MAKARONY POLSKIE CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD FROM

1 JANUARY 2011 TO 31 DECEMBER 2011

RZESZÓW, 20 MARCH 2012

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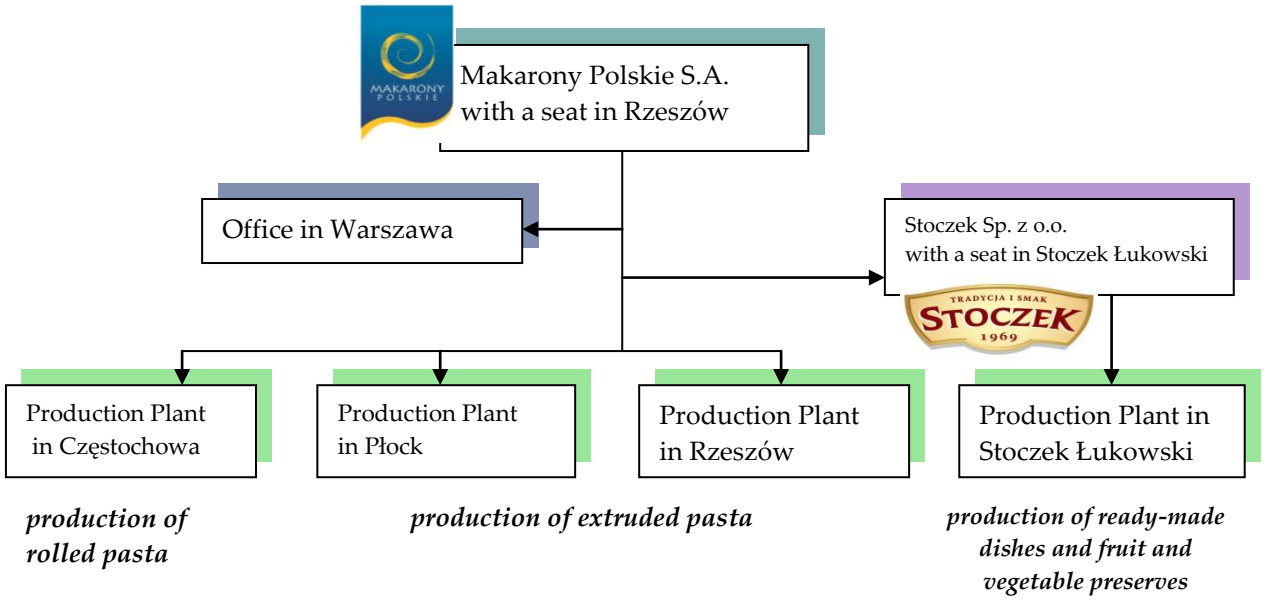
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1. General Information

1.1. The structure of Makarony Polskie Capital Group as of 31 December 2011, and on the day of submitting the financial statement

Makarony Polskie Capital Group ("Group") consists of two companies:

- Makarony Polskie S.A. ("Company", "Parent Company")
- Stoczek Sp. z o.o.



Makarony Polskie S.A. is a manufacturer of a wide assortment of pastas; these are produced by means of extruding and rolling technologies. The Company's product catalogue includes pastas in a large variety of shapes: spirals, elbows, thin noodles, shells, spaghetti, penne – made of durum flour as well as pasta flour based on domestic wheat. The main pasta brands on offer are SORENTI and ABAK. Additionally the SORENTI brand includes sauces for pasta.

The Company's subsidiary - Stoczek manufactures ready-made meals, meat preserves, jams and plum butter.

On 25 February 2011, Makarony Polskie Group acquired a number of fixed and current assets from Gardenau used for manufacturing and distribution of fruit and vegetable preserves under Tenczynek brand. These include:

• fixed assets - machines and appliances constituting the technology lines for the production of fruit syrups, salads, and jams;

• intangible and legal assets related to Tenczynek brand, i.e. trademarks, industrial designs and product recipes;

• inventories of selected products.

Resulting from the transaction the catalogue of products on offer from Makarony Polskie Group was expanded to include Tenczynek brand goods: syrups, salads, and pickled vegetables, vegetable preserves, jams and marmalades.

1.2. Organizational Data

100% shares in the share capital of Stoczek Sp. z o.o are owned by Makarony Polskie S.A.. As of 31 December 2011, 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.

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,
Lublin-Wschód Commercial Court with a seat in Świdnik, 6th Commercial Division
KRS Number: 0000050439,
Share capital: 15 207 800 PLN,
Regon Number: 711584640,
Tax identification number - NIP: 825-17-27-212,
www.stoczek.com.pl.

1.3. The number of employees in Makarony Polskie Group as of 31 December 2011:

- ✓ Makarony Polskie S.A. – 378 employees,
- ✓ Stoczek Sp. z o.o. – 102 employees.

1.4. Membership of the Management Board of the Parent Company

On 31 December 2011, 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,
- ✓ Krzysztof Rubak - Vice- President of the Management Board.

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

Management Board	Shares owned by members of the Management Board on the date of compiling the report for 2011		Shares owned by members of the Management Board on the date of compiling the report for the 3rd quarter of 2011	
	Number of shares	Nominal value	Number of shares	Nominal value
Paweł Nowakowski	218 066	654 198	218 066	654 198
Krzysztof Rubak	2 000	6 000	2 000	6 000

1.5. Supervisory Board of Makarony Polskie S.A.

As of 31 December 2011, the Supervisory Board consisted of:

- ✓ Zenon Daniłowski - Chairman of the Supervisory Board,
- ✓ Grzegorz Słomkowski - Co-Chairman of the Supervisory Board,
- ✓ Marek Jutkiewicz - Co-Chairman of the Supervisory Board,
- ✓ Urszula Rogóż-Bury - Secretary of the Supervisory Board,
- ✓ Marek Rocki - Member of the Supervisory Board

Number and the nominal value of Makarony Polskie S.A. shares owned by the Supervisory Board 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 report for 2011		Shares owned by members of the Supervisory Board on the date of compiling the report for the 3rd quarter of 2011	
	Number of shares	Nominal value	Number of shares	Nominal value
Zenon Daniłowski	130 000	390 000	130 000	390 000
Marek Jutkiewicz	1 360 000	4 080 000	1 360 000	4 080 000
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.

1.6. The General Meeting of the Parent Company - Makarony Polskie S.A.

As of 31 December 2011 the share capital of Makarony Polskie S.A. was 27 750 213 PLN, and was divided into 9 250 071 shares, each with the nominal value of 3 PLN. The volume of the share capital did not change as of the day of disclosing this statement.

Structure of Makarony Polskie S.A. share capital:

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

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	4 218 298	45.60%	4 218 298	45.60%
TOTAL	**9 250 071**	**100.00%**	**9 250 071**	**100.00%**

1.7. The Management Board of the Subsidiary Company

As of 31 December 2011, the Management Board of Stoczek Sp. z o.o. consisted of:

- ✓ Leszek Trzciński – President of the Management Board.

1.8. Publication and Approval of the Financial Statement

This Consolidated and Separate Financial Statements were reviewed by an entity authorized to audit financial statements and were approved by the Management Board for disclosure on 20 March 2012.

The Financial Statement of Makarony Polskie Group for 2010 was accepted by Resolution No. 6 of the Annual General Meeting of Makarony Polskie on 24 May 2011.

1.9. Basis for compiling the Consolidated Financial Statement

a) Declaration of compliance and the basis for compiling the Statement

The consolidated financial statement was compiled in accordance with the International Accounting Standards approved by the European Union (EU) and the related interpretations issued in the form of implementing regulations of the European Commission (further – IFRS), and had been published and were binding at the time of compiling this consolidated financial statement. Taking into account the ongoing process of introducing IFRS standards in the EU as well as the activities carried out by the

Group concerning the accounting principles used within the Group, as of the day of approval of this statement for disclosure there are no differences between IFRS standards which have been implemented and the IFRS standards approved of by the EU.

The principles of presentation with regard to this statement are also regulated by the provisions of the Ordinance of the Minister of Finance of 19 February 2009 on the current and periodic information to be published by the issuers of securities (Journal of Laws 2009, No. 33, item. 259).

b) Basis for evaluation

This consolidated financial statement was compiled in accordance with a rule of historical cost accounting with the exception of fair value accounting in the case of selected assets, that is the assets acquired under the purchase transaction executed with Gardenau Company, assets acquired under the purchase transaction of Stoczek Company, including the value of the company resulting from these transactions, assets acquired under the purchase transaction of Abak Sp. z o.o. as well as land designated for investments.

c) The currency of the evaluation and presentation

The currency used by the Group for evaluation and in this Consolidated Financial Statement as well as the reporting currency for this Consolidated Financial Statement is Polish zloty (PLN).
Unless indicated otherwise, the financial data are presented in thousand PLN.

d) Applied accounting principles and the basis for compiling the statement

The accounting principles applied in compiling the consolidated financial statement are consistent with those used in course of preparing the annual financial statement of the Capital Group for the year ending on 31 December 2010 (published on 21 March 2011). Change resulting from inaccurate settlement of subsidy for fixed assets and the change in presentation of bonuses, rebates and discounts are described below in point (f).
The consolidated statement of financial standing in addition to the current data contains comparable data as of 31 December 2010, and 1 January 2010. The data presented in the consolidated statement of comprehensive income, consolidated statement of cash flows and the statement of changes in equity contain comparable financial data for the period from 1 January 2010 to 31 December 2010

Time of operation of the specific companies included in the Group is unlimited. Financial statements of all companies were compiled for the same reporting period, by applying consistent principles of accounting. Fiscal year of the Group's companies is the calendar year. The Parent Company - Makarony Polskie S.A., as well as the Subsidiary Company - Stoczek Sp. z o.o. prepare the financial statements in accordance with IFRS.

All transactions, balances, revenues and costs incurred between the affiliated entities are subject to exclusion due to consolidation.

e) Continued Business Operation

The Consolidated Financial Statement of Makarony Polskie Group was compiled with the assumption of continued business operation by the companies of the Group in the foreseeable future and without significant reduction of its scope. The Group did not conduct any operations which were discontinued during 2011.

In 2011 the Group showed negative financial result, yet the Management Board of Makarony Polskie believes there are no factors posing hazard to the company's continued operation. The main causes for the loss Included: the dynamic increase in the prices of the basic raw materials; a delay in integrating the growth of costs with the prices of products on offer (large fluctuations of prices for grains, fruit and vegetables, higher prices of primary raw materials, most importantly flour, meat and fruit than it was initially estimated); as well as unstable situation at financial market.

