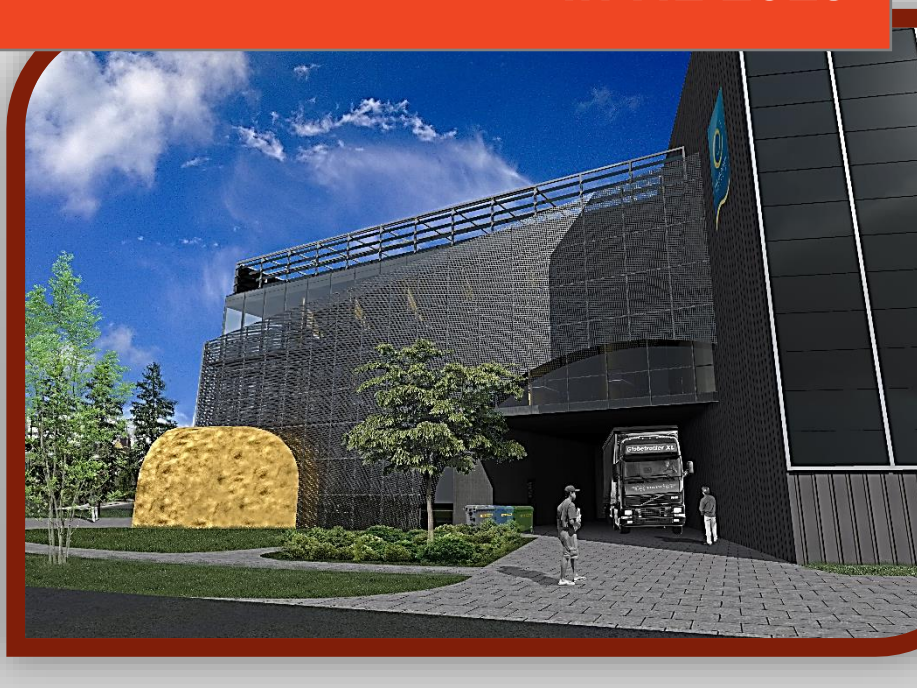
The Management Board's report on operations of Makarony Polskie in H1 2019



Rzeszow, 19 September 2019

Table of contents

Introduction **4**

Characteristics of Makarony Polskie Group **5**

Group organization 5

Changes in the composition of management and supervisory bodies 7

Composition of the Management Board 8

Supervisory boards of subsidiaries 8

Management boards of subsidiaries 8

Employees 9

Share capital 10

Shares held by main shareholders (over 5% of share capital) 11

Shares held by the Management Board Members 15

Shares held by Members of the Supervisory Board 15

Shares in subsidiaries 16

Makarony Polskie SA on the capital market 16

Quotations and main indicators 16

Information on dividend in Makarony Polskie SA 16

Use of revenues from issues 17

Authorization for the Management Board to purchase own shares of Makarony Polskie SA 17

Activities of Makarony Polskie Group **19**

Main products and services 19

Brand products range: 19

Private label products range: 24

Market Environment 24

General market trends 24

Sales markets of the Makarony Polskie Group 26

Material agreements 26

Table of contents

Contract for co-financing the project entitled "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA" 26

Contract for co-financing the project entitled" Implementation of the results of research and development in the field of functional food in the Makarony Polskie SA Company." 27

Annexes to the investment loan agreement concluded with Santander Bank Polska SA..... 28

Annex to the loan agreement concluded with Bank Gospodarstwa Krajowego 28

Annexes to loan agreements concluded with Bank Zachodni WBK SA 29

Loan agreements concluded by Stoczek Natura Sp. z o.o. with Bank Gospodarstwa Krajowego..... 29

Surety of Makarony Polskie SA for Stoczek Natura Sp. z o.o. 30

Factors material for the development of the Group 31

Factors affecting the future results of the Company and the Group..... 31

Risks and threats material to the Group's development..... 35

Financial situation 41

Rules for preparing the consolidated financial statements..... 41

Entities subject to consolidation: 41

Group results description 41

Results achieved vs. forecasts..... 42

Group operating segments 43

Revenues from sale of products, services, goods and materials by business segments 43

Sales revenues broken down into private labels and foreign brands 43

Sales revenues by operating segments 44

Structure of the Group's assets and liabilities..... 46

Liquidity and management of the Group's financial resources and financial risk 48

Other financial information 49

Information on loans granted..... 49

Information on granted and received guaranties..... 49

Information on granted and received sureties 51

Material transactions concluded by the Company and subsidiaries with affiliates under the terms other than market terms..... 52

Table of contents

Off-balance items 53

Material proceedings pending before a court, in arbitration proceedings or before a public administration body 53

Events after the balance sheet date that may significantly affect the financial results 53

Makarony Polskie SA Company financial results 54

Characteristics of the basic economic and financial figures of Makarony Polskie SA 54

Structure of assets and liabilities of Makarony Polskie SA 55

Statement of the Management Board 58

Statement on the accuracy of the preparation of the financial statements 58

Approval of the financial statements 58

Informations about the company 59

In the first half of 2019, Makarony Polskie Group achieved total sales revenue of PLN 80.1 m, net profit of PLN 3.5 m, while EBITDA reached PLN 8.2 m.

Introduction



Dear Sirs,

Dear Shareholders,

I present to you the Report of Makarony Polskie Group for the first half of 2019. During this period, our Group achieved total sales revenue of PLN 80.1 m, net profit of PLN 3.5 m, and EBITDA of PLN 8.2 m.

The Management Board consistently conducts the policy of increasing the company's value through both quantitative and qualitative actions. In the first half of 2019, the net profit per share amounted to PLN 0.38 vs. PLN 0.34 in the first half of 2018, and the book value of one share was PLN 8.61 vs. PLN 8.49 at the end of 2018.

I encourage you to read the full report.

Yours faithfully,

Zenon Daniłowski
President of the Management Board

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

Characteristics of Makarony Polskie Group

Group organization

Makarony Polskie Group ("Group") consists of the following three companies:

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



Makarony Polskie SA is a producer of a wide range of pasta, produced in stamped and rolled technology. The Company offers pasta in many different forms, made on the basis of durum flour and wheat flour. In its portfolio, the Company also has products that respond to the trends of pro-health food, such as pasta from flours less frequently used, for example, spelled, buckwheat, rye and BIO products. The range of products is enriched with flavored pasta (e.g. with spinach and garlic, chili peppers, lovage, parsley and dill), large pasta forms for stuffing and vegetable pasta made from legumes such as chickpeas, red lentils and green peas.
The basic pasta brands offered are Makarony Polskie, Sorenti and Abak (bibrand z Makarony Polskie).

Stoczek Natura Sp. z o.o. is a producer of meat and vegetable preserves (ready meals, pies, lard preserves), vegetable preserves (salads, marinades, bakery pastries), processed fruit (jams, syrups, plum confectioners, confectionery fillings) offered under Stoczek, Tenczynek and Męska Rzecz brands, and also dried fruit and vegetables offered under Deli-Susz brand.

MP Trade Sp. z o.o. develops trade on own account with foreign goods of Polish and foreign producers. In 2018, the company's activity focused on the intermediation of the sale of Tenczynek brand products and the sale of products bought from external suppliers under its own Novelle brand. The adopted business model of the Company is now often found on the market. In that model, the main value

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

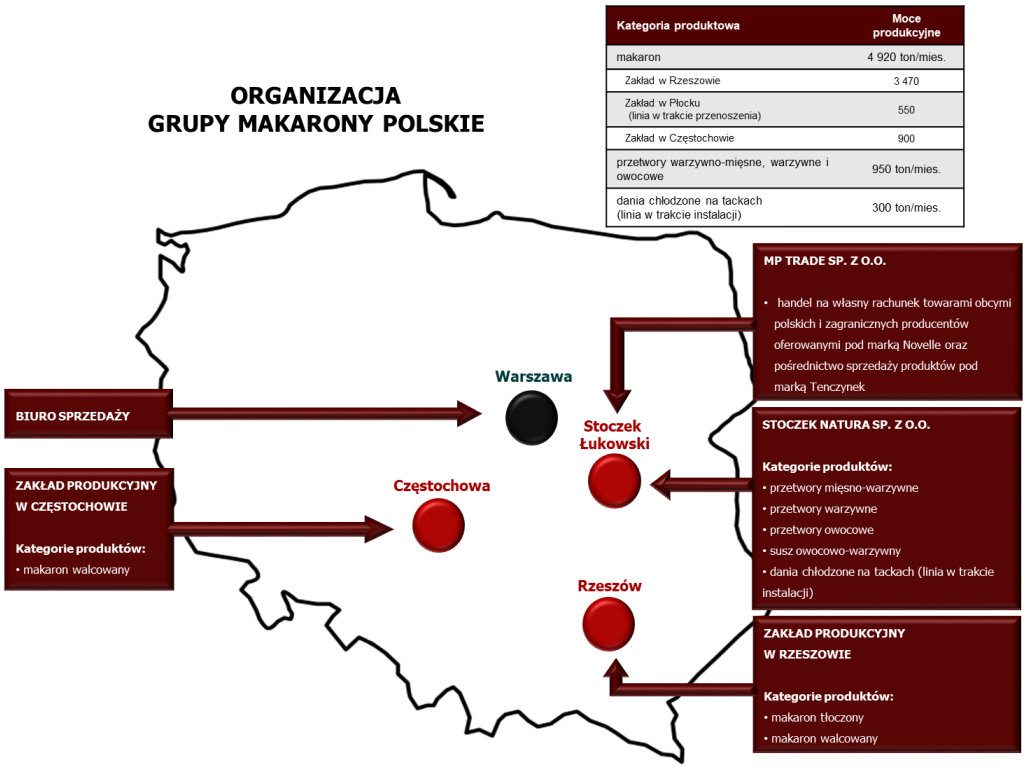
All transactions are performed under the market terms and conditions.

creating the Company's value is the increase in the value of the brand, and production is contracted outside.

Changes in the organization of Makarony Polskie Group during the first half of 2019

In H1 2019, there were no changes in Makarony Polskie Group that would significantly affect the structure or organization of the Group.

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



During H1 2019, the reorganization of the activities of the subsidiary, MP Trade Sp. z o.o., started in the second half of 2017. The company conducts consistent actions aimed at building the value of the Novelle brand by expanding the product portfolio (new products will be gradually introduced into the Novelle brand portfolio), intensifying marketing activities, as well as proper brand positioning.

Currently, under the Novelle brand, legumes derived flour pasta, tortellini pasta in various flavors, egg spätzles and date pastas are offered. In the second half of 2019, new range implementations including vegetable pastas and ready-made veg dishes, are planned.

In subsequent periods, the Novelle brand offer will be expanded with new products based on vegetable proteins and products considered to be delicatessen products, with a clean label

and short composition, in line with the identified market trends and consumer needs. Work on the development of new products will be performed in close cooperation with the marketing team of Makarony Polskie SA and New Product Development (NPD) teams operating in Makarony Polskie Group.

Possibilities of growth of MP Trade Sp. z o.o. depend on one hand on the market situation and on the other hand on the introduction of new innovative products from the vegan and vegetarian areas. The market of products based on raw materials is based on vegetable proteins and delicatessen products, such as the date paste line, vegetable pastes, is growing all over the world.

Changes in the composition of management and supervisory bodies

Composition of the Supervisory Board

From 1 January 2019 to the date of publication of this report, the Supervisory Board is composed of:

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

Audit Committee

From 1 January 2019 to the date of publication of this report, the Audit Committee is composed of:

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

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

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

Composition of the Management Board

In the period from 1 January 2019 to the date of publication of these financial statements, the Management Board of the Company has operated as a one-person Management Board. Zenon Daniłowski is the President of the Management Board

As at the date of publication of this report, the function of proxies in the Company is performed by:

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

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

Supervisory boards of subsidiaries

There are no Supervisory Boards in the Group's subsidiaries. Bodies in subsidiaries Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. are the General Meeting of Shareholders and the Management Board.

