accordance with the legal provisions and the company's articles of association/ agreements.

Equity consists of the following:

- share capital, shown in the nominal value of registered shares, resulting from the Company's statute and the entry into the National Court Register,
- supplementary capital (from the sale of shares above their nominal value, legally created supplementary capital - up to 1/3 of the share capital, supplementary capital is created according to the statute, it is derived from the distribution of profit and transfer of reserve capital from revaluation of sold and liquidated fixed assets,
- retained profit / loss, including undistributed profit or uncovered loss from previous years,
- net profit or loss.

Costs of share issue incurred at the moment of establishment of the Company or increase in the share capital reduce the supplementary capital to the amount of surplus of the issue value over the par value of shares, and their remaining part is included in financial costs.

INTEREST-BEARING CREDITS AND LOANS

At the moment of initial recognition, bank credits and loans are recognized at the purchase price corresponding to the fair value of the received cash. In subsequent periods, credits and loans are measured at depreciated purchase price using the effective interest rate.

When determining the depreciated purchase price, all costs related to obtaining a credit or a loan as well as discounts or bonuses obtained during settlement of the liability are taken into account.

In the statement of comprehensive income, all effects on the depreciated purchase price as well as effects of removing the liability from the balance sheet are recognized.

LIABILITIES AND ACCRUED EXPENSES

Liabilities is an obligation resulting from past events to provide services with a reliably determined value, which will result in the use of the Group's existing or future assets.

Liabilities are initially recognized at fair value. When using normal payment terms, recognized in practice on the market in transactions of a similar nature, the fair value is deemed to be their face value arising on the day the liability is recognized. As at the balance sheet date liabilities are valuated at depreciated cost, whereas liabilities expressed in foreign currencies are recognized in the books and are valued at the average exchange rate set for a given currency by the National Bank of Poland valid for a given day.

Accrued expenses include liabilities payable for goods or services that have been received or performed, but have not been paid for, that have been invoiced or formally agreed with the supplier, including amounts due to employees.

PROVISIONS

Provisions are created when the Group has an existing obligation (legal or customary) resulting from past events and when it is probable that the fulfillment of this obligation will result in the necessity of outflow of funds and a reliable estimation of the amount of these funds may be carried out.

Where the effect of the time value of money exerts a material impact on the amount of the provision, the provision is determined by discounting the projected future cash flows to the present value, using the gross discount rate reflecting the current market prices of the time value of money, and the potential risks associated with a given obligation.

In particular, the Group creates provisions for:

- certain or highly probable future liabilities, the amount of which can be reliably estimated, and in particular for losses from business operations in progress, including guarantees and sureties granted, credit operations, effects of pending court proceedings,
- future liabilities due to benefits for employees, in particular for retirement and pension severance payments,
- unused annual leave.

PROVISIONS FOR EMPLOYEE BENEFITS

The vast majority of employees employed by the Group are entitled to retirement benefits after the period of employment. The payers of future retirement benefits are both the Group and separate pension funds. In the case of a pension scheme implemented by a pension fund, the Company's liability is limited to the payment of fixed contributions.

In the case of a retirement benefit plan implemented by the Group for its employees, the Group is required to provide specific, future retirement benefits in the form of retirement or pension severance payment (benefit).

Benefits related to the payment of specific contributions, which are transferred to pension funds for the benefit of the employees, are charged to the costs of the core activity in the reporting period to which they relate. The difference between the accrued costs of benefits and the value of contributions transferred to pension funds in a given reporting period was recognized in the balance sheet as receivables or liabilities.

The Group uses an actuarial valuation (based on a valuation prepared by an independent actuarial advisor) to determine the present value of future liabilities and the related costs of the current period. The valuation of provisions for employee benefits is based on the projected unit credit method, taking into account the requirements of International Financial Reporting Standards and International Accounting Standards, and in particular IAS 19.

Provisions are measured based on the present value of future liabilities of entities for employee benefits.

The basis for the valuation are the Group's internal regulations, in particular the Remuneration Regulations and relevant legal regulations.

