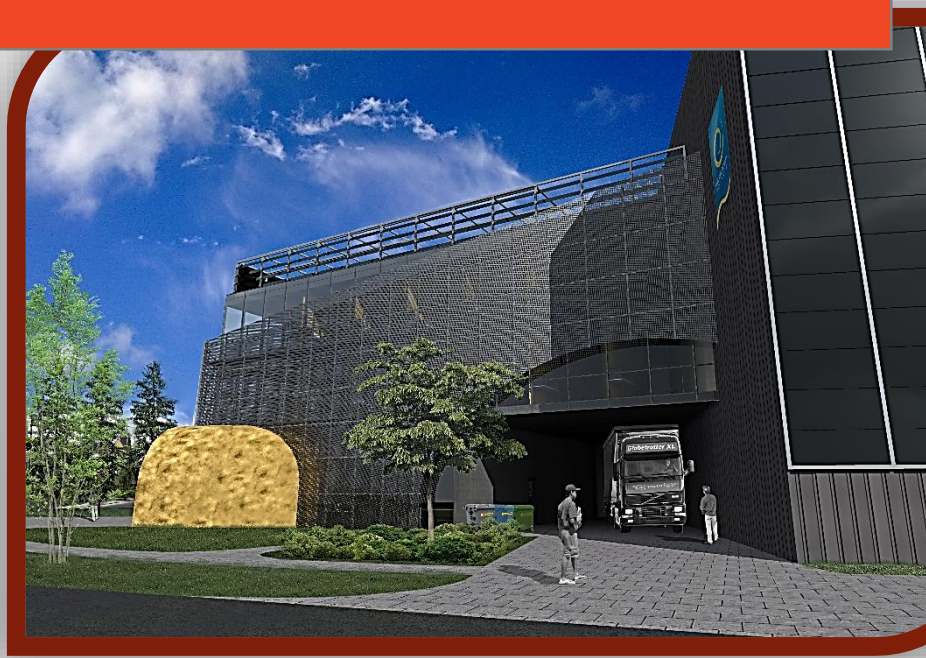
Short financial statements of the Makarony Polskie Group for the period from 01 January 2017 to 30 June 2017



Rzeszów, on 25 August 2017

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SHORT CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01.01.2017TO 30.06.2017

Makarony Polskie SA
25 August 2017

General Information

Organisational structure of the Makarony Polskie Group

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

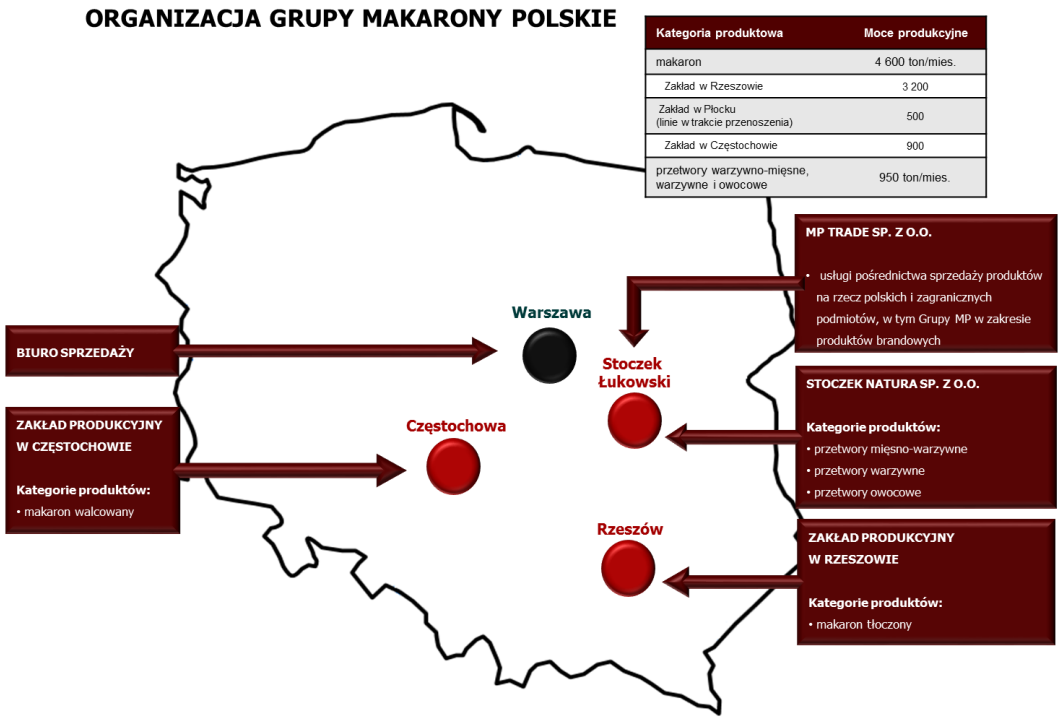
- Makarony Polskie SA ("Company", "Parent Company")
- Stoczek Natura Sp. z o.o.
- MP Trade Sp. z o.o.



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

Stoczek Natura Sp. z o.o. is the manufacturer of meat and vegetable products (ready cooked meals, pâtés, lard, tinned food), vegetable products (salads, pickles, bakery stuffing) and fruit products (jams, syrups, fruit pastes, sweet fillings). The company offers its products under the brands Stoczek, Tenczynek and Męska Rzecz.

On its own account, **MP Trade Sp. z o.o.** develops trade in third party goods of Polish and external manufacturers and also provides intermediation services in selling products to Polish and foreign entities.



Organisational data

Makarony Polskie SA

Registered office: 35-082 Rzeszów, ul. Podkarpacka 15a,
District Court in Rzeszów, 12th Commercial Division of the National Court Register,
court registration number (KRS): 0000212001,
share capital: PLN 27,750,213 (paid up in full),
statistical identification number (REGON): 691674708,
tax identification number (NIP): 813-32-78-856,
www.makarony.pl

Stoczek Natura Sp. z o.o.

Registered office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,
District Court for Lublin Wschód with its registered office in Świdnik, 6th Commercial Division,
court registration number (KRS): 0000050439,
share capital: PLN 15,520,300,
statistical identification number (REGON): 711584640,
tax identification number (NIP): 825-17-27-212,
www.stoczek.com.pl

Within the Group, the particular companies make intercompany purchase and sale transactions with regard to products, merchandise and services.

All transactions are made on arm's length basis.

MP Trade Sp. z o.o.

Registered office: 21-450 Stoczek Łukowski, ul. Dwernickiego 5,
District Court for Lublin Wschód with its registered office in Świdnik, 6th Commercial Division,
court registration number (KRS): 0000579926,
share capital: PLN 500,000,
statistical identification number (REGON): 362706449,
tax identification number (NIP): 825-21-76-004,
www.mp-trade.pl

100% in the share capital of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. belongs to Makarony Polskie SA. As at 30 June 2017 the share in the general number of votes in the General Meetings of these companies held by the Parent Company, is equal to the share in the capital of each of the subsidiaries.

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

Changes in the organisation of the Makarony Polskie Group in the reporting period

In the first half of 2017, no changes were introduced in the Makarony Polskie Group which would have a major impact on the structure or organisation of the Group.

Within the Makarony Polskie Group the particular companies make intercompany purchase and sale transactions with regard to products, merchandise and services. All transactions are made on an arm’s length basis.

At the end of the second quarter and beginning of the third quarter 2017, Makarony Polskie SA effected organisational changes, namely modified and enlarged their in-house sales team, among others, by way of taking over from MP Trade Sp. z o.o. their traditional trade team (in Q.3 2017). Since the third quarter of 2017, the new sales team of Makarony Polskie SA have been responsible for the whole domestic sale of Makarony Polskie SA and Stoczek Natura Sp. z o.o., that is the sale both under their own brands, as well as private label, in all distribution channels. As a target, it is planned that the team shall also service export sale of the production companies of the Group on European markets.

A decision about effecting the above mentioned organisational changes resulted from the growing specialisation of MP Trade Sp. z o.o. and focussing on development of the export sale, most notably on the African and Arabic markets. Reorganisation aims, most of all, at

facilitating of the functioning of the domestic sales structures and does not affect significantly profitability of the serviced contracts.

Headcount at Makarony Polskie Group as at 30 June 2017

Headcount at Makarony Polskie Group as at 30 June 2017 was as follows:

- Makarony Polskie SA – 126 employees,
- Stoczek Natura Sp. z o.o. – 46 employees,
- MP Trade Sp. z o.o. – 24 employees.

Management Board of the Parent Company

Since 1 January 2017 to the date of publication of these statements, the Management Board has consisted of one person. The office of the President of the Management Board is held by Mr Zenon Daniłowski.

On 24 May 2017, in reference to the end of the seventh term of the Company Management Board, the Supervisory Board of Makarony Polskie SA decided that in the eighth term the Management Board will consist of one person and again entrusted the function of the President of the Management Board to Mr Zenon Daniłowski.

Number and nominal value of the shares of the Company held by the Management Board Members as at the end of the reporting period:

Member of the Management Board	1H 2017		2016	
	Number of shares	**Nominal value**	**Number of shares**	**Nominal value**
Zenon Daniłowski*	140,000	420,000	140,000	420,000

* President of the Management Board Zenon Daniłowski is related to Praska Giełda Spożywcza SA (former: Agro-Technika SA) and Polskie Smaki Sp. z o.o. that also hold shares of the Company; the total shareholding is 2,311,594 shares worth PLN 6,934,782.

In accordance with the information possessed by the Company no changes in the status of shares held by the President of the Management Board occurred during the first half of 2017 and by the date of publishing this report.

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

Supervisory Board of the Parent Company

From 1 January 2017 to the date of publication of this report, the Supervisory Board consisted of:

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

Number and nominal value of the shares of the Company held by the Members of the Supervisory Board as at the end of the reporting period:

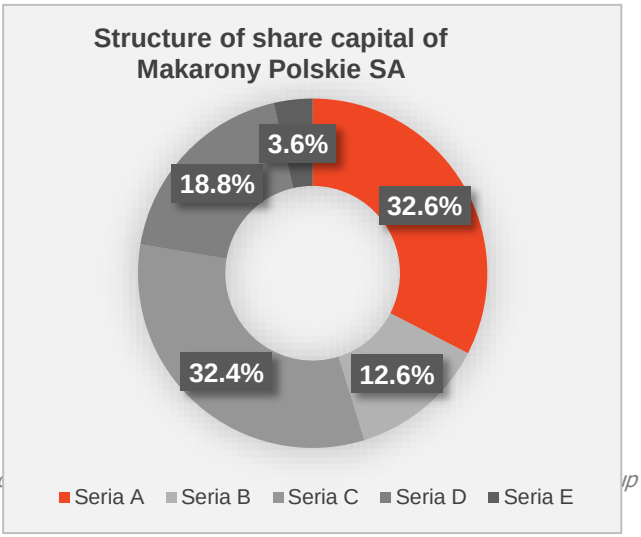
Member of the Supervisory Board	1H 2017		2016	
	Number of shares	Nominal value	Number of shares	Nominal value
Marek Rocki	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer El Waziri	0	0	0	0
Wiesław Wasilewski	5,000	15,000	5,000	15,000

In accordance with the information possessed by the Company no changes in the status of shares held by the Members of the Supervisory Board occurred during the first half of 2017 and by the publication date of this report.

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

General Meeting of the Parent Company

The share capital of Makarony Polskie SA as at 30 June 2017 amounted to PLN 27,750,213



and was divided into 9,250,071 shares of the nominal value of PLN 3.00 each. The value of the share capital has not changed by the date of submitting these statements.

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

There are no limitations at the Company with regard to exercising the right of vote. Moreover, there are no limitations regarding the transfer of ownership rights to the securities issued by the Company.

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

Shareholder	Shares in the share capital		Votes in the General Meeting	
	number	**% share**	**number**	**% share**
Praska Giełda Spożywcza SA Group, of which:	2,311,594	24.99%	2,311,594	24.99%
Praska Giełda Spożywcza SA (former: Agro-Technika SA	*2,050,000*	*22.16%*	*2,050,000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology & Communications S.A.E. of which:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta and Grzegorz Słomkowski, of which:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. „ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Other shareholders	3,962,031	42.83%	3,962,031	42.83%
TOTAL	9,250,071	100.00%	9,250,071	100.00%

Changes in the shareholding in the course of the first half of 2017

During the first half of 2017, the following notifications regarding changes in the possession of shares of the shareholders who held directly or indirectly through their subsidiaries at least 5% of the total number of votes in the General Meeting of the Company (hereinafter referred to as: General Meeting):

- Praska Giełda Spożywcza SA with its registered office in Ząbki (hereinafter referred to as: PGS):
  - on 20 February 2017 informed about a shares disposal transaction concluded through a brokerage office on 17 February 2017 outside of the regulated market, as a result of which PGS disposed of a stake of 350,000 shares of the Company entitling to the same number of votes in the General Meeting;
  - on 24 March 2017 informed that within two shares disposal transactions concluded on 22 March 2017 and 23 March 2017 on regulated market, it disposed of a stake of 400,000 shares of the Company entitling to the same number of votes in the General Meeting;
  - on 30 March 2017 informed that within three shares acquisition transactions concluded on 28 March 2017 on regulated market, it acquired a stake of 800,000 shares of the Company entitling to the same number of votes in the General Meeting.

  Before the share change PGS held directly and indirectly together with its subsidiaries 2,121,594 shares of the Company, representing 22.93% of the share capital and entitling to 2,121,594 votes in the General Meeting (22.93% of the total number of votes), out of which PGS held directly 2,000,000 shares representing 21.62% of the share capital of the Company and entitling to 2,000,000 votes in the General Meeting (21.62% of the total number of votes) and indirectly 121,594 shares representing 1.31% of the share capital of the Company and entitling to 121,594 votes in the General Meeting (1.31% of the total number of votes).

  Having effected the above said transactions, PGS holds directly and indirectly 2,171,594 shares of the Company, which represents the shareholding of 23.47% in the share capital, entitling to 2,171,594 votes at the General Meeting (23.47% of the total number of votes), of which PGS holds: directly 2,050,000 shares representing 22.16% of the share capital of the Company, entitling to 2,050,000 votes at the General Meeting (22.16% of the total votes); indirectly 121,594 shares representing 1.31% of the share capital of the Company, entitling to 121,594 votes at the General Meeting (1.31% of the total number of votes).

Polskie Smaki Sp. z o.o. is a subsidiary of PGS that holds shares of Makarony Polskie SA. At the same time PGS informed that there are no persons referred to in Article 87.1.3.C of the Act on Public Offering and that it does not possess any financial instruments referred to in Article 69b.1 of the Act on Public Offering

- On 29 March 2017 Mr Krzysztof Moska informed that as a result of disposal of 800,000 Company shares, representing 8.65% of the share capital and 8.65% of the total number of votes in the General Meeting, carried out on 28 March 2017 within three stake disposal session transactions on the main market of the Warsaw Stock Exchange, the share of Mr Krzysztof Moska in the total number of votes in the General Meeting of the Company changed, such that his holdings dropped below the 5% threshold of the total number of votes in the General Meeting.

  Before the transactions Mr Krzysztof Moska held 1,101,047 shares of the Company, representing 11.90% of the share capital of the Company and 11.90% of the total number of votes in the General Meeting, entitling him to exercise 1,101,047 votes.

  After the change in ownership, Mr Krzysztof Moska holds in total 301,047 shares of the Company, representing 3.25% of the share capital of the Company and 3.25% of the total number of votes at the General Meeting of the Company entitling to exercising 301,047 voting rights.

  At the same time Mr Krzysztof Moska informed that he had no subsidiaries holding shares of the Company and that there were no persons specified in Article 87 section 1 item 3 letter C of the Act on Public Offering. Mr Krzysztof Moska declares also that he did not possess any financial instruments referred to in Article 69b.1 of the Act on Public Offering.

- On 5 April 2017, Mr Leszek Sobik informed that on 3 April 2017 he carried out a D+1 stake disposal off-session transaction in reference to 150,000 shares of the Company, this reducing his holdings in the Company below the 5% threshold, namely to 3.89%. Before the transaction Mr Leszek Sobik held 509,541 shares of the Company, representing 5.51% the share capital and entitling him to 509,541 votes in the General Meeting, i.e. 5.51% of the total votes in the General Meeting. After the transaction Mr Leszek Sobik holds 359,541 shares of Makarony Polskie SA, representing 3.89% of the share capital of the Company and entitling him to 359,541 votes in the General Meeting, i.e. 3.89% of the total number of votes. At the same time Mr Leszek Sobik informed that his subsidiaries did not hold any Company shares.

