Condensed Financial Statements of the Makarony Polskie Group for the period from 01.01.2020 do 30.06.2020



Rzeszów, 24 September 2020

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

The Makarony Polskie Group
24 September 2020

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

General information

Organizational structure of the Makarony Polskie Group

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

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



Makarony Polskie SA is a producer of a wide range of pasta, produced in extruded and rolled technology. The Company offers pasta in many different forms, made on the basis of durum flour and wheat flour. In its portfolio, the Company also has products that respond to the trends of pro-health food, such as pasta made from spelt, buckwheat and rye flour. The range of products is enriched with large pasta forms for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas. The Company has great opportunities to extend the range of pasta made from flours less frequent such as from legumes and the portfolio will be developed in this direction.

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

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

MP Trade Sp. z o.o. develops trade on own account with external goods of Polish and foreign producers. The Company's activity focuses on the sales of products bought from external suppliers under its own Novelle brand and

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

All transactions are performed under the market terms and conditions.

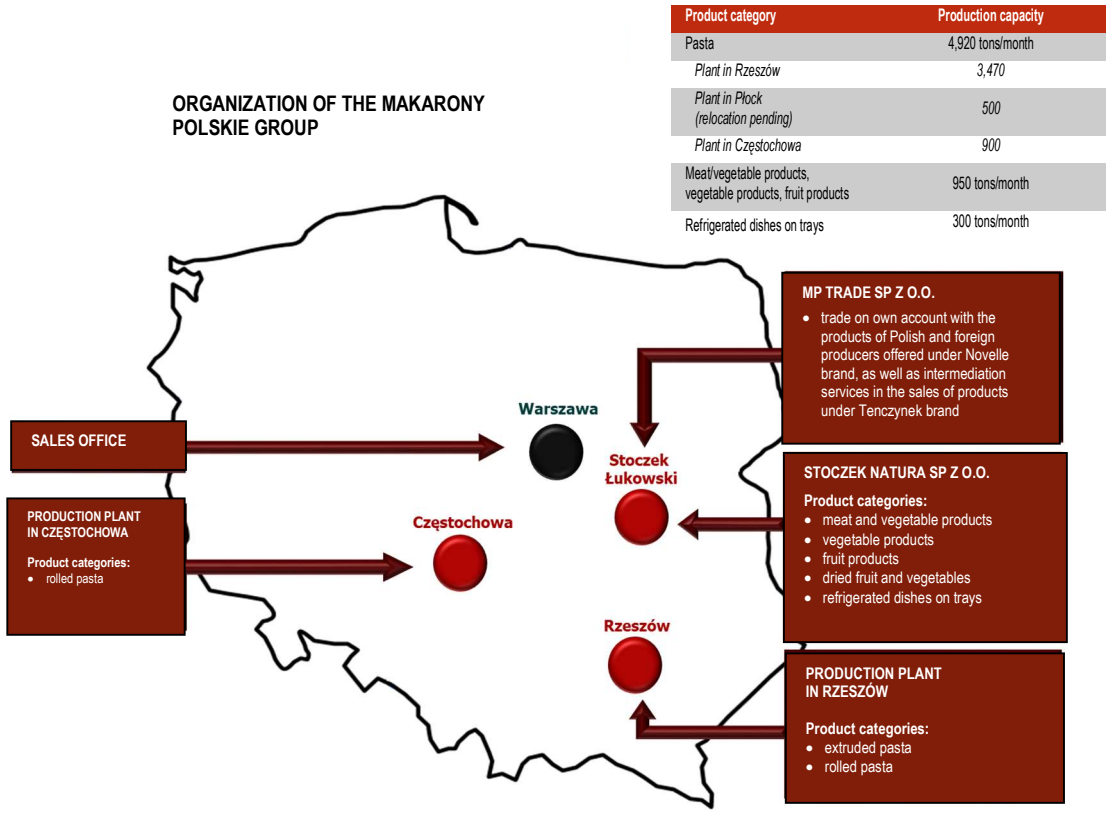
granting the license for Novelle brand to Makarony Polskie SA within the scope of production of vegetable pasta and other goods produced within the Makarony Polskie Group. The business model adopted by the Company creates its value by the increase in the value of the brand and the production is contracted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

Changes in the organization of the Makarony Polskie Group during the first half of 2020

During the first half of 2020, there were no changes in the Makarony Polskie Group that would significantly affect the structure or organization of the Group.

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

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



Organizational data

Makarony Polskie SA

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

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

KRS number 0000212001,

Share capital: PLN 27,750,213 – fully paid-up

Regon [National Business Registry Number]: 691674708,
NIP [tax identification number]: 813-32-78-856,
www.makarony.pl

Stoczek Natura Sp. z o.o.

Registered office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,
Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department
KRS number: 0000050439,
Share capital: PLN 15,707,800
Regon [National Business Registry Number]: 711584640,
NIP [tax identification number]: 825-17-27-212,
www.stoczek.com.pl

The Group's personnel policy is focused on maintaining high-class specialists and managers who, thanks to their knowledge, experience and commitment, ensure the highest level of implementation of the Group's business objectives set before them.

MP Trade Sp. z o. o.

Registered office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,
Commercial Court Lublin Wschód with its registered office in Świdnik, 6th Commercial Department
KRS number: 0000579926,
Share capital: PLN 1,500,000
Regon [National Business Registry Number]: 362706449,
NIP [tax identification number]: 825-21-76-004,
www.mp-trade.pl

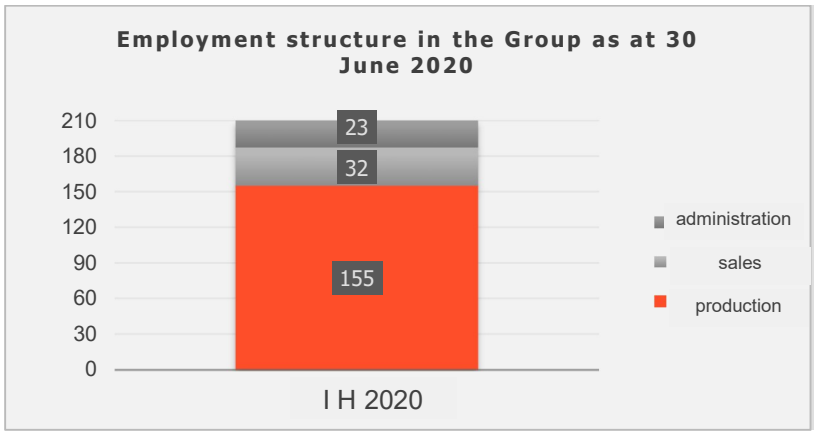
100% of shares in the share capital of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. is owned by Makarony Polskie SA. As at 30 June 2020, the share in the total number of votes at the Meeting of the Shareholders of these companies, held by the parent company, is equal to the share in the capital of each of the subsidiaries.

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

Employment as at 30 June 2020 in the Makarony Polskie Group

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

Employment as at 30 June 2019 in Makarony Polskie Group totaled 210 people (vs. 207 people at the end of the first half of 2019 and 182 people at the end of the first half of 2018).



The personnel policy of the Makarony Polskie Group is focused on maintaining high class specialists and managers who, thanks to their knowledge, experience and commitment, ensure the highest level of implementation of the Group's business objectives, thus guaranteeing continuous improvement of the organization and improving the quality of offered products and services.

Composition of the parent company's Management Board

In the period from 1 January 2020 to the date of publication of these financial statements, the Management Board of the Company has operated as a one-person Management Board. Zenon Daniłowski is the President of the Management Board

Shares held by the Management Board Members

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

Member of the Management Board	H1, 2020		2019	
	number of shares	nominal value	number of shares	nominal value
Zenon Daniłowski*	140,000	420,000	140,000	420,000

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

In accordance with the information held by the Company, during the first half of 2020 and until the date of publication of these statements, there were no changes in the ownership of shares held by the President of the Management Board.

Composition of the parent company's Supervisory Board

From 1 January 2020 to the date of publication of this statements the Supervisory Board is composed of:

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

Audit Committee

From 1 January 2020 to the date of publication of this report, the Audit Committee is composed of:

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

As required by law, the Audit Committee Members have knowledge and skills in accounting or financial statements auditing and knowledge and skills in the industry in which the Company operates.

Shares held by Members of the Supervisory Board

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

Member of the Supervisory Board	I P 2020		rok 2019	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer El Waziri	0	0	0	0
Wiesław Wasilewski	5,000	15,000	5,000	15,000

In accordance with the information held by the Company, during the first half of 2020 and until the date of publication of these statements, there were no changes in the ownership of shares held by the Members of the Supervisory Board.

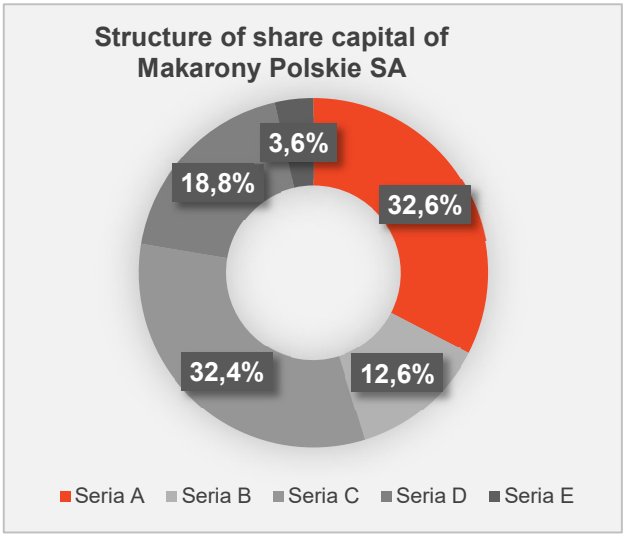
General Meeting of the parent company

Share capital of Makarony Polskie SA:

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

Structure of the Company's share capital:

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



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

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

Shares held by major shareholders (over 5% of the capital)

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

Shareholder	Shares in share capital	Votes at the General Meeting

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

Changes in shareholding in the first half of 2020

On 18 March 2020 the Company received a notification sent by Wojciech Wiśniewski, on his behalf and on behalf of Agro-Jumal Sp. z o.o. with its registered office in Sieradz, regarding the decrease in the number of shares of Makarony Polskie SA held by them. Mr. Wojciech Wiśniewski, acting on his own behalf and on behalf of Agro-Jumal Sp. z o.o. informed that on 13 March 2020 as a result of a sales transaction of shares of Makarony Polskie SA on the stock market, a change occurred in the share in the total number of votes in the General Meeting of the Company held by him and Agro-Jumal Sp. z o.o by reducing it to below 5% (hereinafter referred to as the "Change in Holdings").

Before the Change in Holdings, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. held 477,562 shares of the Company, representing 5.16% of share in the share capital of the Company and entitling them to 477,562 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 477,562 votes, in which:

- Mr. Wojciech Wiśniewski held individually 328,962 shares of the Company representing 3.56% of share in the share capital of the Company and entitling him to 328,962 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 328,962 votes;
- Agro-Jumal Sp. z o.o. held individually 148,600 shares of the Company representing 1.6% of share in the share capital of the Company and entitling it to 148,600 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 148,600 votes.

After the Change in Holdings, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. hold 452,623 shares of the Company, representing 4.89% of share in the share capital of the

Company and entitling them to 452,623 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 452,623 votes, in which:

- Mr. Wojciech Wiśniewski holds individually 304,023 shares of the Company representing 3.29% of share in the share capital of the Company and entitling him to 304,023 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 304,023 votes;
- Agro-Jumal Sp. z o.o. holds individually 148,600 shares of the Company representing 1.6% of share in the share capital of the Company and entitling it to 148,600 votes in the total number of votes in the General Meeting of the Company, i.e. to exercise 148,600 votes.

Additionally, Mr. Wojciech Wiśniewski informed that he and Agro Jumal Sp. z o.o.:

- do not have any subsidiaries which would hold the shares of the Company,
- have not concluded the agreement referred to in Article 87(1)(3)(c) of the Act on Public Offering, i.e. the agreement of which the subject matter is the transfer of the entitlements to execute the voting right,
- do not have any financial instruments which on maturity would unconditionally entitle or oblige their holder to acquire the shares to which voting rights are attached, already issued by the Company, referred to in Article 69b(1)(1) of the Act on Public Offering.
- do not have any financial instruments which relate to the shares of the Company indirectly or directly and have economic consequences similar to the consequences of the financial instruments specified in the previous sentence, referred to in Article 69b(1)(2) of the Act on Public Offering.

The Company has no other information that would indicate changes in the number of shares held by material shareholders (holding stakes over 5%) during the first half of 2020 and until the date of publication of these statements.

The Company has no knowledge of other contracts (including those concluded after the balance sheet date) as a result of which there may be in the future any changes in the proportions of shares held by the existing shareholders.

Management Board of the subsidiaries

As at 30 June 2020 and as at the date of this report publication, the composition of the Management Boards of the subsidiaries was as follows:

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

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

- Alicja Hinz – from 05 October 2001,
- Jerzy Krzyżowski – from 17 January 2020,
- Dariusz Cylka – from 17 January 2020 to 10 July 2020.

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

Publication and approval of the financial statements

These condensed consolidated financial statements have been audited by an audit firm, have been approved by the Management Board for publication on 24 September 2020.

Legal basis for preparation of the consolidated financial statements

Declaration of compliance and the basis for preparing the statements

The Condensed consolidated financial statements have been prepared on the basis of International Accounting Standards as adopted by the European Union (EU) and related interpretations announced in the form of implementing regulations of the European Commission (hereinafter referred to as "IFRS"), applicable to interim financial reporting as approved by the European Union (IAS 34 "Interim financial reporting") in accordance with Article 55 paragraph 5 of the Accounting Act (Journal of Laws of 2019, item 351, as amended) and implementing provisions issued based on it, and in accordance with the requirements set out, in the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) published and in force at the time of preparation of these condensed, consolidated financial statements. These financial statements do not include all information and disclosures required in annual financial statements and should be read jointly with the financial statements of the Group and Company for the year ended December 2019.