Makarony Polskie Group carried out its plan regarding its income at the level of 97%, nearly 211 million PLN, vs. the planned 216 million PLN; on the other hand due to the aforementioned factors it did not accomplish the planned rate of profitability.

Taking into account the undertaken action and the implemented programme of restructuring it is predicted that the Company will regain its profitability and positive financial results throughout 2012. The key goals and assumptions to be executed in 2012 include:

- ✓ improved gross sales margin as a result of an increase in the prices of products aimed at compensating the growing prices for raw materials – the process was completed by the end of 2011; additionally, implementing activities aimed at reducing notice periods for amending prices,
- ✓ improving the process for obtaining price guarantees for raw materials,
- ✓ reduction of operational costs (concentration of pasta production – closing one production plant),
- ✓ reduction of administrative and sales costs by closing redundant positions,
- ✓ simplification of the Group's organization,
- ✓ reduction of employment – the process will be completed by the end of the first half of 2012,
- ✓ reduction of investments due to the decreased demand for production capacity,
- ✓ increasing prices of products on offer in the case of radical growth in the prices of raw materials,
- ✓ improvement in the monitoring system for the inflow of receivables.

In November 2011 the Management Board of Makarony Polskie held meetings with banks which provide financing for the operations of the Group in order to explain the causes for the deteriorating profitability and the negative financial results and to present the essential objectives of the restructuring programme. In order to provide support for the restructuring operations and to improve the Group's financial liquidity, in December 2011 the financial institutions increased their financial involvement (by the total amount of 6 million PLN).

- ✓ A constant monitoring system for the process of restructuring was stipulated with all the financial institutions.

e) Explanations related to the seasonal or periodic character of operations with reference to the semi-annual performance of the Group

There are no significant seasonal or periodic trends in the Group's business.

f) Changes in the principles of compiling the financial statement

The Parent Company - Makarony Polskie accounts for revenues resulting from the obtained subsidy designated for fixed assets by interim settlement of prepayments and accruals. During 2009-2010 revenues due to the obtained subsidy for the purchase of selected fixed assets were accounted for according to different rate than the depreciation rate of the same fixed assets, which resulted in discrepancy between the recognized costs and revenues. As a result of identifying this error the comparable data for 2010 were adjusted

The tables below show the adjusted values in the consolidated statements of financial standing in comparable periods, i.e. as of 31 December 2010, and 1 January 2010:

LIABILITIES	**31 December 2010 converted**	**31 December 2010 before adjustments**
Retained profits/losses (profit/loss from previous years)	- 1 075	- 243
Net profit	2 175	3 170
Deferred income – long-term	10 372	7 550
Deferred income – short term	725	1 720

LIABILITIES	**1 January 2010 converted**	**1 January 2010 before adjustments**
Retained profits/losses (profit/loss from previous years)	- 243	- 243
Net profit	1 367	2 198
Deferred income – long-term	11 039	9 213
Deferred income – short term	725	1 720

The aforementioned adjustment affected the Group's net profit in 2010 by - 995 thousand PLN, and in 2009 by - 831 thousand PLN.

The table below shows the adjusted values in the consolidated statement of comprehensive income in 2010:

	01.01.2010-31.12.2010 converted	01.01.2010-31.12.2010 before adjustments
Other income	3 587	4 582
Net result	2 175	3 170
Net result per 1 share	0.24	0.34
Comprehensive income	2 175	3 170

The Group has also introduced a change in the presentation of bonuses and rebates related to sales of goods within modern and traditional retail systems. This adjustment in 2011 resulted in a decrease in the following items: "costs of sales" and "sales revenues on products" amounting to 3 993 thousand PLN. According to the Management Board the currently used presentation more accurately reflects the character of concluded transactions.

In the consolidated statement of financial standing for 31 December 2010 adjustments were introduced in the following items: "Income tax receivables" (amount before adjustment = 196 thousand PLN, amount after adjustment = 417 thousand PLN) and "Other receivables" (amount before adjustment 29 101 thousand PLN, amount after adjustment 28 880 thousand PLN).

g) Standards and interpretations applied for the first time in 2011

- ✓ In the current year the Group has not applied new and amended IFRSs which would have affected the values disclosed in 2011 and in previous years and which would have resulted in significant changes in the accounting policy and the presentation of financial statements.

h) Standards and interpretations adopted by IASB, and not approved by the EU

IFRSs in the form approved of by the EU at present do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following interpretations which as of 31 December 2011 have not yet been adopted for application:

- ✓ **IFRS 9 „Financial instruments"** (applicable for annual periods starting on 1 January 2015 or after this date),
- ✓ **IFRS 10 „Consolidated financial statement"** (applicable for annual periods starting on 1 January 2013 or after this date),
- ✓ **IFRS 11 „Joint Arrangements"** (applicable for annual periods starting on 1 January 2013 or after this date),
- ✓ **IFRS 12 „Disclosure of Interests in Other Entities"** (applicable for annual periods starting on 1 January 2013 or after this date),
- ✓ **IFRS 13 „Fair Value Measurement"** (applicable for annual periods starting on 1 January 2013 or after this date),

- ✓ **IAS 27 (as amended in 2011) „Separate Financial Statements"** (applicable for annual periods starting on 1 January 2013 or after this date),
- ✓ **IAS 28 (as amended in 2011) „Investments in Associates and Joint Ventures"** (applicable for annual periods starting on 1 January 2013 or after this date),
- ✓ **Amendments to IFRS 1 „First-time Adoption of IFRS** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" (applicable for annual periods starting on 1 July 2011 or after this date),
- ✓ **Amendments to IFRS 7 „Financial Instruments: Disclosures"** – transfers of financial assets (applicable for annual periods starting on 1 July 2011 or after this date),
- ✓ **Amendments to IFRS 7 „Financial Instruments: Disclosures"** – offsetting financial assets and liabilities (applicable for annual periods starting on 1 January 2013 or after this date),
- ✓ **Amendments to IFRS 9 „Financial Instruments" and IFRS 7 „Financial Instruments: Disclosures"** – mandatory effective date and transition requirements,
- ✓ **Amendments to IAS 1 „Presentation of Financial Statements"** - Presentation of items of Other Comprehensive Income (applicable for annual periods starting on 1 July 2012 or after this date),
- ✓ **Amendments to IAS 12 „Income taxes"** - Deferred Tax: Recovery of Underlying Assets
- ✓ (applicable for annual periods starting on 1 January 2012 or after this date),
- ✓ **Amendments to IAS 19 „Employee Benefits"** – changes in accounting for post-employment benefits (applicable for annual periods starting on 1 January 2013 or after this date),
- ✓ **Amendment to IAS 32 "Financial Instruments – Presentation"**– offsetting financial assets and liabilities (applicable for annual periods starting on 1 January 2014 or after this date),
- ✓ **Interpretation of IFRIC 20 „Accounting for Waste Removal Costs in the Production Phase of a Surface Mine"** (applicable for annual periods starting on 1 January 2013 or after this date).

According to the Group's estimates the above standards, interpretations and amendments to standards would not have significantly impacted the financial statement if they had been applied as of the balance sheet day. At the same time the regulations adopted by the EU do not provide for accountancy of guarantees related to the portfolio of assets and financial liabilities – principles related to this issue have not been adopted for use in the EU. According to the Group's estimates, the application of accounting principles for guarantees related to the portfolio of assets and financial liabilities in accordance with IAS 39 „Financial Instruments: Recognition and Measurement" would not have significantly impacted the financial statement if they had been adopted by the EU as of the balance sheet day.

i) Published standards which have not yet become effective

As of the day of approving this financial statement there were no standards, amendments to standards or interpretations which had been published and adopted for application in the EU and which had not yet become effective..

j) 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:

- ✓ depreciation rates,
- ✓ loss in the value of assets (including receivables),
- ✓ value of reserves,
- ✓ components of assets due to deferred income tax (companies recognize components of assets due to deferred income tax on the assumption that taxable profit gained in the future will allow for applying it; deterioration in taxable results in the future could result in the fact that this assumption would be unjustified).

  In accordance with the principle of conservative estimates the financial statement of Makarony Polskie Group did not include assets due to deferred tax resulting from the possibility to carry forward the tax loss for 2011 amounting to 1 610 thousand PLN.
- ✓ valuation of assets with undetermined term of use.

  As of the day of compiling this statement there is no evidence for offsetting the value of Stoczek Company and the value of Abak brand. Adequate tests, in accordance with applicable regulations, were conducted taking into account the situation as of 31 December 2011.

  The initial valuation of Tenczynek brand was performed as of 30 June 2011; the evaluation was verified taking into account data for 31 December 2011. The value of Tenczynek brand amounts to 4 528 thousand PLN. This is a final valuation in the understanding of the provisions set forth by IFRS 3 and will be subject to annual assessment of possible value loss.

  Assumptions regarding the future and the adopted estimates are consistent with the assumptions and estimates adopted by the Group for the financial statement for 2010.

2. Selected Financial Data - Makarony Polskie Capital Group

	Selected financial data	31 Dec. 2011	31 Dec. 2010 converted	31 Dec. 2011 (in thousand EURO)	31 Dec. 2010 (in thousand EURO) converted
1	Net sales revenue on products, services, goods and materials	210 671	149 969	50 886	37 451
2	Profit (loss) from continuing operations	- 214	3 010	- 52	752
3	Gross profit (loss)	- 2 692	1 633	- 650	408
4	Net profit (loss) from continuing operation	- 3 347	2 175	- 808	543
5	Net cash flows from operating activities	3 588	3 593	867	897
6	Net cash flows from investing activities	- 5 462	-5 531	- 1 319	- 1 381
7	Net cash flows from financing activities	2 451	1 367	592	341
8	Total net cash flows	577	- 571	139	- 143
9	Total assets	142 157	132 206	32 186	33 383
10	Liabilities and provisions for payables	82 750	69 517	18 735	17 553
11	Long-term liabilities	31 127	30 125	7 047	7 607
12	Short-term liabilities	51 623	39 392	11 688	9 947
13	Equity	59 407	62 689	13 450	15 829
14	Share capital	27 750	27 750	6 283	7 007
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) *	- 0.36	0.24	- 0.09	0.06
18	Profit/loss per one ordinary share (in PLN/EUR) **	6.42	6.78	1.45	1.71

* 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

Selected financial data in EURO were presented in accordance with §91 clause 2 of the Regulation of the Minister of Finance of 19 February 2009:

- ✓ items of the statement on the financial standing were converted according to average exchange rate published by NBP binding on the balance sheet date (31 December 2011 1 EUR = 4.4168, 31 December 2010 1 EUR = 3.9603 PLN),
- ✓ items in the statement of comprehensive income and the statement of cash flows were converted according to the exchange rate being the arithmetic mean of average exchange rates set forth by NBP, and binding on the last day of each month of 2011 = 4.1401 and on the last day of each month of 2010 = 4.0044 PLN.