On 18 April 2017, Praska Giełda Spożywcza SA (hereinafter referred to as: PGS) – a person closely associated with Mr Zenon Daniłowski, President of the Management Board of Makarony Polskie SA - notified the Company about transactions on the shares of the Company, mentioned under Article 19.1 of the Market Abuse Regulation. PGS informed that on 13 April 2017 it established a pledge on 800,000 shares of the Company.

The Company has no other information which would reflect any changes in the number of shares possessed by major shareholders (holding stakes of more than 5% shares) in the first half of 2017 and by the date of publishing this report.

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

Management Boards of subsidiaries

As at 30 June 2017 and as at the date of publication of these financial statements, the composition of Management Boards of subsidiaries has been as follows:

- Stoczek Natura Sp. z o.o. – Rafał Dziobko – President of the Management Board and Adam Ławnik – Vice President of the Management Board,
- MP Trade Sp. z o.o. – Piotr Wyszecki – President of the Management Board.

Alicja Hinz, Chief Accountant, is the Proxy of Stoczek Natura Sp. z o.o. (the rights of proxy granted are binding jointly – the Proxy may represent the Company only in liaison with another Proxy or a Member of the Management Board).

Management Board of MP Trade Sp. z o.o. appointed no proxies.

Publication and approval of financial statements

These short consolidated financial statements have been subject to audit by an audit firm. The Management Board approved the statements for publication on 25 August 2017.

Legal basis for consolidated financial statements

Declaration of compliance and basis for preparing the statements

These short consolidated financial statements have been prepared based on the International Accounting Standards in the form approved by the European Union (EU) and the related interpretations announced in the form of enforcement regulations by the European Commission (hereinafter referred to as "IFRS"), applicable to interim financial reporting in the form approved by the European Union (IAS 34 "Interim Financial Reporting"), in accordance with Article 55.5 of the Act on Accounting (Journal of Laws of 2013, item 330, as amended) and related enforcement regulations and in accordance with the requirements specified in the Regulation of the Minister of Justice of 19 February 2009 on current and periodical information disclosed by the issuers of securities and conditions of considering equivalent the information required by the laws of a country other than a member state (Journal of Laws of 2014, item 133). 16, published and binding when preparing these short consolidated financial statements. The interim short financial statements do not cover all information and disclosures required to be made in the annual financial statements, and must be read together with the financial statements of the Group and the Parent Company for the year ending 31 December 2016.

Basis for valuation

The presented consolidated financial statements were prepared based on the historical cost concept, except for some assets which were measured at fair value, i.e. assets acquired through the purchase transactions concerning Abak Sp. z o.o. and investment land.

Functional and presentation currency

The measurement currency for the Group applied in these financial statements as well as the reporting currency of these financial statements is Polish zloty (PLN).
Unless otherwise specified, financial data are expressed in thousands zlotys.

Applied accounting policy and basis for preparing the statements

The accounting principles applicable to interim short consolidated financial statements comply with these applied in preparing annual financial statements of the Capital Group for the year ending 31 December 2016 (published on 21 March 2017).

Legal basis for consolidated financial statements

The financial statements of all companies were prepared for the same reporting period, by application of cohesive financial principles. The reporting year of the Group companies is a calendar year. The Parent Company (Makarony Polskie SA) and the subsidiaries prepare their own financial statements in accordance with the IAS/IFRS.

Consolidation exclusion applies to any transactions, balances, revenues and costs between the related companies subject to consolidation.

The term of the Group companies is unlimited.

Companies subject to consolidation:

as at 30 June 2017	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o.o.
Nature of relationship	direct subsidiary	direct subsidiary
Consolidation method	full	full
Control assumption date	1 June 2007	28 September 2015
% of share capital held	100%	100%

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

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

Changes in the principles of preparing financial statements

In the first half of 2017 no changes occurred in the measuring principles applied when preparing the consolidated financial statement.

Applied principles of accounting

The accounting principles (policy) applicable to interim short consolidated financial statements comply with these applied in preparing consolidated financial statements for the year ending 31 December 2016, except for application of the following amendments to standards and new interpretations binding for annual periods starting on or after 1 January 2017:

New and amended standards and interpretations

New Standards and amendments to the existing standards issued by IASB and approved by EU, but which have not taken effect

The following standards and amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) and approved for application in the EU that have not taken effect:

IFRS 9 "Financial Instruments" – approved in the EU on 22 November 2016 (applicable to the annual periods starting on or after 1 January 2018),

IFRS 15 "Revenue from Contracts with Customers" – and amendments thereto – approved in the EU on 22 September 2016 (applicable to the annual periods starting on or after 1 January 2018),

New standards and amendments to the existing standards issued by IASB and not approved by EU

As at the publication date of these financial statements, the following new standards and amendments thereto have not been approved yet to be applied in the EU:

IFRS 14 "Regulatory Deferral Accounts" (applicable to the annual periods starting on or after 1 January 2016) – the European Commission decided not to start the process of approving this interim standard to be applied within the EU until the final version of IFRS 14 is issued;

IFRS 16 "Leases" (applicable to the annual periods starting on or after 1 January 2019);

IFRS 17 "Insurance Contracts" (applicable to the annual periods starting on or after 1 January 2021);

IFRS 2 "Share-based Payment" – Classification and measurement of share-based payment (applicable to the annual periods starting on or after 1 January 2018);

Amendments to IFRS 4 "Insurance Contracts" – Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts" (applicable to the annual periods starting on or after 1 January 2018 or on the first application of IFRS 9 "Financial Instruments");

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture and later amendments (effective date of the amendments has been postponed until R&D work is completed concerning ownership interests method);

Amendments to IFRS 15 "Revenue from Contracts with Customers" – Explanations to IFRS 15 "Revenue from Contracts with Customers" (binding as regards annual periods beginning on or after 1 January 2018);

Amendments to IAS 7 "Statement of Cash Flows" – An initiative as regards disclosures (applicable to the annual periods starting on or after 1 January 2017);

Amendments to IAS 12 "Income Taxes" – Recognition of deferred tax assets on unrealised losses (applicable to the annual periods starting on or after 1 January 2017);

Amendments to IAS 40 "Investment Property" – Transfer of investment property (applicable to the annual periods starting on or after 1 January 2018);

Amendments to various standards "Amendments to IFRS (2014-2016 cycle)" – amendments effected under the procedure of annual improvements to IFRS (IFRS 1, IFRS 12 and IAS 28) aimed mostly at resolution of conflicts and clarification of wording (amendments to IFRS 12 are applicable to annual periods starting on or after 1 January 2017, whereas the amendments to IFRS 1 and IAS 28 are applicable to annual periods starting on or after 1 January 2018);

Interpretation of IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable to the annual periods starting on or after 1 January 2018);

As at the publication date of these financial statements the Group has not decided to apply any standard, interpretation or amendment which have not taken effect yet. The Management Board of the Company is analysing and assessing their effect on the accounting principles (policies) applied by the Group and future financial statements.

The Group does not expect that introduction of any of the above standards, amendments to standards or interpretations could have a major impact on the accounting policy applied by the Group.

Uncertainty of estimations

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

- depreciation rates;
- loss of value of assets (including receivables);
- value of provisions;

- deferred tax assets (the companies disclose deferred tax assets based on the assumption that in future taxable profit will be generated enabling the deferred assets utilisation; deterioration of the generated tax results in future could make this assumption unjustified);
- valuation of assets of unspecified period of use.

As at the date of preparing these financial statements there are no reasons for impairment allowance on account of Stoczek goodwill or value of the Abak and Tenczynek brands. The applicable tests compliant with the binding policies were performed as for the balance at the end of 31 December 2016.

Assumptions regarding future and the assumed estimations are cohesive with the assumptions and estimations made by the Group in the financial statements for 2016.

Going concern

The consolidated financial statements of the Makarony Polskie Group was prepared on going concern basis applied in reference to the Group companies, as regards foreseeable future, and in the scope which is not going to change significantly. The Group did not carry out any activities which would have been abandoned in the first half of 2017.

Factors and risks significantly affecting financial results in the first half of 2017 and in subsequent periods

Building engineering and manufacturing advantage through investments in innovation and automation.

- R&D development in the area of product innovations: functional food, health-promoting food and food dedicated to the specifically named target groups – an interdisciplinary team has been established at Makarony Polskie SA which in cooperation with scientific institutions works on the development of innovative manufacturing technologies of new low-processed and health-promoting products that are easy to prepare;
- extension of the production plant in Rzeszów for a production and warehouse building, with the planned completion date in the second half of 2017;
- completion of the investment in automated flour and bulk ingredients dosing system at the production plant in Częstochowa, which has enabled extension of the production capacity and made the production process more flexible;

- at Stoczek Natura Sp. z o.o. research has been carried out in order to adjust the plant to the global trends in food production: convenience products, health-promoting products, products packed in modified atmosphere, innovative forms of packaging of the products offered;
- modern line to pack fillings and stuffing purchased by Stoczek Natura Sp. z o.o. allows the company to offer products of new, better quality and longer best before date.

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

- the project called "Implementation of the Results of R&D Works on Functional Food at Makarony Polskie SA", realised under measure 1.4 Support for SMEs, Regional Operational Programme for the Podkarpacie Province 2014-2020, assumes implementation of the results of R&D works carried out in cooperation with a scientific unit, and consisting in development of innovative product recipes with the use of raw materials which are not applied on a standard basis in the pasta sector. The main objective of the project is the expansion of Makarony Polskie SA on the market of functional food.
- the project called "Creation of a Research and Development Centre for the Pasta Industry at Makarony Polskie SA", carried out within Measure 2.1 Support for Investments in R&D Infrastructure of Enterprises, Smart Growth Operational Programme 2014-2020, assumes Creation of a Research and Development Centre for the Pasta Industry at Makarony Polskie SA. At the Centre works will be carried on innovative health-promoting products, which will finally enlarge the product offer of the Company, as well as research work on issues important to the whole pasta industry. Within the project the Company plans to purchase fixed assets and finance construction works. For instance, a state-of-the-art line for production tests will be bought for the needs of the R&D Centre, the parameters of which will make it possible to create the conditions prevailing during the industrial production process (the said line will be an asset of significant value).
- the project "Promotional and Information Campaign on the Polish Market - Quality of Nature", executed by a consortium of Makarony Polskie SA (consortium leader), Stoczek Natura Sp. z .o.o. and Dary Natury, co-financed by the Agricultural Market Agency under the Rural Development Programme 2014-2020, Measure 3 "Quality Schemes for Agricultural Products and Foodstuffs", sub-measure "Support of Information and Promotional Activities Performed by Groups of Manufacturers on Internal Market".

  The project objective is to carry out a Poland-wide promotional and information campaign throughout the year, covering also foreign trade events, in order to promote the product of the consortium participants awarded with the "Jakość Tradycja" [Quality and Tradition] certificate. The total cost of the project is PLN 2.2 million net. The value

of co-financing is PLN 1.6 million, which represents 70% of eligible costs. The project has been planned to be completed in the second quarter of 2018.

- The "European Pasta" Programme has been carried out since 2016 by Polska Izba Makaronu (PIM) [Polish Pasta Chamber]. Makarony Polskie SA, being a PIM participant, together with other manufacturers associated with PIM, aims at promotion of pasta in Ukraine and the People's Republic of China. The Ukrainian and Chinese recipients (consumers, distributors) have been educated about the healthy characteristics of pasta, variety of pastas and high quality of products originating from the EU, including Poland (advertisements broadcast on TV, published in newspapers and on the Internet, as well as promotional actions carried out during fairs and at sales outlets). The programme is to contribute to the development of sales markets and increase in the sales volume of pasta manufactured in the European Union. The programme will last three years (2016–2018).
- in June 2017, the project of Stoczek Natura Sp. z o.o. called "Creation of a Research and Development Centre at Stoczek Natura Sp. z o.o." was qualified by the Ministry of Development to be co-financed under the competition 2.1/2/2016 to Measure 2.1 Support for Investments in R&D Infrastructure of Enterprises, Smart Growth Operational Programme 2014-2020. The mission of the newly established Research and Development Centre will be implementation of process and product innovations in the field of manufacture of semi-finished products for the bakery and confectionery industries and for the HoReCa sectors. The project has been planned to be implemented in the period: June 2017 to April 2019. The total project cost is approximately PLN 19.02 million.
- Within the 2014-2020 perspective the Group companies apply for EU funds in order to accelerate investments and extend the scope of investments in modernisation of the currently used production machines and to develop new areas of operation, e.g. fillings and stuffing production, initiation of presence in the HoReCa segment with the aim to maintain the market position and cope with the growing demand for new innovative products and packaging. Among other things, in the first half of 2017 design audits have been carried out at Makarony Polskie SA and Stoczek Natura Sp. z o.o. so as to develop a design strategy for the companies.

Development of private label segment activities

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

Development of B2B and institutions sales channels

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

Increase of domestic market share and distribution level

- improvement of the position of brand products through the strategy of concentration on 5 brands, and particularly on the key brands of Makarony Polskie, Męska Rzecz and Stoczek, as well as continuous portfolio optimisation (both as regards elimination of items which are dying out on the market, and introduction of new products expected by the market),
- development and implementation of mechanisms to cooperate with wholesale customers, local retail networks and large-scale chain shops, especially as regards mid-size and small international networks and convenience networks – being a selective distribution strategy, taking into account the specifics of the categories in which the Group is present,
- concentration on fast and effective creation of brand assortment availability in the modern channel and implementation of effective distribution policy in the traditional channel,
- intensified trade marketing activities to support sale and resale of products and build standing relations with the customers.

Exports development

- introduction of Novelle – a universal exports brand under which both current and new products will be offered, like stuffed pasta, BIO pasta, premium products, etc.;
- systematic increase in the number of customers on foreign markets;
- intensified communication with the current and potential recipients by virtue of participation in sector fairs and organisation of B2B meetings on the target markets, for example;

- continued cooperation with Raya Distribution – deliveries and distribution on the Egyptian market of the manufacturer's own brands;
- attracting and performing projects focused on supply of products identified with the recipient's own brand, mainly to the African market;
- product assortment extension by offering functional products on foreign markets, for instance, whole grain pasta with high content of fibre, spelt and buckwheat pasta and BIO products as well as new product categories (products acquired by MP Trade Sp. z o.o. from outside the Group).

Commencement of preliminary negotiations with RAYA Holding for Technology & Telecommunications S.A.E. with regard to determining the principles of cooperation and strategic partnership in the area of potential activities on the African markets

In the first half of 2017, Makarony Polskie and Raya Holding for Technology & Telecommunications S.A.E. with its registered office in Giza (Egypt) (hereinafter referred to as: Raya) commenced preliminary negotiations with regard to determining the principles of cooperation and strategic partnership in the area of potential activities on the African markets (the Company informed about receiving an invitation to negotiations in that regard in its current report No. 9/2016 of 9 June 2016). The negotiations refer to the possibility of:

- pasta sales development on the African markets together with the possible investment in constructing a production plant in Egypt;
- fruit and vegetables processing, including possible production commencement in Egypt;
- development of trade between the African and European markets.

As a result of the carried out negotiations a decision was taken to establish cooperation in the field of development of sale of pasta and other food products on the African and Arabic markets.

It was determined that a company from the Makarony Polskie Group - MP Trade Sp. z o.o., whose minority shareholder holding not more than 47% of the share capital, will be Raya (or its subsidiary), will be involved in development of sale on the European markets. Whereas, a subsidiary of Raya operating under the name of Eden for Import & Export with its registered office in Giza (Egypt), whose minority shareholder holding not more than 25% of the share capital, will be Makarony Polskie SA, will be involved in development of sale on the African markets.

The Company is going to inform about further progress of the negotiations in the stock exchange reports on a current basis.

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

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

In the first half of 2017 no such events occurred.

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

The Makarony Polskie Group has not published any financial projections for 2017.

Hazards and risks related to the Group activities in the remaining months of 2017

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

Risk of market trends changes

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

Market trends are monitored on a current basis. The Group companies adjust their offer in a fast and flexible manner, both as regards the very products and the technology of the products manufacturing. The current product offer of the Group has been modified in accordance with market trends, e.g. in reply to health-promoting and "fit" products trend the Group introduced spelt, rye and buckwheat flour pastas or BIO products. In reply to the diversification of assortment and offering premium products, at the end of 2016 flavoured rolled pasta intended for both main courses and soups was included in the offer.