Management boards of subsidiaries

As at 30 June 2019 and the date of publication of these financial statements, the management boards of subsidiaries consisted of:

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

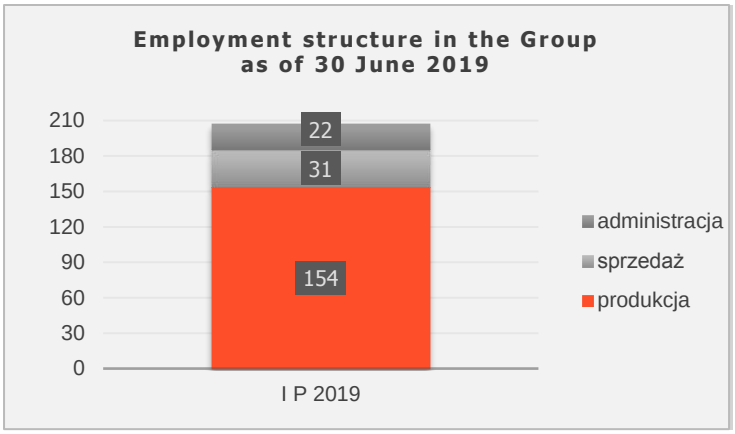
The function of the Proxy in Stoczek Natura Sp. z o.o. is fulfilled by Mrs. Alicja Hinz - Chief Accountant is full (the proxy is joint - the proxy may represent the Company only jointly with another proxy or a member of the Management Board).

MP Trade Sp. z o.o. did not appoint proxies.

Employees

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

Employment as at 30 June 2019 in Makarony Polskie Group totaled 207 people (vs. 182 people at the end of the first half of 2018 and 196 people at the end of the first half of 2017).



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

Due to demographic changes and a decrease in the number of people of working age, the "employee market" is steadily growing in Poland and the unemployment rate is falling. Employers have more and more problems with finding qualified personnel, which in turn requires them to put more and more emphasis on the efficient use of human resources and rapid response to changes. In order to ensure the optimal level of tasks and objectives, Makarony Polskie Group is taking steps towards effective human resource planning, even before actual demand in this respect occurs. The Group has implemented and conducts, in close cooperation with the heads of individual organizational units, a systematic identification of future staffing needs and development programs for employees aimed at acquiring appropriate competences necessary for the organization.

When recruiting and selecting candidates, the Group makes every effort to ensure that this process is transparent and employee-friendly and effective for the company. When making decisions about establishing cooperation with candidates, the Group companies are guided by professional experience, work experience in the profession, and possessed education according to the scope of entrusted tasks. The Group employs both women and men of various

ages, taking into account the assessment of the candidates' compliance with the substantive criteria and tries to prevent any form of discrimination.

according to the criterion of age and gender	Employment structure in the Group As at 30 June 2018		
	women	men	total
18-29	15	20	35
30-49	57	61	118
50+	19	35	54

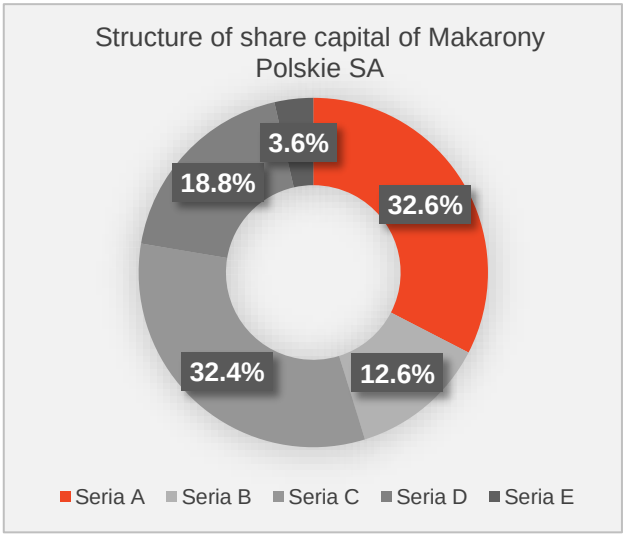
Share capital

Share capital of Makarony Polskie SA:

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

Structure of the Company's share capital:

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



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

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

Shares held by main shareholders (over 5% of share capital)

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

Shareholder	Shares in share capital		Votes at the General Assembly	
	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, including:	2,311,594	24.99%	2,311,594	24.99%
Praska Giełda Spożywcza SA (former: Agro-Technika SA)	*2,050,000*	*22.16%*	*2,050,000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology&Communications S.A.E. including:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta i Grzegorz Słomkowscy, including:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. "ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Agroma Ltd	950,000	10.27%	950,000	10.27%
Wojciech Wiśniewski, Including:	463,370	5.01%	463,370	5.01%
Wojciech Wiśniewski	*314,770*	*3.40%*	*314,770*	*3.40%*
Agro-Jumal Sp. z o.o.	*148,600*	*5.01%*	*148,600*	*5.01%*
Others Shareholders	2,548,661	27.55%	2,548,661	27.55%
TOTAL	**9,250,071**	**100.00%**	**9,250,071**	**100.00%**

Changes in shareholding in H1 2019

In the period of the first half of 2019, the Company received the following notifications regarding changes in the ownership of shares by material shareholders (holding above 5% shares):

- On 13 June 2019, Agroma LTD with its registered office in Strovolos, Cyprus announced an increase in the ownership of shares in Makarony Polskie SA. As a result of conclusion, on 11 June 2019, of the off-session block transactions involving a total of 243,500 shares of Makarony Polskie SA, the share of Agroma LTD in the total number of votes at the General Meeting of Shareholders of the Company exceeded 5%, to the level of 5.9081% of the total number of votes at the General Meeting of Shareholders of the Company.

  Prior to the acquisition, Agroma LTD acquired 303,000 shares of the Company, representing approximately 3.2757% of the Company's share capital and entitling to 303,000 votes, representing approximately 3.2757% of the total number of votes at the General Meeting of Shareholders of the Company.

  After the acquisition, Agroma LTD acquires 546,500 shares of the Company, representing 5.9081% of the Company's share capital and entitling to 546,500 votes, representing 5.9081% of the total number of votes at the General Meeting of Shareholders of the Company.

- On 21 June 2019, Agroma LTD with its registered office in Strovolos, Cyprus announced an increase in the ownership of shares in Makarony Polskie SA.

  As a result of conclusion, on 19 June 2019, of the off-session block transactions involving a total of 329,500 shares of Makarony Polskie SA, the share of Agroma LTD in the total number of votes at the General Meeting of Shareholders of the Company exceeded 10%, to the level of 10.27% of the total number of votes at the General Meeting of Shareholders of the Company.

  Prior to the acquisition, Agroma LTD held 620,500 shares of the Company, representing approximately 6.71% of the Company's share capital and entitling to 620,500 votes, representing approximately 6.71% of the total number of votes at the General Meeting of Shareholders of the Company.

  After the acquisition, Agroma LTD holds 950,000 shares of the Company, representing 10.27% of the Company's share capital and entitling to 950,000 votes, representing 10.27% of the total number of votes at the General Meeting of Shareholders of the Company.

  At the same time, Agroma LTD has stated each time that:

  - there are no subsidiaries of Agroma LTD that would hold the Company's shares, nor has an agreement been concluded containing provisions regarding the transfer of voting rights at the General Meeting of Shareholders of the Company,
  - Agroma LTD does not have financial instruments that after the maturity period would unconditionally entitle or oblige their holder to purchase shares with voting rights issued by the Company,

- it also does not have financial instruments that relate to the Company's shares directly or indirectly and have economic effects similar to the effects of the financial instruments referred to in the previous sentence.

- On June 21, 2019, Mr. Krzysztof Moska announced a decrease in the shareholding in Makarony Polskie SA.

  As a result of the conclusion on 19 June 2019 of the transaction of sale of 329,500 shares of Makarony Polskie SA, as part of the session block transaction of sale of shares on the regulated market of the Warsaw Stock Exchange, there was a change in the share held so far by Mr. Krzysztof Moska in the total number of votes at the General Meeting of the Company in such a way that there was a descent below 5% of the total number of votes at the General Meeting of the Company.

  Before the Change of Ownership, Mr. Krzysztof Moska held 464,434 shares of the Company, constituting 5.02% of the share capital of the Company and 5.02% of the total number of votes at the General Assembly of the Company, i.e. entitling to 464,434 votes from the Company's shares.

  After the Change of Ownership, Mr. Krzysztof Moska holds 134,934 shares of the Company, constituting 1.46% of the share capital of the Company and 1.46% of the total number of votes at the General Assembly of the Company, i.e. entitling to 134,934 votes from the Company's shares.

  At the same time Mr. Krzysztof Moska announced that he does not have any subsidiaries holding shares of the Company, that there are no persons referred to in Article 87 paragraph 1 point 3 item c of the Act and that it does not have the financial instruments referred to in Article 69b paragraph 1 of the Act.

Changes in shareholding after the end of the H1 of 2019

On 22 August 2019, the Company received a letter with notification sent by Wojciech Wiśniewski, on its own behalf and on behalf of Agro-Jumal Sp. z o.o. with its registered office in Sieradz, regarding the increase in the number of shares in Makarony Polskie SA.

Mr. Wojciech Wiśniewski, acting on his own behalf, as well as on behalf of Agro-Jumal Sp. z o.o., informed that as a result of his purchase on 13 August 2019 on the stock exchange market of 1,610 shares of Makarony Polskie SA, there was a change to the owned by him and by the company Agro-Jumal Sp. z o.o. share in the total number of votes at the General Meeting of Shareholders of the Company.

Before the change in ownership, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o., held a total of 461,760 shares of the Company, which constituted 4.9% of the share capital and entitled to 4.9% of votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 461,760 votes from the Company's shares, of which:

- Mr. Wojciech Wiśniewski held independently 313,160 shares of the Company which constitute 3.3% of the share capital of the Company and entitle to 313,160 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 313,160 votes from the shares of the Company.
- Agro-Jumal Sp. z o.o. holds independently 148,600 shares of the Company which constitute 1.6% of the share capital of the Company and entitle to 148,600 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 148,600 votes from the shares of the Company.

After the change in ownership, Mr. Wojciech Wiśniewski together with Agro-Jumal Sp. z o.o. holds a total of 463,370 shares of the Company which constitute a 5% share in the share capital and entitle to 463,370 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 463,370 shares from the Company's shares, of which:

- Mr. Wojciech Wiśniewski holds independently 314,770 shares of the Company which constitute 3.4% of the share capital of the Company and entitle to 314,770 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 314,770 votes from the shares of the Company.
- Agro-Jumal Sp. z o.o. holds independently 148,600 shares of the Company which constitute 1.6% of the share capital of the Company and entitle to 148,600 votes in the total number of votes at the General Meeting of Shareholders, i.e. to exercise 148,600 votes from the shares of the Company.

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

- do not have any subsidiaries holding the Company's shares,
- they have not concluded the agreement referred to in Article 87 paragraph 1 point 3 item c) of the Act on Public Offering, i.e. a contract the subject of which is the transfer of the right to exercise voting rights,
- they do not have financial instruments which, after the maturity date, unconditionally entitle or oblige their holder to purchase shares with which voting rights are associated, already issued by the Company, as referred to in Article 69b paragraph 1 item 1 of the Act on Public Offering.
- they also do not have financial instruments that relate to the Company's shares directly or indirectly and have economic effects similar to the effects of the financial instruments referred to in the previous sentence referred to in Article 69b paragraph 1 item 2 of the Act on Public Offering.