The consolidated financial statement was compiled in accordance with the International Accounting Standards approved by the European Union (EU) and in compliance with the requirements set forth by the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information to be published by issuers of securities (Journal of Laws 2009, No. 33, item. 259).

3. Consolidated Statement of Comprehensive Income

FOR THE PERIOD	Note	01.01.2011-31.12.2011	01.01.2010-31.12.2010 converted
Net sales revenue	**1,2,3**	**210 671**	**149 969**
Net sales revenue on products and services		127 361	119 787
Net sales revenue on goods and materials		83 310	30 182
Prime costs	**2,4**	**187 217**	**122 212**
Cost of manufacturing sold products and services		117 293	92 682
Value of sold goods and materials		69 924	29 530
Gross sales profit (loss)		**23 454**	**27 757**
Costs of sale	**5**	21 738	20 366
Costs of general administration	**6**	6 071	6 619
Other income	**7**	5 702	3 587
Other costs	**8**	1 561	1 349
Profit (loss) on continuing operations		**- 214**	**3 010**
Financial income	**9**	452	474
Financial costs	**10**	2 930	1 851
Gross profit		**- 2 692**	**1 633**
Income tax - current	**11**	54	13
Income tax - deferred	**12**	601	- 555
Net profit (loss) on continuing operations		**- 3 347**	**2 175**
Including, as distributed per:			
Shareholders of the Parent Company		- 3 347	2 175
Non-controlling interest		-	-
Basic net result per one share in PLN	**13**	- 0.36	0.24
Diluted net result in PLN		- 0.36	0.24
Other total net profit/loss		-	-
Total net profit		**- 3 347**	**2 175**
Total net profit distributed per:			
Shareholders of the Parent Company		- 3 347	2 175
Non-controlling interest		-	-

4. Consolidated Statement of Financial Standing

ASSETS	Note	31 Dec. 2011	31 Dec.2010 converted	1 Jan.2010 converted
NON-CURRENT ASSETS		**95 359**	**90 620**	**86 917**
Property, plant & equipment	**14**	78 275	77 912	75 105
Investment properties	**15**	318	318	298
Goodwill	**16**	5 946	5 946	5 946
Other intangible assets	**17**	9 492	4 990	5 007
Long-term financial assets	**18**	76	76	76
Deferred tax assets	**12**	1 172	1 186	105
Other long-term assets	**24**	80	192	380
CURRENT ASSETS		**46 798**	**41 586**	**29 884**
Inventories	**19**	13 937	11 287	8 636
Short-term receivables	**20**	29 457	28 880	19 176
Corporate income tax receivables	**21**	1 810	417	15
Loans granted	**22**	160	101	-
Cash and cash equivalents	**23**	979	363	938
Other short-term assets	**24**	455	538	1 119
NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**	**1 162**
TOTAL ASSETS		**142 157**	**132 206**	**117 963**

EQUITY AND LIABILITIES	Note	31 Dec. 2011	31 Dec.2010 converted	1 Jan.2010 converted
EQUITY		**59 407**	**62 689**	**60 411**
Share capital	**25**	27 750	27 750	27 750
Other capital	**26**	34 119	33 839	31 537
Retained profit/loss (profit/loss from previous periods)	**27**	885	- 1 075	- 243
Net profit	**13**	- 3 347	2 175	1 367
NON-CURRENT LIABILITIES		**31 127**	**30 125**	**31 838**
Deferred tax provision	**12**	1 816	1 230	705
Long-term bank loans and borrowings	**28**	18 378	16 630	19 570
Provision for pension and similar (long-term) benefits	**30**	290	257	184
Deferred income – long-term	**33**	9 612	10 372	11 039
Non-current liabilities from finance lease agreements	**31**	1 031	1 636	340
CURRENT LIABILITIES		**51 623**	**39 392**	**25 714**
Short-term bank loans and borrowings	**28**	12 827	9 320	2 639
Current financial liabilities	**31**	5 376	2 597	3 788
Other current liabilities	**32**	32 265	26 521	18 434
Deferred income – short term	**33**	709	725	725
Provision for pension and similar (short-term) benefits	**30**	143	132	71
Other short-term provisions	**30**	303	97	57
TOTAL LIABILITIES		**82 750**	**69 517**	**57 552**
TOTAL EQUITY AND LIABILITIES		**142 157**	**132 206**	**117 963**

5. Consolidated Statement of Cash Flows - Indirect Method

FOR THE PERIOD	01.01.2011 31.12.2011	01.01.2010 31.12.2010 converted
Operating cash flows		
Profit before tax	**- 2 692**	**1 633**
Adjustments by:	**6 280**	**1 960**
Amortization and depreciation	6 551	5 531
Foreign exchange gains/losses	- 39	7
Interest costs and income	1 344	1 460
Investment profits/losses	- 177	- 265
Movements in provisions	162	1 093
Movements in inventories	- 3 180	- 1 406
Movements in receivables	- 578	- 9 913
Movements in liabilities, prepayments and accruals	7 816	5 634
Paid/reimbursed corporate income tax	- 1 448	- 181
Other adjustments	- 4 171	-
Net operating cash flows	**3 588**	**3 593**
Investment cash flows		
Inflows on the sale of fixed assets and intangible assets	88	87
Outflows on the acquisition of tangible fixed assets, and intangible assets	- 5 500	- 5 497
Outflows on the acquisition of financial assets	-	- 21
Interest income	10	
Loans granted	- 60	- 100-
Net cash flows on investing activities	**- 5 462**	**- 5 531**
Cash flows on financing activities		
Cash inflows from loans and borrowings	10 263	6 995
Repayment of loans and borrowings	- 5 030	- 3 296
Repayment of finance lease liabilities	- 1 153	- 900
Interest paid	- 1 735	- 1 432
Other financial income	106	-
Net cash flows on financing activities	**2 451**	**1 367**
Increase/decrease in cash and cash equivalents	**577**	**- 571**
Cash, cash equivalents and loans in current account at the beginning of the period	**363**	**938**
Profit/loss on exchange rate differences related to the evaluation of cash, cash equivalents and loans in current account	**39**	**- 4**
Cash, cash equivalents and loans in current account at the end of the period	**979**	**363**

6. Statement of Changes in Consolidated Equity

From the period from 1 January 2011 to 31 December 2011

	Share capital	Other capitals	Current year result	Profit/loss from previous years	Total
As of 1 Jan. 2011	**27 750**	**33 839**	**-**	**1 100**	**62 689**
Profit distribution/covering losses	-	280	-	- 215	65
Net result in 2011	-	-	- 3 347-	-	- 3 347
As of 31 Dec. 2011	**27 750**	**34 119**	**- 3 347**	**885**	**59 407**

From the period from 1 January 2010 to 31 December 2010 - converted

	Share capital	Other capitals	Current year result	Profit/loss from previous years	Total
As of 1 January 2010	**27 750**	**31 537**	**-**	**1 955**	**61 242**
Error adjustment	-	-	-	- 831	- 831
As of 1 January 2010 after adjustment	**27 750**	**31 537**	**-**	**1 124**	**60 411**
Profit distribution/covering losses	-	2 198	-	- 2 198	-
Other changes in the capital	-	104	-	-	104
Net profit for 2010	-	-	2 175	-	2 175
As of 31 December 2010	**27 750**	**33 839**	**2 175**	**- 1 075**	**62 689**

7. Additional Explanatory Notes

Notes to the Consolidated Statement of Comprehensive Income

Note No. 1
Sales Revenues

For administrative purposes the Group is divided into business units according to the products and services on offer.

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Sale of products	127 151	119 161
Sale of services, including:	210	626
- rental services	28	12
- distribution services	-	-
- transport services	10	340
- storage, filling, closing	161	260
- other services	11	14
Sale of materials	1 703	3 231
Sale of goods	81 607	26 951
Total	**210 671**	**149 969**

Makarony Polskie Group distinguishes operating segments shown in the following chart

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Pasta	109 897	102 666
Ready-made meals, meat preserves	41 612	28 760
Jams	2 721	1 485
Pickled vegetables and other vegetable preserves	1 291	-
Syrups	1 684	-
Raw materials	51 441	15 431
Other	2 025	1 627
Total	**210 671**	**149 969**

Note No. 2

Basic information on operating segments

For period from 01.01. to 31.12.2011	Pasta	Ready-made meals	Pickled and other preserved vegetables	Jams	Syrups	Raw materials	Other	Segments altogether
				Revenue				
Sales to external customers	109 897	41 612	1 291	2 721	1 684	51 441	2 025	**210 671**
Sale between segments	-	-	-	-	-	-	-	-
The Group's total revenues by reporting segments	**109 897**	**41 612**	**1 291**	**2 721**	**1 684**	**51 441**	**2 025**	**210 671**
Costs by segments	**106 482**	**45 278**	**1 455**	**2 841**	**1 982**	**27 973**	**1 207**	**187 217**
Profit and loss by segments	**3 415**	**- 3 666**	**- 164**	**- 120**	**- 298**	**23 469**	**818**	**23 454**
Financial revenues	-	-	-	-	-	-	-	452
Financial costs	-	-	-	-	-	-	-	- 2 930
Administrative costs	-	-	-	-	-	-	-	- 6 071
Costs of sales	-	-	-	-	-	-	-	- 21738
Other costs	-	-	-	-	-	-	-	- 1 561
Elimination of profit/loss between segments	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	5 702
Amounts not assigned	-	-	-	-	-	-	-	-
Gross profit/loss on continued operations	-	-	-	-	-	-	-	**- 2 692**
Assets assigned to segment – net value	62 920	7 108	4 010	2 077	2 187	0	15 411	**93 713**

Loss on the sales of ready-made meals results from the method of settling accounts for the contract with the Agricultural Market Agency, described in Note No. 36.

