Management Board Report on the Operations of the Makarony Polskie Group in the first half of 2018



Rzeszów, 14 September 2018

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In the first half of 2018 the Makarony Polskie Group generated total sales at the level of PLN 76.0 million, net profit of PLN 3.2 million, and EBITDA of PLN 7.4 million.

Introduction



Dear Readers,

Dear Shareholders,

Attached please find the Report of the Makarony Polskie Group for the first half of 2018. In that period our Group generated total sales at the level of PLN 76.0 million, net profit of PLN 3.2 million, and EBITDA of PLN 7.4 million.

The Management Board has been consequently carrying out the policy of goodwill increase through both quantitative and qualitative activities. In the first half of 2018 net profit per share was PLN 0.35 compared to PLN 0.33 in the first half of 2017, whereas the book value of one share amounted to PLN 8.31 compared to PLN 8.22 at the end of 2017.

Please enjoy reading the complete text of the report.

Yours faithfully,

Zenon Daniłowski
President of the Management Board

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

Characteristics of the Makarony Polskie Group

Organisation of the 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 the 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.

Characteristics of the Makarony Polskie Group

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. 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.

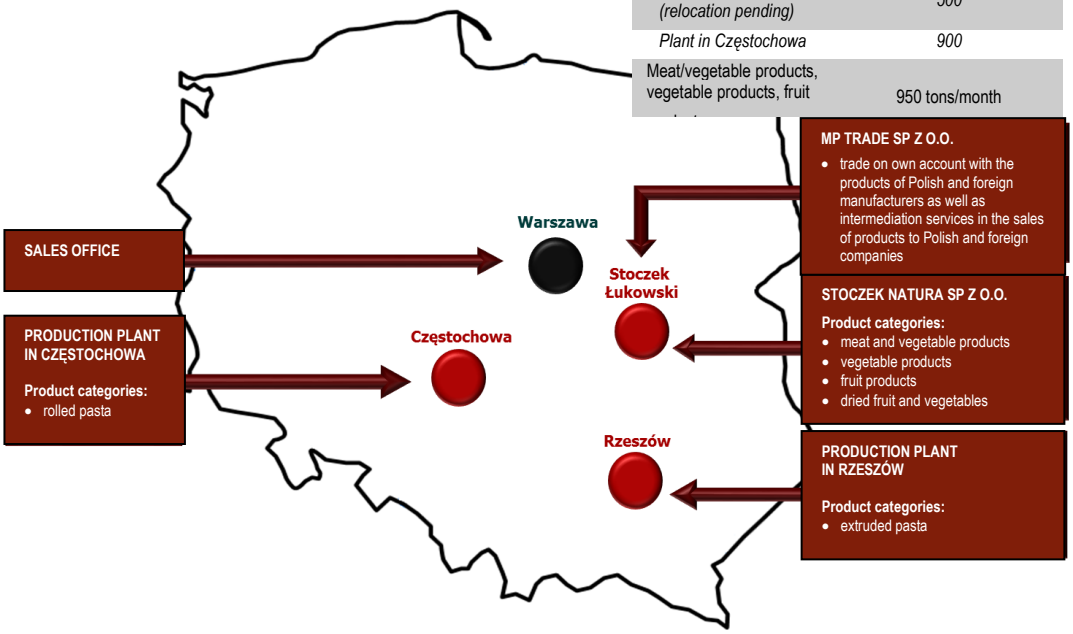
Changes in the organisation of the Makarony Polskie Group in the first half of 2018

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.

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



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 a 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.

Changes in the membership of managing and supervising bodies

Composition of the Supervisory Board

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.

Audit Committee

From 1 January 2018 to the date of publication of this report, the Audit Committee consisted of:

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

On 29 June 2018, in reference to the end of the seventh term of the Supervisory Board, the Company Supervisory Board appointed the Audit Committee for the new term, consisting of the same members.

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

Composition of the Management Board

From 1 January 2017 to the date of publication of this report, the Management Board consisted of one person. The office of the President of the Management Board is held by Zenon Daniłowski.

As at the date of publication of this report, the functions of the Company Proxies were fulfilled by:

- Grażyna Kozielec – from 31 May 2012,
- Beata Majewska-Karp – from 31 May 2012,
- Witold Żarek – from 4 March 2013,
- Dariusz Cylka – from 30 August 2016.
- Tomasz Blat – from 7 August 2017.

The granted rights of proxy are binding jointly – a Proxy may represent the Company only in liaison with another Proxy or a Member of the Management Board.

