

MAKARONY POLSKIE CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2008

UNTIL 31 DECEMBER 2008

RZESZÓW, 27 APRIL 2009

Consolidated financial statement of Makarony Polskie Group includes:

I. General background (introduction)

II. Consolidated selected financial figures

III. Consolidated balance-sheet

IV. Consolidated profit and loss statement

V. Consolidated list of changes in the equity

VI. Consolidated cash flows statement

VII. Additional explanatory notes and accounting guidelines (policy).

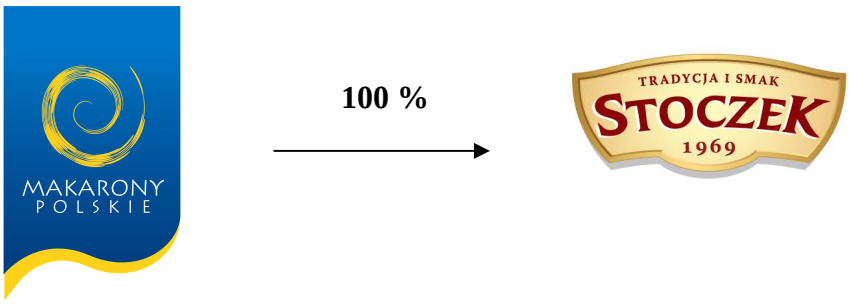
In case of figures presented in the balance-sheet the comparable figures are presented as at 31 December 2007, published in the consolidated financial statement for 2007. In case of figures presented in the profit and loss statement, cash flow statement and the specification of changes in the equity the comparable figures are presented for the period from 1 January 2007 until 31 December 2007, also published in the 2007 statement. The said figures were presented in accordance with the International Financial Reporting Standards.

Selected financial figures in EUR are presented in accordance with art. 91 subart. 2 of the Ordinance of the Minister of Finance of 19 February 2009:

- ✓ balance-sheet items were calculated in accordance with the average exchange rate announced by the National Bank of Poland as at the balance-sheet date (31 December 2008: 1 EUR= 4,1724 PLN, 31 December 2007: 1 EUR=3,5820 PLN),
- ✓ balance-sheet and cash flow items were calculated in accordance with the exchange rate constituting the arithmetical average of average exchange rates of the National Bank of Poland as at last day of each month until 4th quarter of a given year (31 December 2008: 1 EUR= 3,5321 PLN, 31 December 2007: 1 EUR= 3,7768 PLN).

1. General background (introduction)

Structure of Makarony Polskie Capital Group as at 31 December 2008 and the day of providing this report:



As at 31 December 2008 Makarony Polskie Capital Group („Group") was composed of two companies: Makarony Polskie S.A. ("Dominant Company", "Company") and Stoczek Sp. z o.o. subsidiary company located in Stoczek Łukowski.

Makarony Polskie S.A. operates in the business segment of production and sale of pastas and noodles. After taking control over Stoczek Sp. z o.o., product offer of the Group included also meat and vegetable preserves, fruit and vegetable processed products, as well as mixed meat and fat preserves. The acquisition was finalised on 1 June 2007.

On 22 April 2008 the Extraordinary General Meeting of the Shareholders of Makarony Polskie passed the resolution on approving the merger between Makarony Polskie S.A. (the acquiring company) and Abak Sp. z o.o. in compliance with art. 492 subart. 1 item 1 of the Code of Commercial Companies, i.e. by transferring all Abak's assets to Makarony Polskie S.A.

Since 30 September 2007 Makarony Polskie owned 1 980 shares in Abak Sp. z o.o., constituting 100 % of the share capital, entitling to 100 % of votes at the General Meeting of Shareholders.

The merger was registered in the National Court Register on 16 May 2008.

The head office of the dominant company – **Makarony Polskie Spółka Akcyjna** – is located in Rzeszów, Poland, at 15 Podkarpacka street. The company operates as a joint stock company established on 5 July 2004 following the transformation from Makarony Polskie limited liability company. The company was registered in the District Court in Rzeszów, 12th Commercial Division of the National Court Register, entry no: 0000212001. Warsaw-based office is located in Ząbki at 180 Piłsudskiego street.

As at 31 December 2008 the share capital of **Stoczek Sp. z o.o.** subsidiary company amounted to PLN 15,207,800 and was divided into 152 078 shares.

The Company is registered with the District Court, 11th Commercial Division in Lublin, entry no: KRS 00000503. 100 % of shares in Stoczek's share capital is owned by Makarony Polskie S.A. Stoczek Sp. z o.o. produces ready meals, meat preserves and jams.

Approval of the financial statement

This consolidated financial statement was audited and reviewed by the auditing company entitled to audit the financial statements. On 28 April 2008 the financial statement was approved by the Management Board for publishing.

Management Board of the dominant company

As at 31 December 2008 the Management Board of the dominant company was composed of:

Paweł Nowakowski – President

Krzysztof Rubak – Vice-President

On 10 February 2009 the Supervisory Council of Makarony Polskie S.A. appointed Cezary Goławski as the Vice-President of the Management Board.

Supervisory Council of the dominant company

As at 31 December 2008 the Supervisory Council was composed of:

1. Zenon Daniłowski – Chairman of the Supervisory Council
2. Grzegorz Słomkowski – Vice-Chairman
3. Urszula Rogóż-Bury – Member
4. Dariusz Bliźniak – Member
5. Piotr Łukasiuk - Member

General Meeting of the Shareholders of Makarony Polskie S.A.

As at 31 December 2008 the share capital of Makarony Polskie S.A. totalled PLN 27 750 213 and was divided in the following manner:

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

Until the date of providing this report, the size of the share capital has not been changed.

As at 31 December 2008 the share in total number of votes, owned by the Dominant Company in the subsidiary entity, was equal with the share in th equity.

Lifetime of the companies – members of the Group is unlimited.

Management Board of the subsidiary company

As at 31 December 2008 the Management Board of Stoczek Sp. z o.o. was composed of:

Andrzej Groszek – President

Beata Elert-Bochenkiewicz – Vice-President

On 2 January 2009 the General Meeting of Shareholders appointed Andrzej Doński as the Vice-President.

Grounds for drawing up the consolidated financial statement

The consolidated financial statement has been drawn up in accordance with historical cost principle, except for financial assets available for sale and financial assets valuated basing on the financial result.

The consolidated financial statement is presented in PLN and all the figures, unless stated otherwise, are presented in PLN thousands.

The consolidated financial statement has been drawn up basing on the assumption that the Company will continue its business operations in the foreseeable future. As at the date of approving this financial statement no circumstances have been ascertained which would indicate any risk of discontinuing business activity by any company from the Group.

Measurement currency and currency of the financial statements

In case of all companies from the Group, presented in this consolidated financial statement, the mesurement currency as well as the reporting currency of this consolidated financial statement is Polish zloty.

Uncertainty of the estimates

Below please find basic assumptions regarding future potential uncertainty sources and other important uncertainty sources existing as at the balance-sheet date, connected with considerable risk of significant adjustment of assets and liabilities balance-sheet values in the next financial year:

- valuation of goodwill and negative goodwill,
- writedowns,
- amortization rates.

II. Selected financial figures – Makarony Polskie Capital Group

	Selected financial data	31 Dec 2008	31 Dec 2007	31 Dec 2008 roku (EUR thousands)	31 Dec 2007 (EUR thousands)
1	Net incomes from sale of products, services, goods and materials	88 750	83 844	25 127	22 200
2	Profit (loss) on the continued activities	- 1 541	1 979	- 436	524
3	Gross profit (loss)	- 2 715	2 664	- 769	705
4	Net profit (loss) on the continued activities	- 2 776	2 422	- 786	641
5	Net cash flow from operating activities	8 751	- 7 610	2 478	- 2 015
6	Net cash flow from investment activities	- 18 205	- 23 783	- 5 154	- 6 297
7	Net cash flow from financial activities	10 243	31 746	2 900	8 406
8	Total net cash flows	789	353	224	93
9	Total assets	114 345	95 874	27 405	26 765
10	Creditors and provisions for creditors	55 301	34 024	13 254	9 499
11	Long-term creditors	7 307	9 526	1 751	2 659
12	Short-term creditors	47 994	24 498	11 503	6 839
13	Equity	59 044	61 850	14 151	17 267
14	Share capital	27 750	26 756	6 651	7 470
15	Number of shares	9 250 071	8 918 821	9 250 071	8 918 821
16	Average weighted number of shares in a given accounting year	9 212 862	7 221 393	9 212 862	7 221 393
17	Profit/loss per one ordinary share (PLN/EUR)	- 0,30	0,34	- 0,09	0,09
18	Book value per one share (PLN/EUR)	6,38	6,93	1,81	1,84

