MAKARONY POLSKIE CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

RZESZÓW, 21 MARCH 2011

The Consolidated Financial Statement of Makarony Polskie Group consists of:

I. General Information (Introduction)
II. Consolidated Selected Financial Data.
III. Consolidated Statement of Financial Standing
IV. Consolidated Statement of Comprehensive Income
V. Consolidated Statement of Cash Flows
VI. Statement of Changes in Consolidated Equity
VII. Additional Explanatory Notes to Financial Statements and Accounting Principles (Policy).

For the needs of comparison, the data presented in the Consolidated Statement of the Financial Standing are in juxtaposition with the financial data as of 31 December 2009 published in the Consolidated 2009 Annual Report. The data presented in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, and the Statement of Changes in Equity are in juxtaposition with the financial data for the period from 1 January 2009 to 31 December 2009 also published 2009 Annual Report.
The Consolidated Financial Statement was compiled in accordance with the International Financial Reporting Standards approved by the European Union (EU) and in compliance with the requirements defined by 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 financial data in EUR are presented in accordance with § 91 (2) of the Ordinance of the Minister of Finance of 19 February 2009:

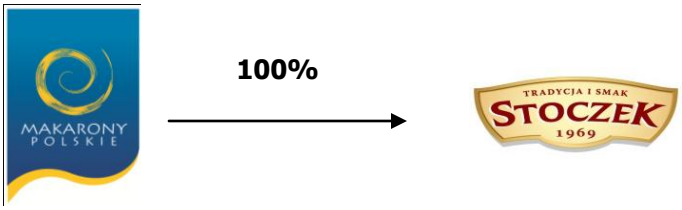
- ✓ items included in the Consolidated Statement of the Financial Standing were converted at the average FX rate announced by the National Bank of Poland (NBP) and binding as of the end of the reporting period (31 December 2010 - 1 EUR = 3.9603 PLN; 31 December 2009 - 1 EUR = 4.1082 PLN);

- ✓ items included in the Consolidated Statement of Comprehensive Income and the Statement of Cash Flows were converted at the FX rate being arithmetic mean of the average FX rates defined by NBP as binding for the last day of each month of 2010 - 1 EUR = 4.0044 PLN and the last day of each month of 2009 - 1 EUR = 4.3406 PLN.

This Financial Statement was reviewed by an entity authorized to audit financial statements and was approved by the Management Board for disclosure on 21 March 2011.

I. General Information (Introduction)

The structure of Makarony Polskie Capital Group as of 31 December 2010, and on the day of submitting the statement:



As of 31 December 2010, Makarony Polskie Capital Group ("Group") consisted of two companies: Makarony Polskie S.A. ("Parent Company", "Company") and the subsidiary Stoczek Sp. z o.o. with a seat in Stoczek Łukowski.

Makarony Polskie S.A. conducts business within the pasta production industry and sales.
After taking control of Stoczek Sp. z o.o. the Group expanded its product portfolio to include canned vegetable and meat products, fruit and vegetable preserves, as well as meat and meat-fat preserves. The transaction was held on 1 June 2007.

The number of employees in Makarony Polskie Group as of 31 December 2010 was as follows:

- ✓ Makarony Polskie S.A. - 368 employees
- ✓ Stoczek Sp. z o.o - 92 employees

Makarony Polskie S.A.

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

Regional Court in Rzeszów, the 12th Commercial Department of the National Court Register

KRS Number 0000212001

Management Board Office: 01-217 Warszawa, ul. Kolejowa 5/7

Share capital: 27 750 213 PLN

Regon Number: 691674708

Tax identification number - NIP: 813-32-78-856

www.makarony.pl

Stoczek Sp. z o.o

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

Regional Court in Lublin, the 11th Commercial Department of the National Court Register

KRS Number: 0000050439

Share capital: 15 207 800 PLN

Regon Number: 711584640

Tax identification number - NIP: 825-17-27-212

www.stoczek.com.pl

100% shares in the share capital of Stoczek Sp. z o.o are owned by Makarony Polskie S.A.. As of 31 December 2010, the share in the total number of votes at the Shareholder Meeting owned by the Parent Company in the Subsidiary Company equals its share in that entity's capital.

The Management Board of the Parent Company

On 31 December 2010, and on the day of disclosing this statement the Management Board of Makarony Polskie S.A. consisted of:

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

Number of Makarony Polskie S.A. shares owned by the Management Board members, and their nominal value as of the date of compiling the report:

Management Board	Shares owned by members of the Management Board on the date of compiling stock exchange report for 2010		Shares owned by members of the Management Board on the date of compiling stock exchange report for the 3rd quarter of 2010	
	Number of shares	Nominal value	Number of shares	Nominal value
Paweł Nowakowski	218 066	218 066	218 066	218 066
Marek Feruś	-	-	-	-
Krzysztof Rubak	2 000	2 000	2 000	2 000

The Supervisory Board

As of 31 December 2010, the Supervisory Board consisted of:

1. Zenon Daniłowski - Chairman of the Supervisory Board
2. Grzegorz Słomkowski - Co-Chairman of the Supervisory Board
3. Marek Jutkiewicz - Co-Chairman of the Supervisory Board
4. Urszula Rogóż-Bury - Secretary of the Supervisory Board
5. Marek Rocki - Member of the Supervisory Board

On 25 February 2011, Marek Jutkiewicz resigned from his membership in the Supervisory Board without stating reasons for the decision.

Number of Makarony Polskie S.A shares owned by members of the Supervisory Board, and their nominal value as of the date of compiling the report (in accordance with available information):

Supervisory Board	Shares owned by members of the Supervisory Board on the date of compiling the 2010 Annual Report		Shares owned by members of the Supervisory Board on the date of compiling the report for the 3rd quarter of 2010	
	Number of shares	Nominal value	Number of shares	Nominal value
Zenon Daniłowski	130 000	390 000	130 000	390 000
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
Marek Rocki**	-	-	-	-

* The total number of shares owned by Mr Grzegorz Słomkowski and his wife.

The General Meeting of Makarony Polskie S.A.

As of 31 December 2010 the share capital of Makarony Polskie S.A. was 27 750 213 PLN, and was divided in the following way:

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

The amount of the share capital of Makarony Polskie has not changed by the day of submitting this statement.

Shareholders who own directly or indirectly, via affiliated entities, the minimum of 5% votes in the total number of votes at the General Meeting of the Company's Shareholders as of the publication date of the report (in accordance with available information):

Shareholder	Number of shares	% share in the Share Capital	Number of votes at the General Meeting	% share in the total number of votes at the General Meeting
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	1 360 000	14.70%	1 360 000	14.70%
OFE Polsat	488 733	5.28%	488 733	5.28%
Others, including:	4 218 298	45.60%	4 218 298	45.60%
TOTAL	**9 250 071**	**100.00%**	**9 250 071**	**100.00%**

The Management Board of the Subsidiary Company

As of 31 December 2010, the Management Board of Stoczek Sp. z o.o. consisted of:

- ✓ Jacek Wilkoszewski – President of the Management Board;
- ✓ Leszek Trzciński – Vice-President of the Management Board.

Basis for compiling the Consolidated Financial Statement

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

The Consolidated Financial Statement shows figures in Polish zloty (PLN), and all values are given in thousands, unless specified otherwise.
The Consolidated Financial Statement was compiled with the assumption of continued business activity in the foreseeable future. As of the date of the Financial Statement approval there are no indicators of any threat to continuing operations by the companies of the Group.
Note No. 35 indicates the essential accounting principles applied by the Group.

The currency of the evaluation and the currency of the financial statements

The currency used to perform evaluation in all companies of the Group included in this Consolidated Financial Statement and the reporting currency for this Consolidated Financial Statement is Polish zloty (PLN).

Uncertainty of estimates

Below the basic assumptions are presented with regard to the future and key sources of uncertainty as of the end of the reporting period, which entail material risk of major adjustment of the values of the balance sheet assets and liabilities for the next fiscal year:

- evaluation of goodwill/badwill;
- impairment write-downs;
- depreciation rates.

II. Selected Financial Data - Makarony Polskie Capital Group

	Selected financial data	31 December 2010	31 December 2009	31 December 2010 (in thousand EUR)	31 December 2009 (in thousand EUR)
1	Net sales revenue on products, services, goods and materials	149 969	117 551	37 451	27 082
2	Profit (loss) from continuing operations	4 005	4 354	1 000	1 003
3	Gross profit (loss)	2 628	2 734	656	630
4	Net profit (loss) from continuing operation	3 170	2 198	792	506
5	Net cash flows from operating activities	3 593	2 265	897	522
6	Net cash flows from investing activities	-5 531	-6 721	-1 381	-1 549
7	Net cash flows from financing activities	1 367	4 151	341	956
8	Total net cash flows	-571	-305	-143	-70
9	Total assets	132 206	117 963	33 383	28 714
10	Liabilities and provisions for payables	67 690	56 721	17 092	13 807
11	Long-term liabilities	27 303	30 021	6 894	7 350
12	Short-term liabilities	40 387	26 709	10 198	6 501
13	Equity	64 516	61 242	16 291	14 907
14	Share capital	27 750	27 750	7 007	6 755
15	Number of shares (ea.)	9 250 071	9 250 071	9 250 071	9 250 071
16	Weighted average number of shares in a given fiscal year	9 250 071	9 250 071	9 250 071	9 250 071
17	Profit/loss per one ordinary share (in PLN/EUR)	0.34	0.24	0.09	0.05
18	Book value per one share (in PLN/EUR)	6.97	6.62	1.76	1.61

*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 of a given balance sheet moment.

