Condensed Financial Statements of the Makarony Polskie Group for the period from 1 January to 30 June 2018



Rzeszów, 14 September 2018

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1.01.2018 TO 30.06.2018

Makarony Polskie SA
14 September 2018

The Makarony Polskie Group consists of three companies: two of them deal with production and one with trading.

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.



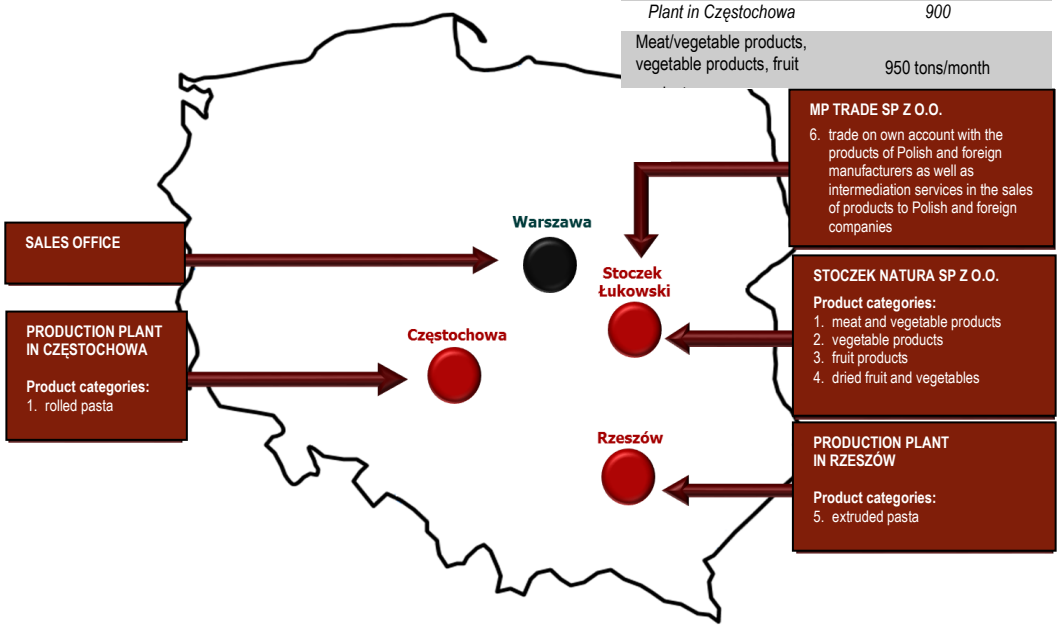
Makarony Polskie SA is a manufacturer of a broad assortment of pasta made by extrusion or rolling. The Company offers pasta in various forms, produced from durum wheat flour or regular wheat flour. In its portfolio the Company has also products which reply to the health-promoting food trends, such as 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).

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.
In the Q.4, 2017 the company extended its portfolio for dried fruits and vegetables, offered under the Deli-Susz brand.

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

ORGANISATION OF THE MAKARONY POLSKIE GROUP

Product category	Production capacity
Pasta	4,600 tons/month
Plant in Rzeszów	*3,200*
Plant in Płock (relocation pending)	*500*
Plant in Częstochowa	*900*
Meat/vegetable products, vegetable products, fruit	950 tons/month



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 15,707,800

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 (as at 30 June 2018), PLN 1,500,000 (as at 28 August 2018)
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 2018 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 2018 no changes were introduced in the Makarony Polskie Group which would have a major impact on the structure or organisation of the Group.

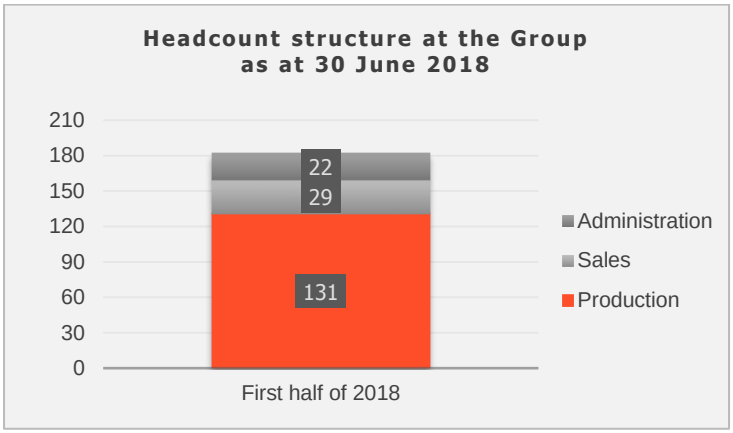
Within the Makarony Polskie Group the particular companies make intercompany purchase and sale transactions with regard to products, merchandise and services. All transactions are made on arm's length basis.

During the first half of 2018, considering the development and investment plans of MP Trade Sp. z o.o., Makarony Polskie SA made a decision on increasing the share capital of that company by PLN 1.0 million, through the issue of 10,000 new shares of the nominal value of PLN 100 each. The issue price of the new shares was equal to the nominal value and amounted to PLN 100 each. The shares were covered with cash contribution. All 10,000 new shares in the increased share capital of MP Trade Sp. z o.o. were taken up by Makarony Polskie SA. The change in the share capital was entered in the National Court Register on 28 August 2018.

Headcount at Makarony Polskie Group as at 30 June 2018

In accordance with the adopted policy, the Makarony Polskie Group has consequently maintained the total headcount at the level of the necessary minimum, at the same time caring for the flexibility of employment at the production plants and correlation of the same with the changes in production volumes.

The headcount at the Makarony Polskie Group as at 30 June 2018 was 182 people (compared to 196 people at the end of the first half of 2017 and 198 people at the end of the first half of 2016), including 135 people at Makarony Polskie SA.



Management Board of the Parent Company

From 1 January 2018 to the date of publication of these statements, the Management Board consisted of one person. The office of the President of the Management Board is held by 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:

Management Board Member	First half of 2018		2017	
	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 (formerly: Agro-Technika SA) and Polskie Smaki Sp. z o.o. that also hold shares of the Company. The total shareholding as at the publication date of these statements 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 2018 and by the date of publishing this report.

Supervisory Board of the Parent Company

From 1 January 2018 to 28 June 2018, 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.

In reference to the end of the seventh term of the Supervisory Board on 28 June 2018, the Annual General Meeting of the Company appointed the Supervisory Board of the eighth term. Until now the membership of the Supervisory Board has not changed and the Board consists of:

- Roman Sobiecki,
- Samer Abdelfatah Mohamed El Waziri
- Marek Rocki,
- Michał Słomkowski,
- Wiesław Wasilewski.

The Supervisory Board was formed on 29 June 2018. Mr Roman Sobiecki became Chairman of the Supervisory Board, and the function of the Deputy Chairman was taken by Mr Samer El Waziri.

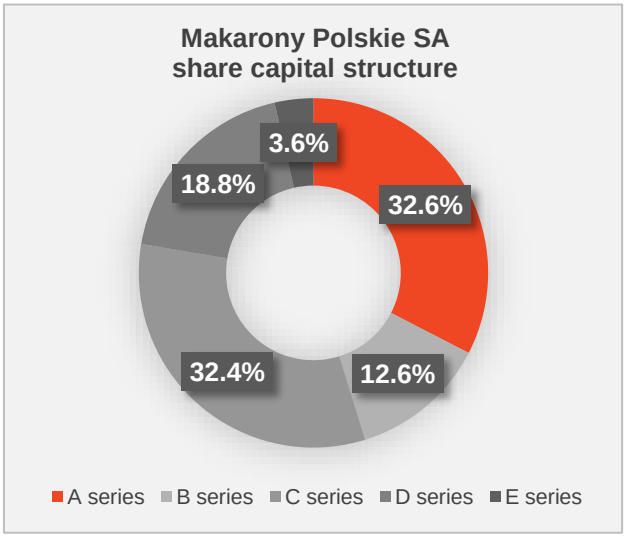
Number and nominal value of the shares of the Company held by the Members of the Supervisory Board as at the end of the reporting period:

Member of the Supervisory Board	First half of 2018		2017	
	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 Member of the Supervisory Board occurred during the first quarter of 2018 and by the date of publishing this report.

General Meeting of the Parent Company

The share capital of Makarony Polskie SA as at 30 June 2018 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 quoted on regulated market maintained 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 (formerly: Agro-Technika SA)	*2,050,000*	*22.16%*	*2,050,000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology & Communications S.A.E., of which:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*

Elżbieta 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%*
Krzysztof Moska	580,969	6.28%	580,969	6.28%
Other shareholders	3,381,062	36.55%	3,381,062	36.55%
TOTAL	9,250,071	100.00%	9,250,071	100.00%

The Company has no information which would reflect any changes in the number of shares possessed by major shareholders (holding stakes of more than 5%) during the first half of 2018.

Changes in shareholding after the end of the first half of 2018

On 31 July 2018 the Company received a notification sent by Mr Krzysztof Moska regarding an increase in the number of shares of Makarony Polskie SA held by him. Pursuant to Article 69.1.1 Mr Krzysztof Moska informed that on 27 July 2018, as a result of a purchase transaction of 232,893 shares of Makarony Polskie SA within on-session transactions of shares purchase on the regulated market of Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange], a change occurred in the stake of shares held by him so far, such that he exceeded the threshold of 5% of the total number of votes in the General Meeting of the Company ("Change of Possession Transaction").

Before the Change of Possession Transaction Mr Krzysztof Moska held 348,076 shares of the Company, representing 3.76% share in the share capital of the Company and 3.76% of the total number of votes in the General Meeting of the Company, i.e. shares of the Company entitling him to exercise 348,076 votes. After the Change of Possession Transaction Mr Krzysztof Moska holds the total of 580,969 shares of the Company, representing 6.28% of the share capital of the Company and 6.28% of the total number of votes in the General Meeting of the Company, i.e. shares of the Company entitling him to exercise 580,969 votes.

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 87.1.3.c of the Act and he held no financial instruments referred to in Article 69b.1 of the Act.

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%) after the end of the first half of 2018.

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

Management Boards of subsidiaries

As at 30 June 2018 and as at the date of publication of these financial statements, the composition of the Management Boards of the subsidiaries was as follows:

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

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).

Mr Dariusz Cylka is the Proxy of MP Trade 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).

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

Publication and approval of financial statements

These condensed consolidated financial statements were reviewed by an audit company and approved for disclosure by the Management Board on 14 September 2018.

Legal basis for the consolidated financial statements

Declaration of compliance and basis for preparing the statements

These condensed 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 2018, item 395, as amended) the enforcement regulations issued based thereon, as well as the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and interim 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 2018, item 757) published and binding at the moment of preparing these condensed consolidated financial statements. The interim condensed 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 in December 2017.

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 of the assets of Abak Sp. z o.o.

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.

Legal basis for the consolidated financial statements

Applied accounting policy and basis for preparing the statements

The accounting policy applicable to interim condensed consolidated financial statements complies with that applied in preparing annual financial statements of the Capital Group for the year ending 31 December 2017 (published on 20 March 2018).

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 financial statements in accordance with 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 2018 no changes occurred in the measuring principles applied when preparing the consolidated financial statements.

Legal basis for the consolidated financial statements

Accounting principles applied

The accounting principles applied in preparing these interim condensed consolidated financial statements have not changed in relation to the principles applied in preparing the annual consolidated financial statements for 2017.