LEASING

Financial leasing agreements which generally transfer to the Group all risk and all benefits resulting from possessing the object of leasing are recognized in the Company's assets as at the day of starting the lease at the lower of the two following values: fair value of the fixed asset being the subject of the lease or current value of the minimum lease payments. Lease payments are divided between financial costs and reduction of the lease liability balance in a way that enables obtaining a fixed interest rate on the outstanding liability. Financial costs are recognized directly in the statement of comprehensive income. Fixed assets used under finance lease agreements are depreciated over the shorter of two periods: the estimated useful life of the asset or the lease period. Lease agreements, according to which the lessor retains substantially all the risk and all benefits resulting from possessing the leased object, are classified as operating lease agreements. Lease

payments under operating lease and subsequent lease installments are recognized as costs in the statement of comprehensive income on a straight-line basis over the lease term.

REVENUES

Revenues are recognized in the amount in which it is probable that the Company will obtain economic benefits related to a given transaction and when the amount of revenues can be measured in a reliable way. Sales revenues are shown in net value, i.e. decreased by the due tax on goods and services (VAT) and due rebates. The following criteria are valid for determining revenues:

Sales of goods - Revenues are recognized if the significant risk and benefits resulting from the ownership of goods and products have been transferred to the buyer and when the amount of revenues can be estimated in a reliable way.

Provision of services - Revenues from the provision of services are recognized at the moment when the service is provided.

Interest - Revenues from interest are recognized successively as they accrue (taking into account the effective interest rate which is the rate discounting future cash inflows over the estimated useful life of financial instruments) in relation to the net carrying amount of a given financial asset.

DIVIDENDS

Dividends are recognized when the shareholders' rights to receive them are established.

CURRENT TAX

Current tax liabilities and receivables for the current and previous periods are measured at the amount of expected payment to the tax authorities (subject to reimbursement from tax authorities) using tax rates and tax regulations that were legally or actually already in effect at the balance sheet date.

The current tax burden is calculated on the basis of the tax result (tax base) of a given financial year. The tax base differs from gross profit (loss) in connection with the exclusion of taxable income and expenses that are tax deductible costs in the following years and items of costs and revenues that will never be included in the tax return. Tax charges are calculated on the basis of tax regulations and tax rates applicable in a given financial year.

DEFERRED TAX

For the purpose of financial reporting, income tax is calculated using the balance sheet liability method in relation to all temporary differences existing as at the balance sheet

date between the tax value of assets and liabilities and their carrying amount shown in the financial statements.

The provision for deferred tax is recognized in relation to all positive temporary differences:

- except when deferred tax provision arises as a result of the initial recognition of goodwill or initial recognition of an asset or liability at a transaction which does not constitute a combination of business entities and which - at the moment of its conclusion - has no impact either on the gross financial result or on taxable income or tax loss, and;
- in case of positive temporary differences arising from investments in subsidiaries - except when the dates of reversal of temporary differences are subject to investor's control and when it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized in relation to all deductible temporary differences as well as unused reliefs and unused tax losses carried forward to the following years, in the amount in which it is probable that taxable income will be achieved, which will allow the use of the abovementioned differences, reliefs and losses:

- except when deferred tax assets related to deductible temporary differences arise as a result of the initial recognition of an asset or liability at a transaction which is not a business combination and – at the moment of its conclusion - do not affect gross profit or taxable income or income tax loss and
- in case of deductible temporary differences due to investments in subsidiaries, the deferred tax asset is recognized in the balance sheet only in the amount in which it is probable that in the foreseeable future the above mentioned temporary differences will be reversed and taxable income will be generated which will allow deduction of negative temporary differences.

The carrying amount of the deferred tax asset is verified as at each balance sheet date and is subject to an appropriate reduction in so far as it is no longer probable that taxable income will be sufficient to partially or fully realize the deferred income tax asset.

Deferred income tax assets and deferred tax provisions are valued using tax rates that are expected to apply in the period when the asset will be realized or the provision will be released, based on tax rates (and tax regulations) in effect at the balance sheet date or such rates and regulations which in the future will certainly be in effect as at the balance sheet date.