To enable both monitoring of results achieved by specific segments and allocation of resources, the decision making persons monitor assets in specific segments. Assets allocated to individual segments include fixed assets, the value of brands and goodwill, as well as other intangible assets amounting to net value of 93 733 thousand PLN.

The value of Stoczek Company was assigned to 2 segments: "ready-made meals" and "jams".

The value of Abak brand totalling at 4 909 thousand PLN was allocated to the "pasta" segment.

The value of Tenczynek brand totalling at 4 528 thousand PLN was allocated to 3 segments: "Pickled and other preserved vegetables", "jams" and "syrups".

The decision making persons are not informed about liabilities of specific segments.

Two new segments: "pickled and other preserved vegetables" and "syrups" have been defined resulting from the acquisition of assets under the purchase contract for selected fixed assets allowing for manufacturing products under Tenczynek brand - transaction of 25 February 2011 described in Note No. 36.

The Group has 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.

Note No. 3

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

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Domestic	192 026	136 479
Export, including:	18 645	13 490
- EU countries	14 761	11 354
-other countries	3 884	2 136
Total	**210 671**	**149 969**

The key recipients of Makarony Polskie Group products (excluding buyers of products and barley grains delivered by the Group in connection with the contract concluded in 2011 with the Agricultural Market Agency) are:

- ✓ Jeronimo Martins Dystrybucja S.A.
- ✓ Kaufland Group
- ✓ Lidl Group
- ✓ Tradis Sp. z o.o.
- ✓ Eurocash Group
- ✓ Auchan Polska Sp. z o.o.
- ✓ Netto Sp. z o.o.

The largest volumes of the Group's export sales are delivered to Kaufland in the Czech Republic and Slovakia (in 2011 the sales amounted to 8 425 thousand PLN) as well as Lidl in the Chech Republic, Bulgaria and Slovakia (the total value of trade in 2011 was 3 312 thousand PLN).

Note No. 4

Costs of staffing and costs of amortization

Staffing costs	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Remuneration	18 318	15 415
Cost of social insurance	3 214	2 675
Cost of other employee benefits, including:	647	447
- costs of benefits related to employment termination	175	57
- costs of retirement and pension benefits	144	36
- equivalents of unused holiday leave benefits	37	25
- other benefits	290	329
Total	**22 179**	**18 537**

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.

Amortization costs	**For period from 01.01. to 31.12.2011**	**For period from 01.01. to 31.12.2010**
Amortization and depreciation	6 477	5 531

Note No. 5
Costs of sale

	For period from 01.01. to 31.12.2011	**For period from 01.01. to 31.12.2010**
Depreciation	953	569
Use of materials and energy consumption	1 019	657
Costs of third party services	12 182	13 079
Taxes and charges	185	70
Remuneration	4 404	3 319
Employee benefits	899	654
Other costs	2 096	2 018
Total	**21 738**	**20 366**

Note No. 6
Costs of administration

	For period from 01.01. to 31.12.2011	**For period from 01.01. to 31.12.2010**
Depreciation	450	355
Use of materials and energy consumption	234	227
Costs of third party services	1 405	2656
Taxes and charges	494	321
Remuneration	2 717	2 336
Employee benefits	486	360
Other costs	285	364
Total	**6 071**	**6 619**

Note No. 7
Other income

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010 converted
State subsidies	718	2 622
Gain on sales of property, plant and equipment	75	86
Release of other reserves and reversal of impairment losses	288	159
Compensations and complaints	86	80
Sale of scrap metal and waste	91	11
Reimbursement of court fees and bailiff's charges	2	9
Recharged expenditure	18	4
Reimbursement of overpaid national insurance contributions	-	4
Surplus inventories	45	534
Lease obligations	-	1
Writing down the liability towards Gardenau – due to a failure to meet a contractual requirement	1 000	-
Difference between the value of acquired assets (Tenczynek) and the transaction price incorporated into income	3 178	-
Other	201	77
Total	**5 702**	**3 587**

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. 8
Other costs

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Donations	35	19
Penalties and fines	206	106
Deficiencies in working capital	36	158
Incurred damages	33	101
Court and bailiff's charges	12	8
Recharged expenditure	139	410
Removing damaged and expired inventories	356	201
Acquisition of fixed assets - leasing	-	16
Write-offs to receivables, other write-offs and reserves	493	322
Estimated write-offs to receivables	209	-
Other	42	8
Total	**1 561**	**1 349**

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, impairment losses of fixed assets, as well as non-culpable surpluses and deficiencies in working capital.

Note No. 9
Financial income

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Interest income, including:	432	474
-interest on bank deposits	-	26
-interest on loans	10	1
-interest on receivables	422	447
Gains on FX differences	20	-
Total	**452**	**474**

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. 10
Financial costs

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Interest costs, including costs of:	1 758	1 466
-bank loans	1 447	1 279
-factoring and leasing costs	311	187
Other financial costs, including:	1 172	385
-losses on negative FX differences	108	22
-guarantee	483	256
-interest on liabilities	9	2
statutory interest	1	30
-discount costs	-	30
-bank fees and commissions	148	-
-lost bid bond	400	-
- Other	23	45
Total	**2 930**	**1 851**

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.

The Group did not capitalize interest on investment loans for fixed assets.

Note No. 11
Income tax

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Current income tax	54	13
Deferred income tax	601	- 555
Tax debit/credit recognized in the Statement of Comprehensive Income, including:	**655**	**- 542**
- attributed to continuing operations	655	-542

Adjustment of income tax on the gross financial result before tax with the income tax shown in the statement of comprehensive income:

	For period from 01.01 to 31.12.2011	For period from 01.01 to 31.12.2010
Gross financial result on continued operation, before tax	- 2 692	**1633**
Profit/loss on discontinued operation, before tax	-	-
Gross financial result, before tax	- 2 692	1 633
Tax rate (in %)	19	19
- deductible costs which are not balance-sheet costs (-)	- 1 989	- 3 884
balance sheet costs which are not tax deductible (+)	3 482	5 759
- inflows which are not taxable income (-)	- 4 617	- 322
- taxable incomes which are not balance sheet inflows (+)	107	152
- obtained subsidies	718	- 3 617
Tax base/ tax loss of the Group	**- 6 427**	**- 279**
Income tax shown in the statement of comprehensive income – current part	**54**	**13**

Note No. 12
Deferred income tax

	Statement of financial standing as of 31.12.2011	Statement of financial standing as of 31.12.2010	Statement of comprehensive income for period from 01.01. to 31.12.2011	Statement of comprehensive income for period from 01.01. to 31.12.2010
Deferred income tax provision				
- difference between the balance sheet and taxable net value of fixed assets	1 694	1 091	603	525
- FX differences	12	12	-	- 2
- differences between obligations resulting from lease contracts and the net value of fixed assets	93	94	-1	12
- accrued interest	17	33	-16	- 10
Gross deferred income tax provision	**1 816**	**1 230**	586	**525**
Assets due to deferred income tax				
- remuneration paid after the reporting period	60	17	43	7
- national insurance contributions (ZUS)	57	34	23	23
- retirement/pension and other benefits	82	74	8	- 31
- costs of third party services	50	13	37	-9
- FX differences	5	2	3	- 1
- deductible tax losses	370	495	-126	144
- calculation of the Company Social Benefit Fund (ZFŚS)	52	44	8	8
interest on liabilities	11	7	4	4
- write-offs to uncollectible receivables	2	5	-3	- 8
- adjustment of fixed assets valuation	436	458	-23	-
- inventory revaluation write-offs	47	36	10	-
- Other	-	-	-	- 2
Assets due to deferred income tax included in the statement of financial standing	**1 172**	**1 186**	**-15**	**123**
Reverse revaluation write-off due to deferred income tax	**-**	-	**-**	**- 1 203**
Deferred income tax debit/credit			**601**	**- 555**

Assets due to deferred income tax not included in the balance sheet

	As of 31.12.2011	As of 31.12.2010
- deductible tax loss	**1 610**	**107**
Assets due to deferred income tax not included in the balance sheet	**1 610**	**107**

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 19% - 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.

In accordance with the principle of conservative estimates the financial statement of Makarony Polskie Group does not include assets due to deferred tax resulting from the possibility to carry forward the tax loss for 2011 amounting to 1 610 thousand PLN; in 2010 the Group established an asset amounting to 50% of the tax loss for 2010 amounting to 107 thousand PLN.

Note No. 13
Data on the financial results and shares which were used for the calculation of the basic and diluted profit per 1 share

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Net profit/loss per 1 share	- 0,36	0.24
Book value per 1 share in PLN	6,42	6.78

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Net profit/loss on continuing operation attributed to shareholders of the Parent Company	- 3 347	2 175
Net profit/loss on discontinued operation attributed to shareholders of the Parent Company	-	-
Net profit/loss attributed to shareholders of the Parent Company	- 3 347	2 175
Net profit/loss attributed to ordinary shareholders, applied for calculation of diluted profit/loss per 1 share	N/A	N/A

	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Weighted average number of issued ordinary shares applied for calculation of basic profit/loss per 1 share	9 250 071	9 250 071
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.

Explanatory Notes to the Statement of Financial Standing

Note No. 14
Property, plant & equipment

Gross property, plant and equipment	**31.12.2011**	**31.12.2010**
Land, buildings and structures	44 624	44 116
Machinery and equipment	61 140	53 711
Means of transport	4 848	4 181
Fixed assets under construction	2 256	3 656
Other	2 271	1 991
Accumulated depreciation and impairment loss	**31.12.2011**	**31.12.2010**
Land, buildings and structures	11 285	10 262
Machinery and equipment	21 507	16 778
Means of transport	2 485	1 383
Fixed assets under construction	-	108
Other	1 588	1 212
Net value at the end of the period	**78 275**	**77 912**

Changes in fixed assets:

For the period from 1 January 2011 to 31 December 2011

	Land, buildings	**Machinery and equipment**	**Means of transport**	**Fixed assets under construction**	**Other**	**Total**
Gross value at beginning of the period	**44 116**	**53 711**	**4 181**	**3 656**	**1 991**	**107 655**
Increase	508	7 447	752	6 502	281	15 491
- purchase	402	2 591	212	5 505	199	8 909
- other	107	4 856	540	997	82	6 582
Decrease	0	18	85	7 962	2	8 067
- sale	-	6	85	-	2	92
- other	-	12	-	7 962	-	7 974
Gross value at the end of the period	**44 624**	**61 140**	**4 848**	**2 256**	**2 271**	**115 139**
Accumulated depreciation at the beginning of the period	**8 279**	**16 350**	**1 383**	**-**	**1 212**	**27 224**
Increase	1 086	4 801	1 174	-	253	**7 314**
Decrease	-	18	72	-	2	**91**
Accumulated depreciation at the end of the period	**9 366**	**21 132**	**2 485**	**-**	**1 463**	**34 447**
Impairment loss at the beginning of the period	1 983	429	-	108	-	2 519
Impairment loss at the end of the period	1 918	374	-	124	-	2 417
Value taking into account accumulated depreciation and impairment loss at the end of the period	**11 285**	**21 507**	**2 485**	**124**	**1 463**	**36 864**
Net value at the end of the period	**33 340**	**39 634**	**2 363**	**2 132**	**807**	**78 275**

The item "**fixed assets under construction – other increases**" presents several fixed assets relocated from technical warehouse (item "Inventories" in the Statement of Financial Standing as of

31.12.2010) which will be installed in the plants in Rzeszów and Częstochowa in course of intended and initiated projects. The gross value of these fixed assets is 997 thousand PLN.