The new standards and interpretations which came into force in 2018 did not have any major impact on the accounting principles applied by the Capital Group, and their potential influence was described in the consolidated financial statements of the Group as at 31 December 2018 for the reporting year ending at that date – "Declaration on compliance with law" explanatory note.

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 the future taxable profit will be generated enabling the deferred assets utilisation; deterioration of the generated tax results in the 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 2017.

Assumptions regarding the future and the assumed estimations are cohesive with the assumptions and estimations made by the Group in the financial statements for 2017.

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 2018.

Factors and risks significantly affecting the financial results

Factors significantly affecting the financial results for the first half of 2018 and in subsequent periods

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.

Building competitive advantage by investments in R&D as well as product, process and organisational innovations:

- R&D development in the area of innovative products such as functional or health-promoting food – 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 and warehouse building for another part, i.e. flour handling station to house bulk raw materials and additives store as well as cooling plant for liquid raw materials and additives within the performance of the R&D Centre creation project;
- completion of investment in automated flour and bulk ingredients dosing system at the production plant in Częstochowa, which will enable extension of the production capacity and make the production process more flexible;
- purchase of an automatic horizontal packing machine, which will enable packing products in a new attractive type of packaging and forming promotional packages to be broadly used in marketing activities;
- in 2018 Makarony Polskie SA will purchase a machine to produce non-standard shapes from long rolled pasta, within the ribbon and papardelle types of pasta;
- in 2018 rolled tagliatelle type egg pasta will be sold;
- at the Częstochowa plant a series of investments will be made in order to reduce energy consumption and workload in the production process, and to improve product safety;
- 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, and innovative forms of packaging of the offered products;

- a modern line for packing stuffing and fillings, with thermal-forming function, purchased by Stoczek Natura Sp. z o.o., enables the company to offer products in a new better quality formula and extended shelf life compared to the products offered at present. Stoczek expects a growth of revenues in that segment in the second part of 2018.

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

- the project entitled "Implementation of the Results of R&D Works on Functional Food at Makarony Polskie SA" carried out within Measure 1.4 "Support for SMEs", under the Regional Operational Programme of the Podkarpackie Province 2014–2020, assumes implementation of the research and development works carried out in cooperation with a scientific unit, consisting in the development of innovative products recipes, with the use of raw-materials which have not been used in the pasta sector on a standard basis. The main objective of the project is the expansion of Makarony Polskie SA on the market of functional food;
- 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, assumes creation of an 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. 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 "Makarony Europy" [European Pasta] programme introduced in 2016 by the Polish Pasta Chamber (PIM), in which Makarony Polskie participates along with other manufacturers associated with the PIM, is to promote 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);

- the project of Stoczek Natura Sp. z o.o. entitled "Energy effectiveness improvement at Stoczek Natura Sp. z o.o." carried out within Priority Axis 5 – Energy efficiency and low-emission economy, Measure 5.1. Improvement of energy efficiency of the companies within the Regional Operational Programme of the Lubelskie Province for the years 2014–2020, assumes the improvement of energy effectiveness of Stoczek Natura Sp. z o.o. through extensive thermal upgrading of the company building.

  Based on the energy audit the company is going to implement within the project some improvements contributing to lower demand for heat and electricity needed to ensure conditions enabling the performance of the production processes carried out at the respective premises. The objective of the project will be achieved through the performance of preparatory works, purchase of materials and construction works, as well as the necessary fixed assets;
- the project of Stoczek Natura Sp. z o.o. entitled "Growth of competitiveness of Stoczek Natura Sp. z o.o." within Measure 3.7 under the Regional Operational Programme of the Lubelskie Province for the years 2014–2020, assumes growth of competitiveness and innovativeness of the company on the domestic and international markets by way of implementation of the results of R&D works possessed and introduction of production innovations in the form of manufacturing technology of a ready-cooked meat product. The objective of the project is to implement innovative solutions by way of modernisation of the line for production of ready-cooked meals in jars and cans.

  The performance of the project will positively affect the improvement of quality and innovativeness of the offered products, their repeatability and increase of production capacity. Additionally, as a result of the project performance, the subsidiary will gain the opportunity to introduce in its commercial offer new health-promoting products, which will be directed to a new group of consumers.
- 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, a design audit was carried out at Stoczek Natura Sp. z o.o. in 2017 within which the design strategy was developed. The document comprises a recommendation for further actions related to the use of design at the company. At the further stage, the recommendations of the design strategy may be implemented, which means that actions with the use of design processes will be carried out with the final result of introducing innovations on the market.

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, meat preserves and soups;
- activities focused on the sales channel profitability improvement.

Development of B2B and Institutions sales channel, as well as HoReCa:

- 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 utilisation 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:

- intensification of marketing activities focusing on the development of the Makarony Polskie brand, as well as rebranding and new definition of the brands of Stoczek Natura, Sorenti and Tenczynek. In 2018 the Group plans to prepare a marketing programme;
- development and implementation of the mechanisms of cooperation with wholesale customers, local retail networks and shop chains, particularly as regards convenience and international medium and small scale chains – as a strategy of selective distribution in consideration of the specifics of the categories within the Group area of operation;
- 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:

- focus on two strategic directions: Ukraine and Egypt, where the Group offers its products under the Sorenti brand, and were most of the exports are directed. Year 2018 shall be the period of strengthening the Group cooperation with the chains in Ukraine and with RAYA/Eden in Egypt. On the Egyptian, Middle East and African markets the Company operates jointly with the Egyptian partner in order to carry out market research and establish new commercial contacts;
- systematic growth in the number of customers on foreign markets, and specifically in the EU;
- 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;
- attracting and performing projects focused on the 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, e.g. wholemeal pastas with high fibre content, spelt and buckwheat flour pastas, BIO products as well as new product categories.

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 2018 no such atypical 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 2018.

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

Risks and threats important for the Group development

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 the market trends, e.g. systematically developed have been health-promoting products, "Fit" products, and ones with lower gluten content, flavoured pasta and pasta made of antique grains (e.g. spelt), or products based on vegetable flours.

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 objectives assumed by the Group. The activities of the competitors are monitored on a current basis and carefully analysed. 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 (e.g. teams have been established to work on R&D projects).

Risk of dependence on the recipients

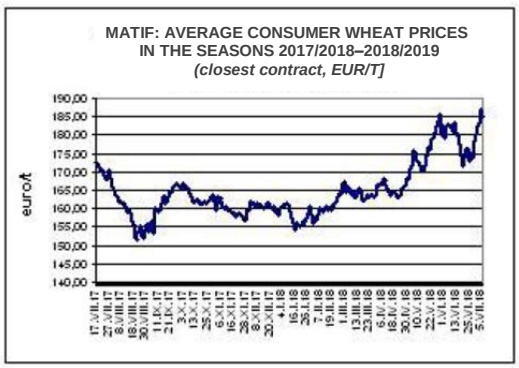
A major part of revenues is generated by the Group through cooperation with organised commercial networks, which are centralised as regards decision-making. The possible lack of continuity in cooperation with the recipients may affect sales values. Some commercial agreements do not include strictly determined 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. This may result in inability to satisfy the demand or incomplete use of the production capacity, which will obviously translate into the Group results. 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 purchase prices on a stable level and, thus, avoid major profitability reduction for the manufactured pasta. As regards liquid egg pulp, the unwillingness on the part of the manufacturers to enter into long-term contracts forced the company to strictly monitor the egg market in order to purchase good quality egg pulp at the lowest price.

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 grow within the perspective of the coming months due to the unfavourable weather conditions (droughts and heavy rainfalls alternately), which affects the volume and quality of this-year's harvest. Makarony Polskie SA is aware that the level of flour prices present in the first half of 2018, 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 chart below presents the prices of soft grains in Poland in the recent years. At the end of June, a growing trend in wheat prices may be seen. In third quarter further flour price growth may be expected.



Source: Grains Market, Week 27'2018, Sparks Polska.

After significant increases of liquid egg pulp prices (by 250–260%) at the end of the third and fourth quarters of 2017 resulting from withdrawal from the EU market of a large quantity of eggs contaminated with nitrofen, wiping out of large flocks of lying hens, the market stabilised as expected in the first quarter of 2018, and the prices have been systematically dropping. This is an effect of reaching maturity by the new flocks of young hens, which started to lay large quantities of eggs in Q.1, 2018. The second quarter of 2018

confirmed the dropping trend in egg and liquid egg pulp prices. The current market prices of liquid egg pulp oscillate around PLN 3.4-3.8 thousand per ton. Forecasts for the coming months assume that egg and liquid egg pulp prices may still be dropping slightly, and the possible corrections of prices up may be expected in the second part of the third quarter, as usual, whereas the fluctuations should not significantly affect products profitability.

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 the domestic suppliers of fruit and vegetables and, additionally, the base of foreign suppliers of key raw materials was extended in 2017, which gives the company better possibilities to obtain cheap 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, cold stores and refrigeration units. Stoczek Natura Sp. z o.o. is exposed to the growth of raw materials prices resulting from various abnormal weather conditions. Striving for the risk mitigation the company has extended the base of key raw materials suppliers.

Risk of changing legal and tax environment

The Polish legal and tax system is characterised with frequent changes. Unfavourable factors 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 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 greater problems in finding adequate candidates to cover vacates among the specialists and managerial staff as well as non-qualified workers.

In order to minimise staff rotation, particularly among the key staff and specialists, the Group has been striving to systematically implement incentive remuneration systems (e.g. related to production and sales effectiveness), which by close relationship between the results of work of the particular teams/persons and the effective performance of the Group objectives imposed on the teams/persons allow connecting the level of remuneration satisfactory to the employees with the profitability of the company operations.

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 Group 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 2018 the Group companies availed of external sources of finance taken out at a bank in the form of a working capital credit, credit in the current account and investment credits.

As at 30 June 2018 the Company was liable PLN 18,304,000 on account of the credits taken out.

Currency	Interest rate	Credit balance	Including	
			short-term	long-term
PLN	WIBOR + bank margin	18,304	16,139	2,165

The Group is liable on account of credits 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 its 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 has 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.

Selected financial data of the Makarony Polskie Group

The selected financial data in EUR are presented in accordance with the Regulation of the Minister of Finance of 29 March 2018 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 2018, item 757).

- 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 4.3616 as at 30 June 2018, and EUR 1 = PLN 4.1709 as at 31 December 2017;
- 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 2018 (i.e. EUR 1 = PLN 4.2395) and as at the end of each month of the first half of 2017 (i.e. EUR 1 = PLN 4.2474).