Basis for valuation

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

Functional and presentation currency

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

Unless indicated otherwise, the financial data is denominated in PLN '000.

Accounting principles applied and the basis for preparing the statements

The accounting principles used to prepare the interim condensed consolidated financial statements are consistent with those applied to the preparation of the annual financial

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

The financial statements of all entities were prepared for the same reporting period using consistent accounting principles.

The financial year of the Group shall be the calendar year.

Parent company - Makarony Polskie SA and subsidiaries - prepare financial statements according to IAS/IFRS.

All transactions, balances, revenues and costs between related entities covered by consolidation are subject to consolidation exclusions.

Duration of the Group companies' operation is not limited.

Entities subject to consolidation

as of 30 June 2020	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o.o.
Type of relationship	a direct subsidiary	a direct subsidiary
Consolidation method	full	full
Date of taking control	1 June 2007	28 September 2015
% of held capital	100%	100%

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

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

Changes to the rules for preparing financial statements

The accounting principles (policy) used to prepare this condensed consolidated financial statements for the period of 6 months ending on 30 June 2020 are consistent with those applied to the preparation of the annual consolidated financial statements for the financial year ended on 31 December 2019, with the exception of changes described below.

The same principles have been applied to the current and comparable periods.

Changes resulting from the changes of IFRS

Legal basis for preparation of the consolidated financial statements

From the beginning of the financial year/reporting period, the following new or changed standards and interpretations issued by the International Accountancy Standard Board (IASB) or the International Financial Reporting Interpretations Committee apply.

Change in IFRS 3 Business combinations

Change in IFRS 3 was published on 22 October 2018 and applies to the annual periods starting from 1 January 2020 or later. The purpose of the change was to clarify the definition of a business and make it easier to distinguish acquisitions of "businesses" from the group of assets for the purpose of merger settlement.

Changes in IAS 1 and IAS 8: Definition of the word "material"

Changes in IAS 1 and IAS 8 were published on 31 October 2018 and apply to annual periods starting from 1 January 2020 or later. The purpose of the changes was to clarify the definition of "materiality" and make it easier to apply it in practice.

Reform of reference interest rates (reference rates) – Changes in IFRS 9, IAS 39 and IFRS 7

Changes in IFRS 9, IAS 39 and IFRS 7 were published on 26 September 2019 and apply to annual periods starting from 1 January 2020 or later. The changes modify the detailed requirements of hedge accounting in order to minimize (eliminate) the potential consequences of uncertainty related to the reform of reference (interbank) interest rates. Additionally, the entities shall be required to add additional disclosures regarding those hedging relationships directly affected by uncertainty related to the reform.

The application of the above-mentioned standards had no significant influence on the financial statements of the Company and the Group.

Accounting principles applied

For the preparation of these condensed interim consolidated financial statements, accounting principles have been applied to the same extent as the principles applied in the preparation of the annual consolidated financial statements for 2019, (- note Statement of compliance with regulations).

Other new standards and interpretations that entered into force in 2020 did not have a material impact on the accounting policies applied by the Capital Group.

Legal basis for preparation of the consolidated financial statements

Uncertainty of estimates

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

- depreciation rates,
- impairment of assets (including receivables),
- provisions value,
- deferred tax assets (companies recognize assets for deferred tax based on the assumption that a tax profit shall be obtained in the future allowing its utilization; deterioration of the obtained tax results in the future could cause that such assumption would be unjustified),
- valuation of assets with an indefinite useful life..
- Marginal loan rate and rental period assumed for contracts with an indefinite period of time in connection with the implementation of IFRS 16.

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

As at the balance sheet date, an analysis of indications of impairment of assets was made. In the opinion of the Management Board of the Parent Company, as at the balance sheet date, i.e. 30.06.2020, there were no indications of potential impairment of the ABAK and Tenczynek brands and the goodwill of Stoczek Natura. Assumptions regarding the future and estimates adopted are consistent with the assumptions and estimated adopted by the Group in the financial statements for 2019. In the first half of 2020, the Group executed the assumed budgets for trademarks and subsidiaries. Therefore, as at 30 June 2020, the performance of tests was abandoned.

Going Concern

The consolidated financial statements of the Makarony Polskie Group have been prepared on the assumption that the business of the Group companies will be continued in the foreseeable future and not significantly reduced. The Group did not conduct operations which were discontinued in the first half of 2020.

Legal basis for preparation of the consolidated financial statements

Factors and risks having a material impact on the financial results in the H1 2020 and in subsequent periods

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

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

- development of R&D activity in the area of innovative products: functional, health-oriented food in Makarony Polskie SA, an interdisciplinary team was established, which in cooperation with scientific institutions works on developing innovative technologies for the production of new low-processed and health-promoting products that are easy to prepare,
- the project related to the adaptation of the electric, cooling and technological installation was completed by adjusting the parameters of the connections to the future increased production capacities of the production plant in Rzeszow,
- in the production plant in Częstochowa in 2020, an investment project was carried out to improve the conditions in the area of intensive human labor through a high-efficiency system of industrial ventilation,
- in the production plant in Częstochowa, works have been started on the construction of a drying tunnel for go-through drying of pasta which will allow for increasing the production flexibility and reducing the energy consumption of the drying process, planning works have also been carried out with regard to the construction of a high-bay warehouse for finished products and packaging,
- in the production plant in Rzeszów in the first half of 2020, an investment in a semi-industrial line for technological tests was completed, it will significantly accelerate the process of development and implementation of the product innovations, works connected with the adaptation of rooms for the Research and Development Center were carried out, the process of selecting the suppliers of laboratory equipment was commenced, the assembly of additional silos for pasta being a buffer between a production and packaging has been commenced, which will increase the production efficiency in Rzeszów; in the second half of 2020, the plant will increase the packaging capacity for short pasta forms in connection with the purchase of a packaging line, brick type, it is also planned to complete the investment in the automatic system for mixing various indices in one collective package.
- Stoczek Natura is also modernizing production halls in connection with ongoing purchases of new machinery and equipment.

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

- project entitled "Implementation of research and development results in the field of functional food in Makarony Polskie SA", implemented under Measure 1.4 Support for SMEs, Regional Operational Program of the Podkarpackie Region 2014-2020, implemented by the company in the period from March 2017 to April 2019 enabled the Company implementation of research and development results performed in cooperation with the scientific unit, based on the development of innovative recipes of products using raw materials that are not standard in the pasta industry. The main objective of the project is the expansion of Makarony Polskie SA on the functional food market. The company has completed the supported investment project in April 2019. The company, fulfilling all obligations under the co-financing agreement, fully settled the project (including it received the final refinancing of expenses incurred) which occurred in July 2019,
- project entitled "Establishment of the Research and Development Center of Pasta Industry at Makarony Polskie SA", implemented under Measure 2.1 Support for investment in enterprise R&D infrastructure, Intelligent Development Operational Program 2014-2020, assumes establishment of a Research and Development Center of Pasta Industry at the Makarony Polskie SA. The B&R Center will conduct work on innovative products with pro-health features that will ultimately enrich the Company's product offer as well as issues relevant to the entire pasta industry. The Company plans to purchase fixed assets and construction works, as part of the project. For the needs of the B&R Center, the purchase will include a modern production test line, whose parameters will reflect the conditions prevailing during the industrial production process (that line will be an asset of material value).
- project of Stoczek Natura Sp. z o.o. entitled "Increase in competitiveness of Stoczek Natura Sp. z o.o.", implemented under measure 3.7 RPO WL 2014-2020, assumes increasing the competitiveness and innovativeness of the Company on the domestic and international market by implementing the results of R&D works possessed and introducing to the production innovations in the form of meat product ready meals technology. The subject of the project is the implementation of innovative solutions through the modernization of the line for the production of ready meals in jars and cans.

  The implementation of the project will positively affect the improvement of the quality and innovativeness of the offered products, their repeatability and increased production efficiency. In addition, as a result of the project, the Company will be able to introduce new products with pro-health values to the commercial offer, addressed to a new group of consumers. The Company completed the supported investment project in February 2020 and submitted an application for final project settlement to the institution granting the support;

- project of Stoczek Natura Sp. z o.o. entitled "Introduction of product innovation to increase the competitiveness of Stoczek Natura Sp. z o.o. ", implemented as part of the Operational Program Eastern Poland for the years 2014-2020 from Measure 1.4. Pattern for competition, assumes the development of the company, increase its competitiveness and innovation, by increasing the company's potential in the skillful management of design and increasing the use of design in business. The planned effect of the project is the introduction of new innovative products on trays to the company's offer, implementation of product, process and marketing innovation, purchase of a modern technological line for the production of ready-made dishes on trays, extension of the customer group, increase in sales revenue, automation of production processes, increase of awareness of design management in organizational structures, consistent company communication in the field of visual identification for the company and diversification of plant production through the introduction of previously non-produced products. The Company completed the supported investment project in August 2019. By fulfilling all obligations resulting from the co-financing agreement, the Company fully settled the project (and it received the final refinancing of incurred expenses), which took place in January 2020. Since Q.1, 2020 the Company's offer includes 9 indices from the category of ready-made dishes on trays. There are products ready to eat, they can be reheated in a microwave or in a traditional way. They were positively received by the customers. This new, dynamically developing category, that is ready-made dishes on trays, opens up new opportunities of sales development for the Company, especially on the export markets. The revenues planned by Stoczek Natura Sp. z o.o. in this segment in 2020 are over PLN 4.0 million.

Activity development in the private label segment

- enriching the offer addressed to new and existing customers with health-promoting products, high-protein, made of leguminous flour and premium products, including pasta with the addition of quail eggs;
- enriching the offer directed to new and existing customers with ready meals, meat, canned meat and soups;
- activities aimed at improving the profitability of the sales channel.

Development of B2B sales channels and Institutions

- development of the category of pasta, meat and vegetable preserves, vegetable and fruit preparations, adapted to the expectations of the customers of that channel,
- establishing cooperation relations with other producers of pastas and ready meals and producers of complementary goods, in order to supplement the offer for the final recipient,

- individualizing the offer and thus increasing competitiveness,
- using the production potential of Stoczek Natura Sp. z o.o. in the scope of service packaging of products and based on new forms of packaging.

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

- intensification of marketing activities aimed at the increase in the presence of the Makarony Polskie brand on the market, a new definition of Stoczek Natura, Sorenti, Tenczynek and Novelle, as well as the introduction of a new brand, SoFood under which ready-made dishes on trays are offered – in 2020 the Group plant to prepare a plan of support for marketing activities in this area,
- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the Group operates,
- focusing on fast and efficient building of brand availability in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting sales and resale of products and building lasting relationships with customers.

Export development

- focusing on European markets, including in particular Ukraine, where the Group systematically develops its cooperation with the largest commercial networks.
- systematic increase in the number of customers on foreign markets, especially in the European Union,
- intensification of communication with current and potential recipients through the participation of, among others in trade fairs and organization of B2B meetings on target markets,
- acquiring and implementing projects concerning deliveries under the own recipient's brand,
- development of the product offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, buckwheat pasta, vegetable pasta and new product categories, such as ready-made dishes on trays (especially the dishes for vegetarians which are in high demand on the market).

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

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

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

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

- The Group recorded an increase in the prices of key raw materials – flour, meat and egg pulp – in connection with an increased demand and turmoil in the supply chain (e.g. obstacles to international trade by reintroduction of border controls and closure of a part of border crossings).
- The pressure coming from the business environment, among others, state authorities to maintain the stable prices, as well as the reluctance of the key customers to introduce increases as part of the contracts concluded, had an impact on the delay in implementing new sales prices allowing the Group for partial compensation for increased cost factors (also before the pandemic period, such as minimum wages). The above-mentioned issued had an impact on reducing the profitability at the level of gross sales profit from 23.1% in H1 2019 to 20.4% in H1 2020.
- The coronavirus pandemic had an impact also on the currency market, including the weakening of PLN against EUR. The Group recognized in H1 2020 foreign exchange losses in the statement of comprehensive income at the level of PLN 0.26 million (compared to PLN 0.04 million in H1 2019).
- In connection with the decrease in the revenues in Q.2, 2020 compared to Q.1, 2019 (by PLN 14.0 million), the Group companies decided to avail of public assistance within the Anti-Crisis Shield which aims at maintaining the level of employment in subsequent periods. As at the balance sheet date, the assistance includes: subsidy from the Polish Development Funds received by Makarony Polskie SA in the amount of PLN 1.5 million and remission of social insurance contributions in Stoczek Natura in the amount of PLN 0.15 million.

Immediately after information about the Covid-19 epidemic getting closer to Poland had appeared, before an official announcement of the state of epidemic in Poland, the Group implemented additional safety procedures and protective measures which are supposed to ensure the production continuity and reduce the risk of virus spreading among the staff. These procedures are subject to systematic validation and modified depending on the needs and development of the epidemiologic situation. As at the date of publication of these statements, there was no disturbance in functioning of the production plants and other organizational entities.

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

After the analysis, the Group does not currently see any significant risk of impairment of assets, including in particular the assets subject to the tests for impairment. As at 31 December, the Group carries out annual tests for impairment of the center generating cash flows to which goodwill or an intangible asset with an indefinite useful life is allocated. As at the balance sheet date, an analysis of indications of impairment of assets was made. Assumptions regarding the future and estimates adopted are consistent with the assumptions and estimated adopted by the Group in the financial statements for 2019. In the opinion of the Management Board of the Parent Company, as at the balance sheet date, i.e. 30.06.2020, there were no indications of potential impairment of the ABAK and Tenczynek brands and the goodwill of Stoczek Natura. In the first half of 2020, the Group executed the assumed budgets for trademarks and subsidiaries. Therefore, as at 30 June 2020, the performance of tests was abandoned.