The item "**Machinery and equipment – other decreases**", in addition to standard relocations between investments and fixed assets amounting to 3 472 thousand PLN, also presents several fixed assets which were moved from technical warehouse (item "Inventories" in the Statement of Financial Standing as of 31.12.2010) and reinstated as "fixed assets" – their gross value amounts to 1 384 thousand PLN.

The item "**Means of transport – other decreases**" amounting to 540 thousand PLN is related to the presentation of operational leasing of means of transport as financial leasing.

For the period from 1 January 2010 to 31 December 2010

	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**	**1 991**	**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 depreciation 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**

Impairment loss is taken into account under other operating costs in the statement of comprehensive income. 2011 and 2010 the Group did not carry out any impairment loss write-offs adjusting the value of tangible fixed assets. The Group releases impairment loss write-offs proportionally to the economic lifetime for the value of fixed assets as of the moment of purchasing the assets in Stoczek Company (2007).

At the same time the Group verified the economic lifetime of the fixed assets as of 31.12.2011.

The balance sheet value of machines and equipment, vehicles and other fixed assets in use under finance lease as of 31 December 2011 totalled at 2 692 thousand PLN, and on 31 December 2010 it amounted to 3 385 thousand PLN.

Registered pledges on fixed assets as of 31 December 2011 amounted to 49 910 thousand PLN; as of 31 December 2010 they totalled at 50 746 thousand PLN.

Registered pledges on fixed assets were established resulting from obligations stipulated in crediting agreements described in Note No. 28.

Taking into account investment plans of Makarony Polskie Company, the fixed assets resulting from the disassembly of one production line in Rzeszów were shown in the statement of financial standing as "fixed assets under construction". Depreciation write-offs will be initiated in the second half of 2012, after completing the investment whose components will include the aforementioned fixed assets of net book value amounting to 536 thousand PLN.

Resulting from the plans for consolidating pasta production within two plants, some fixed assets qualified into "pasta" and "other" operational segments, and located in the plant in Płock, following a decision made after the balance sheet date, will be sold; however these were not qualified as "assets held for sale". The assets will be re-qualified once the Management Board takes the final decision concerning relocation of production from Płock to the plants in Rzeszów and Częstochowa. In accordance with the plans, the facility in Płock will be closed and the sales transaction for the redundant assets will be held in the 3rd quarter of 2012.

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 Częstochowa KW CZ1C/00111425/8	6 656 thousand PLN	BNP ParibasBank 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	BNP Paribas 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 3 000 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. 15
Investment real property

	31.12.2011	31.12.2010
Investment real property in Rzeszów	318	318

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. The shares in these plots meet the criteria for investment real property; their fair value is 318 thousand PLN. As of the balance sheet day the

Company does not gain economic benefits due to ownership of the aforementioned real property, other than a potential increase in its value.

The value of the investment real property was determined taking into account a valuation survey from 2009; as of 31.12.2011 its estimated market value is higher than shown in the statement of financial standing since Makarony Polskie S.A. entered into an agreement concerning the sale of the real property containing the aforementioned plot. The value of the property was not increased to the fair value as of the balance sheet date due to the conditional nature of the sales agreement. The real property was not re-qualified as "assets held for sale" because the possible sale is connected with the concluded agreement. The agreement relates to the use of the aforementioned plots purchased by Makarony Polskie S.A., which hold rail siding; provisions of the agreement will allow for using a part of the plots for investment purposes, and the part to be sold will hold tracks of rail siding. The agreement will become valid provided that relevant administrative permits (for relocating the tracks and for construction of a warehouse) are obtained.

Note No. 16
Goodwill

For the period from 01.01.2011 to 31.12.2011	**Goodwill**
Gross value at beginning of the period	**5 946**
Increase	-
Decrease	-
Gross value at the end of the period	**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. 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**
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. Goodwill is not depreciated

The value of Stoczek Company was assigned to three segments: "ready-made meals", "pickled and other preserved vegetables", and "jams".

At the end of 2011 the Group performed goodwill impairment test for Stoczek Company which confirmed that the estimated goodwill shown in the statement of financial standing presents a fair value of these assets. The valuation of Stoczek goodwill was performed using DCF method with the assumed 10% discount level and with adjusted net asset method. The calculation of free cash flows was based on projected results of Stoczek Company up to year 2016 and assumed steady long-term increase of free flows after the period of detailed prognosis.

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 7132 thousand PLN.

Note No. 17
Other intangible assets

Changes in intangible assets:

For the period from 1 January 2011 to 31 December 2011

		Other intangible assets			
	Value of the brand	**Patents, trademarks, R&D**	**Computer software**	**Other**	**Total**
Gross value at beginning of the period	**4 909**	**195**	**97**	**265**	**5 465**
Increase	4 178	350	1	47	**4 576**
- acquisition	4 178	350	1	47	**4 576**
Decrease	-	-	-	-	**-**
Gross value at the end of the period	**9 087**	**545**	**98**	**311**	**10 041**
Accumulated amortization at the beginning of the period	**-**	**154**	**97**	**224**	**476**
Increase	-	20	1	53	**74**
Decrease	-	-	-	-	**-**
Accumulated amortization at the end of the period	**-**	**174**	**98**	**277**	**550**
Net value at the end of the period	**9 087**	**371**	**-**	**34**	**9 492**

For the period from 1 January 2010 to 31 December 2010

	Value of the brand	Other intangible assets			
		Patents, trademarks, R&D	Computer software	Other	Total
Gross value at beginning of the period	**4 909**	**177**	**92**	**236**	**5 416**
Increase:	-	18	5	26	49
- acquisition	-	18	5	26	49
Gross value at the end of the period	**4 909**	**195**	**97**	**264**	**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 accumulated depreciation and impairment loss at the end of the period	-	155	96	224	475
Net value at the end of the period	**4 909**	**40**	**1**	**40**	**4 990**

Depreciation of intangible and legal assets is based on amortization rates reflecting their predicted economic lifetime.

The Group does not depreciate intangible and legal assets whose economic lifetime is unspecified. They are subject to annual impairment loss test and analysis indicating any new factors for recognizing their economic life as specified. The increased value in "other intangible assets" is related to Tenczynek brand purchased in 2011 (Note No. 36).

Note No. 18
Long-term financial assets

Other long-term financial assets	31.12.2011	31.12.2010
Shares in Bio-Planet Sp. z o.o	76	76

Shares in Bio Planet Sp. z o.o. were purchased in 2008 and constitute 1.3% share in the share capital of the company.

Note No. 19
Inventories

As of 31 December 2011

	Evaluation according to purchase price/cost of manufacturing	Revaluation write-offs at BO	Established revaluation write-off	Reversed revaluation write-off	Balance sheet value of inventories at the end of the period
Materials	5 962	113	69	57	5 836
Auxiliary materials	327	-	-	-	327
Work in process	145	-		-	145
Finished products	6 375	77	42	-	6 255

Goods	1 373	-	-	-	1 373
TOTAL	**14 182**	**191**	**111**	**57**	**13 937**

As of 31 December 2010

	Evaluation according to purchase price/cost of manufacturing	Revaluation write-offs at BO	Established revaluation write-off	Reversed revaluation write-off	Balance sheet value of inventories at the end of the period
Materials	4 983	4	113	4	**4 869**
Auxiliary materials	1 470	1	-	-	**1 470**
Work in process	295	-	-	-	**295**
Finished products	4 105	-	77	-	**4 028**
Goods	624	-	0	-	**624**
TOTAL	**11 477**	**4**	**190**	**4**	**11 287**

The value of inventories shown as costs in 2011 amounted to 187 217 thousand PLN, while in 2010 it totalled at 122 212 thousand PLN. Due to the ongoing rotation of inventories in 2012 the Group is planning to use all inventories which constitute a component of its statement of financial standing as of 31.12.2011 amounting to 13 937 thousand PLN.

Revaluation write-offs on elements of current assets (inventories) are carried out in a situation when a given component is recognized as invendable, or has been physically damaged, or its expiry date – in case of ready-made meals and raw materials – makes it impossible to sell or use the item, or when the cost of manufacturing exceeds its market price.

As of 31 December 2011, registered pledges established on inventories of finished products, materials and goods amounted to 7 100 thousand PLN (collateral for 2 crediting agreements with BGŻ S.A.). As of 31 December 2010, there were no registered pledges established on inventories.