III. Consolidated Statement of Financial Standing

ASSETS	Note	31 December 2010	31 December 2009
NON -CURRENT ASSETS		**90 620**	**86 917**
Property, plant & equipment	1	77 912	75 105
Goodwill	2	5 946	5 946
Other intangible assets	3	4 990	5 007
Long-term financial assets	4	394	374
Deferred tax assets	27	1 186	105
Long-term prepayments and accruals	9	192	380
CURRENT ASSETS		**41 586**	**29 884**
Inventories	5	11 287	8 636
Short-term receivables	6	29 101	19 176
Corporate income tax receivables	7	196	15
Loans granted	8	101	-
Cash and cash equivalents	9	363	938
Short-term prepayments and accruals	10	538	1 119
NON-CURRENT ASSETS HELD FOR SALE	**11**	**-**	**1 162**
TOTAL ASSETS		**132 206**	**117 963**

EQUITY AND LIABILITIES	Note	31 December 2010	31 December 2009
EQUITY		**64 516**	**61 242**
Share capital	12	27 750	27 750
Other capital	13	33 839	31 537
Retained profit/loss (profit/loss from previous periods)	14	-243	-243
Net profit		3 170	2 198
NON-CURRENT LIABILITIES		**27 303**	**30 012**
Deferred tax provision	27	1 230	705
Long-term bank loans and borrowings	15	16 630	19 570
Provision for pension and similar (long-term) benefits	16	257	184
Long-term prepayments and accruals	19	7 550	9 213
Non-current liabilities from finance lease agreements	17	1 636	340
CURRENT LIABILITIES		**40 387**	**26 709**
Short-term bank loans and borrowings	15	9 320	2 639
Current financial liabilities	17	2 597	3 788
Other current liabilities	18	26 521	18 434
Short-term prepayments and accruals	19	1 720	1 720
Provision for pension and similar (short-term) benefits	16	132	71
Other short-term provisions	15	97	57
TOTAL LIABILITIES		**67 690**	**56 721**
TOTAL EQUITY AND LIABILITIES		**132 206**	**117 963**

IV. Consolidated Statement of Comprehensive Income

FOR THE PERIOD	Note	01.01. 2010-31.12.2010	01.01. 2009-31.12.2009
Net sales revenue	20	**149 969**	**117 551**
Net sales revenue on products and services		119 787	97 902
Net sales revenue on goods and materials		30 182	19 649
Prime costs	21	**122 212**	**93 971**
Cost of manufacturing sold products and services		92 682	80 508
Value of sold goods and materials		29 530	13 463
Gross sales profit (loss)		**27 757**	**23 580**
Costs of sale	22	20 366	15 043
Costs of general administration	23	6 619	6 691
Other income	24	4 582	3 165
Other costs	25	1 349	657
Profit (loss) on continuing operations		**4 005**	**4 354**
Financial income	26	474	413
Financial costs	26	1 851	2 033
Gross profit (loss)		**2 628**	**2 734**
Income tax - current	27	13	205
Income tax - deferred	28	-555	331
Net profit (loss) on continuing operations		**3 170**	**2 198**

V. Consolidated Statement of Cash Flows - Indirect Method

FOR THE PERIOD	01.01. 2010-31.12.2010	01.01. 2009-31.12.2009
Operating cash flows		
Profit/loss before tax	**2 628**	**2 734**
Adjustments by:	965	-469
Amortization and depreciation	5 531	5 497
Foreign exchange gains/losses	7	67
Interest costs and income	1 460	1 881
Investment profits/losses	-265	-211
Movements in provisions	1 093	75
Movements in inventories	-1406	-615
Movements in receivables	-9 913	-1 745
Movements in liabilities, prepayments and accruals	4 639	-3 777
Paid/reimbursed corporate income tax	-181	-220
Other adjustments	-	-1 421
Net operating cash flows	**3 593**	**2 265**
Investment cash flows		
Inflows on the sale of fixed assets and intangible assets	87	108
Interest inflows	-	-
Outflows on the acquisition of tangible fixed assets, and intangible assets	-5 497	-6 829

Outflows on the acquisition of current financial assets	-21	-
Loans granted	-100	-
Net cash flows on investing activities	**-5 531**	**-6 721**
Cash flows on financing activities		
Cash inflows from loans and borrowings	6 995	10 763
Repayment of loans and borrowings	-3 296	-15 407
Repayment of finance lease liabilities	-900	-687
Interest paid	-1 432	-1 986
Other income	-	11 468
Net cash flows on financing activities	**1 367**	**4 151**
Increase/decrease in cash and cash equivalents	**-571**	**-305**
Cash, cash equivalents and loans in current account at the beginning of the period	**938**	**1 291**
Profit/loss on exchange rate differences related to the evaluation of cash, cash equivalents and loans in current account	**-4**	**-48**
Cash, cash equivalents and loans in current account at the end of the period	**363**	**938**

VI. Statement of Changes in Consolidated Equity

From the period from 1 January 2010 to 31 December 2010

	Share capital	Other capitals	Current year profit	Profit/loss from previous years	Total
As of 1 January 2010	**27 750**	**31 537**	**-**	**1 955**	**61 242**
Profit distribution/covering losses	-	2 198	-	-2 198	-
Other changes in the capital	-	104	-	-	104
Net profit for 2010	-	-	3 170	-	3 170
As of 31 December 2010	**27 750**	**33 839**	**3 170**	**-243**	**64 516**

From the period from 1 January 2009 to 31 December 2009

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

VII. Additional Explanatory Notes

Notes to the Consolidated Statement of Financial Standing

Note No. 1

Property, plant & equipment

Gross property, plant and equipment	**31.12.2010**	**31 12. 2009**
Land, buildings and structures	44 116	42 944
Machinery and equipment	53 711	52 253
Means of transport	4 181	2 411
Fixed assets under construction	3 656	724
Other	1 991	1 839
Accumulated depreciation and impairment loss	**31.12. 2010**	**31 12. 2009**
Land, buildings and structures	10 262	9 294
Machinery and equipment	16 778	13 405
Means of transport	1 383	1 213
Fixed assets under construction	108	108
Other	1 212	1 046
Net value at the end of the period	**77 912**	**75 105**

Note No. 1 continued

Property, plant & equipment - changes in fixed assets

	Land, buildings	Machinery and equipment	Means of transport	Fixed assets under construction	Other	Total
Gross value at beginning of the period	**42 944**	**52 253**	**2 411**	**724**	**1 839**	**100 171**
Increase	1 172	1 672	2 404	5 749	209	11 206
-purchase	1 172	1 042	21	5 749	206	8 190
-other	-	630	2 383	-	-	3 016
Decrease	-	214	634	2 817	57	3 722
-sale	-	194	611	-	57	862
-other	-	20	23	2 817	-	2 860
Gross value at the end of the period	**44 116**	**53 711**	**4 181**	**3 656**	**1991**	**107 655**
Accumulated depreciation at the beginning of the period	**7 246**	**12 923**	**1 213**	**-**	**1 046**	**22 428**
Increase	1 033	3 557	677	-	199	5 466
Decrease	-	130	507	-	33	670
Accumulated amortization at the end of the period	**8 279**	**16 350**	**1 383**	**-**	**1 212**	**27 224**
Value taking into account accumulated depreciation and impairment loss at the end of the period	10 262	16 779	1 383	107	1 212	29 743
Net value at the end of the period	**33 854**	**36 932**	**2 798**	**3 549**	**779**	**77 912**

For the period from 01.01.2009 to 31.12.2009	**Land, buildings**	**Machinery and equipment**	**Means of transport**	**Fixed assets under construction**	**Other**	**Total**
Gross value at beginning of the 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 the beginning of the 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 the beginning of the 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 the statement of comprehensive income.

The balance sheet value of machines and equipment, vehicles and other fixed assets in use by the companies of Makarony Polskie Group under finance lease as of 31 December 2010 totalled at 3 385 thousand PLN, and on 31 December 2009 it amounted to 1 493 thousand PLN.

Fiduciary transfer of title to fixed assets on 31 December 2010 was equal 0; as of 31 December 2009 the value amounted to 2 006 thousand PLN; pledge on fixed assets on 31 December 2010 was equal to 50 749 thousand PLN, and on 31 December 2009 it amounted to 41 432 thousand PLN.

Mortgages established on real property of the Group Companies

Real property	As of 31.12.2010	Creditor	Title of liability	Collateral date	Own liability
Real property in Rzeszów KW RZ1Z/00076860/5	6 750 thousand PLN	Bank BGŻ S.A. OR/Rzeszów	Capped mortgage	17.02.2010	Loan in current account for 4 500 thousand PLN
Real property in Rzeszów KW RZ1Z/00076860/5	730 thousand PLN	STU Ergo Hestia S.A.	Capped mortgage	33.01.2009	Performance guarantee for the Contract with Agricultural Market Agency (ARR)
Real property in Częstochowa KW CZ1C/00111425/8	6 656 thousand PLN	Fortis Bank Polska S.A O/Rzeszów	Capped mortgage	12.01.2010	Multi-purpose credit line of 4 100 thousand PLN
Real property in Częstochowa KW CZ1C/00111425/8	3 200 thousand PLN	Fortis Bank Polska S.A O/Rzeszów	Capped mortgage	12.01.2010	Multi-purpose credit line of 2 000 thousand PLN
Real property in Płock KW PL1P/00094893/6	4 500 thousand PLN	HSBC Bank Polska S.A.	Contractual capped mortgage	12.11.2009	Agreement on loan in current account for 2 000 thousand PLN
Real property in Stoczek Łukowski KW 22979	3 000 thousand PLN	HSBC Bank Polska S.A.	Contractual capped mortgage	03.12.2009	Loan in current account for 2 000 thousand PLN
Real property in Stoczek Łukowski KW 22979	6 000 thousand PLN	HSBC Bank Polska S.A.	Contractual capped mortgage	03.12.2009	Non-revolving loan of 4 000 thousand PLN

Note No. 2
Goodwill

For the period from 01.01. 2010 to 31.12.2010	Goodwill
Gross value at beginning of the 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 the beginning of the 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. 2009 to 31. 12.2009	Goodwill
Gross value at beginning of the 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 the beginning of the 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 5 946 thousand PLN recognized in assets reflects the difference between the purchase price paid for 100% shares of Stoczek Sp. z o.o. and the fair value of the net assets of that company as of 1 June 2007, i.e. the date of the share ownership transfer.
Goodwill attributed to business combination is initially recognized as the purchase price representing excess costs of business entity acquisition over the share of the taking over entity in the net fair value of identifiable assets, liabilities and contingent liabilities.
Thereafter, goodwill is recognized in accordance with the purchase price decreased by any accumulated impairment losses. Impairment tests is conducted once a year or more frequently if there are indications of impairment. Goodwill is not depreciated.
Goodwill related to the acquisition of shares in Stoczek Sp. z o.o. amounting to 5 946 thousand PLN is the actual difference between the price paid for the shares, i.e. 13 078 thousand PLN (inclusive of all costs related thereto) and the fair value of the acquired net assets of the company amounting to 7 132 thousand PLN.