The Company has no other information that would indicate changes in the number of shares held by material shareholders (holding stakes over 5%) after the end of H1 of 2019.

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

Shares held by the Management Board Members

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

Member of the Management Board	H1 2019		2018	
	number of shares	nominal value	number of shares	nominal value
Zenon Daniłowski*	140,000	420,000	140,000	420,000

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

In accordance with the information held by the Company, during H1 2019 and until the date of publication of these statements, there were no changes in the ownership of shares held by the President of the Management Board.

Shares held by Members of the Supervisory Board

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

Member of the Supervisory Board	H1 2019		2018	
	number of shares	nominal value	number of shares	nominal value
Marek Rocki	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer El Waziri	0	0	0	0
Wiesław Wasilewski	5,000	15,000	5,000	15,000

In accordance with the information held by the Company, during Q1 2019 and until the date of publication of these statements, there were no changes in the ownership of shares held by the Members of the Supervisory Board.

In 2019, the Company paid a dividend of PLN 0.25 gross per share, which gives PLN 2.3 m.

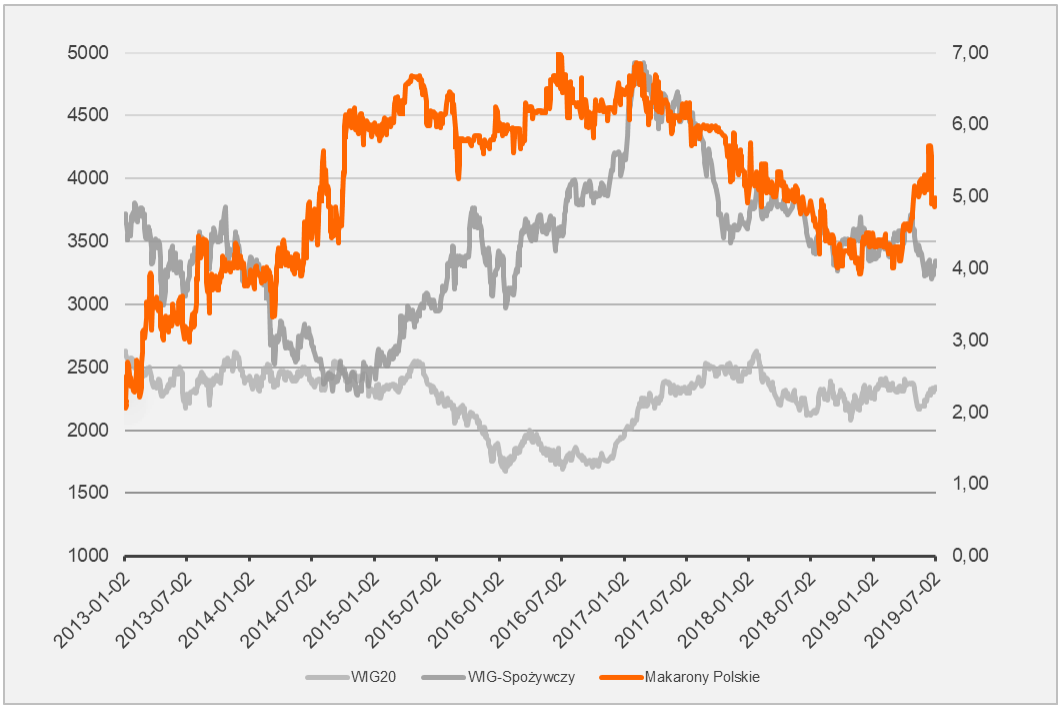
Shares in subsidiaries

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

Makarony Polskie SA on the capital market

Quotations and main indicators

Shares of Makarony Polskie SA have been listed on the Warsaw Stock Exchange since April 2007.



	2013 01-02	2014 01-02	2015 01-02	2016 01-04	2017 01-02	2018 01-03	2019 01-02	2019 07-01	Change from 2013-01
Makarony Polskie SA	2.06	3.8	6.03	6.03	6.45	5.15	4.40	4.98	142%
WIG20	2,626	2,431	2,309	1,804	1,957	2,463	2,302	2,330	-11%
WIG-Food	3,719	3,330	2,452	3,409	4,195	3,696	3 447	3,338	-10%

Information on dividend in Makarony Polskie SA

The Company's Management Board recommended the Ordinary General Meeting of Shareholders to divide the net profit for the financial year 2018 in the amount of PLN 5,069,631.54 as follows:

- the amount of PLN 2,312,517.75 for dividend payment, which means a dividend payment per share in the amount of PLN 0.25 gross,
- the remaining part of the profit in the amount of PLN 2,757,113.79 should be allocated to Makarony Polskie SA. Company's supplementary capital.

On 18 June 2019, the Ordinary General Assembly of Makarony Polskie SA adopted the Resolution No. 15 on payment of a dividend in the amount of PLN 2,312,517.75, that is PLN 0.25 gross per share.

The dividend day was set for 14 August 2019. The dividend was paid on 29 August 2019. There were 9,250,071 shares of the Company entitled to the dividend.

Use of revenues from issues

In the period from 1 January 2019 to the date of submitting this report, the Company did not issue any shares.

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

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

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

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

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

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

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

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

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

The Group's portfolio is constantly adapted to market trends and the needs of customers - has recently been enriched by functional products: dietary and health-oriented products.

Activities of Makarony Polskie Group

Main products and services

Brand products range:

PASTA:

MAKARONY POLSKIE – a brand with a distinct personality that fits in with the popular and stable market trend of promoting domestic and local food; dedicated to consumers who value good Polish quality at a reasonable price.



The brand's portfolio includes both traditional egg pasta (rolled, offered as a b-brand with the Abak brand) as well as pressed pasta produced from various types of flour, including flour from organic farming, as well as functional pasta of a dietary and healthy nature (pasta 100% spelled, rye, buckwheat or whole grain pasta with increased fiber content).



The brand's range also includes the "W Kuchniach Świata" range line inspired by the flavors of sunny Italy, based on the so-called large forms of pasta made 100% from flour from durum wheat, intended for stuffing.

Following the strong trend in the food market to offer products in single-use packaging, the Company also offers its customers its products in 100g packaging, which it promotes with the slogan "W sam raz na raz" [just in time]- in this basis weight pasta from the pro-health line, and wheat pasta from the first half of 2019, are available on the market.



Makarony Polskie Group regularly expands the egg pasta line, produced according to traditional recipes and emphasizing their traditional taste.





The company's offer includes ribbons and tagliatelle pasta that have wide culinary uses. Products from this group are offered to customers both in standard foil packaging and in attractive, hand-packed trays. This product group will continue to be systematically expanded in subsequent periods.





The egg product line is also diversified by popular egg pasta forms dedicated primarily as an addition to soups: vermicelli and ribbon pasta with a characteristic irregular shape inspired by homemade, cut pasta.



In the first quarter of 2019, the Makarony Polskie brand offer was enriched with High Protein Pasta using an innovative recipe and a mixture of alternative flour. This product is the result of the implementation of the results of research and development in the field of functional food, implemented under a project supported by EU funding (measure 1.4 Support for SMEs, Regional Operational Programme of the Podkarpackie Region 2014-2020). Carefully selected proportions of whole wheat flour, durum wheat, chickpea flour, lentils and pumpkin seeds make High Protein Pasta product with excellent nutritional values. This pasta is a natural source of fiber, has a high protein content and is suitable for vegetarians.

The Group's ambition is for the Makarony Polskie brand, together with the Makarony Polskie Abak subbrand, to become a tool for sorting out the currently fragmented medium shelf, located just below the leader and taking over shares that are currently owned by a large number of small manufacturers. In Q3 In 2019, works began on lifting the packaging of egg pasta. The purpose of this action is to organize product visualization and to give the brand a characteristic color code for this segment, allowing to strengthen brand awareness among customers.



SORENTI - is a brand created for the gourmets of Italian cuisine, offering the most popular forms of pasta produced 100% from flour derived from the highest quality durum wheat grain. On the domestic market, the Sorenti brand operates mainly in the modern channel. The advantage of this brand in the competitive environment intensifying its operations is the affordable price of products. The Sorenti brand is also a very attractive export product with great development potential and further internationalization.

MEAT AND VEGETABLE PRESERVES:

The brand range of meat and vegetable products included ready meals and meat under the brands Stoczek and Męska Rzecz. Ready meals offered by the Group - classic Polish cuisine dinners - combine home-made taste with the convenience and speed of their preparation, which makes them perfectly match current trends on the food market. The range of dishes in jars is perfectly complemented by the "W kuchniach świata" line responding to new consumer trends, as well as thick soups with a meat insert.





The "Męska Rzecz" brand is dedicated to the widest group of consumers in this food category, specially seasoned for men's taste, competing on the shelf due to its affordable price.



The Męska Rzecz and Stoczek offer is enriched by soups and canned dishes, including ready meals in XXL packaging (approx. 800g) for those who like to eat a lot and eat well. The dishes are not only tasty and satiating, but also healthy - without preservatives, artificial colors, flavors or flavor enhancers.



The portfolio of this product group is systematically expanded.

VEGETABLE PRESERVES

The range of vegetable preparations mainly included salads and marinades under the Tenczynek brand - traditional vegetable additives that make both hot and cold dishes more attractive and varied. Those products have their loyal group of consumers, they also fit into the Group's export policy - the Tenczynek brand is positioned on the shelves of "ethnic food" as a "premium" product.



The Tenczynek brand also includes fillings and salty stuffing for bakery and gastronomy, which are a very dynamically developing market segment.

FRUIT PRESERVES

The range in the field of fruit preserves included jams and plum jam (Stoczek and Tenczynek) and syrups (Tenczynek) - produced with the highest quality. In response to market trends regarding the development of new flavor categories, the Group is expanding its portfolio with this product group based mainly on the export perspective.

DISHES ON TRAYS

In the fourth quarter of 2019, ready-made dishes on trays will be introduced to Makarony Polskie Group's offer, which will be offered under the new So Food brand. It is a response to market trends and the ever-changing, very demanding consumer.

Products from this group will be offered to customers both on the so-called stable shelf (uncooled) shelf as well as on the refrigerated shelf. The place of distribution will be stores that are always "at hand", such as "grab and go" and "convinience".

The category will be characterized by a wide range that matches both the convenience trend (e.g. an idea for a quick lunch at work or school), as well as the trend of healthy products with a clean and transparent label.

In the initial period of operation, the category of dishes on trays will include three lines: world cuisine, regional dishes and dietary dishes. Each of them will be identified by a characteristic color line that facilitates easy identification.

Later, the category will be systematically expanded to maintain consistency with market trends and customer needs.

DRIED FRUIT



Dried fruit offered by Stoczek Natura Sp. o.o. in the Deli-Susz brand. The brand's portfolio consists of five products based on dried Polish apples: apple chips in three flavors (natural, with cinnamon and sour) and two flavors of mixtures of dried fruits (apple + raspberry, apple + cherry). These are products that respond to the trend of seeking healthy alternatives to high-calorie snacks full of chemical additives, because they are 100% natural, without the addition of preservatives, artificial colors, sugar or fats.

NOVELLE BRAND



The Novelle product brand is a trademark registered in the Polish Patent Office by MP Trade Sp. z o.o.

Novelle is an aspirational brand, addressed to consumers inclined to culinary experiments, dedicated to the innovative product line responding to food trends firmly embedded in vegetable cuisine. The Group's ambition is for it to be a brand that creates trends in the category of innovative products, alternative to products based on traditional recipes.





Currently, under the Novelle brand, legumes derived flour pasta, tortellini pasta in various flavors, egg spätzles and date pastas are offered. In the second half of 2019, new range implementations including vegetable pastas and ready-made veg dishes, are planned.