Note No. 20
Receivables

	31.12.2011	31.12.2010
Trade receivables from other entities:	**26 919**	**24 920**
- short-term	26 919	24 920
Receivables from subsidiaries:	**-**	-
- short-term	-	-
Advance payments:	**-**	**23**
- short-term	-	23
Other receivables:	**3 654**	**4 666**
- short-term	3 654	4 887
Total gross receivables	**30 574**	**29 609**
Impairment loss at the beginning of the period	**728**	**675**
Recognition of impairment loss in the period	**426**	**81**
Reversal of impairment loss in the period	**38**	**27**
Impairment loss at the end of the period	**1 116**	**729**
Net receivables	**29 457**	**28 880**

Allowance for impairment loss on receivables:

2011	At the beginning of the period	Established	Used up and released	At the end of the period
Allowance for impairment loss on receivables	729	425	38	1 116

2010	At the beginning of the period	Established	Used up and released	At the end of the period
Allowance for impairment loss on receivables	675	81	27	729

Other short-term receivables	**31.12.2011**	**31.12.2010**
Current VAT	2 721	1 853
Postponed VAT	648	645
Other receivables from employees	13	5
Paid up bid bonds	58	2 102
Factoring – blocked receivables	31	-
Other	183	61
Other receivables – gross	**3 654**	**4 666**
Allowance for impairment loss on receivables	18	17
Other receivables - net	**3 636**	**4 649**

Currency structure of receivables

Gross short-term receivables	**31.12.2011**	**31.12.2010**
- in Polish currency	29 988	29 362
- in foreign currencies:	586	247
a) currency/EUR	122	54
in PLN	528	214
b) currency/USD	12	11
in PLN	41	33
b) currency/GBP	3	-
in PLN	17	-
Gross short-term receivables	**30 574**	**29 609**

	31.12.2011	**31.12.2010**
1) Total current receivables	**18 839**	**18 518**
2) Total overdue receivables:	**8 081**	**6 402**
a) up to 1 month	4 641	3 742
b) over 1 month to 3 months	1 966	1 346
c) over 3 months to 6 months	344	288
d) over 6 months to 1 year	307	345
e) over 1 year	823	680
Total gross trade receivables	**26 919**	**24 920**
Impairment loss of trade receivables	**1 098**	**710**
Net trade receivables	**25 821**	**24 209**

Trade receivables comprise amounts due from a large number of clients from various industries and geographical areas.

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. 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 3 months after the due date and its economic situation and financial standing pose a great risk of default in payment. Litigated receivables are subject to 100% revaluation write-off. The Group applies an adequate policy concerning deferred terms of payment allowing for sales of goods only to verified clients. Transactions with other customers, including majority of foreign partners are subject to accounts receivable insurance. 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 Makarony Polskie Group.

Note No. 21
Corporate income tax receivables

	31.12.2011	31.12.2010
Corporate income tax receivables	1 810	417

Note No. 22
Loans granted

	31.12.2011	31.12.2010
As of the beginning of the period	101	-
a) loan granted to Polska Izba Makaronu (Polish Chamber of Pasta Industry) (2010r.)	100	100
Increase in the amount of the loan	60	
Interest accrued	-	1
Repayment during the period	1	-
As of the end of the period	**160**	**101**

The above loan was granted on 2 November 2010 to Polish Chamber of Pasta Industry for financing the current implementation of the project "Add energy to yourself and others" which is an educational campaign from the "Grain and Cereal Products Promotion Fund". Its purposes include: education for Polish people on the nutritional value of pasta, and promoting healthy diet.

The interest rate was determined in accordance with the conditions in the market

Due to personal affiliation of Makarony Polskie S.A. (the President of the Company's Management Board is also the Chairman of the Board in the Polish Chamber of Pasta Industry), the granted loan is treated as a transaction with an affiliated entity.

Note No. 23
Cash and cash equivalents

	31.12.2011	31.12.2010
Cash at hand and balances with banks	979	363
Total, including:	**979**	**363**
- 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 44 thousand PLN as of the end of 2011, and 6 thousand PLN at the end of 2010, are qualified as cash at limited disposal. They are not shown in the statement of financial standing – they are offset against liabilities due to the Company Social Benefit Fund (ZFŚS).
Cash in bank is subject to variable interest rates whose level 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. Cash and cash equivalents as of the end of the fiscal year shown in the statement of cash flows can be reconciled with the balance sheet items.

Note No. 24
Other assets

Other assets:	31.12.2011	31.12.2010
- long-term	80	192
- short-term	455	538

The long-term prepayments and accruals as of 31 December 2011 amounting to 80 thousand PLN are related to advisory services, and the amount of 192 thousand PLN as of 31 December 2010 is related to advisory services (173 thousand PLN) and bank loan commission (19 thousand PLN).

Short term prepayments and accruals

Short term prepayments and accruals	31.12.2011	31.12.2010
- insurance	205	189
- paid subscription fees and standing charge	4	25
- public advertising/marketing services	75	-
- electricity	-	-
- commission on working capital loan		110
- fees for guarantees	51	59
- consultancy services	93	82
- other	4	73
Total	**455**	**538**

Note No. 25
Share capital

As of 31 December 2011

	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**			

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 2011 to the date of submitting this Statement Makarony Polskie Company did not issue any subsequent shares.

Note No. 26
Other capitals

Other capitals	**31.12.2011**	**31.12.2010**
Balance at the beginning of the period	**33 839**	**31 537**
Changes in the accounting principles (policy)	**-**	**-**
Balance at the beginning of the period after adjustments (after transformation)	**33 839**	**31 537**
- issue of share capital	**-**	**-**
- other changes in the capital	-	104
- profit distribution / covering losses	280	2 198
Other capitals at the end of the period	**34 119**	**33 839**

Note No. 27
Result brought forward

Profit/loss from previous years	**31.12.2011**	**31.12.2010**
Balance at the beginning of the period	1 100	1 955
Error adjustment	-	- 831
- profit/loss from previous years at the beginning of the period	1 100	1 124
- decrease due to transfer to supplementary capital	- 215	- 2 198
Net profit/loss at the end of the period	**- 885**	**- 1 075**

Note No. 28
Long and short-term loans and borrowings

Makarony Polskie Group

	31.12.2011	**31.12.2010**
- long-term	18 378	16 630
- short-term	12 826	9 320

Information on loans drawn and guarantees obtained by specific companies of the Group as of 31 December 2011:

Makarony Polskie S.A.

	31.12.2011	31.12.2010
- long-term	9 626	10 242
- short-term	9 606	8 122

As of 31 December 2011 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 – 16.12.2012
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2011	4 189 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 – 01.12.2012
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2011	2 982 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 2011	81 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 2011	3 605 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 installments 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.

- Working capital loan in BGŻ S.A.

Crediting conditions	
Credit contractual value	2 500 thousand PLN
Crediting period	29.12.2011 – 29.12.2012
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2011	1 575 thousand PLN
Credit repayment schedule	6 monthly installments due from 30.04.2012 to 30.09.2012, each of 200 thousand PLN, 2 installments on 31.10 and 30.11 each of 400 thousand PLN, final installment on 29.12= 500 thousand PLN
Credit collateral	✓ Registered pledge on inventories of goods, materials and finished products (foodstuffs) of net book value = 6 000 thousand PLN, ✓ 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 2011	2 983 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 BNP Paribas S.A.

Crediting conditions	
Credit contractual value	4 100 thousand PLN
Crediting period	29.12.2009 – 01.07.2013
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Credit situation on 31 December 2011	3 817 thousand PLN
Credit repayment schedule	✓ Single payment on the due date of the liability
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 Polska S.A.

Terms and conditions of the Contract	
Contractual value	7 000 thousand PLN
Period of the Contract	01.01.2010 – 18.12.2012
Interest rate	WIBOR 1M + bank margin not different from the standards applied by the bank
Liability as of 31 December 2011	4 221 thousand PLN
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.

Stoczek Sp. z o.o.

	31.12.2011	31.12.2010
- long-term	8 752	6 388
- short-term	3 220	1 198

- 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
Liability as of 31 December 2011	2 907 thousand PLN
Credit repayment schedule	✓ Single payment on the due date of the liability
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, ✓ 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 Bank 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
Liability as of 31 December 2011	1 453 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, ✓ 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 BNP Paribas Bank Polska 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
Liability as of 31 December 2011	1 894 thousand PLN
Credit repayment schedule	✓ Single payment on the due date of the liability

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

* In accordance with an annex for the credit agreement executed on 2 Aug. 2011 the crediting period was extended until 1 July 2013

- Working capital loan in current account in BGŻ Bank 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
Liability as of 31 December 2011	1 167 thousand PLN
Credit repayment schedule	✓ Single payment on the due date of the liability
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

- Investment credit in BGŻ Bank S.A.

Crediting conditions	
Credit contractual value	2 500 thousand PLN
Crediting period	27.10.2011 – 30.11.2014
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Liability as of 31 December 2011	2 500 thousand PLN
Credit repayment schedule	quarterly at the end of February, May, August and November each year, starting from 28.02.2012, amounts of 208 thousand PLN, the final levelling installment of 208 thousand PLN, due on 30.11.2014.
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,

- Revolving credit in BGŻ Bank S.A.

Crediting conditions	
Credit contractual value	2 000 thousand PLN
Crediting period	27.10.2011 – 30.09.2013
Interest rate	WIBOR 3M + bank margin not different from the standards applied by the bank
Liability as of 31 December 2011	2 000 thousand PLN
Credit repayment schedule	✓ Single payment on the due date of the liability
Credit collateral	✓ blank promissory note with blank promissory note agreement, ✓ registered pledge on finished products located at the Production Plant in Stoczek Łukowski, ✓ Bail bond by Makarony Polskie S.A. in Rzeszów in accordance with civil law,

As of 31.12.2011 some of the supplementary credit repayment conditions (so called covenants) were breached. As a result in November 2011 the Management Board of Makarony Polskie held meetings with banks which provide financing for the operations of the Group in order to explain the causes of this situation and to present a restructuring programme. The financial institutions analyzed the planned restructuring actions, adopted a favourable approach and confirmed their intention to continue cooperation. In order to provide support for the restructuring operations and to improve the Group's financial liquidity, in December 2011 Bank BGŻ S.A. and ING Financial Service increased their financial involvement (by the total amount of 6 million PLN).

Similarly, in the end of October 2011 Stoczek Company obtained additional financing from BGŻ S.A. (amount of 4.5 million PLN)

On 10 February 2012 Makarony Polskie Company obtained from BGŻ S.A. a bank guarantee amounting to 472 thousand PLN as collateral for a long-term trading contract; in February 2012 HSBC Bank S.A. prolonged the validity period for the guarantee securing the rental contract for office facilities.

At the same time a constant monitoring system for the process of restructuring was stipulated with all the financial institutions, i.e. BGŻ S.A., HSBC Bank Polska S.A., BNP Paribas S.A. and ING Financial Service S.A.. Taking the above into consideration the Management Board of Makarony Polskie believes it is ineffective to re-classify the credits whose covenants were breached at the end of 2011.

Note No. 29
Obtained guarantees

Guarantor	Guarantee amount	Guarantee period	Subject secured by guarantee	Security
HSBC Bank Polska S.A.	94 thousand PLN	20.02-2012-28.06.2012	Rent payment guarantee	none
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"	✓ 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**	23 653 thousand PLN	27.01.2011-30.04.2012	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"	✓ blank promissory note issued by the Company, guaranteed by Makarony Polskie S.A.