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

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

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

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

Risks and threats material to the Group's development

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

The risk of changes in market trends

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

Current market trends are monitored on a regular basis. The Group's companies quickly and flexibly match their offer to them, both in terms of the products themselves and their production technology. The current product range of the Group is modified in line with market trends, e.g. health-related products, "Fit", products with reduced gluten content, pasta with flavors and ancient cereals (e.g. spelled, buckwheat), products based on, or with addition, vegetable flour are systematically developed. The portfolio is also systematically expanded with vegetarian products from the line of ready-made dishes on trays and in jars. In the first half of 2020, the Group’s offer was enriched with quail egg pasta and ready-made dishes on trays offered for the shelf stable.

Risk related to competition

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

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

Risk of dependence on recipients

A material part of revenues is generated by the Group through cooperation with organized and centrally-decisive commercial networks. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial contracts do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in the inability

to meet demand or incomplete use of production capacity, which will have an impact on the results.

The situation of increased demand for the Group's products occurred, among others, in the initial period after the first COVID-19 infections appeared in Poland when the customers went shopping on a mass scale, whereas the orders from retail chains were significantly higher both in relation to the level recorded in the analogous period of the previous year and in the period before the epidemic outbreak.

The Group's production plants faced the necessity of making even greater efforts to use their production capacities in the most optimal way. The difficult situation was alleviated by the recent increase in the Company's production capacities, e.g. a new line for pasta production was installed in the plant in Rzeszów, which provided the Company with an additional safety margin. However, the shortage of raw materials, especially the imported semolina, and the attendance allowance of a part of the personnel introduced by the special act turned out to be a barrier limiting the production volume.

After the first wave of market panic caused by obligatory lock-down and related uncertainty as regards further course of the epidemic, the situation on the market stabilized. The customers resigned from doing shopping "in advance", which translated into a stabilization of incoming orders. Currently, more and more is being said about so called "second wave of the epidemic" in autumn, which may translate into a possible increase of the level of orders, whereby according to the Company's estimates, it should not be as dynamic as the one observed at the end of Q1.2020.

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

Risk related to changes in raw material prices

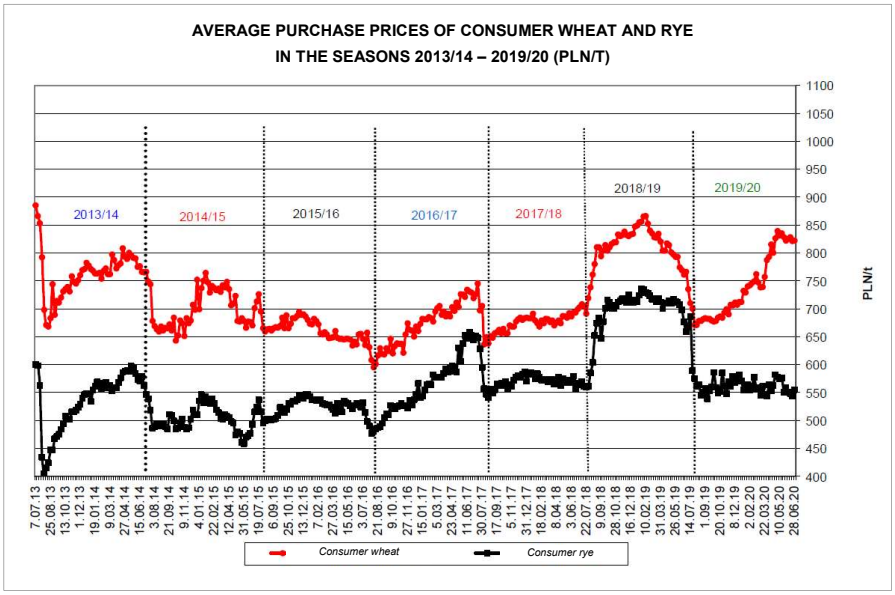
Makarony Polskie Group consistently strives to implement its strategy in the area of securing the raw material prices with long-term purchase contracts in annual and half-year periods, which helps to prevent material decreases in the profitability of the pasta produced. With regard to the current situation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

In the first quarter of 2020, flour purchase prices were stable, they remained at an average level, similar to that of the fourth quarter of 2019. The outbreak of the Sars-Cov-2 coronavirus epidemic in Europe in the second half of the first quarter brought some nervousness on the market. An increased demand for products with long shelf-life, such as flour, as well as obstacles to international trade (e.g. reintroduction of border controls and closure of a part of

border crossings, extended/uncertain supply dates) translated into an increase of prices on the market of cereals and flour, which remained until the harvest, i.e. until Q.3, 2020.

It was as late as in August 2020, following the information coming from the European and non-European cereal markets about very good, in terms of quantity, forecasts relating to the harvest, a decrease of prices of soft wheat and flour was visible. A separate subject is a situation relating to durum wheat flours, where a poor harvest in the 2020/2021 harvest season resulted in maintaining, and even in a slight increase of prices of this raw material. The Company is closely monitoring current forecasts relating to both domestic market and prices of the consumer wheat prices on the global markets, and it will carry out further activities aimed at securing the purchase prices of raw materials for the sales contracts concluded, taking into account the current trends.

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



Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 27/2020, Sparks Polska

At the end of Q.4, 2019, the price of egg pulp amounted to PLN 3.8-4.5 thousand for one ton of egg pulp. In Q.1, 2020, there was a slight increase in prices, which resulted, among others, from the increased demand for eggs before Easter and local occurrence of bird flu. The prices of egg pulp on the market amounted to PLN 4.2-5.0 thousand for one ton of egg pulp. In subsequent months, the prices stabilized at the level of PLN 4.5-6.0 thousand for one ton of egg pulp. It was caused by the coronavirus outbreak. High prices remained until June. Currently, the prices on the Polish market are very diverse and amount to PLN 3.9-4.9 thousand for one ton of egg pulp.

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

Stoczek Natura Sp. z o.o. is a producer of fruit and vegetable preserves (including jams and salads) and ready meals. The prices of fruit and vegetables are strongly dependent on weather conditions. The Company cooperates with domestic fruit and vegetable suppliers, it also has an extensive database of foreign suppliers of key raw materials, which gives the Company greater opportunities to obtain cheap, good quality raw materials. Purchase of fruit and vegetables is performed seasonally, in months in which their prices are the lowest. If necessary, purchased raw materials are stored in Company warehouses and cold stores. Stoczek Natura Sp. o.o. is exposed to the increase in raw material prices resulting from various types of weather anomalies. Aiming at minimizing this risk, the Company maintains an extensive base of suppliers of key raw materials..

Risk of variable legal and tax environment

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

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

Risk related to changes in exchange rates

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

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

The table presents the currency structure for given classes of financial instruments as at 30 June 2020:

Groups/categories of financial instruments	Carrying amount as at 30.06.2020 PLN `000	Currency exposure as at 30.06.2020 PLN `000	EUR PLN `000	USD PLN `000
Financial assets				
Cash and cash equivalents	427	64	60	4
Trade receivables	27,745	1,930	1,930	
Financial liabilities				
Trade liabilities	32,656	6,055	6,055	

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

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN `000		impact on the financial result PLN `000	
Financial assets				
Cash and cash equivalents	3.0	-3.0	0.2	-0.2
Trade receivables (gross)	96.5	-96.5	-	-
Financial liabilities				
Trade liabilities	-302.8	302.8	-	-

Interest rate risk

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

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

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

As at 30 June 2020, the Group had a liability due to loans taken out, in the amount of PLN 28,158 thousand:

Currency	Interest	Loan balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	28,158	15,140	13,018

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

The structure of financial instruments exposed to the risk of changes in interest rates as at 30 June 2020 is presented in the table below:

Groups/categories of financial instruments	Carrying amount as at 30.06.2020 PLN `000	Value exposed to risk as at 30.06.2020 PLN `000	WIBOR PLN `000
Financial assets			
Cash in hand and at bank	427	-	-
Financial liabilities			
Bank loans	28,158	28,158	28,158
Other financial liabilities	1,588	1,588	1,588

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

Interest rate	Deviation assumptions (in percentage points) 30 June 2020		Value at risk as at 30.06.2020 PLN `000	Impact on the financial result 30 June 2020 PLN `000	
WIBOR	1%	-1%	29,746	- 297.5	297.5

Credit risk

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

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

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

Selected financial data
The Makarony Polskie Group

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

- items of the statement of financial position have been converted at the average exchange rate announced by the National Bank of Poland as at the balance sheet date (30 June 2020, EUR 1 = PLN 4.4660; 31 December 2019: EUR 1 = PLN 4.2585)
- items of the statement of comprehensive income and statement of cash flows have been converted at the exchange rate being the arithmetic average of the average rates set by the National Bank of Poland effective on the last day of each month, of H1 2020 = PLN 4.4413 and at the end of each month of Q1 2019 = PLN 4.2880

Selected financial data	30 June 2020 (in PLN '000)	30 June 2019 (in PLN '000)	30 June 2020 (in EUR '000)	30 June 2019 (in EUR '000)
Revenues from sale of products, services, goods and materials	100,505	80,096	22,630	18,679
Profit (loss) from continued operations	5,985	5,067	1,348	1,182
Gross profit (loss)	5,044	4,389	1,136	1,024
Net profit (loss) from continued operations	3,973	3,495	895	815
EBIT	5,985	5,067	1,348	1,182
EBITDA (EBIT + depreciation)	9,723	8,183	2,189	1,908
Net cash flows from operating activities	3,694	7,336	832	1,711
Net cash flows from investment activities	-7,749	-12,938	- 1,745	- 3,017
Net cash flows from financial activities	3,757	5,602	846	1,306
Total net cash flows	- 298	0	- 67	0
Assets in total ***	182,154	173,627	40,787	40,772
Liabilities and provisions for liabilities ***	98,193	93,639	21,987	21,989
Long-term liabilities ***	43,015	39,351	9,632	9,241
Short-term liabilities ***	55,178	54,288	12,355	12,748
Equity ***	83,961	79,988	18,800	18,783
Share capital ***	27,750	27,750	6,214	6,516
Number of shares (units)	9,250,071	9,250,071	9,250,071	9,250,071
Weighted average number of shares (in units) during the current financial year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (in PLN/EUR) *	0.43	0.38	0.10	0.09
Book value per one share (in PLN/EUR)**	9.08	8.65	2.03	2.03

* Net profit/loss per ordinary share = net result/weighted average number of shares in the period
** Book value per one ordinary share = equity/number of shares at a given balance sheet date
*** Comparable data regarding the statement of financial position as at 31 December 2019

Condensed consolidated statement of comprehensive income

Makarony Polskie Group	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Net revenues from sales	**100,505**	**80,096**
Net revenues from sale of products and services	93,909	76,775
Net revenues from sale of materials and goods	6,596	3,321
Own cost	**79,963**	**61,623**
Production costs of products and services sold	73,856	58,718
Value of goods and materials sold	6,107	2,905
Gross profit (loss) on sales	**20,542**	**18,473**
Costs of sales	11,872	10,167
General administrative costs	3,022	3,490
Other revenues	977	490
Other costs	640	239
Profit (loss) from continued operations	**5 ,985**	**5,067**
Financial revenues	15	16
Financial costs	956	694
Profit (loss) from business operations	**5,044**	**4,389**
Gross profit (loss)	**5,044**	**4,389**
Income tax - current part	688	710
Income tax - deferred part	383	184
Net profit (loss)	**3,973**	**3,495**
In this attributable to::		
Shareholders of the parent Company	3,973	3,495
Non-controlling shares		
Basic net result per share in PLN	0.43	0.38
Diluted net result per share in PLN	0.43	0.38
Other total net income/loss		
Total net income	**3,973**	**3,495**
Total net income attributable to:		
Shareholders of the parent Company	3,973	3,495
Non-controlling shares		

Condensed statement of other total net income – application of hedge accounting

Makarony Polskie Group	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Total net income	3,973	3,495
Profit/loss due to application of hedge accounting	0	0
Total net income	3,973	3,495

Condensed consolidated statement of financial position

ASSETS	30 June 2020	31 December 2019	30 June 2019
FIXED ASSETS	**129,046**	**126,942**	**112,305**
Tangible fixed assets	111,407	108,814	91,120
Fixed assets – IFRS-16	3,639	4,091	4,550
Investment real estate	603	603	603
Goodwill	5,949	5,949	5,949
Other intangible assets	7,366	7,363	9,927
Long-term financial assets			
Assets for deferred income tax	2	2	1
Other assets - long-term	80	120	155
CURRENT ASSETS	**53,108**	**46,685**	**50,018**
Inventories	24,599	20,515	19,212
Short-term receivables	27,745	25,074	30,138
CIT receivables	4	17	0
Borrowings granted			
Cash and cash equivalents	427	718	358
Other assets - short-term	333	361	310
FIXED ASSETS HELD FOR SALE			
TOTAL ASSETS	**182,154**	**173,627**	**162,323**

