

THE MAKARONY POLSKIE CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD

FROM 1 JANUARY 2009 TO 31 DECEMBER 2009

RZESZÓW, 26 APRIL 2010

The Consolidated Financial Statements of the Makarony Polskie Capital Group consist of:

I. General Information (introduction).

II. Consolidated Selected Financial Data.

III. Consolidated Statement of Financial Position.

IV. Consolidated Statement of Comprehensive Income.

V. Consolidated Statement of Cash Flows.

VI. Statement of Changes in Consolidated Equity

VII. Notes to Financial Statements and Accounting Principles (Policy).

For the needs of comparison, the data presented in the Consolidated Statement of Financial Position are in juxtaposition with the financial data as at 31 December 2008 published in the consolidated 2008 Annual Report. The data presented in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows and Statement of Changes in Equity are in juxtaposition with the financial data for the period from 1 January 2008 to 31 December 2008 also disclosed in the 2008 Annual Report.

The Consolidated Financial Statements were prepared based on the International Financial Reporting Standards approved by the European Union (EU) and in compliance with the requirements provided for in the Ordinance of the Minister of Finance of 19 February 2009 on Current and Periodical Information Disclosed by Issuers of Securities (Journal of Laws of 2009 no. 33, item 259).

Selected figures in EUR are presented in pursuance with Article 91(2) of the Ordinance of the Minister of Finance of 19 February 2009:

- ✓ items of the Consolidated Statement of Financial Position were converted at the average FX rate announced by the National Bank of Poland (NBP) as binding as at the end of the reporting period (31 December 2009 EUR 1 = PLN 4.1082; 31 December 2008 EUR 1 = PLN 4.1724),
- ✓ items of the Consolidated Statement of Comprehensive Income and Statement of Cash Flows were converted at the FX rate being arithmetic mean of the average FX rates determined by NBP as binding as at the last day of each month of 2009: EUR 1 = PLN 4.3406 and binding as at the last day of each month of 2008: EUR 1 = PLN 3.5321.

The Financial Statements were audited and reviewed by an entity authorised to audit financial statements and were approved by the Management Board for publication on 27 April 2010.

1. General Information (introduction)

Structure of the Makarony Polskie Capital Group as at 31 December 2009 and as at the report submission date:

Błąd! Nie zdefiniowano zakładki.

As at 31 December 2009, the Makarony Polskie Capital Group ("The Group") consists of two companies: Makarony Polskie S.A. ("The Parent", "The Company") and its subsidiary Stoczek Sp. z o.o. seated in Stoczek Łukowski.

Makarony Polskie S.A. is in the business of pasta production and sale.

After taking over control of Stoczek Sp. z o.o., tinned vegetable and meat, fruit and vegetable preserves, and tinned meat and fatty meat was added to the product offer of the Group. The transaction took place on 1 June 2007.

As at 31 December 2009, the Makarony Polskie Capital Group employed:

- ✓ 331 FTEs in Makarony Polskie S.A. and
- ✓ 89 FTEs in Stoczek Sp. z o.o.

Makarony Polskie S.A.

Registered seat: 35-082 Rzeszów, ul. Podkarpacka 15

District Court in Rzeszów, 12th Commercial Section of the National Court Register

KRS number 0000212001

Management Board Office: 05-091 Ząbki, ul. Piłsudskiego 180

Share capital: PLN 27,750,213

Regon number: 691674708

VAT identification number: 813-32-78-856

www.makarony.pl

Stoczek Sp. z o.o.

Registered seat: 21-450 Stoczek Łukowski, ul. Dwernickiego 5

District Court in Lublin, 11th Commercial Section of the National Court Register

KRS number: 0000050439

Share capital: PLN 15,207,800

Regon number: 711584640

NIP identification number: 825-17-27-212

www.stoczek.com.pl

100% shares of the share capital of Stoczek Sp. z o.o. is owned by Makarony Polskie S.A.

As at 31 December 2009, the share of the Parent's votes in the total number of votes at the General Meeting of the subsidiary is the same as its share in the subsidiary's capital.

Management Board of the Parent

As at 31 December 2009 and as at the Report submission date the composition of the Management Board of Makarony Polskie S.A. was as follows:

- ✓ Paweł Nowakowski, President of the Management Board,
- ✓ Marek Feruś, Vice President of the Management Board,
- ✓ Krzysztof Rubak, Vice President of the Management Board.

Number and nominal value of the shares of Makarony Polskie S.A. held by the Mangement Board Members as at the end of the reporting period:

Management Board	Shares held by the Management Board Members as at the date of the 2009 stock exchange report		Shares held by the Management Board Members as at the date of the 4Q 2009 stock exchange report	
	Number of shares	Nominal value	Number of shares	Nominal value
Paweł Nowakowski	218,066	654,198	218,066	654,198
Marek Feruś	-	-	-	-
Krzysztof Rubak	2,000	6,000	2,000	6,000

The Supervisory Board of the Parent

As at 31 December 2009 and as at the Report submission date the composition of the Supervisory Board was as follows:

- ✓ Zenon Daniłowski, Chairman of the Supervisory Board,
- ✓ Zdzisław Sawicki, Vice Chairman of the Supervisory Board,
- ✓ Grzegorz Słomkowski, Vice Chairman of the Supervisory Board,
- ✓ Urszula Rogóż-Bury, Secretary of the Supervisory Board,
- ✓ Dariusz Bliźniak, Member of the Supervisory Board.

Number and nominal value of the shares of Makarony Polskie S.A. held by the Supervisory Board Members as at the end of the reporting period:

Supervisory Board	Shares held by the Supervisory Board Members as at the date of the 2009 report		Shares held by the Supervisory Board Members as at the date of the 4Q 2009 report	
	Number of shares	Nominal value	Number of shares	Nominal value
Zenon Daniłowski	130,000	390,000	130,000	390,000
Zdzisław Sawicki	430,220	1,290,660	1,354,302	4,062,906
Grzegorz Słomkowski *	1,183,040	3,549,120	1,183,040	3,549,120
Urszula Rogóż – Bury	12,680	38,040	12,680	38,040
Dariusz Bliźniak	-	-	-	-

* Total number of shares held by Mr. Grzegorz Słomkowski and his spouse.

General Meeting of Makarony Polskie S.A.

As at 31 December 2009, the share capital of Makarony Polskie S.A. totalled PLN 27,750,213 and it was composed of:

- 3,013,250 shres of A series,

- 1,169,750 shares of B series,
- 3,000,000 shares of C series,
- 1,735,821 shares of D series,
- 331,250 shares of E series.

The share capital of Makarony Polskie S.A. did not change by the report submission date.

Shareholders with at least 5%, directly or indirectly through subsidiaries, of the total number of votes at the General Meeting as at the report submission date.

Shareholder	Number of shares	Share in capital	Number of votes	Share in votes
Agro -Technika S.A.	2,000,000	21.62%	2,000,000	21.62%
Elżbieta i Grzegorz Słomkowscy	1,183,040	12.79%	1,183,040	12.79%
Marek Jutkiewicz	924,082	9.99%	924,082	9.99%
OFE Polsat	488,733	5.28%	488,733	5.28%

The Company has no information about any changes in the number of the above shown shares held by the shareholders with the shareholding higer than 5%.

Management Board of the subsidiary

As at 31 December 2009, the composition of the Management Board of Stoczek Sp. z o.o. was as follows:

- ✓ Beata Elert, President of the Management Board,
- ✓ Jarosław Szpryngwald, Vice President of the Management Board.

Mr. Jarosław Szpryngwald, Vice President of the Management Board, tenderd his resignation effective 8 April 2009. On the same date, the General Meeting appointed Mr. Jacek Wilkoszewski as the President of the Management Board of Stoczek Sp. z o.o., and Ms. Beata Elert was entrusted with the function of the Vice President of the Management Board.

In the period from 8 April 2010 by the date of publication of these Financial Statements the composition of the Management Board of Stoczek Sp. z o.o. was:

- ✓ Jacek Wilkoszewski, President of the Management Board,
- ✓ Beata Elert, Vice President of the Management Board.

Basis for developing Consolidated Financial Statements

The Consolidated Financial Statements were prepared in compliance with the historic cost principle, with the exception of available for sale financial assets, financial assets carried through profit or loss.
Time of operation of the Capital Group companies is unspecified. Financial statements of all companies were prepared for the same reporting period applying consistent principles of accounting. Financial year of the Parent and of the subsidiary is the calendar year.

The Consolidated Financial Statements present the figures in PLN thousands, unless specified otherwise.
The Consolidated Financial Statements were prepared on the going concern basis as regards the forseable future. As of the date of approval of the Financial Statements there are no indicators of any threat to continuing operations of the Group companies.
Note no. 34 shows the most important principles of accounting applied by the Group.

Currency of measurement and currency of the financial statements

Polish zloty is the currency of measurement for all Group companies included in these Consolidated Financial Statements and the reporting currency of these Consolidated Financial Statements.

Uncertainty of estimates

Below, basis assumptions are presented regarding the future and other key sources of uncertainty as at the end of the reporting period that entail material risk of major adjustment of the values of the balance sheet assets and liabilities in the next financial year:
- measurement of goodwill/badwill,
- impairment loss,
- amortization/depreciation rates.

II. Selected Financial Data - the Makarony Polskie Capital Group

	Selected financial data	31 December 2009	31 December 2008	31 December 2009 (in EUR thousands)	31 December 2008 (in EUR thousands)
1	Net sales revenue on products, services, goods and materials	117,551	88,750	27,082	25,127
2	Profit (loss) on continuing operations	4,354	- 1,541	1,003	- 436
3	Gross profit (loss)	2,734	- 2,715	630	- 769
4	Net profit (loss) on continuing operations	2,198	- 2,776	506	- 786
5	Net cash flows on operating activities	2,265	8,751	522	2,478
6	Net cash flows on investing activities	- 6,721	- 18,205	- 1,549	- 5,154
7	Net cash flows on financing activities	4,151	10,243	956	2,900
8	Total net cash flows	- 305	789	- 70	224
9	Total assets	117,963	114,345	28,714	27,405
10	Liabilities and provisions for payables	56,721	55,301	13,807	13,254
11	Long-term liabilities	30,012	7,307	7,305	1,751
12	Short-term liabilities	26,709	47,994	6,501	11,503
13	Equity	61,242	59,044	14,907	14,151
14	Share capital	27,750	27,750	6,755	6,651
15	Number of shares	9,250,071	9,250,071	9,250,071	9,250,071
16	Weighted average number of shares in a given financial year	9,250,071	9,212,862	9,250,071	9,212,862
17	Profit/loss per one ordinary share (in PLN/EUR)	0.24	- 0.30	0.05	- 0.09
18	Book value per share (in PLN/EUR)	6.62	6.38	1.61	1.81

* Net profit/loss per one ordinary share = net result/weighted average number of shares in the period
** Book value per one ordinary share = equity/number of shares as at a given balance sheet moment

III. Consolidated Statement of Financial Position

ASSETS	Note	31 December 2009	31 December 2008
NON-CURRENT ASSETS		**86,917**	**84,537**
Property, plant and equipment	1	75,105	72,963
Goodwill	2	5,946	5,946
Other intangible assets	3	5,007	5,041
Long-term financial assets	4	374	374
Deferred tax assets	27	105	143
Long-term prepayments and deferred costs	9	380	70
CURRENT ASSETS		**29,884**	**28,646**
Inventories	5	8,636	8,014
Short-term receivables	6	19,176	18,446
Corporate income tax receivables	7	15	-
Cash and cash equivalents	8	938	1,291
Short-term prepayments and deferred costs	9	1,119	895
NON-CURRENT ASSETS HELD FOR SALE	10	**1,162**	**1,162,**
TOTAL ASSETS		**117,963**	**114,345**

EQUITY AND LIABILITIES	Note	31 December 2009	31 December 2008
EQUITY		**61,242**	**59,044**
Share capital	11	27,750	27,750
Other capital	12	31,537	31,941
Retained profit/loss (profit/loss from previous periods)	13	- 243	2,129
Net profit		2,198	- 2,776
NON-CURRENT LIABILITIES		**30,012**	**7,307**
Deferred tax provision	27	705	412
Long-term bank loans and borrowings	14	19,570	5,393
Provision for pension and similar (long-term) benefits	15	184	153
Long-term accruals and deferred income	18	9,213	850
Non-current liabilities from finance lease agreements	16	340	499
CURRENT LIABILITIES		**26,709**	**47,994**
Short-term bank loans and borrowings	14	2,639	21,303
Current financial liabilities	16	3,788	3,831
Other current liabilities	17	18,434	22,669
Short-term accruals and deferred income	18	1,720	97
Provision for pension and similar (short-term) benefits	15	71	52
Other short-term provisions	15	57	42
TOTAL LIABILITIES		**56,721**	**55,301**
TOTAL EQUITY AND LIABILITIES		**117,963**	**114,345**