Supervisory Boards of the subsidiaries

The Group subsidiaries have no Supervisory Boards. The governing bodies of the subsidiaries of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. are the General Meeting and the Management Board.

Management Boards of the subsidiaries

As at 30 June 2018 and as at the date of publication of this report, 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.

Ms 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).

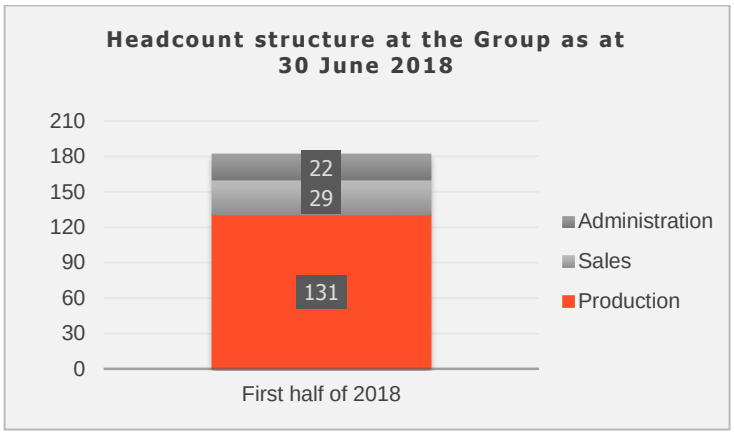
Mr Dariusz Cylka is the Proxy of MP Trade Sp. z o.o. (the granted rights of proxy are binding jointly – the Proxy may represent the Company only in liaison with another Proxy or a Member of the Management Board).

The headcount policy focuses on keeping high-class specialists and managers who thanks to their knowledge, experience and engagement ensure the best fulfilment of the Group business objectives imposed on them.

Employees

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).



The HR policy of the Makarony Polskie Group concentrates on continuous improvement of the organisation and increase of the quality of the offered products and services provided, by way of keeping high-class specialists and managers. Thanks to their knowledge, experience and engagement the people ensure the best fulfilment of the Group business objectives imposed on them.

In recruiting and selecting candidates, the Group focuses first of all on internal recruitment, which allows for keeping in the organisation of engaged, well experienced and qualified personnel. Should no proper candidates be found within internal recruitment, recruitment processes addressed to external candidates are implemented, using for that purpose the sources of recruitment adequate to the profile of a vacant position, including but not limited to websites, career offices, student placements and apprenticeships.

Making decisions on establishing a relationship with the candidates, the Group companies take into account their work history, number of years worked, and their education, all that depending on the scope of the entrusted tasks. The Group cares for ensuring staff diversification with regard to age and sex, and strives for preventing any form of discrimination.

Per age and sex	Structure of employment at the Group as at 30 June 2018		
	Women	Men	Total
18-29	10	12	22
30-49	55	62	117
50+	19	24	43

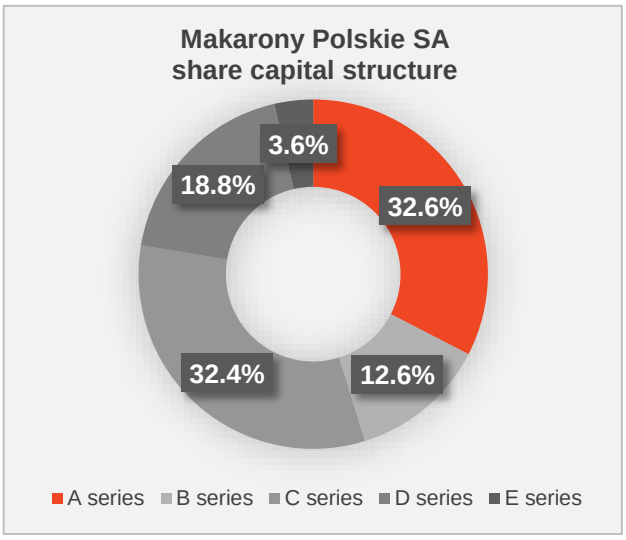
Share capital

Share capital of Makarony Polskie SA:

- share capital value PLN 27,750,213
- total number of shares 9,250,071 shares
- total number of votes in the General Meeting 9,250,071 votes

Structure of the share capital of the Company:

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



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.

Shares held by the main shareholders (above 5% of the capital)

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% of 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.

Shares held by the Members of the Management Board

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

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 this report 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.

Shares held by the Members of the Supervisory Board

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

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 half of 2018 and by the date of publishing this report.