Note No. 3
Other intangible assets

	Other intangible assets			Total
	Patents, trademarks, R&D	Computer software	Other	
Gross value at beginning of the period	**177**	**92**	**5 147**	**5 416**
Increase	18	5	26	49
-purchase	18	5	26	49
Gross value at the end of the period	**195**	**97**	**5 173**	**5 465**
Accumulated amortization at the beginning of the period	**114**	**90**	**205**	**409**
Increase	41	6	19	66
Decrease	-	-	-	-
Accumulated amortization at the end of the period	**155**	**96**	**224**	**475**
Value taking into account the accumulated amortization and impairment loss at the end of the period	155	96	224	475
Net value at the end of the period	**40**	**1**	**4 949**	**4 990**

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 the 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 the beginning of the 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 the beginning of the period	-	-	-	-
Recognition of impairment loss in the period	-	-	-	-
Reversal of impairment loss in the period	-	-	-	-
Value taking into account the accumulated amortization and impairment loss at the end of the period	113	90	205	**408**

Note No. 4
Long-term financial assets

Long-term financial assets	31.12.2010	31.12.2009
Shares in Bio-Planet Sp. z o.o.	76	77
Investment real property in Rzeszów	318	297
Total long-term financial assets	**394**	**374**

On 17 June 2008 Makarony Polskie S.A. purchased shares (14/16) in two plots located in Rzeszów at Podkarpacka Street. The said plots may be used for industrial and service business activities. The price of the purchased shares (14/16) including additional charges totalled at 91 thousand PLN. On 13 April 2010 the Company purchased subsequent shares for the amount of 21 thousand PLN. Shares in these plots meet the criteria for investment real property; their fair value is 318 thousand PLN.

Note No. 5
Inventories
As of 31 December 2010

	Evaluation according to purchase price/cost of manufacturing	Inventories revaluation write-offs as of the end of the period	Balance sheet value of inventories at the end of the period
Materials	4 983	113	4 870
Auxiliary materials	1 470	-	1 470
Work in process	295	-	295
Finished products	4 105	77	4 028
Goods	624	-	624
TOTAL	**11 477**	**190**	**11 287**

As of 31 December 2010, there were no registered pledges established on inventories of finished products and materials.

As of 31 December 2009

	Evaluation according to purchase price/cost of manufacturing	Inventories revaluation write-offs as of 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 process	208	-	208
Finished products	5 079	-	5 079
Goods	239	-	239
TOTAL	**8 640**	**4**	**8 636**

As of 31 December 2009, registered pledges established on inventories of finished products and materials amounted to 2 250 thousand PLN

Note No. 6
Receivables

	31.12.2010	31.12.2009
Trade receivables from other entities:	**24 920**	**18 193**
-long-term	-	-
-short-term	24 920	18 193
Receivables from subsidiaries:	**-**	**-**
-long-term	**-**	**-**
-short-term	**-**	**-**
Receivables from affiliates:	**-**	**-**
-long-term	**-**	**-**
-short-term	**-**	**-**
Advance payments:	**23**	**33**
-long-term	-	-
-short-term	23	33
Other receivables:	**4 887**	**1 625**
-long-term	-	-
-short-term	4 887	1 625
Total gross receivables	**29 830**	**19 851**
Impairment loss at the beginning of the period	**675**	**528**
Recognition of impairment loss in the period	**81**	**175**
Reversal of impairment loss in the period	**27**	**28**
Impairment loss at the end of the period	**729**	**675**
Net receivables	**29 101**	**19 176**

Note No. 6 continued
Currency structure of receivables

Gross short-term receivables (currency structure)		
Gross short-term receivables	**31.12.2010**	**31.12.2009**
-in Polish currency	29 583	19 776
-in foreign currencies	247	75
a)currency/EUR	54	14
in PLN	214	58
b)currency/USD	11	-
in PLN	33	-
b) currency/GBP	-	4
in PLN	-	17
Gross short-term receivables	**29 830**	**19 851**

Note No. 6 continued
Gross trade receivables whose repayment date has not expired by the end of the reporting period

Gross short-term trade receivables	**31.12.2010**	**31.12.2009**
a)up to 1 month	8 710	7 656
b)over 1 month to 3 months	14 572	10 537
c)over 3 months to 6 months	1 661	-
d) over 6 months to 1 year	-	-
e)over 1 year	-	-
Total gross trade receivables	**24 943**	**18 193**
Impairment loss of trade receivables	**710**	**656**
Net trade receivables	**24 233**	**17 537**

Note No. 6 continued
Gross overdue trade receivables shown by default periods

	31.12.2010	**31.12.2009**
a)up to 1 month	3 742	4 602
b)over 1 month to 3 months	1 346	734
c)over 3 months to 6 months	288	140
d) over 6 months to 1 year	332	103
e)over 1 year	680	560
Total gross overdue trade receivables	**6 388**	**6 139**
Impairment loss of trade receivables - overdue	**710**	**656**
Net overdue trade receivables	**5 678**	**5 483**

Trade receivables comprise amounts due from a large number of clients from various industries and geographical areas. Trade and commercial credits are appraised on a regular basis with regard to the receivables standing.

The group is not exposed to any material credit risk with regard to a single client or a group of similar clients. Trade receivables are not interest bearing and contractual terms commonly allow for a 90-day

payment period. On average the actual settlement period for receivables, due for goods and services, is 58 days.

Revaluation write-offs are applied to receivables if the debtor is under litigation 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 its economic situations and financial standing pose a great risk of default in payment. Litigated receivables are covered with 100% revaluation write-off. The Group uses a proper receivables vindication system and applies a policy of selling goods only to verified clients. Therefore, the Management is of the opinion that there is no additional credit risk exceeding the reserves for uncollectible debts applicable for the trade receivables of the Group.

Note No. 7
Corporate income tax receivables

	31.12.2010	31.12.2009
Corporate income tax receivables	196	15

Note No. 8
Loans granted

Loans granted	31.12.2010	31.12.2009
As of the beginning of the period:		-
-loan granted to Polska Izba Makaronu (Polish Chamber of Pasta Industry)	100	-
Interest accrued	1	-
Repayment during the period	-	-
As of the end of the period	101	-
Total	**101**	**-**

Note No. 9
Cash and cash equivalents

	31.12.2010	31.12.2009
Cash at hand and balances with banks	363	938
Total, including:	**363**	**938**
-Cash at hand and balances with banks attributed to discontinued operations	**not applicable**	**not applicable**

The value of cash and cash equivalents is the same as shown in the statement of cash flows. The fair value of cash and cash equivalents reflects their value shown in the statement of financial standing. The means constituting the Employee Benefit Fund, amounting to 6 thousand PLN, are qualified as cash at limited disposal.

Cash in bank is variable interest 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 interest rate in accordance with the specific deposit agreements.

Note No. 10
Prepayments and accruals

Prepayments and accruals	31.12.2010	31.12.2009
-long-term	192	380
-short term	538	1 119

As of 31 December 2010 the long-term prepayments and accruals amount to 192 thousand PLN and are related to commissions for bank loans, and advisory services.
Similarly, the amount of 380 thousand PLN as of 31 December 2009 is related to the commission for a long-term bank loan and to export-related consultancy services.

Short term prepayments and accruals

Short term prepayments and accruals	31.12.2010	31.12.2009
-insurance	189	108
-paid subscription fees	1	3
-standing charge and other fees	24	3
-public advertising/marketing services	-	452
-electricity	-	112
-commission on working capital loan	110	95
-fees for guarantees	59	75
-consultancy services	82	265
-other	73	6
Total	**538**	**1 119**

Note No. 11
Assets held for sale (this item relates to 2009)

The item: **"Assets held for sale"** amounting to 1 162 thousand PLN includes the production line for manufacturing short forms of pasta of the working capacity 900-1000 tons/hour, manufactured in 1991 by the Italian company PAVAN, along with 3 packing units. In 2009 the line was dismantled and designated for sale. At the time of dismantling the line was in good technical and working order. Its value was not subject to depreciation. Due to the current demand for the Group's products, Makarony Polskie is executing an investment based on this item of assets.

Note No. 12
Share capital
As of 31 December 2010

	Type of shares	Privilege type	Number of shares	Nominal value of 1 share in PLN	Value of the series (issue) at nominal value in thousand PLN	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**			

In the period from 31 December 2010 to the date of submitting this Statement the Company did not issue any subsequent shares.