In subsequent periods, the Novelle brand offer will be expanded with new products based on vegetable proteins and products considered to be delicatessen products, with a clean label and short composition, in line with the identified market trends and consumer needs. Work on the development of new products will be performed in close cooperation with the marketing team of Makarony Polskie SA and New Product Development (NPD) teams operating in Makarony Polskie Group.

Private label products range:

The Group operates in the own brands segment in relation to each of the product categories available in its commercial offer. Private label products are manufactured under the brands of many retail chains both on the Polish and foreign markets, mainly pasta, but also meat and vegetable, vegetable and fruit preserves.

The Makarony Polskie Group, while developing the product range in its own brands, bases on global trends in the food market, in particular: health and nature, convenience and healthy convenience, tradition/origin and premiumization.

The Group focused on the development of high-protein veg pasta from flour from legumes and wholemeal flour (rich in fiber and minerals).

The product offer has been expanded to include traditional 12-egg pasta from quail eggs, and as part of the convenience trend, pasta in smaller packaging formats and pasta with shorter cooking times have been implemented.

Large forms of pasta, high-egg rolled pasta, colored pasta, flavored pasta with the addition of herbs and spices are the Group's response to the needs of consumers as part of the premiumization trend.

In categories other than pasta, the Group is constantly strengthening its position in the category of meats and ready meals in the own brands of the chain. In the fourth quarter of 2019, the product offer will be diversified by ready-made dishes on trays, which will be offered to customers both on the stable and refrigerated shelf.

The large interest in purchasing private label products in Makarony Polskie Group by leading and smaller networks is proof of the high quality, organizational efficiency of the Group, as well as proves its competitive position and credibility.

Market Environment

General market trends

The pasta market in Poland is quite stable in terms of structure (both product range and producers competing on the market) and, according to forecasts, in the coming years it will grow at a stable rate of 2.7% per year (quantitatively).

The key trends affecting the pasta market include:

- growing popularity of health-promoting pasta (health & wellness pasta),

- increasing demand for local flavors and varieties,
- emphasis on the use of natural additives and the creation of products with the so-called "clean label."

A strong trend on the food market is the fashion for healthy eating and various types of diets, such as gluten-free, low-carbohydrate or vegan diets. This has a direct impact on the product offer - there are numerous BFY (Better-For-You) products based on whole grains, alternative cereals, legumes or gluten-free ingredients and vegetables.

Another significant trend for the category is convenience, especially in terms of time. Declarations related to the amount of time that the consumer must invest in the preparation of the product become as important as those talking about the nutritional value and ingredients. The most common claim from the trend of convenience is the short preparation time, but there are also conveniences in packaging (e.g. a bag with a zip closure) or portions at once. Convenience are also flavor additives that make some of the works related to cooking is already done - both those related to pasta itself, as well as sauces or sachets with spices added to the packaging.

When discussing current market trends, it is impossible not to mention the growing consumer awareness of not wasting food. The "zero weste" trend is not only observed in the scope of packaging diversification by manufacturers: standard, family or "portion at once", but also as a social trend promoting responsible shopping (buy as much as you eat) and culinary educating in the full use of products food.

On the Polish market of ready meals, the average annual growth is expected to be at 3.2% in volume. This market is characterized by a dynamic change in structure, both in terms of the range of products offered and producers competing on it.

On the European markets, the trend of developing the ready-made meals segment in trays and cups has been observed for many years, at the expense of systematic shrinking of the shelf of products in jars. In Poland, the so-called shelf-stable still has the largest market share, but also here the gradual retreat of consumers towards the refrigerated shelf is becoming more pronounced. This is the result of, among others strong convenience trend (convenience, ease of use). Manufacturers are constantly looking for new solutions to facilitate the heating and consumption of dishes for consumers. Convenience and speed are also emphasized by the more and more often appearing proposals of dishes inspired by take-out food. The category also notes the increase in popularity of the so-called meal kits (sets that allow you to finish or compose a dish yourself), which comes from the need to compromise between mass ready meals, devoid of any individuality, and long and often demanding cooking from scratch.

The trend of health and naturalness is becoming more and more important in the category of ready meals, having a highly "processed" image. The need for " ... free" food increases with the level of consumer knowledge and their fear of allergies and preservatives. Here, too, customers increasingly demand a "clean label" (compositions free of artificial additives, flavor enhancers and preservatives), and manufacturers emphasize the simplicity and healthiness of recipes.

Sales markets of the Makarony Polskie Group

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

In H1 2019, the value of sales amounted to PLN 73.53 m on the domestic market and PLN 6.57 m in export. In the corresponding period of 2018, these amounts were PLN 72.37 m and PLN 3.64 m, respectively.

(in PLN k)	For the period from 01.01 until 30.06.2019	For the period from 01.01 until 30.06.2019
Country	73,531	72,371
Exports, including:	6,565	3,641
- European Union countries	1,032	926
- other countries	5,533	2,715
Total	80,096	76,012

Material agreements

Contract for co-financing the project entitled "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA"

Since April 2017, the Company has been implementing a Contract for co-financing a project entitled "Establishment of the Research and Development Center of the Pasta Industry at Makarony Polskie SA". The contract is concluded with the Ministry of Development and Finance (MIiR), and the project received a subsidy under measure 2.1 Support for investment in R&D infrastructure of enterprises, the Intelligent Development Operational Program 2014-2020.

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

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

The total cost of the project is approx. PLN 18.6 m. The total maximum amount of expenditure eligible for support is approximately PLN 15.2 m. Co-financing amounts to approx. PLN 9.1 m.

In March 2019, the Company concluded an annex with MIiR, under which the project completion date was updated as at March 31, 2020 (earlier, the date was set for 30 June 2019). The Company's request to change the date of completion of the project implementation was dictated by changes made to the construction documentation and to the scope of construction works. Postponing the project completion date will allow the Company to fully meet its obligations and to complete the project as intended.

Terms and conditions of the Agreement do not differ from those commonly used for this type of agreements. The performance bond is a blank promissory note inserted by the Company along with a promissory note declaration.

- Contract for co-financing the project entitled" Implementation of the results of research and development in the field of functional food in the Makarony Polskie SA Company."

In the period from March 2017 to April 2019, the Company has been implementing a Contract for co-financing the project entitled "Implementation of the results of research and development in the field of functional food in the Makarony Polskie SA Company." The contract was concluded with the Podkarpackie Region Board and the project received a subsidy under measure 1.4 SME support, Regional Operational Program of the Podkarpackie Region 2014-2020.

The subject of the concluded grant agreement was implementation of research and development results performed in cooperation with the scientific unit, based on the development of innovative recipes of products using raw materials that are not standard in the pasta industry. The main objective of the project is the expansion of Makarony Polskie SA on the functional food market,

As part of the project, the Company has completed the expansion of the machine park with modern machinery and production equipment, enabling the organization of individual production conditions necessary for the production of pasta with an innovative composition, including a modern pasta production line was purchased.

The total cost of the project was approx. PLN 12.3 m, and the amount of funding was approx. PLN 5.5 m.

Annexes to the investment loan agreement concluded with Santander Bank Polska SA

In January 2019, Makarony Polskie SA concluded with Santander Bank Polska SA (formerly: Bank Zachodni WBK SA), annex to the EU investment loan agreement worth PLN 8.0 m. The loan is intended to finance investments related to the project entitled "Implementation of the results of research and development in the field of functional food in the Makarony Polskie SA Company."

The subject of the annex included extension of the credit limit activation period to 31 March 2019 (the hitherto start-up period was until 31 December 2018) and change of the repayment schedule.

The loan will be repaid in 34 monthly installments starting from 30 April 2019, in the following amounts: 33 installments in the amount of PLN 0.1 m each and last installment 34 in the amount of PLN 4.54 m (originally the schedule assumed repayment of the loan in 37 monthly installments payable from 31 July 2019, including: 36 installments in the amount of PLN 0.1 m each and the last 37th equalizing installment, in the amount of PLN 4.23 m).

In connection with the impact of EU funding for the project entitled "Implementation of the results of research and development in the field of functional food in the Makarony Polskie SA Company", the loan repayment schedule shall change.

Annex to the loan agreement concluded with Bank Gospodarstwa Krajowego

* In June 2018, the Company concluded with Bank Gospodarstwa Krajowego annex to the overdraft agreement with a credit limit of PLN 6.0 m.

The annex extends the repayment date of the liability from 30 June 2019 to 30 June 2020. Other material terms of the loan agreement have not changed.

In connection with the conclusion of the above-mentioned annex, the term of surety granted to Makarony Polskie SA by the subsidiary Stoczek Natura Sp. z o.o. for the overdraft agreement is valid until 30 December 2020 (the current deadline is 30 December 2019). The detailed conditions of the surety granted do not differ from the market standards applicable in this respect. The remuneration of Stoczek Natura Sp. z o.o. is a commission for granting the surety.

Annexes to loan agreements concluded with Bank Zachodni WBK SA

In June 2019, Makarony Polskie SA concluded with Bank Zachodni WBK SA annexes to contracts that jointly meet the criteria of a material contract. The highest-value agreement was the annexed EU investment loan agreement with a value of PLN 12.1 m.

The subject of the amendment was, inter alia, extension of the credit limit disbursement period and change of the installments repayment schedule. The loan will be repaid in 26 monthly installments starting from 31 January 2020, in the following amounts: 25 installments in the amount of PLN 0.14 m each and the last equalizing installment, in the amount of PLN 8.51 m. The hitherto schedule assumed repayment of the loan in 32 monthly installments payable from 31 July 2019, in the following amounts: 31 installments in the amount of PLN 0.14 m each and the last 32nd equalizing installment, in the amount of PLN 7.65 m.

In the case of repayment of the loan from the funding received, the repayment schedule will change due to the balloon installment change. Installments of the repaid loan will be changed in such a relation to the installments specified in the original schedule, as the amount of the loan used to the loan amount.

Other material terms of the loan agreement have not changed.

Loan agreements concluded by Stoczek Natura Sp. z o.o. with Bank Gospodarstwa Krajowego

After the balance sheet date, in July 2019, the subsidiary Stoczek Natura Sp. z o.o. has concluded loan agreements with Bank Gospodarstwa Krajowego meeting the criteria of a material agreement with a total value of PLN 7.3 m.

The highest-value agreement was the investment loan agreement with a value of PLN 4.8 m with a final repayment date of 8 May 2025. The loan is intended to finance the investment related to the implementation of innovative solutions by modernizing the line for the production of ready meals in jars and cans and introducing new, innovative products on trays to the company's offer. As part of the project Stoczek Natura Sp. z o.o. plans to purchase fixed assets and conduct modernization of production halls.

The provisions of the loan agreement do not differ from the terms and conditions commonly used by the Bank for this type of agreements. The loan will be repaid in 54 monthly installments starting from 8 November 2020, in the following amounts: 53 installments in the amount of PLN 0.09 m each and the last 54th equalizing installment, in the amount of PLN 0.04 m. The loan interest rate was determined based on 3M WIBOR and does not differ from the standards applied in this respect by the Bank.

The investment loan is secured by:

- blank promissory note with a promissory note declaration,
- contractual mortgage up to the amount of PLN 12.1 m (the amount results from the investment loan and from previously concluded: Working capital loan agreements in a revolving credit line and guarantee agreements) established on the real estate located in Stoczek Łukowski at ul. Dwernickiego 5, for which Land and Mortgage Register No. KW LU1U/00022979/2 is kept,
- transfer of receivables under the insurance contract for the above-mentioned real estate,
- registered pledge on machines and devices purchased from credit funds,
- transfer of receivables under the pledged item insurance contract,
- surety under the civil law of Makarony Polskie SA,
- authorization to the account kept in BGK bank,
- borrower's declaration of submission to enforcement by means of a notarial deed pursuant to Article 777 § 1 point 5 of the Code of Civil Procedure

Surety of Makarony Polskie SA for Stoczek Natura Sp. z o.o.