Income tax related to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

VALUE ADDED TAX (VAT)

Revenues, costs and assets are recognized after deducting the value of the value added tax, except:

- when value added tax paid at the moment of purchase of assets or services is not recoverable from the tax authorities; it is recognized as a part of the purchase price of the asset or as a part of the cost position, respectively, and

- receivables and liabilities that are reported in the financial statement including the amount of value added tax.

The amount of value added tax recoverable from or payable to tax authorities is recognized in the statement of financial position as part of receivables or liabilities.

Note No 41

The purpose and the principles of financial risk management

The main financial instruments used by the Group include bank credits, factoring and cash. Their main purpose is to provide funds for the Group's basic operations. The Group also has other financial instruments, such as trade receivables and trade liabilities that arise directly in the course of its operations.

The current financial situation of the Group, its production potential and market position create opportunities for further development, however, there are many factors, especially 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 consumer habits, e.g. due to rising prices or widely published information on the healthy values 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 these trends, both in terms of the products themselves as well as their production technology. The current product range of the Group is modified in line with market trends, e.g. health-promoting and "Fit" products are systematically developed, the offer has already been extended by, among others, pasta made of spelt, rye and buckwheat flour and BIO products. Responding to the trend of diversification and

premiumization of assortments, at the end of 2016 rolled pasta with flavoring agents were introduced – intended for both main dishes as well as soups.

Risk of competition

All areas of the Makarony Polskie Group's operations belong to highly competitive segments. There is a risk that the intensified actions of competitors, manifested mainly in the deterioration of business conditions will affect the profitability and revenues of the Group, and thus may affect the implementation of the assumed objectives. All activities of the competitive environment are constantly monitored and precisely analyzed by the marketing department of the Group, 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 (the Group has set up teams whose aim is realization of R&D projects).

The risk of economic (moral) and physical wear of machinery and equipment and loss of their market value

Many domestic producers have recreated and expanded or are planning to modernize their technology and machines, in relation to the possibility of obtaining EU co-funding for this purpose. This is mainly forced by strong competition from producers (both domestic and foreign) as well as market trends, e.g. at the level of new, innovative packaging, energy consumption of the production process, the efficiency of the very machines and equipment, or the automation of processes which have been manually handled so far.

Machines and equipment currently used in the Group's production plants are fully operational, undergo periodic renovations and modernizations. Companies of the Group also keep investing in new fixed assets used in production, which is the result of, e.g. reaction to market needs (investments in new balers and case packers used in the production of pasta, a new labeler for jars with non-standard shapes in the company Stoczek Natura Sp. z o. o.), however, it mainly concerns maintaining the current production profile of the plants. Currently, the Group is rapidly changing and installing a new technology park, and the acquired EU co-funding will accelerate this process.

In order to maintain the market position and meet the growing demand for new, innovative products and packaging, the Group companies applied successfully for EU funds available within the 2014-2020 perspective. The Group informed the market about subsidies received by means of current reports. These activities are aimed at both modernization of the machinery park used in the current production profile, as well as the development of new business areas.

However, there is a risk that any delay in the implementation of development projects may result in the loss of the current market position of the Makarony Polskie Group companies.

The risk of dependence on customers

A significant part of the Group's revenues is achieved through cooperation with organized and centrally-decisive trading chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some of the commercial agreements 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 the recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in the inability to satisfy the demand or in incomplete use of production capacity, which will have an impact on the results. In the Group's opinion, this risk is not significant, because the quantity of products delivered so far has not been subject to significant fluctuations annually, reaching the foreseeable limits. In addition, the Group's companies conduct systematic actions towards the diversification of customers and increase in the number of so-called medium-sized customers.