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

III. Balance-sheet of Makarony Polskie Group

ASSETS	Note	31 Dec 2008	31 Dec 2007
TANGIBLE ASSETS		**84 537**	**69 723**
Tangible fixed assets	1	72 963	58 604
Goodwill	2	5 946	5 946
Other intangibles	3	5 041	5 063
Long-term financial asseets	4	374	-
Deferred income tax	25	143	93
Long-term prepayments and accrued income	9	70	17
CURRENT ASSETS		**28 646**	**26 151**
Inventories	5	8 014	7 914
Short-term debtors	6	18 446	16 242
Income tax receivables	7	-	925
Cash and cash equivalents	8	1 291	550
Short-term prepayments and accrued income	9	895	520
FIXED ASSETS FOR SALE	10	**1 162**	-
TOTAL ASSETS		**114 345**	**95 874**

LIABILITIES	Note	31 Dec 2008	31 Dec 2007
EQUITY		**59 044**	**61 850**
Share capital	11	27 750	26 756
Other capital	12	31 941	32 652
Accumulated profit (loss) from previous years	13	2 129	20
Profit after taxation		- 2 776	2 422
LONG-TERM CREDITORS		**7 307**	**9 526**
Deferred income tax provision	25	412	473
Long-term bank credits and loans	14	5 393	6 867
Retirement benefit and similar provisions (long-term)	15	153	102
Accruals and deferred income (long-term)	18	850	949
Long-term financial leasing creditors	16	499	1 135
SHORT-TERM CREDITORS		**47 994**	**24 498**
Short-term bank credits and loans	14	21 303	6 141
Short-term financial debtors (leasing and factoring)	16	3 831	1 668
Other short-term debtors	17	22 669	16 377
Other short-term accruals and deferred income	18	97	102
Retirement benefit and similar provisions (short-term)	15	52	151
Other short-term provisions	15	42	59
TOTAL CREDITORS		**55 301**	**34 024**
TOTAL EQUITY AND LIABILITIES		**114 345**	**95 874**

IV. Consolidated profit and loss statement – multiple-step variant

PERIOD	Note	01.01.2008-31.12.2008	01.01.2007-31.12.2007
Income on sales	19	**88 750**	**83 844**
Net revenue on sales of goods and services		74 191	55 044
Net revenue on sales of goods and materials		14 559	28 800
Cost of sales	21	**71 489**	**69 134**
Cost of manufacturing sold products and services		66 972	47 553
Value of goods and materials sold		4 517	21 581
Gross profit (loss) on sales		**17 261**	**14 710**
Cost of sales		13 233	10 828
General and administrative cost		6 094	4 456
Other income	21	1 014	3 075
Other cost	22	489	522
Net profit (loss) on continued activities		**- 1 541**	**1 979**
Financial revenue	23	700	1 570
Financial cost	24	1 874	885
Gross profit (loss)		**- 2 715**	**2 664**
Income tax – current	25	-	17
Income tax – deferred	25	61	225
Net profit (loss)		**- 2 776**	**2 422**

V. Consolidated cash flows statement – indirect method

PERIOD	01.01.2008-31.12.2008	01.01.2007-31.12.2007
Cash flows from operating activities		
Net profit / loss	**- 2 776**	**2 422**
Adjustments:	11 527	-10 032
Amortization	4 009	2 863
Foreign exchange gains / losses	- 59	62
Interest costs and incomes	1 186	294
Profit / loss on the investment activiies	- 546	- 9
Change in provisions	100	701
Change in inventories	- 490	-5 394
Change in receivables	- 2 064	-12 037
Change in receivables and prepayments	8 486	11 954
Corporate income tax paid / returned	905	-
Other adjustments	-	- 8 466
Net cash flows from operating activities	**8 751**	**-7 610**
Cash flows from investment activities		
Incomes from sales of intangible fixed assets	1 660	54
Incomes from sales of financial assets	-	440
Interest incomes	155	190
Purchase of intangible assets and tangible fixed assets	20 665	-9 136

Purchase of subsidiaries and affiliated companies	-	- 15 581
Purchase of short-term financial assetes	107	-
Purchase of real property (investment)	91	-
Other	843	250
Cash flows from investment activities	**- 18 205**	**-23 783**
Cash flows from the financial activity		
Incomes from credits and loans	14 143	-
Cash flows from issue of shares, bonds, bills, treasury bonds	-	37 192
Repayment of credits and loans	1 864	4 347
Financial lease liabilities	662	514
Interest paid	1 374	585
Net cash flows from financial activities	**10 243**	**31 746**
Increase / decrease of cash and cash equivalents	**789**	**353**
Cash, cash equivalents and loans in the current account as at beginning of the period	**550**	**197**
Foreign exchange gains / losses regarding the valuation of cash, cash equivalents and loans in the current account	**- 48**	**-**
Cash, cash equivalent and loans in the current account as at the end of the period	**1 291**	**550**

VI. Changes in the equity of Makarony Polskie Capital Group

For the period from 1 January 2008 through 31 December 2008

	Share capital	Supplemen-tary capital	Loss in current year	Profit / loss from previous years	Total
As of 1 January 2008	**26 756**	**32 652**	**-**	**2 442**	**61 850**
Distribution of profit for 2007	-	313	-	- 313	**-**
Profit for H1 2008	-	-	- 2 776		**- 2 776**
Other changes in equity:	994	- 1 024	-	-	**- 30**
- issue of shares series E	994	- 994	-	-	**-**
- cost of issue of series E shares	-	- 30	-	-	**- 30**
As at 31 December 2008	**27 750**	**31 941**	**- 2 776**	**2 129**	**59 044**

For the period from 1 January 2007 through 31 December 2007

	Share capital	Other capital	Profit in current year	Profit / loss from previous years	Total
As of 1 January 2007	**12 549**	**4 374**	**-**	**1 869**	**18 792**
Issue of share capital	14 207	24 423	-	-	38 630
Cost of shares issue	-	- 1 306	-	-	- 1 306
Distribution of profit	-	1 849	-	-1 849	-
Purchase of a subsidiary company	-	-	-	-	-
Profit for 2007	-	-	2 422	-	2 422
Other changes in capital	-	3 312	-	-	3 312
As at 31 December 2007	**26 756**	**32 652**	**2 422**	**20**	**61 850**

VII. Additonal explanatory notes

Notes to the balance-sheet of Makarony Polskie Group

Note 1
Material fixed assets

Tangible fixed assets:	**31.12.2008**	**31.12.2007**
Land, buildings and structures	42 461	36 240
Technical equipment and machinery	28 747	26 355
Vehicles	2 510	1 971
Fixed assets under construction	18 698	1 169
Other	1 153	577
Depreciation and writedowns	**31.12.2008**	**31.12.2007**
Land, buildings and structures	8 336	1 428
Technical equipment and machinery	9 958	5 644
Vehicles	1 418	387
Fixed assets under construction	108	-
Other	786	256
On balance – creating / reversing impairment writedown	-	- 7
Net value as at end of period	**72 963**	**58 604**

Note 1 continued
Tangible fixed assets – changes in fixed assets

For the period from 01.01.2008 until 31.12.2008	**Land and buildings**	**Technical equipment and machinery**	**Vehicles**	**Fixed assets under cons-truction**	**Other**	**Total**
Gross value as at the begining of period	**36 560**	**28 983**	**2 367**	**1 276**	**956**	**70 143**
In plus:	5 679	5 040	632	21 535	235	32 940
- purchase	-	2 001	235	21 518	230	23 984
- purchase due to merger of business entities	5 667	2 871	396	17	5	8 956
- due to the revaluation	-	-	-	-	-	**-**
-other	12	169	-	-	-	
In minus:	-	5 733	488	3 267	21	9 509
- sale	-	2 627	131	-	21	2 779
- other	-	3 105	358	3 267	-	
Internal movements (+/-)	221	456	-	- 846	- 16	**- 185**
Gross value as at end of period	**42 461**	**28 747**	**2 510**	**18 698**	**1 153**	**93 569**
Depreciation as at beginnig of period	**5 179**	**10 304**	**1 036**	**-**	**675**	**17 194**
Increases	1 044	2 574	643	-	145	4 406
Decreases	-	3 457	261	-	33	3 750
Depreciation as at end of	**6 223**	**9 422**	**1 418**	**-**	**787**	**17 850**

period						
Impairment writedown as at beginning of period	2 177	591	-	108	-	**-**
Impairment writedown recognised within a period	-	-	-	-	-	**-**
Reversing in a period of an impairment writedown	65	54	-	-	-	**-**
Value including depreciation and impairment writedown as at end of period	8 336	9 958	1 418	108	787	20 606
Net value as at end of period	**34 125**	**18 789**	**1 092**	**18 590**	**366**	**72 963**

Balance-sheet value of technical equipment and machinery, vehicles and other fixed assets used in the companies from Makarony Polskie Group as at 31 December 2008 on the grounds of fnancial lease contracts totalled PLN 1 368 thousand.