As of 31 December 2009

	Type of shares	Privilege type	Number of shares	Nominal value of 1 share in PLN	Value of the series (issue) at nominal value in thousand PLN	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**			

Note No. 13
Other capitals

Supplementary capital	**31.12.2010**	**31.12.2009**
Balance at the beginning of the period	**31 537**	31 941
Changes in the accounting principles (policy)	**-**	-
Balance at the beginning of the period after adjustments (after transformation)	**31 537**	31 941
-issue of share capital	-	-
-other changes in the capital	104	-
-profit distribution / covering losses	2 198	-404
Balance at the end of the period	**33 839**	**31 537**
Reserve capital	**31.12.2010**	**31.12.2009**
Balance at the beginning of the period	-	-
-increase in share capital	-	-
-transfer to supplementary capital	-	-

Balance at the end of the period	**-**	**-**
Other capitals as of the end of the period	**33 839**	**31 537**

Note No. 14
Result brought forward

Profit/loss from previous years	**31.12.2010**	**31.12.2009**
Balance at the beginning of the period	-243	-647
-profit/loss from previous years at the beginning of the period	-243	-647
-decrease due to transfer to supplementary capital	-	404
Net profit/loss at the end of the period	**-243**	**-243**

Note No. 15
Long and short-term loans and borrowings

Makarony Polskie Group

Loans	**31.12.2010**	**31.12.2009**
-long-term	16 630	19 570
-short-term	9 320	2 639

Information on loans drawn and guarantees obtained by specific companies of the Group as of 31 December 2010

Makarony Polskie S.A.

Loans	**31.12.2010**	**31.12.2009**
-long-term	10 242	13 462
-short-term	8 122	860

As of 31 December 2010 Makarony Polskie S.A. was a party to the following agreements with financial institutions:

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

Crediting conditions	
Credit contractual value	4 500 thousand PLN
Crediting period	04.12.2007 – 17.12.2011
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	4 262 thousand PLN
Credit repayment schedule	Single payment on the due date of the liability
Credit collateral	✓ mortgage for an amount up to a cap to 6 750 thousand PLN on real estate in Rzeszów included in KW No. RZ1Z/00076860/5 with assignment of rights from insurance policy, ✓ blank promissory note with blank promissory note agreement, ✓ power of attorney to the BGŻ S.A. bank account of the Company

- Revolving credit in BGŻ S.A.

Crediting conditions	
Credit contractual value	3 000 thousand PLN
Crediting period	03.12.2010 – 02.12.2011
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	3 000 thousand PLN
Credit repayment schedule	Single payment on the due date of the liability
Credit collateral	✓ registered pledge on processing lines for production of short pasta acquired under an investment, with assignment of rights from insurance policy, ✓ blank promissory note with blank promissory note agreement, ✓ power of attorney to the BGŻ S.A. bank account of the Company

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

Crediting conditions	
Credit contractual value	1 366 thousand PLN
Crediting period	16.02.2005 – 15.02.2013
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	136 thousand PLN
Credit repayment schedule	✓ one quarterly instalment of 44 thousand PLN payable on 10 October 2005, ✓ 29 consecutive quarterly instalments of 13 thousand PLN payable on every 10th day of the month following the end of a quarter, ✓ one instalment of 911 thousand PLN payable on 30 June 2006, ✓ one instalment of 14 thousand PLN payable on 15 February 2013.
Credit collateral	✓ registered pledge on machines and equipment i.e. packing machine and wood flooring production machine in Rzeszów, as well as packing machine and flour facility in Płock of total value of 1 439 thousand PLN together with assignment of rights from insurance policy, ✓ power of attorney to current bank accounts of the Company, ✓ assignment of receivables from contract No. SPO-WKP/2.3/2/14/931 concluded on 3 October 2005 with the Polish Agency for Enterprise Development (PARP).

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

Crediting conditions	
Credit contractual value	15 266 thousand PLN
Crediting period	05.06.2008 – 31.03.2016
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	4 344 thousand PLN
Credit repayment schedule	✓ grace period for capital repayment until 30.06.2009, ✓ one instalment of 9 647 thousand PLN payable on 30.06.2009 (from subsidies), ✓ 83 monthly instalments of 67 thousand PLN each payable from 30.06.2009 to 30.04.2016, ✓ levelling instalment of 48 thousand PLN payable on the date of 31.05.2016.
Credit collateral	✓ assignment of rights from Subsidy Contract for the implementation of the Project entitled "Launching production of new quality pastas based on innovative technologies" concluded on 04.06.2008 between the company and the Polish Agency for Enterprise Development (PARP), ✓ registered pledge on processing lines for production of long shapes of pasta acquired under the investment together with assignment of rights from insurance policy, ✓ blank promissory note with blank promissory note agreement, ✓ power of attorney to bank account of the Company in BGŻ S.A.

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

Crediting conditions	
Credit contractual value	3 000 thousand PLN
Crediting period	29.10.2009 – 28.02.2013
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	2 699 thousand PLN
Credit repayment schedule	✓ Single payment on the due date of the liability
Credit collateral	✓ Mortgage for an amount up to a cap to 4 500 thousand PLN on real estate in Płock included in KW PL1P/00094893/6 together with assignment of rights from insurance policy, ✓ blank promissory note.

- Credit on current account under multi-purpose line of credit in Fortis Bank S.A.

Crediting conditions	
Credit contractual value	4 100 thousand PLN
Crediting period	29.12.2009 – 28.12.2012
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	3 923 thousand PLN
Credit repayment schedule	✓ Single instalment payable on the credit due date
Credit collateral	✓ blank promissory note; ✓ registered pledge on production line for short shapes of pasta located at the production plant in Płock together with assignment of rights from insurance Policy, ✓ mortgage for an amount up to a cap to 6 656 thousand PLN on real estates in Częstochowa included in KW Cz1C/00021785/1 along with the assignment of rights from insurance Policy, ✓ registered pledge on production line for pasta, bought from Anselmo company, and located at the production plant in Płock, ✓ registered pledge on the Pavan production line for short shapes of pasta located at the production plant in Rzeszów.

- Factoring Contract in ING Commercial Finance S.A.

Terms and conditions of the Contract	
Contractual value	3 500 thousand PLN
Period of the Contract	01.01.2010 – 31.12.2011
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Collateral	✓ money deposit in the amount of 10% of discounted receivables is taken at the moment of receivable discounting and returned after their redemption, ✓ blank promissory note with blank promissory note agreement.

- Guarantees obtained by Makarony Polskie S.A.

Guarantor	Guarantee amount	Guarantee period	Subject secured by guarantee	Security
STU Ergo Hestia S.A.*	14 571 thousand PLN	10.02.2010-30.04.2011	Proper performance of the Contract with Agricultural Market Agency (ARR) under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2010"	✓ 5 blank promissory notes issued by the Company, ✓ blank promissory note issued by the Company, guaranteed by Stoczek, ✓ registered pledge on the production line for short shapes of pasta in Płock, inventory No. 0003/P and the book value of 1 623 thousand PLN on 31.10.2008, ✓ mortgage for an amount up to a cap to 730 thousand PLN on real estate in Rzeszów

				included in KW No. RZ1Z/00120491/1.
STU Ergo Hestia S.A.	775 thousand PLN	01.01.2009-28.02.2011	insurance guarantee for the Subsidy Contract concluded with the Polish Agency for Enterprise Development under the Operational Programme Human Capital (OP-HC) (advisory and training project)	✓ blank promissory note issued by the Company
STU Ergo Hestia S.A.	15 902 thousand PLN	02.02.2011-30.04.2012	Proper performance of the Contract with Agricultural Market Agency (ARR) under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2011"	✓ the securities listed in the first line of this Table were rewritten

* -the guarantee was released in February 2011 after the complete settlement of the secured contract

Stoczek Sp. z o.o.

Loans	**31.12.2010**	**31.12.2009**
-long-term	6 388	6 108
-short-term	1 198	1 779

As of 31 December 2010 Stoczek Sp. z o.o. was a party to the following agreements with financial institutions.

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

Crediting conditions	
Credit contractual value	2 000 thousand PLN
Crediting period	29.10.2009 – 28.02.2013
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	1 885 thousand PLN
Credit repayment schedule	✓ Single instalment payable on the credit due date
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ mortgage for an amount up to a cap to 3 000 thousand PLN on real estate of the company in Stoczek Łukowski for which KW no 22979 is conducted, ✓ mortgage for an amount up to a cap to 3 000 thousand PLN on real estate in Płock included in KW PL1P/00094893/6, together with assignment of rights from insurance policy, ✓ assignment of rights from insurance policy covering real estate insurance, ✓ bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution.

- Non-revolving credit in HSBC Polska S.A.

Crediting conditions	
Credit contractual value	4 000 thousand PLN
Crediting period	29.10.2009 – 11.03.2013
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	2 650 thousand PLN
Credit repayment schedule	✓ Equal quarterly instalments payable on the last working day of January, April, July and October starting from 29.01.2010 and finishing on 11.03.2013.

Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ mortgage for an amount up to a cap to 6 000 thousand PLN on real estate of the company in Stoczek Łukowski for which KW no 22979 is conducted, ✓ mortgage for an amount up to a cap to 6 000 thousand PLN on real estate in Płock included in KW PL1P/00094893/6 with assignment of rights from insurance policy, ✓ assignment of rights from insurance policy covering real estate insurance, ✓ bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution.

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

Crediting conditions	
Credit contractual value	2 000 thousand PLN
Crediting period	29.12.2009 – 28.06.2012
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	1 969 thousand PLN
Credit repayment schedule	✓ single instalment payable on the credit due date
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ mortgage for an amount up to a cap to 3 200 thousand PLN on real estate in Częstochowa included in KW Cz1C/00021785/1 with assignment of rights from insurance policy, ✓ registered pledge on production line for pasta bought for Anselmo company located at the production plant in Płock, ✓ registered pledge on production line for short form of pasta production Pavan located at the production plant in Rzeszów, ✓ Bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law, ✓ Borrower's statement on submission to execution, ✓ Guarantor's statement on submission to execution.