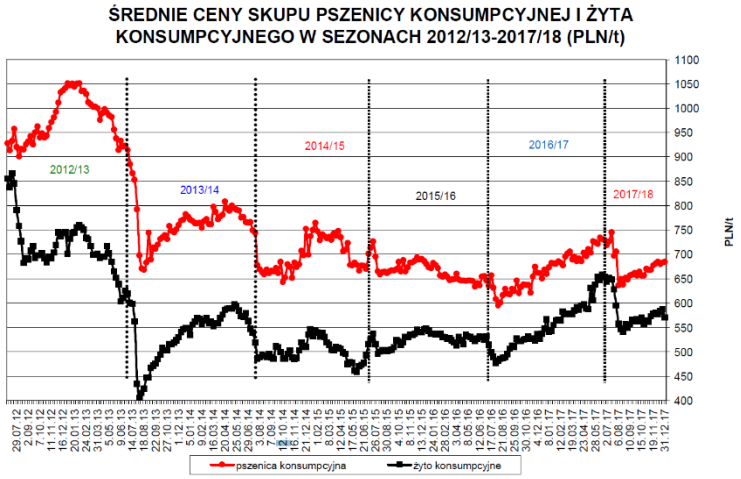
The risk related to changes in raw material prices.

The Group's policy in the scope of hedging the prices of raw materials with long-term purchase contracts, in annual and semi-annual periods, allowed to maintain the average purchase price of flour and egg mass at a stable level, and thus to avoid a significant reduction in the profitability of the pasta produced.

In relation to the current situation on the cereal market, the Company monitors the forecasts on both the domestic market and the prices of wheat intended for consumption on global markets on an ongoing basis. Information from European and non-European cereal markets shows that in the oncoming months cereal prices should remain stable. Nevertheless, the company Makarony Polskie SA is aware that the current market level of flour prices, which has been stable for several years, is so low that the prices are strongly exposed to increases caused by possible speculations or natural disasters. The company systematically takes steps to secure the purchase prices of some raw materials in order to minimize the effects of possible fluctuations of flour prices.

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

AVERAGE PURCHASE PRICES OF WHEAT AND RYE INTENDED FOR CONSUMPTION IN SEASONS 2012/13-2017/18 (PLN/ton)



Source: Cereal market week 01'2018, Sparks Polska

Egg mass prices currently prevailing on the market are at the level of PLN 4 400- 5 000 for one ton of egg mass. Since 2013, there has been a gradual increase in egg consumption in Poland (currently it exceeds the number of 152 eggs per person). At the end of the third and fourth quarter of 2017, the prices of egg mass increased sharply (to PLN 10 000-11 200 for one ton of egg mass) which resulted from the withdrawal of large batches of table eggs from retail trade in many EU countries, especially in Germany , Belgium, the Netherlands and Sweden due to the detection of contamination of eggs with an agent called the fipronil and the slaughter of large flocks of laying hens (the source of contamination was the feed for hens). The gap which emerged on the market caused shopping fever in countries not covered by this problem, including Poland. Prices soared up by 250-260%. Such drastic increases in the prices of egg mass caused that suppliers often decided to terminate previously concluded long-term contracts, due to the fact that contractual penalties reserved in these contracts were lower than the profits possible to achieve from the sale of this raw material to the countries in Western Europe.

In conclusion - the price of egg mass at the end of the third and fourth quarters of 2017 reached such a high level that in order to maintain the profitability of egg pasta production, it was necessary to adjust the sale price of these products.

The situation, according to former predictions, stabilized at the beginning of 2018, when new laying hens in Western Europe reached maturity and began to lay eggs. Prices of eggs and egg mass again dropped to the level of PLN 4 400-5 800 for one ton of egg mass. Forecasts for 2018 assume that prices of eggs and egg mass may slightly increase (according to producers, the current price level is at the lower end of the profitability of

production), however, these increases will not have a significant impact on the profitability of products.