Shares in subsidiaries

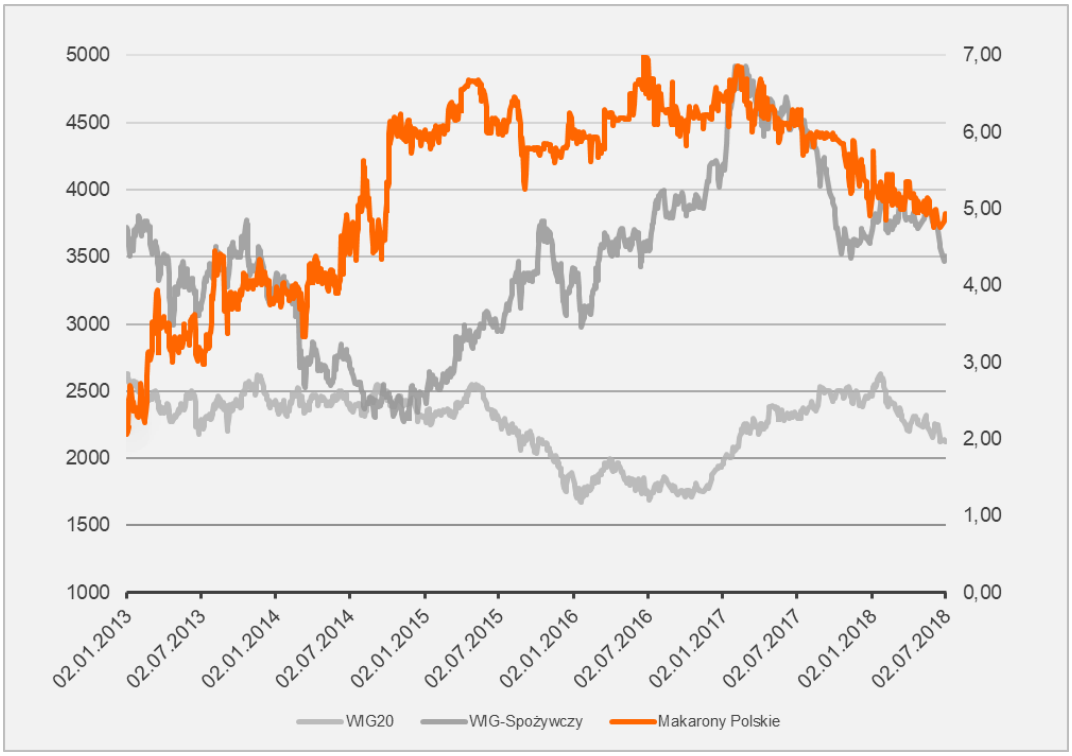
The managing and supervising staff of Makarony Polskie SA have no shares in the subsidiaries of the Makarony Polskie Group.

In 2018 the Company paid out dividends amounting to PLN 0.25 gross per share, which adds up to the amount of PLN 2.3 million.

Makarony Polskie SA on the capital market

Listings and major indicators

Since April 2007 the shares of Makarony Polskie SA have been listed on the Warsaw Stock Exchange.



	2013-01-02	2014-01-02	2015-01-02	2016-01-04	2017-01-02	2018-01-03	2018-07-02	Change since 2013-01-02
Makarony Polskie SA	2.06	3.8	6.03	6.03	6.45	5.15	4.94	140%
WIG20	2,626	2,431	2,309	1,804	1,957	2,463	2,119	-19%
WIG-Spożywczy	3,719	3,330	2,452	3,409	4,195	3,696	3,508	-6%

Information about dividends at Makarony Polskie SA

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 the 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.

Application of revenues from the shares issue

In the period from 1 January 2018 to the date of publishing this report, the Company has not carried out any shares issues.

The Group portfolio has been constantly adjusted to the market trends and customer needs. It has been lately extended for functional dietetic and health-promoting products.

Operations of the Makarony Polskie Group

Main products and services

Brand products assortment

PASTA:

MAKARONY POLSKIE – a brand with clear identity, fitting the popular and stable market trend of promoting Polish-made and local food, dedicated to consumers who care for good Polish quality at a reasonable price.



The brand portfolio covers both the traditional egg-made pasta (rolled, offered as a bi-brad with Abak brand) and extruded pasta made of various types of flour, including flours originating from organic farming, as well as functional pasta of dietetic and health-promoting nature (100% spelt, rye or buckwheat flour pasta, or wholemeal pasta with increased fibre content). Additionally, under the same brand a completely new product line has been introduced under the name of "W Kuchniach Świata" [World's Cuisines], inspired with the taste of the sunny Italy, based on the "large" pasta forms manufactured in 100% of hard durum wheat, intended for stuffing.