EQUITY AND LIABILITIES	30 June 2020	31 December 2019	30 June 2019
KAPITAŁ WŁASNY	**83,961**	**79,988**	**79,680**
Share capital	27,750	27,750	27,750
Supplementary capital	37,155	37,155	37,155
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	3,083	- 720	-720
Net profit/loss	3,973	3,803	3,495
LONG-TERM LIABILITIES	**43,015**	**39,351**	**26,407**
Provision for deferred income tax	3,904	3,522	3,753
Long-term bank credits and borrowings	13,018	17,995	8,660
Provision for retirement and similar benefits (long-term	432	357	321
Revenues of future periods - long-term	21,991	13,042	8,429
Long-term financial liabilities- leasing	847	1,160	1,525
Long-term financial liabilities – IFRS-16	2,823	3,275	3,719
SHORT-TERM LIABILITIES	**55,178**	**54,288**	**56,236**
Short-term bank credits and borrowings	15,140	16,500	20,599
Short-term financial liabilities – subsidy of the Polish Development Fund	1,472	0	0
Short-term financial liabilities - leasing	741	762	1,045
Short-term financial liabilities - IFRS-16	903	884	867
Dividend fiancial liabilities	0	0	2,313
Other short-term liabilities	32,656	33,673	29,310
CIT liabilities	102	426	133
Revenues from future periods - short-term	1,412	975	678

Condensed consolidated statement of financial position

Provision for retirement and similar benefits (short-term)	1,158	1,055	1,029
Other short-term provisions	1,594	13	262
TOTAL LIABILITIES	**98,193**	**93,639**	**82,643**
TOTAL EQUITY AND LIABILITIES	**182,154**	**173,627**	**162,323**

Condensed consolidated statement of cash flows

Makarony Polskie Group	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Profit/loss before tax	**5,044**	**4,389**
Adjustments by items:	- 1,350	2,947
Depreciation	3,738	3,116
Profits/losses on exchange differences	- 7	1
Interest expense and income	565	480
Profit/loss from investment activities	0	-33
Change in provisions	1,759	285
Change in inventories	- 4,084	- 1,055
Change in receivables	- 2,850	-50
Change in liabilities and accruals	528	1,000
Corporate income tax paid/returned	- 999	- 797
Other adjustments	0	0
Net cash flows from operating activities	**3,694**	**7,336**
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	42	467
Interest income		
Expenses for the purchase of tangible fixed assets and intangible assets	- 7,791	- 13,405
Proceeds from repayment of loans		
Borrowings granted		
Net cash flows from investment activities	**-7,749**	**- 12,938**
Cash flows from financial activities		
Proceeds from loans and borrowings	3,518	8,175
Proceeds – subsidy of the Polish Development Fund	1,472	
Repayment of loans and borrowings	- 9,856	- 3,627
Payment of liabilities under financial lease contracts	- 861	- 931
Interest paid	- 565	- 480
Other financial revenues - subsidy	10,049	2,465
Net cash flows from financial activities	**3,757**	**5,602**
Increase/decrease in cash and cash equivalents	- 298	0
Cash, cash equivalents and credits in the current account at the beginning of the period	**718**	**359**
Foreign exchange gains/losses on the valuation of cash, cash equivalents and credits in the current account	7	- 1
Cash, cash equivalents and credits in the current account at the end of the period	**427**	**358**

Condensed statement of changes in consolidated equity

For the period from 1 January 2020 to 30 June 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	27,750	37,155	12,000		3,083	79,988
Distribution of profit/loss coverage						
Profit distribution - dividend payment						
Establishment of reserve capital - own shares						
Other total income						
Net result after H1 2020				3,973		3,973
Balance as at 30 June 2020	27,750	37,155	12,000	3,973	3,083	83,961

For the period from 1 January 2019 to 31 December 2019

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

For the period from 1 January 2019 to 30 June 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	27,750	46,095	0		4,653	78,498
Distribution of profit/loss coverage		3,060			- 3,060	
Profit distribution - dividend payment					-2,313	- 2,313
Establishment of reserve capital - own shares		- 12,000	12,000			
Other total income						
Net result after H1 2019				3,495		3,495
Balance as at 30 June 2019	27,750	37,155	12,000	3,495	- 720	79,680

Additional explanatory notes

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

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

	01.01.2020-30.06.2020	01.01.2019 - 30.06.2019
Revenues from sales of products	89,626	73,242
Proceeds from the sale of services, including	4,283	3,533
- service production	1,369	1,062
- transportation services		
- for lease, storage	2,912	2,463
- other	2	8
Revenues from sale of materials	5,111	2,131
Revenues from sale of goods	1,485	1,190
Total	100,505	80,096

In the first half of 2020, the Group recorded a sales increase of PLN 20.4 million compared to the first half of 2019 and amounted to PLN 100.5 million.

Operating segments

In the first half of 2020, Makarony Polskie Group realized sales according to the following product groups, achieving the following revenues in this respect:

	01.01.2020-30.06.2020	01.01.2019 - 30.06.2019
Pasta	71,344	57,056
Meat and vegetable preserves	15,195	13,034
Vegetable preserves and stuffing	954	1,139
Fruit preserves	4,913	4,197
Other	8,099	4,670
Total	100,505	80,096

Basic information about operating segments:

H1 2020	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Revenues						
Sales to external customers	71,344	15,195	954	4,913	8,099	100,505
Sales between segments						
Total revenues of the Group	71,344	15,195	954	4,913	8,099	100,505
Costs						
Segment costs	55,933	13,857	614	4,457	5,102	79,963
Segments profits or losses (gross result on sales)	15,411	1,338	340	456	2,997	20,542

H1 2019	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Revenues						
Sales to external customers	57,056	13,034	1,139	4,197	4,670	80,096
Sales between segments						
Total revenues of the Group	57,056	13,034	1,139	4,197	4,670	80,096
Costs						
Segment costs	43,727	11,258	872	3,404	2,362	61,623
Segments profits or losses (gross result on sales))	13,329	1,776	267	793	2,308	18,473

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

The sales revenues of the Makarony Polskie Group in the first half of 2020, amounted to PLN 100.5 million and were by approx. PLN 20.4 million higher than in the corresponding period of 2019.

Sales of the pasta category increased in the analyzed period by PLN 14.3 million to the amount of PLN 71.3 million. The increase of approx. 25% resulted from the increase of sales under commercial network brands, the development of the Makarony Polskie brand on the domestic market, positive growth dynamics of sales in exports and implementation at a higher level of the subcontracting agreement in the institutional contract compared to the corresponding period last year.

Sales of meat and vegetable preserves increased in the analyzed period by approx. PLN 2.2 million to the amount of PLN 15.2 million. The increase of approx. 17% (H1 2020 compared to H1 2019) resulted from the increase of sales under own brand and commercial network brands. In the analyzed period, a new line of dishes on trays under the SoFood brand was introduced.

Another segment in which a positive dynamics of changes was noted is the segment of processed fruit. Sales of fruit products in the analyzed period amounted to nearly PLN 4.9 million and was higher by PLN 0.7 million, i.e. 17% compared to 2019, which was caused by an increase of sales in the category of jams and damson cheese.

The segment of vegetable preserves and stuffing decreased in the analyzed period by PLN 0.2 million to the amount of PLN 1.0 million. The decrease resulted from the decrease of orders in the category of stuffing.

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

The sales markets of the Makarony Polskie Group can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries).

For the period	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Country	89,798	73,531
Exports, including:	10,707	6,565
- European Union countries	3,188	1,032
- other countries	7,519	5,533
Total	100,505	80,096

In the first half of 2020,, the value of sales amounted to PLN 89.80 million on the domestic market and PLN 10.71 million in export. In the corresponding period of 2019, these amounts were PLN 73.53 million and PLN 6.57 million, respectively.

Other revenues and operating costs

OTHER REVENUES

For the period	01.01.2020-30.06.2020	01.01.2019 - 30.06.2019
State subsidies	784	329
Profit on the sale of tangible fixed assets	0	33
Reversal of impairment losses for receivables		

Reversal of impairment losses for inventories		
Sales of scrap and waste	41	41
Support, anti-crisis shield, unpaid receivables owed to ZUS [Social Insurance Institution]	146	0
Return of court and bailiff fees	0	3
Compensation and complaints	2	6
Discount on purchases for 2018 - turnover made	0	29
Refund of insurance premiums	3	1
Other	1	48
Total	977	490

The revenues and profits not directly related to the Group's operating activities are classified to other revenues. This category includes received subsidies, profits from the sale of tangible fixed assets, compensation received related to the reimbursement of court costs, overpaid tax liabilities, with the exception of corporate income tax and compensation received for losses in property of companies that was insured.

Other revenues also include reversals of impairment losses on receivables and inventories as well as reversal of impairment losses on assets.

In the first half of 2020, as part of "Anti-crisis Shield", Stoczek Natura Sp. z o.o. received support from ZUS [Social Insurance Institution] in the amount of PLN 146 thousand. Exemption from contributions for March, April and May 2020 for self-employed persons, companies which report fewer than 50 persons for social insurance.

OTHER COSTS

For the period	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
Creation of provisions	0	0
Receivables written down	227	0
Release of the provision for income from obtaining funding	0	0
Donations	0	4
Penalties and fines	137	7
Court and bailiff fees, awarded costs	5	0
Advertising sponsorship	22	27
Liquidation of damaged and overdue stocks	249	199
Impairement loss on inventories	0	0
Purchase of fixed assets from leasing		
Adjustment of social security contributions – 2015	0	2
Other	0	0
Total	640	239

Other costs include costs and losses not directly related to the Group's operating activities.

This category includes losses on the sale of tangible fixed assets, donations made in kind and in cash to other entities, including public benefit purpose entities and effects resulting from concluded commercial contracts, guarantees and sureties granted to other entities.

Other costs also include the cost of write-downs on assets, unintentional shortages in current assets and losses due to liquidation of damaged and past due inventories.

Other revenues and financial costs

FINANCIAL REVENUES

For the period	01.01.2020 - 30.06.2020	01.01.2019- 30.06.2019
Interest revenue, including:	15	16
- interest on loans		
- interest on receivables	15	16
Foreign exchange profits		
Profit on sale of investments - shares		
Other		
Total	15	16

Financial revenues include income from dividends received, gained and accrued interest on late repayment of receivables, interest on investing and investment activities in various forms of financial instruments. Financial activities also include profits due to exchange differences.

FINANCIAL COSTS

For the period	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
Interest expenses, including:	568	539
- bank loans	402	344
- factoring and leasing costs	65	79
- interest costs IFRS-16	98	115
- other	3	1
Other financial costs, including:	388	155
- loss due to negative exchange rate differences	263	43
- guarantee	17	25
- discount and bank charges	63	87
- other financial costs	45	
Total	956	694

Financial costs are classified as costs for the use of external sources of financing, i.e. loans,

borrowings, trade liabilities, financial leasing agreements which the Group is a party to and other financial costs. Financial activities also include losses due to exchange differences.

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

For the period	01.01.2020 - 30.06.2020	01.01.2019- 30.06.2019
Net profit/loss per share	0.43	0.38
Book value per one share in PLN(according to data as at 30.06.2020 and data as at 31.12.2019)	9.08	8.65

For the period	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
Net profit/loss from continued operations attributable to shareholders of the parent company	3,973	3,495
Profit/loss on discontinued operations attributable to shareholders of the parent company		
Net profit/loss attributable to attributable to shareholders of the parent company	3,973	3,495
Net profit/loss attributable to ordinary shareholders applied to calculate diluted profit/loss per share	not applicable	not applicable

For the period	01.01.2020 30.06.2020	01.01.2019 - 30.06.2019
Weighted average number of issued ordinary shares applied to calculate basic profit/loss per share	9,250,071	9,250,071
Impact of dilution	not applicable	not applicable
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per share	not applicable	not applicable

Net profit falling per one share is calculated by dividing the net profit for the period falling to ordinary shareholder of the parent company by average weighted number of issued ordinary shares present in the period.

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

In the parent Company in H1 2020 there were no factors diluting the share capital.

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

Share capital

As at 30 June 2020 the share capital of Makarony Polskie SA amounted to PLN 27 750 213 and was divided as follows:

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

Information on changes in estimates related to the consolidated financial statements

CHANGES DUE TO PROVISIONS

Changes in provisions in the first half of 2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1,412	178	0	1,590
a) long-term	357	75		432
b) short-term	1,055	103	0	1,158
Other provisions, including:	13	1,594	13	1,594
- other	13	1,594	13	1,594
Total	1,425	1,772	13	3,184

Changes in provisions in the first half of 2019,	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	1,327	36	13	1,350
a) long-term	285	36		321
b) short-term	1,042	0	13	1,029
Other provisions, including:	0	262		262
- other		262		262
Total	1,327	298	13	1,612

The Group companies pay the retiring employees amounts of severance payments in the amount specified by the Labor Code and internal regulations. In relation to this, the Company

based on the assessment performed by actuary, creates a reserve for current amount of liabilities by virtue of severance payments.

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

DEFERRED INCOME TAX PROVISION ASSETS AND PROVISIONS

Changes in provisions in the first half of 2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	394	436	84	746
Provision for deferred income tax	3,914	834	100	4,648
Asset/Provision after compensation				3,902

Changes in provisions in the first half of 2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	393	172	136	429
Provision for deferred income tax	3,961	267	47	4,181
Asset/Provision after compensation				3,752

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

In terms of income tax, the Group is subject to general regulations in this area. The Group is not a tax Group, as well as does not operate in a special economic zone, which would differentiate the rules for determining tax charges in relation to general provisions in this respect. The tax year and the balance sheet year coincide with the calendar year. As of 1 January 2020, Makarony Polskie SA. and Stoczek Natura Sp. z o.o. chose a simplified form of paying monthly advances on corporate income tax. As of 30 June 2020 a deferred tax provision was created in the amount of PLN 810 thousand as the difference between paid advances shown in the statement of comprehensive income and the actual tax resulting from the calculated tax base.