The company Stoczek Natura Sp. z o. o. is a producer of fruit and vegetable preserves (including jams and salads) and ready-to-eat dishes. The prices of fruit and vegetables are strongly dependent on weather conditions. The company cooperates with domestic fruit and vegetable suppliers, moreover, in 2017, the base of foreign suppliers of key raw materials has been expanded, which provides the company with greater possibilities of obtaining cheap raw material of good quality. Purchase of fruit and vegetables is carried out seasonally, in months in which their prices are at the lowest. If necessary, purchased raw materials are stored in company warehouses and cold stores. The company Stoczek Natura Sp. z o. o. is exposed to an increase in raw material prices resulting from various types of weather anomalies. In order to minimize this risk, the company maintains an extensive base of suppliers of key raw materials. In addition, Stoczek Natura Sp. z o. o., striving to optimize the operation of the plant, provides for the possibility of outsourcing the production of these categories of fruit and vegetable preserves, whose market share does not guarantee to the company the optimal use of existing production capacity and purchase of raw materials at attractive prices.

The risk of variable legal and fiscal environment

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

The protection of the interests of the Group in terms of legal changes is supervised by legal teams which in due course undertake 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.

The risk of foreign currency fluctuations

Makarony Polskie Group is a importer of semolina and exporter of finished products. The sales prices of the Company's products are determined on a case-by-case basis and take into account the current value of exchange rates so as to ensure satisfactory sales profitability.

The depreciation of Polish zloty may have a negative impact on the level of profitability of the operations realized by the Group as an importer. In order 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 risk of wage pressure

Recent legislative changes (increase in the minimum wage, setting a minimum hourly rate on civil law contracts) cause that wage pressure is increasing among employees and potential job candidates. This phenomenon is compounded by the fact that the labor market is beginning to tilt towards the employee market. Employers, including Group companies, may find it difficult to find suitable candidates for vacant positions, both among specialists and managerial staff as well as among unskilled workers.

Aiming at minimizing staff turnover, especially among key employees and specialists, the Group is systematically trying to implement motivational remuneration systems (combined with, among others, production and sales efficiency), which by means of strict linking of work results of individual teams / people with the effectiveness of achieving the Group's goals determined for these teams / employees, allow to combine the level of wages which is satisfactory to the employees with the profitability of the company's operations.

Interest rate risk

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

To a large extent, the Company finances its operations with credits, which increases its sensitivity to the risk caused by changes in the interest rate in both long-term and short-term financial liabilities.

In 2017, the Company used external financing in the form of the following bank credits: overdrafts, investment credit and credits in current accounts.
As at December 31, 2017, the Company had credit liabilities amounting to PLN 20,493 000:

Currency	Interest rate	Credit balance	including credits	
			Short-term	Long-term
PLN	WIBOR + bank margin	20 493	12 272	8 221

The company has liabilities on account of 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 interest rates as compared to the rates prevailing on the day of conclusion of the contract.

Credit risk

Credit risk means the risk of the Group's contractors failing to meet their obligations. The Group applies the principle of making transactions with contractors with proven creditworthiness; if necessary, the Group obtains appropriate security as a tool to reduce the risk of financial losses due to default. The Group uses financial information available to the public as well as 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; credit risk control is possible thanks to the limits verified and approved on an ongoing basis within the control structures operating within the Group. In addition, the Group covered a selected contractors with trade receivables insurance granted by one of the major insurers operating in this field on the Polish market.

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

Note No 42
Capital management

The main objective of the Group's capital management is to maintain the credit rating and safe capital ratios which would support the operational activity and increase the value for its shareholders.
The Group manages the capital structure and introduces changes to it as a result of changes in economic conditions.
In 2017, activities in the area of financing sources were continued, the aim of which was to achieve higher efficiency of their use and reduce the costs of their acquisition. The Group used a wide range of financial instruments:

- bank credits - short- and medium-term credits as well as investment credits,
- purchase of receivables (factoring),
- leasing of fixed assets.

The structure of financing sources was subordinated to the flexibility demand, i.e. so that in the periods when financial surpluses arise, the level of indebtedness (overdraft credits in current account, balance of receivables purchase) would decrease, and during periods of increased demand for funds the level of indebtedness would ensure stable level of financing of current operations.

In 2017, the Group realized planned repayments of interest-bearing liabilities in a timely manner.