Following the strong food market trend to offer products in packaging for one-off use, the health-promoting line is also offered by the Company in 100 g packaging, promoted with the motto "W sam raz na raz" [Perfect for one meal].



Our ambition is that the Makarony Polskie brand, together with the sub-brand of Makarony Polskie Abak, become the key to put order in the currently fragmented middle shelf, locating just below the leader and taking over the market share which is now held by a large number of small manufacturers.





SORENTI – a brand created with a thought about connoisseurs of the Italian cuisine. The brand assortment includes the most popular forms of pasta produced in 100% of the highest-quality milled hard durum wheat. On the domestic market the Sorenti brand is basically present in the modern channel. The advantage of the Sorenti brand in the tight-competition environment is the reasonable price of products. The Sorenti brand is also a very attractive exports product with high development and further internationalisation potential.

MEAT AND VEGETABLE PRODUCTS

The brand assortment of meat and vegetable products covered ready-cooked meals and sandwich meat under the brands of Stoczek and Męska Rzecz. The ready-cooked meals offered by the Group, being classical lunch meals of the Polish cuisine, combine home taste with the comfort and speed of their preparing. Therefore they perfectly fit the current trends on the food market. The jarred meals assortment has been perfectly supplemented by the "W Kuchniach Świata" [World's Cuisines] line, which responds to the new consumer trends, as well as thick soups with pieces of meat.





Męska Rzecz is a brand dedicated to the broadest group of consumers in that food category, seasoned particularly to fit the men's taste, which competes on the shelf with its very reasonable price.

The offer of Męska Rzecz and Stoczek brand is supplemented with soups and canned meals, including ready-cooked meals in XXL size packaging (approx. 800 g) for those who like to eat well in large quantities. The meals are not only tasty and satiating but also healthy – without preservatives, artificial colourings, flavourings or taste enhancers.





The portfolio of that product group has been gradually extended. Lately, the offer has been enhanced for, among other things: Bogracz Szwejka [Švejk's stew], Gołąbki Zamojskiego [Zamoyski stuffed cabbage], Uczta Kozaka z wędzonką [Cossac's treat with smoked meat], Uczta Sułtana z Curry [Sultan's treat with curry], Potrawka Hanysa [Silesian's fricassee].



VEGETABLE PRODUCTS

The vegetable products assortment covered mainly salads and pickles under the brand name of Tenczynek – traditional vegetable additions which make meals more attractive and differentiated, both cold and hot. The products have a loyal group of consumers. Moreover, the assortment complies with the exports policy of the Group – the Tenczynek brand is positioned on the "ethnic food" shelves as a premium product.

The Tenczynek brand also comprises fillings and salty stuffing for the bakery sector and catering. This is a rapidly developing market.

FRUIT PRODUCTS

The fruit products assortment covered plum and other fruit jams (Stoczek and Tenczynek) as well as syrups (Tenczynek) – manufactured to the highest quality. In reply to the market trends of developing new taste categories, the Group has been working on the extension of the portfolio of such products, mainly for export.

DRIED FRUIT



A novelty introduced at the end of 2017 is dried fruit offered by Stoczek Natura Sp z o.o. under the Deli-Susz brand. The brand portfolio consists of five products based on dried Polish apples: apple chips in three flavours (natural, with cinnamon and sour) as well as two flavours of dried fruit (apple and raspberry, apple and cherry). These products respond to the trend of searching healthy alternatives to high-calorie snacks full of chemical additives, because they are 100% natural without any preservatives, artificial colouring, sugar or fat.

Private label products assortment

Products identified with a third party brand are present in each segment of the Group commercial offer. As regards private label the Group is a leading manufacturer of rolled and extruded pasta, as well as an important manufacturer of meat/vegetable products, vegetable products and fruit products.

Extending its assortment in the private labels of commercial chains, the Makarony Polskie Group focuses on global tends present on the food market, and specifically: premium, healthy and convenience products.

The key method to attract and care for loyal customers is to offer premium products at affordable prices. In reply to the expectations of the commercial chains, the Group portfolio has been extended for rolled egg pasta, large form pasta extruded in bronze moulds, flavoured pasta (herbs, species) as well as packaging which emphasises the high quality of products, e.g. packaging with hand bound paper tags, embossed and gilded cardboard boxes.

The consumers have been more and more frequently searching for health-promoting food. Therefore, the Group has focused on the development of pasta manufactured from grains other than wheat – wholemeal flours (rich in fibre and minerals) as well as organic flours (bio products).