Selected financial data	30.06.2018 (PLN '000)	30.06.2017 (PLN '000)	30.06.2018 (EUR '000)	30.06.2017 (EUR '000)
Net sales of products, services, merchandise and materials	76,012	66,047	17,929	15,550
Profit (loss) on continued operations	4,548	3,873	1,073	912
Gross profit (loss)	4,038	3,573	952	841
Net profit (loss) on continued operations	3,194	3,051	753	718
EBIT	4,548	,3,873	1,073	912
EBITDA (EBIT + depreciation)	7,424	6,384	1,751	1,503
Net cash flows on operating activities	4,740	3,104	1,118	731
Net cash flows on investing activities	-2,629	-1,784	-620	-420
Net cash flows on financing activities	-2,971	-1,733	-701	-408
Total net cash flows	-859	-413	-203	-97
Total assets ***	134,441	137,208	30,824	32,896
Liabilities and provisions for liabilities ***	57,533	61,188	13,191	14,670
Long-term liabilities ***	14,148	20,523	3,244	4,920
Short-term liabilities ***	43,385	40,665	9,947	9,750
Equity ***	76,908	76,020	17,633	18,226
Share capital ***	27,750	27,750	6,362	6,653
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) *	0.35	0.33	0.08	0.08
Book value per share (PLN/EUR) **	8.31	8.22	1.91	1.97

* 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 the 31 December 2017

Condensed consolidated statement of comprehensive income

Makarony Polskie Group	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Sales revenues	**76,012**	**66,047**
Net sales of products and services	73,153	63,415
Net sales of materials and merchandise	2,859	2,632
Prime cost	**58,974**	**50,689**
Cost of manufacturing of products and services sold	56,520	48,119
Value of merchandise and materials sold	2,454	2,570
Gross profit (loss) on sales	**17,038**	**15,358**
Cost of sales	9,190	8,941
General management costs	3,442	2,745
Other revenues	547	394
Other costs	405	193
Profit (loss) on continued operations	**4,548**	**3,873**
Financial revenues	21	179
Financial costs	531	479
Profit (loss) on business activities	**4,038**	**3,573**
Gross profit (loss)	**4,038**	**3,573**
Income tax – current part	584	652
Income tax – deferred part	260	-130
Net profit (loss)	**3,194**	**3,051**
Including net profit (loss) assigned to:		
Shareholders of the Parent Company	3,194	3,051
Non-controlling interest		
Basic net earnings per share in PLN	0.35	0.33
Diluted net earnings per share in PLN	0.35	0.33
Other comprehensive income/loss, net		
Total net comprehensive income	**3,194**	**3,051**
Net comprehensive income assigned to:		
Shareholders of the Parent Company	3,194	3,051
Non-controlling interest		

Condensed consolidated statement of other comprehensive income, net – hedge accounting

Makarony Polskie Group	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Net comprehensive income	3,194	3,051
Profit/loss on account of hedge accounting application	0	0
Total net comprehensive income	3,194	3,051

Condensed consolidated statement of financial position

ASSETS	30.06.2018	31.12.2017	30.06.2017
FIXED ASSETS	**90,609**	**91,110**	**91,654**
Tangible fixed assets	73,833	74,061	74,665
Investment properties	642	642	1,235
Goodwill	5,949	5,949	5,949
Other intangible fixed assets	9,963	9,953	9,437
Long-term financial assets			
Deferred income tax assets	2	5	94
Other long-term assets	220	500	274
CURRENT ASSETS	**43,832**	**46,,098**	**38,032**
Inventories	18,614	15,624	15,636
Short-term receivables	24,280	28,513	21,503
Receivables on account of corporate income tax	0	29	17
Loans granted			
Cash and cash equivalents	595	1,454	503
Other short-term assets	343	478	373
ASSETS HELD FOR SALE			
TOTAL ASSETS	**134,441**	**137,208**	**129,686**

EQUITY/LIABILITIES	30.06.2018	31.12.2017	30.06.2017
EQUITY CAPITAL	**76,908**	**76,020**	**73,554**
Share capital	27,750	27,750	27,750
Other reserve capital	46,095	42,184	42,184
Retained profit/loss (profit/loss from previous years)	-131	569	569
Net result	3,194	5,517	3,051
LONG-TERM LIABILITIES	**14,148**	**20,523**	**20,802**
Deferred income tax provision	3,794	3,538	3,334
Long-term bank credits and loans	2,165	8,221	8,077
Provision for retirement benefits and equivalent (long-term)	242	190	187
Deferred income (long-term)	6,325	6,538	6,836
Long-term financial liabilities	1,622	2,036	2,368
SHORT-TERM LIABILITIES	**43,385**	**40,665**	**35,330**
Short-term bank credits and loans	16,139	12,272	10,710
Short-term financial liabilities	795	826	981
Financial liabilities on account of dividend	2,313		2,313
Other short-term liabilities	23,118	26,800	20,428
Corporate income tax payables	99	65	36
Deferred income (short-term)	533	553	510
Provision for retirement benefits and equivalent (short-term)	128	149	96
Other short-term provisions	260		256
TOTAL LIABILITIES	**57,533**	**61,188**	**56,132**
TOTAL EQUITY/LIABILITIES	**134,441**	**137,208**	**129,686**

Condensed consolidated statement of cash flows

Makarony Polskie Group	01.01.2018,– 30.06.2018	01.01.2017,– 30.06.2017
Profit/loss before tax	**4,038**	**3,573**
Adjustments for items:	702	-,469
Depreciation	2,876	2,511
Foreign exchange gains/losses	-1	4
Interest cost and income	360	424
Profit/loss on investing operations	-29	-15
Change in the balance of provisions	290	325
Change in the balance of inventories	-2,990	-2,621
Change in the balance of receivables	4,233	1,966
Change in the balance of liabilities and accruals	-3,523	-2,416
Corporate income tax paid/reimbursed	-521	-647
Other adjustments	7	
Net cash flows on operating activities	**4,740**	**3,104**
Cash flows on investing activities		
Revenues from sale of tangible and intangible fixed assets	29	39
Interest revenues		
Expenses on purchase of tangible and intangible fixed assets	-2,658	-1,823
Revenues on loans repaid		
Loans granted		
Net cash flows on investing activities	**-2,629**	**-1,784**
Cash flows on financing activities		
Revenues from credits and loans	2,517	1,216
Repayment of credits and loans	-4,706	-2,000
Payment of liabilities under financial lease agreements	-445	-525
Interest paid	-360	-424
Other financial revenues – subsidy	23	
Net cash flows on financing activities	**-2,971**	**-1,733**
Increase/decrease in the balance of cash and cash equivalents	-859	-413
Cash, cash equivalents and credit in the current account at the beginning of the period	**1,454**	**920**
Foreign exchange gains/losses on valuation of cash, cash equivalents and credit in the current account	1	-4
Cash, cash equivalents and credit in the current account at the end of the period	**595**	**503**

Condensed consolidated statement of changes in equity

For the period from 1 January 2018 to 30 June 2018

	Share capital	Other reserve capital	Result for the current year	Profit/loss for previous years	Total
As at 1 January 2018	27,750	42,184		6,086	76,020
Profit distribution/loss coverage		3,911		-3,911	
Profit distribution – dividend payout				-2,313	-2,313
Reversal of an unrealised margin from previous years				7	7
Profit/loss on account of hedge accounting application					
Net result after 6 months of 2018			3,194		3,194
As at 30 June 2018	27,750	46,095	3,194	-131	76,908

For the period from 1 January 2017 to 31 December 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss for 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 payout				-2,313	-2,313
Profit/loss on account of hedge accounting application					
Net result for 2017			5,517		5,517
As at 31 December 2017	27,750	42,184	5,517	569	76,020

For the period from 1 January 2017 to 30 June 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss for previous years	Total
As at 01 January 2017	27,750	39,505		5,561	72,816
Profit distribution/loss coverage		2,679		-2,679	
Profit distribution – dividend payout				-2,313	-2,313
Profit/loss on account of hedge accounting application					
Net result after 6 months of 2017			3,051		3,051
As at 30 June 2017	27,750	42,184	3,051	569	73,554

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 products and services.

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Sales of products	69,218	61,779
Sales of services, including:	3,935	1,636
– contract-based production	1,457	421
– transport		
– lease and storage	2,476	1,211
– other	2	4
Sales of materials	1,713	2,168
Sales of merchandise	1,146	464
Total	76,012	66,047

Sales revenues by own brand and private label

In the first half of 2018, the Group recorded sales higher by PLN 10.0 million than in the first half of 2017.

The sales teams implemented the assortment strategy assumptions consisting in focusing the commercial forces on 7 basic brands of the manufacturer (Makarony Polskie, Męska Rzecz, Stoczek, Tenczynek, Sorenti, Novelle, Deli-Susz).

The key brand – Makarony Polskie – consolidated the sales potential of the Abak brand. Moreover, it has been extended for the health-promoting and functional products line. In the first half of 2018, the Makarony Polskie brand covered the following product lines: popular extruded pasta, traditional egg pasta, rolled flavoured ribbon pasta, wholemeal pasta, buckwheat, spelt and rye pasta.

The Sorenti brand consists of pasta manufactured in 100% from durum wheat and is offered in the forms most popular on the market.

The Stoczek Męska Rzecz brand consists of two assortment lines: classical ready-cooked meals and the so called "Ein-Topf" [complete lunch] meals. In 2017 the brand potential and its innovativeness in canned ready-cooked meals category on the Polish market was tested

by introduction of "Kwaśnica" [sauerkraut soup], "Grochówka" [pea soup] and "Zupa Kowala" [blacksmith's soup] products. The market test was successful which shows the direction of activities in that assortment for 2018.

The Stoczek brand covered the line of ready-cooked meals typical for the Polish cuisine, jarred meat (the highest quality equivalent of the popular canned meat), lard, or high-sugar-content jams.

The Tenczynek brand was based on vegetable products, including lunch salads and pickles, as well as fruit syrups and low-sugar-content jams.

The Deli-Susz brand portfolio consists of five products based on dried Polish apples. Under the Novelle brand, tortellini pasta of various flavours as well as German type egg-pasta (Spätzle) has currently been offered.

Additionally, the Group has offered products under the Solare and Familjada brands intended for those customers who focus mainly on price when doing shopping.

Operating segments

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

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Pasta	48,282	48,189
Meat and vegetable products	17,613	10,811
Vegetable products and stuffing	1,483	1,260
Fruit products	3,952	1,980
Other	4,682	3,807
Total	76,012	66,047

Basic information regarding operating segments:

First half of 2018	Pasta	Meat and vegetable products	Vegetable products and stuffing	Fruit products	Other	Total segments
Revenues						
Sales to third party customers	48,282	17,613	1,483	3,952	4,682	76,012
Sales between the segments						
Total revenues of the Group	48,282	17,613	1,483	3,952	4,682	76,012
Costs						
Costs of the segments	37,010	14,809	1,086	3,372	2,697	58,974
Profit or losses of the segments (gross sales)	11,272	2,804	397	580	1,985	17,038

First half of 2017	Pasta	Meat and vegetable products	Vegetable products and stuffing	Fruit products	Other	Total segments
Revenues						
Sales to third party customers	48,189	10,811	1,260	1,980	3,807	66,047
Sales between the segments						
Total revenues of the Group	48,189	10,811	1,260	1,980	3,807	66,047
Costs						
Costs of the segments	36,565	8,698	1,039	1,769	2,618	50,689
Profit or losses of the segments (gross sales)	11,624	2,113	221	211	1,189	15,358

* Compared to the report for the first half of 2017, the Group changed the assignment for the stuffing products group, separating it from the meat and vegetable products and combining with the vegetable products segment, which resulted in a change of comparative data.

Sales revenues of the Makarony Polskie Group in the first half of 2018 amounted to PLN 76 million and were by approx. PLN 10.0 million higher than in the same period of 2017.

The sales in pasta category was maintained on the level of 2017 and amounted to roughly PLN 48.3 million.

Sales of meat and vegetable products in the analysed period increased by approximately PLN 6.8 million, up to over PLN 17.6 million. The growth of about 62.9% in value (first half of 2018 compared to the first half of 2017) resulted from the performance of the agreement for delivery of ready-cooked meals for the National Centre for the Support of Agriculture (the agreement had not yet been performed in the first half of 2017). Further growth of the category has been planned for the future, including by introduction of market novelties.