* the guarantee was released on 21.02.2012 after the complete settlement of the secured contract

** the guarantee was released 0n 23.02.2012 after the complete settlement of the secured contract

Note No. 30
Reserves for retirement pensions and similar benefits

2011	At the beginning of the period	Established	Used up and released	At the end of the period
For retirement pensions and similar benefits, including:	**389**	**158**	**115**	**432**
a) long-term	256	34	0	290
b) short-term	133	124	115	143
Other reserves, including:	**97**	**303**	**97**	**303**
a) reserve for audits of financial statements	49	54	49	54
b) Other	48	249	48	249
Total	**486**	**281**	**65**	**486**

2010	At the beginning of the period	Established	Used up and released	At the end of the period
For retirement pensions and similar benefits, including:	**255**	**148**	**14**	**389**
a) long-term	183	73	0	256
b) short-term	72	75	14	133
Other reserves, including:	57	85	45	97
a) reserve for audits of financial statements	37	37	25	49
b) Other	20	48	20	48
Total	**312**	**233**	**59**	**486**

The Companies of the Group pay gratuity to retiring employees in the amount compliant with requirements set forth in the Labour Code and the internal regulations. In connection with this the Group establishes provisions for the current value of its gratuity liabilities based on the estimates performed by the actuary.

The reserve was calculated for those employed at present and does not relate to persons to be employed in the future. Gratuity is a statutory right of each employee reaching retirement age. The reserve is not established for those who are already retired or receive welfare benefits (and obtained gratuity).

The parameters which significantly impact the level of the current liability value include:

- ✓ employee mobility (turnover) rate (for persons up to 40 years of age the rate of 5% was applied, for those 41-45 years old – it was 4%, 46-50 years old – the rate was 3%, and for those over 50 the applied rate was 1%) ,
- ✓ the realistic per cent rate of return on investment at the level of 5.9% annually,
- ✓ the rate of salary growth – at the level of 2.8%.

The estimate determines the current (discounted) value of gratuity to which an employee is entitled as of the date of the calculation proportionally to his/her employment duration ratio at the moment of calculation versus the employment duration at the time of gratuity payment. It is also taken into account that the base remuneration of each employee will change in time in accordance with specific assumptions.

The amount of the other reserves as of 31.12.2011 is related to provisions for costs of transport, provisions for other costs of sales, and provisions for potential liabilities.

Note No. 31
Liabilities from finance lease agreements

	As of 31.12.2011 Present value of minimum fees	As of 31.12.2010 Present value of minimum fees
in the period up to 1 year	1 155	1 202
in the period from 1 to 5 years	1030	1 635
Total	**2 185**	**2 837**

Note No. 32
Other liabilities

	31.12.2011	31.12.2010
Trade liabilities to other entities:	**29 987**	**24 454**
- long-term	-	-
- short-term	29 987	24 454
Liabilities to subsidiaries:	**-**	**-**
Liabilities to affiliates:	**-**	**-**
Advance payments:	-	-
Other liabilities:	**3 277**	**2 067**
- long-term	-	-
- short-term	2 345	2 067
Total liabilities	**32 265**	**26 521**

Trade liabilities:	**31.12.2011**	**31.12.2010**
- to affiliates	-	-
- to other entities	29 987	24 454
Total	**29 987**	**24 454**

Public, legal and other liabilities	**31.12.2011**	**31.12.2010**
- personal income tax	185	157
- social insurance (ZUS)	855	768
- payroll	714	506
- National Disabled Persons Rehabilitation Fund (PFRON)	30	19
- environment protection	26	24
- Other	467	593
Total	**2 277**	**2 067**

Liabilities - currency structure

	31.12.2011	31.12.2010
- in Polish currency	29 080	24 185
- in foreign currencies:	3 185	2 336
a) currency/EUR	721	590
in PLN	3 187	2 336
Total	**32 265**	**26 521**

Note No. 33
Deferred income

	31.12.2011	31.12.2010 converted
Deferred income	**10 322**	**10 373**
- long-term	9 613	10 373
- short-term	709	725

The short-term and long-term accruals and deferred income include subsidies obtained by Makarony Polskie S.A. for the 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.

Note No. 34
Off-balance sheet items

Off-balance sheet items	31 December 2011 roku	31 December 2010 roku
1. Contingent assets	**58 604**	**32 147**
- received guarantees and warranties	58 599	28 942
- collaterals on property	-	3 200
- promissory notes	5	5
2. Contingent liabilities	**196 245**	**159 338**
- due to extended guarantees and warranties	42 603	13 597
- collaterals on property	76 295	90 582
- due for promissory notes	77 347	55 159
Total off-balance sheet items	**- 137 641**	**- 127 191**

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
Dividends paid and approved to be paid

On 23 May 2011 the Annual General Meeting of Shareholders of Stoczek Sp. z o.o. passed a Resolution on the distribution of the Company's profit for the fiscal year of 2010. A part of the net profit amounting to 2 286 thousand PLN was designated to be paid as dividend for the only shareholder - Makarony Polskie S.A.

For the purposes of consolidation the above amount is excluded from the financial income of the Group. The payment of the dividend was executed on 7 June 2011.

Dividend from the Company's profit for 2011 is planned to be paid to Makarony Polskie S.A. (the only shareholder of Stoczek Sp. z o.o.).

In 2011 Makarony Polskie Company generated financial loss which it intends to cover by future profits.

Note No. 36
Other items concerning assets, own capitals, incomes, costs and net profit, or accounts of cash flows which are not typical due to their character, size or scope.

a) Acquisition of assets from Gardenau Sp. z o.o. – a bargain purchase in accordance with IFRS 3

On 25 Feb. 2011 Makarony Polskie S.A. executed a contract with Gardenau Sp. z o.o. regarding the purchase of assets. In accordance with the contract Makarony Polskie S.A. took over the following assets:

- trading and distribution contracts with the previous customers of Gardenau Sp. z o.o.
- intangible and legal assets of Gardenau Sp. z o.o., i.e. trademarks, industrial designs and product recipes,
- selected fixed assets, including production line for fruit syrup, production line for salads, production line for jams,
- selected inventories.

Makarony Polskie did not take over liabilities of Gardenau Sp. z o.o. The value of the transaction is 3.1 million PLN. The amount due for Gardenau Sp. z o.o. was paid in a number of instalments during the period from 25.02 to 10.03.2011.

In accordance with a provision of the contract Gardenau Sp. z o.o. was conditionally entitled to receive an additional payment of 1 million PLN, provided that the volume of sales of Tenczynek brand products executed by Makarony Polskie Group in the period from concluding the said contract to the end of 2011 was not lower than 9.3 million PLN.

Due to the fact that the aforementioned condition related to the volume of sales was not met, Gardenau Sp. z o.o. is not entitled to the additional remuneration of 1 million PLN (say: one million Polish zloty).

There are capital relations between the Company and Gardenau Sp. z o.o. Mr. Marek Jutkiewicz, a significant shareholder of Makarony Polskie S.A. who was a member of Makarony Polskie S.A.

Supervisory Board until 24 February 2011, at the moment of concluding the transaction was a majority shareholder in the parent company of Gardenau Sp. z o.o. Mr. Marek Jutkiewicz was re-elected to Makarony Polskie S.A. Supervisory Board on 29 March 2011.

In the statement of financial standing of Makarony Polskie S.A. the acquired components of property, as of the purchase moment, were recognized as assets held for sale.

Assets purchased under the contract dated 25.02.2011	**Amount in thousand PLN**
Fixed assets	2 635
Finished products	97
Intangible and legal assets	350
Transaction value	3 098
Conditional liabilities towards Gardenau Sp. z o.o.	1 000

On 28 November 2011 a motion to declare liquidation bankruptcy of Gardeanu was filed.

On 29 June 2011 Stoczek sp. z o.o purchased from Makarony Polskie S.A. the aforementioned selected assets (excluding the inventories of finished products), i.e.:

- fixed assets - machines and appliances constituting the technology lines for the production of fruit syrups, salads, and jams,
- intangible and legal assets related to Tenczynek brand, i.e. trademarks, industrial designs and product recipes.

A: Assets evaluated at fair value, recorded by Stoczek Company	**Amount in thousand PLN**
Fixed assets	2 608
Value of Tenczynek brand (incl. intangible and legal assets) *	4 528
Total	**7 136**
Executed price payment	2 958
Conditional liabilities **	1 000
B: Executed price payment + Conditional liability	**3 958**
Difference (B-A) accounted for in other income	**3 178**

*** Tenczynek brand** is understood as a group of trademarks as well as verbal and graphic symbols with the name *Tenczynek* as a core element, which have been entered into the trademark register at the Polish Patent Office, and are owned and used by Stoczek Sp. z o.o.

The original valuation was performed as of 30 June 2011. The final valuation was carried out taking into account data for 31 December 2011, including the Group's results achieved in 2011, as well as the Group's budget planned for 2012 and the subsequent years, and the plan for the development of the brand products sales by 2016.

Taking into account the aforementioned circumstances, the approach adopted for evaluating the brand involved estimating the differences in cash flows generated with the assumed implementation of sales of Tenczynek brand products by the Group in the subsequent years of operation. The value of

the difference between cash flows defined in this way reflects the market value of the brand. The value of cash flows was estimated using the discounted cash flows (DCF) method. Taking into account the current market conditions the analysis assumed the discount rate at the level of 15%. Benchmark prices were calculated for selected Private Label products, on offer in retail chains, with raw material ingredients similar to those in Tenczynek brand index.

The valuation of Tenczynek brand amounting to 4 528 thousand PLN is final in the understanding of the provisions set forth by IFRS 3 and will be subject to annual assessment of possible value loss.

** **Conditional liability towards Gardenau Company**, amounting to 1 000 thousand PLN, due to a failure to meet the condition stipulated in the relevant purchase contract, was released in the item "other income".

b) Accounting for the contract concluded with the Agricultural Market Agency

On 14 February 2011 Makarony Polskie S.A. and Stoczek Sp. z o.o. concluded contracts with the Agricultural Market Agency (Agencja Rynku Rolnego - ARR), regarding the supply of food products for charitable organizations, under the "Food aid programme for the European Union poorest people, 2011"

In 2011 under the said contracts Makarony Polskie Group delivered spiral pasta and 2 types of ready-made meals amounting to 27 546 thousand PLN to storage facilities conducted by the Polish Food Banks Federation and Caritas Polska.