After the balance sheet date, in July 2019, Makarony Polskie SA provided guarantees for the repayment of credit obligations taken by the subsidiary Stoczek Natura Sp. z o.o. at Bank Gospodarstwa Krajowego.

Those guarantees secure the claims of Bank Gospodarstwa Krajowego against Stoczek Natura Sp. z o.o. resulting from:

- investment loan agreements with a value of PLN 4.8122 m. The loan is intended for the modernization of the production plant in Stoczek Łukowski. The suety period is 76 months and expires in November 2025.
- revolving working capital loan agreement with a limit of up to PLN 2.5 m. The loan is intended for bridge financing for EU refinancing. The surety period is 21 months and expires in April 2021.

Each of the sureties shall be valid up to the amount of the loan, including interest, commissions and any additional costs.

Factors material for the development of the Group

Factors affecting the future results of the Company and the Group

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

- development of R&D activity in the area of innovative products: functional, health-oriented food in Makarony Polskie SA, an interdisciplinary team was established, which in cooperation with scientific institutions works on developing innovative technologies for the production of new low-processed and health-promoting products that are easy to prepare,
- in H1 2019, Makarony Polskie SA launched a production line for rolled pasta in a wide range of forms, including tagliatelle and papardelle. The line includes a highly technologically advanced system of weight dosing of dry ingredients and additives enabling the production of pasta from several types of flour in various proportions and a micronutrient dispenser enabling enriching the pasta composition with health-promoting ingredients,
- in the production plant in Rzeszow in the first half of 2019, the extension of the production and storage building was completed by a flour node building, which included silo installations for flour and other loose raw materials, and a cold store for raw materials and liquid additives.
- the project related to the adaptation of the electric, cooling and technological installation was completed by adjusting the parameters of the connections to the future increased production capacities of the production plant in Rzeszow,
- in the production plant in Częstochowa in the first half of 2019, the cold store was expanded to store raw materials requiring low temperatures during storage, which will increase the flexibility and safety of production and maintain production continuity during periods of full use of production capacity,
- Makarony Polskie SA continues to work on the implementation of production and introduction into sale of new forms of pasta, in the first half of 2019 the group's offer was enriched with spaghetti express and cavatappi,
- in Stoczek Natura Sp. z o.o. research is performed to adapt to global food production trends: convenience products, health-related products, innovative forms of packaging of offered products.
- in the production plant in Stoczek Łukowski in the first half of 2019, investments related to the implementation of project of innovative solutions through the modernization of the line for the production of ready meals in jars and cans and introducing new, innovative products on trays to the company's offer were conducted. In the second half of 2019, as

a result of the investment, the company will introduce several ready-made dishes on trays: world cuisines, regional and vege/fit cuisines,

- Stoczek Natura is also modernizing production halls in connection with ongoing purchases of new machinery and equipment.

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

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

  The implementation of the project will positively affect the improvement of the quality and innovativeness of the offered products, their repeatability and increased production

efficiency. In addition, as a result of the project, the Company will be able to introduce new products with pro-health values to the commercial offer, addressed to a new group of consumers.

- Group companies apply for EU funds under the 2014-2020 perspective to accelerate and expand the scope of investments in the modernization of machinery used in the current production profile and to develop new business areas to maintain market position and meet the growing demand for new, innovative products and packaging.

Activity development in the private label segment

- enriching the offer addressed to new and existing customers with health-related products, flavored pasta and premium products (e.g. new forms and shapes, innovative packaging), high-protein pasta and tagliatelle-type egg pasta,
- enriching the offer directed to new and existing customers with ready meals, meat, canned meat and soups,
- offering new and existing customers ready meals on trays that will appear in the Group's offer in Q4 2019,
- development of the product offer at customers' by products firmly embedded in vegetable cuisine, including legumes flour pasta, date pastas, vegetable pastas, or veg ready meals,
- activities aimed at improving the profitability of the sales channel.

Development of B2B sales channels and Institutions

- development of the category of pasta, meat and vegetable preserves, vegetable and fruit preparations, adapted to the expectations of the customers of that channel,
- establishing cooperation relations with other producers of pastas and ready meals and producers of complementary goods, in order to supplement the offer for the final recipient,
- individualizing the offer and thus increasing competitiveness,
- using the production potential of Stoczek Natura Sp. z o.o. in the scope of service packaging of products and based on new forms of packaging,
- further development of production of semi-finished products based on the production capacity of the plant in Stoczek Łukowski, including sweet stuffing and salty fillings.

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

- intensification of marketing activities aimed at the development of the Makarony Polskie, Novelle and SoFood brands, as well as rebranding and new definition of Stoczek Natura, Sorenti, Tenczynek; strengthening and development of the product portfolio in line with

market trends, including the introduction of a line of vegan products (Novelle brand) and a line of rolled pasta in the form of fettuccine and ribbon pasta,

- development and implementation of cooperation mechanisms with wholesale customers, retail local networks and network trade, especially in the area of international medium and small networks and convenience networks - as a selective distribution strategy, taking into account the specificity of the categories in which the Group operates,
- focusing on fast and efficient building of brand availability in the modern channel and implementation of an effective distribution policy in the traditional channel,
- intensification of trade marketing activities supporting sales and resale of products and building lasting relationships with customers.

Export development

- focusing on European markets, including in particular Ukraine, where the Group systematically develops its cooperation with networks.
- changing the Group's operating model in the Egyptian, Middle East and Africa markets to improve its efficiency - the Group offers products under the Sorenti brand for which the majority of exports are made,
- systematic increase in the number of customers on foreign markets, especially in the European Union,
- intensification of communication with current and potential recipients through the participation of, among others in trade fairs and organization of B2B meetings in target markets,
- acquiring and implementing projects concerning deliveries under the own recipient's brand,
- development of the product offer by offering functional products on foreign markets, e.g.: whole wheat pasta with high fiber content, spelled pasta, buckwheat, vegetable and BIO products and new product categories.

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

Risks and threats material to the Group's development

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

The risk of changes in market trends

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

Current market trends are monitored on a regular basis. The Group's companies quickly and flexibly match their offer to them, both in terms of the products themselves and their production technology. The current product range of the Group is modified in line with market trends, e.g. health-related products, "Fit", products with reduced gluten content, pasta with flavors and ancient cereals (e.g. spelled, buckwheat), products based on, or with addition, vegetable flour are systematically developed. In H1 of the year, high-protein pasta and date pastes appeared in the Group's offer. In H2 2019, the product portfolio shall be expanded in the category of ready meals on trays offered for stable and refrigerated shelves.

Risk related to competition

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

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

Risk of dependence on recipients

A significant part of revenues is generated by the Group through cooperation with organized and centrally-decisive retail chains. A possible lack of continuity of cooperation with customers may affect the amount of revenues. Some commercial contracts do not contain a strictly determined amount of estimated purchases that the recipient will make during the term of the contract. There is a risk that recipients will submit orders that deviate quantitatively from the monthly plans adopted by the Group. This may result in the inability to meet demand or incomplete use of production capacity, which will have an impact on the results. In the Group's

opinion, this risk is not significant, as the number of products delivered so far has not been subject to significant fluctuations per year, shaping the foreseeable limits. In addition, the Group companies conduct systematic actions towards the diversification of customers and increasing the number of so-called medium-sized customers.

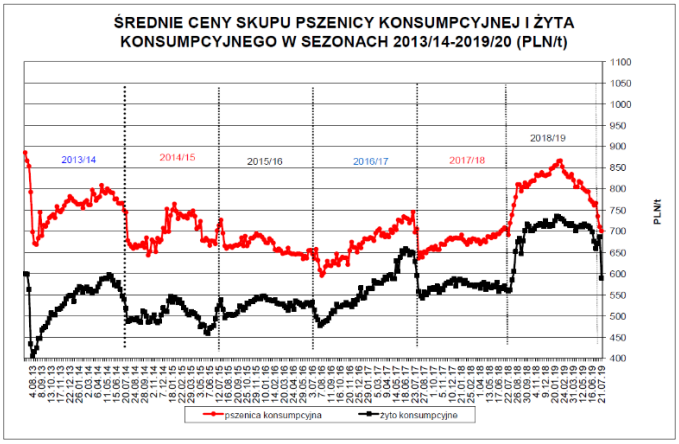
Risk related to changes in raw material prices

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

In the first quarter of 2019, the prices of purchase of flour were stable, however, they remained at a high level, similar to that from the fourth quarter of 2018 (in the third and fourth quarter of 2018, the market experienced a sharp increase in wheat prices due to adverse weather conditions, which had an impact on the level and quality of harvest in 2018 - alternately drought and heavy rains in the improper period of cereal growth). A slight downward trend occurred in March 2019, however, this trend stopped and in the second quarter of 2019 prices were stabilized at a relatively high level. Since July 2019, a material decline in wheat and flour prices has been observed, following informationfrom European and non-European cereal markets with very good quantitative forecasts for this year's harvest.

Regardless of the above, Makarony Polskie SA is aware that wheat production is highly sensitive to unpredictable weather conditions, therefore prices are subject to increases due to possible speculations or natural disasters, which is why the forecasts concerning both the domestic market will be monitored on an ongoing basis. as well as prices of consumer wheat on global markets.

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



Source: Weekly report on the market for cereals, oilseeds and feed materials - Cereal market week 30.2019, Sparks Polska

The egg mass market, after material increases in the price of egg pulp (by 250-260%, to the level of PLN 10.0-11.2 k for one ton of weight) in the last months of 2017 a systematic drop in prices was observed. At the end of Q4 2018, the price of egg pulp amounted to PLN 3.8-4.2 k for one ton of egg pulp. In Q1 2019 there was a slight increase in prices, which resulted, among others, from the increased demand for eggs before Easter. The next period was a slight decrease, after which, following the information about bird flu in Belgium, the prices of eggs and egg weight increased slightly. Current prices of the egg pulp on the market are at the level of PLN 4.3-5.3 k for one ton of egg pulp. In the next few months, the egg market should be stable - due to the growing production associated with a material increase in the number of laying hens and a decrease in egg exports. Forecasts for the following months assume that the prices of eggs and egg weight should remain at the level indicated above with a slight upward trend in the second part of the third quarter and the first part of the fourth quarter, while those fluctuations should not have a material impact on the profitability of products.

Taking into account the current market trends, Makarony Polskie SA Company decided not to enter into long-term contracts for the supply of raw materials and in H1 2019 made purchases on a monthly basis, on the spot.

Stoczek Natura Sp. z o.o. is a producer of fruit and vegetable preserves (including jams and salads) and ready meals. The prices of fruit and vegetables are strongly dependent on weather conditions. The Company cooperates with domestic fruit and vegetable suppliers, it also has an extensive database of foreign suppliers of key raw materials, which gives the Company greater opportunities to obtain cheap, good quality raw materials. Purchase of fruit and vegetables is performed seasonally, in months in which their prices are the lowest. If necessary, purchased raw materials are stored in Company warehouses and cold stores. Stoczek Natura Sp. o.o. is exposed to the increase in raw material prices resulting from various types of weather anomalies. Aiming at minimizing this risk, the Company maintains an extensive base of suppliers of key raw materials. In addition, Stoczek Natura Sp. z o.o., striving to optimize the operation of the plant, provides for the possibility of outsourcing the production of those categories of fruit and vegetable products, whose market share does not guarantee the Company the optimal use of existing production capacity and purchase of raw materials at attractive prices.