Competition risk

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

a current basis and carefully analysed by the Group Marketing Department. Therefore, the Group is capable of fast reacting to the possible threats.

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

Risk of economic and physical wear and tear of machines and equipment and loss of the machines value on the market

Many domestic manufacturers have extended or are planning to modernise their engineering and machinery facilities in relation to the possibility of obtaining co-finance for that purpose from the EU funds. This has been forced mainly by strong competition among the (domestic and foreign) manufacturers as well as market trends, e.g. as regards new innovative packaging, energy consumption in the production process, the efficiency of machines and equipment, or automation of manual processes.

The machines and equipment currently used at the production plants of the Group are in full working order and have been subject to periodical repairs and modernisations. The Group companies also carry out investments in new production assets on a current basis, which results from the reaction to the market needs (investments in new packing and boxing machines used in pasta production, new labelling machines for non-standard shaped jars at Stoczek Natura Sp. z o.o.) and refers mainly to maintenance of the current production profile of the plants. At the moment the Group has been undergoing a process of replacement of production machines and installing new ones, whereas the co-finance from the EU funds will accelerate the process.

In order to maintain the market position and cope with the growing demand for new innovative products and packaging, the Group companies have successfully applied for EU funds within the 2014–2020 perspective. The Group has informed the market in its current reports about the subsidies obtained. The aim of the actions is mainly to modernise the machines used within the current production profile but also development of new areas of operation.

There is a risk that any delay in the implementation of development projects will result in a loss of the leading position in the pasta or fruit and vegetable products private label sector.

Risk of dependence on the recipients

A major part of the revenues is generated by the Group through cooperation with organised commercial networks, which are centralised as regards decision-making. The possible lack of continuity in cooperation with the recipients may affect sales values. Some commercial

agreements do not include strictly determined values of planned purchases to be made by the recipient during the term of the agreement. There is a risk that the recipients will file orders which are different in quantity from those assumed by the Group in its monthly plans, which may result in inability to satisfy the demand or incomplete use of the production capacity and this will obviously translate into the Group results. Nevertheless, in the opinion of the Group, the risk is not high, because the quantities of products supplied so far have not significantly fluctuated within a yearly timeframe, staying at the levels which were possible to foresee. Additionally, the Group companies have been systematically implementing solutions for recipients diversification and increase of the number of medium-sized customers.

Risk related to changes in raw materials prices

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

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

The prices of liquid egg pulp currently applicable on the market range from PLN 3.3-3.7 thousand per ton. Since 2013, consumption of eggs in Poland has been on the same level. Now, it is approximately 144 eggs per person. After a sudden increase in the liquid egg pulp prices at the end of the third quarter and in the fourth quarter of 2016 (up to the level of PLN 4.4-4.8 thousands per ton), at the end of 2016 and beginning of 2017 the prices of eggs and liquid egg pulp dropped again. In the first quarter and in the second quarter of 2017, liquid egg pulp prices stabilised at PLN 3.3-3.7 thousand per ton. According to the forecasts, the prices of eggs and liquid egg pulp are going to grow slightly in the third quarter of 2017. This will result from the replacement of old hen stocks with new ones in the period of July and August. Cyclically, each year the fourth quarter is characterised with increased prices due to Christmas period.

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

Risk of changing legal and tax environment

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

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

Risk related to foreign exchange rates fluctuation

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

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

Risk related to payroll pressure

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

In order to minimize rotation of the employees, especially as regards key employees and specialists, the Group does its best to implement incentive remuneration systems on a regular basis (connecting remuneration to production and sale output, for instance) which - by relating deliverables of specific teams/persons closely to the effectiveness of meeting the goals that the Group set for them - allow to connect the payroll satisfactory for the employees with the profitability of the Company's operation.

Interest rate risk

Interest rate risk is the risk of losses as a result of change in the interest rates applied by the market and change in the statutory interest. The value of revenues and costs of the Company is sensitive to interest rates changes on the market.

To a major extent, the Company finances its activities with credits and loans, which increases the Group's sensitivity to the interest rate risk, both as regards long-term and short-term financial liabilities.

In the first half of 2017 the Company availed itself of external sources of finance taken out at a bank in the form of a working capital credit, loan in the current account and investment credits.

As at 30 June 2017 the Company was liable PLN 18,787 thousand on account of the credits taken out.

Currency	Interest rate	Credit/loan balance	Including	
			Short-term	**Long-term**
PLN	WIBOR + bank margin	18,787	10,710	8,077

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

Credit risk

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

The Group exposure to the creditworthiness risk of the contractors has been monitored on a standing basis. The credit risk control is possible by virtue of limits verified and approved on a current basis within the Group controlling structures.

Additionally, the Group covered the selected contractors with trade receivables insurance provided by one of the major insurance companies operating in that segment on the Polish market.

The Group is not exposed to a major credit risk of a single contractor or a group of contractors. When assessing the credit risk level, the Group treats related companies as one customer.

Selected financial data Makarony Polskie Group

The selected financial data presented in EUR comply with § 90.1.1 of the Regulation of the Minister of Finance of 19 February 2009:

- the items of the statement of financial position were converted at the mean exchange rate announced by the National Bank of Poland and binding as at the balance-sheet dates: EUR 1 = PLN 4.2265 as at 30 June 2017, and EUR 1 = PLN 4.4240 as at 31 December 2016;
- the items of the statement of comprehensive income and statement of cash flows were converted at the rate being the arithmetic mean of the mean rates announced by the National Bank of Poland and binding as at the last day of each month of the first half of 2017 (i.e. EUR 1 = PLN 4.2474) and as at the end of each month of the first half of 2016 (i.e. EUR 1 = PLN 4.3805).

Selected financial data	30 June 2017 (PLN '000)	30 June 2016 (PLN '000)	30 June 2017 (EUR '000)	30 June 2016 (EUR '000)
Net sales of products, services, merchandise and materials	66,047	59,068	15,550	13,484
Profit (loss) on continued operations	3,873	3,600	912	822
Gross profit (loss)	3,573	3,012	841	688
Net profit (loss) on continued operations	3,051	2,362	718	539
EBIT	3,873	3,600	912	822
EBITDA (EBIT + depreciation)	6,384	5,846	1,503	1,335
Net cash flows on operating activities	3,104	4,917	731	1,122
Net cash flows on investing activities	-1,784	- 3,498	- 420	- 799
Net cash flows on financing activities	- 1,733	- 1,778	- 408	- 406
Total net cash flows	- 413	- 359	- 97	- 82
Total assets ***	129,686	128,386	30,684	29,020
Liabilities and provisions for liabilities ***	56,132	55,570	13,281	12,561
Long-term liabilities ***	20,802	23,129	4,922	5,228
Short-term liabilities ***	35,330	32,441	8,359	7,333
Equity ***	73,554	72,816	17,403	16,459
Share capital ***	27,750	27,750	6,566	6,273
Number of shares	9,250,071	9,250,071	9,250,071	9,250,071
Weighted average number of shares in the given reporting year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (PLN/EUR) *	0.33	0.26	0.08	0.06
Book value per share (PLN/EUR) **	7.95	7.87	1.88	1.78

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

** Book value per ordinary share = equity/number of shares at the balance-sheet date
*** Comparative data from the statement of financial position as at 31 December 2016

Consolidated statement of comprehensive income

Makarony Polskie Group	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Sales revenues	**66,047**	**59,068**
Net sales of products and services	63,415	56,769
Net revenues on the sales of materials and merchandise	2,632	2,299
Prime cost	**50,689**	**45,952**
Cost of manufacturing of the products and services sold	48,119	43,700
Value of merchandise and materials sold	2,570	2,252
Gross profit (loss) on sales	**15,358**	**13,116**
Cost of sales	8,941	7,212
General management costs	2,745	2,273
Other revenues	394	342
Other costs	193	373
Profit (loss) on continued operations	**3,873**	**3,600**
Financial revenues	179	97
Financial costs	479	685
Profit (loss) on business activities	**3,573**	**3,012**
Gross profit (loss)	**3,573**	**3,012**
Income tax – current part	652	266
Income tax – deferred part	- 130	384
Net profit (loss)	**3,051**	**2,362**
Including net profit (loss) assigned to:		
Shareholders of the Parent Company	3,051	2,362
Non-controlling interest		
Basic net earnings per share in PLN	0.33	0.26
Diluted net earnings per share in PLN	0.33	0.26
Other comprehensive income/loss, net		
Total net comprehensive income	**3,051**	**2,362**
Net comprehensive income assigned to:		
Shareholders of the Parent Company	3,051	2,362
Non-controlling interest		

Statement of other comprehensive income, net – hedge accounting

Makarony Polskie Group	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Net comprehensive income	3,051	2,362
Profit/loss on account of hedge accounting application	0	43
Total net comprehensive income	3,051	2,405

Consolidated statement of financial position

ASSETS	30 June 2017	31 December 2016	30 June 2016
FIXED ASSETS	**91,654**	**90,606**	**88,781**
Property, plant and equipment	74,665	73,520	71,726
Investment properties	1,235	1,235	1,235
Goodwill	5,949	5,949	5,949
Other intangible assets	9,437	9,559	9,686
Long-term financial assets			
Deferred income tax assets	94	17	135
Other long-term assets	274	326	50
CURRENT ASSETS	**38,032**	**37,780**	**36,389**
Inventories	15,636	13,015	12,348
Short-term receivables	21,503	23,469	23,200
Receivables on account of corporate income tax	17	8	
Loans granted			
Cash and cash equivalents	503	920	645
Other short-term assets	373	368	196
ASSETS HELD FOR SALE			
TOTAL ASSETS	**129,686**	**128,386**	**125,170**

EQUITY/LIABILITIES	30 June 2017	31 December 2016	30 June 2016
EQUITY CAPITAL	**73,554**	**72,816**	**70,063**
Share capital	27,750	27,750	27,750
Other reserve capital	42,184	39,505	39,482
Retained profit/loss (profit/loss from previous years)	569	469	469
Net result	3,051	5,092	2,362
LONG-TERM LIABILITIES	**20,802**	**23,129**	**23,974**
Deferred income tax provision	3,334	3,387	3,351
Long-term bank credits and loans	8,077	11,117	11,883
Provision for retirement benefits and equivalent (long-term)	187	143	152
Deferred income (long-term)	6,836	7,053	7,333
Long-term financial liabilities	2,368	1,429	1,255
SHORT-TERM LIABILITIES	**35,330**	**32,441**	**31,133**
Short-term bank credits and loans	10,710	8,455	8,840
Short-term financial liabilities	981	709	562
Financial liabilities on account of dividend	2,313		3,238
Other short-term liabilities	20,428	22,636	17,856
Corporate income tax payables	36	22	49
Deferred income (short-term)	510	548	510
Provision for retirement benefits and equivalent (short-term)	96	71	78
Other short-term provisions	256		

TOTAL LIABILITIES	**56,132**	**55,570**	**55,107**
TOTAL EQUITY/LIABILITIES	**129,686**	**128,386**	**125,170**

Consolidated statement of cash flows

Makarony Polskie Group	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Earnings (loss) before taxes	**3,573**	**3,012**
Adjustments for items:	- 469	1,905
Depreciation	2,511	2,246
Foreign exchange gains/losses	4	- 2
Interest cost and income	424	487
Profit/loss on investing operations	-15	- 39
Change in the balance of provisions	325	- 4
Change in the balance of inventories	- 2,621	- 358
Change in the balance of receivables	1,966	3,279
Change in the balance of liabilities and accruals	- 2,416	- 3,430
Paid/returned corporate income tax	- 647	- 266
Other adjustments		- 8
Net cash flows on operating activities	**3,104**	**4,917**
Cash flows on investing activities		
Revenues from sale of tangible and intangible fixed assets	39	245
Interest revenues		
Expenses on purchase of tangible and intangible fixed assets	- 1,823	- 3,743
Revenues on loans repayment		
Loans granted		
Net cash flows on investing activities	**- 1,784**	**- 3,498**
Cash flows on financing activities		
Revenues from credits and loans	1,216	1,102
Repayment of credits and loans	- 2,000	- 2,129
Payment of liabilities under financial lease agreements	- 525	- 264
Interest paid	- 424	- 487
Other financial revenues		
Net cash flows on financing activities	**- 1,733**	**- 1,778**
Increase/decrease in the balance of cash and cash equivalents	- 413	- 359
Cash, cash equivalents and credit in the current account at the beginning of the period	**920**	**1,002**
Foreign exchange gains/losses on valuation of cash, cash equivalents and credit in the current account	- 4	2
Cash, cash equivalents and credit in the current account at the end of the period	**503**	**645**

Statement of changes in consolidated equity

For the period from 1 January 2017 to 30 June 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2017	27,750	39,505		5,561	72,816
Profit distribution/loss coverage		2,679		- 2,679	
Profit distribution – dividend pay-out				-2,313	- 2,313
Profit/loss on account of hedge accounting application					
Net result after H.1, 2017			3,051		3,051
As at 30 June 2017	27,750	42,184	3,051	569	73,554

For the period from 1 January 2016 to 31 December 2016

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2016	27,750	37,665		5,481	70,896
Profit distribution/loss coverage		1,774		- 1,774	
Profit distribution – dividend pay-out				-3,238	- 3,238
Profit/loss on account of hedge accounting application		66			66
Net result for 2016			5,092		5,092
As at 31 December 2016	27,750	39,505	5,092	469	72,816

For the period from 1 January 2016 to 30 June 2016

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2016	27,750	37,665		5,481	70,896
Profit distribution/loss coverage		1,774		- 1,774	
Profit distribution – dividend pay-out				-3,238	- 3,238
Profit/loss on account of hedge accounting application		43			43
Net result after H.1, 2016			2,362		2,362
As at 30 June 2016	27,750	39,482	2,362	469	70,063

Additional explanatory notes

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

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

	01.01.2017-30.06.2017	01.01.2016 - 30.06.2016
Sales of products	61,779	55,093
Sales of services, including:	1,636	1,676
– service production	421	419
– transport		
– lease, storage	1,211	1,244
– other	4	13
Sales of materials	2,168	194
Sales of merchandise	464	2,105
Total	66,047	59,068

Operating segments

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

	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Pasta	48,189	46,378
Meat and vegetable products	11,399	7,139
Vegetable products	672	1,411
Fruit products	1,980	2,268
Other	3,807	1,872
Total	66,047	59,068

Basic information regarding operating segments:

H.1 2017	Pasta	Meat and vegetable products	Vegetable products	Fruit products	Other	Total segments
Revenues						
Sales to third party customers	48,189	11,399	672	1,980	3,807	66,047
Sales between the segments						
Total Group revenues	48,189	11,399	672	1,980	3,807	66,047
Costs						
Costs of the segments	36,565	9,211	526	1,769	2,618	50,689
Profits/losses of the segments (gross sales)	11,624	2,188	146	211	1,189	15,358

H.1 2016	Pasta	Meat and vegetable products	Vegetable products	Fruit products	Other	Total segments
Revenues						
Sales to third party customers	46,378	7,139	1,411	2,268	1,872	59,068
Sales between the segments						
Total Group revenues	46,378	7,139	1,411	2,268	1,872	59,068
Costs						
Costs of the segments	35,540	6,235	1,309	2,133	735	45,952
Profits/losses of the segments (gross sales)	10,838	904	102	135	1,137	13,116

Sales revenues of the Makarony Polskie Group in the first half of 2017 amounted to PLN 66 million and were by PLN 6.9 million higher than in the same period of 2016.

Sales in the pasta category was higher by approximately PLN 1.04 million (about 3.9%) than in the first half of 2016.

Sales of meat and vegetable products in the analysed period increased by approximately PLN 4.3 million, up to over PLN 11.3 million. The growth of approximately 59.6% (the first half of 2017 compared to the first half of 2016) has resulted from carrying out an in-out campaign concerning Stoczek branded ready-cooked products and winning new private label contracts.

In the first half of 2017 the Group recorded a drop in the sales:

- of vegetable products by PLN 0.7 million from the first half of 2016,
- fruit products by nearly PLN 0.3 million from the first half of 2016.

The Group has planned concentration of production on the key product categories by gradual verification of profitability and volumes of vegetable and fruit products manufacturing. Moreover, commencement of the entirely new production has been planned. Therefore the production plant must be duly prepared.

For the purpose of verifying the results generated by the particular segments and assignment of resources, the decision-making persons monitor the assets applicable to the particular segments.

The decision-makers do not obtain information about the liabilities of the respective segments.