IV. Consolidated Statement of Comprehensive Income

FOR THE PERIOD	Note	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Net sales revenue	19	**117,551**	**88,750**
Net sales revenue on products and services		97,902	74,191
Net sales revenue on goods and materials		19,649	14,559
Prime costs	20	**93,971**	**71,489**
Costs of manufacture of sold products and services		80,508	66,972
Value of sold goods and materials		13,463	4,517
Gross sales profit (loss)		**23,580**	**17,261**
Costs of sale	21	15,043	13,233
Costs of general governance	22	6,691	6,094,
Other income	23	3,165	1,014
Other costs	24	657	489
Profit (loss) on continuing operations		**4,354**	**- 1,541**
Financial income	25	413	700
Financial costs	26	2,033	1,874
Gross profit (loss)		**2,734**	**- 2,715**
Income tax – current	27	205	-
Income tax – deferred	27	331	61
Net profit (loss) on continuing operations		**2,198**	**- 2,776**

V. Consolidated Statement of Cash Flows – Indirect Method

FOR THE PERIOD	01.01.2009-31.12.2009	01.01.2008-31.12.2008
Operating cash flows		
Profit/loss before tax	**2,734**	**- 2,715**
Adjustments by:	- 469	11,466
Amortization and depreciation	5,497	4,009
Foreign exchange gains/losses	67	- 59
Interest costs and income	1,881	1,186
Investment profits/losses	- 211	- 546
Movements in provisions	75	39
Movement in inventories	- 615	- 490
Movements in receivables	- 1,745	- 2,064
Movements in liabilities, prepayments and accruals	- 3,777	8,486
Paid/reimbursed corporate income tax	- 220	905
Other adjustments	- 1,421	-
Net operating cash flows	**2,265**	**8,751**
Investment cash flows		
Inflows on the sale of fixed assets and intangible assets	108	1,660
Interest inflows	-	155
Outflows on the acquisition of property, plant and equipment and on the acquisition of intangible assets	6,829	20,665
Outflows on the acquisition of current financial assets	-	107

Outflows on the purchase of investment real property	-	91
Other	-	843
Net cash flows on investing activities	**- 6,721**	**- 18,205**
Cash flows on financing activities		
Cash inflows from loans and borrowings	10,763	14,143
Repayment of loans and borrowings	15,407	1,864
Repayment of finance lease liabilities	687	662
Interest paid	1,986	1,374
Other cash inflows	11,468	-
Net cash flows on financing activities	**4,151**	**10,243**
Increase/decrease in cash and cash equivalents	**- 305**	**789**
Cash, cash equivalents and loans in current account at beginning of period	**1,291**	**550**
Profit/loss on exchange rate differences related to measurement of cash, cash equivalents and loans in current account	**- 48**	**- 48**
Cash, cash equivalents and loans in current account at the end of the period	**938**	**1,291**

VI. Statement of Changes in Consolidated Equity

For the period from 1 January 2009 to 31 December 2009

	Share capital	Other capitals	Current year profit	Profit/loss from previous years	Total
As at 1 January 2009	**27,750**	**31,941**	**-**	**- 647**	**59,044**
Profit distribution/covering losses	-	- 404	-	404	-
Profit in 2009	-	-	2,198	-	2,198
As at 31 December 2009	**27,750**	**31,537**	**-**	**- 243**	**61,242**

For the period from 1 January 2008 to 31 December 2008

	Share capital	Supplementary capital	Current year loss	Profit/loss from previous years	Total
As at 1 January 2008	**26,756**	**32,652**	**-**	**2,442**	**61,850**
Profit distribution/covering losses	-	313	-	- 313	**-**
Loss in 2008	-	-	- 2,776	-	**- 2,776**
Other changes in capital:	994	- 1,024	-	-	**- 30**
- Issue of shares of E series	994	- 994	-	-	**-**
- costs of issue of the shares of E series	-	- 30	-	-	**- 30**
As at 31 December 2008	**27,750**	**31,941**	**- 2,776**	**2,129**	**59,044**

VII. Notes to Financial Statements

Notes to Consolidated Statement of Financial Position

Note no. 1
Property, plant and equipment

Gross property, plant and equipment:	**31.12.2009**	**31.12.2008**
Land, buildings and structures	42,944	42,461
Machinery and equipment	52,253	28,747
Means of transport	2,411	2,510
Fixed assets under construction	724	18,698
Other	1,839	1,153
Accumulated depreciation and impairment loss	**31.12.2009**	**31.12.2008**
Land, buildings and structures	9,294	8,336
Machinery and equipment	13,405	9,958
Means of transport	1,213	1,418
Fixed assets under construction	108	108
Other	1,046	786
Net value at the end of the period	**75,105**	**72,963**

Note no. 1 continuation
Property, plant and equipment – changes in fixed assets

For th period from 01.01.2009 to 31.12.2009	**Land and buildings**	**Machinery and equipment**	**Means of transport**	**Fixed assets under construction**	**Other**	**Total**
Gross value at beginning of period	**42,461**	**28,749**	**2,510**	**18,698**	**1,151**	**93,569**
Increase	500	23,600	757	7,076	706	32,639
- purchase	500	23,504	179	7,076	681	31,940
- other	-	96	578	-	25	699
Decrease	17	96	856	25,050	18	26,037
- sale	17	35	441	-	18	511
- liquidation	-	62	-	-	-	62
- other	-	-	415	25,023	-	25,437
Internal transfers (+/-)	-	-	-	,27	-	27
Gross value at the end of the period	**42,944**	**52,253**	**2,411**	**724**	**1,839**	**100,171**
Accumulated depreciation at beginning of period	**6,223**	**9,423**	**1,418**	**-**	**786**	**17,850**
Increase	1,025	3,592	490	-	291	5,398
Decrease	1	93	695	-	30	819
Accumulated amortization at the end of the period	**7,247**	**12,923**	**1,213**	**-**	**1,046**	**22,429**
Impairment loss at beginning of period	2,113	536	-	108	-	2,757
Recognition of impairment loss in the period	-	-	-	-	-	**-**
Reversal of impairment loss in the period	66	54	-	-	-	120
Value taking into account accumulated depreciation and impairment loss at the end of the period	9,294	13,405	1,213	108	1,046	25,066

Net value at the end of the period	**33,650**	**38,848**	**1,198**	**616**	**793**	**75,105**

Impairment loss is taken into account under other operating costs in profit and loss. In 2009, the Group did not impair additionally property, plant and equipment.

As at 31 December 2009, balance sheet value of machinery and equipment, vehicles and other fixed assets in use by the companies of the Makarony Polskie Group under finance lease totalled PLN 1,493,000.
As at 31 December 2009, fiduciary transfer of title to fixed assets amounted to PLN 2,006,000, and pledge on fixed assets was PLN 41,432,000.

For the period from 01.01.2008 to 31.12.2008	**Land and buildings**	**Machinery and equipment**	**Means of transport**	**Fixed assets under construction**	**Other**	**Total**
Gross value at beginning of period	**36,560**	**28,983**	**2,367**	**1,276**	**956**	**70,143**
Increase	5,679	5,040	632	21,535	235	32,940
- purchase	-	2,001	235	21,518	230	23,984
- acquisition under business combination	5,667	2,871	396	17	5	8,956
under revaluation	-	-	-	-	-	**-**
- other	12	169	-	-	-	
Decrease	-	5,733	488	3,267	21	9,509
- sale	-	2,627	131	-	21	2,779
- other	-	3,105	358	3,267	-	
Internal transfers (+/-)	221	456	-	- 846	- 16	**- 185**
Gross value at the end of the period	**42,461**	**28,747**	**2,510**	**18,698**	**1,153**	**93,569**
Accumulated amortization at beginning of period	**5,179**	**10,304**	**1,036**	**-**	**675**	**17,194**
Increase	1,044	2,574	643	-	145	4,406
Decrease	-	3,457	261	-	33	3,750
Accumulated depreciation at the end of the period	**6,223**	**9,422**	**1,418**	**-**	**787**	**17,850**
Impairment loss at beginning of period	2,177	591	-	108	-	**-**
Recognition of impairment loss in the period	-	-	-	-	-	**-**
Reversal of impairment loss in the period	65	54	-	-	-	**-**
Value taking into account accumulated depreciation and impairment loss at the end of the period	8,336	9,958	1,418	108	787	20,606
Net value at the end of the period	**34,125**	**18,789**	**1,092**	**18,590**	**366**	**72,963**

As at 31 December 2008, the balance sheet value of machinery and equipment, vehicles and other fixed assets in use by the companies of the Makarony Polskie Group undet finance lease was PLN 1,368,000.
As at 31 December 2008, fiduciary transfer of title to fixed assets amounted to PLN 452,000, and pledge on fixed assets was PLN 13,039,000.

Mortgages established on real properties of the Group companies

Real property	As at 31.12.2009	Creditor	Title of liability	Collateral date	Own liability
Real property in Częstochowa - Land and Mortgage Register CZ1C/00111425/8	PLN 2,285,000	BRE Bank S.A.	Ordinary and capped mortgage	08.08.2007	Long-term mortgage repaid before 31.12.2009
Real property in Częstochowa - Land and Mortgage Register CZ1C/00021785/1	PLN 380,000	ING Bank Śląski S.A. O/Częstochowa	Capped mortgage	13.12.2006	Loan in current account repaid before 31.12.2009
Real properties in Rzeszów - Land and Mortgage Register RZ1Z/00076860/5	PLN 5,250,000	Bank BGŻ S.A. OR/Rzeszów	Capped mortgage	17.01.2008	Loan in current account totalling PLN 4,500,000
Real properties in Płock - Land and Mortgage Register PL1P/00094893/6	PLN 3,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	12.11.2009	Agreement on loan in current account for PLN 2,000,000
Real properties in Płock - Land and Mortgage Register PL1P/00094893/6	PLN 6,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	13.11.2009	Agreement on non-revolving loan of PLN 4,000,000
Real properties in Płock - Land and Mortgage Register PL1P/00094893/6	PLN 3,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	13.11.2009	Agreement on loan in current account for PLN 2,000,000
Real properties in Stoczek Łukowski - Land and Mortgage Register 22979	PLN 3,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	03 12 2009	Loan in current account totalling PLN 2,000,000
Real properties in Stoczek Łukowski - Land and Mortgage Register 22979	PLN 6,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	03 12 2009	Non-revolving loan of PLN 4,000,0000

Prior to the end of the reporting period, applications for encumbering mortgage on the real property in Częstochowa were submitted in connection with getting loans from Fortis Bank Polska S.A. In 1Q 2010, requests for releasing encumbrances from the said real property were submitted in connection with the repayment of loans taken from BRE Bank S.A. and ING Bank Śląski S.A. before 31 December 2009 and based on the consents of the banks. Furthermore, in connection with the increase of the loan in current account maintained with BGŻ S.A. (December 2009) the mortgage amount regarding the real property in Rzeszów was changed in 1Q 2010. Due to the above changes, as of the date of these statements the situation was as follows:

Real property	As at 27.04.2010	Creditor	Title of liability	Collateral date	Own liability
Real properties in Rzeszów - Land and Mortgage Register RZ1Z/00076860/5	PLN 6,750,000	Bank BGŻ S.A. Regional Branch in Rzeszów	Capped mortgage	17.02.2010	Loan in current account totalling PLN 4,500,000
Real property in Częstochowa - Land and Mortgage Register CZ1C/00111425/8	PLN 6,656,000	Fortis Bank Polska S.A. Rzeszów Branch	Capped mortgage	12.01.2010	Multipurpose credit line for PLN 4,100,000

Real property in Częstochowa - Land and Mortgage Register CZ1C/00111425/8	PLN 3,200,000	Fortis Bank Polska S.A. O/Rzeszów	Capped mortgage	12.01.2010	Multipurpose credit line for PLN 2,000,000
Real properties in Płock - Land and Mortgage Register PL1P/00094893/6	PLN 3,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	12.11.2009	Agreement on loan in current account for PLN 2,000,000
Real properties in Płock - Land and Mortgage Register PL1P/00094893/6	PLN 6,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	13.11.2009	Agreement on non-revolving loan of PLN 4,000,000
Real properties in Płock - Land and Mortgage Register PL1P/00094893/6	PLN 3,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	13.11.2009	Agreement on loan in current account for PLN 2,000,000
Real properties in Stoczek Łukowski - Land and Mortgage Register 22979	PLN 3,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	03 12 2009	Loan in current account totalling PLN 2,000,000
Real properties in Stoczek Łukowski - Land and Mortgage Register 22979	PLN 6,000,000	HSBC Bank Polska S.A.	Contractual capped mortgage	03 12 2009	Non-revolving loan of PLN 4,000,0000

Note no. 2
Goodwill

For the period from 01.01.2009 to 31.12.2009	**Goodwill**
Gross value at beginning of period	**5,946**
Increase	-
Decrease	-
Gross value at the end of the period	**5,946**
Adjustment on FX differences	-
Other adjustments *	-
Gross value at the end of the period after adjustments	**5,946**
Impairment loss at beginning of period	-
Recognition of impairment loss in the period	-
Reversal of impairment loss in the period	-
Impairment loss at the end of the period	-
Net value at the end of the period	**5,946**

For the period from 01.01.2008 to 31.12.2008	**Goodwill**
Gross value at beginning of period	**-**
Increase	5,946
Decrease	-
Gross value at the end of the period	**5,946**
Adjustment on FX differences	-
Other adjustments *	-
Gross value at the end of the period after adjustments	**5,946**
Impairment loss at beginning of period	-
Recognition of impairment loss in the period	-
Reversal of impairment loss in the period	-
Impairment loss at the end of the period	-

Net value at the end of the period	**5,946**

Goodwill of PLN 5,946,000 recognised in assets reflects the difference between the purchase price paid for 100% of shares of Stoczek Sp. z o.o. and fair value of the net assets of that company as at 1 June 2007 being the date of the shares ownership transfer.