Also important in purchasing food is the convenience trend, understood as the easiness and convenience of preparing meals and eating them, time saving, "fast" food, take-away food, purchased and consumed based on a stimulus, easy handling (unpacking, storage, waste disposal), and miniaturisation. The Group has carried out development work focusing on creating an offer responding to that trend.

In categories other than pasta, we have improved our position in meat and ready-cooked meals under the private labels of commercial chains.

Considerable interest of large and small shop chains in the purchases of private label products from the Polskie Makarony Group confirms the high quality of products as well as the organisational efficiency of the Group and contributes to its competitive position and reliability.

Services offered by the Makarony Polskie Group

A subsidiary of the Makarony Polskie Group is MP Trade Sp. z o.o., which focuses on developing trade on its own account in third party goods of Polish and external manufacturers and providing intermediation services in selling products to Polish and foreign entities.

MP Trade Sp. z o.o. has its own product brand – Novelle – registered by the Polish Patent Office, which will be used as a universal export and import brand. Currently, tortellini pasta of various flavours as well as German type egg-pasta (Spätzle) has been offered under that brand. The company considers further development of its own product offer under the Novelle brand, depending on the identified market trends and consumer needs.

Market environment

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

In 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.

(PLN '000)	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

Major agreements

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 Natura 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 Zachodni 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 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, which is now 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. 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.

Factors important for the Group development

Factors affecting the future results of the Company and the Group

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 products. 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 have applied 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 commercial 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.

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 an inability to satisfy the demand or incomplete use of the production capacity, which will obviously translate into the Group results. In the opinion of

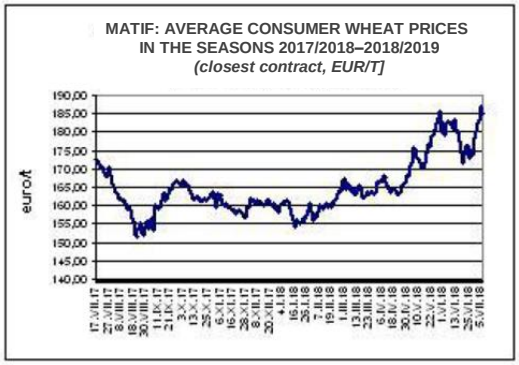
the Group, the risk is not high, because the quantities of products supplied so far have not significantly fluctuated within a yearly timeframe, staying at the levels which were possible to foresee. Additionally, the Group companies have been systematically implementing solutions for recipients diversification 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 the 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 the 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 the 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.

Striving to minimise staff rotation, particularly among the key staff and specialists, the Group has been systematically implementing 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.

Financial standing

Principles of preparing the consolidated financial statements

The financial statements were prepared based on International Financial Reporting Standards (IFRS), according to the going concern assumption with regard to the Group companies in foreseeable future and in reference to the scope of activities 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.

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 (except that the first reporting year for MP Trade Sp. z o.o. lasted from 28 September 2015 to 31 December 2016).

Companies subject to consolidation:

as at 30 June 2018	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%

Group results discussion

Makarony Polskie Group (PLN '000)	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**

Consolidated revenues in the first half of 2018 amounted to PLN 76.0 million and were higher by approximately 15% compared to the first half of 2017. The costs of products, services, merchandise and materials sold in the first half of 2018 amounted to PLN 59.0 million (increase by about 16%). Higher growth rate of revenues compared to the growth rate of costs resulted mainly from the actions implemented with regard to improvement of assets utilisation effectiveness and sales profitability, which brought about gross sales increase in the first half of 2018 at the Makarony Polskie Group by PLN 1.7 million, i.e. to PLN 17.0 million compared to the first half of 2017. Gross sales profitability amounted to approx. 22.4% (compared to 23.3% in the first half of 2017).

In the first half of 2018 the result on operating activities (EBIT) was PLN 4.5 million, compared to PLN 3.9 million in the first half of 2017, i.e. growth by 17.4%. Profitability at EBIT level amounted to 6.0% (compared to 5.9% in the first half of 2017).

Net profit in the first half of 2018 amounted to PLN 3.2 million and was higher than the result for the first half of 2017 by PLN 0.1 million (+4.7%). Sales profitability calculated in reference to net profit amounted to 4.2% (compared to 4.6% in the first half of 2017).

After 6 months of 2018 the Group reported EBITDA at the level of about PLN 7.4 million, compared to approx. PLN 6.4 million in the first half of 2017, i.e. growth by roughly PLN 1 million compared to the first half of 2017 (16.3%). EBITDA profitability in the first half of 2018 was 9.8% compared to 9.7% in the first half of 2017).