The transfer of ownership of fixed assets as at 31 December 2008 amounted to PLN 452 thousand, pledged fixed assets as of that day amounted to PLN 13 039 thousand.

For the period from 01.01.2007 through 31.12.2007	**Land and buildings**	**Technical equipment and machinery**	**Vehicles**	**Fixed assets under cons-truction**	**Other**	**Total**
Gross value as at beginning of period	**10 332**	**11 495**	**694**	**1 061**	**270**	**23 852**
Increases	25 908	15 000	1 590	11 267	342	54 107
- purchase	3 133	5 164	954	10 527	192	19 970
- purchase (acquisition of subsidiary companies)	22 775	8 933	562	736	150	33 156
- other	-	903	74	4	-	981
Decreases	-	133	313	11 160	35	11 641
- sale	-	59	54	-	-	113
- revaluation	-	-	-	-	-	-
- other	-	74	259	11 160	35	11 528
Internal movements (+/-)	-	- 7	-	-	-	- 7
Gross value as at end of period	**36 240**	**26 355**	**1 971**	**1 169**	**577**	**66 312**
Depreciation as at beginnig of period	**796**	**4 095**	**195**	**-**	**147**	**5 233**
Increases	632	1 611	350	-	144	2 737
Decreases	-	62	158	-	35	255
Depreciation as at end of period	**1 428**	**5 644**	**387**	**-**	**256**	**7 715**
Impairment writedown as at beginning of period	-	-	-	-	-	-
Impairment writedown reflected in a given period	-	- 31	-	-	-	-31
Reversing an impairment writedown reflected in a given period	38	-	-	-	-	38
Value including depreciation and impairment writedown as at end of period	1 390	5 675	387	-	256	7 708
Net value as at end of period	**34 850**	**20 680**	**1 584**	**1 169**	**321**	**58 604**

As at 31 December 2007 the balance-sheet value of technical equipment and machinery, vehicles and other fixed assets used in the companies of Makarony Polskie Group on the grounds of financial lease contracts amounted to PLN 2 374 thousand. Fixed assets ownership transfer as at 31 December 2007

amounted to PLN 8 700, whilst total pledged fixed assets as at the same date amounted to PLN 3 471 thousand.

In 2007 Makarony Polskie S.A. incurred expenditures on fixed assets under construction in the amount of PLN 1 169 thousand, first of all for the modernization of boiling room, production works and short pasta forms production line (production efficiency 1800 kg/h) in Płock-based works. Advance payments for fixed assets in the Group totalled PLN 984 thousand and are reflected in **"Other receivables".**

Mortgaged real properties

Real property	As at 31.12.2008	Creditor	Liability	Mortgage date	Own liability
Real property in Częstochowa, land and mortgage register ref. no: KW CZ1C/00111425/8	PLN 2 285 thousand	BRE Bank S.A.	ordinary mortgage and bail mortgage	08.08.2007*	Long-term mortgage loan
Real property in Częstochowa, land and mortgage register ref. no: KW CZ1C/00021785/1	PLN 380 thousand	ING Bank Śląski S.A. O/Częstochowa	bail mortgage	13.12.2006*	Loan in current account
Real property in Rzeszów, land and mortgage register ref. no: KW RZ1Z/00076860/5	PLN 5 250 thousand	Bank BGŻ S.A. OR/Rzeszów	bail mortgage	17.01.2008	Loan in current account
Real properties in Płock, land and mortgage register ref. no: KW PL1P/00094893/6	PLN 3 000 thousand	Fortis Bank Polska S.A. O/Rzeszów	bail mortgage	20.08.2008	Multi-purpose credit line
Real properties in Stoczek Łukowski, land and mortgage register ref. no: KW 22979	PLN 6 465 thousand	Fortis Bank S.A.	bail mortgage	19.06.2008	Non-revolving long-term loan
Real properties in Stoczek Łukowski, land and mortgage register ref. no: KW 22979	PLN 2 419 thousand	Fortis Bank S.A.	bail mortgage	19.06.2008	Credit in credit line
Real properties in Stoczek Łukowski, land and mortgage register ref. no: KW 22979	PLN 1 635 thousand	Fortis Bank S.A.	bail mortgage	19.06.2008	Guarantee line agreement

Note 2
Goodwill

From 01.01.2008 through 31.12.2008	Goodwill
Gross value as at beginning of period	**5 946**
Increase	-
Decrease	-
Gross value as at end of period	**5 946**
Adjustment due to foreign exchange differences	-
Other adjustments*	-
Gross value as at end of period including adjustments	**5 946**
Impairment writedowns as at beginning of period	-
Impairment writedown reflected in a given period	-
Reversing an impairment writedown reflected in a given period	-
Impairment writedown as at end of period	-
Net value as at end of period	**5 946**

From 01.01.2007 through 31.12.2007	Wartość firmy
Gross value as at beginning of period	**-**
Increase	5 946
Decrease	-
Gross value as at end of period	**5 946**
Adjustment due to foreign exchange differences	-
Other adjustments*	-
Gross value as at end of period including adjustments	**5 946**
Impairment writedowns as at beginning of period	-
Impairment writedown reflected in a given period	-
Reversing an impairment writedown reflected in a given period	-
Impairment writedown as at end of period	-
Net value as at end of period	**5 946**

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

Goodwill from the acquisition of a business entity is originally recognized according to the purchase price constituting the excess of the merger costs over the share of the acquiring company in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following the initial recognition in the books, the company's goodwill is recognized according to the purchase price less the accumulated impairment writedowns. Impairment test is conducted once a year or on a more frequent basis, if reasonably required. Goodwill is not amortized.

Actually, the goodwill related with the purchase of shares in Stoczek Sp. z o.o. amounting to PLN 5 946 thousand constitutes the difference between the price for shares in the amount of PLN 13 078 thousand (together will all the costs related with this transaction) and the fair value of acquired net assets of this company, amounting to PLN 7 132 thousand.

Note 3
Other intangible assets

From 01.01.2008 through 31.12.2008	Other intangible assets			Total
	Patents, trademarks, R&D	Software	Other	
Gross value as at beginning of period	**49**	**69**	**199**	**317**
Increases	111	13	4 910	5 034
- purchase	44	9	1	54
- purchase (merger of business entities)	-	4	4 909	4 913
- other	68	-	-	68
Decreases	-	1	-	1
- sale	-	-	-	-
- other	-	1	-	1
Reclassified into assets held for sale	-	-	-	-
Gross value as at end of period	**160**	**81**	**5 109,**	**5 350**
Depreciation as at beginning of period	**49**	**34**	**82**	**165**
Increase	24	33	88	**145**
Decrease	-	1	-	**1**
Depreciation as at end of period	**73**	**66**	**170**	**309**
Impairment writedowns as at beginning of period	-	-	-	**-**
Impairment writedown reflected in a given period	-	-	-	**-**
Reversing an impairment writedown reflected in a given period	-	-	-	**-**
Value including depreciatin and impairment writedown as at end of period	73	66	170	**309**
Net value as at end of period	**87**	**15**	**4 939**	**5 041**

From 01.01.2007 through 31.12.2007	Other intangible assets			Total
	Patents, trademarks, R&D	Software	Other	
Gross value as at beginning of period	**43**	**-**	**95**	**138**
Increases	11	85	5 032	5 127
- purchase	6	69	104	179
- purchase (acquisition of subsidiary companie)	5	15	4 928	4 948
Decraeses	-	-	-	**-**
Gross value as at end of period	**54**	**85**	**5 126**	**5 265**
Depreciation as at beginning of period	**43**	**-**	**20**	**63**
Increases	6	36	64	107
- purchase (acquisition of subsidiary companies)	5	11	16	32
Decreases	-	-	-	-
Depreciation as at end of period	**5**	**47**	**101**	**202**
Impairment writedowns as at beginning of period	-	-	-	**-**
Impairment writedown reflected in a given period	-	-	-	**-**
Reversing an impairment writedown reflected in a given period	-	-	-	**-**
Value including depreciatin and impairment writedown as at end of period	5	47	101	200
Net value as at end of period	**-**	**38**	**5 025**	**5 063**

Note 4
Long-term financial assets

Long-term financial assets	31.12.2008	31.12.2007
Shares in Bio-Planet Sp. z o.o.	77	-
Investment real property in Rzeszów	297	-
Total long-term financial assets	**374**	**-**

On 17 June 2008 Makarony Polskie S.A. purchased shares (14/16) in two land properties situated in Rzeszów at Podkarpacka street. The said land properties are being used for industrial and commercial purposes.