Goodwill attributed to business combination is initially recognised at the purchase price representing excess costs of business combination above the share of the taking-over unit in the net fair value of identifiable assets, liabilities and contingent liabilities.

Thereafter, goodwill is recognised at the purchase price decreased by any cumulated impairment losses. Impairment test is carried out once a year or more frequently if there are indicators of impairment. Goodwill is not amortized.

Goodwill related to the acquisition of the shares in Stoczek Sp. z o.o. is PLN 5,946,000 and it de facto represents the difference between the price paid for the shares being PLN 13,078,000 (inclusive of all costs related thereto) and fair value of net assets of that company being taken over in the amount of PLN 7,132,000.

Note no. 3
Other intangible assets

For the period from 01.01.2009 to 31.12.2009	**Other intangible assets**			**Total**
	Patents, trademarks, R&D	**Computer software**	**Other**	
Gross value at beginning of period	**160**	**81**	**5 109**	**5 350**
Increase	17	11	38	66
- purchase	14	11	38	63
- other	3	-	-	3
Decrease	-	1	-	1
- sale	-	-	-	-
- other	-	1	-	1
Gross value at the end of the period	**177**	**91**	**5,147**	**5,415**
Accumulated amortization at beginning of period	**73**	**66**	**170**	**309**
Increase	40	25	35	**100**
Decrease	-	1	-	**1**
Accumulated amortization at the end of the period	**113**	**90**	**205**	**409**
Impairment loss at beginning of period	-	-	-	**-**
Recognition of impairment loss in the period	-	-	-	**-**
Reversal of impairment loss in the period	-	-	-	**-**
Value taking into account accumulated amortization and impairment loss at the end of the period	113	90	205	**408**
Net value at the end of the period	**64**	**1**	**4,942**	**5,007**

For the period from 01.01.2008 to 31.12.2008	Other intangible assets			Total
	Patents, trademarks, R&D	Computer software	Other	
Gross value at beginning of period	**49**	**69**	**199**	**317**
Increase	111	13	4,910	5,034
- purchase	44	9	1	54
- acquisition under business combination	-	4	4,909	4,913
- other	68	-	-	68
Decrease	-	1	-	1
- sale	-	-	-	-
- other	-	1	-	1
Rerecognised as held for sale	-	-	-	-
Gross value at the end of the period	**160**	**81**	**5,109**	**5,350**
Accumulated amortization at beginning of period	**49**	**34**	**82**	**165**
Increase	24	33	88	**145**
Decrease	-	1	-	**1**
Accumulated amortization at the end of the period	**73**	**66**	**170**	**309**
Impairment loss at beginning of period	-	-	-	**-**
Recognition of impairment loss in the period	-	-	-	**-**
Reversal of impairment loss in the period	-	-	-	**-**
Value taking into account accumulated amortization and impairment loss at the end of the period	73	66	170	**309**
Net value at the end of the period	**87**	**15**	**4,939**	**5,041**

Note no. 4
Long-term financial assets

Long-term financial assets	31.12.2009	31.12.2008
Shares in Bio-Planet Sp. z o.o.	77	77
Investment real property in Rzeszów	297	297
Total long-term financial assets	**374**	**374**

On 17 June 2008, Spółka Makarony Polskie S.A. purchased interest (14/16) in two lots located in Rzeszów at Podkarpacka Street. The said lots may be used for industrial and service purposes.

The total purchase price of the interest, inclusive additional charges, was PLN 91,000. Interest in the said lots meets the criterion of investment real property and its fair value is PLN 297,000.

The fair value of the investment real property as at 31 December 2009 was calculated based on a valuation made by an independent, non-affiliated with the Group, professional valuer.

Note no. 5
Inventories

As at 31 December 2009

	Measurement at purchase price/cost of manufacture	Inventories impairment loss as at the end of the period	Balance sheet value of inventories at the end of the period
Materials	2,889	4	2,885
Auxiliary materials	225	-	225
Work in progress	208	-	208
Finished products	5,079	-	5,079
Goods	239	-	239
TOTAL	**8,640**	**4**	**8,636**

As at 31 December 2009, registered pledges established on inventories of finished products and materials totalled PLN 2,250,000.

As at 31 December 2008

	Measurement at purchase price/cost of manufacture	Inventories impairment loss as at the end of the period	Balance sheet value of inventories at the end of the period
Materials	2,613	27	2,586
Auxiliary materials	152	-	152
Work in progress	280	-	280
Finished products	4,694	-	4,694
Goods	302	-	302
TOTAL	**8,041**	**27**	**8,014**

As at 31 December 2008, registered pledges established on inventories of finished products and materials totalled PLN 4,500,000.

Note no. 6
Receivables

	31.12.2009	31.12.2008
Trade receivables from other entities:	**18,193**	**16,111**
- long-term	-	-
- short-term	18,193	16,111
Receivables from subsidiaries:	-	-
- long-term		-
- short-term	-	-
Receivables from affiliates:	**-**	**-**
- long-term	-	-
- short-term	-	-
Advance payments:	**33**	**1,081**
- long-term	-	-

- short-term	33	1,081
Other receivables:	**1,625**	**1,782**
- long-term		-
- short-term	1,625	1,782
Total gross receivables	**19,851**	**18,974**
Impairment loss at beginning of period	**528**	**474**
Recognition of impairment loss in the period	**175**	**89**
Reversal of impairment loss in the period	**28**	**35**
Impairment loss at the end of the period	**675**	**528**
Net receivables	**19,176**	**18,446**

Note no. 6 continued
Currency structure of receivables

Gross short-term receivables (currency structure)	-	-
Gross short-term receivables	**31.12.2009**	**31.12.2008**
- in PLN	19,776	17,536
- in foreign currencies:	75	1,438
a) currency/ EUR	14	343
in PLN	58	1,431
b) currency/USD	-	2
in PLN	-	7
b) currency/GBP	4	**-**
in PLN	17	-
Gross short-term receivables	**19,851**	**18,974**

Note no. 6 continued
Gross trade receivables of the repayment period remaining by the end of the reporting period

Gross short-term trade receivables	**31.12.2009**	**31.12.2008**
a) up to 1 month	7 656	5 124
b) above 1 month to 3 months	10,537	11,281
c) above 3 months to 6 months	-	-
d) above 6 months to 12 months	-	-
e) above 12 months	-	-
Total gross trade receivables	**18,193**	**16,405**
Impairment loss of trade receivables	**656**	**514**
Net trade receivables	**17,537**	**15,891**

Note no. 6 continuation
Gross pastdue trade receivables shown by default periods:

	31.12.2009	**31.12.2008**
a) up to 1 month	4,602	2,783
b) above 1 month to 3 months	734	774
c) above 3 months to 6 months	140	237
d) above 6 months to 12 months	103	170
e) above 12 months	560	514

Total gross pastdue trade receivables	**6,139**	**4,478**
Impairment loss of pastdue trade receivables	**656**	**512**
Net pastdue trade receivables	**5,483**	**3,966**

Trade receivables comprise amounts due from a great number of clients from various industries and geographic areas. Trade and commercial credits are appraised on a current basis based on the receivables standing and, if needed, the Group buys relevant credit guarantees.

The Group is not exposed to any material credit risk as regards a single client or a group of similar clients. Trade receivables are not interest bearing and they usually offer a 90-day payment period. Trade receivables are repaid after 56 days on average.

Impairment losses are applied to receivables if the debtor is under liquidation or if there are pending bankruptcy proceedings against the debtor, or if the debtor is in default for the period in excess of 6 months and their economic situation and financial standing poses a great risk of default in payment. Litigated receivables are covered with 100% impairment loss. The Group has in place a proper policy of selling only to verified clients, and thus the Management is of the opinion that there is no additional credit risk above the bad debts provision applying to the trade receivables of the Group.

Note no. 7
Corporate income tax receivables

	31.12.2009	**31.12.2008**
Corporate income tax receivables	15	-

Note no. 8
Cash and cash equivalents

	31.12.2009	**31.12.2008**
Cash at hand and balances with banks	938	1,291
Total, of which:	**938**	**1,291**
- Cash at hand and balances with banks attributed to discontinued operations	**not applicable**	**not applicable**

Cash and cash equivalents item is the same as shown in the Statement of Cash Flows. Fair value of cash and cash equivalents reflects their value shown in the Statement of Financial Position. The Employee Benefit Fund amounts to PLN 9,000 and it consists of cash at limited disposal.

Cash in bank is variable interest rate bearing, and the interest rate depends on the interest rate of overnight bank deposits. Short-term deposits are made for various periods – from one day to one month, depending on the Group's demand for cash, and they bear inerest rate as agreed in the deposit agreements.

Note no. 9
Prepayments and deferred costs

Prepayments and deferred costs	31.12.2009	31.12.2008
- long-term	380	70
- short-term	1,119	895

As at 31 December 2009, the long-term prepayments and deferred costs total PLN 380,000 and they are attributed to export-related consulting and bank credit commissions.
As at 31 December 2008, PLN 70,000 represents the commission costs of the long-term loan.

Short-term prepayments and deferred costs

Short-term prepayments and deferred costs	31.12.2009	31.12.2008
- insurance	108	77
- paid subscription fees	3	1
- subscription and other fees	3	11
- public advertising/marketing services	452	37
- electricity bills	112	93
- commission on working capital loan	95	50
- fees for guarantees	75	11
- consulting	265	600
- other	6	15
Total	**1,119**	**895**

Note no. 10
Assets held for sale

The "**Assets held for sale**" worth PLN 1,162,000 include Italian PAVAN production lines for manufacturing of the short forms of pasta of the capacity of 900-1000 tons per hour (production year 1991) together with 3 packing units. The main parts of the line are: a press, pre-drying unit, 5-level drying unit, cooler and bucket conveyor. As at the time of disassembly, the line was in operational technical condition. In 2009, the line was disassembled and is held for sale. It is not depreciated. After the end of the reporting period, due to the current demand for the products of the Group, Makarony Polskie plans to make investments in 2010 based on this assets item, and a decision thereon was taken in March 2010 based on the Resolution of the Management Board.

Note no. 11
Share capital

As at 31 December 2009

	Type of shares	Privilege type	Number of shares	Nominal value of one share in PLN	Value of the series (issue) at nominal value in PLN thousand	Method of payment for the capital	Registration date	Entitlement to dividend (from)
A series	bearer	ordinary shares	3,013,250	3	9,040	Cash contributions	05.07.2004	01.01.2004
B series	bearer	ordinary shares	1,169,750	3	3,509	In-kind contributions	29.10.2004	01.01.2004
C series	bearer	ordinary shares	3,000,000	3	9,000	Cash contributions	18.04.2007.	01.01.2007
D series	bearer	ordinary shares	1,735,821	3	5,207	Cash contributions	22.06.2007	01.01.2007
E series	bearer	ordinary shares	331,250	3	994	Cash contributions	11.02.2008	01.01.2008
Total			**9,250,071**		**27,750**			

From 31 December 2009 by the report submission date the Company did not carry out any other issues of shares.

As at 31 December 2008

	Type of shares	Privilege type	Number of shares	Nominal value of one share in PLN	Value of the series (issue) at nominal value in PLN thousand	Method of payment for the capital	Registration date	Entitlement to dividend (from)
A series	bearer	ordinary shares	3,013,250	3	9,040	Cash contributions	05.07.2004	01.01.2004
B series	bearer	ordinary shares	1,169,750	3	3,509	In-kind contributions	29.10.2004	01.01.2004
C series	bearer	ordinary shares	3,000,000	3	9,000	Cash contributions	18.04.2007.	01.01.2007
D series	bearer	ordinary shares	1,735,821	3	5,207	Cash contributions	22.06.2007	01.01.2007
E series	bearer	ordinary shares	331,250	3	994	Cash contributions	11.02.2008	01.01.2008
Total			**9,250,071**		**27,750**			

On 27 September 2007, Makarony Polskie S.A. concluded an agreement with the shareholders of Abak Sp. z o.o. based on which shares of the E series of Makarony Polskie S.A. were issued in December 2007. The Company issued (exclusive of the warranty for the existing shareholders) 331,250 shares of E series of the nominal value of PLN 3 each, at the issue price of PLN 10 per share. The shares were covered by the so far shareholders of Abak Sp. z o.o. in private subscription.