The Group applies IFRS 8 "Operating Segments". In accordance with the IFRS 8 requirements, operating segments must be identified based on the internal reports regarding those elements, which are regularly verified by the persons deciding about

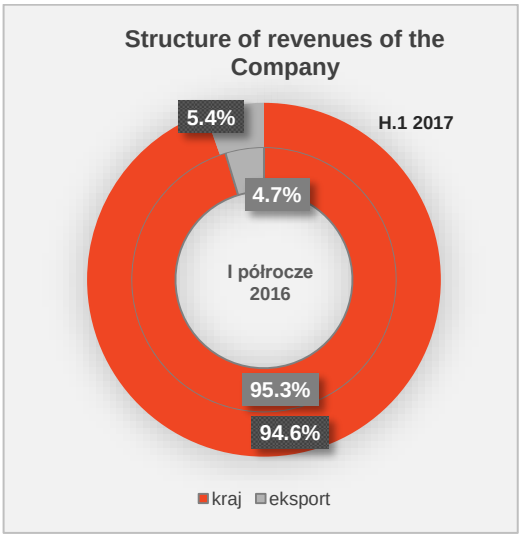
allocation of resources to the respective segment and assessing the segment financial results. The Group companies operate mainly in the territory of Poland, the regions of which should be treated as a uniform area due to the closeness of location, similar economic conditions and general risk.

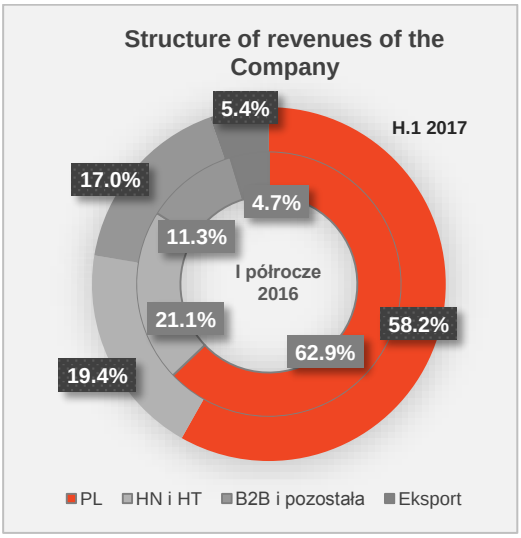
Sales of products, services, merchandise and materials – geographic structure

For the period	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Poland	62,457	56,746
Exports, including	3,590	2,322
– EU member states	2,365	1,599
– other countries	1,225	723
Total	66,047	59,068

The sales markets of the Makarony Polskie Group may be divided into domestic market (including private label, traditional trade, modern trade, and B2B and institutions) and exports market (including sales to domestic intermediaries). As regards Like-for-Like (LFL) measure, the Group generated the following sales revenues in the first half of 2017:

PLN '000	1H 2017	1H 2016	YoY
Sales revenues	66,047	59,068	+11.8%





Private Label

The largest share in the Group revenues (58.2%) was contributed by the private label (PL) channel offering products under own brands of domestic and foreign shop chains (taking into account the sale to Lidl counterparty operating as one group in Europe):

PL [PLN '000]	1H 2017	1H 2016	YoY
Sales revenues	38,415	37,157	+3.4%

Within the B2B channel the Group has mainly developed the sales of pasta and semi-products for bakery sector, as well as activities consisting in filling jars and cans for customers as a subcontractor.

As regards the private label sector, the Group is a leading manufacturer of rolled and extruded pasta on the Polish market, as well as an important manufacturer of meat and vegetable products.

The sale in that channel totalled PLN 38.4 million in the first half of 2017, which represented 3.4% increase YoY.

In the first half of 2017 the Group implemented the buyers diversification process. As of the reporting date, the main buyers in this channel are Jeronimo Dystrybucja Polska and Lidl. In the period under analysis, two customers exceeded the threshold of 10% share in the consolidated sales revenues (total for brand and private label products). This is the Biedronka chain with the share of approximately 29% and Lidl with the share of 10.3%. The Group companies are in no way related to the operator of that shop chain, whereas cooperation is carried out on partner basis and is favourable to the Makarony Polskie Group.

Modern and traditional trade

Another important part of the Group revenues at the level of 19.4%, generated in the first half of 2017 on the domestic market, is the sale of the Group own brands (brands: Makarony Polskie, Sorenti, Stoczek, Tenczynek and Męska Rzecz) through the modern trade channel (MT) and traditional trade channel (TT):

MT and TT (PLN '000)	1H 2017	1H 2016	YoY
Sales revenues	12,783	12,320	3.8%

Increase in sales by 3.8% in the first half of 2017 YoY was affected most of all by induction of the new assortment to the offer of the Group in the form of ready-cooked tinned meals weighing 820g. Sales revenues generated in the traditional trade and modern trade channels were also affected by the fact that the Group has been consequently resigning from the sales of non-profitable indexes and ordering its product portfolio offered on the market.

In the second half of 2017, the Group is planning to increase cooperation with the current buyers, among others by offering them new products under own brands, and the Group plans to win new, not yet served, foreign, domestic and local chains of shops. To achieve this goal, the Group has reorganised the sales teams and integrated the service of the top buyers.

Additional explanatory notes

B2B and institutions

B2B and institutions represented approx. 17.0% of the total revenues of the Group in the first half of 2017:

B2B and institutions (PLN '000)	1H 2017	1H 2016	YoY
Sales revenues	11,270	6,662	+69.2%

Within the B2B and institutions channel, the Group develops its service business, sale of pasta and semi-products - sweet fillings and salty stuffing - for the bakery and confectionery sectors.

Based on production capacity of Stoczek Natura Sp. z o.o., trade talks are underway concerning services of commissioned production of meat products and ready-cooked meals for other manufacturers, for instance, filling in tins and jars.

Sales in the B2B and institutions channel in the first half of 2017 amounted to PLN 11.27 million and were by approx. PLN 4.6 million (69.2%) higher than in the first half of 2016. Increase in revenues results mostly from winning new contracts for services provided by Stoczek Natura Sp. z o.o. Increase in revenues in this channel was affected, among others, by obtaining a contract for execution of commissioned production.

Exports

Within the total revenues of the Group for the first half of 2017 exports represented 5.4%:

Exports (PLN '000)	1H 2017	1H 2016	YoY
Sales revenues	3,579	2,781	+28.7%

Export sales of the Group brought PLN 3.2 million in H.1 2017 (through own trading team and through intermediaries). The result was higher by approx. 28.7% compared to the first half of 2016. The Group is now implementing a long-term strategy of attracting new sales markets, whereas the established direct relations with final recipients have positively translated in the margin level.

In the first half of 2017, the Makarony Polskie Group operated mostly on the European markets (Portugal, Austria, France, Germany, Hungary, Great Britain, Ukraine, the Slovak Republic and Belarus) and African ones.

In the first half of 2017, Makarony Polskie SA in liaison with other manufacturers associated within the Polish Pasta Chamber (PIM), have continued execution of the "Makarony Europy" [European Pasta] programme run by the Polish Pasta Chamber. The purpose of the programme is pasta promotion in Ukraine and the People's Republic of China. The Ukrainian

and Chinese recipients (consumers, distributors) will be educated about the healthy characteristics of pasta, variety of pastas and high quality of products originating from the EU, including Poland (advertisements will be broadcast on TV, published in newspapers and on the Internet, as well as promotional actions carried out during fairs and at sales outlets). The programme is to contribute to the development of sales markets and increase in the sales volume of pasta manufactured in the European Union. The Programme is planned for 3 years (2016-2018).

Other operating income and expenses

OTHER REVENUES

For the period	01.01.2017-30.06.2017	01.01.2016 - 30.06.2016
State subsidies	255	255
Profit on sale of property, plant and equipment	15	39
Reversal of impairment allowances for receivables		
Reversal of impairment allowances for inventories	21	
Sale of scrap and waste	38	11
Reimbursement of court and enforcement fees		2
Indemnity and complaints	43	15
Discount for acquisitions made in 2016 - turnover effected	21	19
Reimbursement of insurance contributions	1	
Other		1
Total	394	342

The other revenues comprise revenue and profit which are not directly related to the operating activities of the Group. This category includes subsidies, profit on sale of property, plant and equipment, indemnity received in relation to reimbursement of litigation costs, overpaid tax liabilities, except for corporate income tax, and indemnities received on account of loss in property of the companies which has been insured.

Moreover, the item comprises reversed impairment allowances for receivables and inventories, and reversed impairment allowances for assets.

OTHER COSTS

For the period	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Provisions established		
Receivables written-off	3	
Impairment of tangible fixed assets under construction		
Donations	8	3
Penalties and fines	16	47
Shortages in working assets		
Costs of insured repairs	7	
Court and enforcement fees, adjudicated costs		212

Sponsoring for marketing purposes	13	7
Liquidation of damaged and obsolete inventories	146	104
Impairment loss of inventories of finished products		
Purchase of leased tangible fixed assets		
Indemnities paid-out		
Other		
Total	193	373

The other costs comprise costs and losses which are not directly related to the operating activities of the Group. The category comprises losses on the sale of tangible fixed assets, donations given to other entities both in kind and in cash, which refers also to public benefit institutions, and the consequences of concluded trade agreements, guarantees and security bonds granted in favour of other entities.

Moreover, the item comprises the costs of impairment allowances for assets, indeliberate shortages in working assets and losses under liquidation of damaged or obsolete inventories.

Other financial income and expenses

FINANCIAL REVENUES

For the period	01.01.2017 - 30.06.2017	01.01.2016- 30.06.2016
Interest income, including:	48	89
– interest on loans		
– interest on receivables	48	89
Foreign exchange gains	131	
Profit on sale of investments - shares		
Other		8
Total	179	97

Financial revenues comprise revenue on dividends received, obtained and recognised interest on delayed repayment of receivables, interest on deposits and on investments in various forms of financial instruments. Moreover, the item includes foreign exchange gains.

FINANCIAL COSTS

For the period	01.01.2017- 30.06.2017	01.01.2016 - 30.06.2016
Cost of interest applicable to	424	486
– bank credits	273	344
- costs of factoring and lease	151	142
– other		
Other financial costs, including	55	199
– foreign exchange losses		142
– guarantee	12	12

– discount costs	43	45
– other financial costs		
Total	479	685

Financial costs include the cost of using external sources of finance, namely: credits, loans, trade creditors, financial lease agreements to which the Group is a party, and other financial costs. Moreover, the item includes foreign exchange losses.

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

For the period	01.01.2017 - 30.06.2017	01.01.2016- 30.06.2016
Net profit/loss per share	0.33	0.26
Book value per share in PLN (as at 30.06.2017, and as at 31.12.2016)	7.95	7.87

For the period	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Net profit/loss on continued activities assigned to the Parent Company shareholders	3,051	2,362
Profit/loss on discontinued activities assigned to the Parent Company shareholders		
Net profit/loss assigned to the Parent Company shareholders	3,051	2,362
Net profit/loss assigned to regular shareholders, applied in calculation of diluted profit/loss per share	N/A	N/A

For the period	01.01.2017- 30.06.2017	01.01.2016 - 30.06.2016
Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	9,250,071	9,250,071
Dilution impact	N/A	N/A
Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	N/A	N/A

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

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

In H.1, 2017 there were no factors at the Parent Company that would dilute share capital.

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

Share capital

Share capital of Makarony Polskie SA as at 30 June 2017 amounted to PLN 27,750,213 and was divided as follows:

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

Information about changes in estimations regarding consolidated financial statements

CHANGES ON ACCOUNT OF PROVISIONS

Changes in provisions H.1 2017	Balance as at 01.01.2017	Created	Utilised and reversed	Balance at the end of the period
On account of pension benefits and similar, including:	214	69		283
a) long-term	143	44		187
b) short-term	71	25		96
Other provisions, including:	0	256		256
– other		256		256
Total	214	325		539

Changes in provisions H.1 2016	Balance as at 01.01.2016	Created	Utilised and reversed	Balance at the end of the period
On account of pension benefits and similar, including:	234	8	12	230
a) long-term	144	8		152
b) short-term	90		12	78
Other provisions, including:	0	0		0
– other				
Total	234	8	12	230

The Group companies pay out gratuities to retiring employees in the value specified by the Labour Code and the internal regulations. Therefore, based on the valuation made by an actuary, the Group creates a provision for the current value of the retirement gratuity payables.

The provision calculation was made for the existing employees, and does not refer to any staff to be employed in future. The right to gratuity is vested in any employee who reaches the retirement age. For people who are already pensioners (those who have already received the gratuity) no provision is established.

DEFERRED TAX ASSETS AND PROVISIONS

Changes in provisions H.1 2017	Balance as at 01.01.2017	Created	Utilised and reversed	Balance at the end of the period
Deferred income tax assets	385	295	91	589
Deferred income tax provisions	3,755	117	43	3,829
Asset/Provision after set-off				3,240

Changes in provisions H.1 2016	Balance as at 01.01.2016	Created	Utilised and reversed	Balance at the end of the period
Deferred income tax assets	603	207	352	458
Deferred income tax provisions	3,436	268	30	3,674
Asset/Provision after set-off				3,216

Current tax charge is calculated based on the binding tax regulations. The application of these regulations imposes a difference between taxable profit (tax loss) and net book profit (loss) owing to exclusion of non-taxable revenues and non-tax-deductible costs, or costs and revenues items which will not be subject to tax in a given period. Tax charge is calculated based on the tax rates binding in the given reporting year (now 19%). The legal provisions do not assume different tax rates for future periods.

As regards income tax, the Group is subject to generally binding regulations in that scope. The Group is not a tax Group, nor carries out any activities in a special economic zone, which would require a differentiation in the principles of determining tax charges in reference to the generally binding regulations in that scope. Tax year and balance sheet year are the same as the calendar year.

IMPAIRMENT ALLOWANCES FOR ASSETS

Changes in provisions H.1 2017	Balance as at 01.01.2017	Created	Utilised and reversed	Balance at the end of the period
Impairment allowances for receivables	76			76
Impairment allowances for inventories	21		21	
Impairment allowances for property, plant and equipment	1,769		47	1,722

Changes in provisions H.1 2016	Balance as at 01.01.2016	Created	Utilised and reversed	Balance at the end of the period
Impairment allowances for receivables	589			589
Impairment allowances for inventories	2			2
Impairment allowances for property, plant and equipment	1,990		48	1,942

The Group monitors assets on a current basis and in case of their loss of value makes impairment allowances for such assets. In the first half of 2017 no reasons for impairment allowances occurred.

Long-term and short-term financial liabilities

CREDIT LIABILITIES

	As at 30.06.2017	As at 31.12.2016
up to 1 year	10,710	8,455
Above 1 year	8,077	11,117
Total	18,787	19,572

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS

	Current value of minimum fees	
	as at 30.06.2017	as at 31.12.2016

up to 1 year	981	709
from 1 year to 5 years	2,368	1,429
Total	3,349	2,138

As at 30 June 2017 the Group companies hold tangible fixed assets used under lease agreements. The carrying amount of machinery and equipment, cars and other tangible fixed assets used based on financial lease agreements amounted to PLN 4,160,000 as at 30 June 2017, whereas as at 31 December 2016 it was PLN 2,724,000.

OTHER FINANCIAL LIABILITIES – HEDGE ACCOUNTING

The Company is liable on account of credits and loans to which variable interest rates apply. Therefore, there is a risk of the interest rates increase in reference to the interest level as at the date of signing the agreement. In the reporting period since 1 January 2017, the Company has not applied any instrument to hedge itself against the interest rate risk.

Dividends paid out and proposed to be paid out

The Management Board of the Company recommended to the Annual General Meeting to divide the net profit for 2016 amounting to PLN 4,965,759.43 in the following manner:

- assign PLN 2,312,517.75 to the dividend pay-out, i.e. pay out dividend in the amount of PLN 0.25 gross per share;
- assign the remaining part of the profit amounting to PLN 2,653,241.68 to the supplementary capital of the Company.

On 29 June 2017 the AGM of Makarony Polskie SA decided to divide profit for the financial year 2016 in accordance with the recommendation of the Management Board.

The dividend date was set for 14 July 2017. The dividend was paid out on 28 July 2017. 9,250,071 shares of the Company were subject to dividend pay-out.

Remuneration of the Management Board and Supervisory Board Members of the parent company

Total value of remuneration paid to the Members of the Management Board of Makarony Polskie SA in the first half of 2017 was PLN 300,000; in the first half of 2016 it was PLN 300,000.

Remuneration paid to the Members of the Supervisory Board of Makarony Polskie SA in the first half of 2017 was PLN 48,000; in the same period 2016 it was PLN 38,000.