Risk of variable legal and tax environment

The Polish legal and tax system is characterized by frequent changes. An unfavorable factor for the operations of the Group's companies may be the changing legal regulations as well as its various interpretations. Practice shows that the interpretation of legal provisions by tax authorities and judicial decisions in the aspect of taxation are often inconsistent. In the case

of companies operating on the Polish market, there is a greater risk of doing business than in countries with stable and well-established legal and tax systems.

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

Risk related to changes in exchange rates

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

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

The table presents the currency structure for given classes of financial instruments as at 30 June 2019:

Groups/categories of financial instruments	Carrying amount as at 30.06.2019 PLN k	Currency exposure as at 30.06.2019 PLN k	EUR PLN k	USD PLN k
Financial assets				
Cash and cash equivalents	358	77	71	6
Trade receivables	30,138	5,006	5,006	
Financial liabilities				
Liabilities from deliveries and services	27,614	5,154	5,154	

The table presents the analysis of the sensitivity of the financial result to changes in exchange rates as at 30 June 2019:

Groups/categories of financial instruments	EUR		USD	
	5%	-5%	5%	-5%
	impact on the financial result PLN k		impact on the financial result PLN k	
Financial assets				
Cash and cash equivalents	3.5	-3.5	0.3	-0.3
Trade receivables (gross)	250.3	-250.3	-	-
Financial liabilities				
Liabilities from deliveries and services	-257.7	257.7	-	-

Risk related to remuneration pressure

Systematic increases in the minimum wage and the minimum hourly rate on civil law contracts cause that wage pressure increases among employees and potential job candidates. This phenomenon is compounded by the fact that due to demographic changes and a decrease in the number of people of working age, the "employee market" is steadily growing in Poland and the unemployment rate is falling. Employers, including Group companies, more often have difficulty finding suitable candidates for vacant positions, both among specialists and managerial staff as well as among unskilled people.

Aiming at minimizing staff rotation, especially among key employees and specialists, the Group is trying to systematically implement motivational remuneration systems (combined with, among others, production and sales efficiencies), which by closely associating the results of individual teams/people with the effectiveness of achieving the Group's objectives entrusted to those teams/employees, allow to combine the level of wages satisfying employees with the profitability of the company's operations. In order to increase motivation and build employee loyalty towards the employer, the Group companies systematically diversify the package of non-financial benefits, such as sports cards, group insurance, holiday cards or private medical care, in order to best match the needs and expectations of employees.

Interest rate risk

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

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

In H1 2019, the Group used external financing in the form of bank loans: current, investment and overdrafts.

As at 30 June 2019, the Group had a liability due to loans taken out, in the amount of PLN 29,259 k:

Currency	Interest	Loans balance	Including loans	
			Short-term	Long-term
PLN	WIBOR + bank's margin	29,259	8,660	20,599

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

The structure of financial instruments exposed to the risk of changes in interest rates as at 30 June 2019 is presented in the table below:

Groups/categories of financial instruments	Carrying amount as at 30.06.2019 PLN k	Value exposed to risk as at 30.06.2019 PLN k	WIBOR PLN k
Financial assets			
Cash in hand and at bank	358	-	-
Financial liabilities			
Bank loans	29,259	29,259	29,259
Other financial liabilities	2,570	2,570	2,570

The table below presents the analysis of the sensitivity of the financial result to changes in interest rates as at 30 June 2019:

Interest rate	Deviation assumptions (in percentage points) 30 June 2019		Value at risk as at 30.06.2019 PLN k	Impact on the financial result 30 June 2019 PLN k	
WIBOR	1%	-1%	31,829	-318.3	318.3

Credit risk

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

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

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

Financial situation

Rules for preparing the consolidated financial statements

The financial statements have been prepared on the basis of the International Financial Reporting Standards, assuming the continuation of the business operations of the Group companies in the foreseeable future and to a significant extent. The Group did not conduct operations which were discontinued in H1 2019.

The financial statements of all entities were prepared for the same reporting period using consistent accounting principles. The financial year of the Group's companies is the calendar year (with the proviso that the first financial year of MP Trade Sp. z o.o. lasted from 28 September 2015 to 31 December 2016).

Entities subject to consolidation:

as at 30 June 2019	Stoczek Natura Sp. z o.o.	MP Trade Sp. z o.o.
Type of relationship	a direct subsidiary	a direct subsidiary
Consolidation method	full	full
Date of taking control	1 June 2007	28 September 2015
% held capital	100%	100%

Group results description

Makarony Polskie Group (in PLN k)	01.01.2019-30.06.2019	01.01.2018-30.06.2018
Revenues from sale	80,096	76,012
Revenues from sale of other products and services	76,775	73,153
Net revenues from the sale of materials and goods	3,321	2,859
Own cost	**61,623**	**58,980**
Production costs of products and services sold	58,718	56,526
Value of goods and materials sold	2,905	2,454
Gross profit (loss) on sales	**18,473**	**17,032**
Costs of sale	10,167	9,195
General administrative costs	3,490	3 443
Other revenues	490	547

Other costs	239	405
Profit (loss) from continued operations	**5,067**	**4,536**
Financial incomes	16	21
Financial costs	694	531
Profit (loss) on business activities	**4,389**	**4,026**
Gross profit (loss)	**4,389**	**4,026**
Income tax - current part	710	584
Income tax - deferred part	184	260
Net profit (loss)	**3,495**	**3,182**

The value of the consolidated revenues in H1 2019 amounted to PLN 80.1 m and was higher by approx. 5.4% compared to H1 2018. The cost of sold products, services, goods and materials in the first half of 2019 amounted to approx. PLN 61.6 m (an increase by approx. 4.5%). The higher growth dynamics of Makarony Polskie Group revenues compared to the growth dynamics of costs resulted mainly from the activities conducted on increasing the efficiency of asset utilization and sales profitability, which resulted in an increase in gross profit on sales in the first half of 2019 by PLN 1.4 m, i.e. up to the amount of PLN 18.5 m compared to the first half of 2018. Gross return on sales amounted to approx. 23.1% (vs. 22.4% for H1 of 2018).

Operating result (EBIT) in the first half of 2019 amounted to PLN 5.1 m compared to PLN 4.5 m in the first half of 2018, which increased by 11.7%. Profitability at the EBIT level was 6.3% (vs. 6.0% for Q1 2018).

Net profit in the first half of 2019 amounted to PLN 3.5 million and is higher than the result of the first half of 2018 by PLN 0.3 million (+ 9.8%). Return on sales calculated at the level of net profit amounted to 4.4% (vs. 4.2% for the first half of 2018).

At the end of the first half of 2019, the Group recorded EBITDA at the level of approx. PLN 8.2 m, compared to the result of approx. PLN 7.4 m in the first half of 2018, which gives an increase by PLN 0.8 m y/y, i.e. 10.2%. EBITDA margin in the first half of 2019 was 10.2% vs. 9.8% in H1 2018.

Results achieved vs. forecasts

The Makarony Polskie Group did not publish financial forecasts for the financial year 2019.

Group operating segments

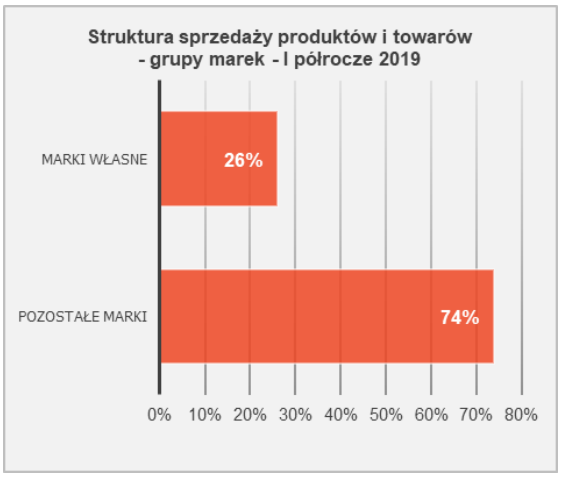
Revenues from sale of products, services, goods and materials by business segments

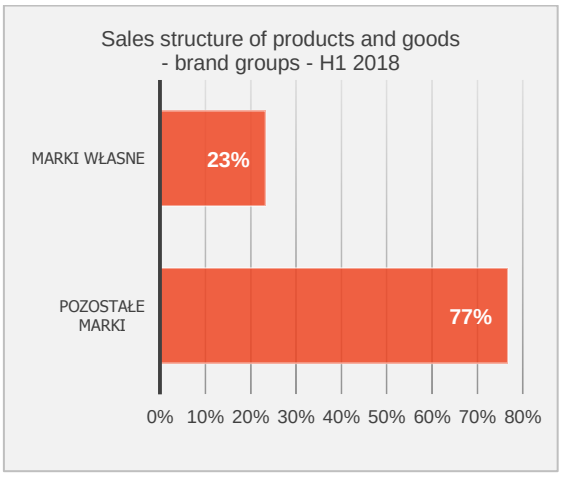
For management purposes, the Group is divided into business units based on the products and services offered.

	For the period from 01.01 until 30.06.2019	For the period from 01.01 until 30.06.2018
Revenues from sales of products	73,242	69,218
Proceeds from the sale of services, including	3,533	3,935
- service production	1,062	1,457
- transportation services		
- for lease, storage	2,463	2,476
- other	8	2
Revenues from sale of materials	2,131	1,713
Revenues from sale of goods	1,190	1,146
Total	80,096	76,012

Sales revenues broken down into private labels and foreign brands

The structure of sales of products and goods by brand group is illustrated by the following charts:





Sales revenues by operating segments

In the first half of 2019, Makarony Polskie Group realized sales according to the following product groups, achieving the following revenues in this respect:

	01.01.2019-30.06.2019	01.01.2018 - 30.06.2018
Pasta	57,056	48,282
Meat and vegetable preserves	13,034	17,613
Vegetable preserves and stuffing	1,139	1,483
Fruit preserves	4,197	3,952
Other	4,670	4,682
Total	80,096	76,012

Basic information about operating segments:

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

H1 2018	Pasta	Meat and vegetable preserves	Vegetable preserves and stuffing	Fruit preserves	Other	Total segments
Revenues						
Sales to external customers	48,282	17,613	1,483	3,952	4,682	76,012
Sales between segments						
Total revenues of the Group	48,282	17,613	1,483	3,952	4,682	76,012
Costs						
Segment costs	37,016	14,809	1,086	3,372	2,697	58,980
Segments profits or losses (gross result on sales)	11,266	2,804	397	580	1,985	17,032

The sales revenues of Makarony Polskie Group in H1 2019 amounted to PLN 80.1 m and were by approx. PLN 4.1 m higher than in the corresponding period of 2018.

Sales of the pasta category increased in the analyzed period by approx. PLN 8.8 m to PLN 57.1 m. The increase of approx. 18.2% was the result of good acceptance by customers of product novelties in the largest retail chains and high dynamics of sales growth in Export.

Another segment in which a positive dynamics of changes was noted is the segment of processed fruit. Sales of fruit products in the analyzed period amounted to nearly PLN 4.2 m and were higher by PLN 0.2 m, i.e. approx. 6.2% compared to 2018, which was due to the acquisition of new contracts for the production of jams under network brands and the development of dried fruit sales.

Sales of meat and vegetable products decreased in the analyzed period by approx. PLN 4.5 m to the amount of PLN 13.0 m. The decrease of approx. 26.0% (first half of 2019 vs. first half of 2018) was the result of the lack of implementation of the contract for the delivery of ready meals for the National Agricultural Support Center (in the first half of 2018 a one-off contract was implemented). In this category, the Group recorded an increase in sales under private labels and commercial networks (+2.9 m PLN y/y), but this did not allow to fully compensate for the lack of performance of the contract for KOWR.

The segment of vegetable preserves and stuffing decreased in the analyzed period by PLN 0.3 m to the amount of nearly PLN 1.1 m The decrease resulted from the limitation of orders in the field of stuffing by one of the recipients.