Total purchase price of the shares, along with additional fees and charges, amounted to PLN 91 thousand. Shares in these land properties meet the criteria for the investment properties, therefore as at the balance-sheet date i.e. 31 December 2008 the Company asked an independent real property expert to make a valuation of both land properties. In accordance with the International Financial Reporting Standards the effects of revaluation of investment properties up to the fair value directly influence the result of the period in which the said revaluation took place, hence also affect net result presented in the financial statement.

Difference between the purchase price (PLN 91 thousand) of these land properties and the amount of PLN 297 thousand (fair value) totalled PLN 206 thousand and was recognised in the financial statement drawn up as at 31 December 2008 (item: financial incomes).

Note 5
Inventories

As at 31 December 2008

	Valuation according to the purchase price / creation cost	Stock writedowns as at end of period	Stock balance-sheet value as at end of period
Materials	2 613	27	2 586
Auxiliary materials	152	-	152
Products in progress	280	-	280
Finished products	4 694	-	4 694
Goods	302	-	302
TOTAL	**8 041**	**27**	**8 014**

Registered pledges established on the stocks of finished products and materials as at 31 December 2008 amounted to PLN 4 500.

As at 31 December 2007

Stock	Valuation according to the purchase price / creation cost	Stock writedowns as at end of period	Stock balance-sheet value as at end of period
Materials	3 433	- 99	3 334
Auxiliary materials	109	-	109
Products in progress	358	-	358
Finished products	3 862	-	3 861
Goods	252	-	252
Value as at end of period	**8 013**	**- 99**	**7 914**

As at 31 December 2007 the registered pledges established on the stock of finished products and materials amounted to PLN 500 thousand, and total value of ownership transfers amounted to PLN 1 600 thousand.

In 2007 stocks were written down for PLN 91 thousand.

Note 6
Receivables

	31.12.2008	31.12.2007
Other trade debtors:	**16 111**	**14 213**
- long-term	-	-
- short-term	16 111	14 213
Receivables from subsidiaries:	-	-
- long-term	-	-
- short-term	-	-
Receivables from related parties:	**-**	-
- long-term	-	-
- short-term	-	-
Advance payments:	**1 081**	**1 028**
- long-term	-	-
- short-term	1 081	1 028
Other receivables:	**1 782**	**1 548**
- long-term	-	-
- short-term	1 782	1 548
Total gross receivables	**18 974**	**16 789**
Impairment writedowns as at beginning of period	**474**	**533**
Impairment writedown reflected in a given period	**89**	**117**
Reversing an impairment writedown reflected in a given period	**35**	**- 103**
Impairment writedowns as at end of period	**528**	**547**
Net receivables	**18 446**	**16 242**

Note 5 continued
Receivables – currency structure

Short-term gross receivables (currency structure)	-	-
Short-term gross receivables	**31.12.2008**	**31.12.2007**
- in Polish zlotys	17 536	16 652
- in foreign currencies:	1 438	137
a) unit/currency EUR	343	1
w zł	1 431	137
b) unit/currency USD	2	-
in PLN	7	-
Short-term gross receivables	**18 974**	**16 789**

Note 5 continued
Trade debtors (gross) along with repayment deadlines until the balance-sheet date

Short-term trade debtors (gross)	**31.12.2008**	**31.12.2007**
a) up to 1 month	5 124	10 243
b) over 1 month up to 3 months	11 281	3 970
c) over 3 months up to 6 months	-	-
d) over 6 months up to 1 year	-	-
e) over 1 year	-	-
Total trade debtors (gross)	**16 405**	**14 213**
Trade debtors writedowns	514	547
Trade debtors (net)	**15 891**	**13 666**

Nota nr 5 c.d.
Trade debtors (gross) – overdue along with repayment deadlines:

	31.12.2008	**31.12.2006**
a) up to 1 month	2 783	2 153
b) over 1 month up to 3 months	774	592
c) over 3 months up to 6 months	237	161
d) over 6 months up to 1 year	170	36
e) over 1 year	514	504
Total overdue trade debtors (gross)	**4 478**	**3 446**
Trade debtors writedowns - overdue	**512**	**547**
Overdue trade debtors (net)	**3 966**	**2 899**

Trade accounts receivable bear no interest and usually their payment period is up to 90 days. The writedowns are made when a trading partner is under liquidation or bankruptcy proceedings, or a trading partner fails to pay amounts due for more than 6 months and its financial and business situation indicates significant non-payment risk. Debtors subject to court proceedings are being written down in 100 %. The Group applies appropriate regulations (policies) regarding the sale of

products and services only to properly verified clients. Therefore, in the Management Board's opinion, there is no extraordinary credit risk above the level covered by the provision for bad debts, appropriate for the Group's trade receivables.

Note 7
Receivables by way of corporate income tax

	31.12.2008	31.12.2007
Receivables by way of corporate income tax	-	**925**

Note 8
Cash and cash equivalents

	31.12.2008	31.12.2007
Cash in bank and in hand	1 291	550
Total, out of which:	**1 291**	**550**
- cash in bank and in hand appropriated to the discontinued activities	**not applicable**	**not applicable**

Value of cash and cash equivalents reflects their value represented in the cash flows statement. Fair value of these funds corresponds with their value in the balance-sheet. There are limited purposes as to the use of cash from the Company Social Benefits Fund, amounting to PLN 7 thousand.
Cash in bank are interest-bearing according to the variable rates, depending on the interest rates of overnight bank deposits. Short-term deposits are made for various periods from one day up to one month, depending on current requirement of the Group for cash and bear interest in accordance with pre-determined interest rates.

Note 9
Accruals and deferred income

Accruals and deferred income	**31.12.2008**	**31.12.2007**
- long-term	70	17
- short-term	895	520

Long-term prepayments and deferred income as at 31 December 2008 amounting to PLN 70 thousand refer to the exports consultancy services and commission from bank loan.
Respectively, PLN 17 thousand as at 31 December 20007 refers to the commission from long-term loan contracted by Abak Sp. z o.o.

Short-term prepayments and accrued income

Short-term prepayments and accrued income	31.12.2008	31.12.2007
- insurance	77	120
- subscriptions paid	1	1
- licence fee and other payments	11	1
- public advertisements	37	127
- energy	93	76
- commission from working capital loan	50	19
- fees for guarantees granted	11	-
- consultancy services	600	168
- licence fees	-	8
- other	15	-
Total	**895**	**520**

Note 10
Assets held for sale

„Assets held for sale" reflected in the Company's balance-sheet amounting to PLN 1 162 thousand include short pasta forms production line, production efficiency 900-1000 tons/hour (produced in 1991 by PAVAN Italian company), along with 3 packing machines. Main elements of the production line: press, pre-drying unit, 5-level drying machine, cooler and bucket conveyor. Prior to the disassembly the line was fully operational. Presently the line is disassemblied and appropriated for sale. Its value is not subject to the amortization.

Note 11
Basic capital

As at 31 December 2008

	Type of shares	Type of preference	Number of shares	Nominal value of 1 share (PLN)	Issue value according to the nominal value (PLN thousands)	Capital covered by	Registered on	Right to the dividend (as of)
Series A	bearer	ordinary	3 013 250	3	9 040	Cash contribution	05.07.2004	01.01.2004
Series B	bearer	ordinary	1 169 750	3	3 509	Non-cash contribution	29.10.2004	01.01.2004
Series C	bearer	ordinary	3 000 000	3	9 000	Cash contribution	18.04.2007.	01.01.2007
Series D	bearer	ordinary	1 735 821	3	5 207	Cash contribution	22.06.2007	01.01.2007
Series E	bearer	ordinary	331 250	3	994	Cash contribution	11.02.2008	01.01.2008
Total			**9 250 071**		**27 750**			

As at 31 December 2007

	Type of shares	Type of preference	Number of shares	Nominal value of 1 share (PLN)	Issue value according to the nominal value (PLN thousands)	Capital covered by	Registered on	Right to the dividend (as of)
Series A	bearer	ordinary	3 013 250	3	9 040	Cash contribution	05.07.2004	01.01.2004
Series B	bearer	ordinary	1 169 750	3	3 509	Non-cash contribution	29.10.2004	01.01.2004
Series C	bearer	ordinary	3 000 000	3	9 000	Cash contribution	18.04.2007.	01.01.2007
Series D	bearer	ordinary	1 735 821	3	5 207	Cash contribution	22.06.2007	01.01.2007
Razem	bearer	ordinary	**8 918 821**		**26 756**			

In the connection with contract concluded on 27 September 2007 between Makarony Polskie S.A. and the shareholders of Abak Sp. z o.o., in December 2007 Makarony Polskie S.A. issued (existing shareholders were excluded from the pre-emptive rights) 331 250 shares series E, nominal value PLN 3 each, issue price PLN 10 per 1 share. These shares were taken up by the existing shareholders of Abak Sp. z o.o. in a private placement.