Issue of the shares of E series was registered by the Court on 11 February 2008. Upon issue registration the share capital of the Company was increased from PLN 26,756,463 up to PLN 27,750,213 and it is divided into 9,250,071 ordinary bearer shares of the nominal value of PLN 3 each.

All issued shares have the nominal value of PLN 3 each, and are fully paid. Each shareholder has one vote per share, shares of all issues bear the same privileges as regards dividend and return on equity.

Note no. 12
Other capitals

Supplementary capital	**31.12.2009**	**31.12.2008**
Balance at beginning of period	31,941	29,340
Changes in the accounting principles (policy)	-	-
Balance at beginning of period after adjustments (after transformation)	-	29,340
- issue of share capital	-	2,319
- costs of share issue	-	- 31
- profit distribution/covering losses	- 404	313
Balance at the end of the period	**31,537**	**31,941**
Reserve capital	**31.12.2009**	**31.12.2008**
Balance at beginning of period	-	3,312
- increase in share capital	-	- 994
- transfer to supplementary capital	-	- 2,318
Balance at the end of the period	**-**	**-**
Other capitals as at the end of the period	**31,537**	**31,941**

Note no. 13
Result brought forward

Profit/loss brought forward	**31.12.2009**	**31.12.2008**
Balance at beginning of period	- 647	2,442
- profit/loss brought forward at beginning of period	- 647	2,442
- decrease due to transfer to supplementary capital	404	- 313
Net profit/loss at the end of the period	**- 243**	**2 129**

Note no. 14
Long- and short-term loans and borrowings

Grupa Makarony Polskie

Loans	**31.12.2009**	**31.12.2008**
- long-term	19,570	5,393
- short-term	2,639	21,303

Information about loans taken as at 31 December 2009 in specific Group companies

Makarony Polskie S.A.

Loans	**31.12.2009**	**31.12.2008**
- long-term	13,462	1,814
- short-term	860	16,486

As at 31 December 2009, Makarony Polskie S.A. was a party to the following agreements:

- Working capital loan in current account in BGŻ S.A.

Terms and conditions of lending	
Credit amount	PLN 4,500,000
Credit period	04.12.2007 – 17.12.2011
Interest rate	1M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 4,407,000
Repayment plan	One-time repayment on the maturity date
Credit collateral	✓ capped mortgage up to the amount of PLN 6,750,000 on the real properties in Rzeszów covered with the Land and Mortgage Register no. RZ1Z/00076860/5 together with the assignment of rights from the insurance policy, ✓ blank promissory note with the promissory note declaration, ✓ power of attorney to the Company's account held in BGŻ S.A.

- Long-term investment loan in investment account in BGŻ S.A.

Terms and conditions of lending	
Credit amount	PLN 1,366,000
Credit period	16.02.2005 – 15.02.2013
Interest rate	3M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 191,000
Repayment plan	✓ one quarterly instalment of PLN 44,000 payable on 10 October 2005, ✓ 29 consecutive quarterly instalments of PLN 13,000 payable after the 10th day of the month following the end of the quarter, ✓ one instalment of PLN 911,000 payable on 30 June 2006, ✓ one instalment of PLN 14,000 payable on 15 February 2013.
Credit collateral	✓ registered pledge on machinery and equipment, that is registered pledge on a packing machine, on a wood flooring making machine in Rzeszów, and on a packing machine and a flour unit in Płock of the total value of PLN 1,439,000 together with the assignment of rights from the insurance policy, ✓ power of attorney to the Company's current accounts, ✓ transfer of receivables from the agreement no. SPO-WKP/2.3/2/14/931 of 3 October 2005 concluded with the Polish Agency for Enterprise Development (PARP).

- Long-term investment loan in investment account in BGŻ S.A.

Terms and conditions of lending	
Credit amount	PLN 15,266,000
Credit period	05.06.2008 – 31.03.2016
Interest rate	3M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 5,149,000
Repayment plan	✓ grace period in repayment of the principal by 30.06.2009, ✓ one instalment of PLN 9,647,000 payable on 30.06.2009 (subsidy funds), ✓ 83 monthly instalments of PLN 67,000 each payable from 30.06.2009 to 30.04.2016, ✓ final instalment of PLN 48,000 payable on 31.05.2016.
Credit collateral	✓ transfer of receivables from the subsidy agreement concluded by and between the Company and the Polish Agency for Enterprise Development (PARP) on 04.06.2008 regarding the "Starting of new quality pasta production based on innovative technologies" project, ✓ registered pledge on technological lines for the production of long forms of pasta purchased as part of the investment together with the assignment of rights from the insurance policy, ✓ blank promissory note with the promissory note declaration, ✓ power of attorney to the Company's account held in BGŻ S.A.

- Loan in current account in HSBC Bank Polska S.A.

Terms and conditions of lending	
Credit amount	PLN 2,000,000
Credit period	29.10.2009 – 28.02.2011
Interest rate	1M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 2,007,000
Repayment plan	✓ One-time repayment on the maturity date
Credit collateral	✓ capped mortgage up to the amount of PLN 3,000,000 on the real properties in Płock covered with the Land and Mortgage Register no. PL1P/00094893/6 together with the assignment of rights from the insurance policy, ✓ blank promissory note

Under the approved strategy of financing, inclusive of the arrangement of sources of funding, the above financing was used to repay the loan taken earlier from Fortis Bank Polska S.A.

- Current loan under the multi-purpose credit line in Fortis Bank S.A.

Terms and conditions of lending	
Credit amount	PLN 4,100,000
Credit period	29.12.2009 – 28.12.2011
Interest rate	3M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 2,568,000
Repayment plan	✓ One-time repayment on the maturity date
Credit collateral	✓ blank promissory note; ✓ registered pledge on the production line for manufacturing short forms of pasta located in the production plant in Płock together with the assignment of rights from the insurance policy, ✓ capped mortgage up to the amount of PLN 6,656,000 on real properties in Częstochowa covered with the Land and Mortgage Register no. Cz1C/00021785/1 together with the assignment of rights from the insurance policy, ✓ registered pledge on the production line for manufacturing of pasta purchased from Anselmo and kept in the production plant in Płock, ✓ registered pledge on the Pavan production line for manufacturing of short forms of pasta located in the production plant in Rzeszów.

Under the approved strategy of financing, inclusive of the arrangement of sources of funding, the above financing was used to repay the loans taken earlier from BRE Bank S.A. (mortgage loan of PLN 1.6m) and from ING Bank Śląski S.A. (loan in current account of PLN 1.5m).

- Agreement for the purchase of debt claims in ING Bank Śląski S.A.

Terms and conditions of lending	
Contractual amount	PLN 3,300,000
Effective period	23.07.2007 – 31.12.2009
Interest rate	1M WIBOR + bank margin in line with standards applied by the bank
Status as at 31 December 2009	PLN 3,091,000
Repayment plan	✓ on the due date of invoices presented for factoring
Collateral	✓ cash security deposit in the amount of 10% of discounted debt claims collected at the time of discounting the debt claims and reimbursed after their purchase,

	✓ capped mortgage up to the amount of PLN 3,300,000 in the real property in Częstochowa covered with the Land and Mortgage Register no. Cz1C/00021785/1 ✓ blank promissory note with the promissory note declaration.

Under the approved strategy of financing, on 21 December 2009 Makarony Polskie S.A. concluded an agreement with ING Commercial Finance Polska S.A. (ING Group company specialising in factoring services) for the purchase of debt claims effective as of 1 January 2010. The terms and conditions of the agreement are as follows:

Terms and conditions of lending	
Contractual amount	3 500 tys. zł
Effective period	01.01.2010 – 31.12.2010
Interest rate	1M WIBOR + bank margin in line with standards applied by the bank
Collateral	✓ cash security deposit in the amount of 10% of discounted debt claims collected at the time of discounting the debt claims and reimbursed after their purchase, ✓ blank promissory note with the promissory note declaration.

The newly concluded agreement lowered the costs of financing, broadened the client database covered with factoring and limited laboriousness on the part of Makarony Polskie S.A.

- Performance bonds granted by STU Ergo Hestia S.A.

Warrantor	Bond amount	Bond validity	Subject of securing with the performance bond	Collateral
STU Ergo Hestia S.A.	PLN 4,006,000*	15.01.2009-30.06.2010	Due performance of the agreement concluded with the Agricultural Market Agency under the Common Agricultural Policy programme: "Supplying food for the poorest people of the EU in 2009"	✓ 5 blank promissory notes issued by the Company, ✓ blank promissory note issued by the Company and guaranteed by Stoczek ✓ registered pledge on the production line for manufacturing of short forms in Płock. Stock number 0003/P of book value as at 31.10.2008 equal to PLN 1,623,000, ✓ capped mortgage up to the amount of PLN 730,000 on the real property in Rzeszów covered with the Land and Mortgage Register no. RZ1Z/00120491/1
STU Ergo Hestia S.A.	PLN 775,000	01.01.2009-28.02.2011	Insurance guarantee to the subsidy agreement concluded with the Polish Agency for Enterprise Development under the PO-KL programme (consulting and training project)	✓ blank promissory note issued by the Company

* The initial value of the guarantee extended to the Company was PLN 13,354,000. In 2009, in connection with the gradual contract execution by Makarony Polskie S.A., the Agricultural Market Agency released a part of the guarantee in the amount of PLN 5,363,000 (in July 2009), and then another PLN 3,985,000 (in December 2009). The last part of the guarantee was released in March 2010 after the entire contract settlement.

✓ By February 2009, the guarantee for PLN 200,000 extended to the Company by STU Ergo Hestia S.A. was effective. The said guarantee secured a bid bond for the tender under the Common Agricultural Policy "Supplying food for the poorest people of the EU in 2009" programme. The guarantee was released after Makarony Polskie S.A. signed an agreement with the Agricultural Market Agency.

After the end of the financial year, Makarony Polskie S.A. obtained from STU Ergo Hestia S.A.:

✓ a guarantee for PLN 250,000 securing the bid bond for the tender under the Common Agricultural Policy programme "Supplying food for the poorest people of the EU in 2010". The guarantee was released in February 2010, after Makarony Polskie S.A. signed an agreement with the Agricultural Market Agency,

✓ a guarantee for PLN 14,571,000 securing due performance of the agreement concluded with the Agricultural Market Agency under the Common Agricultural Policy programme "Supplying food for the poorest people of the EU in 2010". The guarantee is effective from 10 February 2010 until 30 April 2011 and it was secured in the same way as a guarantee securing performance of the agreement concluded with the Agricultural Market Agency in 2009.

Stoczek Sp. z o.o.

Loans	31.12.2009	31.12.2008
- long-term	6,108	3,579
- short-term	1,779	4,817

As at 31 December 2009, Spółka Stoczek Sp. z o.o. was a party to the following agreements:

- Loan in current account in HSBC Bank Polska S.A.

Terms and conditions of lending	
Credit amount	PLN 2,000,000
Credit period	29.10.2009 – 28.02.2011
Interest rate	1M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 1,860,000
Repayment plan	✓ One-time repayment on the maturity date
Credit collateral	✓ blank promissory note with the promissory note declaration, ✓ capped mortgage up to the amount of PLN … on the real property of the Company in Stoczek Łukowski covered with the Land and Mortgage Register no. 22979, ✓ capped mortgage up to the amount of PLN 3,000,000 on the real property in Płock covered with the Land and Mortgage Register no. PL1P/00094893/6 together with the assignment of rights from the insurance policy, ✓ assignment of rights from the insurance policy covering the real property insurance, ✓ warranty according to the civil law given by Makarony Polskie SA in Rzeszów, ✓ Borrower's declaration on submitting to execution,

Financing obtained in October 2009 by Stoczek was used for refinancing the existing revolving loan taken from Fortis Bank Polska S.A. (PLN 1 million).

- Non-revolving loan from HSBC Bank Polska S.A.

Terms and conditions of lending	
Credit amount	PLN 4,000,000
Credit period	29.10.2009 – 11.03.2013
Interest rate	1M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 3,777,000
Repayment plan	✓ Equal quarterly instalments payable on the last business day of January, April, July and October starting from 29.01.2010 and ending on 11.03.2013
Credit collateral	✓ blank promissory note with the promissory note declaration, ✓ capped mortgage up to the amount of PLN 6,000,000 on the real property of the Company in Stoczek Łukowski covered with the Land and Mortgage Register no. 22979, ✓ capped mortgage up to the amount of PLN 6,000,000 on the real properties in Płock covered with the Land and Mortgage Register no. PL1P/00094893/6 together with the assignment of rights from the insurance policy, ✓ assignment of rights from the insurance policy covering the real property insurance,, ✓ warranty according to the civil law given by Makarony Polskie SA in Rzeszów, ✓ Borrower's declaration on submitting to execution,

Financing obtained in October 2009 by Stoczek was used for refinancing the existing non-revolving loan taken from Fortis Bank Polska S.A. (PLN 3.8 million).