Structure of the Group's assets and liabilities

The balance sheet total of the Group amounted to approx. PLN 162.3 m as at 30 June 2019 in relation to the amount of approx. PLN 145.5 m as at 31 December 2018 and to the amount of PLN 134.1 m as at 30 June 2018.

ASSETS	30 June 2019	31 December 2018	30 June 2018
FIXED ASSETS	**112,305**	**101,160**	**90,290**
Tangible fixed assets	91,120	84,471	73,514
Fixed assets – IFRS-16	4,550	0	0
Investment real estate	603	603	642
Goodwill	5,949	5,949	5,949
Other intangible assets	9,927	9,945	9,963
Long-term financial assets	0	0	0
Assets for deferred income tax	1	1	2
Other long-term assets	155	191	220
CURRENT ASSETS	**50,018**	**44,300**	**43,832**
Inventories	19,212	18,157	18,614
Short-term receivables	30,138	25,427	24,280
CIT receivables	0	0	0
Borrowings granted	0	0	0
Cash and cash equivalents	358	359	595
Other short-term assets	310	357	343
ASSETS FOR SALE	**0**	**0**	**0**
TOTAL ASSETS	**162,323**	**145,460**	**134,122**

LIABILITIES	30 June 2019	31 December 2018	30 June 2018
EQUITY	**79,680**	**78,498**	**75,875**
Share capital	27,750	27,750	27,750
Supplementary capital	37,155	46,095	46,095
Reserve capital	12,000	0	0
Retained profits/losses (profit/loss from previous years)	-720	- 1,152	- 1,152
Net profit/loss	3,495	5,805	3,182
LONG-TERM LIABILITIES	**26,407**	**21,686**	**14,056**
Provision for deferred income tax	3,753	3 569	3,702
Long-term bank loans and borrowings	8,660	10,541	2,165
Provision for pensions and similar (long-term)	321	285	242
Revenue of future periods - long-term	8,429	6,062	6,325
Long-term financial liabilities - leasing	1,525	1,229	1,622
Long-term financial liabilities - IFRS-16	3,719	0	0
SHORT-TERM LIABILITIES	**56,236**	**45,276**	**44,191**

Short-term bank loans and borrowings	20,599	14,170	16,139
Short-term financial liabilities - leasing	1,045	944	795
Short-term financial liabilities-IFRS-16	867	0	0
Financial liabilities due to dividends	2,313	0	2,313
Other short-term liabilities	29,310	27,991	23,118
CIT liabilities	133	220	99
Revenue from future periods - short-term	678	909	533
Provision for retirement and similar benefits (short-term)	1029	1,042	934
Other short-term provisions	262	0	260
TOTAL LIABILITIES	**82,643**	**66,962**	**58,247**
TOTAL LIABILITIES	**162,323**	**145,460**	**134,122**

As at 30 June 2019, the value of fixed assets was approximately PLN 112.3 m (69.2% of total assets) compared to PLN 101.2 m at the end of 2018 (an increase by 11.0%). The increase in fixed assets was caused by the application of IFRS 16, i.e. measurement and disclosure of lease contracts and perpetual usufruct rights (+ PLN +4.8 m), as well as ongoing investments, mainly at the production plant in Rzeszow. (in Makarony Polskie SA) and the production plant in Stoczek Łukowski (in Stoczek Natura Sp. z o.o).

As at 30 June 2019, current assets amounted to approx. PLN 50.0 m and increased by approx. 12.9% compared to the end of 2018 when they amounted to PLN 44.3 m. The largest changes in current assets occurred on inventories (an increase of approx. PLN 1.1 m, i.e. approx. 5.8% compared to the end of 2018) and receivables (an increase of approx. PLN 4.7 m, i.e. by approx. 18.5% compared to the end of 2018) - this is the result of an increase in sales and ongoing investments, i.e. advance payments for the supply of machinery and equipment).

Equity as at the balance sheet date amounted to approximately PLN 79.7 m, constituting approximately 49.1% of the value of liabilities and increased by 1.5% compared to the value of PLN 78.5 m at the end of 2018. The change was caused by the consolidate profit in the first half of 2019 in the amount of PLN 3.5 m and the allocation of part of the net profit for 2018 to a dividend of PLN 2.3 m.

Long-term liabilities amounted to PLN 26.4 m and increased by 21.8% (from PLN 21.7 m) compared to the end of 2018, mainly due to the application of IFRS 16 (+3.7 m PLN), i.e. valuation and disclosure of lease agreements and perpetual usufruct rights in the long-term part, increase in future periods revenues as a result of receiving the grant settled in time (PLN +2.4 m) with a decrease in long-term loans (PLN -1.9 m).

Short-term liabilities as at 30 June 2019 amounted to PLN 56.2 m and increased compared to the end of 2018 of PLN 45.3 m. The largest changes in short-term liabilities include an increase in the value of other liabilities (a decrease of approx. PLN 1.3 m, i.e. approx. 4.7%), separation

of a liability item due to dividend (PLN 2.3 m), and application of IFRS 16 (+ PLN 0.9 m), i.e. valuation and disclosure of lease agreements and perpetual usufruct rights in the short-term part, as well as an increase in short-term loans (increase by PLN 6.4 m, i.e. approx. 45.4%).

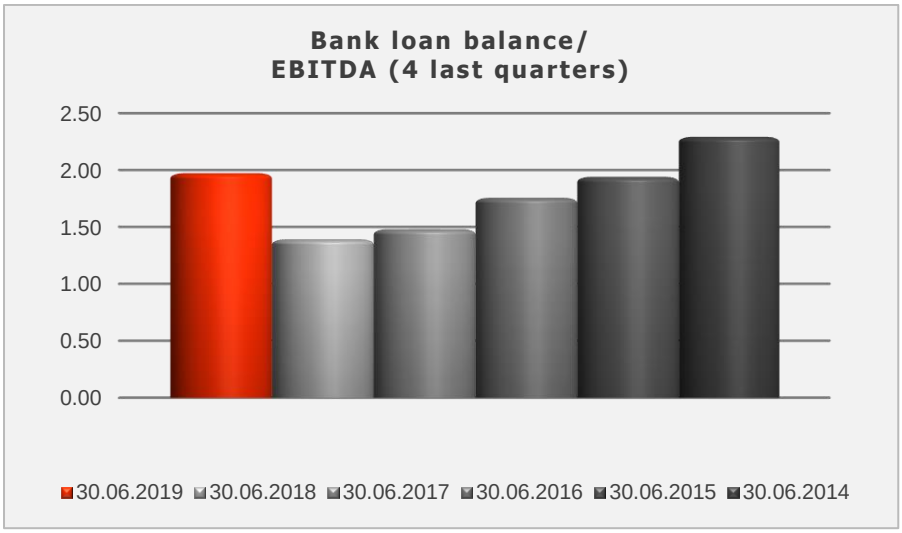
Liquidity and management of the Group's financial resources and financial risk

Makarony Polskie Group manages economic resources in such a way as to ensure financing of current operations and investments conducted using own funds, bank loans, factoring and leasing.

Confirmation of full ability to settle liabilities in the first half of 2019 is:

- generating positive cash flows on operating activities in the amount of over PLN 7.3 m (vs. PLN 4.7 m in the first half of 2018),
- generating EBITDA at the level of PLN 8.2 m in the first half of 2019 (an increase nu PLN 0.8 m compared to the first half of 2018),
- the Group makes part of its purchases without using a trade credit, which is conditioned by obtaining financial benefits,
- investment implementation and dividend payment in 2019 in the amount of PLN 2.3 m
  (in 2018 in the amount of PLN 2.3 m),

At the end of June 2019, the bank loan to EBITDA ratio remained at a safe level:



In the opinion of the Management Board, there are no threats that would make it impossible to pay its liabilities. In connection with the payment of dividends and large expenses related

to the implementation of investment projects, the Group's debt will increase in subsequent periods.

Other financial information

Information on loans granted

As at 30 June 2019, Makarony Polskie SA granted to its subsidiary Stoczek Natura Sp. z o.o. a short-term loan in the amount of PLN 2.00 m with the repayment date falling on December 31, 2019 (one-off repayment to maturity date). The interest rate on the loan was determined based on market conditions.

In H1 2018, Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. did not grant any loans.

Information on granted and received guaranties

In H1 2019, the Group companies did not grant any guarantees, and Makarony Polskie SA and Stoczek Natura Sp. z o.o. used the granted guarantees.

The list of guarantees in force at Makarony Polskie SA as at 30 June 2019 is illustrated in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Santander Bank Polska SA	1,011	to 28.12.2021	guarantee securing the Company's obligations under the agreement for sales and storing pasta, under the contract concluded with Agencja Rezerw Materiałowych	joint mortgage up to PLN 1,517 on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszow with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; - blank promissory note with a promissory note declaration
Santander Bank Polska SA	249	to 22.01.2021	guarantee securing the Company's obligations under the agreement for storing pasta, under the contract concluded with Agencja Rezerw Materiałowych	joint mortgage up to PLN 373 k on the following real estates: a) in KW No. RZ1Z/00076860/5 located in Rzeszow with the assignment of rights from the property insurance policy, a) in KW No. PL1P/00094893/6 located in Płock with the assignment of rights from the property insurance policy; - blank promissory note with a promissory note declaration

Statement of guarantees applicable in Stoczek Natura Sp. z o.o. as at 30 June2019 is shown in the table below:

Guarantor	Guarantee amount in PLN k	Validity of the guarantee	Subject of the guarantee	Collateral
Bank Gospodarstwa Krajowego	504	until 13.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Agencja Rezerw Materiałowych	- contractual mortgage up to PLN 756 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, blank promissory note issued by the Customer together with a promissory note declaration, - authorization to a current account kept at BGK bank, - surety of Makarony Polskie SA
Bank Gospodarstwa Krajowego	1,549	until 15.12.2021	guarantee securing the Company's obligations under the agreement for storing ready-made meals, under the contract concluded with Agencja Rezerw Materiałowych	- contractual mortgage up to PLN 2,323 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, blank promissory note issued by the Customer together with a promissory note declaration, - authorization to a current account kept at BGK bank, - surety of Makarony Polskie SA
Bank Gospodarstwa Krajowego	24	Until 25.03.2022	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Agencja Rezerw Materiałowych	blank promissory note issued by the Customer together with a promissory note declaration, - authorization to a current account kept at BGK bank,
Bank Gospodarstwa Krajowego	725	Until 31.08.2023	guarantee securing the Company's obligations under the agreement for storing preserves, under the contract concluded with Agencja Rezerw Materiałowych	- contractual mortgage up to PLN 1,088 k on real estate marked in KW No. LU1U/00022979/2 located in Stoczek Łukowski together with the assignment of rights from the property insurance policy, blank promissory note issued by the Customer together with a promissory note declaration, - authorization to a current account kept at BGK bank, - surety of Makarony Polskie SA; declaration on submission to enforcement made pursuant to Article 777 of the Code of Civil Procedure, in the form of a notarial deed (up to PLN 1.5 m).

Information on granted and received sureties

As at 30 June 2019 Makarony Polskie SA granted sureties to its subsidiary Stoczek Natura Sp. z o.o.:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 30.06.2019
Surety of overdraft facility in the amount of PLN 3.0 m	Bank BGK	3,000	16.05.2020	2,708
Bank guarantee in the amount of PLN 0.5 m	Bank BGK	504	13.06.2022	-
Bank guarantee in the amount of PLN 1.5 m	Bank BGK	1,549	15.06.2022	-
Bank guarantee in the amount of PLN 0.7 m	Bank BGK	725	29.02.2024	-

During the first half of the year, Makarony Polskie SA guaranteed loans to the Polish Chamber of Pasta for a total amount of PLN 2.85 m. The loans were intended to finance a 3-year information and promotion campaign "Makarony Europy", supported by the European Union and the Agricultural Market Agency. Due to the settlement and closing of loan agreements, the sureties expired.