The Management Board and Supervisory Board Members of Makarony Polskie SA have not been paid any remuneration by the subsidiary companies.

Settlements with related companies and subsidiaries

In the first half of 2017 the Makarony Polskie Group companies did not make any major intercompany transactions on other than arm's length basis.

Within the Makarony Polskie Group the particular companies make intercompany purchase and sale transactions with regard to products, merchandise and services. Inter-company agreements setting terms and conditions of cooperation are in place. They are adjusted to the organisational structure of the Group. All transactions are made on arm's length basis.

Related company	Sales to related companies – total revenues		Purchases from related companies	
	For the period 01.01.2017–30.06.2017	For the period 01.01.2016–30.06.2016	For the period 01.01.2017–30.06.2017	For the period 01.01.2016–30.06.2016
Parent Company – Makarony Polskie S.A.	3,188	833	6,927	7,888
from/to Stoczek Sp. z o.o.	401	307	6,228	6,801
from/to MP Trade Sp. z o.o.	2,787	526	699	1,087

Related company	Receivables from related companies		Liabilities to related companies	
	As at 30.06.2017	As at 30.06.2016	As at 30.06.2017	As at 30.06.2016
Parent Company – Makarony Polskie S.A.	3,416	4,293	323	888
- from/to Stoczek Sp. z o.o.	1,538	4,053		603
from/to MP Trade Sp. z o.o.	1,878	240	323	285

SETTLEMENTS WITH SUBSIDIARIES

Subsidiaries	Sales among subsidiaries – total revenues		Purchases among subsidiaries	
	For the period 01.01.2017–30.06.2017	For the period 01.01.2016–30.06.2016	For the period 01.01.2017–30.06.2017	For the period 01.01.2016–30.06.2016
Total subsidiaries	3,341	936	3,341	936
- from/to Stoczek Sp. z o.o.	3,288	452	53	484
from/to MP Trade Sp. z o.o.	53	484	3,288	452

Subsidiaries	Counter receivables among subsidiaries		Counter payables among subsidiaries	
	As at 30.06.2017	As at 30.06.2016	As at 30.06.2017	As at 30.06.2016
Total subsidiaries	2,195	351	2,195	351
- from/to Stoczek Sp. z o.o.	12	216	2,183	135
from/to MP Trade Sp. z o.o.	2,183	135	12	216

Information about the planned shares issues

In H.1, 2017 and in the period from the date of publication of this report the Company has not issued any shares.

Agreements and events important for the operations of the Group

CREDIT AGREEMENT WITH BZ WBK SA

In February 2017 Makarony Polskie SA concluded an agreement with Bank Zachodni WBK SA on an EU investment credit amounting to PLN 12.1 million for the period of 5 years.

The credit is intended for financing an investment project entitled "Creation of a Research and Development Centre for the Pasta Industry at Makarony Polskie SA".

The credit funds will be paid out under the condition that Makarony Polskie SA signs an agreement with the Implementing Institution on providing support, with the purpose of refunding of some of the eligible costs of the project from the EU funds. The Company is obliged to submit the agreement to the Bank.

The facility will be repaid in 44 monthly instalments starting from 31 July 2019, in the following values: 43 instalments of PLN 0.144 million each, plus 44th settlement instalment amounting to PLN 5.972 million. In case the credit is repaid from the subsidy, the repayment schedule shall change by way of the balloon rate change. The instalments of the credit will be changed in such proportion to the instalments determined in the original schedule, in which the amount of the credit utilised compares to the amount of the loan granted.

The provisions of the credit agreement are not different from the ones generally applied by the Bank to such agreements. The interest rate on the credit was set out based on WIBOR 3M and is not different from the standard applied by the Bank in that regard.

The investment credit repayment is secured by:
1) joint contractual mortgage up to PLN 18,200,000 imposed on:

- the real property located in Rzeszów, ul. Podkarpacka 15A, for which a Land and Mortgage Register no. RZ1Z/00076860/5 is kept, and
- the real property located in Płock, ul. Graniczna 46L, for which a Land and Mortgage Register no. PL PL1P/00094893/6 is kept;

2) transfer of receivables on account of insurance agreement of the said properties;
4) registered pledge on the semi-industrial line for tests, inclusive of tooling;
5) transfer of receivables on account of insurance agreement of the object of the pledge;
7) civil-law security bond by Stoczek Natura Sp. z o.o.;
8) declaration of the Issuer on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure.

AN AGREEMENT FOR CO-FINANCING OF THE PROJECT "IMPLEMENTATION OF THE RESULTS OF R&D WORKS ON FUNCTIONAL FOOD AT MAKARONY POLSKIE SA"

In March 2017 the Company concluded with the Authorities of the Podkarpackie Province a co-finance agreement concerning the project entitled "Implementation of the Results of R&D Works on Functional Food at Makarony Polskie SA" under Measure 1.4: "Support for SMEs" of the Regional Operational Programme of the Podkarpackie Province 2014-2020.

The subject of the subsidy agreement is the implementation of the results of R&D works carried out in cooperation with a scientific unit, and consisting in development of innovative product recipes with the use of raw materials which are not applied on a standard basis in the pasta sector. The main objective of the project is the expansion of Makarony Polskie SA on the market of functional food.

The project will be performed until June 2018. Within the project the Company plans to purchase fixed assets. An asset of significant value to be purchased within the project will be a modern line for pasta production.

The total cost of the project is PLN 12.3 million. The total maximum amount of subsidy eligible costs is PLN 10.0 million. Co-financing value is approx. PLN 5.5 million.

The agreement complies with the terms and conditions generally applied to such agreements. The agreement performance is secured by a blank promissory note with promissory note declaration issued by the Company.

A SUBSIDY AGREEMENT CONCERNING THE PROJECT CALLED "CREATION OF A RESEARCH AND DEVELOPMENT CENTRE FOR THE PASTA INDUSTRY AT MAKARONY POLSKIE SA"

In April 2017 the Company concluded with the Minister of Development and Finance a co-finance agreement concerning the project entitled "Creation of a Research and Development

Centre of the Pasta Industry at Makarony Polskie SA", carried out within Measure 2.1 "Support for Investments in R&D Infrastructure of Enterprises", under the Smart Growth Operational Programme 2014–2020.

The subject of the subsidy agreement is the creation of a R&D Centre of the Pasta Industry at Makarony Polskie SA. At the Centre works will be carried on innovative health-promoting products, which will finally enlarge the product offer of the Company, as well as research work on issues important to the whole pasta industry.

The project will be performed until June 2019. Within the project the Company plans to purchase fixed assets and finance construction works. For the purposes of the R&D Centre a modern line for production tests will be purchased, among other things, the parameters of which will reflect the conditions of the actual industrial production process (the line will be an asset of significant value).

The total project cost is approximately PLN 18.6 million. The total maximum amount of subsidy eligible costs is PLN 15.2 million. Subsidy will be approximately PLN 9.1 million.

The provisions of the agreement are not significantly different from the ones generally applied to such agreements. The agreement performance is secured by a blank promissory note with promissory note declaration issued by the Company.

The agreement was concluded under a resolutive condition. The agreement will be terminated as of 28 September 2018, if before that day the Company fails to submit to the Ministry of Development and Finance a filled in form entitled "Analysis of the Project Compliance with the Environmental Protection Policy" and documentation related to the filled in form, including a valid decision on the environmental conditions of the project performance and a valid building permit prepared in accordance with the Act on Disclosing Information on the Environment and Its Protection, Share of Society in the Environmental Protection and on the Environmental Impact Assessments as well as the Building Law, or documents confirming that the submission of the aforesaid document is not required.

ANNEXES TO SIGNIFICANT CREDIT AGREEMENTS WITH BZ WBK SA

In April 2017 the Company concluded with Bank Zachodni WBK SA annexes to four credit agreements of the total value of approximately PLN 33.9 million, which jointly fulfil the criteria of a significant agreement.

The object of the annexes is to ensure uniform provisions of credit agreements between the Company and the Bank, which applies among other things the Bank commission for management of the credits and credit agreements collaterals.

The highest value credit agreement was the annexed investment credit agreement amounting to PLN 13.8 million. The initial value of the agreement was PLN 15 million, out of which as at the date of signing the annex the Company repaid a part of principal instalments and the agreement balance dropped to PLN 9.7 million.

The annex to the investment facility agreement covers for the following amendments:

- the Company may make use of an additional functional limit under the agreement, in the amount of PLN 2.5 million, granted to the Company for financing of the investment project in the Production Plant in Rzeszów, until 30 June 2017 (the current utilization of the limit is approximately PLN 1.6 million),
- the value of collateral was adjusted to the credit exposure of the Bank,
- the registered pledge on fixed assets of Stoczek Natura Sp. z o.o. has been removed from collateral (Makarony Polskie SA holds 100% shares in Stoczek Natura Sp. z o.o.).

The investment credit repayment is now secured by:

- joint contractual mortgage up to PLN 33.0 million (being at the same time a collateral for the other credit agreements concluded by the Company with BZ WBK) imposed on:
  - the property located in Rzeszów at ul. Podkarpacka 15A, for which a land and mortgage register No. KW RZ1Z/00076860/5 is kept, and
  - the property located in Płock at ul. Graniczna 46L, for which a land and mortgage register No. KW PL1P/00094893/6 is kept;
- transfer of receivables on account of insurance agreement of the said properties;
- registered pledge on fixed assets of Makarony Polskie SA – production lines at the Rzeszów plant;
- transfer of receivables on account of insurance agreement of the object of the pledge;
- blank promissory note issued by the Borrower and promissory note declaration;
- civil-law security bond by Stoczek Natura Sp. z o.o.

The interest rate on the facility was set out based on WIBOR 3M and is not different from the standard applied by the Bank to such credit facilities.

DECISION ON WITHDRAWAL FROM THE PROCEDURE OF APPLICATION FOR A SUBSIDY FOR THE PROJECT ENTITLED "GROWTH OF COMPETITIVENESS OF MAKARONY POLSKIE SA BY IMPLEMENTATION OF THE RESULTS OF RESEARCH AND DEVELOPMENT WORKS IN THE FORM OF PROCESS INNOVATION"

In February Bank Gospodarstwa Krajowego published a list of projects selected for co-financing within Sub-Measure 3.2.2 – Loan on Engineering Innovation, under the Smart Growth Operational Programme 2014-2020, in which the Company project entitled "Increase of Makarony Polskie SA Competitiveness Level by Implementation of the Results of R&D Works in the Form of Process Innovation" was included.

In April 2017, the Company made a decision on withdrawal from the procedure of application for a subsidy. A written declaration on withdrawal from the application was sent to Bank Gospodarstwa Krajowego, European Programmes Department, pursuant to § 6.23 of the Rules of the Competition.

Withdrawal of the application for co-finance under the subsidy application procedure and, thus, withdrawal from signing a co-finance agreement and resignation from the project implementation results from the Company's engagement in the performance of two other above mentioned large investment projects, which have also been granted co-finance. This has translated into a change in the assessment of the subject-matter project return and the benefits gained as a result of its performance.

ANNEXES TO CREDIT AGREEMENTS WITH BANK GOSPODARSTWA KRAJOWEGO

After the balance sheet date, the Company signed with Bank Gospodarstwa Krajowego annexes to the credit agreements of the total contractual value of PLN 11.0 million (as at 30 June 2017 the current credit limit was up to PLN 9 million). This refers to agreements on credit in the current account and non-revolving working capital credit in the credit account.

An agreement of the highest value was an agreement on loan in the current account with credit limit of PLN 6.0 million. Annex to that agreement introduces the following significant changes:

- the liability repayment period is extended by 30 June 2018,
- the stipulations concerning the Company's disclosure obligations towards the Bank are modified.

The other significant terms and conditions of the credit facility agreement were not changed.

In connection with conclusion of the mentioned above annexes, also a validity period of a security bond granted to the Company by its subsidiary Stoczek Natura Sp. z o.o. has been prolonged from 30 December 2017 to 31 December 2018.

A CONTRACT OF STOCZEK NATURA SP. Z O.O. WITH THE AGRICULTURAL MARKET AGENCY

In June 2017, the subsidiary Stoczek Natura Sp. z o.o. won a part of the tendering procedure for supply of food products to warehouses of partner organisations, organised by the Agricultural Market Agency (hereinafter referred to as: ARR) under the Operational Programme: Food Aid 2014 – 2020 Sub-programme 2017 (14/2017).

In the reporting period, in August 2017, Stoczek Natura Sp. z o.o. and ARR concluded a relevant agreement. The object of the concluded contract is supply of pork goulash with vegetables to warehouses of partner organisations of the Agricultural Market Agency, namely Federacja Polskich Banków Żywności [Federation of Polish Food Banks], Polski Komitet Pomocy Społecznej [Polish Committee of Social Aid], Caritas Polska [Caritas Poland], Polski Czerwony Krzyż [Polish Red Cross]. The contract will be executed in the period from August 2017 to 31 May 2018. Contract value is PLN 14.7 million.

In accordance with the requirements of the tendering procedure, Stoczek Natura Sp. z o.o. submitted a performance bond in the amount of PLN 1.47 million to the Agricultural Market Agency.

POSITIVE ASSESSMENT OF AN APPLICATION OF STOCZEK NATURA SP. Z O.O. FOR CO-FINANCING OF THE PROJECT "CREATION OF A RESEARCH AND DEVELOPMENT CENTRE AT STOCZEK NATURA SP. Z O.O."

In June 2017, Department of Innovations at the Ministry of Development published a list of investment projects chosen to be co-financed under the competition 2.1/2/2016 to Measure 2.1 Support for Investments in R&D Infrastructure of Enterprises, Smart Growth Operational Programme 2014-2020. The list included the investment project of Stoczek Natura Sp. z o.o. "Creation of a Research and Development Centre at Stoczek Natura Sp. z o.o.".

The investment project assumes creation of the Research and Development Centre at Stoczek Natura Sp. z o.o. where R&D work will be carried out focusing on searching for innovative, novel solutions for fruit and vegetables processing and for meat processing. The results of the research of the R&D Centre will serve Stoczek to introduce improvements in the production of fruit and vegetable semi-products or sauces. The mission of the new R&D Centre will be implementation of process and product innovations as regards manufacturing of semi-products for the bakery/confectionery and HoReCa sectors.

Within the project the company plans to purchase fixed assets, construction works and materials, as well as intangible assets. The total cost of the project is about PLN 19.02 million. Co-financing value is approx. PLN 9.25 million. The project has been planned to be implemented in the period: June 2017 to April 2019.

Information about credits taken by Makarony Polskie SA

CREDITS AND LOANS TAKEN, INCLUSIVE OF THEIR MATURITY DATES

	As at 30.06.2017	As at 31.12.2016
up to 1 year	10,710	8,455
Above 1 year	8,077	11,117
Total	18,787	19,572

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. were not parties to credit agreements as at 30 June 2017.

As at 30 June 2017 Makarony Polskie SA was a party to the following agreements:

– Credit in the current account at BZ WBK SA

Credit conditions	
Credit agreement value	PLN 5,000,000
Credit period	18.10.2013 – 31.05.2018
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance as at 30 June 2017	PLN 693,000
Repayment schedule	✓ One-off at the date of maturity
Credit collateral	✓ Joint mortgage up to PLN 33,000,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; ✓ blank promissory note issued by the Borrower and promissory note declaration; ✓ registered pledge on inventories of the value not lower than PLN 5,000,000, including the assignment of rights under the registered pledge insurance policy; ✓ security bond by Stoczek Natura Sp. z o.o.;

In April 2017 the Company signed an annex to the agreement on credit in the current account with Bank Zachodni WBK SA in order to postpone the maturity date of the liability till 31 May 2018 and ensure uniform provisions of credit agreements between the Company and the Bank, which applies among other things to credit agreements collaterals.

– Investment credit at BZ WBK SA

Credit conditions	
Credit agreement value	PLN 13,849,000
Credit period	18.10.2013 – 30.04.2020
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance as at 30 June 2017	PLN 10,077,000
Repayment schedule	✓ The credit will be repaid in 52 monthly instalments starting from 31 December 2015, in the following values: 52 instalments of PLN 0.17 million each, plus 53rd settlement instalment to zero balance.
Credit collateral	✓ Joint mortgage up to PLN 33,000,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; ✓ registered pledge on fixed assets (production lines at the Rzeszów plant); ✓ transfer of receivables on account of insurance agreement of the object of the pledge; ✓ blank promissory note issued by the Borrower and promissory note declaration; ✓ civil-law security bond by Stoczek Natura Sp. z o.o.