- Working capital loan from the Co-operative Bank */Bank Spółdzielczy/* in Łosice

Terms and conditions of lending	
Credit amount	PLN 650,000
Credit period	30.09.2009 – 31.08.2011
Interest rate	1M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	PLN 650,000
Repayment plan	✓ PLN 200,000 – 30.06.2011 ✓ PLN 200,000 – 30.07.2011 ✓ PLN 250,000 – 31.08.2011
Credit collateral	✓ blank promissory note with the promissory note declaration, ✓ transfer of title on fixed assets worth PLN 2 million, ✓ warranty up to PLN 650,000 according to the civil law given by Makarony Polskie SA in Rzeszów, ✓ Borrower's declaration on submitting to execution,

The loan obtained from the Bank in Łosice is a continuation of the co-operation with that institution as regards lending, and the said financing replaced the loan totalling PLN 300,000 that matured on 30 September 2009.

- Working capital loan from Pekao S.A. (former BPH S.A.)

Terms and conditions of lending	
Credit amount	EUR 300,000
Credit period	06.07.2007-30.12.2010
Interest rate	1M EURIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2009	EUR 150,000
Repayment plan	✓ 31.03.2009 – EUR 10,000 ✓ 30.06.2009 – EUR 30,000 ✓ 30.09.2009 – EUR 50,000 ✓ 30.12.2009 - EUR 50,000 ✓ 30.04.2010 – EUR 50,000 ✓ 30.08.2010 – EUR 50,000 ✓ 31.12.2010 – EUR 50,000
Credit collateral	✓ transfer of debt claims under the contract no. 1/2007 of 04.06.2007 signed by and between Stoczek and the Dutch company Lutece, ✓ blank promissory note with the promissory note declaration warranted by Makarony Polskie S.A. ✓ powers of attorney to the accounts of Stoczek held in Bank Pekao S.A. (former BPH S.A.), ✓ registered pledge on PAC-53 packing machine of the net value of PLN 110,934.36 as at 19.11.2008, ✓ registered pledge on TZF-2B fluidised freezing tunnels of the net worth PLN 501,666.07 as at 19.11.2008, ✓ registered pledge on the mushrooms production line of the net worth of PLN 639,929.00 as at 19.11.2008.

On 17 December 2009, Stoczek Sp. z o.o. signed with Bank PeKaO S.A. an annex modifying the existing repayment schedule and setting the deadline for debt repayment in December 2010.

- Multi-purpose credit line in Fortis Bank S.A.

Terms and conditions of lending	
Credit amount	PLN 2,000,000
Credit period	29.12.2009 – 28.12.2011
Interest rate	3M WIBOR + bank margin in line with standards applied by the bank
Credit status as at 31 December 2008	PLN 983,000
Repayment plan	✓ One-time payment on the maturity date
Credit collateral	✓ blank promissory note with the promissory note declaration, ✓ capped mortgage up to the amount of PLN 3,000,000 on real properties in Częstochowa covered with the Land and Mortgage Register no. Cz1C/00021785/1 with the assignment of rights from the insurance policy, ✓ registered pledge on the pasta production line purchased from Anselmo and located in the production plant in Płock, ✓ registered pledge on the Pavan short form pasta production line located in the production plant in Rzeszów, ✓ warranty according to the civil law given by Makarony Polskie SA in Rzeszów, ✓ Borrower's declaration on submitting to execution, ✓ Warrantor's declaration on submitting to execution

- Cash loans agreements

In 2009, Stoczek Sp. z o.o. was a party of two cash loans agreements extended to it by one of the shareholders of Makarony Polskie S.A. Nominal value of the said loans was PLN 900,000, and they were repaid in 2009.

- Guarantees extended by STU Ergo Hestia S.A.

Guarantor	Guarantee amount	Effective from ... to ...	Subject of collateral	Collateral
STU Ergo Hestia S.A.	PLN 3,868,000 *	15.01.2009 - 30.06.2010	Performance bond as regards the contract concluded with the Agricultural Market Agency under the Common Agricultural Policy programme: "Supplying food for the poorest people of the EU in 2009"	✓ blank promissory note issued by Stoczek Sp. z o.o. and warranted by Makarony Polskie S.A.
STU Ergo Hestia S.A.	PLN 1,396,000 *	10.02.2010 – 30.04.2011	Performance bond as regards the contract concluded with the Agricultural Market Agency under the Common Agricultural Policy programme: "Supplying food for the poorest people of the EU in 2010"	✓ blank promissory note issued by Stoczek Sp. z o.o. and warranted by Makarony Polskie S.A.

* The performance bond was released in February 2010, after the total settlement of the contract.

✓ In 2009, a guarantee for PLN 200,000 extended to Stoczek Sp. z o.o. by STU Ergo Hestia S.A. was released. The said guarantee secured the bid bond for the tender as regards the Common Agricultural Policy programme "Supplying food for the poorest people of the EU in 2009". The guarantee was released after Stoczek Sp. z o.o. signed an agreement with the Agricultural Market Agency.

After the end of the financial year STU Ergo Hestia S.A. gave the following guarantees to Stoczek Sp. z o.o.:

✓ a guarantee for PLN 250,000 securing the bid bond for the tender under the Common Agricultural Policy programme "Supplying food for the poorest people of the EU in 2010". The guarantee was released in February 2010, after Stoczek Sp. z o.o. signed an agreement with the Agricultural Market Agency,

✓ a guarantee for PLN 1,396,000 securing due performance of the agreement concluded with the Agricultural Market Agency under the Common Agricultural Policy programme "Supplying food for the poorest people of the EU in 2010". The guarantee is effective from 10 February 2010 until 30 April 2011 and it was secured in the same way as a guarantee securing performance of the agreement concluded with the Agricultural Market Agency in 2009.

Note no. 15
Provisions for pension and similar

Short-term provisions 01.01.2009- 31.12.2009	Provisions for employee benefits and similar
Value as at beginning of period, where:	52
- provision for holiday leaves	41
- provision for pension benefits	11
Increases:	65
- established in the period and increase of the existing ones	65
Decreases:	46

- used or released within the year	46
Value as at the end of the period	**71**

Long-term provisions 01.01.2009- 31.12.2009	**Provisions for employee benefits and similar**
Value as at beginning of period, where:	153
- provision for pension benefits.	153
Increases:	35
- established in the period and increase of the existing ones	35
Decreases:	4
- released but unused	4
Value as at the end of the period	**184**

In 2009, as in 2008, provisions of the total amount of PLN 37,000 were established for auditing the financial statements in the Group companies. Additionally, the amount of PLN 20,000 refers to provisions for future costs of marketing services.

Note no. 15 continuation
Provisions for pension and similar benefits and other provisions 2008

Short-term provisions 01.01.2008- 31.12.2008	**Provisions for employee benefits and similar**
Value as at beginning of period, where:	102
- provision for holiday leaves	95
- provision for pension benefits	7
Increases:	103
- established in the period and increase of the existing ones	54
- acquired as the result of business combination	48
Decreases:	153
- used or released within the year	153
Value as at the end of the period	**52**

Long-term provisions 01.01.2008- 31.12.2008	**Provisions for employee benefits and similar**
Value as at beginning of period, where:	77
- provision for pension benefits,	77
- other provisions.	-
Increases:	108
- established in the period and increase of the existing ones	83
- acquired as the result of business combination	25
Decreases	32
- released but not used	32
Value as at the end of the period	**153**

The companies pay their retiring employees retirement gratuity in line with the Labour Code and in line with their internal regulations. In connection therewith, the companies set a provision for present value of retirement gratuity liabilities based on the assessment made by an actuary.

Note no. 16
Liabilities from finance lease agreements

	As at 31.12.2009	As at 31.12.2008
	Present value of minimum fees	**Present value of minimum fees**
up to 1 year	697	556
from 1 year to 5 years	340	499
Total	**1,037**	**1,055**

Lease agreements refer most of all to technical equipment, machinery and means of transport (it pertains to all companies of the Group). All agreements were concluded for the period of up to 60 months and impose no restrictions on the companies other than lease payments. The agreements stipulate the pre-emptive right of the companies to buy the object of lease.

Besides financial lease liabilities, the "**Non-current financial liabilities**" include also factoring liabilities in the amount of PLN 3,091,000 (in 2009) and PLN 3,275,000 (in 2008).

Note no. 17
Other liabilities

	31.12.2009	31.12.2008
Trade liabilities from other entities:	**16,773**	**21,337**
- long-term	-	-
- short-term	16,773	21,337
Liabilities from subsidiaries:	**-**	**-**
- long-term	-	-
- short-term	-	-
Liabilities from affiliates:	**-**	**-**
- long-term	-	-
- short-term	-	-
Prepayments:	-	-
- long-term	-	-
- short-term	-	-
Other liabilities:	**1,661**	**1,332**
- long-term	-	-
- short-term	-	1,332
Total liabilities	**18,434**	**22,669**

Trade liabilities:	**31.12.2009**	**31.12.2008**
- from affiliates	-	-
- from other entities	16,773	21,337
Total	**16,773**	**21,337**

Public, legal and other liabilities	31.12.2009	31.12.2008
- personal income tax	148	122
- social insurance	601	482
- payroll	442	391
- State Fund for Rehabilitation of Handicapped People (PFRON)	16	2
- environment protection	15	5
- other	439	330
Total	**1,661**	**1,332**

Note no. 17 continuation
Liabilities – currency structure

	31.12.2009	31.12.2008
- in PLN	16,687	15,225
- in foreign currencies:	1,747	7,444
a) currency/EUR	425	1,784
in PLN	1,747	7,444
Total	**18,434**	**22,669**

Value of liabilities presented in the Statement of Financial Position is close to their fair value. In general, trade liabilities are not interest rate bearing.

In 2009, trade liabilities were repaid within 65 days on average.

The difference between the VAT amounts payable and VAT amounts due is paid to relevant tax authorities on a monthly basis.

Note no. 18
Accruals and deferred income

Deferred income	31.12.2009	31.12.2008
- long-term	9,213	850
- short-term	1,720	97
Total	**10,933**	**947**

The short-term and long-term accruals and deferred income include subsidies received by Makarony Polskie S.A. for covering the costs of purchase of machinery and equipment. Subsidies were granted in 2003, 2006 and 2009.

If the subsidy refers to the assets component, its fair value is recognised on the accruals and deferred income account, and then it is gradually written-down to P/L with equal annual write-downs within the estimate service life of the underlying assets component.

Explanatory notes to the Statement of Comprehensive Income

Note no. 19
Net sales revenue

	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Revenue from the sale of products	96,931	73,858
Revenue from the sale of services, of which:	971	337
- rental	40	26
- distribution services	-	34
- transport services	585	139
- storage, filling up, closing	113	-
- other services	233	138
Revenue from the sale of materials	3,611	382
Revenue from the sale of goods	16,038	14,173
Total	**117,551**	**88,750**

Revenue on sale of products, services, goods and materials – geographical structure

	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Country	105,395	77,420
Export, of which:	12,156	11,330
- EU states	10,910	10,933
- other	1,246	397
Total	**117,551**	**88,750**

Note no. 20
Costs of sold products, services, goods and materials

Operating costs per cost types	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Fixed assets depreciation	5,398	4,027
Intangible assets amortisation	100	143
Staffing costs (wages and salaries, social insurance and other benefits)	15,595	12,276
Use of materials and energy consumption	65,472	48,521
Costs of third party services, of which:	13,663	11,420
- transport services	4,543	3,682
- advertising and marketing	4,367	4,967
- repair	387	447
- telecommunications	183	229
- consulting	319	115
- trade commissions	422	354
- other costs of services, of which:	3,442	1,626
a) training project costs	1,013	-

Costs of taxes and charges	798	783
Other costs, of which:	1,555	1,303
- advertisements	1,005	1,028
- business trips	101	104
- insurance	168	171
- other, of which:	281	-
a) costs connected with the training project	150	-
Total operating costs	**102,581**	**78,473**
Costs of sales and distribution (-)	- 15,043	- 13,233
Costs of general governance (-)	- 6,691	- 6,094
Change in products and work in progress (increase +, decrease -)	- 335	643
Cost of manufacture for the company's own needs	- 4	14
Cost of manufacture of sold products, goods and materials	**80,508**	**59,803**
Value of sold materials and goods	**13,463**	**11,686**
Total cost of manufacture of sold products, goods and materials	**93,971**	**71,489**

Staffing costs	**For the period from 01.01.2009 to 31.12.2009**	**For the period from 01.01.2008 to 31.12.2008**
Costs of wages and salaries	12,944	10,372
Costs of social insurance	2,204	1,757
Costs of other employee benefits, of which:	447	275
- costs of benefits related to employment termination	79	79
- costs of pension benefits	19	6,
- costs of unused holiday leave equivalents	52	70
- other benefits	297	120
Total	**15,595**	**12,404**

Employee benefits are split into the following categories:

- short-term benefits that include wages and salaries, social insurance contributions, paid absences from work and fringe benefits. The costs of the short-term benefits are carried through P/L on a current basis in the period they refer to. At the end of the reporting period, the expected value of the short-term benefits for a given financial year that were not discounted and which are still to be paid is recognised by the Group under the accruals and deferred income;

- benefits after the employment termination – under this category, the Group offers gratuity to the employees.