Another segment were high growth rate was observed is the fruit products one. The sales of fruit products in the analysed period amounted to nearly PLN 4.0 million and was by PLN 2.0 million higher (99.6%) than in 2017, which resulted from attracting new contracts for manufacturing under commercial chains private labels, development of own brands and dried fruit offering from the beginning of 2018.

The segment of vegetable products and stuffing increased in the analysed period by approximately PLN 0.2 million, up to nearly PLN 1.5 million. This resulted from the extension of sales in the stuffing part of the segment.

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 the 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

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).

For the period	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Poland	72,371	62,457
Exports, including:	3,641	3,590
– EU member states	926	1,408
– other countries	2,715	2,182
Total	76,012	66,047

In the first half of 2018 sales amounted to PLN 72.3 million on the domestic market and PLN 3.64 million in exports. In the same period of 2017, the values were PLN 62.4 million and PLN 3.59 million, respectively.

Other operating costs

OTHER REVENUES

For the period	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
State subsidies	287	255
Profit on sale of tangible fixed assets	29	15
Reversal of impairment allowances for receivables		
Reversal of impairment allowances for inventories		21
Sale of scrap and waste	48	38
Inventory-taking surpluses	54	
Reimbursement of court and enforcement fees		
Indemnity and complaints	61	43
Purchasing rebate for 2017 – turnover achieved	22	21
Reimbursement of social insurance contributions	46	1
Other		
Total	547	394

The other revenues item comprises revenues and profit which are not directly related to the operating activities of the Group. This category includes subsidies, profit on sale of tangible fixed assets, 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 companies which has been insured.

The other revenues item includes also reversed impairment allowances for receivables and inventories, as well as reversed impairment of fixed assets.

OTHER COSTS

For the period	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Provisions established		
Receivables written off	95	3
Released provision on revenues from the co-financing obtained	67	
Donations	8	8
Penalties and fines	57	16
Shortages in working assets		
Insured costs of repairs		7
Court and enforcement fees, adjudicated costs	3	
Sponsoring for marketing purposes	28	13
Liquidation of damaged and obsolete inventories	128	146
Revaluation of inventories	18	
Buy-out of leased fixed assets		
Indemnities paid		
Other	1	
Total	405	193

The other costs item comprises 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 the concluded commercial agreements, guarantees and security bonds granted to other entities.
The other costs item includes also the assets revaluation charges, indeliberate shortages in working assets, and losses on damaged inventories liquidation.

Other financial revenues and costs

FINANCIAL REVENUES

For the period	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Interest income, including:	21	48
– interest on loans		
– interest on receivables	21	48
Foreign exchange gains		131
Profit on sales of investments – shares		
Other		
Total	21	179

The financial revenues item comprises revenues on dividends received, received and booked interest on overdue payment, interest on deposits and investments in various forms of financial instruments. Moreover, the item includes foreign exchange gains.

FINANCIAL COSTS

For the period	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Cost of interest applicable to	363	424
– bank credits	262	273
– cost of factoring and lease	100	151
– other	1	
Other financial costs, including	168	55
– foreign exchange losses	79	
– guarantees	30	12
– costs of discount and bank charges	59	43
– other financial costs		
Total	531	479

The financial costs item includes the cost of using external sources of finance: credits, loans, commercial liabilities, or financial lease agreements to which the Group is a party as well as 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	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Net profit/loss per share	0.35	0.33
Book value per share in PLN (as at 30.06.2018 and 31.12.2017)	8.31	8.22

For the period	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Net profit/loss on continued activities assigned to the Parent Company shareholders	3,194	3,051
Profit/loss on discontinued activities assigned to the Parent Company shareholders		
Net profit/loss assigned to the Parent Company shareholders	3,194	3,051
Net profit/loss assigned to regular shareholders, applied in calculation of diluted profit/loss per share	N/A	N/A

For the period	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
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 the first half of 2018 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 2018 amounted to PLN 27,750,213 and was divided as follows:

	Type of share	Type of preference	Number of shares	Nominal value of one share in PLN	Series 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	05.07.2004	01.01.2004
B series	bearer shares	ordinary shares	1,169,750	3	3,509	in-kind	29.10.2004	01.01.2004
C series	bearer shares	ordinary shares	3,000,000	3	9,000	cash	18.04.2007	01.01.2007
D series	bearer shares	ordinary shares	1,735,821	3	5,207	cash	22.06.2007	01.01.2007
E series	bearer shares	ordinary shares	331,250	3	994	cash	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 the balance of provisions in the first half of 2018	Balance as at 01.01.2018	Created	Utilised or reversed	Balance at the end of the period
On account of pension benefits and similar, including:	339	53	22	370
a) long-term	190	52		242
b) short-term	149	1	22	128
Other provisions, including:	0	260		260
– other		260		260
Total	339	313	22	630

Changes in the balance of provisions in the first half of 2017	Balance as at 01.01.2017	Created	Utilised or 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

The Group companies have 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 group establishes 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 the balance of provisions in the first half of 2018	Balance as at 01.01.2018	Created	Utilised or reversed	Balance at the end of the period
Deferred income tax assets	355	137	207	285
Deferred income tax provisions	3,888	235	46	4,077
Deferred income assets/provisions after set-off				3,792

Changes in the balance of provisions in the first half of 2017	Balance as at 01.01.2017	Created	Utilised or 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
Deferred income assets/provisions after set-off				3,240

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 the respective 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. The tax year and the reporting year are equivalent to the calendar year. Starting from 1 January 2018, Makarony Polskie SA has chosen a simplified form of paying monthly corporate income tax advances. As at 30 June 2018 a provision was established for deferred tax amounting to PLN 209,000, as a difference between the advances paid, as reflected in the statement of comprehensive income, and the actual tax resulting from the calculated tax basis.

IMPAIRMENT ALLOWANCES FOR ASSETS

Changes in the balance of provisions in the first half of 2018	Balance as at 01.01.2018	Created	Utilised or reversed	Balance at the end of the period
Impairment allowances for receivables	76	95		171
Impairment allowances for inventories		18		18
Impairment allowances for tangible fixed assets	1,674		47	1,627

Changes in the balance of provisions in the first half of 2017	Balance as at 01.01.2017	Created	Utilised or reversed	Balance at the end of the period
Impairment allowances for receivables	76			76
Impairment allowances for inventories	21		21	
Impairment allowances for tangible fixed assets	1,769		47	1,722

The Group monitors assets on a current basis and in case of their loss of value makes impairment allowances for such assets.

Long-term and short-term financial liabilities

CREDIT PAYABLES

	As at 30.06.2018	As at 31.12.2017
Within the period of up to 1 year	16,139	12,272
For over 1 year	2,165	8,221
Total	18,304	20,493

* On 19 March 2018 the Management Board of Makarony Polskie SA passed a resolution on the dividend policy for the years 2018 and 2019, as well as distribution of the net profit of Makarony Polskie SA for the period from 1 January 2017 to 31 December 2017, recommending to the Annual General Meeting the allocation of all of the net profit generated by Makarony Polskie SA in the year 2017 to the supplementary capital of the Company and resignation from dividend payout to the shareholders. Following the motion of minority shareholders, on 28 June 2018 the Annual General Meeting of Makarony Polskie SA passed a resolution regarding partial dividend payment to the shareholders. With regard to the short period to the balance-sheet date and failure to obtain a written consent of Bank Zachodni WBK by Makarony Polskie SA before 30 June 2018, in accordance with MSR 1 item 74 Makarony Polskie SA reflected all of the liabilities under the investment credit agreement of 18 October 2013 in short-term liabilities. Liabilities under the other credit agreements with Bank Zachodni WBK are presented in accordance with the binding schedules. The consent of the Bank was received by Makarony Polskie SA after the closure of the first half of 2018. As at 30 September 2018, the aforesaid credit liabilities will be re-classified again into short- and long-term liabilities.

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS

	Current value of minimum fees	
	as at 30.06.2018	as at 31.12.2017
Within the period of up to 1 year	795	826
Within over 1 year to 5 years	1,622	2,036
Total	2,417	2,862

As at 30 June 2018 the Group companies possessed fixed assets used under lease agreements. The carrying amount of machines and equipment as well as other fixed assets used based on financial lease agreements amounted to PLN 3,295,000 on 30 June 2018, and PLN 3,680,000 on 31 December 2017.

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 starting on 1 January 2018 the Company did not avail of any instruments hedging against interest rate risk.

Dividends paid out and proposed to be paid out

The Management Board recommended to the Annual General Meeting that all of the net profit for the reporting year 2017 amounting to PLN 5,249,000 be exempt from distribution among the shareholders and allocated to the supplementary capital of Makarony Polskie SA. The decision resulted from ambitious multimillion investment plans assumed by the Group for the years 2018–2019. For the performance of the investment projects the Group companies have acquired European Union subsidies as well as third-party finance (long-term investment credits), however, for the purpose of proper cash flows, it is necessary, in the opinion of the Management Board, to ensure adequate own contribution on the part of the Group.

On 28 June 2018, the Annual General Meeting of Makarony Polskie SA passed Resolution No. 15 regarding the payment of dividend amounting to PLN 2,312,517.75, i.e. PLN 0.25 gross per share.

The dividend date was set for 14 August 2018. The dividend was paid out on 28 August 2018. 9,250,071 shares of the Company were subject to dividend payout.

Remuneration of the parent company Management Board and Supervisory Board Members

The total value of remuneration paid out to the members of the Management Board of Makarony Polskie SA in the first half of 2018 amounted to PLN 329,000, compared to PLN 300,000 in the first half of 2017.

The remuneration of the Members of the Supervisory Board of Makarony Polskie SA in the first half of 2018 amounted to PLN 90,000, compared to PLN 48,000 in the same period of 2017.

The Management Board and Supervisory Board Members of Makarony Polskie SA have not been paid any remuneration by the subsidiary companies. The President of the Management Board of Makarony Polskie SA receives remuneration on account of holding the position of the President of the Management Board of MP Trade Sp. z o.o. and in the first half of 2018 the remuneration amounted to PLN 48,000.

The Company has not granted any loans to the Management Board and Supervisory Board Members of Makarony Polskie SA.

Intercompany transactions

In the first half of 2018 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. There have been signed agreements by and between the companies, determining the cooperation conditions, adequately 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	
	1.01.2018 – 30.07.2018	1.01.2017 – 30.07.2017	1.01.2018 – 30.07.2018	1.01.2017 – 30.07.2017
Parent Company – Makarony Polskie S.A.	390	3,188	11,320	6,927
from/to Stoczek Sp. z o.o.	366	401	10,444	6,228
from/to MP Trade Sp. z o.o.	24	2,787	876	699

Related company	Receivables from related companies		Liabilities to related companies	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Parent Company – Makarony Polskie S.A.	197	3,416	1,898	323
– from/to Stoczek Sp. z o.o.	194	1,538	1,792	
– from/to MP Trade Sp. z o.o.	3	1,878	106	323

INTERCOMPANY TRANSACTIONS

Subsidiaries	Sales among subsidiaries – total revenues		Purchases among subsidiaries	
	1.01.2018 – 30.07.2018	1.01.2017 – 30.07.2017	1.01.2018 – 30.07.2018	1.01.2017 – 30.07.2017
Total subsidiaries	52	3,341	52	3,341
– from/to Stoczek Sp. z o.o.	5	3,288	47	53
– from/to MP Trade Sp. z o.o.	47	53	5	3,288

Subsidiaries	Mutual receivables between subsidiaries		Mutual liabilities between subsidiaries	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Total subsidiaries	57	2,195	57	2,195
– from/to Stoczek Sp. z o.o.	1	2,183	56	12
– from/to MP Trade Sp. z o.o.	56	12	1	2,183

Information about the planned shares issues

In in the first part of 2018 and in the period ending on the date of publication of these statements, the Company did not issue any shares.