WRITE-DOWNS ON ASSETS

Changes in provisions in the first half of 2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Write-downs of receivables	241	227	0	468
Write-downs of inventories	103	0	0	103
Write-downs of tangible fixed assets	1,484		48	1,436

Changes in provisions in the first half of 2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
Write-downs of receivables	171	0	0	171
Write-downs of inventories	44	0	0	44
Write-downs of tangible fixed assets	1,579		47	1,532

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

Long-term and short-term financial liabilities

LIABILITIES DUE TO LOANS

	As at 30.06.2020	As at 31.12.2019
up to 1 year	15,140	16,500
Above one year	13,018	17,995
Total	28,158	34,495

LIABILITIES DUE TO FINANCIAL LEASING AGREEMENTS

	Present value of minimum fees	
	as at 30.06.2020	as at 31.12.2019
up to 1 year	741	762
within 1 to 5 years	847	1,160
Total	1,588	1,922

As at 30 June 2020, the Group companies have fixed assets used based on lease contracts. The carrying value of machinery and equipment, cars and other fixed assets used under financial leasing agreements as at 30 June 2020 was PLN 2,218 thousand, and as at 31 December 2019 amounted to PLN 2,578 thousand.

LIABILITES DUE TO FINANCIAL LEASING AGREEMENTS – IFRS-16

	Present value of minimum fees	
	as at 30.06.2020	as at 31.12.2019
up to 1 year - lease	899	880
up to 1 year – right to perpetual usufruct of land	4	4
within 1 to 5 years - lease	1,632	2,080
in the period of above one year- right to perpetual usufruct of land	1,191	1,195
Total	3,726	4,159

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

The carrying value of fixed assets as at 30 June 2020 amounted to PLN 3,639 thousand, including the ones by virtue of lease of the rooms, the amount of PLN 2,462 thousand and right to perpetual usufruct of land, amount of PLN 1,177 thousand. As at 31 December 2019, it amounted to PLN 4,091 thousand, including the ones by virtue of lease of the rooms, the amount of PLN 2,906 thousand and right to perpetual usufruct of land, the amount of PLN 1,185 thousand.

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

	as at 30.06.2020	as at 31.12.2019
up to 1 year	1,472	
within 1 to 5 years		
Total	1,472	

As part of the financial shield, Makarony Polskie SA received financial assistance in the form of a subsidy from the Polish Development Fund in the amount of PLN 1,472 thousand.

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

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

Dividends paid and proposed for payment

In the first half of 2020 and until the date of publication of these statement, Makarony Polskie SA has not paid out the dividend.

In 2020 the Management Board of the Company decided to recommend to the Annual General Meeting that the net profit for the period from 1 January 2019 to 31 December 2019 amounting to PLN 5,585,504.32 be divided in the following manner:

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

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

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

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

The Management Board of Makarony Polskie SA decided that in the following years it will also try to recommend to the Annual General Meeting that the dividend be paid out to the shareholders, although each time the possibility of dividend payout will depend on the amount of the generated profit, current investment objectives and the situation.

Remuneration of the parent company's Management Board members and Supervisory Board members

The total value of remuneration paid to members of the Management Board of Makarony Polskie SA in the first half of 2020 amounted to PLN 342 thousand, in the same period of 2019 it was PLN 401 thousand.

The remuneration of Members of the Supervisory Board of Makarony Polskie SA in the first half of 2020 amounted to PLN 75 thousand, in the same period of 2019 it amounted to PLN 75 thousand.

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Members of the Management Board and Supervisory Board of Makarony Polskie SA did not receive remuneration in 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 MP Trade Sp. z o.o. in the first half of 2020 (from January to 31 March 2020) it was PLN 30 thousand, in the same period of 2019 it was PLN 60 thousand.

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

Settlements between related and subsidiary entities

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

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

Affiliate	Sales to affiliates - total revenues		Purchases from affiliates	
	For the period from 01.01 to 30.06.2020	For the period from 01.01 to 30.06.2019	For the period from 01.01 to 30.06.2020	For the period from 01.01 to 30.06.2019
Parent Company - Makarony Polskie S.A.	157	172	14,059	11,857
from/to Stoczek Sp. z o.o.	137	146	13,470	11,175
from/to MP Trade Sp. z.o.o.	20	26	589	682

Affiliate	Receivables from affiliates		Liabilities towards affiliates	
	As at 30.06.2020	As at 30.06.2019	As at 30.06.2020	As at 30.06.2019
Parent Company - Makarony Polskie S.A.	869	2,820	410	288
- from/to Stoczek Sp. z o.o.	863	2,814	168	26
from/to MP Trade Sp. z.o.o.	6	6	242	262

Settlements between subsidiaries

Subsidiaries	Sales between subsidiaries - total revenues		Purchases between subsidiaries	
	For the period	For the period	For the period	For the period

	from 01.01 to 30.06.2020	from 01.01 to 30.06.2019	from 01.01 to 30.06.2020	from 01.01 to 30.06.2019
Total subsidiary	15	2	15	2
- from/to Stoczek Sp. z .o.o.	2	2	13	0
- from/to MP Trade Sp. z .o .o.	13	0	2	2

Subsidiaries	Receivables between subsidiaries		Liabilities between subsidiaries	
	As at 30.06.2020	As at 30.06.2019	As at 30.06.2020	As at 30.06.2019
Total subsidiary	0	2	0	2
- from/to Stoczek Sp. o.o.	0	2	0	0
from/to MP Trade Sp. z.o.o.	0	0	0	2

Information on planned share issues

In H1 2020 and until the date of publication of these statements, the Company did not issue any shares.

Authorization for the Management Board to purchase own shares of Makarony Polskie SA

On 18 June 2019, the General Meeting of Shareholders of the Company, in response to a request submitted by one of the shareholders, by the resolution No. 16, decided to authorize the Company's Management Board to purchase ordinary bearer shares of Makarony Polskie SA, with a nominal value of PLN 3.00 each, listed on the main market of the Warsaw Stock Exchange, i.e. the market of official stock exchanges.

Pursuant to the decision of the General Meeting of Shareholders, the Company is entitled to purchase its own shares, fully paid-up, with the maximum number of own shares that the Company may buy is 1,850,014 shares, with the proviso that the total nominal value of the shares purchased, along with the nominal value of other shares which have not been sold by the Company may not exceed 20% of the share capital of the Company. The shares shall be acquired in particular for the purpose of: redemption, resale or exchange.

The authorization granted covers a period of 5 years from the date of adopting the General Meeting of Shareholders Resolution, but not longer than until the reserve capital created to purchase own shares has been used.

The price of payment for one share will be from PLN 6.00 to PLN 8.52, and the total maximum amount of payment for the shares will be no more than the amount of reserve capital created for this purpose.

The date of commencement and completion of the acquisition of own shares, as well as the terms and conditions for the acquisition of own shares not specified in the General Meeting of Shareholders Resolution, the Management Board will publish, in accordance with Article 56 of the Act of 29 July 2005 on public offering (...) and in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (...)

As part of the authorization granted, the Management Board may acquire own shares only as a result of announcement of an invitation to submit share offers, which invitation will be implemented through an entity conducting brokerage activity, while the minimum number of shares in each invitation may not be lower than 300,000 units.

The General Meeting authorized the Management Board to take all factual and legal actions necessary to purchase its own shares in accordance with the adopted Resolution and to determine the other terms and conditions for the acquisition of own shares, to an extent not regulated by the Resolution.

For the purposes of the Company's acquisition of own shares, a reserve capital of PLN 12.0 million was created based on and within the scope of the authorization granted to the Management Board. The reserve capital was created by transferring PLN 12.0 million from the Company's supplementary capital.

Agreements and events material for the Group's operations

An annex to the co-finance agreement concerning the project entitled "Creation of an R&D Centre of the Pasta Industry at Makarony Polskie SA"

In February 2020, the Company concluded with the Ministry of Development and Finance an annex under which the completion date of the project entitled "Creation of an R&D Centre of the Pasta Industry at Makarony Polskie SA" under Measure 2.1 – Support for investment in R&D infrastructure of enterprises under the Smart Growth Operational Program for the years 2014-2020 was amended.

The project completion date was set for 31 December 2020 (the previous date was 31 March 2020). The application of the Company for amending the project completion date resulted from the amendments to the schedule of construction works. The postponement of the project completion date will enable the Company to thoroughly fulfil the obligations and complete the project in accordance with the assumptions.

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

The total cost of the project is about PLN 18.6 million. The total maximum amount of subsidy eligible costs is about PLN 15.2 million. The co-financing value amounts to PLN 9.1 million.

Annexes to the credit agreements with Santander Bank Polska SA

In H1 2020, Makarony Polskie SA concluded annexes to the agreements on credits taken out at Santander Bank Polska SA, which are described in detail under "Information on credit and factoring agreements concluded and terminated".

Annex to the credit agreement with Bank Gospodarstwa Krajowego

In H1 2020, Makarony Polskie SA concluded with Bank Gospodarstwa Krajowego an annex to the agreement on credit in the current account with the credit limit of PLN 6.0 million.

The annex extends the liability repayment date from 30 June 2020 until 30 June 2021. The other major terms and conditions of the credit agreement have not changed.

Security bond by Stoczek Natura Sp. z o.o. for Makarony Polskie SA

- In January 2020, Stoczek Natura Sp. z o.o. concluded an annex to the agreement on a security bond with regard to the credit liability repayment of the parent company Makarony Polskie SA at Santander Bank Polska SA. The annex to the agreement on a security bond is a consequence of concluding by Makarony Polskie SA an annex to the investment credit agreement. Pursuant to the annex to the agreement on a security bond, the term of the security bond granted by subsidiary Stoczek Natura Sp. z o.o. was extended. The bank can issue the writ of execution to the debt amount on account of the credit until 30 December 2026 (the previous date was 30 September 2021). The security bond was limited to the amount of PLN 15.4 million. The detailed terms and conditions of the security bond granted are not different from the standard market terms in that regard. The remuneration of Stoczek Natura Sp. z o.o. consists of the commission on account of the security bond granting.
- In connection with the conclusion of annex to the agreement on credit in the current account by Makarony Polskie SA with Bank Gospodarstwa Krajowego, Stoczek Natura Sp. z o.o. concluded with this bank an agreement on a security bond with regard to the repayment of the credit liability of the parent company.
  The security bond with regard to the agreement on credit in the current account is valid until 30 December 2021. The detailed terms and conditions of the security bond

granted are not different from the standard market terms in that regard. The remuneration of Stoczek Natura Sp. z o.o. consists of the commission on account of the security bond granting.

Information on credit and factoring agreements concluded and terminated

LONG- AND SHORT-TERM LOANS AND BORROWINGS

	30.06.2020	31.12.2019
- long-term part	13,018	17,995
- short-term part	15,140	16,500
Total	**28,158**	**34,495**

During H1 2020, Makarony Polskie SA and Stoczek Natura Sp. z o.o. were parties to loan and factoring agreements

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

– Credit in the current account at Santander Bank Polska SA

Credit conditions	30 June 2020
Credit agreement value	PLN 5,000 thousand
Credit period	18.10.2013 – 31.05.2021
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 1,060 thousand
Repayment schedule	One-off at the date of maturity
Credit collateral	– Joint mortgage up to PLN 17,000 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 in Płock, including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – blank promissory note issued by the Company and promissory note declaration, – registered pledge on inventories of the value not lower than PLN 5,000 thousand including the assignment of rights under the registered pledge insurance policy, – security bond by Stoczek Natura Sp. z o.o.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

In H1 2020, Makarony Polskie SA concluded with Santander Bank Polska SA an annex to the agreement on credit in the current account which introduced the following changes to the agreement:

- it adjusted the value of collateral to the credit exposure of the Bank,
- it standardized the liabilities of the Company against the Bank with liabilities resulting from other agreements (e.g. standardizing a definition of covenants),
- the repayment date of the liability was extended until 31 May 2021.

– Investment credit at Santander Bank Polska SA

Credit conditions	30 June 2020
Credit agreement value	PLN 13,849 thousand
Credit period	18.10.2013 – 30.12.2023
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,509 thousand
Repayment schedule	The credit will be repaid in 49 monthly instalments in the following amounts: 48 instalments of PLN 105 thousand each, plus the last 49th settlement instalment in the amount of PLN 204 thousand
Credit collateral	– Joint mortgage up to PLN 17,000 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge on fixed assets (production lines at the Rzeszów plant) including the assignment of rights under the object of the pledge, – blank promissory note issued by the Company and promissory note declaration, – civil-law security bond by Stoczek Natura Sp. z o.o., – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– EU investment credit at Santander Bank Polska SA

Credit conditions	30 June 2020
Credit agreement value	PLN 12,121 thousand
Credit period	07.02.2017 - 28.12.2023
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,171 thousand
Repayment schedule	The credit will be repaid in 37 monthly instalments in the following amounts: 36 instalments in the amount of PLN 50 thousand, the 37th

	in the amount of PLN 9,061 thousand, EU refinancing granted will decrease the balloon instalment
Credit collateral	– Joint mortgage up to PLN 18,200 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 in Płock including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge on semi-industrial line for trials and tests with accessories, including the assignment of rights under the property insurance policy – blank promissory note issued by the Company and promissory note declaration, – civil-law security bond by Stoczek Natura Sp. z o.o., – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed..