A provision is established for the future payments of pension gratuities that is verified periodically by an independent actuary in accordance with the IFRS.

Note no. 21
Costs of sale

	For the period from 01.01.2009 to 31.12.2009
Depreciation/amortisation	213
Use of materials and energy consumption	370
Costs of third party services	10,127
Taxes and charges	49
Wages and salaries	2,582
Employee benefits	468
Other costs	1,234
Total	**15,043**

Note no. 22
Costs of governance

	For the period from 01.01.2009 to 31.12.2009
Depreciation/amortisation	543
Use of materials and energy consumption	356
Costs of third party services	2,254
Taxes and charges	438
Wages and salaries	2,330
Employee benefits	309
Other costs	461
Total	**6,691**

Note no. 23
Other income

	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
State subsidies	2,615	114
Gains on sale of property, plant and equipment	16	431
Reversal of impairment losses related to receivables	19	14
Reversal of impairment losses related to inventories	23	-
Reversal of impairment losses related to property, plant and equipment	118	119
Release of other provisions	16	136
Compensations and complaints	148	92
Sale of scrap and wastes	6	8
Reimbursement of court fees and bailiff's charges	9	4
Reinvoicing of costs	-	1
Reimbursement of overpaid national insurance contributions	1	7
Disclosure of fixed assets	122	-

Surplus inventory	52	-
Lease liability	9	-
Other	11	88
Total	**3,165**	**1,014**

Income and profits not attributed directly to the operating activities of the Group fall under other operating income. This category includes subsidies received, proceeds from the sale of property, plant and equipment, received compensation related to reimbursement of court costs, reimbursement of overpaid tax liabilities, with the exception of corporate income tax, and received indemnities for the loss of company's assets covered with insurance.

Other operating income includes also reversed write-down of receivables and inventories, and impairment loss of the fixed assets components.

Note no. 24
Other costs

	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Loss on sale of property, plant and equipment	21	10
Provisioning	11	56
Impairment loss related to receivables	176	25
Donations	13	14
Penalties and fines	73	63
Deficiencies in working capital	25	14
Incurred damages	70	113
Court and bailiff's charges	17	5
Costs of reinvoicing	139	75
Liquidation of damaged and past sell-by-date inventories	70	27
VAT due on internal invoices	20	13
Acquisition of fixed assets (measurement)	17	-
Other	5	74
Total	**657**	**489**

Other operating costs item includes costs and losses not directly attributed to the operating activities of the Group. The category includes losses on the sale of components of property, plant and equipment, granted non-monetary and monetary donations to other entities, inclusive of public benefit organisations, and consequences resulting from guarantees and warranties extended for other entities.

Other operating costs include also revaluation write-down of receivables and inventories, and impairment loss of the fixed assets components.

Note no. 25
Financial income

	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Interest income, of which:	413	260
- interest on bank deposits	6	51
- interest on borrowings	-	-
- interest on receivables	407	209
Gains on FX differences	-	234
Other financial income, of which:	-	206
- measurement of investment real property	-	206
Total	**413**	**700**

Financial income includes dividend proceeds, interest on deposit activities and on investing in diverse financial instruments. This item includes also gains on FX differences.

Note no. 26
Financial costs

	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Interest costs, inclusive of interest costs of:	1,581	1,579
- bank loans	1,464	1,248
- borrowings	-	-
- bank fees and commissions	38	109
- factoring and lease costs	79	222
Other financial costs, of which:	452	295
- losses on negative FX differences	141	190
- guarantee	163	57
- interest on liabilities	8	7
- interest on outstanding taxes and social insurance	3	1
- discount costs	137	-
- other	-	40
Total	**2,033**	**1,874**

Financial costs include costs of the use of external sources of financing, interest paid on financial lease agreements to which the Group is a party and other financial costs. This item includes also losses on FX differences.

Note no. 27
Income tax

	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Current income tax	205	-
Deferred income tax	331	61
Tax debit/credit recognised in profit or loss, of which:	**536**	**61**
- attributed to continuing operations	536	61

Note no. 27 continuation
Deferred income tax

	Statement of Financial Position		Statement of Comprehensive Income	
	As at 31.12.2009	As at 31.12.2008	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Deferred income tax provision				
Temporary differences:				
- difference between tax amortisation and balance sheet amortisation	566	274	292	35
- FX differences	14	55	- 41	55
- difference between financial lease charges and amortisation	82	54	28	33
- accrued interest	43	29	14	15
Gross provision for deferred income tax	**705**	**412**	**293**	**138**
Deferred income tax assets				
- wages and salaries paid after the reporting period	19	89	70	- 67
- national insurance contributions (ZUS)	57	58	1	- 42
- pension benefits and other	42	39	- 3	- 18
- unpaid amounts to the In-house Social Benefits Fund	44	43	- 1	- 43
- deductible tax losses	639	727	88	- 727
- costs of third party services	5	6	1	1
- revaluation of fixed assets	481	503	22	- 503
- FX differences	1	51	50	- 51
- provision for holiday leaves and equivalents	7	-	- 7	-
- write-downs for receivables	10	-	- 10	
- other	4	9	5	- 9
- interest on liabilities	-	27	27	- 27
Deferred income tax revaluation write-down	**1,204**	**1,409**	**- 205**	**- 1,409**
Gross assets related to deferred income tax	**1,309**	**1,552**	**243**	**- 1,486**
Deferred income tax debit/credit	**105**	**143**	**331**	**61**

Current tax burden is calculated based on the binding tax regulations. The said regulations differentiate tax gain (loss) from the net book profit (loss) as they exclude non-taxable income, costs other than tax deductible cots, and cost and income items that will never be taxable. Tax burdens are

calculated based on tax rates binding in a given financial year. At present, the said rate is 30%, and the regulations do not provide for differentiating tax rates for future periods.

As regards income tax, general regulations in this respect apply to the Group. It is neither a tax capital group, nor its operations are carried out in the special economic zone, which would differentiate the principles of determining tax burdens from the general regulations in this respect. Both, fiscal year and balance sheet year are identical as the calendar year.

Tax loss deductible in consecutive periods is PLN 848,000 in case of Makarony Polskie S.A., and PLN 3,362,000 in case of Stoczek Sp. z o.o..

Note no. 28
Data regarding the financial result and shares used for the calculation of the basic and diluted earnings per share

Method of calculation of the weighted average number of shares in the period (2008)

Number of shares in the period:	**2008**
01.01.2008-10.02.2008	8,918,821
11.02.2008-31.12.2008	9,250,071
Weighted average number of shares in 2008	**9,212,862**

	For the period from 01.01.2009 to 31.12.2009	**For the period from 01.01.2008 to 31.12.2008**
Net profit/loss per share	0.24	- 0.30
Book value per share in PLN	6.62	6.38

	For the period from 01.01.2009 to 31.12.2009	**For the period from 01.01.2008 to 31.12.2008**
Net profit/loss on continuing operations attributed to the shareholders of the Parent	2,198	- 2,776
Net profit/loss on discontinued operations attributed to the shareholders of the Parent	-	-
Net profit/loss attributed to the shareholders of the Parent	2,198	- 2,776
Net profit/loss attributed to ordinary shareholders applied for the calculation of diluted profit/loss per share	N/A	N/A

	For the period from 01.01.2009 to 31.12.2009	**For the period from 01.01.2008 to 31.12.2008**
Weighted average number of issued ordinary shares applied for calculation of the basic profit/loss per share	9,250,071	9,212,862
Dilution impact	N/A	N/A
Adjusted weighted average number of issued ordinary shares applied for calculation of the basic profit/loss per share	N/A	N/A

Net profit per share is calculated by dividing net profit for the period attributed to ordinary shareholders of the Parent by weighted average number of issued ordinary shares in the period.

Diluted profit per share is calculated by dividing net profit for the period attributed to ordinary shareholders of the Parent (after deducting interest on redeemable privileged shares convertible into ordinary shares) by the weighted average number of ordinary shares in the period (adjusted by the impact of the diluting options and diluting redeemable privileged shares convertible into ordinary shares). In 2007 and 2008, and by the date of these statements, there were no factors diluting the share capital.

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

Note no. 29
Dividends paid and approved to be paid

Pursuant to Article 395 of the Commercial Companies Code, the Ordinary General Meeting is the authority relevant for passing a resolution as regards profit distribution (or covering losses), and dividend payment. In line with the Articles of Incorporation, the Ordinary General Meeting should take place 6 months after the end of each financial year.

Term of the dividend payment (Article 348(2) of the Commercial Companies Code) is determined by the ordinary general meeting of the public company with their resolution on profit distribution for the last financial year.

The Ordinary General Meeting of Makarony Polskie S.A. resolved to cover the 2008 loss from the supplementary capital.

It was assumed in the Prospectus that starting from 2008, not more than 50% of profit after mandatory write-downs will be allocated to dividend payment. The remaining part of the profit will go to supplementary capital and will be used for financing of investments.

Note no. 30
Remuneration paid to the Members of the Management Board and Supervisory Board of the Parent

Management Board

Forename and surname	Position	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Paweł Nowakowski	President of Management Board	280	220
Krzysztof Rubak (from 28.01.2008 to 16.06.2009 and from 20.07.2009)	Vice President of Management Board	242	176
Marek Feruś (from 20.07.2009)	Vice President of Management Board	75	-
Cezary Goławski (from 10.02.2009 to 16.06.2009)	Vice President of Management Board	47	-
Grzegorz Słomkowski (until 30.06.2008)	Vice President of Management Board	-	104
Włodzimierz Parzydło (until 25.01.2008)	Vice President of Management Board	-	6
Total		**644**	**506**

Supervisory Board

Forename and surname	Position	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Zenon Daniłowski	Chairman of the Supervisory Board	37	18
Grzegorz Słomkowski	Vice Chairman of the Supervisory Board	30	5
Zdzisław Sawicki	Vice Chairman of the Supervisory Board	23	-
Dariusz Bliźniak	Member of the Supervisory Board	20	13
Urszula Rogóż-Bury	Member of the Supervisory Board	25	15
Jarosław Pardyka	Member of the Supervisory Board (until 30.06.2008)	-	8
Piotr Łukasiuk	Member of the Supervisory Board (until 12.06.2009)	7	12
Total		**142**	**71**

Members of the Management Board and of the Supervisory Board of Makarony Polskie S.A. did not receive any remuneration from its subsidiary.

Note no. 31
Settlements among the affiliates

Affiliate	Sale for affiliates		Acquisitions from affiliates	
	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Parent - Makarony Polskie S.A.	2,022	2,309	978	6,983

Affiliate	Amounts due from affiliates		Amounts due to affiliates	
	As at 31.12.2009	As at 31.12.2008	As at 31.12.2009	As at 31.12.2008
Parent- Makarony Polskie S.A.:	2,790	3,402	150	711
- from/to Stoczek Sp. z o.o.	2,790	3,402	150	711

Affiliate	Sale for affiliates		Acquisitions from affiliates	
	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008	For the period from 01.01.2009 to 31.12.2009	For the period from 01.01.2008 to 31.12.2008
Subsidiary - Stoczek Sp. z o.o.	1,543	6,368	1,346	1,077

Affiliate	Amounts due from affiliates		Amounts due to affiliates	
	As at 31.12.2009	As at 31.12.2008	As at 31.12.2009	As at 31.12.2008
Subsidiary Stoczek Sp. z o.o.	150	711	2,790	3,402
- from/to Makarony Polskie S.A.	150	711	2,790	3,402

Note no. 32
Material events after the reporting period

- ✓ On 22 February 2010, the agreement was signed with the Agricultural Market Agency (ARR). In 2010, the co-operation with the Agricultural Market Agency will refer to the execution of contracts under the "Supplying food for the poorest people of the EU in 2010" project. The total value of agreements concluded by Makarony Polskie Group with the Agricultural Market Agency in 2010 amounts to approximately PLN 14,514,000 and it includes:
  - Contract of Makarony Polskie S.A. for the supply of fusilli (contract value of PLN 7,751,000 and for the supply of egg pasta cut into short stripes (contract value of PLN 5,494,000 valid by 31 December 2010. Net value of the contract is PLN 13,245,000. The Company will be paid for the supply of pasta in the form of non-processed food commodity (barley) prepared for collection in the EU intervention warehouses pointed out by the Agricultural Market Agency,
  - Contract of Stoczek Sp. z o.o. for the supply of barley soup worth PLN 1,269,000 valid by 31 December 2010.