Agreements and events important for the operations of the Group

WITHDRAWAL BY STOCZEK NATURA SP. Z O.O. FROM THE PERFORMANCE OF THE PROJECT ENTITLED "CREATION OF AN R&D CENTRE AT STOCZEK NATURA SP. Z O.O."

In Mach 2018, Stoczek Ntura Sp. z o.o. made a decision on withdrawal from the performance of the project entitled "Creation of an R&D centre at Stoczek Natura Sp. z o.o.", within Measure 2.1 Support for Investments in R&D Infrastructure of Enterprises under the Smart Growth Operational Programme, and resigned from the subsidy agreement concluded with the Ministry of Investments and Development in September 2017.

The Management Board of the Subsidiary made the said decision after carrying out a thorough subject-matter and financial analysis, and in consideration of other pending and approved investment tasks and projects needed for the development of the company activities.

AGREEMENT ON CO-FINANCING OF THE PROJECT ENTITLED "CREATION OF A RESEARCH AND DEVELOPMENT CENTRE FOR THE PASTA INDUSTRY AT MAKARONY POLSKIE SA"

In May 2018 Makarony Polskie SA received a message from the Ministry of Investments and Development (MIiR) on the acceptance by the Ministry of the documents filed by the Company, i.e. the form entitled "Analysis of the project compliance with the environmental protection policy" and documentation resulting thereof, including the valid building permit. At the same time the Ministry confirmed the fulfilment by the Company of the condition set out in the co-finance agreement of March 2017 concerning the project entitled "Creation of a Research and Development Centre of the Pasta Industry at Makarony Polskie SA" and opening the possibility of filing by the Company of applications for the refund of qualified costs.

The subject of the subsidy agreement is the creation of an 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 cost of the project is about PLN 18.6 million. The total maximum amount of subsidy eligible costs is PLN 15.2 million. The co-financing value is 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.

AGREEMENTS WITH BANK ZACHODN WBK SA

In June 2018 Makarony Polskie SA signed with Bank Zachodni WBK SA (hereinafter referred to as the "Bank") an annex to the EU investment credit agreement worth PLN 8 million.

The object of the annex was, among other things, extension of the period of the credit limit availability until 31 December 2018 (earlier the deadline was 30 June 2018) and change of the instalments repayment schedule.

The credit will be repaid in 37 monthly instalments starting from 31 January 2019, in the following values: 36 instalments of PLN 0.1 million each, plus the 37th settlement instalment amounting to PLN 4.23 million (the previous schedule assumed the credit repayment in

43 monthly instalments starting from 31 July 2018, including 42 instalments of PLN 0.09 million each, plus the last balloon instalment of PLN 4.13 million). In case the credit is repaid from the subsidy received, the repayment schedule shall change in reference to the balloon instalment repayment. 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 credit granted.

Extension of the investment credit availability is related to the extension of the period of carrying out the project entitled: "Implementation of the Results of R&D Works on Functional Food at Makarony Polskie SA" financed partially from the credit.

ANNEXES TO CREDIT AGREEMENTS WITH BANK GOSPODARSTWA KRAJOWEGO

After the balance-sheet date, the Company concluded with Bank Gospodarstwa Krajowego annexes to the credit agreements fulfilling the criteria of a significant agreement, of the total contractual value of PLN 8.0 million (with the initial value of the credit agreements of PLN 11.0 million), i.e. agreement on credit in the current account and agreement of non-revolving working capital credit in the credit account.

The agreement of the highest value is the agreement on credit in the current account with credit limit of PLN 6.0 million. The annex to the agreement on the credit in the current account extends the liability repayment period from 30 June 2018 to 30 June 2019.

The other terms and conditions of the credit agreement have not changed.

In reference to concluding the annexes, the period of validity of the security bond granted to Makarony Polskie SA by its subsidiary Stoczek Natura Sp. z o.o. has been extended. The security bond referring to the agreement on credit in the current account is valid till 30 December 2019 (previous deadline 31 December 2018), whereas the security bond referring to the agreement on working capital non-revolving credit in the credit account is valid till 29 December 2020 (previous deadline 29 December 2018). Detailed terms and conditions of the security bond granted do not differ from the market standards binding in that regard. The remuneration for Stoczek Natura Sp. z o.o. is the commission on granting the security-bond.

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

In July 2018 Makarony Polskie SA concluded with the Authorities of the Podkarpackie Province an annex to the co-finance agreement of March 2017 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 for the years 2014-2020.

The annex amends the project completion date, i.e. 31 December 2018 (the previous date was 30 June 2018). The annex results from the application filed by the Company for amending the project completion date, resulting from the same request received from one of the suppliers. The postponement of the project completion date will enable the Company to thoroughly fulfil its obligations and complete the project in accordance with the assumptions.

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.

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. The co-financing value is 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.

Information about credit and factoring agreements signed and terminated

CREDITS AND LOANS TAKEN OUT, IN CONSIDERATION OF THEIR MATURITY DATES

	As at 30.06.2018	As at 31.12.2017
within the period of up to 1 year	16,139	12,272
for over 1 year	2,165	8,221
Total	18,304	20,493

In the first part of 2018 parties to credit and factoring agreements were Makarony Polskie SA and Stoczek Natura Sp. z o.o.

The balance of credit ad factoring agreements binding as at 30 June 2018, in which Makarony Polskie SA was the party, is presented in the tables below.

– Credit in the current account at BZ WBK SA

Credit conditions	
Credit agreement value	PLN 5,000,000
Credit period	18.10.2013 – 01.06.2019
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,909,000
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.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

In Q.2, 2018 Makarony Polskie SA signed an annex to the agreement on credit in the current account with Bank Zachodni WBK. Pursuant to the annex the liability repayment date was extended till 1 June 2019.

– 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	PLN 8,077,000
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 the 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.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Working capital credit at BZ WBK SA

In the first half of 2018 Makarony Polskie SA availed of a working capital credit. In accordance with the credit agreement terms, the credit was repaid at the maturity date and the liabilities resulting from the agreement between the Company and the Bank expired.

– EU investment credit at BZ WBK SA

Credit conditions	
Credit agreement value	PLN 12,121,000
Credit period	07.02.2017 – 28.02.2022
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 0,000
Repayment schedule	The credit will be repaid in 32 monthly instalments starting from 31 July 2019, in the following values: 31 instalments of PLN 0.15 million each, plus the 32th settlement instalment amounting to PLN 7.65 million. In case the credit is repaid from the subsidy received, the repayment schedule shall change in reference to the balloon instalment repayment. 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 credit granted. After the subsidy is received, the credit will be repaid in 32 monthly instalments starting from 31 July 2019, in the following values: 31 instalments of PLN 0.04 million each, plus the 32th settlement instalment amounting to PLN 1.9 million.
Credit collateral	– Joint mortgage up to PLN 18,200,000 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 semi-industrial test line complete with accessories; – 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.; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– EU investment credit at BZ WBK SA

Credit conditions	
Credit agreement value	PLN 8,000,000
Credit period	15.09.2017 – 31.01.2022
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 1,264,000
Repayment schedule	The credit will be repaid in 37 monthly instalments starting from 31 January 2019, in the following values: 36 instalments of PLN 0.1 million each, plus the 37th settlement instalment amounting to PLN 4.23 million. In case the credit is repaid from the subsidy received, the repayment schedule shall change in reference to the balloon instalment repayment. 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 credit granted.
Credit collateral	– Joint mortgage up to PLN 12,000,000 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 the production line purchased within the subsidised project; – 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.; – assignment of rights under the subsidy agreement.

In June 2018 Makarony Polskie SA signed an annex to the agreement on the EU investment credit with Bank Zachodni WBK. The object of the annex was, among other things, extension of the period of credit limit availability until 31 December 2018 and change of the instalments repayment schedule.

– Revolving credit at BZ WBK SA

Credit conditions	
Credit agreement value	PLN 1,800,000
Credit period	15.09.2017 – 31.10.2019
Interest rate	WIBOR 1M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 0,000
Repayment schedule	Repayment of the credit tranche paid takes place after 90 days

Credit collateral	– Joint mortgage up to PLN 2,700,000 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 the production lines purchased within the subsidised projects; – 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; – declaration on submission to enforcement, made pursuant to Article 777 of the Code of Civil Procedure in the form of a notarial deed.

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	
Credit agreement value	PLN 6,000,000
Credit period	14.06.2013 – 30.06.2019
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,952,000
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).

Makarony Polskie SA signed an annex to the agreement on credit in the current account with Bank Gospodarstwa Krajowego. The annex to the agreement on the credit in the current account extends the liability repayment period from 30 June 2018 to 30 June 2019.

– 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 – 29.06.2020
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 2,000,000
Repayment schedule	20 equal quarterly capital instalments of PLN 0.25 million, starting from 30 September 2015 and ending on 29 June 2020.
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.; – transfer of receivables on account of insurance agreement of the object of the pledge; – 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 4 million).

Makarony Polskie SA signed an annex to the agreement on working capital non-revolving credit in the credit account with Bank Gospodarstwa Krajowego. The object of the annex was, among other things, postponement of the maturity date to 29 June 2020 and change of the instalments repayment schedule.

– (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
Factoring balance	PLN 3,262,000
Agreement collateral	– irrevocable power of attorney to dispose of the account; – blank promissory note with promissory note declaration.

As at 30 June 2018, Stoczek Natura Sp. z o.o. was a party to one credit agreement, with the balance presented in the table below.

– Credit in the current account at Bank Gospodarstwa Krajowego

Credit conditions	
Credit agreement value	PLN 3,000,000
Credit period	16.11.2017 – 16.11.2018
Interest rate	WIBOR 3M + bank margin compliant with the standards applied by the bank
Credit balance	PLN 1,081,000
Repayment schedule	One-off at the date of maturity
Credit collateral	– Contractual mortgage up to PLN 4,500,000 on properties entered in land and mortgage register No. KW LU1U/00022979/2 located in Stoczek Łukowski, including the assignment of rights under the property insurance policy – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA; – registered pledge on a set of machines and equipment (located at the Stoczek Łukowski plant); – 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 6 million).

Security bonds and guarantees

INFORMATION ON GUARANTEES GRANTED AND OBTAINED

During the first half of 2018 the Group companies did not grant any guarantees. As regards guarantees obtained, Makarony Polskie SA and Stoczek Natura Sp. z o.o. availed of guarantees.

All guarantees binding for Makarony Polskie SA as at 30 June 2018 are presented in the table below.

Guarantor	Guarantee amount PLN '000	Guarantee validity	Object of guarantee	Collateral
BZ WBK SA	1,011	by 28 December 2021	Guarantee securing the liabilities of the Company under the agreement with the Material Reserves Agency (ARM) with regard to sales and storage of pasta reserves	– Joint mortgage up to PLN 1,517,000 on properties entered in: - land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy - 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 with promissory note declaration.

BZ WBK SA	249	22.01.2021	Guarantee securing the liabilities of the Company under the agreement with the Material Reserves Agency (ARM) with regard to keeping pasta reserves	– Joint mortgage up to PLN 373,000 on properties entered in: - land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy - 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 with promissory note declaration.