– EU investment credit at Santander Bank Polska SA

Credit conditions	30 June 2020
Credit agreement value	PLN 8,000 thousand
Credit period	15.09.2017 - 31.12.2023
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 1,432 thousand
Repayment schedule*	The credit will be repaid in 49 capital instalments, of which 48 instalments in the amount of PLN 33 thousand, the 49th instalment in the amount of PLN 79 thousand
Credit collateral	– Joint mortgage up to PLN 2,500 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 in Płock including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, land and mortgage register No. KW PL1P/00114158/9 and land and mortgage register No. KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge the acquired line under the grant project including the assignment of rights under the pledge object policy, – blank promissory note issued by the Company and promissory note declaration, – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Working capital credit at Santander Bank Polska SA

Credit conditions	30 June 2020
Credit agreement value	PLN 3,000 thousand

Credit period	30.09.2019 - 30.09.2022
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	2,455 thousand
Repayment schedule	The credit will be repaid in 33 monthly instalments, starting from 31 January 2020 in the amount of PLN 0.09 million
Credit collateral	– joint mortgage up to PLN 4,500 thousand on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 in Rzeszów and land and mortgage register No. KW PL1P/00094893/6 in Płock, including the assignment of rights under the property insurance policy, b) land and mortgage register No. KW PL1P/00097530/5, KW PL1P/00114158/9 and KW PL1P/00097363/3 (on shares held) in Płock; – registered pledge on fixed assets (production lines in the plant in Rzeszów), including the assignment of rights under the pledge object policy, – blank promissory note issued by the Company and promissory note declaration, – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	30 June 2020
Credit agreement value	PLN 6,000 thousand
Credit period*	14.06.2013 – 30.06.2021
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,833 thousand
Repayment schedule	One-off at the date of maturity
Credit collateral	– joint mortgage up to PLN 16,500 thousand on properties entered in: a) land and mortgage register No. KW CZ1C/00111425/8 in Częstochowa, including the assignment of rights under the property insurance policy, – b) land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski (property of Stoczek Natura Sp. z o.o.) including the assignment of rights under the property insurance policy, – blank promissory note issued by the Company and promissory note declaration, – power of attorney to dispose of the current account at the Bank, – security bond by Stoczek Natura Sp. z o.o., – declaration of the Company and Guarantor on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to PLN 12 million

Makarony Polskie SA concluded with Bank Gospodarstwa Krajowego an annex to the agreement on credit in the current account. The annex to the agreement on credit in the current account extends the repayment date of the liability from 30 June 2020 until 30 June 2021.

– Not-revolving working capital credit in the credit account at Banku Gospodarstwa Krajowego

In H1 2020, Makarony Polskie SA availed of the not-revolving working capital credit in the credit account. In accordance with the provisions of the credit agreement, the credit was repaid in due time and any liabilities resulting from the agreement between the Company and the Bank expired.

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

Agreement conditions	30 June 2020
Contractual value	PLN 5,500 thousand
Duration	Agreement concluded for an indefinite period
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Factoring balance	PLN 3,681 thousand
Agreement collateral	– irrevocable power of attorney to the account, – blank promissory note and promissory note declaration.

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

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	30 June 2020
Credit agreement value	PLN 3,000 thousand
Credit period *	16.11.2017 – 16.11.2020
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,987 thousand
Repayment schedule	One-off at the date of maturity
Credit collateral	– contractual mortgage up to PLN 4,500 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski LU1U/00022979/2 including the assignment of rights under the property insurance policy, – power of attorney to dispose of the current account at the Bank, – registered pledge on a collection of machinery and equipment (located in the plant in Stoczek Łukowski) including the assignment of rights under the property insurance policy, – security bond by Makarony Polskie SA, – declaration of the Company and Guarantor on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to PLN 6 million).

– Revolving working capital credit at Bank Gospodarstwa Krajowego*

Credit conditions	30 June 2020

Credit agreement value	PLN 2,500 thousand
Credit period	08.07.2019 – 08.10.2020
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,500 thousand
Repayment schedule	in two instalments: PLN 1.9 million up to 30 July 2020; PLN 0.6 million up to 8 October 2020
Credit collateral	– contractual mortgage up to PLN 3,750 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy, – power of attorney to dispose of the current account at the Bank, – blank promissory note issued by the Company and promissory note declaration, – security bond by Makarony Polskie SA, – declaration of the Company and Guarantor on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to PLN 5 million).

In Q.2 Stoczek Natura Sp. z o.o. concluded with Bank Gospodarstwa Krajowego an annex to the agreement on revolving working capital credit, which postponed the repayment date of the 1st instalment from 30 April to 30 July 2020.

– Investment credit at Bank Gospodarstwa Krajowego*

Credit conditions	30 June 2020
Credit agreement value	PLN 4,812 thousand
Credit period	08.07.2019 – 08.05.2025
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 4,210 thousand
Repayment schedule	in 54 monthly instalments, in which 53 equal capital instalments in the amount of PLN 90 thousand each, starting from 30.11.2020 and the last 54th settlement instalment in the amount of PLN 42 thousand
Credit collateral	– contractual mortgage up to PLN 7,218 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy, – power of attorney to dispose of the current account at the Bank, – registered pledge on a collection of machinery and equipment (located in the plant in Stoczek Łukowski), including the assignment of rights under the property insurance policy, – blank promissory note issued by the Company and promissory note declaration, – security bond by Makarony Polskie SA, – declaration of the Company and Guarantor on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to PLN 9.6 million).

INFORMATION ON BORROWINGS GRANTED

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

In the first half of 2020 Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant any borrowings.

Security bonds and guarantees

INFORMATION ABOUT GUARANTEES GRANTED AND OBTAINED

In H1 2020 the Group companies did not grant any guarantees. As regards guarantees obtained, Makarony Polskie SA and Stoczek Natura Sp. z o.o. availed of guarantees.

All guarantees binding for Makarony Polskie SA as at 30 June 2020 are presented in the table below:

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

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

Guarantor	Guarantee amount in PLN '000	Guarantee validity period	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	504	until 13.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made dishes, under the contract concluded with the Material Reserves Agency (ARM)	– mortgage up to PLN 756 thousand on the property entered into land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank; – security bond by Makarony Polskie SA
Bank Gospodarstwa Krajowego	1 549	until 15.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made dishes, under the contract concluded with the Material Reserves Agency (ARM)	– mortgage up to PLN 2,323 thousand on the property entered in land and mortgage No. KW LU1U/00022979/2 in Stoczek Łukowski, including the assignment of rights under the property insurance policy; – blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank; – security bond by Makarony Polskie SA
Bank Gospodarstwa Krajowego	24	until 25.03.2022	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with the Material Reserves Agency (ARM)	– blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank
Bank Gospodarstwa Krajowego	725	until 31.08.2023	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with the Material Reserves Agency (ARM	– mortgage up to PLN 1,088 thousand on the property entered in land and mortgage register No. KW LU1U/00022979/2 in Stoczek Łukowski including the assignment of rights under the property insurance policy; – blank promissory note issued by the Company and promissory note declaration; – power of attorney to dispose of the current account at the Bank; – security bond by Makarony Polskie SA;

				– declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to PLN 1.5 million).

INFORMATION ABOUT SECURITY BONDS GRANTED AND OBTAINED

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

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.06.2020
Security bond for a credit in the current account amounting to PLN 3.0 million	Bank BGK	3,000	16.05.2021	2,987
Security bond for a revolving credit amounting to PLN 2.5 million	Bank BGK	2,500	08.04.2021	2,500
Security bond for an investment credit amounting to PLN 4.8 million	Bank BGK	4,812	08.11.2025	4,210
Security bond for a bank guarantee amounting to PLN 0.5 million	Bank BGK	504	13.06.2022	-
Security bond for a bank guarantee amounting to PLN 1.5 million	Bank BGK	1,549	15.06.2022	-
Security bond for a bank guarantee amounting to PLN 0.7 million	Bank BGK	725	29.02.2024	-

Makarony Polskie SA received remuneration for the security bonds granted.

Spółka Stoczek Natura Sp. z o.o. udzielała poręczeń spółce dominującej Makarony Polskie SA, a ich stan na dzień 30 czerwca 2020 roku zaprezentowano poniżej:

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.06.2020
Security bond for a credit in the current account amounting to PLN 5.0 million	Santander Bank Polska SA	7,500	30.04.2023	1,060
Security bond for an investment credit amounting to PLN 13.8 million	Santander Bank Polska SA	30,000	30.09.2021	4,509
Security bond for a credit in the current account amounting to PLN 6.0 million *	Bank BGK	6,000	30.12.2021	4,833
Security bond for an EU investment credit amounting to PLN 12.1 million	Santander Bank Polska SA	12,121	binding till the moment of the subsidy settlement	4,171

Stoczek Natura Sp. z o.o. received remuneration for granting the security bonds.

MP Trade Sp. z o.o. did not grant any security bonds in H1 2020.

Off-balance items

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

Off-balance sheet items (in PLN'000)	30 June 2020	31 December 2019
1. Contingent assets	4,062	4,062
- received guarantees and security bonds	4,062	4,062
- collaterals on assets	0	0
- promissory notes	0	0
2. Contingent liabilities	176,301	198,995
- for received guarantees and security bonds	0	0
- collaterals on assets	111,048	124,653
- promissory note obligations	65,253	74,342
Total off-balance items	-172,239	-194,933

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

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

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

Material events and transactions after the balance sheet date that may affect future financial results of the Group.

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

After the balance sheet date, there were no material events that could significantly affect the financial results of the Group.

Other material events and transactions

In the first half of 2020, there were no material events or transactions other than those described above that required disclosure in these financial statements of the Group.

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Management Board

Rzeszów, 24 September 2020

CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01.01.2020 TO 30.06.2020

Makarony Polskie SA
24 September 2020

Legal basis for preparation of the financial statements

Declaration of compliance and the basis for preparing the statements

The condensed financial statements of Makarony Polskie SA have been prepared on the basis of International Accounting Standards as adopted by the European Union (EU) and related interpretations announced in the form of implementing regulations of the European Commission (hereinafter referred to as "IFRS"), applicable to interim financial reporting as approved by the European Union (IAS 34 "Interim financial reporting") in accordance with Article 45 paragraph 1a of the Accounting Act (Journal of Laws of 2019, item 351, as amended) and implementing provisions issued based on it, and in accordance with the requirements set out, in the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757),published and in force at the time of preparation of these condensed, consolidated financial statements. These financial statements do not include all information and disclosures required in annual financial statements and should be read jointly with the financial statements of the Company for the year ended 31 December 2019.

Basis for valuation

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

Functional and presentation currency

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

Unless indicated otherwise, the financial data is denominated in PLN '000.

Accounting principles applied and the basis for preparing the statements

The accounting principles used to prepare the interim condensed financial statements are consistent with those applied to the preparation of the annual financial statements for the

year ended 31 December 2019 (published on 8 April 2020). The financial year of the Company is a calendar year.

Makarony Polskie SA prepares financial statements according to IAS/IFRS.

The Company's duration is not limited.

Publication and approval of the financial statements

These financial statements have been audited by an audit firm, have been approved by the Management Board of the mother company for publication on 24 September 2020.

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

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

Changes to the rules for preparing financial statements

The accounting principles (policy) used to prepare this separate financial statements for the period of 6 months ending on 30 June 2020 are consistent with those applied to the preparation of the annual separate financial statements for the financial year ended on 31 December 2019, with the exception of changes described below.

The same principles have been applied to the current and comparable periods.

Changes resulting from the changes of IFRS

From the beginning of the financial year/reporting period, the following new or changed standards and interpretations issued by the International Accountancy Standard Board (IASB) or the International Financial Reporting Interpretations Committee apply.

Change in IFRS 3 Business combinations

Change in IFRS 3 was published on 22 October 2018 and applies to the annual periods starting from 1 January 2020 or later. The purpose of the change was to clarify the definition of a business and make it easier to distinguish acquisitions of "businesses" from the group of assets for the purpose of merger settlement.

Changes in IAS 1 and IAS 8: Definition of the word "material"

Changes in IAS 1 and IAS 8 were published on 31 October 2018 and apply to annual periods starting from 1 January 2020 or later. The purpose of the changes was to clarify the definition of "materiality" and make it easier to apply it in practice.

Reform of reference interest rates (reference rates) – Changes in IFRS 9, IAS 39 and IFRS 7

Changes in IFRS 9, IAS 39 and IFRS 7 were published on 26 September 2019 and apply to annual periods starting from 1 January 2020 or later. The changes modify the detailed requirements of hedge accounting in order to minimize (eliminate) the potential consequences of uncertainty related to the reform of reference (interbank) interest rates. Additionally, the entities shall be required to add additional disclosures regarding those hedging relationships directly affected by uncertainty related to the reform.

The application of the above-mentioned standards had no significant influence on the financial statements of the Company.

Principles used

For the preparation of these condensed interim financial statements, accounting principles have been applied to the same extent as the principles applied in the preparation of the annual financial statements for 2019, (- note Statement of compliance with regulations).

New standards and interpretations that entered into force in 2020 did not have a material impact on the accounting policies applied by the Company.

Uncertainty of estimates

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

- depreciation rates,
- impairment of assets (including receivables),
- provisions value,
- deferred tax assets (companies recognize assets for deferred tax based on the assumption that a tax profit shall be obtained in the future allowing its utilization; deterioration of the obtained tax results in the future could cause that such assumption would be unjustified),
- valuation of assets with an indefinite useful life.

- marginal loan rate and rental period assumed for contracts with an indefinite period of time in connection with the implementation of IFRS 16.

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

As at the balance sheet date, an analysis of indications of impairment of assets was made. In the opinion of the Management Board, as at the balance sheet date, i.e. 30.06.2020, there were no indications of potential impairment of the ABAK brand and shares in subsidiaries. Assumptions about the future and adopted estimates are consistent with the assumptions and estimates adopted by the Company in the financial statements for 2019. In the first half of 2020, the Company executed the assumed budgets for a trademark and the subsidiaries were executing assumed budgets. Therefore, as at 30 June 2020, the performance of tests regarding the trademark and the value of shares in subsidiaries was abandoned.

Going Concern

The financial statements of the Makarony Polskie SA have been prepared on the assumption that the business will be continued in the foreseeable future and not significantly reduced. The Company did not conduct operations which were discontinued in the first half of 2020.