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

Crediting conditions	
Credit contractual value	1 200 thousand PLN
Crediting period	10.11.2010 – 12.08.2012
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2010	1 081 thousand PLN
Credit repayment schedule	✓ single instalment payable on the credit due date
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ registered pledge on fixed assets located at the Production Plant in Stoczek Łukowski, ✓ Bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law.

- Guarantees obtained by Stoczek Sp. z o.o.

Guarantor	Guarantee amount	Guarantee period	Subject secured by guarantee	Security
STU Ergo Hestia S.A.*	1 396 thousand PLN	10.02.2010-30.04.2011	Proper performance of the Contract with Agricultural Market Agency (ARR) under the programme of Common Agricultural Policy "Food aid for the European Union poorest people 2010"	✓ a blank promissory note issued by Stoczek Sp. z o.o, and guaranteed by Makarony Polskie S.A.

* -the guarantee was released in January 2011 after the complete settlement of the secured contract

Note No. 16
Reserves for retirement pensions and similar benefits

	Reserves for retirement and pension benefits	Reserves for unused holiday leaves	**Total**
Value at the beginning of the period, including	**207**	**48**	**255**
-short term at the beginning of the period	24	48	72
-long term at the beginning of the period	183	-	183
Increases:	69	115	184
-established within the period and an increase in the existing reserves	69	115	184
Decreases:	2	48	50
-used up during the year	2	48	50
Value at the end of the period	**274**	**114**	**388**
-short term at the end of the period	18	114	132
-long term at the end of the period	257	-	257

Short-term provisions 01.01.2009- 31.12.2009	**Provisions for employee benefits and similar**
Value at the beginning of the period, including:	52
-provision for holiday leaves	41
-provision for retirement and pension benefits	11
Increases:	65
-established in the period and increase in the existing ones	65
Decreases:	46
-used or terminated within the year	46
Value at the end of the period	**71**

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

In 2010, similarly to 2009, reserves amounting to 49 thousand PLN were established for auditing financial statements in the companies of the Group. In 2009 the reserves designated for auditing financial statements totalled at 37 thousand PLN. Additionally, the amount of 48 thousand PLN at the end of 2010 constitutes a reserve for future costs of marketing services.

Note No. 17
Liabilities from finance lease agreements

	As of 31.12.2010	As of 31.12.2009
	Present value of minimum fees	Present value of minimum fees
in the period up to 1 year	1 201	697
in the period from 1 to 5 years	1 636	340
Total	**2 837**	**1 037**

Lease agreements are predominantly connected with technical equipment and machines as well as means of transport (this pertains to all companies of the Group). All agreements were concluded for the period 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**" also include factoring liabilities amounting to 1 396 thousand PLN (2010) and 3 091 thousand PLN (2009).

Note No. 18
Other liabilities

	31.12.2010	31.12.2009
Trade liabilities to other entities:	**24 454**	**16 773**
-long-term	-	-
-short-term	24 454	16 773
Liabilities to subsidiaries:	**-**	**-**
-long-term	**-**	**-**
-short-term	**-**	**-**
Liabilities to affiliates:	**-**	**-**
-long-term	**-**	**-**
-short-term	**-**	**-**
Advance payments:	**-**	**-**
-long-term	-	-
-short-term	-	-
Other liabilities:	**2 067**	**1 661**
-long-term	-	-
-short-term	2 067	1 661
Total liabilities	**26 521**	**18 434**

Trade liabilities:	**31.12.2010**	**31.12.2009**
-to affiliates	-	-
-to other entities	24 454	16 773
Total	**24 454**	**16 773**

Public, legal and other liabilities	**31.12.2010**	**31.12.2009**
-personal income tax	157	148

-social insurance (ZUS)	768	601
-payroll	506	442
-National Disabled Persons Rehabilitation Fund (PFRON)	19	16
-environment protection	24	15
-other	593	439
Total	**2 067**	**1 661**

Note No. 18 continued
Liabilities - currency structure

	31.12.2010	**31.12.2009**
-in Polish currency	24 185	16 687
-in foreign currencies:	2 336	1 747
a) currency/EUR	590	425
in PLN	2 336	1 747
Total	**26 521**	**18 434**

The value of liabilities presented in the statement of financial standing is approximate to their fair value. Generally, trade liabilities are not interest-bearing.

Average time of repaying trade liabilities in 2010 was 78 days.

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

Note No. 19
Accruals and deferred income

Deferred income	**31.12.2010**	**31.12.2009**
-long-term	7 550	9 213
-short-term	1 720	1 720
Total	**9 270**	**10 933**

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

If a subsidy is related to an asset, its fair value is recognized on the account of accruals and deferred income, and later it is gradually written down in the Statement of Comprehensive Income with equal annual write-offs during the estimated service life of the asset related to the subsidy.

Explanatory Notes to the Statement of Comprehensive Income

Note No. 20
Net sale revenue

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Revenue from the sale of products	119 161	96 931
Revenue from the sale of services, including:	626	971
-rental	12	40
-distribution services	-	-
- transport services	340	585
-storage, filling up and closing	260	113
-other services	14	233
Revenue from the sale of materials	3 231	3 611
Revenue from the sale of goods	26 951	16 038
Total	**149 969**	**117 551**

Revenue on sale of products, services, goods and materials - according to operating segments

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Pastas	102 666	88 290
Ready-made meals, canned food	28 760	13 702
Jam	1 485	4 884
Raw materials	15 431	5 968
Other	1 627	4 707
Total	**149 969**	**117 551**

The Group applied IFRS 8 - Operating Segments. In accordance with the requirements set forth by IFRS 8, identification of segments should be based on internal reports related to these elements, which are regularly verified by persons responsible for assigning resources to a given segment and for assessing its financial results. The Companies of the Group operate mainly within the territory of Poland, whose regions should be recognized as a unified area due to the proximity of their locations, similar economic conditions and general risk.

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

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Domestic	136 479	105 395
Export, including:	13 490	12 156
-EU countries	11 354	10 910
-other countries	2 136	1 246
Total	**149 969**	**117 551**

Note No. 21

Costs of sold products, services, goods and materials

Operating costs according to cost types	**For the period from 01.01. to 31.12.2010**	**For the period from 01.01. to 31.12.2009**
Depreciation of fixed assets	5 466	5 398
Depreciation of intangible assets	65	100
Staffing costs (salaries, social insurance and other benefits)	18 537	15 595
Use of materials and energy consumption	74 079	65 472
Costs of third party services, including:	17 299	13 663
-transport services	5 879	4 543
-advertising and marketing	7 058	4 367
-repair	676	387
-telecommunications	176	183
-consulting	815	319
-trade commissions	443	422
-other costs of services, including:	2 252	3 442
a. costs of training project	1 015	1 013
Costs of taxes and charges	1 014	798
Other costs, including:	2 238	1 555
-advertisements	1 631	1 005
-business trips	120	101
-insurance	226	168
-other, including:	261	281
a. costs related to the training project	191	150
Total operating costs	**118 698**	**102 581**
Costs of sales and distribution (-)	-20 366	-15 043
Costs of general administration (-)	-6 619	-6 691
Change in inventory of products and work in progress (increase +, decrease -)	1 187	-335
Cost of manufacturing for the company's own needs	-218	-4
Cost of manufacturing sold products, goods and materials	**92 682**	**80 508**
Value of sold materials and goods	**29 530**	**13 463**
Total cost of manufacturing sold products, goods and materials	**122 212**	**93 971**

In 2010 the Group incurred expenditure related to possible acquisitions amounting to 376 thousand PLN (costs of advisory services, due diligence, valuations).

Staffing costs	**For the period from 01.01. to 31.12.2010**	**For the period from 01.01. to 31.12.2009**
Remuneration	15 415	12 944
Cost of social insurance	2 675	2 204
Cost of other employee benefits, including:	447	447
-costs of benefits related to employment termination	57	79

-costs of retirement and pension benefits	36	19
-equivalents of unused holiday leave benefits	25	52
-other benefits	329	297
Total	**18 537**	**15 595**

Employee benefits are split into the following categories:

-short-term benefits which include remuneration, social insurance contributions, paid absences from work, and fringe benefits. The costs of short-term benefits are regularly contained in the Statement of Comprehensive Income as they are incurred. At the end of the reporting period, the expected value of the short-term benefits for a given fiscal year, which was not discounted and remains to be paid, is recognized by the Group as a component of accruals and deferred income;

-benefits after employment termination - within this category the Group provides employees with gratuity. A provision is established for future payment of retirement gratuity that is periodically verified by an independent actuary in accordance with the provisions of IFRS.

Note No. 22
Costs of sale

	For the period from 01.01. to 31.12.2010	**For the period from 01.01. to 31.12.2009**
Depreciation	569	213
Use of materials and energy consumption	657	370
Costs of third party services	13 079	10 127
Taxes and charges	70	49
Remuneration	3 319	2 582
Employee benefits	654	468
Other costs	2 018	1 234
Total	**20 366**	**15 043**

Note No. 23
Costs of administration

	For the period from 01.01. to 31.12.2010	**For the period from 01.01. to 31.12.2009**
Depreciation	355	543
Use of materials and energy consumption	277	356
Costs of third party services	2 656	2 254
Taxes and charges	321	438
Remuneration	2 336	2 330
Employee benefits	360	309
Other costs	364	461
Total	**6 619**	**6 691**

Note No. 24

Other income

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
State subsidies	3 617	2 615
Gain on sales of property, plant and equipment	86	16
Release of other reserves and reversal of impairment losses	159	176
Compensations and complaints	80	148
Sale of scrap metal and waste	11	6
Reimbursement of court fees and bailiff's charges	9	9
Recharged expenditure	4	-
Reimbursement of overpaid national insurance contributions	4	1
Surplus inventories	534	52
Lease obligations	1	9
Disclosure of fixed assets	-	122
Other	77	11
Total	**4 582**	**3 165**

Income and profits not attributed directly to the operating activities of the Group are classified as other operational income. This category includes subsidies received, proceeds from sales of property, plant and equipment, received compensation related to reimbursement of court fees, reimbursement of overpaid tax liabilities, excluding corporate income tax, and received indemnities for the loss of the companies' assets covered by insurance.