By March 2018, Makarony Polskie SA availed of two guarantees for the total amount of PLN 544,000 granted by STU Ergo Hestia S.A. The guarantees served as a performance bond for the agreement with the Material Reserves Agency (ARM). Owing to the complete settlement of the secured contract, the guarantee was released.

All guarantees binding for Stoczek Natura Sp. z o.o. as at 30 June 2018 are presented in the table below.

Guarantor	Guarantee amount PLN '000	Guarantee validity	Object of guarantee	Collateral
Bank Gospodarstwa Krajowego	1,472	31.08.2018	Guarantee securing the liabilities of the company under the agreement with the National Centre for the Support of Agriculture (KOWR) with regard to delivery of food products	– mortgage up to PLN 2,207,000 on properties entered in 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 Ordering Party and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA.
Bank Gospodarstwa Krajowego	504	13.12.2021	Guarantee securing the liabilities of the company under the agreement with the Material Reserves Agency (ARM) with regard to keeping ready-cooked meals reserves	– mortgage up to PLN 756,000 on properties entered in 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 Ordering Party and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA.
Bank Gospodarstwa Krajowego	1,549	15.12.2021	Guarantee securing the liabilities of the company under the agreement with the Material Reserves Agency (ARM) with regard to keeping ready-cooked meals reserves	– mortgage up to PLN 2,323,000 on properties entered in 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 Ordering Party and promissory note declaration; – power of attorney to dispose of the current account at BGK; – security bond by Makarony Polskie SA.

Bank Gospodarstwa Krajowego	24	25.03.2022	Guarantee securing the liabilities of the Company under the agreement with the Material Reserves Agency (ARM) with regard to keeping canned food reserves	– blank promissory note issued by the Ordering Party and promissory note declaration; – Power of attorney to dispose of the current account at BGK

INFORMATION ON SECURITY BONDS GRANTED AND OBTAINED

In the first half of 2018 **MP Trade Sp. z o.o.** did not grant any security bonds.

As at 30 June 2018, **Makarony Polskie SA** granted security bonds to the Polish Pasta Chamber (PIM) and Stoczek Natura Sp. z o.o. subsidiary:

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.06.2018
Security bond for a revolving credit amounting to PLN 2.35 million *	BPS	4,275	30.05.2021	1,270
Security bond for a revolving credit amounting to PLN 0.5 million *	BPS	750	30.05.2021	365
Security bond for a credit in the current account amounting to PLN 3.0 million	BGK	3,000	16.05.2019	1,081
Security bond for a bank guarantee amounting to PLN 1.5 million	BGK	1,472	28.02.2019	-
Security bond for a bank guarantee amounting to PLN 0.5 million	BGK	504	13.06.2022	-
Security bond for a bank guarantee amounting to PLN 1.5 million	BGK	1,549	15.06.2022	-

* 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 the security bonds granted.

As at 30 June 2018, **Stoczek Natura Sp. z o.o.** granted security bonds to the Parent Company Makarony Polskie SA. The value of the security bonds is presented below:

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.06.2018
Security bond for a credit in the current account amounting to PLN 5.0 million	BZ WBK	7,500	31.05.2019	2,909
Security bond for an investment credit amounting to PLN 13.8 million	BZ WBK	30,000	30.09.2021	8,077
Security bond for a non-revolving working capital credit in the credit account amounting to PLN 5.0 million *	BGK	5,000	29.12.2018	2,000

Security bond for a credit in the current account amounting to PLN 6.0 million *	BGK	6,000	31.12.2018	2,952
Security bond for an EU investment credit amounting to PLN 8.0 million	BZ WBK	8,000	binding till the moment of the subsidy settlement	1,264
Security bond for an EU investment credit amounting to PLN 12.1 million	BZ WBK	12,121	binding till the moment of the subsidy settlement	0

* After the balance-sheet date, Stoczek Natura Sp. z o.o. signed an annex to the agreement with BGK on security bond for the credits taken out by Makarony Polskie SA. As stated in the annex, the validity period for the respective liabilities has been extended as follows: security bond referring to the agreement on credit in the current account is valid till 30 December 2019 (previous deadline 31 December 2018); security bond referring to the agreement on working capital non-revolving credit in the credit account is valid till 29 December 2020 (previous deadline 29 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

As at 30 June 2018 Makarony Polskie SA granted a short-term loan to its subsidiary Stoczek Natura Sp. z o.o. in the amount of PLN 2.00 million with the repayment date on 31 December 2018 (one-off repayment by the date of the loan maturity). The interest rate on the loan was set on arm's length basis.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant any loans in the first half of 2018.

Off-balance-sheet items

Change in the balance of contingent liabilities and contingent assets, which occurred since the closure of the previous reporting year:

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.

Off-balance-sheet items [PLN '000]	30.062018	31.12.2017
1. Contingent assets	5,103	5,329
– guarantees and security bonds obtained	4,785	5,329
– secured on property		
– promissory notes	318	
2. Contingent liabilities	174,149	171,729
– guarantees and security bonds granted	5,025	5,025
– secured on property	118,725	118,725
– promissory note payables	50,399	47,929
Total off-balance-sheet items	-169,046	-166,400

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

Other major events and transactions

In the first half of 2018 no major events and transactions other than those described above occurred which would require disclosure in these financial statements of the Group.

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Management Board

Rzeszów, 14 September 2018

CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1.01.2018 TO 30.06.2018

Makarony Polskie SA
14 September 2018

Legal basis for the financial statements

Declaration of compliance and basis for preparing the statements

The condensed financial statements of Makarony Polskie SA 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 45.1a of the Act on Accounting (Journal of Laws of 2018, item 395, as amended) the enforcement regulations issued based thereon, as well as the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and interim 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 2018, item 757) published and binding at the moment of preparing these condensed financial statements. The interim condensed 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 Company for the year ending in December 2017.

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 of the assets of Abak Sp. z o.o.

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.

Legal basis for the financial statements

Applied accounting policy and basis for preparing the statements

The accounting policy applicable to interim condensed financial statements complies with that applied in preparing the annual financial statements for the year ending 31 December 2017 (published on 20 March 2018). The reporting year of the Company is a calendar year.

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

The term of the Company is unlimited.

Publication and approval of financial statements

These condensed financial statements were reviewed by an audit company and approved for disclosure by the Management Board on 14 September 2018.

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 2018 no changes occurred in the measuring principles applied when preparing the financial statements.

Principles applied

The accounting principles applied in preparing these interim condensed financial statements have not changed in relation to the principles applied in preparing the annual financial statements for 2017.
The new standards and interpretations which came into force in 2018 did not have any major impact on the accounting principles applied by the Company, and their potential influence was described in the separate financial statements as at 31 December 2018 for the reporting year ending at that date – "Declaration on compliance with law" explanatory note.

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 the future taxable profit will be generated enabling the deferred assets utilisation; deterioration of the generated tax results in the 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 2017.
Assumptions regarding the future and the assumed estimations are cohesive with the assumptions and estimations made by the Company in the financial statements for 2017.

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 would have been abandoned in the first half of 2018.

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 2018 no such atypical events occurred.

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

Makarony Polskie SA has not published any financial projections for 2018.

Legal basis for the financial statements

Factors and threats significantly affecting the financial results for the first half of 2018 and in subsequent periods

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 directly or indirectly impact or may impact the financial results generated in the coming years. The factors have been described in the condensed consolidated financial statements of the Makarony Polskie Group.

Selected financial data of Makarony Polskie SA

The selected financial data in EUR are presented in accordance with the Regulation of the Minister of Finance of 29 March 2018 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 2018, item 757).

- 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 4.3616 as at 30 June 2018, and EUR 1 = PLN 4.1709 as at 31 December 2017;
- 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 2018 (i.e. EUR 1 = PLN 4.2395) and as at the end of each month of the first half of 2017 (i.e. EUR 1 = PLN 4.2474).

Selected financial data	30.06.2018 (PLN '000)	30.06.2017 (PLN '000)	30.06.2018 (EUR '000)	30.06.2017 (EUR '000)
Net sales of products, services, merchandise and materials	64,196	56,295	15,142	13,254
Profit (loss) on continued operations	3,830	3,433	903	808
Gross profit (loss)	3,459	3,238	816	762
Net profit (loss) on continued operations	2,772	2,653	654	625
EBIT	3,830	3,433	903	808
EBITDA (EBIT + depreciation)	5,624	5,295	1,327	1,247
Net cash flows on operating activities	2,622	2,742	618	646
Net cash flows on investing activities	-1,763	-1,073	-416	-253
Net cash flows on financing activities	-1,024	-1,716	-242	-404
Total net cash flows	-165	-47	-39	-11
Total assets ***	123,818	122,883	28,388	29,462
Liabilities and provisions for liabilities ***	51,199	50,723	11,739	12,161
Long-term liabilities ***	13,720	20,229	3,146	4,850
Short-term liabilities ***	37,479	30,494	8,593	7,311
Equity ***	72,619	72,160	16,650	17,301
Share capital ***	27,750	27,750	6,362	6,653
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) *	0,30	0,29	0,07	0,07
Book value per share (PLN/EUR) **	7,85	7,80	1,80	1,87

* 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 the 31 December 2017

Condensed statement of comprehensive income of Makarony Polskie SA

Makarony Polskie SA	01.01.2018-30.06.2018	01.01.2017-30.06.2017
Sales revenues	**64,196**	**56,295**
Net sales of products and services	49,712	47,918
Net sales of materials and merchandise	14,484	8,377
Prime cost	**49,665**	**44,517**
Cost of manufacturing of products and services sold	36,978	36,156
Value of merchandise and materials sold	12,687	8,361
Gross profit (loss) on sales	**14,531**	**11,778**
Cost of sales	8,621	6,424
General management costs	2,213	2,098
Other revenues	388	346
Other costs	255	169
Profit (loss) on continued operations	**3,830**	**3,433**
Financial revenues	49	281
Financial costs	420	476
Profit (loss) on business activities	**3,459**	**3,238**
Gross profit (loss)	**3,459**	**3,238**
Income tax – current part	574	639
Income tax – deferred part	113	-54
Net profit (loss)	**2,772**	**2,653**
Including net profit (loss) assigned to:		
Shareholders of the Parent Company	2,772	2,653
Non-controlling interest		
Basic net earnings per share in PLN	0,30	0,29
Diluted net earnings per share in PLN	0,30	0,29
Other comprehensive income/loss, net		
Total net comprehensive income	**2,772**	**2,653**
Net comprehensive income assigned to:		
Shareholders of the Parent Company	2,772	2,653
Non-controlling interest		

Condensed consolidated statement of other comprehensive income, net – hedge accounting

Makarony Polskie SA	01.01.2018-30.06.2018	01.01.2017-30.06.2017
Net comprehensive income	2,772	2,653
Profit/loss on account of hedge accounting application		
Total net comprehensive income	2,772	2,653

Condensed statement of financial position of Makarony Polskie SA

ASSETS	30.06.2018	31.12.2017	30.06.2017
FIXED ASSETS	**86,686**	**86,688**	**87,566**
Tangible fixed assets	50,781	51,763	53,080
Investment properties	642	642	642
Other intangible fixed assets	4,985	4,970	4,909
Goodwill			
Total long-term financial assets, of which:	30,080	29,080	28,660
Shares	30,080	29,080	26,080
Loans granted			2,580
Deferred income tax assets			
Other long-term assets	198	233	275
CURRENT ASSETS	**37,132**	**36,195**	**33,469**
Inventories	12,736	10,359	11,236
Short-term receivables	21,876	23,121	19,110
Receivables on account of corporate income tax			
Loans granted	2,011	2,013	2,434
Cash and cash equivalents	250	415	406
Other short-term assets	259	287	283
ASSETS HELD FOR SALE			
TOTAL ASSETS	**123,818**	**122,883**	**121,035**