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

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

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

- The Group recorded an increase in the prices of key raw materials – flour, meat and egg pulp – in connection with an increased demand and turmoil in the supply chain (e.g. obstacles to international trade by reintroduction of border controls and closure of a part of border crossings).
- The pressure coming from the business environment, among others, state authorities to maintain the stable prices, as well as the reluctance of the key customers to introduce increases as part of the contracts concluded, had an impact on the delay in implementing new sales prices allowing the Company for partial compensation for increased cost factors (also before the pandemic period, such as minimum wages).

The above-mentioned issued had an impact on reducing the profitability at the level of gross profit sales from 22.3% in H1 2019 to 19.8% in H1 2020.

- The coronavirus pandemic had an impact also on the currency market, including the weakening of PLN against EUR. The Company recognized in H1 2020 foreign exchange losses in the statement of comprehensive income at the level of PLN 0.25 million (compared to PLN 0.02 million in H1 2019).
- In connection with the decrease in the revenues in Q.2, 2020 compared to Q.1, 2019 (by PLN 12.9 million), the Company decided to avail of public assistance within the Anti-Crisis Shield which aims at maintaining the level of employment in subsequent periods. As at the balance sheet date, the assistance includes the subsidy from the Polish Development Funds in the amount of PLN 1.5 million.

Immediately after information about the Covid-19 epidemic getting closer to Poland appeared, before an official announcement of the state of epidemic in Poland, the Company implemented additional safety procedures and protective measures which are supposed to ensure the production continuity and reduce the risk of virus spreading among the staff. These procedures are subject to systematic validation and modified depending on the needs and development of the epidemiologic situation. As at the date of publication of these statements, there was no disturbance in functioning of the production plants and other organizational entities.

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

After the analysis, the Company does not currently see any significant risk of impairment of assets, including in particular the assets subject to the tests for impairment. As at 31 December, the Company carries out annual tests for impairment of the center generating cash flows to which goodwill or an intangible asset with an indefinite useful life is allocated. As at the balance sheet date, an analysis of indications of impairment of assets was made. Assumptions regarding the future and estimates adopted are consistent with the assumptions and estimated adopted by the Company in the financial statements for 2019. In the opinion of the Management Board, as at the balance sheet date, i.e. 30.06.2020, there were no indications of potential impairment of the Tenczynek brand and shares in subsidiaries. In the first half of 2020, the Company executed the assumed budgets for trademarks and the

subsidiaries were executing assumed budgets. Therefore, as at 30 June 2020, the performance of tests was abandoned.

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

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

Makarony Polskie did not publish financial forecasts for 2020.

Factors and risks having a material impact on the financial results in the H1 2020 and in subsequent periods

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

Selected financial data Makarony Polskie SA

- The selected financial data in EURO was presented in accordance with the Regulation of the Minister of Finance dated 29 March 2018 on the current and periodic information disclosed by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).
- items of the statement of financial position have been converted at the average exchange rate announced by the National Bank of Poland as at the balance sheet date (30 June 2020, 1 EUR= PLN 4.4660; 31 December 2019, 1 EUR = PLN 4.2585
- items of the statement of comprehensive income and statement of cash flows have been converted at the exchange rate being the arithmetic average of the average rates set by the National Bank of Poland effective on the last day of each month, of H1 2020 = PLN 4.4413 and at the end of each month of H1 2019 = PLN 4.2880

Selected financial data	30 June 2020 (in PLN `000)	30 June 2019 (in PLN `000)	30 June 2020 (in EUR `000)	30 June 2019 (in EUR `000)
Revenues from sale of products, services, goods and materials	92,650	72,804	20,861	16,979
Profit (loss) from continued operations	5,173	4,216	1,165	983
Gross profit (loss)	4,429	3,672	997	856
Net profit (loss) from continued operations	3,480	2,932	784	684
EBIT	5,173	4,216	1,165	983
EBITDA (EBIT + depreciation)	8,043	6,693	1,811	1,561
Net cash flows from operating activities	5,596	2,865	1,260	668
Net cash flows from investment activities	- 5,117	- 8,157	- 1,152	- 1,902
Net cash flows from financial activities	- 876	5,300	- 197	1,236
Total net cash flows	- 397	8	- 89	2
Assets in total ***	156,145	151,712	34,963	35,626
Liabilities and provisions for liabilities ***	75,299	74,346	16,861	17,458
Long-term liabilities ***	34,202	34,449	7,659	8,089
Short-term liabilities ***	41,097	39,897	9,202	9,369
Equity ***	80,846	77,366	18,103	18,167
Share capital ***	27,750	27,750	6,214	6,516
Number of shares (units)	9,250,071	9,250,071	9,250,071	9,250,071
Weighted average number of shares (in units) during the current financial year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (in PLN/EUR) *	0.38	0.32	0.09	0.07
Book value per one share (in PLN/EUR)**	8.74	8.36	1.96	1.96

* Net profit/loss per ordinary share = net result/weighted average number of shares in the period
** ** Book value per one ordinary share = equity/number of shares at a given balance sheet date
*** Comparable data regarding the statement of financial position as at 31 December 2019

Condensed statement of comprehensive income of Makarony Polskie SA

Makarony Polskie SA	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Revenues from sales	**92,650**	**72,804**
Net revenues from sales of products and services	72,219	58,148
Net revenues from sales of materials and goods	20,431	14,656
Own cost	**74,327**	**56,556**
Production costs of products and services sold	55,519	43,718
Value of goods and materials sold	18,808	12,838
Gross profit (loss) on sales	**18,323**	**16,248**
Costs of sales	10,974	9,702
General administrative costs	2,225	2,484
Other revenues	672	386
Other costs	623	232
Profit (loss) from continued operations	**5,173**	**4,216**
Financial revenues	48	49
Financial costs	792	593
Profit (loss) from business operations	**4,429**	**3,672**
Gross profit (loss)	**4,429**	**3,672**
Income tax - current part	612	621
Income tax - deferred part	337	119
Net profit (loss)	**3,480**	**2,932**
In this attributable to:		
Shareholders of the parent Company	3,480	2,932
Non-controlling shares		
Basic net result per share in PLN	0.38	0.32
Diluted net result per share in PLN	0.38	0.32
Other total net income/loss		
Total net income	**3,480**	**2,932**
Total net income attributable to:		
Shareholders of the parent Company	3,480	2,932
Non-controlling shares		

Condensed statement of other total net income – application of hedge accounting

Makarony Polskie SA	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Total net income	3,480	2,932
Profit/loss due to application of hedge accounting		
Total net income	3,480	2,932

Condensed statement of financial position of Makarony Polskie SA

ASSETS	30 June 2020	31 December 2019	30 June 2019
FIXED ASSETS	**112,852**	**113,267**	**104,049**
Tangible fixed assets	73,516	73,444	63,711
Fixed assets – IFRS-16	3,639	4,091	4,550
Investment real estate	603	603	603
Other intangible assets	4,934	4,944	4,957
Goodwill			
Long-term financial assets, in which	30,080	30,080	30,080
Shares	30,080	30,080	30,080
Borrowings granted	0	0	0
Assets for deferred income tax	0	0	0
Other assets - long-term	80	105	148
CURRENT ASSETS	**43,293**	**38,445**	**41,004**
Inventories	14,523	10,655	11,640
Short-term receivables	26,196	24,825	26,792
Receivables from corporate income tax	0	0	0
Borrowings granted	2,005	2,006	2,005
Cash and cash equivalents	311	701	301
Other assets - short-term	258	258	266
ASSETS HELD FOR SALE	**0**	**0**	**0**
TOTAL ASSETS	**156,145**	**151,712**	**145,053**

EQUITY AND LIABILITIES	30 June 2020	31 December 2019	30 June 2019
EQUITY	**80,846**	**77,366**	**74,712**
Share capital	27,750	27,750	27,750
Supplementary capital	32,362	32,362	32,362
Reserve capital	12,000	12,000	12,000
Retained profits/losses (profit/loss from previous years)	5,254	- 332	- 332
Net profit/loss	3,480	5,586	2,932
LONG-TERM LIABILITIES	**34,202**	**34,449**	**25,064**
Provision for deferred income tax	3,587	3,250	3,486
Long-term bank credits and borrowings	9,469	14,772	8,660
Provision for retirement and similar benefits (long-term)	370	300	265
Revenues of future periods - long-term	17,117	11,711	7,472
Long-term financial liabilities- leasing	836	1,141	1,462
Long-term financial liabilities - IFRS -16	2 823	3,275	3,719
SHORT-TERM LIABILITIES	**41,097**	**39,897**	**45,277**
Short-term bank credits and borrowings	8,992	10,907	17,890
Short-term financial liabilities- subsidy of the Polish Development Fund	1,472	0	0
Short-term financial liabilities - leasing	689	685	982
Short-term financial liabilities - IFRS-16	903	884	867
Dividend financial liabilities	0	0	2,313
Other short-term liabilities	25,815	25,411	21,571

Condensed statement of financial position of Makarony Polskie SA

Corporate income tax liabilities	102	426	104
Revenues from future periods- short-term	1,131	885	624
Provision for retirement and similar benefits (short-term)	797	699	664
Other short-term provisions	1,196	0	262
TOTAL LIABILITIES	**75,299**	**74,346**	**70,341**
TOTAL EQUITY AND LIABILITIES	**156,145**	**151,712**	**145,053**

Condensed statement of cash flows of Makarony Polskie SA

Makarony Polskie SA	01.01.2020 30.06.2020	01.01.2019- 30.06.2019
Profit/loss before tax	**4,429**	**3,672**
Adjustments by items::	**1,167**	**- 807**
Depreciation	2,870	2,477
Profits/losses on exchange differences	-7	1
Interest expense and income	402	398
Profit/loss from investment activities	-21	- 33
Change in provisions	1,364	279
Change in inventories	- 3,868	- 273
Change in liabilities	- 555	- 832
Change in liabilities and accruals	1,918	- 2,135
Paid/refunded corporate income tax	- 936	- 689
Other adjustments	0	0
Net cash flows from operating activities	**5,596**	**2,865**
Cash flows from investment activities		
Proceeds from the sale of fixed assets and intangible assets	21	467
Interest income	33	33
Expenses for the purchase of fixed tangible assets and intangible assets	- 5,171	- 8,657
Expenses on acquisition of financial assets	0	0
Proceeds from loan repayment	0	0
Borrowing granted	0	0
Net cash flows from investment activities	**- 5,117**	**- 8,157**
Cash flows from financial activities		
Proceeds from loans and borrowings	2,637	8,175
Proceeds – subsidy of the Polish Development Fund	1,472	0
Repayment of loans and borrowings	- 9,856	- 3,337
Payment of liabilities under financial lease agreements	- 828	- 901
Interest paid	- 435	- 431
Other financial revenues - subsidy	6,134	1,794
Net cash flows from financial activities	**- 876**	**5,300**
Increase/decrease in cash and cash equivalents	- 397	8
Cash, cash equivalents and credits in the current account at the beginning of the period	**701**	**294**
Foreign exchange gains/losses on the valuation of cash, cash equivalents and credits in the current account	7	-1
Cash, cash equivalents and credits in the current account at the end of the period	**311**	**301**

Condensed statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2020 to 30 June 2020

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2020	**27,750**	**32,362**	**12,000**		**5,254**	**77,366**
Distribution of profit/loss coverage						
Distribution of profit –dividend payout						
Creation of reserve capital – own shares						
Other total income						
Net result after H1 2020				3,480		3,480
Balance as at 30 June 2020	**27,750**	**32,362**	**12,000**	**3,480**	**5,254**	**80,846**

For the period from 1 January 2019 to 31 December 2019

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

For the period from 1 January 2019 to 30 June 2019

	Share capital	Supplementary capital	Reserve capital	Current year result	Profit/loss from previous years	Total
Balance as at 1 January 2019	**27,750**	**42,097**	**0**		**4,246**	**74,093**
Distribution of profit/loss coverage		2,265			- 2,265	
Distribution of profit –dividend payout					- 2,313	- 2,313
Creation of reserve capital – own shares		-12,000	12,000			
Other total income						
Net result after H1 2019				2,932		2,932
Balance as at 30 June 2019	**27,750**	**32,362**	**12,000**	**2,932**	**- 332**	**74,712**

Additional explanatory notes

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

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

	01.01.2020 - 30.06.2020	01.01.2019 – 30.06.2019
Revenues from sales of products	69,454	55,667
Proceeds from the sale of services, including	2,765	2,481
- marketing and distribution services	35	30
- production services	1,313	999
- for lease and storage	1,392	1,384
- for administrative and office services	23	66
- other	2	2
Revenues from sale of materials	5,023	1,068
revenues from sale of goods	15,408	13,588
Total	**92,650**	**72,804**

The sales revenues of Makarony Polskie SA in the first half of 2020, amounted to PLN 92.65 million and were by approx. PLN 19.85 million higher than in the corresponding period of 2019.

Operating segments

In the first half of 2020, Makarony Polskie performed sales according to the following product groups and thus, achieved the following revenues:

	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Pasta	71,360	57,076
Meat and vegetable preserves	9,438	8,718
Vegetable preserves and stuffing	734	632
Fruit preserves	4,615	3,829
Other	6,503	2,549
Total	**92,650**	**72,804**

Basic information about operating segments:

H1 2020	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments

Revenues						
Sales to external customers	71,360	9,438	734	4,615	6,503	92,650
Sales between segments						
Total revenues	71,360	9,438	734	4,615	6,503	92,650
Costs						
Segment costs	55,988	8,418	524	4,406	4,991	74,327
Segments profits or losses (gross result on sales	15,372	1,020	210	209	1,512	18,323

H1 2019	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Revenues						
Sales to external customers	57,076	8,718	632	3,829	2,549	72,804
Sales between segments						
Total revenues	57,076	8,718	632	3,829	2,549	72,804
Costs						
Segment costs	43,760	7,482	486	3,533	1,295	56,556
Segments profits or losses (gross result on sales)	13,316	1,236	146	296	1,254	16,248

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

The sales revenues of Makarony Polskie in the first half of 2020 amounted to PLN 92.7 million and were by approx. PLN 19.8 million higher than in the corresponding period of 2019.