Issues of shares series E was registered by the Court on 11 February 2008. Following the registration process the Company's share capital was raised from PLN 26 756 463 up to PLN 27 750 213 and is divided into 9 250 071 ordinary bearer shares, nominal value PLN 3 each.
From 31 December 2007 until the date of submitting this report the Company has not conducted any new share issues.
All issued shares are of nominal value PLN 3 and are paid up in full. All the shareholders are entitled to one vote per one share, shares of all the series are equally priviledged as to the dividend and return on capital.

Note 12
Other capital

Supplementary capital	**31.12.2008**	**31.12.2007**
Balance as at beginning of period	29 340	4 374
Changes of accounting principles (policy)	-	-
Balance as at beginning of period, after adjustments (after transformation)	29 340	4 374
- issue of share capital	2 319	24 423
- shares issue cost	- 31	- 1 306
- distribution of profit / coverage of loss	313	1 849
Balance as at end of period	**31 941**	**29 340**
Reserve capital	**31.12.2008**	**31.12.2007**
Balance as at beginning of period	3 312	-
- increase of share capital	- 994	-
- moving to the supplementary capital	- 2 318	-
- issue of shares series E	-	3 312
Balance as at end of period	**-**	**3 312**
Other capital as at end of period	**31 941**	**32 652**

Note 13
Financial result from previous years

Profit / loss from previous years	31.12.2007	31.12.2006
Balance at beginning of period	2 442	63
- retained profit at beginning of period	2 442	63
- retained profit / loss at beginning of period – adjustment of basic errors	-	20
- decreases due to transfer to the supplementary capital	- 313	- 36
Profit / loss at end of period	**2 129**	**47**

Note 14
Long- and short-term credits and loans

Makarony Polskie Group

Credits	31.12.2008	31.12.2007
- long-term	5 393	6 867
- short-term	21 303	6 141

Loans contracted as at 31 December 2008 in individual companies of the Group:

Makarony Polskie S.A.

Loans	31.12.2008	31.12.2007
- long-term	1 814	246
- short-term	16 486	2 448

As at 31 December 2008 Makarony Polskie S.A. was bound by the following contracts:

Overdraft facility in Bank Gospodarki Żywnościowej S.A.

Terms and conditions of credit facility	
Credit amount	PLN 3 500 thousand
Credit period	04.12.2007 – 02.12.2009
Credit status quo as at 31 December 2008	PLN 3 499 thousand
Repayment schedule	02.12.2009 – PLN 3 500 thousand
Credit security	✓ bail mortgage up to the amount of PLN 5 250 thousand imposed on the real estates in Rzeszów registered in the real-estate register ref. no: KW RZ1Z/00076860/5 along with the the insurance policy assignment, ✓ blank bill of exchange along with the promissory note declaration, ✓ power of attorney granting access to the Company's bank account with BGŻ.

Long-term investment credit facility in the investment account maintained with Bank Gospodarki Żywnościowej S.A.

Terms and conditions of credit facility	
Credit amount	PLN 1 366 thousand
Credit period	16.02.2005 – 15.02.2013
Credit status quo as at 31 December 2008	PLN 246 thousand
Harmonogram spłat	√ one PLN 44 thousand quarterly instalment, due on 10 October 2005, , √ 29 subsequent quarterly instalments of PLN 13 thousand each, due on 10th day of the month following end of a quarter, √ one PLN 911 thousand instalment, due on 30 June 2006, √ one PLN 13 thousand instalment due on 15 February 2013.
Credit security	√ registered pledge on machines and facilities, i.e. packaging machine and parquet floor block making machine in Rzeszów and the packaging machine and flour processing unit in Płock of total amount PLN 1 439 thousand along with insurance policy assignment, √ power of attorney granting access to the Company's current bank accounts, √ assignment of receivables from the contract ref. no: SPO-WKP/2.3/2/14/931 of 3 October 2005 concluded with Polish Agency for the Enterprise Development (PARP).

Long-term investment credit facility in the investment account maintained with Bank Gospodarki Żywnościowej S.A.

Terms and conditions of credit	
Credit amount	PLN 15 266 thousand
Credit period	05.06.2008 – 31.03.2016
Credit status quo as at 31 December 2008	PLN 9 229 thousand
Repayment schedule	√ grace period until 30.03.2009, √ one instalment of PLN 11 449 thousand, due on 31.03.2009 roku (from the subsidy), √ 83 subsequent monthly instalments PLN 45 thousand each, to be paid from 30.04.2009 through 28.02.2016 roku, √ one equalizing instalment due on 31.03.2016.
Credit security	√ assignment of receivables from the subsidy contract for the project titled „Launching of the products of new quality pasta types based on innovative technologies". The contract was concluded by and among the Company and Polish Agency for Enterprise Development (PARP) on 04.06.2008, √ registered pledge on technological lines for the production of short and long forms of pasta purchased under investment project, along with the assignment of the insurance policy, √ blank bill of exchange along with the promissory note declaration, √ power of attorney granting access to the Company's current bank maintained with BGŻ Bank.

On 9 February 2009 Makarony Polskie and Bank BGŻ concluded annex to the loan contract, extending the grace period for the repayment of the loan from 30 March 2009 until 30 May 2009. According to the annex to the contract also the repayment schedule was changed for 85 instalments, out of which:
- 1 instalment of PLN 9,647,080.20 to be paid from the subsidy on 31 May 2009, or earlier should the subsidy come earlier,
- 83 monthly instalments PLN 67,121.00 each, to be paid from 30 June 2009 until 30 April 2016,
- 1 equalizing instalment of PLN 47,896.80 to be paid on 31 May 2016.

Credit facility under multi-purpose credit line in Fortis Bank S.A.

Terms and conditions of credit	
Credit amount	PLN 2 000 thousand
Credit period	05.03.2008 – 02.03.2018
Credit status quo as at 31 December 2008	PLN 1 990 thousand
Repayment schedule	√ one instalment due on the maturity date
Credit security	√ blank bill of exchange, √ registered pledge on the technological line for the production of short pasta forms, located in the Płock-based production works, along with the assignment of the insurance policy, √ bail mortgage up to the amount of PLN 3 000 thousand on the real estates in Płock entered into the real-estate register ref. no: KW PL1P/00094893/6 along with the insurance policy assignment.

On 13 March 2008 Makarony Polskie and Fortis Bank concluded an annex to the multi-purpose credit facility. Since 30 April 2009 the maximum limit of credit line facility granted to the Company shall be increased from PLN 2.0 million up to PLN 3.0 million.

Revolving loan in the current account maintained with ING Bank Śląski S.A.

Terms and conditions of credit	
Credit amount	PLN 1 500 thousand
Credit period	14.12.2004 - 29.05.2009
Credit status quo as at 31 December 2008	PLN 1 498 thousand
Repayment schedule	√ one instalment due on the maturity date
Credit security	√ registered pledge on 123 fixed assets and 4 machines in Częstochowa – temporarily until the pledge on 73 fixed assets in Częstochowa becomes final and valid, √ registered pledge on 73 fixed assets in Częstochowa √ registered pledge on the stock-in-trade (PLN 500 thousand) and raw materials (PLN 200 thousand) in Częstochowa – PLN 700 thousand, √ bail mortgage ref. no KW Cz1C/00021785/1 for PLN 380 thousand, √ power of attorney granting access to the bank account maintained with Bank Ochrony Środowiska (Bank for the Protection of Natural Environment), Częstochowa branch.

Mortgage loan in PLN from BRE Bank S.A.

Terms and conditions of credit	
Credit amount	PLN 2 140 thousand
Credit period	23.07.2007 – 22.07.2017
Credit status quo as at 31 December 2008	PLN 1 837 thousand
Repayment schedule	√ 119 monthly instalments of PLN 17.8 thousand each, to be paid from 20.08.2007 until 20.06.2017, √ one equalizing instalment due on 31.07.2017.
Credit security	√ ordinary mortgage ref. no KW 111425- 2 140 tys. zł, √ bail mortgage ref. no KW 111425- 145 tys. zł, √ blank bill of exchange along with promissory note declaration.

Factoring contract concluded with ING Bank Śląski S.A.

Terms and conditions of the contract	
Value of the contract	PLN 3 300 thousand
Duration of the contract	23.07.2007 – 29.05.2009
Status quo as at 31 December 2008	PLN 3 275 thousand
Repayment schedule	√ due date of invoices sold to the factoring company,
Security	√ deposit money amounting to 10 % of the discounted accounts receivable, collected in the moment of discounting the accounts receivable and reimbursed following the receipt of due payments, √ blank bill of exchange along with promissory note declaration.

Performance bond contract concluded with STU Ergo Hestia S.A.