In April 2017 Makarony Polskie SA signed an annex to the agreement on investment credit with Bank Zachodni WBK SA in order to ensure uniform provisions of credit agreements between the Company and the Bank, which applies among other things to credit agreements collaterals.

– Working capital credit at BZ WBK SA

Credit conditions	
Credit agreement value	PLN 3,000,000
Credit period	20.05.2015 – 31.05.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance as at 30 June 2017	PLN 918,000
Repayment schedule	✓ The credit will be repaid in 36 monthly instalments of PLN 0.08 million each starting from 30 June 2015;
Credit collateral	✓ Joint mortgage up to PLN 33,000,000 on properties entered in: a) land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW PL1P/00094893/6 located in Płock, including the assignment of rights under the property insurance policy; ✓ registered pledge on fixed assets (production lines at the Rzeszów plant); ✓ transfer of receivables on account of insurance agreement of the object of the pledge; ✓ blank promissory note issued by the Borrower and promissory note declaration;

In April 2017 Makarony Polskie SA signed an annex to the agreement on working capital credit facility with Bank Zachodni WBK SA in order to ensure uniform provisions of credit agreements between the Company and the Bank, which applies among other things to credit agreements collaterals.

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	
Credit agreement value	PLN 6,000,000
Credit period	14.06.2013 – 30.06.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance as at 30 June 2017	PLN 4,094,000
Repayment schedule	✓ One-off at the date of maturity
Credit collateral	✓ Joint mortgage up to PLN 16,500,000 on properties entered in: a) land and mortgage register No. KW CZ1C/00111425/8 located in Częstochowa, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; ✓ blank promissory note issued by the Borrower and promissory note declaration; ✓ power of attorney to dispose of the current account at BGK; ✓ security bond by Stoczek Natura Sp. z o.o.; ✓ declaration on submission to enforcement by the Borrower and the security bond provider, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to the amount of PLN 12 million)

The Company signed an annex to the agreement on credit in the current account with Bank Gospodarstwa Krajowego. Pursuant to the annex the liability repayment date was extended till 30 June 2018 and the stipulations concerning the Company's disclosure obligations towards the Bank were amended.

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

Credit conditions	
Credit agreement value	PLN 5,000,000
Credit period	30.06.2015 – 29.06.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance as at 30 June 2017	PLN 3,000,000
Repayment schedule	✓ The credit will be repaid in 12 quarterly instalments payable on the last day of each quarter, starting from 30 September 2015, as follows: 11 instalments of PLN 0.25 million each and the last 12th settlement instalment of PLN 2.25 million payable on 29 June 2018.

Credit collateral	✓ Joint mortgage up to PLN 16,500,000 on properties entered in: a) land and mortgage register No. KW CZ1C/00111425/8 located in Częstochowa, including the assignment of rights under the property insurance policy; b) land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy; ✓ blank promissory note issued by the Borrower and promissory note declaration; ✓ power of attorney to dispose of the current account at BGK; ✓ security bond by Stoczek Natura Sp. z o.o.; ✓ declaration on submission to enforcement by the Borrower and the security bond provider, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed (up to the amount of PLN 10 million)

In July 2017 Makarony Polskie SA signed an annex to the agreement on non-revolving working capital credit in the current account with Bank Gospodarstwa Krajowego by which the stipulations concerning the Company's disclosure obligations towards the Bank were amended.

– EU investment credit at BZ WBK SA

In February 2017 Makarony Polskie SA concluded an agreement with Bank Zachodni WBK SA on an EU investment credit amounting to PLN 12.1 million for the period of 5 years. Detailed information about that liability is provided in items "Agreements and events important for the operations of the Group" and "Major post-balance-sheet events" of these statements.

The credit funds will be paid out under the condition that Makarony Polskie SA signs an agreement with the Implementing Institution on providing support, with the purpose of refunding of some of the eligible costs of the project from the EU funds. The Company is obliged to submit the agreement to the Bank. As at 30 June 2017 the conditions for paying out the credit have not been fulfilled.

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

Terms of the agreement	
Agreement value	PLN 9,500,000
Period	Agreement signed for unlimited term
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance as at 30 June 2017	PLN 7,090,000
Agreement collateral	✓ irrevocable power of attorney to dispose of the account; ✓ blank promissory note with promissory note declaration.

Guarantees and security bonds

INFORMATION ON GUARANTEES GRANTED

In the first half of 2017 the Group companies did not grant any guarantees. As regards guarantees obtained, only Parent Company Makarony Polskie SA avails itself of guarantees.

GUARANTEES OBTAINED BY MAKARONY POLSKIE SA

Guarantor	Guarantee amount	Guarantee validity	Object of guarantee	Collateral
STU Ergo Hestia S.A.	PLN 272,000	till 02.03.2018	bank guarantee securing the liabilities of the Company under a service agreement with the Material Reserves Agency (ARM) regarding grain products reserves maintenance	blank promissory note with promissory note declaration
STU Ergo Hestia S.A.	PLN 272,000	till 02.03.2018	bank guarantee securing the liabilities of the Company under a service agreement with the Material Reserves Agency (ARM) regarding grain products reserves maintenance	blank promissory note with promissory note declaration
Gothaer TU SA	PLN 932,000	till 30.11.2017	guarantee securing the liabilities of the Company under the agreement with Material Reserves Agency (ARM) with regard to delivery and storage of ready-cooked meals reserves	two blank promissory notes with promissory note declarations

INFORMATION ABOUT SECURITY BONDS GRANTED

MP Trade Sp. z o.o. did not grant any security bonds in the first half of 2017.

As at 30 June 2017 **Makarony Polskie SA** granted security bonds to the Polska Izba Makaronu [Polish Pasta Chamber]:

Third party liabilities	Name of creditor	Security bond value	Security bond date	Validity date	Balance of the secured liability as at 30.06.2017
Security bond for a revolving credit amounting to PLN 2.85 million*	BPS	PLN 4,275,000	05.07.2016	30.05.2021	PLN 1,075,000
Security bond for a revolving credit amounting to PLN 0.5 million*	BPS	PLN 750,000	05.07.2016	30.05.2021	PLN 309,000

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

Makarony Polskie SA received remuneration for a security bond granted to the Polish Pasta Chamber (PIM).

As at 30 June 2017 **Stoczek Natura Sp. z o.o.** granted security bonds to the Parent Company Makarony Polskie SA. The value of the security bonds is presented.

Third party liabilities	Name of creditor	Security bond value	Security bond date	Validity date	Balance of the secured liability as at 30.06.2017
Security bond for a loan in current account amounting to PLN 5.0 million	BZ WBK	PLN 7,500,000	18.10.2013	31.05.2019	PLN 693,000
Security bond for investment facility amounting to PLN 15.0 million	BZ WBK	PLN 30,000,000	18.10.2013	30.09.2021	PLN 10,077,000
Security bond for a non-revolving working capital credit in the credit account amounting to PLN 5.0 million	BGK	PLN 5,000,000	30.06.2015	29.12.2018	PLN 3,000,000
Security bond for a loan in current account amounting to PLN 6.0 million*	BGK	PLN 6,000,000	14.06.2013	31.12.2018	PLN 4,094,000

* After the balance sheet date, Stoczek Natura Sp. z o.o. signed an annex to the agreement with BGK on security bond for credit in the current account of Makarony Polskie SA. Pursuant to the annex the liability validity date was extended till 30 December 2018.

Stoczek Natura Sp. z o.o. received remuneration on account of the security bonds granted to the Parent Company Makarony Polskie SA.

INFORMATION ON LOANS GRANTED

In the first half of 2017 neither Stoczek Natura Sp. z o.o. nor MP Trade Sp. z o.o. granted any loans.

As at 30 June 2017 Makarony Polskie SA granted loans to Stoczek Natura Sp. z o.o. in the amount of PLN 5 million:

- short-term loan of PLN 2 million with repayment date on 31 December 2017 (one-off repayment by the liability repayment deadline);
- long-term loan of PLN 3 million with final repayment date on 31 December 2019 (the loan will be repaid in 24 monthly instalments starting from 31 January 2018 in the following amounts: 23 instalments of PLN 0.07 million each, plus the last 24th settlement instalment to zero balance).

The interest rate on the loan was set on arm's length basis.

Off-balance-sheet items

Change in the balance of contingent liabilities or contingent assets that has taken place since the end of the last reporting year:

Off-balance-sheet items [PLN '000]	30 June 2017	31 December 2016
1. Contingent assets	1,477	1,477
– guarantees and security bonds obtained	1,477	1,477
– secured on property		
– promissory notes		
2. Contingent liabilities	115,240	118,771
– guarantees and security bonds granted	5,025	5,025
– secured on property	71,166	80,750
– promissory note payables	39,049	32,996
Total off-balance-sheet items	-113,763	- 117,294

The values of guarantees, security bonds, promissory note payables, mortgages and other off-balance-sheet liabilities have been presented in the above table in their maximum values.

The specification does not cover for security bonds among the Group companies owing to the fact that this does not affect the value of off-balance-sheet items.

Important court litigations, arbitration proceedings or administrative proceedings

In the presented reporting period there were no pending court ligations or any arbitration or administrative proceedings regarding the liabilities or receivables of the Makarony Polskie SA or its subsidiaries with the total value representing at least 10% of the equity of Makarony Polskie SA.

Major post-balance-sheet events

A contract of Stoczek Natura Sp. z o.o. with the Agricultural Market Agency

In June 2017, the subsidiary Stoczek Natura Sp. z o.o. won a part of the tendering procedure for supply of food products to warehouses of partner organisations, organised by the Agricultural Market Agency (hereinafter referred to as: ARR) under the Operational Programme: Food Aid 2014 – 2020 Sub-programme 2017 (14/2017).

In the reporting period, in August 2017, Stoczek Natura Sp. z o.o. and ARR concluded a relevant agreement. The object of the concluded contract is supply of pork goulash with

vegetables to warehouses of partner organisations of the Agricultural Market Agency, namely Federacja Polskich Banków Żywności [Federation of Polish Food Banks], Polski Komitet Pomocy Społecznej [Polish Committee of Social Aid], Caritas Polska [Caritas Poland], Polski Czerwony Krzyż [Polish Red Cross]. The contract will be executed in the period from August 2017 to 31 May 2018. Contract value is PLN 14.7 million.

In accordance with the requirements of the tendering procedure, Stoczek Natura Sp. z o.o. submitted a performance bond in the amount of PLN 1.47 million to the Agricultural Market Agency.

A significant supply agreement signed with CESSI

In August 2017, the Company concluded by mail an agreement for commercial cooperation with CESSI with its registered office in Spisska Nova Ves as a supplier of raw materials.

The object of the contract are supplies of flour to the production plants of Makarony Polskie SA. The agreement specifies framework volume of deliveries and fixed purchase price in the period from 1 September 2017 to the end of August 2018, as well as the method of determining the delivery volumes and fixed purchase prices in the subsequent periods.

Signing of the said agreement complies with the Company policy regarding ensuring raw materials supplies at fixed prices, for the purpose of performance of the contracts signed with the recipients of the manufactured products and providing the Company with access to raw materials at relatively low fixed prices for a longer period of time, which is particularly important in the context of the current unstable situation on the raw materials market.

The agreement was signed for unlimited term. The estimated value of acquisitions under the first contract period will be more than PLN 7 million.

Other major events and transactions

In H.1, 2017 no major events and transactions other than those described above that would require disclosure in these financial statements of the Group occurred.

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Zenon Daniłowski
President of the Management Board

Rzeszów, 25 August 2017



SHORT SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01.01.2017TO 30.06.2017

Makarony Polskie SA
25 August 2017

Legal basis for financial statements

Declaration of compliance and basis for preparing the statements

These short consolidated financial statements have been prepared based on the International Accounting Standards in the form approved by the European Union (EU) and the related interpretations announced in the form of enforcement regulations by the European Commission (hereinafter referred to as "IFRS"), applicable to interim financial reporting in the form approved by the European Union (IAS 34 "Interim Financial Reporting"), in accordance with Article 55.5 of the Act on Accounting (Journal of Laws of 2013, item 330, as amended) and related enforcement regulations and in accordance with the requirements specified in the Regulation of the Minister of Justice of 19 February 2009 on current and periodical information disclosed by the issuers of securities and conditions of considering equivalent the information required by the laws of a country other than a member state (Journal of Laws of 2014, item 133). 16, published and binding when preparing these short consolidated financial statements. The interim short financial statements do not cover all information and disclosures required to be made in the annual financial statements, and must be read together with the financial statements of the Group and the Parent Company for the year ending 31 December 2016.

Basis for valuation

The presented financial statements were prepared based on the historical cost concept, except for some assets which were measured at fair value, i.e. assets acquired through the purchase transactions concerning Abak Sp. z o.o. and investment land.

Functional and presentation currency

The measurement currency applied in these financial statements as well as the reporting currency of these financial statements is Polish zloty (PLN).
Unless otherwise specified, financial data are expressed in thousands zlotys.

Applied accounting policy and basis for preparing the statements

The accounting principles applicable to interim short financial statements comply with these applied in preparing annual financial statements for the year ending 31 December 2016 (published on 21 March 2017). The reporting year of the Company is a calendar year.

Legal basis for financial statements

Makarony Polskie SA prepares its financial statements in accordance with the IAS/IFRS.

The term of the Company is unlimited.

Publication and approval of financial statements

These short financial statements have been subject to audit by an audit firm. The Management Board approved the statements for publication on 25 August 2017.

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

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

Changes in the principles of preparing financial statements

In the first half of 2017 no changes occurred in the measuring principles applied when preparing the financial statement.

Applied principles

The accounting principles (policy) applicable to interim short financial statements comply with these applied in preparing financial statements for the year ending 31 December 2016, except for application of the following amendments to standards and new interpretations binding for annual periods starting on or after 1 January 2017:

New and amended standards and interpretations

New Standards and amendments to the existing standards issued by IASB and approved by EU, but which have not taken effect

The following standards and amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) and approved for application in the EU that have not taken effect:

IFRS 9 "Financial Instruments" – approved in the EU on 22 November 2016 (applicable to the annual periods starting on or after 1 January 2018),

IFRS 15 "Revenue from Contracts with Customers" – and amendments thereto – approved in the EU on 22 September 2016 (applicable to the annual periods starting on or after 1 January 2018),

New standards and amendments to the existing standards issued by IASB and not approved by EU

As at the publication date of these financial statements, the following new standards and amendments thereto have not been approved yet to be applied in the EU:

IFRS 14 "Regulatory Deferral Accounts" (applicable to the annual periods starting on or after 1 January 2016) – the European Commission decided not to start the process of approving this interim standard to be applied within the EU until the final version of IFRS 14 is issued;

IFRS 16 "Leases" (applicable to the annual periods starting on or after 1 January 2019);

IFRS 17 "Insurance Contracts" (applicable to the annual periods starting on or after 1 January 2021);

IFRS 2 "Share-based Payment" – Classification and measurement of share-based payment (applicable to the annual periods starting on or after 1 January 2018);

Amendments to IFRS 4 "Insurance Contracts" – Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts" (applicable to the annual periods starting on or after 1 January 2018 or on the first application of IFRS 9 "Financial Instruments");

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture and later amendments (effective date of the amendments has been postponed until R&D work is completed concerning ownership interests method);

Amendments to IFRS 15 "Revenue from Contracts with Customers" – Explanations to IFRS 15 "Revenue from Contracts with Customers" (binding as regards annual periods beginning on or after 1 January 2018);

Amendments to IAS 7 "Statement of Cash Flows" – An initiative as regards disclosures (applicable to the annual periods starting on or after 1 January 2017);

Amendments to IAS 12 "Income Taxes" – Recognition of deferred tax assets on unrealised losses (applicable to the annual periods starting on or after 1 January 2017);

Amendments to IAS 40 "Investment Property" – Transfer of investment property (applicable to the annual periods starting on or after 1 January 2018);

Amendments to various standards "Amendments to IFRS (2014-2016 cycle)" – amendments effected under the procedure of annual improvements to IFRS (IFRS 1, IFRS 12 and IAS 28) aimed mostly at resolution of conflicts and clarification of wording (amendments to IFRS 12 are applicable to annual periods starting on or after 1 January 2017, whereas the amendments to IFRS 1 and IAS 28 are applicable to annual periods starting on or after 1 January 2018);

Interpretation of IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable to the annual periods starting on or after 1 January 2018);

As at the publication date of these financial statements the Company has not decided to apply any standard, interpretation or amendment which have not taken effect yet. The Management Board of the Company is analysing and assessing their effect on the accounting principles (policies) applied by the Company and future financial statements.