Collaterals representing 110% of the value of both contracts provide guarantee of the due performance of the contracts.

- ✓ On 22 March 2010, Stoczek Sp. z o.o (subsidiary) and Towarowy Dom Maklerski Arrtrans S.A. (*brokerage house*) concluded an agreement for the supply of ready meals of the total net value of PLN 13.1 million. The agreement will be performed from April to November 2010.
- ✓ On 25 March 2010, the Management Board of Makarony Polskie S.A. presented the 2010 financial forecast of the Group and the Strategy for the years 2010-2012.

Note no. 33
Off-balance sheet items

Off-balance sheet items	31 December 2009	31 December 2008
1. Contingent receivables	**44,949**	**7,097**
1.1. From affiliates:	36,295	-
- received guarantees and warranties	16,925	-
- collaterals on property	19,370	-
1.2. From other entities:	8,654	7,097
- received guarantees and warranties	8,649	7,092
- promissory notes	5	5
2. Contingent liabilities	**36,295**	**21,446**
2.1. As regards affiliates	36,295	21,446
- extended guarantees and warranties	16,925	21,446
- collaterals on property	19,370	-
2.2. As regards other entities	-	-
- extended guarantees and warranties	-	-
3. Other related to:	**99,917**	**103,271**

- notes payable	61,088	57,273
- collaterals on property	37,704	43,495
- other – assignment of receivables and a power of attorney to the bank account	1,125	2,503
Total off-balance sheet items	**- 91,263**	**- 117,620**

Value of the received guarantees, collaterals, notes payables, mortgages and other off-balance sheet liabilities are presented in the above table as maximum values, without exclusions between the affiliates.

Note no. 34
Material principles of accounting applied to the financial statements

FX transactions and measurement of items presented in foreign currencies

The Consolidated Financial Statements are presented in the base currency of the market on which the (the Group) entities operate. Polish zloty (PLN) is the functional and reporting currency of the Parent and of the subsidiary, and all values are presented in PLN thousands, unless specified otherwise.
Transactions in currencies other than PLN are converted into PLN at the rate applicable at the transaction date.
As at the end of the reporting period, monetary assets and liabilities in currencies other than PLN are converted into PLN at the average rate set by the National Bank of Poland for a given currency as at the end of the reporting period. FX differences resulting from currency conversion are recognised under financial income (costs) or, in cases defined in the accounting principles (policy), they are capitalised in assets, respectively. Non-monetary assets and liabilities recognised at historic cost in foreign currency are recognised at the historic rate as of the transaction date. Non-monetary assets and liabilities carried at their fair value in foreign currency are converted at the FX rate as of the date of valuation to fair value.

Superior concepts of accounting

The Group is consistent in applying the principles that ensure reliable and explicit presentation of its financial standing, financial result and profitability.

Consistency of presentation – the concept requiring consistency in assumed principles of accounting, including but not limited to, consistency in classifying business operations to one group, measurement of assets, inclusive of depreciation/amortisation charges, measurement of liabilities, determining the financial result and preparing the financial statements. For specific financial periods, opening balance is equal to the closing balance of the previous period.

Going concern – the concept presuming for the needs of assets and liabilities measurement and for the needs of determining the financial result that the entity is a going concern and will continue its operations in a foreseeable future in the scope that will not be changed significantly, unless it is not compliant with the actual or legal status.

Accrual basis of accounting – the concept requiring that all income generated in a given period as well as related costs regardless of the date of payment must be recognised in that period.

Prudent measurement – the concept saying that regardless of the financial result figure, it should include all decreases in value in use of the property components, adjustments caused by durable price changes. Moreover, it says that only unquestionable other operating income, extraordinary profits as well as all incurred other operating costs and extraordinary losses must be recognised.

The Group applies superior principles of measurement based on historic purchase price or price of manufacture, with the exception of the measurement of financial assets that according to IFRS are measured at their fair value.

Reporting obligations related to organisational structure

The Parent prepares the Consolidated Financial Statements. The Parent and subsidiaries do not have branches preparing the financial statements on their own, and they do not prepare joint statements.

Operating segments reporting

In line with the requirements of IFRS 8 operating segments shall be identified based on internal reports thereon that are reviewed regularly by the entity's chief operating decision makers who make decisions about resources to be allocated to the segment and assessing its performance. The Group operates in the following reporting segments: pasta, ready meals and tinned food, jams, raw materials and other ...
In terms of geographic split of the operations, the Makarony Polskie Group practically does not differentiate other segments than the domestic one. Export sale figures are immaterial for the revenue of the Group. The Group operates mostly in Poland whose regions shall be considered as a single area due to their proximity, similar business conditions and similar general risk.

Non-current assets held for sale and discontinuing operations

Non-current assets held for sale and discontinued operations include assets or disposal groups classified to that category that are recognised in the financial statements at the lower of carrying amount or fair value decreased by the costs of sale. The Company stops applying depreciation charges to the assets upon classifying them as assets held for sale.

Non-current assets and groups of net assets are classified as held for sale when their carrying value is recoverable on their disposal rather than on their continued use. Assets may be classified to that group only when the management of the entity seeks actively a buyer therefor, when there is a high probability of the disposal of these assets within 12 months from the date of classifying them as held for sale, and when they are immediately available for sale.

Property, plant and equipment

Property, plant and equipment includes fixed assets and expenditure on fixed assets under construction that the entities intend to use in their business and for administrative needs in the period

in excess of 12 months that will result in the future inflow of economic benefits to the entities. These items are recognised at their purchase price or at costs of their manufacture, development or modernisation after deduction of the so far made depreciation charges and impairment losses. Expenditure on fixed assets cover the incurred capital expenditure, and the incurred expenditure on future supplies of machinery, equipment and services connected with the manufacture of fixed assets. Value at initial recognition of property, plant and equipment covers their purchase price increased by all costs directly related to the purchase and adjusting the component to the useable condition (development and/or construction, modernisation, costs of external financing). Costs borne after putting the fixed asset element into use, such as costs of maintenance and repairs are recognised in profit or loss when they are actually incurred. Any later expenditure is recognised in the carrying value of a given fixed asset or is recognised as a separate fixed asset (where appropriate) only when it is probable that this item will result in inflow of economic benefits to the Group, and if the cost of this item may be measured in a reliable way.

Property, plant and equipment is depreciated with linear method in the period of expected use of a given fixed asset. Fixed assets are depreciated at the rates reflecting their expected period of use. Depreciation is started when the fixed asset is available for use, and it is discontinued on the earlier of the two dates: when the fixed asset is classified as held for sale or when it is removed from the balance sheet records. Depreciation method, rate of depreciation and the final value are subject to verification as at each reporting day. All changes resulting from verification are recognised as change in estimates in line with IFRS 5 "Non-current assets held for sale and discontinued operations" or are removed from the balance sheet records. Fixed assets worth less than PLN 3,500 are subject to accumulated depreciation once in the month in which they were put into use, with the exception of a group of assets of the unit value lower than PLN 3,500 to which accumulated depreciation is applied in the period of their economic use, if it is material.

If at the time of preparing the financial statements there are any circumstances implying that the carrying value of property, plant and equipment may be non-recoverable, such assets shall be reviewed in terms of their potential impairment. Should there be any indicators of impairment, and should the carrying value exceed the estimated recoverable value, the value of such assets or cash generating funds to which these assets belong is lowered to the recoverable value. Impairment loss is recognised in profit or loss under "other operating costs".

An item of the property, plant and equipment may be removed from the statements after it is disposed of, or if no economic benefits are expected from its further use. Any gains or losses resulting from removing such an asset from the Statement of Financial Position (calculated as a difference between potential net proceeds on disposal and the carrying value of that item) are carried through profit or loss for the period in which the item was removed.

Property, plant and equipment includes:

- real property, that is land, buildings and civil engineering structures,

- acquired right of perpetual lease of land in a 5-year period or in the period resulting from the decision of the authorities granting such rights,
- means of transport,
- machinery and equipment,
- other movable fixed assets.

Land and the right of perpetual lease of land are not depreciated/amortised.

Fixed assets under construction

Fixed assets under construction are fixed assets in the period of construction, assembly or improvement of the already existing fixed asset, and they are measured at total costs attributed directly to their purchase or manufacture, decreased by potential impairment loss.

Fixed assets under construction are note depreciated by the end of construction and putting the fixed asset into use.

Borrowing costs

Borrowing costs are capitalised as a part of the cost of manufacture of fixed assets. Borrowing costs include interest and gains or losses on FX differences up to the amount reflecting interest cost adjustment.

Intangible assets

Intangible assets include the assets of the Capital Group that are not tangible, are identifiable, that may be measured in a reliable way, and which will generate future inflow of economic benefits to the entity.

Intangible assets include:

- property rights (inclusive of licences, computer programs, concessions, copyrights, related rights),
- rights to inventions, patents, trademarks, design patents, know-how,
- goodwill,
- costs of completed R&D works that will be used to manufacture new or improved products or technologies.

Intangible assets acquired from a business entity under a separate transaction are capitalised at their purchase price or costs of manufacture (costs of completed R&D works). With the exception of R&D works, intangible assets manufactured by the entity itself are not recognised in assets, and expenditure incurred for manufacturing them is recognised in the costs related to the period.

The value determined as stated herein above is disclosed in the financial statements under assets item of the Statement of Financial Position as a net value (after deduction of the cumulated amortisation charges and impairment losses).

Intangible assets are amortised at amortisation charges reflecting their expected period in use.

Expenditure on intangible assets that does not result in improvement or extension of the period of their being in use are recognised as costs when they are incurred. Otherwise they are capitalised.

Goodwill

Goodwill disclosed as an asset at the acquisition date is a surplus of the acquisition price over the fair value of the acquired assets, liabilities, equity and contingent liabilities of the subsidiary, affiliate or co-subsidiary. This value is tested for impairment once a year. If the tests show impairment, it is immediately recognised in profit or loss and it is not subject to any future adjustment.

Surplus of acquired net assets over the purchase price is recognised in profit or loss in the financial year when the assets were acquired.

Should a subsidiary, affiliate or co-subsidiary be disposed of, the relevant share of the goodwill is written-down through profit or loss.

Negative goodwill recognised as at the date of switching to IFRS was written-down entirely in the undistributed result from previous periods.

Impairment of property, plant and equipment and of intangible assets

As at each balance sheet date, the Group reviews the carrying value of the elements of fixed assets. In case of indicators of potential impairment of the elements of the property, plant and equipment and of intangible assets, a recoverable value of a given asset is determined. The determined impairment losses lower the carrying value of the underlying asset and they are carried through profit or loss.

Impairment loss is determined as excess of the carrying value of these components over their recoverable value. The recoverable value is the higher of the net sale price decreased by the costs of disposal or the value in use. Determining the value in use, the estimated future cash flows are discounted to the present value at the gross discount rate reflecting the current market value of money in time and reflecting the risk attributed to a given assets component.

In case of assets components that do not generate cash flows on their own, the recoverable value is estimated pro rata to the value of the cash generating units.

Impairment losses are reversed should the reasons justifying them cease to exist. Consequences of the reversal of impairment losses are recognised in profit or loss, with the exception of the amounts that earlier lowered revaluation capital and which adjust the said capital to the decreases made.

Cash and cash equivalents

Cash and cash equivalents include cash at hand and at bank as well as short-term deposits of the initial maturity not exceeding three months.

Cash balance disclosed in the Consolidated Statement of Cash Flows consists of the mentioned above cash and cash equivalents less unpaid loans in current accounts.

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or provision of services. Inventories include materials, goods, finished products, semi-finished products and work in progress.

Inventories of materials and goods are measured as at the end of the reporting period at the lower of the purchase price (cost of manufacture) and net realisable value. The net realisable value is the selling price realised in the ordinary course of business, less estimated costs indispensable for effecting the sale (discounts, costs attributed to preparing the inventories for disposal).

As at the end of the reporting period, finished products are measured at their actual cost of manufacture according to the principles of prudent measurement.

If the purchase price or technical cost of manufacture of inventories is higher than the net realisable value, the entity shall make revaluation deductions that adjust the cost price of disposal.

Inventories are sold at the price (cost) of assets components that were acquired (manufactured) by the entity first – the first in first out method (FIFO).

Trade and other receivables

Receivables are recognised depending on their contractual term of repayment:

- long-term – when the term of repayment is longer than 12 months from the end of the reporting date,
- short-term – when the amounts due are to be repaid up to and including 12 months from the end of the reporting date.

Trade receivables are initially recognised at their fair value, that is at the amounts first invoiced, and then they are recognised at the adjusted purchase price (depreciated cost) according to the effective interest rate method, and deducting impairment loss from them.

Impairment loss is established for trade receivables if there is objective evidence that the Group will not receive all amounts due resulting from original terms and conditions of sale. Impairment loss amount is the difference between the carrying value of a given assets component and present value discounted at the effective interest rate. The impairment loss is recognised under cost in operating or financial profit or loss depending on the type of receivables the impairment loss refers to.