Results generated vs projection

The Makarony Polskie Group has not published any financial projections for the reporting year 2018.

Group operating segments

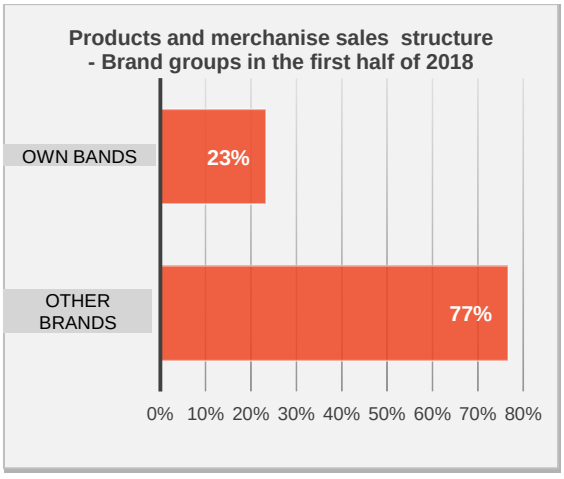
Net sales of products, services, merchandise and materials broken down into segments of activities

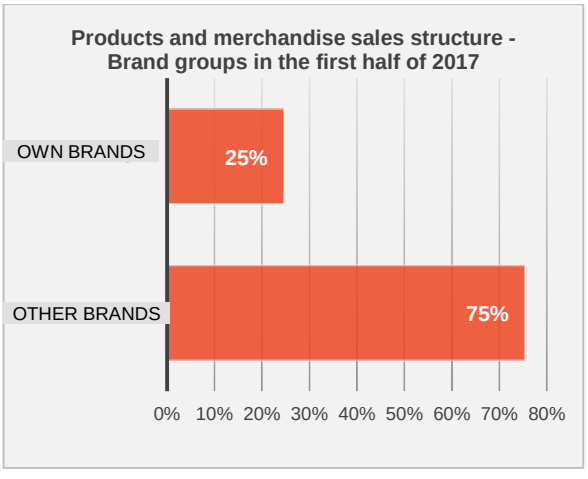
For management purposes the Group has been divided into business units based on the offered products and services.

	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

The sales structure of products and merchandise broken down into brands is reflected in the charts below.





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 offers economy segment products directed to customers who focus mainly on price when doing shopping. The products are offered under the Solare an Familjada brands.

Sales revenues by operating segments

In the first half of 2018 the Makarony Polskie Group carried out sales of the following product groups, generating the respective revenues on that account:

(PLN '000) *	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**

* 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 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 where 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 the private label products of commercial chains, 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.

Structure of the Group assets and equity/liabilities

The balance-sheet total of the Group as at 30 June 2018 amounted to PLN 134.4 million, compared to PLN 137.2 million as at 31 December 2017 and PLN 129.7 million as at 30 June 2017.

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**

As at 30 June 2018 fixed assets were worth roughly PLN 90.6 million (67% of total assets) compared to PLN 91.1 million at the end of 2017 (0.5% drop vs the end of 2017).

As at 30 June 2018 current assets amounted to roughly PLN 43.8 million, which means that they dropped by about 4.9% compared to the end of 2017 (PLN 46.1 million). The largest changes regarding current assets applied to inventories – growth by about PLN 3.0 million, i.e. approx. 19.1%, compared to the end of 2017, and to receivables – drop by roughly PLN 4.2 million, i.e. by about 14.8%, compared to the end of 2017.

Equity as at the balance-sheet date amounted to approx. PLN 76.9 million and represented roughly 57.2% of the value of equity/liabilities, which means an increase by 1.2% compared to PLN 76.0 million at the end of 2017. The change resulted from the consolidated profit for the first half of 2018 amounting to PLN 3.2 million and assignment to dividend of a part of 2017 net profit in the amount of PLN 2.3 million.

Long-term liabilities amounted to PLN 14.1 million and dropped by 31.1% (from PLN 20.5 million) compared to the end of 2017, mainly due to re-classification of some of the long-term credits to short-term liabilities in relation to their maturity period of less than one year on the balance-sheet date and re-classification to short-term liabilities of all of the amounts payable on account of the investment credit of 18 October 2013 incurred by the Company at Bank BZ WBK SA, in accordance with MSR 1 item 74, described in detail in the "Long-term and short-term financial liabilities" explanatory note of the condensed financial statements. As at 30 September 2018, the aforesaid credit agreement liabilities will be re-classified again into short- and long-term liabilities.