The Company does not expect that introduction of any of the above standards, amendments to standards or interpretations could have a major impact on the accounting policy applied.

Uncertainty of estimations

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

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

As at the date of preparing these financial statements there are no reasons for impairment allowance on account of value of the Abak brand. The applicable tests compliant with the binding policies were performed as for the balance at the end of 31 December 2016.
Assumptions regarding future and the assumed estimations are cohesive with the assumptions and estimations made by the Company in the financial statements for 2016.

Legal basis for financial statements

Going concern

The financial statements of Makarony Polskie SA were prepared on going concern basis, as regards foreseeable future and in the scope which is not going to change significantly. The Company did not carry out any activities which were abandoned in the first half of 2017.

Factors significantly affecting financial results in the first half of 2017 and in subsequent periods

Factors significantly affecting financial results of the Company in the first half of 2017 and in subsequent periods have been described in the short consolidated financial statements of the Makarony Polskie Group.

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

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

In the first half of 2017 no such events occurred.

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

Makarony Polskie SA has not published any financial projections for 2017.

Hazards and risks related to the Group activities in the remaining months of 2017

The current financial standing of the Company, its production potential and market position provide opportunities for further development. There are, however, many factors, specifically external ones, which may directly or indirectly impact the financial results generated in the coming years. The said factors have been described in the short consolidated financial statements of the Makarony Polskie Group.

Legal basis for financial statements

Selected financial data Makarony Polskie SA

The selected financial data presented in EUR comply with § 90.1.1 of the Regulation of the Minister of Finance of 19 February 2009:

- the items of the statement of financial position were converted at the mean exchange rate announced by the National Bank of Poland and binding as at the balance-sheet dates: EUR 1 = PLN 4.2265 as at 30 June 2017, and EUR 1 = PLN 4.4240 as at 31 December 2016;
- the items of the statement of comprehensive income and statement of cash flows were converted at the rate being the arithmetic mean of the mean rates announced by the National Bank of Poland and binding as at the last day of each month of the first half of 2017 (i.e. EUR 1 = PLN 4.2474) and as at the end of each month of the first half of 2016 (i.e. EUR 1 = PLN 4.3805).

Selected financial data	30 June 2017 (PLN '000)	30 June 2016 (PLN '000)	30 June 2017 (EUR '000)	30 June 2016 (EUR '000)
Net sales of products, services, merchandise and materials	56,295	55,483	13,254	12,666
Profit (loss) on continued operations	3,433	3,508	808	801
Gross profit (loss)	3,238	3,007	762	686
Net profit (loss) on continued operations	2,653	2,338	625	534
EBIT	3,433	3,508	808	801
EBITDA (EBIT + depreciation)	5,295	5,154	1,247	1,177
Net cash flows on operating activities	2,742	4,007	646	915
Net cash flows on investing activities	- 1,073	- 2,304	- 253	- 526
Net cash flows on financing activities	- 1,716	- 1,764	- 404	- 403
Total net cash flows	- 47	- 61	- 11	- 14
Total assets ***	121,035	120,255	28,637	27,182
Liabilities and provisions for liabilities ***	51,472	51,032	12,178	11,535
Long-term liabilities ***	20,624	23,002	4,880	5,199
Short-term liabilities ***	30,848	28,030	7,298	6,336
Equity ***	69,563	69,223	16,459	15,647
Share capital ***	27,750	27,750	6,566	6,273
Number of shares	9,250,071	9,250,071	9,250,071	9,250,071
Weighted average number of shares in the given reporting year	9,250,071	9,250,071	9,250,071	9,250,071
Profit/loss per ordinary share (PLN/EUR) *	0.29	0.25	0.07	0.06
Book value per share (PLN/EUR) **	7.52	7.48	1.78	1.69

* Net profit/loss per ordinary share = net result/weighted average number of shares in the period
** Book value per ordinary share = equity/number of shares at the balance-sheet date
*** Comparative data from the statement of financial position as at 31 December 2016

Statement of comprehensive income of Makarony Polskie SA

Makarony Polskie SA	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Sales revenues	**56,295**	**55,483**
Net sales of products and services	47,918	46,316
Net revenues on the sales of materials and merchandise	8,377	9,167
Prime cost	**44,517**	**43,310**
Cost of manufacturing of the products and services sold	36,156	34,475
Value of merchandise and materials sold	8,361	8,835
Gross profit (loss) on sales	**11,778**	**12,173**
Cost of sales	6,424	6,836
General management costs	2,098	1,776
Other revenues	346	314
Other costs	169	367
Profit (loss) on continued operations	**3,433**	**3,508**
Financial revenues	281	184
Financial costs	476	685
Profit (loss) on business activities	**3,238**	**3,007**
Gross profit (loss)	**3,238**	**3,007**
Income tax – current part	639	266
Income tax – deferred part	- 54	403
Net profit (loss)	**2,653**	**2,338**
Including net profit (loss) assigned to:		
Shareholders of the Parent Company	2,653	2,338
Non-controlling interest		
Basic net earnings per share in PLN	0.29	0.25
Diluted net earnings per share in PLN	0.29	0.25
Other comprehensive income/loss, net		
Total net comprehensive income	**2,653**	**2,338**
Net comprehensive income assigned to:		
Shareholders of the Parent Company	2,653	2,338
Non-controlling interest		

Statement of other comprehensive income, net – hedge accounting

Makarony Polskie SA	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Net comprehensive income	2,653	2,338
Profit/loss on account of hedge accounting application		43
Total net comprehensive income	2,653	2,381

Statement of financial position of Makarony Polskie SA

ASSETS	30 June 2017	31 December 2016	30 June 2016
FIXED ASSETS	**87,566**	**87,038**	**77,416**
Property, plant and equipment	53,080	51,982	50,535
Investment properties	642	642	642
Other intangible assets	4,909	5,007	5,109
Goodwill			
Total long-term financial assets, of which:	28,660	29,080	21,080
Shares	26,080	26,080	21,080
Loans granted	2,580	3,000	
Deferred income tax assets			
Other long-term assets	275	327	50
CURRENT ASSETS	**33,469**	**33,217**	**41,758**
Inventories	11,236	9,654	9,871
Short-term receivables	19,110	20,763	24,925
Receivables on account of corporate income tax		8	
Loans granted	2,434	2,019	6,340
Cash and cash equivalents	406	453	464
Other short-term assets	283	320	158
ASSETS HELD FOR SALE			
TOTAL ASSETS	**121,035**	**120,255**	**119,174**

EQUITY/LIABILITIES	30 June 2017	31 December 2016	30 June 2016
EQUITY CAPITAL	**69,563**	**69,223**	**66,573**
Share capital	27,750	27,750	27,750
Other reserve capital	39,160	36,507	36,485
Retained profit/loss (profit/loss from previous years)			
Net result	2,653	4,966	2,338
LONG-TERM LIABILITIES	**20,624**	**23,002**	**23,880**
Deferred income tax provision	3,337	3,391	3,402
Long-term bank credits and loans	8,077	11,117	11,883
Provision for retirement benefits and equivalent (long-term)	132	107	113
Deferred income (long-term)	6,836	7,053	7,333
Long-term financial liabilities	2,242	1,334	1,149
SHORT-TERM LIABILITIES	**30,848**	**28,030**	**28,721**
Short-term bank credits and loans	10,710	8,455	8,840
Short-term financial liabilities	940	687	540
Financial liabilities on account of dividend	2,313		3,238
Other short-term liabilities	16,047	18,303	15,493
Corporate income tax payables	36		49
Deferred income (short-term)	510	548	510
Provision for retirement benefits and equivalent (short-term)	49	37	51
Other short-term provisions	243		
TOTAL LIABILITIES	**51,472**	**51,032**	**52,601**

Statement of financial position of Makarony Polskie SA

TOTAL EQUITY/LIABILITIES	**121,035**	**120,255**	**119,174**

Statement of cash flows of Makarony Polskie SA

Makarony Polskie SA	01.01.2017 30.06.2017	01.01.2016- 30.06.2016
Earnings (loss) before taxes	**3,238**	**3,007**
Adjustments for items:	**- 496**	**1000**
Depreciation	1,862	1,646
Foreign exchange gains/losses		- 1
Interest cost and income	336	386
Profit/loss on investing operations	- 26	- 26
Change in the balance of provisions	279	- 9
Change in the balance of inventories	- 1,582	- 446
Change in the balance of receivables	1,654	2,442
Change in the balance of liabilities and accruals	- 2,423	- 2,726
Paid/returned corporate income tax	- 596	- 266
Other adjustments		
Net cash flows on operating activities	**2,742**	**4,007**
Cash flows on investing activities		
Revenues from sale of tangible and intangible fixed assets	28	231
Interest revenues	91	
Expenses on purchase of tangible and intangible fixed assets	- 1,192	- 2,535
Revenues on loans repayment		
Loans granted		
Net cash flows on investing activities	**- 1,073**	**- 2,304**
Cash flows on financing activities		
Revenues from credits and loans	1,216	1,102
Repayment of credits and loans	- 2,000	- 2,129
Payment of liabilities under financial lease agreements	- 510	- 253
Interest paid	- 422	- 484
Other financial revenues		
Net cash flows on financing activities	**- 1,716**	**- 1,764**
Increase/decrease in the balance of cash and cash equivalents	- 47	- 61
Cash, cash equivalents and credit in the current account at the beginning of the period	**453**	**524**
Foreign exchange gains/losses on valuation of cash, cash equivalents and credit in the current account		1
Cash, cash equivalents and credit in the current account at the end of the period	**406**	**464**

Statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2017 to 31 December 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 1 January 2017	**27,750**	**36,507**		**4,966**	**69,223**
Profit distribution/loss coverage		2,653		- 2,653	
Profit distribution – dividend pay-out				- 2,313	- 2,313
Profit/loss on account of hedge accounting application					
Net result after H.1, 2017			2,653		2,653
As at 30 June 2017	**27,750**	**39,160**	**2,653**		**69,563**

For the period from 1 January 2016 to 31 December 2016

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 01 January 2016	**27,750**	**34,669**		**5,010**	**67,429**
Profit distribution/loss coverage		1,772		- 1,772	
Profit distribution – dividend pay-out				- 3,238	- 3,238
Profit/loss on account of hedge accounting application		**66**			**66**
Net result for 2016			4,966		4,966
As at 31 December 2016	**27,750**	**36,507**	**4,966**		**69,223**

For the period from 1 January 2016 to 30 June 2016

	Share capital	Other reserve capital	Result for the current year	Profit/loss from previous years	Total
As at 01 January 2016	**27,750**	**34,669**		**5,010**	**67,429**
Profit distribution/loss coverage		1,772		- 1,772	
Profit distribution – dividend pay-out				- 3,238	- 3,238
Profit/loss on account of hedge accounting application		44			44
Net result after H.1, 2016			2,338		2,338
As at 30 June 2016	**27,750**	**36,485**	**2,338**		**66,573**

Additional explanatory notes

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

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

	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Sales of products	46,352	44,652
Sales of services, including:	1,566	1,664
- marketing and distribution	212	237
- production		57
- lease, storage, administration	1,354	1,368
– other		2
Sales of materials	2,132	176
Sales of merchandise	6,245	8,991
Total	**56,295**	**55,483**

Operating segments

	01.01.2017 - 30.06.2017	01.01.2016- 30.06.2016
Pasta	46,473	46,345
Meat and vegetable products	4,572	4,338
Vegetable products	26	929
Fruit products	1,524	2,031
Other	3,700	1,840
Total	**56,295**	**55,483**

Basic information regarding operating segments:

H.1 2017	Pasta	Meat and vegetable products	Vegetable products	Fruit products	Other	Total segments
Revenues						
Sales to third party customers	46,473	4,572	26	1,524	3,700	56,295
Sales between the segments						
Total revenues	46,473	4,572	26	1,524	3,700	56,295
Costs						
Costs of the segments	36,125	4,489	23	1,500	2,380	44,517

Profits/losses of the segments (gross sales)	10,348	83	**3**	**24**	**1,320**	**11,778**

For the first half of 2016	Pasta	Meat and vegetable products	Vegetable products	Fruit products	Other	Total segments
Revenues						
Sales to third party customers	46,345	4,338	929	2,031	1,840	55,483
Sales between the segments						
Total revenues	46,345	4,338	929	2,031	1,840	55,483
Costs						
Costs of the segments	35,513	4,144	877	1,990	786	43,310
Profits/losses of the segments (gross sales)	10,832	194	**52**	**41**	**1,054**	**12,173**

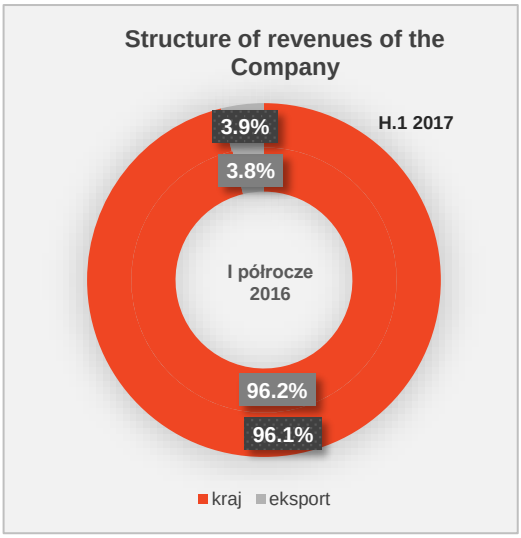
The Company applies IFRS 8 "Operating Segments". In accordance with the IFRS 8 requirements, operating segments must be identified based on the internal reports regarding those elements, which are regularly verified by the persons deciding about allocation of resources to the respective segment and assessing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

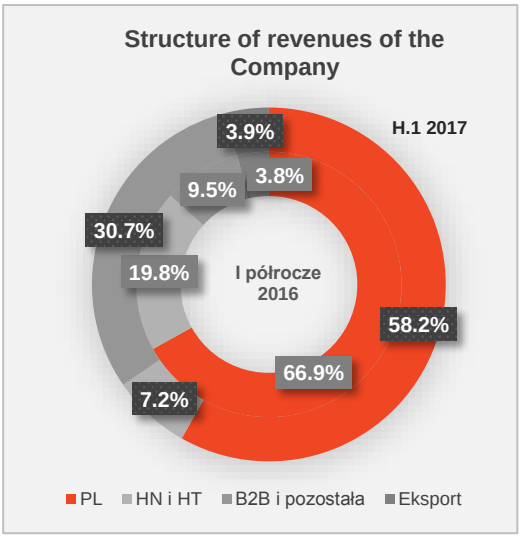
Sales of products, services, merchandise and materials – geographic structure

For the period	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Poland	53,590	53,840
Exports, including	2,705	1,643
– EU member states	1,831	1,021
– other countries	874	622
Total	**56,295**	**55,483**

The sales markets of Makarony Polskie SA may be divided into domestic market (including private label, traditional trade, modern trade, and B2B and institutions) and exports market (including sales to domestic intermediaries). As regards Like-for-Like (LFL) measure, the Company generated the following sales revenues in the first half of 2017:

Makarony Polskie SA [PLN '000]	1H 2017	1H 2016	YoY
Sales revenues in H.1	56,295	55,483	1.5 %





Private Label

The largest share in the Company revenues (58.2%) was contributed by the private label (PL) channel offering products under own brands of domestic and foreign shop chains (taking into account the sale to Lidl counterparty operating as one group in Europe):

PL [PLN '000]	1H 2017	1H 2016	YoY
Sales revenues	38,415	37,157	+3.4%

As regards the Private Label sector, Makarony Polskie SA is a leading manufacturer of rolled and extruded pasta on the Polish market, as well as an important manufacturer of meat and vegetable products and fruit products.

Modern and traditional trade

An important part of the Company revenues at the level of 7.2%, generated in the first half of 2017 on the domestic market, is the sale of the Company own brands (brands: Makarony Polskie, Sorenti, Stoczek, Tenczynek and Męska Rzecz) through the modern trade channel (MT) and traditional trade channel (TT):

MT and TT (PLN '000)	1H 2017	1H 2016	YoY
Sales revenues	4,774	10,981	-56.5%

B2B and other

The B2B and other channel represented in the first half of 2017 approximately 30.7% of the total revenues of the Company:

B2B and Other (PLN '000)	1H 2017	1H 2016	YoY

Sales revenues	10,502	5,256	+99.8%

Sales in the B2B and other channel in the first half of 2017 amounted to PLN 10.5 million and were higher by approx. 99.8% than in the first half of 2016.