Guarantor	Contract concluded on	Value	Valid for	Subject of the security
STU Ergo Hestia S.A.	11.01.2008	PLN 6 892 thousand	14.01.2008-30.06.2008	

Guarator	Guarantee amount	Guarantee period	Subject of guarantee
STU Ergo Hestia S.A.	PLN 6,892 thousand	14.01.2008-30.06.2008	Due performance of the contract concluded with the Agency for Agricultural Markets under the programme of Common Agricultural Policy „„Food Aid Support for the Poorest Citizens in the European Union 2009".
STU Ergo Hestia S.A.	PLN 200 thousand **	11.12.2008 - 15.03.2009	Deposit money for ARR (Agency for Agricultural Markets) bid under the programme of Common Agricultural Policy „„Food Aid Support for the Poorest Citizens in the European Union 2009".

* - guarantee released in January 2009 due to end of the performance of the secured contract
** - deposit money returned in February 2009 in the connection with the contract concluded by Makarony Polskie S.A. with the Agency for Agricultural Markets.

Following the end of the accounting year the insurance company STU Ergo Hestia S.A. has granted to Makarony Polskie S.A. the guarantee for due performance of the subsidy contract concluded with Polish Agency for Enterprise Development under the Operational Programme – Human Resources Capital and the guarantee for due performance of the contract concluded with the Agency for Agricultural Markets under the programme of Common Agricultural Policy "Food Aid Support for the Poorest Citizens in the European Union 2009".

Stoczek Sp. z o.o.

Loans	**31.12.2008**	**31.12.2007**
- long-term part	3 579	4 784
- short-term part	4 817	3 298

As at 31 December 2008 Stoczek Sp. z o.o. was bound by the following contracts:

- Investment credit in ING Bank Śląski S.A.

Credit terms & conditions	
Credit amount	PLN 4 522 thousand
Credit period	27.07.2001-30.06.2009
Credit status quo as at 31 December 2008	PLN 463 thousand
Repayment schedule	√ 5 monthly instalments PLN 77 thousand each, √ 1 equalizing instalment due on 30.06.2009
Credit security	√ transfer of ownership of the purchased technical equipment and machinery of PLN 4,522,470, √ assignment of insurance policy for the real property, technical equipment and machinery constituting the subject of ownership transfer, √ credit payment guarantee granted by Fortis Bank.

- Working capital credit from Bank Pekao S.A. (earlier: BPH S.A.)

Credit terms & conditions	
Credit amount	EUR 300 thousand
Credit period	06.07.2007-30.12.2009
Credit status quo as at 31 December 2008	EUR 290 thousand
Repayment schedule	√ 31.03.2009 – EUR 10 thousand √ 30.06.2009 – EUR 30 thousand √ 30.09.2009 – EUR 50 thousand √ 30.12.2009 – EUR 200 thousand

Credit security	√ transfer of receivables from the contract ref. no: 1/2007 of 04.06.2007 concluded between Stoczek and Lutece, Holland, √ blank bill of exchange along with the promissory note declaration guaranteed by Makarony Polskie, √ power of attorney granting access to Stoczek's bank accounts maintained with Bank Pekao (former: BPH), √ registered pledge on PAC-53 packaging machine (produced by Mlecz-Masz Bydgoszcz), as of 19.11.2008 net value of PLN 110,934.36, √ registered pledge on TZF-2B fluidization tunnel freezer (producer: Unidex Straszęcin), as of 19.11.2008 net value of PLN 501,666.07, √ registered pledge on the champignon packaging line (producer: Ford Technology Noord-Oost Nederland B.V.), as of 19.11.2008 net value of PLN 639,929.00.

In the annex signed on 30 June 2008 by and among Stoczek and Bank Pekao, the deadline for credit payment has been postponed from 30 June 2008 until 29 December 2008. Next annex of 18 December 2008 changed the final date for payment for 30 December 2009.

- Non-revolving credit in Fortis Bank S.A.

Credit terms & conditions	
Credit amount	PLN 5 230 thousand
Credit period	11.03.2008 – 11.03.2013
Credit status quo as at 31 December 2008	PLN 4 679 thousand
Repayment schedule	√ 51 equal monthly instalments of PLN 91.7 thousand each.
Credit security	√ bail mortgage up to the amount of PLN 6 465 thousand on the real property situated in Stoczek Łukowski, Poland, real estate register ref. no: KW 22979, √ assignment of the insurance policy (real estate insurance), √ guarantee under civil law, granted by Makarony Polskie Rzeszów, √ Borrower's declaration on submitting to the execution, √ Guarantor's declaration on submitting to the execution.

- Credit in the credit line from Fortis Bank S.A.

Credit terms & conditions	
Credit amount	PLN 2 000 thousand
Credit period	11.03.2008 – 09.03.2009
Credit status quo as at 31 December 2008	PLN 2 000 thousand
Repayment schedule	√ one instalment due on the credit maturity date
Credit surety	√ blank bill of exchange along with the promissory note declaration, √ bail mortgage up to the amount of PLN 2 419 thousand on the real estate in Stoczek Łukowski, Poland, mortgage register ref. no: KW 22979, √ assignment of the insurance policy (real estate insurance), √ assignment of the accounts receivable by way of the existing and future receivables, except for Lutece BV, Holland, √ guarantee under civil law granted by Makarony Polskie Rzeszów, √ Borrower's declaration on submitting to the execution, √ Guarantor's declaration on submitting to the execution.

On 27 February 2009 on the grounds of Change 1 to the credit contract the parties extended credit period until 13 March 2009. On 13 March 2009 on the grounds of Change 2 to the credit contract the facility was availed until 15 March 2010, whilst as of 30 April 2009 the credit limit was reduced down to PLN 1 000 thousand.

- Guarantee line in Fortis Bank S.A.

Guarantor	Guarantee amount	Guarantee expiration date	Subject of guarantee
Fortis Bank S.A.	PLN 1 233 thousand	14.01.2008-31.08.2009	Investment loan in ING kredyt Śląski, PLN 4 522 thousand

- Working capital loan from Bank Spółdzielczy in Łosice (contract concluded after the balance sheet date)

On 3 February 2009 Stoczek signed the working capital loan contract with Bank Spółdzielczy in Łosice for the total amount of PLN 300 thousand, loan period from 5 February 2009 until 30 September 2009, ultimate payment date 30 September 2009. The loan is secured by:

- ✓ blank bill of exchange issued by the Borrower, and
- ✓ bill of exchange guarantee up to the amount of PLN 450 thousand, issued by Makarony Polskie.

- Loan contracts

In 2008 Stoczek Sp. z o.o. was the party of two loan contracts for loans given by its sole shareholder – Makarony Polskie S.A.

- Guarantees given by STU Ergo Hestia S.A.

Guarantor	Guarantee amount	Duration of the guarantee	Subject of security
STU Ergo Hestia S.A.	PLN 200 thousand*	11.12.2008 - 15.03.2009	Deposit money for the bid of Agency for Agricultural Markets under the programme of Common Agricultural Policy „Food Aid for the Poorest Citizens of the European Union 2009"

* - deposit money returned in February 2009 in the connection with contract concluded by Stoczek with the Agency for Agricultural Markets (ARR)

Following the end of the accounting year STU Ergo Hestia S.A. issued the performance bond to Stoczek Sp. z o.o. in the connection with the contract with Agency for Agricultural Markets under the programme of Common Agricultural Policy „Food Aid for the Poorest Citizens of the European Union 2009".

Note 15
Provision for retirement and similar benefits

Short-term provisions 01.01.2008- 31.12.2008	Provision for retirement and similar benefits
Value as at beginning of period, out of which:	102
- provision for unutilised hollidays	95
- provision for retirement pay and pension benefits	7
Increases:	103
- provisions established during the period, increase of existing provisions	54
- acquired due to the merger of business entities	48
Decreases:	153
- utilised during the year or dissolved	153
Value as at end of period	**52**

Long-term provisions 01.01.2008- 31.12.2008	Provisions for retirement and similar benefits
Value as at beginning of period, out of which:	77
- provision for unutilised hollidays	77
- provision for retirement pay and pension benefits	-
Increases:	108
- provisions established during the period, increase of existing provisions	83
- acquired due to the merger of business entities	25
Decreases:	33
- dissolved but not utilised	33
Value as at end of period	**152**

In 2008 provisions for the audit of financial statements in all companies of the Group were established for total amount of PLN 42 thousand.