EQUITY/LIABILITIES	30.06.2018	31.12.2017	30.06.2017
EQUITY CAPITAL	**72,619**	**72,160**	**69,564**
Share capital	27,750	27,750	27,750
Other reserve capital	42,097	39,161	39,161
Retained profit/loss (profit/loss from previous years)			
Net result	2,772	5,249	2,653
LONG-TERM LIABILITIES	**13,720**	**20,229**	**20,624**
Deferred income tax provision	3,496	3,383	3,337
Long-term bank credits and loans	2,165	8,221	8,077
Provision for retirement benefits and equivalent (long-term)	195	155	132
Deferred income (long-term)	6,325	6,538	6,836
Long-term financial liabilities	1,539	1,932	2,242
SHORT-TERM LIABILITIES	**37,479**	**30,494**	**30,847**
Short-term bank credits and loans	15,051	9,284	10,710
Short-term financial liabilities	753	785	940
Financial liabilities on account of dividend	2,313		2,313
Other short-term liabilities	18,423	19,730	16,046
Corporate income tax payables	96	65	36
Deferred income (short-term)	510	553	510
Provision for retirement benefits and equivalent (short-term)	73	77	49
Other short-term provisions	260		243
TOTAL LIABILITIES	**51,199**	**50,723**	**51,471**
TOTAL EQUITY/LIABILITIES	**123,818**	**122,883**	**121,035**

Condensed statement of cash flows of Makarony Polskie SA

Makarony Polskie SA	01.01.2018-30.06.2018	01.01.2017-30.06.2017
Profit/loss before tax	**3,459**	**3,238**
Adjustments for items:	**-837**	**-496**
Depreciation	1,794	1,862
Foreign exchange gains/losses		
Interest cost and income	277	336
Profit/loss on investing operations	-29	-26
Change in the balance of provisions	295	279
Change in the balance of inventories	-2,378	-1,582
Change in the balance of receivables	1,246	1,654
Change in the balance of liabilities and accruals	-1,499	-2,423
Corporate income tax paid/reimbursed	-543	-596
Other adjustments		
Net cash flows on operating activities	**2,622**	**2,742**
Cash flows on investing activities		
Revenues from sale of tangible and intangible fixed assets	29	28
Interest revenues	35	91
Expenses on purchase of tangible and intangible fixed assets	-827	-1,192
Expenses on purchase of financial assets	-1,000	
Revenues on loans repaid		
Loans granted		
Net cash flows on investing activities	**-1,763**	**-1,073**
Cash flows on financing activities		
Revenues from credits and loans	2,509	1,216
Repayment of credits and loans	-2,799	-2,000
Payment of liabilities under financial lease agreements	-425	-510
Interest paid	-309	-422
Other financial revenues		
Net cash flows on financing activities	**-1,024**	**-1,716**
Increase/decrease in the balance of cash and cash equivalents	-165	-47
Cash, cash equivalents and credit in the current account at the beginning of the period	**415**	**453**
Foreign exchange gains/losses on valuation of cash, cash equivalents and credit in the current account		
Cash, cash equivalents and credit in the current account at the end of the period	**250**	**406**

Condensed statement of changes in equity of Makarony Polskie SA

For the period from 1 January 2018 to 30 June 2018

	Share capital	Other reserve capital	Result for the current year	Profit/loss for previous years	Total
As at 1 January 2017	**27,750**	**39,161**		**5,249**	**72,160**
Profit distribution/loss coverage		2,936		-2,936	
Profit distribution – dividend payout				-2,313	-2,313
Profit/loss on account of hedge accounting application					
Net result after 6 months of 2018			2,772		2,772
As at 30 June 2018	**27,750**	**42,097**	**2,772**		**72,619**

For the period from 1 January 2017 to 31 December 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss for previous years	Total
As at 1 January 2017	**27,750**	**36,508**		**4,966**	**69,224**
Profit distribution/loss coverage		2,653		-2,653	
Profit distribution – dividend payout				-2,313	-2,313
Profit/loss on account of hedge accounting application					
Net result for 2017			5,249		5,249
As at 31 December 2017	**27,750**	**39,161**	**5,249**		**72,160**

For the period from 1 January 2017 to 30 June 2017

	Share capital	Other reserve capital	Result for the current year	Profit/loss for previous years	Total
As at 1 January 2017	**27,750**	**36,508**		**4,966**	**69,224**
Profit distribution/loss coverage		2,653		-2,653	
Profit distribution – dividend payout				-2,313	-2,313
Profit/loss on account of hedge accounting application					
Net result after 6 months of 2017			2,653		2,653
As at 30 June 2017	**27,750**	**39,161**	**2,653**		**69,564**

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.

	01.01.2018 - 30.06.2018	01.01.2017 – 30.06.2017
Sales of products	47,018	46,352
Sales of services, including:	2,694	1,566
– marketing and distribution services	272	212
– production services	985	
– lease and storage	1,406	1,325
– administrative and office service	31	29
– other		
Sales of materials	1,605	2,132
Sales of merchandise	12,879	6,245
Total	**64,196**	**56,295**

In the first half of 2018, the Company recorded sales higher by PLN 7.9 million than in the first half of 2017.

The sales teams implemented the assortment strategy assumptions consisting in focusing the commercial forces on 7 basic brands of the manufacturer (Makarony Polskie, Męska Rzecz, Stoczek, Tenczynek, Sorenti, Novelle, Deli-Susz).

The key brand – Makarony Polskie – consolidated the sales potential of the Abak brand. Moreover, it has been extended for the health-promoting and functional products line. In the first half of 2018, the Makarony Polskie brand covered the following product lines: popular extruded pasta, traditional egg pasta, rolled flavoured ribbon pasta, wholemeal pasta, buckwheat, spelt and rye pasta.

The Sorenti brand consists of pasta manufactured in 100% from durum wheat and is offered in the forms most popular on the market.

The Stoczek Męska Rzecz brand consists of two assortment lines: classical ready-cooked meals and the so called "Ein-Topf" [complete lunch] meals. In 2017 the brand potential and its innovativeness in canned ready-cooked meals category on the Polish market was tested by introduction of "Kwaśnica" [sauerkraut soup], "Grochówka" [pea soup] and "Zupa Kowala" [blacksmith's soup] products. The market test was successful which shows the direction of activities in that assortment for 2018.

The Stoczek brand covered the line of ready-cooked meals typical for the Polish cuisine, jarred meat (the highest quality equivalent of the popular canned meat), lard, or high-sugar-content jams.

The Tenczynek brand was based on vegetable products, including lunch salads and pickles, as well as fruit syrups and low-sugar-content jams.

The Deli-Susz brand portfolio consists of five products based on dried Polish apples. Under the Novelle brand, tortellini pasta of various flavours as well as German type egg-pasta (Spätzle) has currently been offered.

Additionally, the Company has offered products under the Solare and Familjada brands intended for those customers who focus mainly on price when doing shopping.

Operating segments

	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Pasta	48,311	46,473
Meat and vegetable products	8,141	4,572
Vegetable products and stuffing	655	26
Fruit products	3,758	1,524
Other	3,331	3,700
Total	**64,196**	**56,295**

Basic information regarding operating segments:

First half of 2018	Pasta	Meat and vegetable products	Vegetable products and stuffing	Fruit products	Other	Total segments
Revenues						
Sales to third party customers	48,311	8,141	655	3,758	3,331	64,196
Sales between the segments						
Total revenues	48,311	8,141	655	3,758	3,331	64,196
Costs						
Costs of the segments	37,053	6,989	477	3,434	1,712	49,665
Profit or losses of the segments (gross sales)	11,258	1,152	178	324	1,619	14,531

First half of 2017	Pasta	Meat and vegetable products	Vegetable products and stuffing	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
Profit or losses of the segments (gross sales)	10,348	83	3	24	1,320	11,778

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 the 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	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Poland	60,556	53,590
Exports, including:	3,640	2,705
– EU member states	925	874
– other countries	2,715	1,831
Total	64,196	56,295

The sales markets may be divided into domestic market (including private label, traditional trade, modern trade, and B2B and institutions) and exports market (including sales to domestic intermediaries).

In the first half of 2018 sales amounted to PLN 60.56 million on the domestic market and PLN 3.64 million in exports. In the same period of 2017, the values were PLN 53.59 million and PLN 2.70 million, respectively.

Other operating costs

OTHER REVENUES

For the period	01.01.2018-30.06.2018	01.01.2017-30.06.2017
State subsidies	255	255
Profit on sale of tangible fixed assets	29	26
Reversal of impairment allowances for receivables		
Sale of scrap and waste	43	38
Indemnity and complaints	16	26
Reimbursement of social insurance contributions	45	1
Other		
Total	**388**	**346**

The other revenues item comprises revenues and profit which are not directly related to the operating activities of the Company. This category includes subsidies, profit on sale of tangible fixed assets, 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 companies which has been insured.

The other revenues item includes also reversed impairment allowances for receivables and inventories, as well as reversed impairment of fixed assets.

OTHER COSTS

For the period	01.01.2018 - 30.06.2018	01.01.2017 - 30.06.2017
Provisions established		
Receivables written off		2
Revaluation of inventories	18	
Donations	2	1
Contractual penalties	19	16
Released provision on revenues from the co-financing obtained	67	
Shortages in working assets		
Insured costs of repairs		8
Court and enforcement fees	1	
Costs of disputes	2	
Sponsoring	27	13
Liquidation of damaged and obsolete inventories	119	129
Other		
Total	**255**	**169**

The other costs item comprises 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 the concluded commercial agreements, guarantees and security bonds granted to other entities.

The other costs item includes also the assets revaluation charges, indeliberate shortages in working assets, and losses on damaged inventories liquidation.

Other financial revenues and costs

FINANCIAL REVENUES

For the period	01.01.2018 - 30.06.2018	01.01.2017- 30.06.2017
Interest income, including:	49	134
– interest on loans	33	86
– interest on receivables	16	48
Foreign exchange gains		147
Profit on sales of investments – shares		
Other		
Total	**49**	**281**

The financial revenues item comprises revenues on dividends received, received and booked interest on overdue payment, interest on deposits and investments in various forms of financial instruments. Moreover, the item includes foreign exchange gains.