Exports

Within the total revenues of the Company for the first half of 2017 exports represented 3.9%:

Exports (PLN '000)	1H 2017	1H 2016	YoY
Sales revenues	2,604	2,089	+24.7%

Export sales of the Company brought PLN 2.6 million in H.1 2017 (through own trading team and through intermediaries). The result was higher by approx. 24.7% compared to the first half of 2016.

Other operating income and expenses

OTHER REVENUES

For the period	01.01.2017 - 30.06.2017	01.01.2016- 30.06.2016
State subsidies	255	255
Profit on sale of property, plant and equipment	26	26
Reversal of impairment allowances for receivables		
Sale of scrap and waste	38	9
Indemnity and complaints	26	22
Reimbursement of insurance contributions	1	
Other		2
Total	**346**	**314**

The other revenues comprise revenue and profit which are not directly related to the operating activities of the Company. This category includes subsidies, profit on sale of property, plant and equipment, indemnity received in relation to reimbursement of litigation costs, overpaid tax liabilities, except for corporate income tax, and indemnities received on account of loss in property of the companies which has been insured.

Moreover, the item comprises reversed impairment allowances for receivables and inventories, and reversed impairment allowances for assets.

OTHER COSTS

For the period	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Provisions established		

Receivables written-off	2	
Donations	1	2
Liquidated damages	16	46
Shortages in working assets		
Costs of insured repairs	8	
Court and enforcement fees, costs of litigation		208
Sponsoring	13	8
Liquidation of damaged and obsolete inventories	129	103
Total	**169**	**367**

The other costs comprise costs and losses which are not directly related to the operating activities of the Company. The category comprises losses on the sale of tangible fixed assets, donations given to other entities both in kind and in cash, which refers also to public benefit institutions, and the consequences of concluded trade agreements, guarantees and security bonds granted in favour of other entities.
Moreover, the item comprises the costs of impairment allowances for assets, indeliberate shortages in working assets and losses under liquidation of damaged or obsolete inventories.

Other financial income and expenses

FINANCIAL REVENUES

For the period	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Interest income, including:	134	184
– interest on loans	86	97
– interest on receivables	48	87
Foreign exchange gains	147	
Profit on sale of investments - shares		
Other		
Total	**281**	**184**

Financial revenues comprise revenue on dividends received, obtained and recognised interest on delayed repayment of receivables, interest on deposits and on investments in various forms of financial instruments. Moreover, the item includes foreign exchange gains.

FINANCIAL COSTS

For the period	01.01.2017-30.06.2017	01.01.2016 - 30.06.2016
Cost of interest applicable to	422	486
– bank credits	273	344
- costs of factoring and lease	149	142

– other		
Other financial costs, including	54	199
– foreign exchange losses		142
– guarantee	12	12
– discount costs	42	45
– other financial costs		
Total	476	685

Financial costs include the cost of using external sources of finance, namely: credits, loans, trade creditors, financial lease agreements to which the Company is a party, and other financial costs. Moreover, the item includes foreign exchange losses.

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

For the period	01.01.2017-30.06.2017	01.01.2016 30.06.2016
Net profit/loss per share	0.29	0.25
Book value per share in PLN (as at 30.06.2017, and as at 31.12.2016)	7.52	7.48

For the period	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Net profit/loss on continued activities assigned to the Parent Company shareholders	2,653	2,338
Profit/loss on discontinued activities assigned to the Parent Company shareholders		
Net profit/loss assigned to the Parent Company shareholders	2,653	2,338
Net profit/loss assigned to regular shareholders, applied in calculation of diluted profit/loss per share	N/A	N/A

For the period	01.01.2017-30.06.2017	01.01.2016 - 30.06.2016
Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	9,250,071	9,250,071
Dilution impact	N/A	N/A
Weighted average number of ordinary shares issued, applied in calculation of basic profit/loss per share	N/A	N/A

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

Diluted profit per share is calculated by dividing net profit for the period assigned to regular shareholders of the Parent Company (upon deduction of interest on redeemable privileged shares convertible to ordinary shares) by the weighted average number of ordinary shares

issued outstanding during the period (adjusted for the impact of diluting options and diluting redeemable shares convertible to ordinary shares).

In H.1, 2017 there were no factors that would dilute share capital.

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

Information about changes in estimations regarding separate financial statements

CHANGES ON ACCOUNT OF PROVISIONS

Changes in provisions H.1 2017	Balance as at 01.01.2017	Created	Utilised and reversed	Balance at the end of the period
On account of pension benefits and similar, including:	144	37		181
a) long-term	107	25		132
b) short-term	37	12		49
Other provisions, including:		243		243
– other		243		
Total	144	280		424

Changes in provisions H.1 2016	Balance as at 01.01.2016	Created	Utilised and reversed	Balance at the end of the period
On account of pension benefits and similar, including:	172	2	10	164
a) long-term	111	2		113
b) short-term	61		10	51
Other provisions, including:				
– other				
Total	172	2	10	164

The Company has been paying out gratuities to retiring employees in the value specified by the Labour Code and the internal regulations. Therefore, based on the valuation made by an actuary the Company creates a provision for the current value of the retirement gratuity payables.

The provision calculation was made for the existing employees, and does not refer to any staff to be employed in future. The right to gratuity is vested in any employee who reaches the retirement age. For people who are already pensioners (those who have already received the gratuity) no provision is established.

DEFERRED TAX ASSETS AND PROVISIONS

Changes in provisions H.1 2017	Balance as at 01.01.2017	Created	Utilised and reversed	Balance at the end of the period
Deferred income tax assets	77	104	50	131
Deferred income tax provisions	3,468	46	46	3,468
Asset/Provision after set-off				3,337

Changes in provisions H.1 2016	Balance as at 01.01.2016	Created	Utilised and reversed	Balance at the end of the period
Deferred income tax assets	326	55	285	96
Deferred income tax provisions	3,326	202	30	3,498
Asset/Provision after set-off				3,402

Current tax charge is calculated based on the binding tax regulations. The application of these regulations imposes a difference between taxable profit (tax loss) and net book profit (loss) owing to exclusion of non-taxable revenues and non-tax-deductible costs, or costs and revenues items which will not be subject to tax in a given period. Tax charge is calculated based on the tax rates binding in the given reporting year (now 19%). The legal provisions do not assume different tax rates for future periods.

As regards income tax, the Company is subject to generally binding regulations in that scope. The Company is not a tax Group, nor carries out any activities in a special economic zone, which would require a differentiation in the principles of determining tax charges in reference to the generally binding regulations in that scope. Tax year and balance sheet year are the same as the calendar year.

IMPAIRMENT ALLOWANCES FOR ASSETS

Changes in provisions H.1 2017	Balance as at 01.01.2017	Created	Utilised and reversed	Balance at the end of the period
Impairment allowances for receivables	76	0	0	76
Impairment allowances for inventories				
Impairment allowances for property, plant and equipment				

Changes in provisions H.1 2016	Balance as at 01.01.2016	Created	Utilised and reversed	Balance at the end of the period
Impairment allowances for receivables	281	0	0	281
Impairment allowances for inventories				
Impairment allowances for property, plant and equipment				

The Company monitors assets on a current basis and in case of their loss of value makes impairment allowances for such assets. In the first half of 2017 no reasons for impairment allowances occurred.

Long-term and short-term financial liabilities

CREDIT LIABILITIES

	As at 30.06.2017	As at 31.12.2016
up to 1 year	10,710	8,455
Above 1 year	8,077	11,117
Total	18,787	19,572

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS

	Current value of minimum fees	
	as at 30.06.2017	as at 31.12.2016
up to 1 year	940	687
from 1 year to 5 years	2,242	1,344
Total	3,182	2,031

As at 30 June 2017 the Company holds tangible fixed assets used under lease agreements. The carrying amount of machinery and equipment, cars and other tangible fixed assets used based on financial lease agreements amounted to PLN 3,964,000 as at 30 June 2017, whereas as at 31 December 2016 it was PLN 2,585,000.

OTHER FINANCIAL LIABILITIES – HEDGE ACCOUNTING

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

In the reporting period the Company has not applied any instrument to hedge itself against the interest rate risk.

Dividends paid out and proposed to be paid out

The Management Board of the Company recommended to the Annual General Meeting to divide the net profit for 2016 amounting to PLN 4,965,759.43 in the following manner:

- assign PLN 2,312,517.75 to the dividend pay-out, i.e. pay out dividend in the amount of PLN 0.25 gross per share;
- assign the remaining part of the profit amounting to PLN 2,653,241.68 to the supplementary capital of the Company.

On 29 June 2017 the AGM of Makarony Polskie SA decided to divide profit for the financial year 2016 in accordance with the recommendation of the Management Board.

The dividend date was set for 14 July 2017. The dividend was paid out on 28 July 2017. 9,250,071 shares of the Company were subject to dividend pay-out.

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

Total value of remuneration paid to the Members of the Management Board of Makarony Polskie SA in the first half of 2017 was PLN 300,000; in the first half of 2016 it was PLN 300,000.

Remuneration paid to the Members of the Supervisory Board of Makarony Polskie SA in the first half of 2017 was PLN 48,000; in the same period 2016 it was PLN 38,000.

The Management Board and Supervisory Board Members of Makarony Polskie SA have not been paid any remuneration by the subsidiary companies.

Settlement with related companies

In the first half of 2017 the Makarony Polskie Group companies did not make any major intercompany transactions on other than arm's length basis.

Within the Makarony Polskie Group the particular companies make intercompany purchase and sale transactions with regard to products, merchandise and services. Inter-company agreements setting terms and conditions of cooperation are in place. They are adjusted to the organisational structure of the Group. All transactions are made on arm's length basis.

Related company	Sales to related companies – total revenues		Purchases from related companies	
	For the period	For the period	For the period	For the period

	01.01.2017–30.06.2017	01.01.2016–30.06.2016	01.01.2017–30.06.2017	01.01.2016–30.06.2016
Parent Company – Makarony Polskie S.A.	3,188	833	6,927	7,888
from/to Stoczek Sp. z o.o.	401	307	6,228	6,801
from/to MP Trade Sp. z o.o.	2,787	526	699	1,087

Related company	Receivables from related companies		Liabilities to related companies	
	As at 30.06.2017	As at 30.06.2016	As at 30.06.2017	As at 30.06.2016
Parent Company – Makarony Polskie S.A.	3,416	4,293	323	888
- from/to Stoczek Sp. z o.o.	1,538	4,053		603
from/to MP Trade Sp. z o.o.	1,878	240	323	285

Information about the planned shares issues

In H.1, 2017 and in the period from the date of publication of this report the Company has not issued any shares.

Agreements and events important for the operations of the Company

Agreements and events important for the operations of the Company have been described in detail in the short consolidated financial statements of the Makarony Polskie Group.

Information about credits and loans taken by Makarony Polskie SA

CREDITS TAKEN, INCLUSIVE OF THEIR MATURITY DATES

	As at 30.06.2017	As at 31.12.2016
up to 1 year	10,710	8,455
Above 1 year	8,077	11,117
Total	18,787	19,572

Credit agreements concluded by Makarony Polskie SA as at 30 June 2017 have been described in detail in the short consolidated financial statements of the Makarony Polskie Group.

GUARANTEES OBTAINED BY MAKARONY POLSKIE SA

Guarantor	Guarantee amount	Guarantee validity	Object of guarantee	Collateral
STU Ergo Hestia S.A.	PLN 272,000	till 02.03.2018	bank guarantee securing the liabilities of the Company under a service agreement with the Material Reserves Agency (ARM) regarding grain products reserves maintenance	blank promissory note with promissory note declaration
STU Ergo Hestia S.A.	PLN 272,000	till 02.03.2018	bank guarantee securing the liabilities of the Company under a service agreement with the Material Reserves Agency (ARM) regarding grain products reserves maintenance	blank promissory note with promissory note declaration
Gothaer TU SA	PLN 932,000	till 30.11.2017	guarantee securing the liabilities of the Company under the agreement with Material Reserves Agency (ARM) with regard to delivery and storage of ready-cooked meals reserves	two blank promissory notes with promissory note declarations

INFORMATION ON GUARANTEES GRANTED

During the first half of 2017 Makarony Polskie SA did not grant any guarantees.

INFORMATION ABOUT SECURITY BONDS GRANTED

As at 30 June 2017 Makarony Polskie SA granted security bonds to the Polska Izba Makaronu [Polish Pasta Chamber]:

Third party liabilities	Name of creditor	Security bond value	Security bond date	Validity date	Balance of the secured liability as at 30.06.2017
Security bond for a revolving credit amounting to PLN 2.85 million*	BPS	PLN 4,275,000	05.07.2016	30.05.2021	PLN 1,075,000
Security bond for a revolving credit amounting to PLN 0.5 million*	BPS	PLN 750,000	05.07.2016	30.05.2021	PLN 309,000

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

Makarony Polskie SA received remuneration for a security bond granted to the Polish Pasta Chamber (PIM).

INFORMATION ON SECURITY BONDS OBTAINED

As at 30 June 2017 the Parent Company Makarony Polskie SA. was granted security bonds by its subsidiary Stoczek Natura Sp. z o.o. The value of the security bonds is presented herein below:

Third party liabilities	Name of creditor	Security bond value	Security bond date	Validity date	Balance of the secured liability as at 30.06.2017
Security bond for a loan in current account amounting to PLN 5.0 million	BZ WBK	PLN 7,500,000	18.10.2013	31.05.2019	PLN 693,000
Security bond for investment facility amounting to PLN 15.0 million	BZ WBK	PLN 30,000,000	18.10.2013	30.09.2021	PLN 10,077,000
Security bond for a non-revolving working capital credit in the credit account amounting to PLN 5.0 million	BGK	PLN 5,000,000	30.06.2015	29.12.2018	PLN 3,000,000
Security bond for a loan in current account amounting to PLN 6.0 million*	BGK	PLN 6,000,000	14.06.2013	31.12.2018	PLN 4,094,000

* After the balance sheet date, Stoczek Natura Sp. z o.o. signed an annex to the agreement with BGK on security bond for credit in the current account of Makarony Polskie SA. Pursuant to the annex the liability validity date was extended till 30 December 2018.

Stoczek Natura Sp. z o.o. received remuneration on account of the security bonds granted to the Parent Company Makarony Polskie SA.

INFORMATION ON LOANS GRANTED

In the first half of 2017 neither Stoczek Natura Sp. z o.o. nor MP Trade Sp. z o.o. granted any loans.

As at 30 June 2017 Makarony Polskie SA granted loans to Stoczek Natura Sp. z o.o. in the amount of PLN 5 million:

- short-term loan of PLN 2 million with repayment date on 31 December 2017 (one-off repayment by the liability repayment deadline);
- long-term loan of PLN 3 million with final repayment date on 31 December 2019 (the loan will be repaid in 24 monthly instalments starting from 31 January 2018 in the following amounts: 23 instalments of PLN 0.07 million each, plus the last 24th settlement instalment to zero balance).

The interest rate on the loan was set on arm's length basis.

Off-balance-sheet items

Change in the balance of contingent liabilities or contingent assets that has taken place since the end of the last reporting year:

Off-balance-sheet items [PLN '000]	30 June 2017	31 December 2016
1. Contingent assets	54,977	54,977
– guarantees and security bonds obtained	49,977	49,977
– secured on property		
– promissory notes	5,000	5,000
2. Contingent liabilities	115,074	118,654
– guarantees and security bonds granted	5,025	5,025
– secured on property	71,166	80,750
– promissory note payables	38,883	32,879
Total off-balance-sheet items	-60,097	-63,677

The values of guarantees, security bonds, promissory note payables, mortgages and other off-balance-sheet liabilities have been presented in the above table in their maximum values.

Important court litigations, arbitration proceedings or administrative proceedings

In the presented reporting period there were no pending court ligations or any arbitration or administrative proceedings regarding the liabilities or receivables of the Makarony Polskie SA with the total value representing at least 10% of the equity of Makarony Polskie SA.

Major post-balance-sheet events

Major events that occurred after the balance sheet date have been described in detail in the short consolidated financial statements of the Makarony Polskie Group.

Other major events and transactions

In H.1, 2017 no major events and transactions other than those described that would require disclosure in these separate financial statements and financial statements of the Group occurred.

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Zenon Daniłowski
President of the Management Board

Rzeszów, 25 August 2017