Note 14 continued
Provisions for retirement and similar benefits and other provisions
Year 2007

Short-term provisions 01.01.2007- 31.12.2007	Provisions for retirement and similar benefits
Value as at beginning of period, out of which:	36
- provision for unutilised holidays	34
- provision for retirement pay and pension benefits	2
Increases:	149
- provisions established during the period, increase of existing provisions	149
Provisions for unutilised holidays	62
Provisions for retirement pay and pension benefits	51
Bonus reserve	36
Decreases:	34
Provisions for unutilised holidays	34

- utilised during the year	34
Value as at end of period	**151**

Long-term provisions 01.01.2007- 31.12.2007	**Provisions for retirement and similar benefits**
Value as at beginning of period, out of which:	37
- provision for retirement pay and pension benefits	37
Increases:	65
- provisions established during the period, increase of existing provisions	65
- provision for retirement pay and pension benefits - rezerwa na świadczenia em-rent.	65
Value as at end of period	**102**

In 2007 the provisions established in all companies of the Group for the audit of financial statements totalled PLN 59 thousand.

Retiring employees receive retirement benefits in the statutory amount in accordance with Polish Labour Code and internal company regulations. Basing on actuarial valuation, the companies establish a provision for current value of a liability by way of retirement premiums.

Note 16

Financial lease liabilities

	As at 31.12.2008	**As at 31.12.2007**
	Current value of minimal payments	**Current value of minimal payments**
up to 1 year	556	669
from 1 up to 5 years	499	1 135
Total:	**1 055**	**1 804**

The lease contracts cover mainly the lease of technical equipment, machines and vehicles (it refers to all companies – members of the Group). All the contracts have been concluded for up to 60 months and impose no restrictions on the companies except for the payments resulting from the lease instalments. As stipulated in the contracts, the companies are pre-empted to puchase the objects of leasing.

In „Short-term financial creditors" besides the liabilties by way of financial leasing also the factoring liabilities are shown amounting to PLN 3,275 thousand.

Note 17

Other liabilities

	31.12.2008	31.12.2007
Short-term liabilities to other entities from deliveries and services:	**21 337**	**14 870**
- long-term	-	-
- short-term	21 337	14 870
Liabilities to subsidiary entities:	**-**	**-**
- long-term	-	**-**
- short-term	-	**-**
Liabilities to related entities:	**-**	**-**
- long-term	-	**-**
- short-term	-	**-**
Prepayments:	-	**-**
- long-term	-	**-**
- short-term	-	**-**
Other liabilities:	**1 332**	**1 507**
- long-term	-	**-**
- short-term	1 332	1 507
Total liabilities	**22 669**	**16 377**

Liabilities from deliveries and services:	**31.12.2008**	**31.12.2007**
- to related entities	-	-
- to other entities	21 337	14 870
Total	**21 337**	**14 870**

Statutory and other liabilities	**31.12.2008**	**31.12.2007**
- corporate income tax	**-**	**-**
- personal income tax	122	119
- Social Insurance Company	482	607
- salaries	391	471
- Polish National Fund for the Rehabilitation of Disabled People (PFRON)	2	5
- natural environment protection	5	2
- other	330	303
Total	**1 332**	**1 507**

Note 17 continued
Liabilities – foreign currency breakdown

	31.12.2008	31.12.2007
- in Polish currency	15 225	14 834
- in foreign currencies:	7 444	1 543
a) unit/ EUR	1 784	431
in PLN	7 444	1 543
Total	**22 669**	**16 377**

Value of liabilities shown in the balance-sheet approximately reflects their fair value. Liabilities from deliveries and services are not interest-bearing.

Amount resulting from the difference between the liabilities and receivables due to added value income tax is paid monthly to the appropriate fiscal authorities.

Note 18
Accruals and deferred income

Deferred income	31.12.2008	31.12.2007
- long-term part	850	949
- short-term part	97	102
Total:	**947**	**1 051**

Short- and long-term part of accruals and deferred income covers subsidies received by Makarony Polskie for the purchase of machines and equipment. Subsidies have been granted in 2004 and 2006. If a given subsidy refers to an asset component, its fair value is recognised in the accruals and deferred income and next – gradually – in equal annual write-offs is written off to the profit and loss statement during the estimated period of utilisation of a related asset component.

Explanatory notes to the profit and loss statement

Note 19
Net incomes from sales

	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Incomes from sale of products	858	54 554
Incomes from sale of services, out of which:	337	490
- leases	26	31
- distribution services	34	62
- transport services	139	348
- other services	138	49
Incomes from sale of materials	382	560
Incomes from sale of goods	14 173	28 240
Total	**88 750**	**83 844**

Incomes from sale of products, goods and services – geographical breakdown

	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Domestic sales	77 420	79 778
Export sales, out of which:	11 330	4 066
- European Union	10 933	3 969
- other countries	397	97
Total	**88 750**	**83 844**

Note 20
Cost of products, services, goods and materials sold

OPERATING COSTS ACCORDING TO COST TYPE	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Depreciation of fixed assets	4 027	2 779
Depreciation of intangible assets	143	84
Cost of employee benefits (salaries, social insurance and other benefits)	12 276	8 466
Materials and energy consumption	48 521	41 879
Cost of third-party services, out of which:	11 420	7 080
- transport	3 682	2 705
- advertising and marketing	4 967	2 201
- repairs	447	300
- telecoms	229	230
- advisory services	115	296
- trade commissions	354	505
- other costs of services	1 626	843
Taxes and fees	783	594
Other cost, out of which:	1 303	2 327
- advertisements	1 028	1 998

- business trips	104	130
- insurance	171	101
- other	-	98
Total operating costs	**78 473**	**63 209**
Costs of sales and distribution (-)	- 13 233	- 10 828
General and administrative cost (-)	- 6 094	- 4 456
Change in the balance of products and work in progress (increase+, decrease-)	643	- 375
Manufacturing cost of products for entity's own purposes	14	3
Manufacturing cost of products, goods and materials sold	**59 803**	**47 553**
Value of materials and goods sold	**11 686**	**21 581**
Total manufacturing cost of products, goods and materials sold	**71 489**	**69 134**

Cost of employee benefits	**For the period from 01.01 until 31.12.2008**	**For the period from 01.01 until 31.12.2007**
Salaries	10 372	6 899
Social insurance	1 757	1 224
Other employee benefits, out of which:	275	343
- termination payments	79	6
- retirement and pension benefits	6	12
- holiday pay	70	55
- other benefits	120	270
Total	**12 404**	**8 466**

Note 21
Other incomes

	For the period from 01.01 until 31.12.2008	**For the period from 01.01 until 31.12.2007**
Government subsidies	114	120
Profit on sale of material fixed assets	431	6
Reversal of impairment loss on receivables value	14	38
Reversal of impairment loss on inventories value	-	1
Reversal of impairment loss on intangible assets	-	-
Reversal of impairment loss on materials fixed assets	119	69
Reversal of impairment loss on investment real properties	-	-
Dissolution of other provisions	136	-
Compensations and claims	92	109
Sale of scrap metal and offals	8	40
Refund of court and debt collector's fees	4	-
Reinvoiced cost	1	35
Refund of overpaid social insurance premiums	7	
PCC tax refund	-	30
Other	88	54
Income from the settlement of negative goodwill	-	2 573
Total	**1 014**	**3 075**
out of which: non-cash incomes from exchange of goods of services		-

Note 22
Other costs

	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Loss on sale of material fixed assets	10	16
Provisions	56	35
Impairment loss on receivables	25	50
Impairment loss on inventories	-	18
Donations	14	25
Penalties	63	62
Shortages in working assets	14	9
Losses incurred	113	165
Court and debt collector's fees	5	2
Reinvoiced costs	75	27
Liquidation of damaged and expired shelf-life inventories	27	93
VAT due from departamental invoices	13	-
Other	74	20
Total	**489**	**522**

Note 23
Financial incomes

	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Interest incomes, out of which:	260	329
- interest on bank deposits	51	190
- interest on loans	-	7
- interest on receivables	209	132
Profit on exchange rate differences	234	21
Other financial incomes, out of which:	206	1 220
- depreciation of a financial liability in Stoczek Sp. z o.o.	-	1 220
- valuation of investment real property	206	-
Total	**700**	**1 570**

Note 24
Financial costs

	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Interest costs, out of which interest regarding:	1 579	477
- bank credits	1 248	445
- loans	-	1
- bank fees and commissions	109	22
- costs of factoring and leasing	222	108

Other financial costs, out of which:	295	309
- loss on negative exchange rate differences	190	7
- guarantee	57	290
- interest on liabilities	7	11
- interest on outstanding tax and social insurance liabilities	1	1
- other	40	-
Total	**1 874**	**885**

Note 25
Income tax

	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Current income tax	-	17
Deferred income tax	61	225
Tax debit/credit presented in the profit and loss statement, out of which:	**61**	**242**
- attributed to the continued activities	61	242