Note No 43
Financial instruments

Financial instruments have the largest share in the structure of the statement on financial position of the Group, where liabilities include trade liabilities and bank credits.

On the side of assets, the main financial instruments highlighted are receivables mainly due to product deliveries.

As at December 31, 2017, the Group does not use financial instruments to hedge the value of assets and liabilities and, as a result of this, it does not apply formal hedge accounting. Detailed description of accounting principles and applied valuation methods for particular categories of financial assets and liabilities was included in the previously described accounting principles.

Note No 44
Significant proceedings pending before a court, a competent tribunal of arbitration or a public administration body

In 2017, proceedings regarding the liabilities and receivables of the company Makarony Polskie SA or its subsidiaries whose total value would account for at least 10% of the equity of the company Makarony Polskie SA were not brought before any court, competent tribunal of arbitration or public administration authority.

Note No 45
Employment in Makarony Polskie Group

Employment as at:	31.12.2017	31.12.2016
Production	121	132
Administration	23	21
Sales	37	43
Total	181	196

Note No 46
The auditor's remuneration

The Supervisory Board of Makarony Polskie SA chose the auditing company ReVision - Rzeszów Józef Król Sp. z o.o. with its registered office in Rzeszów as a certified auditor to review the financial statement for the first half of 2017 and to audit financial statements of the Makarony Polskie Group companies for the financial year 2017.

The company ReVision - Rzeszów Józef Król Sp. z o.o. is entered on the list of auditing companies to audit financial statements under the number 3510 and entered into the register of entrepreneurs of the National Court Register kept by the District Court in Rzeszów, XII Commercial Department of the National Court Register under the number 0000336012.

Makarony Polskie SA used the services of ReVision - Rzeszów Józef Król Sp. z o. o. in the scope of review and audit of financial statements for the financial year 2010 and in the financial years 2012-2016.

Agreement with the above mentioned auditor was concluded for the period of review of the financial statements for the first half of 2017 and audits of financial statements of the Makarony Polskie Group companies for the financial year 2017.

Remuneration due to ReVision - Rzeszów Józef Król Sp. z o.o. to be paid by the company Makarony Polskie SA totals PLN 52.500 (PLN 18 000 for the review of the separate and consolidated semi-annual statements, PLN 34.500 for the audit of the financial statements of the company Makarony Polskie SA and Makarony Polskie Group for the year 2017).

The amount of remuneration due to ReVision - Rzeszów Józef Król Sp. z o. o. to be paid by the company Stoczek Natura Sp. z o.o. totals PLN of 16 000 (PLN 5 000 for the review of the semi-annual report, PLN 11 000 for the audit of the financial statements for the year 2017).

The amount of remuneration due to ReVision - Rzeszów Józef Król Sp. z o. o. to be paid by the company MP Trade Sp. z o. o. totals PLN 5.500 (1.500 PLN for the review of the semi-annual report, PLN 4 000 for the audit of the financial statements for the year 2017).

Remuneration paid to ReVision - Rzeszów Józef Król Sp. z o. o. for services related to the review and auditing of financial statements of the Group companies in the financial year 2016 amounted to:

- PLN 52.500 PLN to be paid by the company Makarony Polskie SA (PLN 18 000 for the review of the separate and consolidated semi-annual report, PLN 34.500 for the

audit of the financial statements of the company Makarony Polskie SA and Makarony Polskie Group for the year 2016),

- PLN 16 000 to be paid by the company Stoczek Natura Sp. z o. o. (PLN 5 000 for the review of the semi-annual report, PLN 11 000 for the audit of the financial statements for the year 2016),
- PLN 5.500 to be paid by the company MP Trade Sp. z o. o. (PLN 1500 for the review of the semi-annual report, PLN 4000 for auditing the financial statements for the year 2016).

.....	.....
Grażyna Kozielec	Zenon Daniłowski
Chief Accountant	President of the Management Board

Rzeszów, this day March 20, 2018

Unless otherwise indicated, the source of data shown in the present statement, is the Makarony Polskie Group