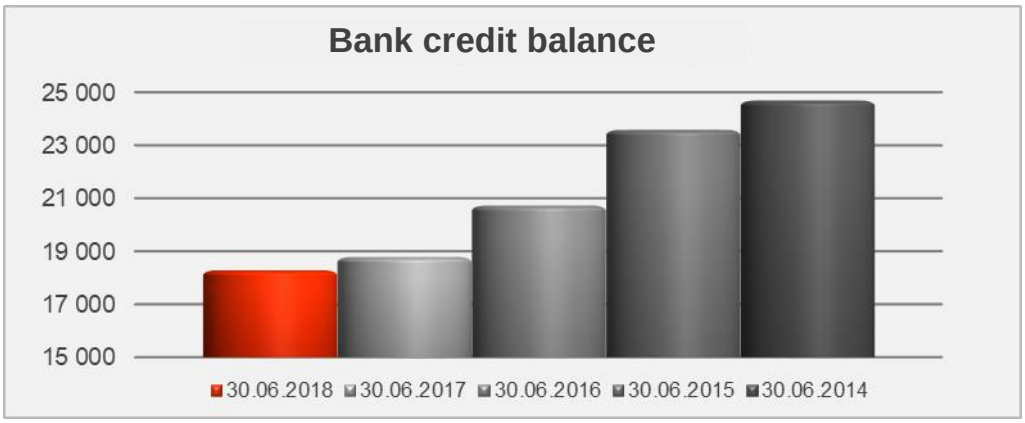
Short-term liabilities as at 30 June 2018 amounted to PLN 43.4 million and were higher compared to the balance at the end of 2017 amounting to PLN 40.7 million. The largest change in short-term liabilities referred to reduction of the item of other liabilities (drop by approx. PLN 3.7 million, i.e. about 13.7%), separation of the item of dividend payables (PLN 2.3 million) and increase of the short-term credits item (by PLN 3.9 million, i.e. about 31.5%).

Solvency and management of the Group financial assets and financial risk

The Makarony Polskie Group manages its economic assets such as to ensure financing of current activities and the projects carried out with its own funds, bank credits, factoring and lease.

Its full capacity to pay liabilities in the first half of 2018 was confirmed by:

- generation of positive cash flows on operating activities of more than PLN 4.7 million in the first half of 2018;
- generation of EBITDA at the level of PLN 7.4 million in the first half of 2018 (growth by PLN 1.0 million compared to the first half of 2017);
- carrying out some of the purchases without availing of trade credit by the Group, which results in a financial advantage;
- performance of investment projects and dividend payment in 2018 amounting to about PLN 2.3 million (PLN 2.3 million in 2017).
- The first half of 2018 was another period of reducing credit liabilities.



In the opinion of the Management Board there are no threats to prevent payment of the liabilities incurred. Owing to the payment of the dividend and large expenditures related to investment projects, the debt of the Group is going to grow in the subsequent periods.

Other financial information

Information on loans granted

In the first half of 2018 neither Stoczek Natura Sp. z o.o. nor MP Trade Sp. z o.o. granted any loans.

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 2.0 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.

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	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 guarantees were 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

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.

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

Major intercompany transactions of the Company and its subsidiaries on other than arm's length basis

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.

Off-balance-sheet items

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

Makarony Polskie Group [PLN '000] *	30.06.2018	31.12.2017
1. Contingent assets	**5,103**	**5,329**
– guarantees and security bonds obtained	4,785	5,329
– secured on property	0	0
– promissory notes	318	0
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	47,979
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.

Makarony Polskie SA (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**

Important court litigations, arbitration proceedings or administrative proceedings

In the presented reporting period there were no pending important court ligations or any arbitration or administrative proceedings regarding the liabilities or receivables of the Company or its subsidiaries.

Post-balance-sheet events that could have a significant impact on the financial results

Post the balance-sheet date no events that could have a significant impact on the financial result occurred.

Financial results of Makarony Polskie SA

Presentation of the basic economic and financial items 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**

Revenues in the first half of 2018 amounted to PLN 64.2 million and were higher by approximately 14.0% (PLN 7.9 million) compared to the first half of 2017. The costs of products, services, merchandise and materials sold in the first half of 2018 amounted to PLN 49.7 million (increase by about 11.6%).

Makarony Polskie SA closed the 6 months of 2018 with gross sales profit at the level of PLN 14.5, which means a growth compared to the same period of 2017 by PLN 2.8 million, with gross sales profitability at the level of roughly 22.6% (compared to 20.9% in the first half of 2017).