Settlements in foreign currencies carried though the reporting period are measured at the average rate determined for a given currency by the President of the National Bank of Poland (NBP) applicable on the transaction date unless another rate is determined in the customs declaration or any other document binding for the company.

As at the end of the reporting period receivables measured in foreign currencies are recognised in the books at the average rate determined for a given currency by the President of the National Bank of Poland (NBP) applicable on a given date.

Borrowings

Borrowings are financial assets, other than derivatives, of determined payments or payments that may be determined and which are not quoted on the active market. Borrowings include financial assets resulting from granting funds, goods or services directly to the other party to the contract, exclusive of the financial assets held for sale in short term. Borrowings include loans extended to non-consolidated entities and transactions on T-bills of buy-sell-back type. Borrowings fall under the category of working capital assets of the due date not exceeding 12 months from the end of the reporting period. Borrowings due after 12 months from the end of the reporting period are recognised under non-current assets. Extended borrowings are measured according to the depreciated cost at the effective interest rate, after impairment loss. Accrued interest is recognised in financial income in the period they refer to. The Group establishes write-downs revaluating accrued doubtful interest on the accrual date.

Financial assets measured at fair value in profit or loss

Short-term financial assets measured at fair value in profit or loss include assets acquired to achieve economic benefits on short-term changes in prices. Short-term financial assets are initially recognised at purchase price and measured at fair value As at the end of the reporting period. Gains or losses on measurement of financial assets are recognised in profit or loss, in financial income or expenditure.

Investments in securities

As at the initial recognition date, investments in securities are measured at the purchase price adjusted by transaction costs. If the security is delivered after the determined period from the transaction date, investments in securities are recognised in the books, and removed from the books on the securities purchase or sale transaction date.

As at the end of the reporting period, investments in securities classified as held for trading or available for sale are measured at fair value. After classifying the securities as held for trading, gains or losses on the change in fair value are recognised in profit or loss for a given period.

In case of assets available for sale, gains or losses on the change in their fair value are carried directly in equity by the time the securities are sold or impairment is recognised. At that time, cumulated gains or losses that were recognised in equity are reclassified to profit or loss.

Investments held to maturity are financial assets, other than derivatives, of determined payments or of payments that may be determined and of determined maturity date, that the Management Board of the Group intends and is able to hold to maturity.
Short-term investments held to maturity (including, but not limited to bonds, Treasury bills) are measured at the depreciated cost determined according to the effective interest rate method. Determining the depreciated purchase price, discount or premium obtained at acquiring the investment and settled in the period when it is held by its maturity date is taken into account.

Prepayments and deferred costs

The Group capitalises and settles in time the expenses incurred or property components used that refer to periods following the month when they were actually borne.

Prepayments and deferred costs of the Group include:

- costs and charges attributed to specific periods (taxes, charges, insurance, subscriptions, lease services),
- costs of public advertisements in mass media paid in advance,
- financial costs settled in time (bank interest or commission charged in advance, expenditure related to acquisition of shares and costs of business combination by the time of investment settlement).

Equity

Equity is created and disclosed in accordance with legal regulations and articles of incorporation of the companies belonging to the capital group.

Equity of the Group is composed of:

- share capital of the Parent that is disclosed at nominal value of registered shares that results from the Company's Articles of Incorporation and entry to the National Court Register,
- supplementary capital (share premium, statutory supplementary capital – up to 1/3 of the authorised capital, supplementary capital established in line with the Articles of Incorporation from profit distribution and from transfer of reserve capital from revaluation of measurement of sold and liquidated fixed assets,
- retained profits/losses consisting of retained earnings or uncovered loss from previous years,
- net profit or loss.

Costs of the issue of shares incurred at the Company's formation or to raise the share capital decrease the supplementary capital to the surplus value of the shares issue over the nominal value of the shares, and the remaining part is recognised as financial costs.

If in a given financial year or prior to approval of the financial statements for that year, a fundamental error is found in the previous financial years, which makes it impossible to acknowledge the financial statements for that year or for previous years as reliable and giving a fair view of the financial standing of the entity, the error adjustment amount is carried to the equity under "profit (loss) from previous periods".

In case of the changes in the principles of accounting that have a material impact on the results of previous years and whose consequences may be determined reliably, the difference resulting from transforming the financial statements from previous years is carried through "profit (loss) from previous periods".

Interest rate bearing loans and borrowings

At initial recognition, bank loans and borrowings are carried at purchase price reflecting the fair value of the received funds. In consecutive periods, loans and advances are measured at depreciated purchase price, in accordance with the effective interest rate method. Determining the depreciated purchase price, all costs attributed to obtaining the loan or borrowing, as well as discounts or bonuses received at the time of settling the liability are taken into account.

All consequences of the depreciated purchase price and of removal of the liability from the Statement of Financial Position or determination of its impairment are carried through profit or loss.

Liabilities, accruals and deferred income

Liabilities reflect the obligation resulting from past events to provide benefits of reliably determined value based on the present or future assets of the Group.
Liabilities are initially recognised at fair value. If normal payment dates practised on the market of similar transactions are applied, the fair value is the nominal value as at the liability recognition date. As at the end of the reporting period, liabilities are measured at depreciated cost, whereas FX liabilities are recognised in the books and are measured at the average rate determined for a given foreign currency by the National Bank of Poland for that date.
Accruals and deferred income include payables attributed to goods or services received or performed that were not paid for, invoiced or formally agreed with the supplier, inclusive of the amounts due to the employees.

Provisions

Provisions are established when the Group must fulfil an obligation (resulting from law or common law) attributed to past events and when it is probable that it will entail the necessity of the funds outflow, and when the said amount may be determined in a reliable way.

If time value of money has a major influence on the amount of the established provision, the amount of the provision is determined by discounting forecast future cash flows to present value at the gross discount rate reflecting the present market prices of money in time, and potential risk attributed to that liability.

The Group especially establishes provisions for:

- certain or highly probable future liabilities that may be measured reliably, and especially provisions for losses on business operations in progress, inclusive of the extended guarantees, warranties, credit operations, consequences of pending litigation,
- future payables for the employees, especially retirement gratuity,
- unused holiday leaves.

Provisions for employee benefits

Gross majority of the employees hired by the Group is entitled to pension benefits after the period of employment. Future pension benefits are to be paid both by the Group and separate pension funds. In case of a pension plan executed by the pension fund the liability of the Group is limited to payment of determined contributions.

In case of the retirement benefits plan executed by the Group for its employees, the Group is obliged to provide certain future pension benefits (retirement gratuity).

Benefits related to payment of certain contributions for the employees to the pension funds burden the costs of core activities in the reporting period they refer to. The difference between the accrued benefits related costs and the value of the paid contributions to the pension funds in a given reporting period was recognised in the Statement of Financial Position as receivables or payables.

The Group applies actuarial measurement (based on estimate prepared by an independent actuary) to determine present value of future liabilities and present period costs related to them. Measurement of the provisions for the employee benefits is made based on the projected unit credit method and taking into account the International Financial Reporting Standards and International Accounting Standards, especially IAS 19.
Provisions are measured based on the present value of future commitments of the entities related to employee benefits.
The measurement is based on the in-house regulations of the Group, especially Remuneration Regulations and relevant legal regulations.

Leasing

Financial lease agreements that transfer to the Group basically the entire risk and all benefits resulting from holding the object of lease, are recognised at the beginning of the lease period in the assets of the Group at lower of the fair value of the fixed asset being leased or present value of minimum lease charges. Lease charges are split between the costs of financing and decrease of balance of lease related payables to get the fixed interest rate on the amounts still to be paid. Financial costs are carried directly to profit or loss. Fixed assets in use based on the financial lease agreements are depreciated throughout shorter of estimated period when the fixed asset is in use or the lease period. Lease agreements that provide that the lessor is liable for generally the entire risk and the lessor

keeps all benefits resulting from holding the object of lease are considered to be operational lease agreements. Lease charges for operational lease and later lease instalments are recognised during the lease period as cost in profit or loss according to the linear method.

Income

Income is recognised at the amount of probable economic benefits for the Group attributed to a given transaction and when a reliable estimate of the income amount can be made. Income on sale is shown as a net value (after deduction of VAT due and discounts). The following criteria are binding for determining income:

Sale of goods

Income is recognised if material risk and benefits resulting from ownership of goods and products were transferred to the buyer and when a reliable estimate of the income amount can be made.

Provision of services

Income on rendering services is recognised when the service is actually provided.

Interest

Interest income is recognised gradually in line with its accruing (taking into account the effective interest rate that discounts future cash inflows in the estimated period of use of the financial instruments) in relation to the net carrying value of a given component of the financial assets.

Dividends

Dividends are recognised when the shareholders' entitlement to receive them is determined.

Current tax

Current tax payables and receivables for the current and prior periods are measured at the amount of estimated payment to tax authorities (amounts to be reimbursed by the tax authorities) applying for that the tax rates and tax regulations that were legally or actually binding as at the end of the reporting period.
Current tax burden is calculated based on the tax result (tax base) of a given financial year. Tax base is different from gross profit (loss) as it excludes taxable income and tax deductible costs in consecutive years, and costs and income that will never be included in tax settlement. Tax charges are calculated based on tax regulations and tax rates binding in a given financial year.

Deferred tax

For the needs of financial reporting, income tax is calculated according to the liability method as regards all temporary differences existing as at the end of the reporting period between the tax value of the assets and liabilities and their balance sheet value recognised in the financial statements.
Provision for deferred tax is recognised as regards all positive temporary differences:

- excepting when the provision for deferred tax is established as the result of the initial recognition of goodwill or initial recognition of an asset or liability attributable to a transaction other than business combination and which had neither impact on the gross financial result nor on the taxable income or tax loss on the transaction conclusion date, and
- in case of positive temporary differences resulting from investments in subsidiaries, with the exception of the situation when the terms of reversing the temporary differences are controlled by the investor and when it is probable that in foreseeable future temporary differences will not have been reversed.

Deferred tax assets are recognised as regards all negative temporary differences, unused allowances and unused tax losses carried to consecutive years, at the amount that is expected to be the amount of the taxable income that will make it possible to use the mentioned above differences, allowances and losses:

- excepting when deferred tax assets that refer to negative temporary differences originate from the initial recognition of the asset or liability attributable to a transaction other than business combination and which had neither impact on the gross financial result nor on the taxable income or tax loss on the transaction conclusion date, and
- in case of negative temporary differences resulting from investments in subsidiaries, deferred tax asset is recognised in the statement of financial position only in the amount reflecting the probability that in the foreseeable future the temporary differences will have been reversed and taxable income will have been generated that will allow for deducting the negative temporary differences.

Carrying value of the deferred tax asset is verified as at end of each reporting period and is decreased by the amount reflecting the ceased probability of generating taxable income sufficient for the partial or total utilisation of the deferred income tax asset.
Deferred income tax assets and provisions for deferred tax are measured at the tax rates that are expected to be binding in the period when the asset will have been utilised or when the provision will have been dissolved, taking as the basis tax rates (and tax regulations) binding as at the end of the reporting period or the tax rates that as at the end of the reporting period are certain to be binding in the future.
Income tax related to items recognised directly in equity is recognised in equity, and not in profit or loss.

Value added tax

Income, costs and assets are recognised after deducting VAT, except:

- when VAT paid at the acquisition of assets or services is non-recoverable from tax authorities; in such a situation VAT is recognised as part of the purchase price of the asset or as part of the costs item; and
- receivables and payables that are recognised with VAT.

Recoverable VAT or VAT to be paid to tax authorities is recognised in the Statement of Financial Position as part of receivables or payables.

Note no. 35

Status of approval of the Standards in EU

The Group did not avail itself of earlier application of the new standards and interpretations that have already been published and approved by the European Union or that will have been approved in the foreseeable future but that will take effect after the reporting period. The said new regulations are:

1) Amendment to IAS 32 *Financial Instruments – Presentation* and related amendments to IAS 1: *Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation* (effective for the annual periods starting on 1 January 2009).

2) Amendments to IFRS 2 *Share-based Payment Transactions* (effective for the annual periods starting on 1 January 2009).

3) Amendments to IFRS 7 *Financial Instruments: Disclosures* (effective for the annual periods starting on 1 January 2009).

4) Updated IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective for the annual periods starting on 1 January 2009).

5) IFRIC 17 *Distribution of Non-cash Assets to Owners* (effective for the annual periods starting on 1 July 2009).

6) IFRIC 18 *Transfers of Assets from Customers* (effective for the annual periods starting on 1 July 2009).

7) IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* (effective for the annual periods ending on 30 June 2009 or later).

According to the estimates the above standards, interpretations and amendments to the standards would have no material impact on the financial statements of the Group.

Marek Feruś	Krzysztof Rubak	Paweł Nowakowski
Vice President of the Management Board	Vice President of the Management Board	President of the Management Board

Rzeszów, on 26 April 2010