The cost of manufacturing the said products totalled at 43 865 thousand PLN; the loss on the sale of the products amounted to 16 319 thousand PLN.

The remuneration for the delivery of pasta and ready-made meals has the form of barley grains held in intervention storages in Poland; the expected average price for the sales of barley will be approx. 786 PLN/t, whereas the purchase price is 404 PLN/t. At the moment of awarding the contract the companies acquired ownership of barley grain constituting the remuneration for the contract at the constant price and constant exchange rate for EUR= 3.9847.

The remuneration for the delivery of pasta and ready-made meals was in the form of barley grains held in intervention storages in Poland; the actual average price for the sales of barley was approx. 792 PLN/t, whereas the purchase price was 404 PLN/t. At the moment of awarding the contract the companies acquired ownership of barley grain constituting the remuneration for the contract at the constant price and constant exchange rate for EUR= 3.9847

The profit gained on the sale of barley amounts to 22 203 thousand PLN

The receivables due for the settlement of accounts with ARR shown in the statement of financial standing, as of 31.12.2011 totalled at 153 thousand PLN.

The profit resulting from the contract executed by the Group with the Agricultural Market Agency, resulting from the aforementioned loss on the sale of products and the profit

gained on the sale of barley amounted to 5 884 thousand PLN. The contracts were executed in entirety in 2011.

Note No. 37
Remuneration of members of the Management Board and the Supervisory Board of the Parent Company

Management Board

Name	Position	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Paweł Nowakowski	President	342	277
Krzysztof Rubak	Vice- President	276	222
Marek Feruś (held the position until 24.05.2011, employed until 30.11.2011)	Vice- President	205	209
Total		**823**	**708**

Supervisory Board

Name	Position	For period from 01.01. to 31.12.2011	For period from 01.01. to 31.12.2010
Zenon Daniłowski	Chairman of the Supervisory Board	60	58
Marek Jutkiewicz	Co-Chairman of the Supervisory Board - from 21.06.2010.	44	20
Zdzisław Sawicki	Co-Chairman of the Supervisory Board - until 21.06.2010.	-	26
Grzegorz Słomkowski	Co-Chairman of the Supervisory Board	48	47
Urszula Rogóż-Bury	Secretary of the Supervisory Board	39	37
Dariusz Bliźniak	Member of the Supervisory Board - until 21.06.2010.	-	13
Marek Rocki	Member of the Supervisory Board - from 21.06.2010.	24	11
Total		**215**	**212**

Members of the Management Board and the Supervisory Board of Makarony Polskie S.A. did not receive any remuneration from the subsidiary company. The Companies of the Group did not grant loans to members of the Management Board and the Supervisory Board of Makarony Polskie S.A.

Note No. 38
Material events after the reporting period, from 1 January 2011 until the day of submitting this financial statement

On 5 March 2012 Makarony Polskie S.A. and Gardenau Sp. z o.o., company in the state of liquidation bankruptcy, with a seat in Warszawa concluded an annex to the Contract for sale of an organized part of the enterprise dated 25 February 2011 which included supplementary definition of the object of the transaction thereby endorsing the established economic situation. In accordance with the annex the object of the transaction consisted of separate assets including:

a) machines and equipment,

b) protective rights for trademarks, and rights for industrial designs,

c) finished products,

d) recipes,

and not "enterprise" in the understanding of Art. 551 of the Civil Code, or "organized part of enterprise" in the understanding of Art. 4a, point 4 of the Legal Persons' Income Tax Act and Art. 2, point 27e of the Act on Value Added Tax. Taking the above information into account, the amounts specifying the value of the transaction concluded between Makarony Polskie S.A. and Gardenau Sp. z o.o. on 25 February 20121 were specified as net prices and adequate VAT was calculated, in accordance with relevant regulations. The amount of VAT payable due to the transaction amounts to 486 thousand PLN; a part of that, namely the amount of 143 thousand PLN will be offset against the Seller's liabilities towards the Buyer, and the remaining amount is payable by Makarony Polskie S.A. to the Seller's bank account in two instalments, by the day of 30 May 2012.

In the period from 31 Dec. 2011 until the day of compiling this statement there were no other significant or extraordinary events in the operation of Makarony Polskie which are not reflected in this financial statement.

Note No. 39
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 include:

- real property, i.e. land, buildings, and civil engineering structures,
- acquired right of perpetual lease of land,
- 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 and legal 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.

The Group does not depreciate intangible and legal assets whose economic lifetime is unspecified. They are subject to annual impairment loss tests and analyses indicating any new factors for recognizing their economic life as specified

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.

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.

Materials, goods and finished products are moved from the inventory and sold at the price (cost) of asset components which were acquired (manufactured) by the entity first in accordance with the "first in first out" (FIFO) method.

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.

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 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. 40

Objectives and principles of financial risk management

The main financial instruments used by the Group include bank loans, factoring and cash. Their main purpose is to ensure financing for the Group's basic operations. The Groups also has other financial instruments, such a trade receivables and liabilities which arise directly in course of the conducted operations.

The main types of risk resulting from the financial instruments owned by the Group include the interest rate risk, liquidity risk and credit risk. Additionally the Group consistently monitors the risk involving market prices which is associated with all financial instruments owned by it.

Interest rate risk

Interest rate risk is the risk of incurring loss due to fluctuations in market interest rates and changes in the level of statutory interest rates. It is both the level of income and costs of the Group that is sensitive to the changing market interest rates.

To a significant extent the Group finances its operations by means of loans, which increases its sensitivity to the risk caused by the changing interest rates for both long and short-term financial liabilities.

Credit risk

Credit risk involves a hazard that the Group's clients will fail to fulfill their liabilities. In accordance with its policy the Group enters into transactions with partners whose credit reliability is well-proven; if necessary an adequate guarantee is obtained to reduce the risk of financial loss due to the partner's failure to comply with the contractual terms and conditions. The Group benefits from publicly available financial information and uses its on transaction data to assess the financial standing of its main clients. The Group consistently monitors the possibility of being exposed to credit risk due to its partners' lack of reliability; for this purpose crediting limits are regularly verified and approved by relevant inspection bodies within the Group.

The Group is not subject to significant credit risk related to an individual partner or a group of partners. While assessing the level of credit risk, affiliated entities are treated as one client of the Group.

Liquidity risk

Liquidity risk means that the Group may not have cash for covering its current liabilities and/or will not be able to obtain funds by realizing its assets or incurring new liabilities in order to cover its current and future liabilities. The process of liquidity risk management in the Group involves making projections for future cash flows, analyzing liquid assets in relation to cash flows as well as retaining access to various sources of financing.

To a growing extent the Group finances its operations by debt capital. The Group's liabilities result from deferred repayment terms for purchased materials, goods and services as well as from received credits. The necessity to repay the aforementioned liabilities and cover costs of current operations

may result in negative cash flows. The Group covers those from the positive cash flows resulting from its receivables portfolio and newly assumed financial liabilities, if necessary. Because of the number and complexity of assets and liabilities the schedules of positive and negative cash flows are not fully synchronized, which may lead to transient gaps in liquidity.

Note No. 41

Capital management

Capital management within the Group is mainly aimed at maintaining its credit rating as well as safe capital indexes which support its operational activities and increase its value for shareholders.

The Group manages its equity and introduces relevant changes in its structure in accordance with fluctuating economic circumstances.

The negative profitability of total assets and equity results from the loss incurred by the Group as of the end of 2011.

The main principle of financing in 2011 included an assumption that any involvement of a given financial institution in risk products must be extended simultaneously to all entities of the Group.

In 2011 the Group continued endeavours to regulate the sources of financing aimed at increasing their effectiveness and reducing their costs. The entities of the Group benefited from a wide range of financial instruments:

- bank loans – short and medium-term, as well as investment credits;
- receivables buy-out (factoring),
- leasing for fixed assets.

Due to the profile of its business the entities of the Group did not have to take advantage of derivative instruments (such as options, futures contracts, CIRS etc.).

Flexibility of the sources of financing was the main assumption, so that in the periods of financial surplus there was a decrease in the level of debts (loans in current accounts, the balance of receivables purchasing) and in the periods of greater demand for cash a stable level of financing for current operations was ensured. This approach is aimed at optimizing financial costs. Financing for new projects was based on investment loans (purchase of a line for pasta production, purchase of fixed assets for manufacturing Tenczynek brand goods) as well as operational leasing (purchase of means of transport). An increase in interest bearing debt in recent years was mainly connected with the implementation of an investment in the production plant in Rzeszów.

In 2011 there were no favourable conditions for entering into long-term contracts therefore long-term planning of business operations was hindered.

In 2011 the companies of the Group executed repayment of interest bearing liabilities in accordance with relevant schedules.

Note No. 42

Financial instruments

The most significant component of the Group's statement of financial standing includes financial instruments, which on the side of liabilities consist of trade liabilities, bank loans and liabilities due for factoring.

On the side of assets the specified financial instruments contain mainly receivables due for the delivery of products.

The Group does not use financial instruments for securing the values of assets and liabilities, therefore it does not apply formal hedge accounting. A detailed description of accounting principles and applied valuation methods for specific categories of financial assets and financial liabilities has been included in the section defining the principles of accounting, above.

The Group evaluates its financial assets and liabilities taking into consideration depreciated costs, which in the Group's opinion - due to the obtained margins, reflects their fair value. As of 31 December 2011 and 31 December 2010 the Group did not have financial assets or liabilities estimated in their fair value.

Note No. 43

Significant litigations held by courts, authorities conducting arbitration settlements or public administration bodies

In 2011 and until the day of compiling this statement Makarony Polskie Group was not subject to any pending significant litigations.

Note No. 44

Employment in Makarony Polskie Group

Employment as of:	**31.12.2011**	**31.12.2010**
Production	380	362
Administration	37	43
Sales	63	55
Total	**480**	**460**

Note No. 45

Remuneration of the auditing entity

The remuneration for the auditing entity - Deloitte Audyt Sp. z o.o.- for reviewing the separate and consolidated semi-annual report and for auditing the financial statement of Makarony Polskie S.A. and Makarony Polskie Group for 2011 totals at 70 thousand PLN.

The remuneration for auditing the financial statement of Stoczek Sp. z o.o. for 2011 amounts to 39 thousand PLN.

Deloitte Audyt Sp. z o.o. did not provide any other services to the Group.

Krzysztof Rubak
Vice-President of the Management Board

Paweł Nowakowski
President of the Management Board

Rzeszów, 20 March 2012