Sales of the pasta category increased in the analyzed period by PLN 14.3 million to the amount of PLN 71.3 million. The increase of approx. 25% resulted from the increase of sales under commercial network brands, the development of Makarony Polskie brand on the domestic market, positive growth dynamics of sales in exports and implementation at a higher level of the subcontracting agreement in the institutional contract compared to the corresponding period last year.

Sales of meat and vegetable preserves increased in the analyzed period by approx. PLN 0.7 million to the amount of PLN 9.4 million. The increase of approx. 8% (H1 2020 compared to

H1 2019) resulted from the increase of sales under own brand and commercial network brands. In the analyzed period, a new line of dishes on trays under the SoFood brand was introduced.

Another segment in which a positive dynamics of changes was noted is the segment of processed fruit. Sales of fruit products in the analyzed period amounted to nearly PLN 4.6 million and was higher by PLN 0.8 million, i.e. 21% compared to 2019, which was caused by an increase of sales in the category of jams and damson cheese.

The segment of vegetable preserves and stuffing increased in the analyzed period by PLN 0.1 million to the amount of nearly PLN 0.7 million. The growth resulted from the increased orders in the category of vegetable salads.

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

For the period	01.01.2020-30.06.2020	01.01.2019 - 30.06.2019
Country	81,943	66,239
Exports, including:	10,707	6,565
- European Union countries	3,188	1,032
- other countries	7,519	5,533
Total	**92,650**	**72,804**

The sales markets can be divided into the domestic market (including private label, traditional trade, modern trade and B2B and institutions) as well as exports (including sales through domestic intermediaries).

In the first half of 2020,, the value of sales amounted to PLN 81.94 million on the domestic market and PLN 10.71 million in export. In the corresponding period of 2019, these amounts were PLN 66.24 million and PLN 6.57 million, respectively.

Other revenues and operating costs

OTHER REVENUES

For the period	01.01.2020-30.06.2020	01.01.2019-30.06.2019
State subsidies	603	307
Profit on the sale of tangible fixed assets	21	33
Reversal of impairment losses for receivables		
Sales of scrap and waste	41	36
Compensation and complaints	3	7

Refund of insurance premiums	3	1
Return of court and bailiff fees		2
Other	1	
Total	**672**	**386**

The revenues and profits not directly related to the Group's operating activities are classified to other revenues. This category includes received subsidies, profits from the sale of tangible fixed assets, compensation received related to the reimbursement of court costs, overpaid tax liabilities, with the exception of corporate income tax and compensation received for losses in property of companies that was insured.

Other revenues also include reversals of impairment losses on receivables and inventories as well as reversal of impairment losses on assets.

OTHER COSTS

For the period	01.01.2020 - 30.06.2020	01.01.2019- 30.06.2019
Creation of provisions		
Receivables written down	227	
Inventories written down	0	0
Donations	0	3
Contractual penalties	136	7
Release of the provision for income from obtaining funding	0	0
Adjustment of social security contributions -2015	0	2
Court and bailiff fees	5	
Costs of litigious proceedings	0	0
Sponsoring	9	21
Liquidation of damaged and overdue stocks	246	199
Other		
Total	**623**	**232**

Other costs include costs and losses not directly related to the Company's operating activities. This category includes losses on the sale of tangible fixed assets, donations made in kind and in cash to other entities, including public benefit purpose entities and effects resulting from concluded commercial contracts, guarantees and security bonds granted to other entities.

Other costs also include the cost of write-downs on assets, unintentional shortages in current assets and losses due to liquidation of damaged and past due inventories.

Other revenues and financial costs

FINANCIAL REVENUES

For the period	01.01.2020 - 30.06.2020	01.01.2019- 30.06.2019
Interest revenue, including:	48	49
- interest on loans	33	33
- interest on receivables	15	16
Foreign exchange profits		
Profit on sale of investments - shares		
Other		
Total	**48**	**49**

Financial revenues include income from dividends received, gained and accrued interest on late repayment of receivables, interest on investing and investment activities in various forms of financial instruments. Financial activities also include profits due to exchange differences.

FINANCIAL COSTS

For the period	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
Interest expenses, including:	435	482
- bank loans	274	290
- factoring and leasing costs	63	76
- interest costs IFRS-16	98	115
- other	0	1
Other financial costs, including:	357	111
- loss due to negative exchange rate differences	249	19
- commission, guarantee	46	6
- discount costs	17	86
- other financial costs	45	
Totak	**792**	**593**

Financial costs are classified as costs for the use of external sources of financing, i.e. loans, borrowings, trade liabilities, financial leasing agreements which the Group is a party to and other financial costs. Financial activities also include losses due to exchange differences.

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

For the period	01.01.2020-30.06.2020	01.01.2019 - 30.06.2019
Net profit/loss per share	0.38	0.32
Book value per one share in PLN(according to data as at 30.06.2020 and data as at 31.12.2019)	8.74	8.36

For the period	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Net profit/loss from continued operations attributable to shareholders of the parent company	3,480	2,932
Profit/loss on discontinued operations attributable to shareholders of the parent company		
Net profit/loss attributable to attributable to shareholders of the parent company	3,480	2,932
Net profit/loss attributable to ordinary shareholders applied to calculate diluted profit/loss per share	not applicable	not applicable

Za okres	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Weighted average number of issued ordinary shares applied to calculate basic profit/loss per share	9,250,071	9,250,071
Impact of dilution	not applicable	not applicable
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per share	not applicable	not applicable

Net profit falling per one share is calculated by dividing the net profit for the period falling to ordinary shareholder of the parent company by average weighted number of issued ordinary shares present in the period..

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

In the first half of 2020 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.

Information on changes in estimates related to the separate financial statements

CHANGES DUE TO PROVISIONS

Changes in provisions in the first half of 2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period

For retirement and similar benefits, including:	999	168	0	1,167
a) long-term	300	70		370
b) short-term	699	98	0	797
Other provisions, including:		1,196		1,196
- other	0	1,196	0	1,196
Total	999	1,364	0	2,363

Changes in provisions in the first half of 2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
For retirement and similar benefits, including:	911	31	13	929
a) long-term	234	31		265
b) short-term	677		13	664
Other provisions, including:		262		262
- other	0	262	0	262
Total	911	293	13	1,191

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

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

ASSETS AND PROVISIONS DUE TO DEFERRED TAX

Changes in provisions in the first half of 2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	275	340	56	559
Provision for deferred income tax	3,525	718	97	4,146
Asset/Provision after compensation				3,587

Changes in provisions in the first half of 2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
Asset for deferred income tax	226	135	47	314

Provision for deferred income tax	3,593	255	48	3,800
Asset/Provision after compensation				3,486

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

In terms of income tax, the Group is subject to general regulations in this area. The Group is not a tax Group, as well as does not operate in a special economic zone, which would differentiate the rules for determining tax charges in relation to general provisions in this respect. The tax year and the balance sheet year coincide with the calendar year. Makarony Polskie SA. chose a simplified form of paying monthly advances on corporate income tax. As of 30 June 2020 a deferred tax provision was created in the amount of PLN 706 thousand and PLN 214 thousand in the corresponding period of 2019 as the difference between paid advances shown in the statement of comprehensive income and the actual tax resulting from the calculated tax base.

WRITE-DOWNS ON ASSETS

Changes in provisions in the first half of 2020	Balance as at 01.01.2020	Creation	Use and release	Balance at the end of the period
Write-downs of receivables	146	227	0	373
Write-downs of inventories	86	0	0	86
Write-downs of tangible fixed assets				

Changes in provisions in the first half of 2019	Balance as at 01.01.2019	Creation	Use and release	Balance at the end of the period
Write-downs of receivables	76	0	0	76
Write-downs of inventories	44	0	0	44
Write-downs of tangible fixed assets				

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

Long-term and short-term financial liabilities

LIABILITIES DUE TO LOANS

	As at 30.06.2020	As at 31.12.2019
up to 1 year	8,992	10,907
Above one year	9,469	14,772
Total	18,461	25,679

LIABILITIES DUE TO FINANCIAL LEASING AGREEMENTS

	Present value of minimum fees	
	as at 30.06.2020	as at 31.12.2019
up to 1 year	689	685
within 1 to 5 years	836	1,141
Total	1,525	1,826

As at 30 June 2020, the Company has fixed assets used based on lease contracts. The carrying value of machinery and equipment, cars and other fixed assets used under financial leasing agreements as at 30 June 2020 was PLN 2,095 thousand, and as at 31 December 2019 amounted to PLN 2,410 thousand.

LIABILITES DUE TO FINANCIAL LEASING AGREEMENTS – IFRS-16

	Present value of minimum fees	
	as at 30.06.2020	as at 31.12.2019
up to 1 year - lease	899	880
up to 1 year – right to perpetual usufruct of land	4	4
within 1 to 5 years - lease	1,632	2,080
in the period of above one year- right to perpetual usufruct of land	1,191	1,195
Total	3,726	4,159

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

The carrying value of fixed assets as at 30 June 2020 amounted to PLN 3,639 thousand, including the ones by virtue of lease of the rooms, the amount of PLN 2,462 thousand and right to perpetual usufruct of land, amount of PLN 1,177 thousand. As at 31 December 2019, it amounted to PLN 4,091 thousand, including the ones by virtue of lease of the rooms, the amount of PLN 2,906 thousand and right to perpetual usufruct of land, the amount of PLN 1,185 thousand.

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

	as at 30.06.2020	as at 31.12.2019
up to 1 year	1,472	
within 1 to 5 years		
Total	1,472	

As part of the financial shield, Makarony Polskie received financial assistance in the form of a subsidy from the Polish Development Fund in the amount of PLN 1,472 thousand.

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

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

OTHER FINANCIAL LIABILITIES – HEDGE ACCOUNTING

The Company has liabilities on account of loans for which interest is calculated on the basis of the variable interest rate, thus, there is no risk of increase of these rates compared to the time at which the agreement is concluded. The Company did not use any hedging instrument against the risk of interest rate in the reporting period.

Remuneration of the members of the Management Board and Supervisory Board members of Makarony Polskie SA

The total value of remuneration paid to members of the Management Board of Makarony Polskie SA in the first half of 2020 amounted to PLN 342 thousand, in the same period of 2019 it was PLN 401 thousand

The remuneration of Members of the Supervisory Board of Makarony Polskie SA in the first half of 2020 amounted to PLN 75 thousand, in the same period of 2019 it amounted to PLN 75 thousand.

Members of the Management Board and Supervisory Board of Makarony Polskie SA did not receive remuneration in 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 MP Trade Sp. z o.o. in the first half of 2020 (from January to 31 March 2020) it was PLN 30 thousand, in the same period of 2019 it was PLN 60 thousand.

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

Settlement between affiliates

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

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

Affiliate	Sales to affiliates - total revenues		Purchases from affiliates	
	For the period from 01.01 to 30.06.2020	For the period from 01.01 to 30.06.2019	For the period from 01.01 to 30.06.2020	For the period from 01.01 to 30.06.2019
Parent company- Makarony Polskie S.A.	157	172	14 059	11 857
from/to Stoczek Sp. z o.o.	137	146	13 470	11 175
from/to MP Trade Sp. z.o.o.	20	26	589	682

Affiliate	Receivables from affiliates		Liabilities towards affiliates	
	As at 30.06.2020	As at 30.06.2019	As at 30.06.2020	As at 30.06.2019
Parent company - Makarony Polskie S.A.	869	2,820	410	288
- from/to Stoczek Sp. z o.o.	863	2,814	168	26
from/to MP Trade Sp. z.o.o.	6	6	242	262

Information on planned share issues

In H1 2020 and until the date of publication of these statements, the Company did not issue any shares.

Agreements and events material for the Group's operations

Agreements and events material for the Group's operations are described in details in the condensed consolidated financial statements of the Makarony Polskie Group.

Information on loans and borrowings taken out by Makarony Polskie SA

LOANS TAKEN OUT INCLUDING THEIR DUE DATES

	As at 30.06.2020	As at 31.12.2019
up to 1 years	8,992	10,907
Above 1 year	9,469	14,772
Total	18,461	25,679

Credit agreements concluded by Makarony Polskie SA, as at 30 June 2020, have been described in detail in the condensed consolidated financial statements of the Makarony Polskie Group.

INFORMATION ON BORROWINGS GRANTED

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

Guarantees and security bonds

Information about guarantees and security bonds granted and received by Makarony Polskie SA as at 30 June 2020 has been described in detail in the condensed consolidated financial statements of the Makarony Polskie Group.

Off-balance items

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

Off-balance sheet items (in PLN'000)	30 June 2020	31 December 2019
1. Contingent assets	58,881	63,881
- received guarantees and security bonds	56,881	61,881
- collaterals on assets		
- promissory notes	2,000	2,000
2. Contingent liabilities	133,072	159,105
- for received guarantees and security bonds	13,090	13,090
- collaterals on assets	78,772	94,772
- promissory note obligations	41,210	51,243
Total off-balance items	- 74,191	-95,224

The values of received guarantees, collaterals, promissory notes, mortgages and other off-balance sheet liabilities in the table above have been presented at maximum values..

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

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

Material events and transactions after the balance sheet date that may affect future liabilities and financial results of the Company.

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

After the balance sheet date, there were no material events that could significantly affect the financial results of the Group.

Other material events and transactions

In the first half of 2020, there were no material events or transactions other than those described above that required disclosure in these financial statements of the Group

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Management Board

Rzeszów, 24 September 2020