Other income also includes the reversal of revaluation write-off for the value of receivables and inventories as well as impairment loss of fixed assets.

Note No. 25
Other costs

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Loss on sale of property, plant and equipment	-	21
Donations	19	13
Penalties and fines	106	73
Deficiencies in working capital	158	25
Incurred damages	101	70
Court and bailiff's charges	8	17
Recharged expenditure	410	139
Removing damaged and expired inventories	201	70
Acquisition of fixed assets - leasing	16	17

Write-offs to receivables, other write-offs and reserves	322	187
VAT due on internal invoices	-	20
Other	8	5
Total	**1 349**	**657**

The category of other operating costs includes costs and losses which are not directly related to the operating activities of the Group. The category includes losses on sales of property, plant and equipment, granted donations, financial and otherwise, to other entities, such as public benefit organizations, as well as the consequences resulting from guarantees and warranties extended to other entities.
Other costs also include revaluation write-offs for receivables and inventories, as well as impairment losses of fixed assets.

Note No. 26
Financial income

	For the period from 01.01. to 31.12.2010	**For the period from 01.01. to 31.12.2009**
Interest income, including:	474	413
-interest on bank deposits	26	6
-interest on loans	1	-
-interest on receivables	447	407
Gains on FX differences	-	-
Other financial income, including:	-	-
-valuation of investment properties	-	-
Total	**474**	**413**

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

Note No. 27
Financial costs

	For the period from 01.01. to 31.12.2010	**For the period from 01.01. to 31.12.2009**
Interest costs, including costs of:	1 466	1 581
-bank loans	1 279	1 464
-bank fees and commissions	-	38
-factoring and leasing costs	187	79
Other financial costs, including:	385	452
-losses on negative FX differences	22	141
-guarantee	256	163

-interest on liabilities	2	8
-statutory interest	30	3
-discount costs	30	137
-other	45	-
Total	**1 851**	**2 033**

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

Note No. 28
Income tax

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Current income tax	13	205
Deferred income tax	-555	331
Tax debit/credit recognized in the Statement of Comprehensive Income, including	**-542**	**536**
-attributed to continuing operations	-542	536

Note No. 28 continued
Deferred income tax

2010	Statement of financial standing as of 31.12.2010	Statement of financial standing as of 31.12.2009	Statement of comprehensive income for the period from 01.01.to 31.12.2010
Deferred income tax provision			
-difference between the balance sheet and taxable net value of fixed assets	1 091	566	525
-FX differences	12	14	-2
-differences between obligations resulting from lease contracts and the net value of fixed assets	94	82	12
-accrued interest	33	43	-10
Gross deferred income tax provision	**1 230**	**705**	**525**
Assets due to deferred income tax			
-remuneration paid after the reporting period	12	19	7
-national insurance contributions (ZUS)	34	57	23
-retirement/pension and other benefits	80	49	-31
-costs of third party services	14	5	-9
-FX differences	2	1	-1
-deductible tax losses	495	639	144
-revaluation write-offs	499	491	-8
-other	50	48	-2

Gross assets due to deferred income tax	1 186	1 309	123
Reverse revaluation write-off due to deferred income tax			**-1 203**
Deferred income tax debit/credit			**-555**

2009	**Statement of financial standing as of 31.12.2009**	**Statement of financial standing as of 31.12.2008**	**Statement of comprehensive income for the period from 01.01.to 31.12.2009**
Deferred income tax provision			
Temporary differences:			
-difference between tax and balance depreciation	566	274	292
-FX differences	14	55	-41
-differences between financial lease charges and depreciation	82	54	28
-accrued interest	43	29	14
Gross deferred income tax provision	**705**	**412**	**293**
Assets due to deferred income tax			
-remuneration paid after the reporting period	19	89	70
-national insurance contributions (ZUS)	57	58	1
-pension and other benefits	42	39	-3
-unpaid amounts for the Company Social Benefit Fund (ZFŚS)	44	43	-1
-deductible tax losses	639	727	88
-costs of third party services	5	6	1
- revaluation of fixed assets	481	503	22
-FX differences	1	51	50
-provision for vacation leaves and equivalents	7	-	-7
-write-offs for receivables	10	-	-10
-other	4	9	5
-interest on liabilities	-	27	27
Revaluation write-off due to deferred income tax	**1 204**	**1 409**	**-205**
Gross assets related to deferred income tax	**1 309**	**1 552**	**243**
Deferred income tax debit/credit	**105**	**143**	**331**

Calculation of the current tax burden is based on the binding regulations. The application of the said regulations differentiates tax gain (loss) from the net book profit (loss) as they exclude non-taxable income, costs other than tax deductible costs, as well as costs and income items that will never be taxable. The calculation of tax burdens is based on tax rates binding in a given fiscal year - currently 30% - the regulations do not provide for differentiating tax rates in future periods.

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

Note No. 29
Data on the financial results and shares which were used for the calculation of the basic and diluted profit per 1 share

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Net profit/loss per 1 share	0.34	0.24
Book value per 1 share in PLN	6.97	6.62

	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Net profit/loss on continuing operation attributed to shareholders of the Parent Company	3 170	2 198
Net profit/loss on discontinued operation attributed to shareholders of the Parent Company	-	-
Net profit/loss attributed to shareholders of the Parent Company	3 170	2 198
Net profit/loss attributed to ordinary shareholders, applied for calculation of diluted profit/loss per 1 share	N/A	N/A

	For the period from 01.01. to 31.12.2010	For the period from 01.01.to 31.12.2009
Weighted average number of issued ordinary shares applied for calculation of basic profit/loss per 1 share	3 250 071	3 250 071
Dilution impact	N/A	N/A
Adjusted weighted average number of ordinary shares applied to calculate diluted profit/loss per 1 share	N/A	N/A

Net profit per 1 share is calculated by dividing net profit for the period attributed to ordinary shareholders of the Parent Company by weighted average number of issued ordinary shares in the period.

Diluted profit per 1 share is calculated by dividing net profit for the period attributed to ordinary shareholders of the Parent Company (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 2010 and in 2009, as well as by the date of compiling this statement there were no factors diluting the share capital in the Parent Company.

Book value per 1 share is quotient of the equity by the number of shares as of the given balance sheet moment.

Note No. 30
Dividends paid and approved to be paid

Pursuant to Art. 395 of the Commercial Companies Code, the Annual General Meeting is authorized to pass resolutions with regard to the profit distribution (or covering losses), and dividend payment. In line with the Articles of Incorporation, the Annual General Meeting should be held within 6 months following the end of each fiscal year. The deadline for the dividend payment (art. 348 § 3 of the Commercial Companies Code) is specified by the ordinary general meeting of a public company by means of a resolution on the distribution of profit for the last fiscal year.
The Annual General Meeting of Makarony Polskie S.A. decided to allocate the profit for 2009 for the supplementary capital.
The Prospectus made an assumption that starting from 2008 not more than 50% of profit after mandatory write-offs will be allocated to dividend payment. The remaining part of the profit will be assigned for the supplementary capital and for financing investments.

Note No. 31
Remuneration of the Management Board and the Supervisory Board of the Parent Company
The Management Board

Name	Function	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Paweł Nowakowski	President	277	280
Krzysztof Rubak (from 28.01.2008 to 16.06.2009, and from 20.07.2009)	Vice- President	222	242
Marek Feruś (from 20.07.2009)	Vice- President	209	75
Cezary Goławski (from 10.02.2009 to 16.06.2009)	Vice- President	-	47
Total		**708**	**644**

The Supervisory Board

Name	Function	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Zenon Daniłowski	Chairman of the Supervisory Board	58	37
Grzegorz Słomkowski	Co-Chairman of the Supervisory Board	47	30
Zdzisław Sawicki	Co-Chairman of the Supervisory Board – to 21.06.2010	26	23
Urszula Rogóż-Bury	Secretary of the Supervisory Board	37	25
Marek Jutkiewicz	Co-Chairman of the Supervisory Board – from 21.06.2010	20	-
Marek Rocki	Member of the Supervisory Board - from 21.06.2010	11	-
Dariusz Bliźniak	Member of the Supervisory Board - to 21.06.2010	13	20
Piotr Łukasiuk	Member of the Supervisory Board - to 12.06.2009	-	12
Total		**212**	**71**

Members of the Management Board and 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 to affiliates		Purchases from affiliates	
	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Parent Company - Makarony Polskie S.A.	1 405	2 022	5 726	978

Affiliate	Amounts due from affiliates		Amounts due to affiliates	
	As of 31.12.2010	As of 31.12.2009	As of 31.12.2010	As of 31.12.2009
Parent Company - Makarony Polskie S.A.	287	2 790	1 357	150
- from/to Stoczek Sp. z o.o.	287	2 790	1 357	150

Affiliate	Sale to affiliates		Purchases from affiliates	
	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009	For the period from 01.01. to 31.12.2010	For the period from 01.01. to 31.12.2009
Subsidiary Stoczek Sp. z o.o	5 742	1 543	1 800	1 346

Affiliate	Amounts due from affiliates		Amounts due to affiliates	
	As of 31.12.2010	As of 31.12.2009	As of 31.12.2010	As of 31.12.2009
Subsidiary Stoczek Sp. z o.o	1 357	150	287	2 790
- from/to Makarony Polskie S.A.	1 357	150	287	2 790

Note No. 32
Material events after the reporting period

- ✓ On 14 February 2011 Stoczek sp z o.o. concluded a contract with the Agricultural Market Agency. Its subject is the supply of food products for charitable organizations, under the "Food aid programme for the European Union poorest people, 2011". Stoczek Sp. z o.o. shall supply ready-made meals, namely barley kasha with goulash to storage facilities indicated by the Agricultural Market Agency, conducted by the Polish Food Banks Federation and Caritas Polska; and pasta with goulash to storage facilities indicated by the Agricultural Market Agency and conducted by Caritas Polska. The contract shall be executed by the day of 31. Dec.2011. Net contract value is 15,975 thousand PLN. The remuneration for the delivery of food products under the contract shall be in the form of barley grains held in intervention storage.