Note 25 continued
Deferred income tax

	Balance-sheet		Profit and loss statement	
	As at 31.12.2008	As at 31.12.2007	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Provision for deferred income tax				
Interim differences:		-		-
- difference between tax and balance-sheet depreciation	274	239	35	239
- exchange rate differences	55	1	55	-
- valuation of fixed assets to the fair value	-	199	-	6
- difference between financial leasing fees and depreciation	54	20	33	13
- accrued interest	29	14	15	11
Gross provision for deferred income tax	**412**	**473**	**138**	**269**
Deferred tax assets				
- salaries paid out after balance-sheet day	89	22	- 67	- 21
- social insurance premiums	58	16	- 42	- 10
- retirement, pension and other benefits	39	32	- 18	- 7
- unpaid premiums for company social benefits fund	43	-	- 43	-
- deductible tax losses	727	-	- 727	-
- cost of third-party services	6	6	1	- 6
- fixed assets revaluation	503	-	- 503	-
- exchange rate differences	51	-	- 51	-
- depreciation of assets valuated to the fair value	-	17	-	-
- other	9	-	- 9	-
- interest on liabilities	27	-	- 27	-

Deferred income tax revaluation write-off	**-1 409**	**-**	**- 1 409**	**-**
Gross assets by way of deferred income tax	**143**	**93**	**- 1 486**	**- 44**
Deferred income tax credit/debit		**-**	**61**	**225**

Note 26

Figures regarding financial result and shares used to calculate basic and diluted profit per one share

Method of calculation of an average weighted number of shares during the period:

Number of shares during the period:	**2008**
01.01.2008-10.02.2008	8 918 821
11.02.2008-31.12.2008	9 250 071
Average weighted number of shares in 2008	**9 212 862**

Number of shares during the period:	**2007**
01.01.2007-17.04.2007	4 183 000
18.04.2007-21.06.2007	7 183 000
22.06.2007-31.12.2007	8 918 821
Average weighted number of shares in 2007	**7 221 393**

	For the period from 01.01 until 31.12.2008	**For the period from 01.01 until 31.12.2007**
Net profit / loss per one share	-0,30	0,34
Book value per one share in PLN	6,38	6,93

	For the period from 01.01 until 31.12.2008	**For the period from 01.01 until 31.12.2007**
Net earnings / loss on continued activities attributable to the shareholders of the dominant company	-2 776	2 422
Net earning / loss on discontinued activities atributable to the shareholders of the dominant company	-	-
Net earnings / loss attributable to the shareholders of dominant company	-2 776	2 422
Net earnings / loss attributable to the ordinary shareholders, used to calculate dilutego profit / loss per one share	not applicable	not applicable

	For the period from 01.01 until 31.12.2008	**For the period from 01.01 until 31.12.2007**
Average weighted number of issued ordinary shares used to calculate basic earnings / loss per one share	9 212 862	7 221 393
Dilution impact	not applicable	not applicable
Adjusted average weighted number of ordinary shares used to calculate diluted earnings / loss per one share	not applicable	not applicable

Net earnings per one share are evaluated by dividing net earnings attributable to ordinary shareholders of a dominant company in a given period by average weighted number of ordinary shares issued during the said period.

Diluted earnings per one share are calculated by dividing net earnings attributable to ordinary shareholders of a dominant company (after deduction of interest from redeemable preference shares convertible into ordinary shares) by average weighted number of ordinary shares issued during a given period (adjusted by the impact of diluting stock and diluting redeemable preference shares convertible into ordinary shares). In 2007 and 2008 as well as up to the date of drawing up this statement in the dominant company no determinating factors diluting the basic equity occurred.

Note 27
Dividends paid and recoommended for payment

In accordance with art. 395 of Polish Code of Commercial Companies, a body competent to pass resolution on the distribution of profit (or coverage of loss) and on the payment of the dividend, is ordinary general meeting of shareholders which - in accordance with the company statutes - should be held not later than within 6 months following the end of each accounting year.

Deadline for payment of dividend (art. 348 subart. 3 of Polish Code of Commercial Companies) is determined by the ordinary general meeting of shareholdes of a listed company in the resolution on the distribution of profit for last accounting year.

Ordinary General Meeting of Shareholders of Makarony Polskie S.A. resolved to appropriate the entire profit for 2007 to increase the supplementary capital.

According to the Issue Prospectus it has been assumed that starting from 2008 on, not more than 50 % of profit less statutory charges will be appropriated for the payment of dividend. The remaining profit will be appropriated for the supplementary capital in order to finance the investments.

Note 28
Remuneration of members of the Management Board and Supervisory Council of the dominant company

Management Board

Name	Position	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Paweł Nowakowski	President, CEO	220	251
Krzysztof Rubak (since 28.01.2008)	Vice-President	176	-
Grzegorz Słomkowski (until 0.06.2008)	Vice-President	104	193
Włodzimierz Parzydło (until 25.01.2008)	Vice-President	6	55
Total		**506**	**499**

Supervisory Council

Imię i nazwisko	Position	For the period from 01.01 until 31.12.2008	For the period from 01.01 until 31.12.2007
Zenon Daniłowski	Chairman of the Supervisory Council since 22 June 2007	18	9
Grzegorz Słomkowski	Vice-Chairman of the Supervisory Council (since 30 June 2008).	5	-
Dariusz Bliźniak	Chairman of the Supervisory Councl until 22 June 2007. Since 22 June 2007 member of the Supervisory Council.	13	10
Piotr Góralewski	Member of the Supervisory Council until 22 June 2007	-	1
Tomasz Glinicki	Member of the Supervisory Council until 22 June 2007	-	2
Urszula Rogóż-Bury	Member of the Supervisory Council	15	9
Jarosław Pardyka	Member of the Supervisory Council until 30 June 2008.	8	9
Piotr Łukasiuk	Member of the Supervisory Council	12	8
Total		**71**	**47**

Members of the Management Board and the Supervisory Council have not received any remuneration from the subsidiary companies.

Note 29
Significant events after the balance sheet date

- ✓ In the interim report of 16 January 2009 Makarony Polskie S.A. informed that during the period from 1 January 2008 until the date of providing the interim report, the company has not been a party of forex contracts (options, futures, forward), as well as has not participated in such contracts in any other way. The company has not concluded any CIRS contracts. Transactions for options have not been entered into until the date of publishing this report. The company follows the principle of limiting the risk on the conducted business operations and does not intend to execute in the future any speculative transactions exceeding the scope of basic business profile. Foreign currency exposure of Makarony Polskie Group includes foreign currency credit amounting to EUR 290 thousand, contracted by Stoczek Sp. z o.o. subsidiary company in oder to guarantee export sales in EUR. In Q4 2008 Stoczek Sp. z o.o. generated negative foreign exchange differences amounting PLN 222 thousand.
- ✓ On 3 February 2009 the Company concluded contract with the Agency for Agricultural Markets for the delivery of foodstuffs to charity organizations under the framework program: „Food Aid Support for the Poorest Citizens in the European Union 2009". Subject of the contract is the delivery of pasta and noodles to indicated by the Agency for Agricultural Markets warehouses owned by the Federation of Polish Food Banks. Contract shall be executed until 31 December 2009. Net value of the contract amounts to PLN 12,140 thousand. Contract is secured by the performance bond for 110 % of the contract value, i.e. PLN 13,354 thousand.

- ✓ The Supervisory Council of Makarony Polskie S.A. at the meeting held on 10 February 2009 expanded the composition of the Management Board from 2 up to 3 persons and appointed Cezary Goławski to the position of the Vice-President of the Management Board of the third term in office.
- ✓ On 3 March 2009 Makarony Polskie signed cooperation contract with Polskie Młyny (Polish Mills) headquartered in Warsaw as the supplier of the raw materials. The contract covers supplies of flour produced in Polskie Młyny S.A. to Makarony Polskie S.A. The contract has been concluded for the period from March 2009 until December 2009 and specifies the volume of deliveries and fixed raw materials purchase price within that period. The forecasted value of annual purchases under this contrat will amount to PLN 6 million. The contract expands earlier cooperation between Makarony Polskie S.A. and Polskie Młyny S.A. - in November both the companies concluded the contract detailed in the interim report ref. no: 55/2008. Total value of the deliveries under both the contracts in 2009 will total approx. PLN 13 million.
- ✓ On 29 January 2009 the Company has been notified that Stoczek Sp. z o.o. subsidiary company concluded contract with the Agency for Agricultural Markets for the delivery of foodstuffs to the charity organizations under the program „Food Aid Support for the Poorest Citizens in the European Union 2009". Subject of the contract is the delivery of jams to the warehouses of the Federation of Polish Food Banks, indicated by the Agency for Agricultural Markets. Net value of the contract is PLN 3,516 thousand. In exchange for jams the Company will receive sugar – to be collected from the emergency warehouses in EU countries, to be indicated by the Agency for Agricultural Markets.

Cezary Goławski	Krzysztof Rubak	Paweł Nowakowski
Vice-President	Vice-President	President

Rzeszów, 27 April 2009