In the first half of 2018 the result on operating activities (EBIT) was PLN 3.8 million, compared to PLN 3.4 million in the first half of 2017 (growth PLN 0.4 million, i.e. 11.6%).

The profitability of operating activities equalled 6.0% vs 6.1% in the first half of 2017.

Net profit in the first half of 2018 amounted to PLN 2.8 million and was higher than the result for the first half of 2017 by PLN 0.1 million (+4.5%). Sales profitability calculated in reference to net profit amounted to 4.3% (compared to 4.7% in the first half of 2017).
In the first half of 2018 Makarony Polskie generated EBITDA at the level of roughly PLN 5.6 million (growth by PLN 0.3 million compared the first half of 2017). EBITDA profitability was 8.8% (compared to 9.4% in the first half of 2017).

Structure of assets and equity/liabilities 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**

As at 30 June 2018, fixed assets amounted to about PLN 86.7 million (70% of total assets) and the value was equivalent to the one of the end of 2017. As at 30 June 2018 current assets amounted to roughly PLN 37.1 million, which means that they grew by about 2.6% compared to the end of 2017 (PLN 36.2 million). The largest changes regarding current assets applied to receivables – drop by about PLN 1.2 million (5.4%) and inventories – growth by about PLN 2.4 million (22.9%) compared to the end of 2017.

Equity as at the balance-sheet date amounted to approx. PLN 72.6 million and represented roughly 58.6% of the value of equity/liabilities, which means an increase by 0.6% compared to PLN 72.2 million at the end of 2017. The change resulted from the generated net profit for the first half of 2018 amounting to PLN 2.8 million and assignment of a part of 2017 net profit to dividend in the amount of PLN 2.3 million.

Long-term liabilities amounted to PLN 13.7 million and dropped by 32.2% (from PLN 20.2 million) compared to the end of 2017, mainly due to re-classification of some of the long-term credits to short-term liabilities in relation to their maturity period of less than one year on the balance-sheet date and re-classification to short-term liabilities of all of the amounts payable on account of the investment credit of 18 October 2013 incurred by the Company at Bank BZ WBK SA, in accordance with MSR 1 item 74, described in detail in the "Long-term and short-term financial liabilities" explanatory note of the condensed financial statements. As at 30 September 2018, the aforesaid credit agreement liabilities will be re-classified again into short- and long-term liabilities.

Short-term liabilities as at 30 June 2018 amounted to PLN 37.5 million and were higher compared to the balance at the end of 2017 amounting to PLN 30.5 million. The largest change in short-term liabilities referred to reduction of the item of other liabilities (drop by approx. PLN 1.3 million, i.e. about 6.6%), separation of the item of dividend payables (PLN 2.3 million) and increase of the short-term credits item (by PLN 5.8 million, i.e. about 62.1%).

Declarations by the Management Board

Declaration with regard to fairness of the financial statements

The Management Board of Makarony Polskie SA with its registered office in Rzeszów declares that according to its best knowledge, the semi-annual condensed financial statements of the Makarony Polskie Group (both separate and consolidated ones) for the first 6 months of the reporting year 2018 ending 30 June 2018 as well as comparative data have been prepared in accordance with the binding accounting principles and reflect in a true, fair and transparent manner the assets and financial standing of the Company and the Capital Group of Makarony Polskie SA and their financial result.

The report of the Management Board on the operations of the Company and the Capital Group of Makarony Polskie SA for the period from 1 January 2018 to 30 June 2018 presents a true image of the Company and the Group development, achievements and standing, including the basic threats and risks.

Declaration on the appointment of the entity authorised to audit financial statements

The Management Board of Makarony Polskie SA with its registered office in Rzeszów declares that the entity authorised to audit financial statements, which reviewed the semi-annual condensed financial statements (both separate and consolidated ones) for the first 6 months of the reporting year 2018, ending 30 June 2018, was appointed in accordance with the legal regulations, and it is: BDO Spółka z ograniczoną odpowiedzialnością sp.k. (formerly: BDO Spółka z ograniczoną odpowiedzialnością) with its registered office in Warsaw.

The entity and the statutory auditors who reviewed the semi-annual condensed financial statements (both separate and consolidated ones) have fulfilled the conditions for issuing an impartial and independent report on the review, in accordance with the respective legal regulations and professional standards.

Approval of the financial statements

This report of the Management Board on the operations of the Capital Group of Makarony Polskie SA was approved for disclosure by the Management Board of the Parent Company on 14 September 2018.

Zenon Daniłowski
President of the Management Board.

Information about the Company

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

www.makarony.pl

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

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

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Please contact us at:

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