- ✓ On 14 February 2011 the Management Board of Stoczek Sp z o.o. notified about the fact the company concluded a contract with Pamapol S.A. The said contract was concluded for intermediate supplies related to the contract executed by Stoczek Sp. z o.o. with the Agricultural Market Agency, under the "Food aid programme for the European Union poorest people, 2011".

The subject of the contract is the production and delivery of ready-made meals in the form of barley kasha with goulash by Pamapol S.A. on behalf of Stoczek Sp. z o.o. directly to the storage facilities of the Polish Food Banks Federation and Caritas Polska. The contract shall be executed in the time period from 1 March 2011 to 31 Dec. 2011. The supplies of food products shall be based on the monthly delivery schedules set forth by Stoczek Sp. z o.o. and the charitable organizations. The total value of the services provided under the contract amounts to 18,082 thousand PLN.

- ✓ On 15 February Makarony Polskie received the contract concluded by correspondence with the Agricultural Market Agency (ARR), regarding the supply of food products for charitable organizations, under the "Food aid programme for the European Union poorest people, 2011". The subject of the contract is the supply of pasta to storage facilities conducted by the Polish Food Banks Federation and Caritas Polska. The contract shall be executed by 31. Dec.2011. Net contract value is 10,747 thousand PLN. The remuneration for the delivery of food products under the contract shall be in the form of barley grains held in intervention storage.

- ✓ On 17 February 2011 the Company concluded a contract with Alfred C. Toepfer International, Poland concerning the sale of barley grains received as remuneration for the supplies of pasta to charitable organizations, under the contract concluded between the Company and the Agricultural Market Agency. The total net contract value is 15,820 thousand PLN. The contract shall be executed by the day of 31.Aug. 2011.

- ✓ On 25 February 2011 the Company acquired an organized part of an enterprise from Gardenau Sp. z o.o. The acquired property includes components of fixed assets, and the rights to use the Tenczynek trademark, which is used for labelling fruit syrups, jams and vegetable preserves.

- ✓ On 1 March 2011 Makarony Polskie was notified by Stoczek sp z o.o. about the fact the Company concluded a significant contract with TDM Arrtrans S.A. with a seat in Łódź. The subject of the contract is the production and delivery of krupnik (barley soup) of the total value 10,831 thousand PLN. The contract shall be executed by 31 Dec. 2011

- ✓ On 14 March 2011 the Management Board of Makarony Polskie S.A. published the Financial forecast for the Group for 2011.

Note No. 34

Off-balance sheet items

Off-balance sheet items	31 December 2010	31 December 2009
1.Contingent receivables	**32 147**	**44 949**
1.1.From affiliates due to:	16 756	36 295
-received guarantees and warranties	13 596	16 925
-collaterals on property	3 200	19 370
1.2.From other entities due to:	15 151	8 654
-received guarantees and warranties	15 346	8 649
-promissory notes	5	5
2. Contingent liabilities	**28 146**	**36 295**
2.1. To affiliates, due to	28 146	36 295
-extended guarantees and warranties	13 596	16 925
-collaterals on property	14 550	19 370
2.2. To other entities, due to	-	-
-extended guarantees and warranties	-	-
3. Other, due to	**131 191**	**99 917**
-notes payable	55 157	61 088
-collaterals on property	76 032	37 704
-other - assignment of receivables and a power of attorney to the bank account	-	1 125
Total off-balance sheet items	**-127 191**	**-91 263**

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

Note No. 35
Material principles of accounting applied in compiling financial statements

Transactions in foreign currencies and evaluation of items expressed in foreign currencies

The consolidated financial statement is presented in the base currency of the market in which the entities (Group) conduct their business. Polish zloty (PLN) is the functional and reporting currency of both the Parent and the Subsidiary companies, and all values are shown in thousand PLN, unless specified otherwise.

Transactions executed in currencies other than PLN are converted into PLN at the rate applicable on the day of the transaction.

At the end of the reporting period, monetary assets and liabilities in currencies other than PLN are converted into PLN at an average rate specified by the National Bank of Poland for a given currency for the reporting period. FX differences resulting from currency conversion are adequately recognized under financial income (costs) or, in cases defined by the accounting principles (policy), they are capitalized in assets. Non-monetary assets and liabilities recognized as historic cost in foreign currency are shown in accordance with the historic rate as of the transaction date. Non-monetary assets and liabilities shown in their fair value expressed in a foreign currency are converted at the exchange rate as of the day of evaluation for the fair value.

Underlying accounting principles

The Group consistently applies principles which ensure reliable and explicit presentation of its financial standing, financial outcomes and profitability.

The principle of continuity - involves consistent application of adopted accounting principles, including unified classification of business operations, evaluation of assets, including depreciation write-offs, evaluation of liabilities, determining the financial outcome and preparing financial statements; for specific financial periods the opening balance equals the closing balance for the previous period.

Going concern - involves adopting an assumption, while evaluating assets and liabilities and for the needs of determining the financial outcomes, that the entity is going to continue its operations in foreseeable future in a scope that will not be reduced significantly, unless it is not in compliance with the actual or legal status.

Accrual basis - requires that all income generated in a given period as well as all costs, regardless of the date of payment, are recognized in that period.

Prudence principle - means that all decreases in functional value of property components, and adjustments resulting from lasting price changes must be recognized in the outcome, regardless of its rate. Additionally, it requires that only other unquestionable operating income, extraordinary profits and other incurred operating costs and extraordinary losses must be recognized.

The Group applies underlying principles of measurement based on historic purchase price or price of manufacturing, with the exception of the measurement of financial assets which, according to IFRS, are evaluated at their fair value.

Reporting obligations resulting from the organizational structure

The Parent Company compiles the consolidated financial statements. The parent and subsidiaries do not have branches preparing their own financial statements, and they do not compile joint statements.

Reporting related to operating segments

In line with the requirements set forth by IFRS 8, operating segments are identified on the grounds of internal reports related to those elements which are regularly verified by the persons responsible for assigning resources to a given segment and assessing its financial results. The Group operates in the following reporting segments: pasta, ready-made meals, canned food, jams, raw materials, and other.
Due to the geographic distribution of its operations, Makarony Polskie Group practically does not distinguish segments other than domestic sales. Export sales figures are immaterial for the revenue of the Group. The Group operates mainly in Poland, whose regions are considered as a single area due to their proximity, unified business conditions and similar general risk.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations include assets or groups of assets, which are classified in that category and are recognized in the financial statements at the lower of the following two values: balance value or fair value decreased by the cost of sale. The Company stops applying depreciation charges to the assets once they are classified as assets held for sale.

Non-current assets or groups of net assets are classified as held for sale when their book value is recoverable as a result of a sales transaction rather than by their continued use. Assets may be classified into that group only when the management of the entity actively seeks a buyer and when there is high probability of the disposal of these assets within one year from the date of classifying them as held for sale, and when they are available for prompt sale.

Property, plant and equipment

Property, plant and equipment include fixed assets and expenditure related to fixed assets under construction which the entities intend to use for their operation and for administrative needs in the period longer than 1 year, and which will result in the future inflow of economic benefits to the entities. These items are recognized at their purchase price or costs of manufacturing, development or modernization after the deduction of previously applied depreciation charges and impairment losses. Expenditure on

fixed assets covers the incurred capital expenditure, and the incurred expenditure on future supplies of machines, equipment and services related to manufacturing the fixed assets. The value at the initial recognition of property, plant and equipment covers their purchase price increased by all costs directly related to the purchase and adjustment of the component to the usable condition (development and/or construction, modernization, costs of external financing). Costs borne after putting the fixed asset into use, such as costs of maintenance or repairs are recognized in the statement of comprehensive income when they are actually incurred. Any later expenditure is recognized in the book value of a given fixed asset or is recognized as a separate fixed asset (where appropriate) only when it is probable that the 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 are depreciated by means of linear method throughout 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 of each reporting day. All changes resulting from verification are recognized as change in estimates in line with IFRS 5 - "Non-current assets held for sale and discontinued operations" or are removed from balance sheet records. Fixed assets worth less than 3 500 PLN 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 3 500 PLN, to which accumulated depreciation is applied in the period of their economic use, if it is material.

If, at the time of compiling the financial statements, there are any circumstances implying that the book 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 book value exceed the estimated recoverable value, the value of such assets or means generating cash funds is reduced to the recoverable value. Impairment loss is recognized in the statement of comprehensive income under "other costs."

Any item of the property, plant and equipment may be removed from statement of financial standing 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 balance sheet (calculated as a difference between potential net proceeds on disposal and the book value of that item) are included in the statement of comprehensive income for the period in which the item was removed.

Property, plant and equipment includes:

- real property, i.e. 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 authorities granting such rights;

- means of transport;
- machines and equipment;
- other movable assets.

Land and the right of perpetual lease are not depreciated.

Fixed assets under construction

Fixed assets under construction are fixed assets in the period of their construction, assembly, or upgrading of the existing fixed asset, and they are evaluated at the total cost attributed directly to their purchase, or manufacturing, decreased by potential impairment loss.

Fixed assets under construction are not subject to depreciation before the end of the construction and the time of putting them into use.

Costs of external financing

Costs of external financing are capitalized as part of manufacturing costs of fixed assets. Costs of external financing 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 do not have a physical form, are identifiable, and may be evaluated in a reliable way, and which will generate future inflow of economic benefits to the entity.