Makarony Polskie SA received remuneration for sureties granted.

As at 30 June 2019 Stoczek Natura Sp. o.o. granted sureties to the parent Company Makarony Polskie SA, and their status as at that day is presented below:

External liabilities	Creditor name	Amount of surety in PLN k	Expiration date	Balance of the secured liabilities in PLN k as at 30.06.2019
Surety of overdraft facility in the amount of PLN 5.0 m	Santander Bank Polska SA	7,500	30.04.2023	3,528
Surety of investment loan in the amount of PLN 13.8 m	Santander Bank Polska SA	30,000	30.09.2021	6,244
Non-renewable revolving overdraft of PLN 5.0 m *	Bank BGK	5,000	29.12.2020	1,000
Surety of overdraft facility in the amount of PLN 6.0 m*	Bank BGK	6,000	30.12.2020	5,569

Surety of the EU investment loan in the amount of PLN 8.0 m	Santander Bank Polska SA	8,000	applies until the subsidy is settled	6,295
Surety of the EU investment loan in the amount of PLN 12.1 m	Santander Bank Polska SA	12,121	applies until the subsidy is settled	3,900

* Stoczek Natura Sp. z o.o. concluded with Bank BGK an annex to the surety agreement for loan taken by Makarony Polskie SA. Pursuant to the annex, the validity of the liability has been extended: the surety for an overdraft agreement is valid until 30 December 2020 (the current deadline is 30 December 2019).

Stoczek Natura Sp. z o.o. received remuneration for the surety for the parent company Makarony Polskie SA.

In the first quarter of 2018, MP Trade Sp. z o.o. did not grant any sureties.

Material transactions concluded by the Company and subsidiaries with affiliates under the terms other than market terms

In H1 2019, Makarony Polskie Group companies did not conclude material transactions with each other under the terms other than market terms.

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

Off-balance items

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

Makarony Polskie Group (in PLN k)	30 June 2019	31 December 2018
1. Contingent assets	**4,062**	**3,962**
- received guarantees and sureties	4,062	3,337
- collaterals on assets	0	0
- bills of exchange	0	625
2. Contingent liabilities	**175,446**	**174,662**
- for provided guarantees and warranties	0	5,025
- collaterals on property	114,905	116,517
- promissory note obligations	60,541	53,120
Total off-balance items	**-171,384**	**-170, 700**

* The statement does not include sureties between entities within the Group due to the lack of inflows on the balance of off-balance sheet items.

Makarony Polskie SA (in PLN k)	30 June 2019	31 December 2018
1. Contingent assets	**71,881**	**72,199**
- received guarantees and sureties	69,881	69,881
- collaterals on assets	0	
- bills of exchange	2,000	2,318
2. Contingent liabilities	**160,829**	**158,413**
- for provided guarantees and warranties	5,778	11,550
- collaterals on property	103,238	105,938
- promissory note obligations	51,813	40,925
Total off-balance items	**-88,948**	**-86,214**

Material proceedings pending before a court, in arbitration proceedings or before a public administration body

In the reporting period presented before, no material proceedings regarding liabilities and debts of the Company or a subsidiary were pending before a court, competent arbitration authority or public administration body.

Events after the balance sheet date that may significantly affect the financial results

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

Makarony Polskie SA Company financial results

Characteristics of the basic economic and financial figures of Makarony Polskie SA

Makarony Polskie SA	01.01.2019-30.06.2019	01.01.2018-30.06.2018
Revenues from sale	**72,804**	**64,196**
Revenues from sale of other products and services	58,148	49,712
Net revenues from the sale of materials and goods	14,656	14,484
Own cost	**56,556**	**49,672**
Production costs of products and services sold	43,718	36,985
Value of goods and materials sold	12,838	12,687
Gross profit (loss) on sales	**16,248**	**14,524**
Costs of sale	9,702	8,626
General administrative costs	2,484	2,214
Other revenues	386	388
Other costs	232	255
Profit (loss) from continued operations	**4,216**	**3,817**
Financial incomes	49	49
Financial costs	593	420
Profit (loss) on business activities	**3,672**	**3,446**
Gross profit (loss)	**3,672**	**3,446**
Income tax - current part	621	574
Income tax - deferred part	119	113
Net profit (loss)	**2,932**	**2,759**

The value of the revenues in H1 2019 amounted to PLN 72.8 m and was higher by approx. 11.8% i.e. PLN 8.6 m compared to H1 2018. The cost of sold products, services, goods and materials in the first half of 2018 amounted to approx. PLN 56.6 m (an increase by approx. 12.2%).

Makarony Polskie SA closed the first half of 2019 with a gross profit on sales of PLN 16.2 m, which gives an increase of PLN 1.7 m compared to the same period in 2018, with a gross profit margin of approx. 22.3% (vs. 22.6% for the first half of 2018).

Operating result (EBIT) in the first half of 2019 amounted to PLN 4.2 m compared to PLN 3.8 m in the first half of 2018 (increase by PLN 0.4 m, i.e. 9.5%). Operating profitability was 5.8% compared to 5.9% in the first half of 2018.

Net profit in the first half of 2019 amounted to PLN 2.9 m and is higher than the result of the first half of 2018 by PLN 0.2 m (+ 5.9%). Return on sales calculated at the level of net profit amounted to 4.0% (vs. 4.3% for the first half of 2018).

In the first half of 2019, Makarony Polskie generated EBITDA of PLN 6.7 m (an increase of PLN 1.1 m y/y). EBITDA margin was at the level of 9.2% (vs. 8.8% in the first half of 2018).

Structure of assets and liabilities of Makarony Polskie SA

ASSETS	30 June 2019	31 December 2018	30 June 2018 transformed
FIXED ASSETS	**104,049**	**94,404**	**86,366**
Tangible fixed assets	63,711	58,573	50,461
Fixed assets – IFRS-16	4,550	0	0
Investment real estate	603	603	642
Other intangible assets	4,957	4,971	4,985
Long-term financial assets, including	30,080	30,080	30,080
Assets for deferred income tax	0	0	0
Other long-term assets	148	177	198
CURRENT ASSETS	**41,004**	**37,904**	**37,132**
Inventories	11,640	11,367	12,736
Short-term receivables	26,792	23,972	21,876
CIT receivables	0	0	0
Borrowings granted	2,005	2,006	2,011
Cash and cash equivalents	301	294	250
Other short-term assets	266	265	259
ASSETS FOR SALE	**0**	**0**	**0**
TOTAL ASSETS	**145,053**	**132,308**	**123,498**

LIABILITIES	30 June 2019	31 December 2018	30 June 2018 transformed
EQUITY	**74,712**	**74,093**	**71,807**
Share capital	27,750	27,750	27,750
Supplementary capital	32,362	42,097	42,097
Reserve capital	12,000	0	0
Retained profits/losses (profit/loss from previous years)	- 332	- 799	- 799
Net profit/loss	2,932	5,045	2,759
LONG-TERM LIABILITIES	**25,064**	**21,337**	**13,681**
Provision for deferred income tax	3,486	3,367	3,457
Long-term bank loans and borrowings	8,660	10,541	2,165
Provision for pensions and similar (long-term)	265	234	195

Revenue of future periods - long-term	7,472	6,062	6,325
Long-term financial liabilities - leasing	1,462	1,133	1,539
Long-term financial liabilities - IFRS-16	3,719	0	0
SHORT-TERM LIABILITIES	**45,277**	**36,878**	**38,010**
Short-term bank loans and borrowings	17,890	11,170	15,051
Short-term financial liabilities - leasing	982	885	753
Short-term financial liabilities-IFRS-16	867	0	0
Financial liabilities due to dividends	2,313	0	2,313
Other short-term liabilities	21,571	23,456	18,422
CIT liabilities	104	171	96
Revenue from future periods - short-term	624	519	510
Provision for retirement and similar benefits (short-term)	664	677	605
Other short-term provisions	262	0	260
TOTAL LIABILITIES	**70,341**	**58,215**	**51,691**
TOTAL ASSETS	**145,053**	**132,308**	**123,498**

As at 30 June 2019, the value of fixed assets was approximately PLN 104.0 m (72% of total assets) and was higher by PLN 9.6 m compared to the level at the end of 2018. The increase in fixed assets was caused by the application of IFRS 16, i.e. measurement and disclosure of lease contracts and perpetual usufruct rights (+ PLN 4.8 m), as well as ongoing investments, mainly at the production plant in Rzeszow.

As at 30 June 2019, current assets amounted to approx. PLN 41.0 m and increased by approx. 8.2% compared to the end of 2018 when they amounted to PLN 37.9 m. The largest changes in current assets are an increase in receivables by approx. PLN 2.8 m, i.e. by 11.8% (caused by an increase in sales) and an increase in inventories by approx. PLN 0.3 m, i.e. by 2.4% in compared to the end of 2018.

Equity as at the balance sheet date amounted to approximately PLN 74.7 m, constituting approximately 51.5% of the value of liabilities and increased by 0.8% compared to the value of PLN 74.1 m at the end of 2018. The change was caused by the net profit achieved in the first half of 2019 in the amount of PLN 2.9 m and the allocation of part of the net profit for 2018 to a dividend of PLN 2.3 m.

Long-term liabilities amounted to PLN 25.1 m and increased by 17.5% (from PLN 21.3 m) compared to the end of 2018, mainly due to the application of IFRS 16 (+ PLN 3.7 m), i.e. measurement and disclosure of lease agreements and perpetual usufruct rights in the long-term part, increase in future periods as a result of receiving a grant settled in time (PLN +1.4 m), with a decrease in long-term loans (PLN -1.9 m).

Short-term liabilities as at 30 June 2019 amounted to PLN 45.3 m compared to the end of 2018 of PLN 36.9 m. The largest changes in short-term liabilities include a decrease in the value of other liabilities (a decrease of approx. PLN 1.9 m, i.e. approx. 8.0%), separation of a liability item due to dividend (PLN 2.3 m), and application of IFRS 16 (+ PLN +0.9 m), i.e. valuation and disclosure of lease agreements and perpetual usufruct rights in the short-term part, as well as an increase in short-term loans (increase by PLN 6.7 m, i.e. approx. 60.2%).

Statement of the Management Board

Statement on the accuracy of the preparation of the financial statements

The Management Board of Makarony Polskie SA with its registered office in Rzeszow declares that to the best of its knowledge, the half-year separate and consolidated, condensed financial statements of Makarony Polskie Group for the period of the first 6 months of the financial year 2019, ended on 30 June 2019 and comparable data have been prepared in compliance with the accounting principles in force and reflect the Company's assets and financial standing as well as its financial profit or loss in a true, reliable and clear manner.

The Management Board's report on the operations of the Company and Makarony Polskie Group for the period from 1 January 2019 to 30 June 2019 provides a true picture of the development and achievements as well as the situation of the Company and the Group, including a description of the basic threats and risks.

Approval of the financial statements

This Management Board Report on operations of Makarony Polskie SA group of companies was approved for release by the Management Board of the parent company on 19 September 2019.

Zenon Daniłowski
President of the Management Board

Informations about the company



Makarony Polskie SA
with its registered office in Rzeszow.
ul. Podkarpacka 15A; 35-082 Rzeszow

www.makarony.pl

Registered in the District Court in Rzeszow, 12th Commercial Division of the National Court Register on 5 July 2004 under No. 0000212001.

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

Tel. 17 875 30 10; Fax 17 875 30 20

Feel free to contact us at the following email address:

relacje@makarony.pl

The source of data in these statements, unless otherwise indicated, is Makarony Polskie Group