FINANCIAL COSTS

For the period	01.01.2018- 30.06.2018	01.01.2017 - 30.06.2017
Cost of interest applicable to	310	422
– bank credits	212	273
– cost of factoring and lease	97	149
– other	1	
Other financial costs, including	110	54
– foreign exchange losses	49	
– guarantees	2	12
– discount costs	59	42
– other financial costs		
Total	**420**	**476**

The financial costs item includes the cost of using external sources of finance: credits, loans, commercial liabilities, or financial lease agreements to which the Company is a party as well as 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	01.01.2018-30.06.2018	01.01.2017 30.06.2017
Net profit/loss per share	0.30	0.29
Book value per share in PLN (as at 30.06.2018 and 31.12.2017)	7.85	7.80

For the period	01.01.2018-30.06.2018	01.01.2017-30.06.2017
Net profit/loss on continued activities assigned to the Parent Company shareholders	2,772	2,653
Profit/loss on discontinued activities assigned to the Parent Company shareholders		
Net profit/loss assigned to the Parent Company shareholders	2,772	2,653
Net profit/loss assigned to regular shareholders, applied in calculation of diluted profit/loss per share	N/A	N/A

For the period	01.01.2018-30.06.2018	01.01.2017-30.06.2017
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 the first half of 2018 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 the balance of provisions in the first half of 2018	Balance as at 01.01.2018	Created	Utilised or reversed	Balance at the end of the period
On account of pension benefits and similar, including:	232	40	4	268
a) long-term	155	40		195
b) short-term	77		4	73
Other provisions, including:		260		260
– other		260		260
Total	232	300	4	528

Changes in the balance of provisions in the first half of 2017	Balance as at 01.01.2017	Created	Utilised or 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		243
Total	144	280		424

The Company had 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 establishes 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 the 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 the balance of provisions in the first half of 2018	Balance as at 01.01.2018	Created	Utilised or reversed	Balance at the end of the period
Deferred income tax assets	91	130	47	174
Deferred income tax provisions	3,474	236	40	3,670
Deferred income assets/provisions after set-off				3,496

Changes in the balance of provisions in the first half of 2017	Balance as at 01.01.2017	Created	Utilised or reversed	Balance at the end of the period
Deferred income tax assets	77	103	50	130
Deferred income tax provisions	3,468	45	46	3,467
Deferred income assets/provisions after set-off				3,337

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 the respective 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. The tax year and the reporting year are equivalent to the calendar year.

Starting from 1 January 2018, the Company has chosen a simplified form of paying monthly corporate income tax advances. As at 30 June 2018 a provision was established for deferred tax amounting to PLN 209,000, as a difference between the advances paid, as reflected in the statement of comprehensive income, and the actual tax resulting from the calculated tax basis.

IMPAIRMENT ALLOWANCES FOR ASSETS

Changes in the balance of provisions in the first half of 2018	Balance as at 01.01.2017	Created	Utilised or reversed	Balance at the end of the period
Impairment allowances for receivables	76	0	0	76
Impairment allowances for inventories		18		18
Impairment allowances for tangible fixed assets				

Changes in the balance of provisions in the first half of 2017	Balance as at 01.01.2017	Created	Utilised or reversed	Balance at the end of the period
Impairment allowances for receivables	76	0	0	76
Impairment allowances for inventories				
Impairment allowances for tangible fixed assets				

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 2018 there were reasons to make impairment allowances for inventories in the amount of PLN 18,000.

Long-term and short-term financial liabilities

CREDIT PAYABLES

	As at 30.06.2018	As at 31.12.2017
within the period of up to 1 year	15,051	9,284
for over 1 year	2,165	8,221
Total	17,216	17,505

* On 19 March 2018 the Management Board of Makarony Polskie SA passed a resolution on the dividend policy for the years 2018 and 2019, as well as distribution of the net profit of Makarony Polskie SA for the period from 1 January 2017 to 31 December 2017, recommending to the Annual General Meeting the allocation of all of the net profit generated by Makarony Polskie SA in the year 2017 to the supplementary capital of the Company and resignation from dividend payout to the shareholders. Following the motion of minority shareholders, on 28 June 2018 the Annual General Meeting of Makarony Polskie SA passed a resolution regarding partial dividend payment to the shareholders. With regard to the short period to the balance-sheet date and failure to obtain of a written consent of Bank Zachodni WBK by the Company before 30 June 2018, in accordance with MSR 1 item 74 Makarony Polskie SA reflected all of the liabilities under the investment credit agreement of 18 October 2013 in short-term liabilities. Liabilities under the other credit agreements with Bank Zachodni WBK are presented in accordance with the binding schedules. The consent of the Bank was received by Makarony Polskie SA after the closure of the first half of 2018. As at 30 September 2018, the aforesaid credit liabilities will be re-classified again into short- and long-term liabilities.

LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS

	Current value of minimum fees	
	30.06.2018	31.12.2017
within the period of up to 1 year	753	785
within over 1 year to 5 years	1,539	1,932
Total	2,292	2,717

As at 30 June 2018 the Company possessed fixed assets used under lease agreements. The carrying amount of machines and equipment as well as other fixed assets used based on financial lease agreements amounted to PLN 3,127,000 on 30 June 2018, and PLN 3,500,000 on 31 December 2017.

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 did not avail of any instruments hedging against interest rate risk.

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

The total value of remuneration paid out to the members of the Management Board of Makarony Polskie SA in the first half of 2018 amounted to PLN 329,000, compared to PLN 300,000 in the first half of 2017.

The remuneration of the Members of the Supervisory Board of Makarony Polskie SA in the first half of 2018 amounted to PLN 90,000, compared to PLN 48,000 in the same period of 2017.

The Management Board and Supervisory Board Members of Makarony Polskie SA have not been paid any remuneration by the subsidiary companies. The President of the Management Board of Makarony Polskie SA receives remuneration on account of holding the position of the President of the Management Board of MP Trade Sp. z o.o. and in the first half of 2018 the remuneration amounted to PLN 48,000.

The Company has not granted any loans to the Management Board and Supervisory Board Members of Makarony Polskie SA.

Intercompany transactions

In the first half of 2018 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. There have been signed agreements by and between the companies, determining the cooperation conditions, adequately 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	
	1.01.2018 – 30.07.2018	1.01.2017 – 30.07.2017	1.01.2018 – 30.07.2018	1.01.2017 – 30.07.2017
Parent Company – Makarony Polskie S.A.	390	3,188	11,320	6,927
– from/to Stoczek Sp. z o.o.	366	401	10,444	6,228
– from/to MP Trade Sp. z o.o.	24	2,787	876	699

Related company	Receivables from related companies		Liabilities to related companies	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Parent Company – Makarony Polskie S.A.	197	3,416	1,898	323
– from/to Stoczek Sp. z o.o.	194	1,538	1,792	
– from/to MP Trade Sp. z o.o.	3	1,878	106	323

Information about the planned shares issues

In in the first part of 2018 and in the period ending on the date of publication of these statements, the Company did not issue any shares.

Agreements and events important for the operations of the Company

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

Information on credits and loans taken out by Makarony Polskie SA

CREDITS TAKEN OUT, IN CONSIDERATION OF THEIR MATURITY DATES

	As at 30.06.2018	As at 31.12.2017
Within the period of up to 1 year	15,051	9,284
For over 1 year	2,165	8,221
Total	17,216	17,505

The credit agreements concluded by Makarony Polskie SA as at 30 June 2018 were described in detail in the condensed consolidated financial statements of the Makarony Polskie Group.

INFORMATION ABOUT THE GUARANTEES RECEIVED BY MAKARONY POLSKIE SA;

Guarantor	Guarantee amount PLN '000	Guarantee validity	Object of guarantee	Collateral
BZ WBK SA	1,011	28.12.2021	Guarantee securing the liabilities of the Company under the agreement with the Material Reserves Agency (ARM) with regard to sales and storage of pasta reserves	– Joint mortgage up to PLN 1,517,000 on properties entered in: - land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy - 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 with promissory note declaration.
BZ WBK SA	249	22.01.2021	Guarantee securing the liabilities of the Company under the agreement with the Material Reserves Agency (ARM) with regard to keeping pasta reserves	– Joint mortgage up to PLN 373,000 on properties entered in: - land and mortgage register No. KW RZ1Z/00076860/5 located in Rzeszów, including the assignment of rights under the property insurance policy - 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 with promissory note declaration.

By March 2018, Makarony Polskie SA availed of two guarantees for the total amount of PLN 544,000 granted by STU Ergo Hestia S.A. The guarantees served as a performance bond for the agreement with the Material Reserves Agency (ARM). Owing to the complete settlement of the secured contract, the guarantee was released.

INFORMATION ON GUARANTEES GRANTED

During the first half of 2018 Makarony Polskie SA did not grant any guarantees.

INFORMATION ABOUT SECURITY BONDS GRANTED

As at 30 June 2018 Makarony Polskie SA granted security bonds to the Polish Pasta Chamber (PIM).

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.06.2018
Security bond for a revolving credit amounting to PLN 2.35 million*	BPS	4,275	30.05.2021	1,270
Security bond for a revolving credit amounting to PLN 0.5 million*	BPS	750	30.05.2021	365

* 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 granted securities to Stoczek Natura Sp. z o.o. The balance of the security bonds as at 30 June 2018 is presented below.

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.06.2018
Security bond for a credit in the current account amounting to PLN 3.0 million	BGK	3,000	16.05.2019	1,081
Security bond for a bank guarantee amounting to PLN 1.5 million	BGK	1,472	28.02.2019	-
Security bond for a bank guarantee amounting to PLN 0.5 million	BGK	504	13.06.2022	-
Security bond for a bank guarantee amounting to PLN 1.5 million	BGK	1,549	15.06.2022	-

Makarony Polskie SA received remuneration for the security bonds granted.

INFORMATION ABOUT SECURITY BONDS OBTAINED

Stoczek Natura Sp. z o.o. granted security bonds to the Parent Company Makarony Polskie SA. The balance of the security bonds as at 30 June 2018 is presented below.

Third party liabilities	Name of creditor	Security bond value PLN '000	Validity date	Balance of the secured liability in PLN '000 as at 30.06.2018
Security bond for a credit in the current account amounting to PLN 5.0 million	BZ WBK	7,500	31.05.2019	2,909
Security bond for an investment credit amounting to PLN 13.8 million	BZ WBK	30,000	30.09.2021	8,077

Security bond for a non-revolving working capital credit in the credit account amounting to PLN 5.0 million	BGK	5,000	29.12.2018	2,000
Security bond for a credit in the current account amounting to PLN 6.0 million *	BGK	6,000	31.12.2018	2,952
Security bond for an EU investment credit amounting to PLN 8.0 million	BZ WBK	8,000	binding till the moment of the subsidy settlement	1,264
Security bond for an EU investment credit amounting to PLN 12.1 million	BZ WBK	12,121	binding till the moment of the subsidy settlement	0

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

As at 30 June 2018 Makarony Polskie SA granted a short-term loan to its subsidiary Stoczek Natura Sp. z o.o. in the amount of PLN 2.00 million with the repayment date on 31 December 2018 (one-off repayment by the date of the loan maturity). The interest rate on the loan was set on arm's length basis.

Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant any loans in the first half of 2018.

Off-balance-sheet items

Change in the balance of contingent liabilities and contingent assets, which occurred since the closure of the previous reporting year:

Off-balance-sheet items [PLN `000]	30.06.2018	31.12.2017
1. Contingent assets	72,199	72,426
– guarantees and security bonds obtained	69,881	70,426
– secured on property		
– promissory notes	2,318	2,000
2. Contingent liabilities	158,413	153,014
– guarantees and security bonds granted	11,550	11,550
– secured on property	105,938	105,938
– promissory note payables	40,925	35,526
Total off-balance-sheet items	-86,214	-80,588

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

The major post-balance-sheet events have been described in detail in the condensed consolidated financial statements of the Makarony Polskie Group.

Other major events and transactions

In the first half of 2018 no major events and transactions other than the ones described which would require disclosure in these separate financial statements or the financial statements of the Group.

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Grażyna Kozielec
Chief Accountant

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Zenon Daniłowski
President of the Management Board

Rzeszów, 14 September 2018