Intangible assets include:

- property rights (including licences, computer software, concessions, copyrights, related rights);
- rights to inventions, patents, trademarks, design patents, know-how;
- goodwill;
- costs of completed R&D works which will be applied to manufacturing new or enhanced products or technologies.

Intangible assets acquired from a business entity under a separate transaction are capitalized at their purchase price or manufacturing costs (costs of completed R&D works). With the exception of R&D works, intangible assets produced by the entity itself are not recognized as assets, and expenditure incurred in producing them is recognized in costs related to that period.
The value, as specified above, is shown in financial statements under assets of the statement of financial standing, as net value, i.e. after deduction of the cumulated revaluation write-offs and impairment losses.

Intangible assets are subject to depreciation by means of depreciation rates corresponding to the expected period of their application.

Expenditure related to intangible assets which does not result in their improvement or extension of their application time are recognized as costs at the time they are incurred. Otherwise they are capitalized.

Goodwill

Goodwill disclosed as an asset, as of the acquisition day, 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 recognized in the statement of comprehensive income and is not subject to any future adjustment.

The surplus of acquired net assets over the purchase price is recognized in profit or loss in the financial year when the asset was acquired.

Should a subsidiary, affiliate or co-subsidiary be disposed of, the relevant share of the goodwill is written-down in the statement of comprehensive income.

Negative goodwill recognised as of 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 of each balance sheet date, the Group reviews the book value of the elements constituting its fixed assets. In case there are 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 specified impairment losses reduce the book value of the underlying asset and are shown in the statement of comprehensive income.

Impairment loss is determined as excess of the book value of these components over their recoverable value. The recoverable value is the higher of the following: the net sale price decreased by the costs of disposal or the value in use. While 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 asset component.

In case of asset components which by themselves do not generate cash flows 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 loss are recognized in profit/loss, with the exception of the amounts which earlier lowered the capital due to revaluation and which adjust the said capital to the decreases made.

Cash and cash equivalents

Cash and cash equivalents include cash at hand and in bank, as well as short-term deposits whose initial maturity does not exceed three months.

Cash balance shown in the consolidated account of cash flows consists of the aforementioned cash and cash equivalents less unpaid loans in current accounts.

Inventories

Inventories are assets held for sale in the ordinary course of business, those in course of production designed for sale as well as materials and supplies which 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 of the end of the reporting period at the lower of the following two values: the purchase price (the cost of manufacturing) and the net realisable value. The net recoverable value is the price of sale executed in the ordinary course of business, decreased by the estimated costs indispensable for effecting the sale (discounts, costs attributed to preparing inventories for the sale).

As of the end of the reporting period, finished products are evaluated at their actual cost of manufacturing in accordance with the principles of prudent measurement.

If the purchase price or the technical manufacturing cost of inventories is higher than the net realisable value, the entity makes revaluation deductions which adjust the cost of sale.

Inventories are sold at the price (cost) of asset components which were acquired (manufactured) by the entity first - the first in first out method (FIFO).

Receivables

Receivables are shown relative to their contractual term of payment:

- long-term - when the term of payment is longer than 12 months from the reporting date;
- short-term - when the amounts due are to be paid in the period up to 12 months from the reporting date.

Trade receivables are initially shown at their fair value, i.e. the amounts originally invoiced, and later they are evaluated at the adjusted purchase price (depreciated cost) according to the effective interest rate method, and by 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 under from the original terms of sale. The amount of impairment loss is the difference between the book value of a given asset and the current value of the estimated future cash flow discounted at the effective interest rate. The impairment loss is recognized under other or financial costs in the statement of comprehensive income, depending on the type of receivables the impairment loss relates to.

Settlements in foreign currencies carried through 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 other rate is determined in the customs declaration or any other document binding for the company.

As of the end of the reporting period receivables measured in foreign currencies are shown in the books at the average rate determined for a given currency by the National Bank of Poland applicable on a given day.

Borrowings

Borrowings are financial assets, other than derivatives, of determined payments or payments that may be determined and which are not listed on the active market. Borrowings include financial assets resulting from granting funds, goods or services directly to the other party of a 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 recognized under non-current assets. Extended borrowings are measured according to the depreciated cost at the effective interest rate, after impairment loss. Accrued interest is recognized in financial income in the period they relate to. The Group established 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 benefit on short-term changes in prices. Short-term financial assets are initially recognized at purchase price and measured at fair value as of the end of the reporting period. Gains or losses on measurement of financial assets are included in the statement of comprehensive income, in financial income or costs.

Investments in securities

As of 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 recognized in the books, and removed from the books on the day of the securities purchase or sale transaction.

As of 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 recognized in the statement of comprehensive income 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 recognized. At that time, cumulated gains or losses that were recognized in equity are included in the statement of comprehensive income.

Investments held to maturity are financial assets, other than derivatives, of determined payments or 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 bonds, Treasury bills) are measured at the depreciated cost determined according to the effective interest 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 capitalizes and settles in time the expenses incurred or property components used which relate 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, fees, 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 Company, disclosed at nominal value of registered shares which results from the Company's Articles of Incorporation and entry to the National Court Register;
- supplementary capital (obtained from share premium, statutory supplementary capital - up to 1/3 of the authorized 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 issuing 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 recognized 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 fiscal 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 amount of the error adjustment is carried to the equity under "profit (loss) from previous periods".

In case of changes in the principles of accounting which have 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 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 subsequent periods, loans and borrowings are measured at depreciated purchase price, in accordance with the effective interest rate method. While 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 balance sheet, or determination of its impairment, are included in the statement of comprehensive income.

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 recognized at their fair value. If normal payment dates used on the market of similar transactions are applied, the fair value is the nominal value as of the liability recognition date. As of the end of the reporting period, liabilities are measured at depreciated cost, whereas liabilities in foreign currencies are recognized in the books and are measured at the average rate determined for that date for a given foreign currency by the National Bank of Poland.

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, including 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 predicted 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 in particular establishes provisions for:

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

Provisions for employee benefits

Gross majority of the employees of the Group are 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 such as 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 the financial standing as receivables or payables.

The Group applies the actuarial measurement (based on estimates 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, particularly 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 internal 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 recognized at the beginning of the lease period in the assets of the Group at the lower of the two: 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 included directly in the statement of comprehensive income. Fixed assets in use based on the financial lease agreements are depreciated throughout the shorter of the two: the 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 recognized during the lease period as cost in the statement of comprehensive income according to the linear method.

Income

Income is recognized 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 net value (after deduction of VAT and discounts). The following criteria are binding for determining income:

Sale of goods

Income is recognized 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 recognized when the service is actually provided.

Interest

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

Dividends

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

Current tax

Current tax payables and receivables for the current and earlier 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 of the end of the reporting period.

Current tax burden is calculated based on the tax result (tax base) of a given fiscal 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 statement. Tax charges are calculated based on tax regulations and tax rates binding in a given fiscal year.

Deferred tax

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

Provision for deferred tax is recognized as regards all positive temporary differences:

- excluding the situation when the provision for deferred tax is established as a 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 impact on neither 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 a 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 recognized with regard to 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 aforementioned differences, allowances or losses:

- excluding the situation 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 impact on neither 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 recognized in the balance sheet 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.

The book value of the deferred tax asset is verified at the 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 utilized or when the provision will have been dissolved, taking as the basis tax rates (and tax regulations) binding as of the end of the reporting period or the tax rates that as of the end of the reporting period are certain to be binding in the future.

Income tax related to items shown directly in equity is recognized as equity, and not in the statement of comprehensive income.

Value added tax

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

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

Recoverable VAT or VAT to be paid to tax authorities is shown in the statement of financial standing as part of receivables or payables.

Note No. 35

Status of approval of EU standards

The following new standards, amendments and interpretations to the existing standards, which were adopted by the European Union, are effective for the financial statements of the Group for the fiscal year starting on 1 January 2010:

1) Amendments to IFRS 2 Share-based payment - Group Cash-settled Share-based Payment Transactions;
2) Amendments to IAS 27 Consolidated and separate financial statements
3) Amendments to IAS 39 Financial Instruments: Recognition and Measurement
4) Amendments to IFRS 3 Business Combinations
5) Amendments to International Financial Reporting Standards 2008: Amendments to IFRS 5 Non-current assets held for sale,
6) partly: Amendments (improvements) to the International Financial Reporting Standards 2009,
7) IFRIC 12 Concession Arrangements
8) IFRIC 15 Agreements for the Construction of Real Estate project
9) IFRIC 16 Hedges of a Net investment in a Foreign Operation
10) IFRIC 17 Distributions of Non-cash Assets to Owners
11) IFRIC 18 Transfers of Assets from Customers

Excluding amendments in IFRS 3, application of the amended standards and new interpretations will not significantly impact the financial statement of the Group as majority of them is not applicable for the Group's operation.

IFRS 3

The updated IFRS 3 Business Combinations, has broadened the definition of a business enterprise and contains, among others, the following changes:

- all benefits, including contingent benefits, submitted by the acquirer are recognized and evaluated by their fair value on the day of acquisition;
- any later changes in the value of contingent benefits should be included in the statement of comprehensive income;
- the costs of the transaction other than the costs of issuing shares or costs of debt should be included in the statement of comprehensive income as a cost for the given period;
- the acquirer may valuate non-controlling interests according to their fair value as of the acquisition day, or according to the value reflecting their proportional share in the fair value of identifiable assets and liabilities of the acquired entity; the choice of method can be made on a case-by-case basis.

  Amendments in IFRS 3 were not applied by the Group for the business combinations held prior to the date the standard first came in use. Therefore the updated standard did not impact the financial statement of the Group with regard to the mergers of economic entities which took place before 1 January 2010.

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

Rzeszów 21 March 2011