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## **MAKARONY POLSKIE CAPITAL GROUP**

### **ABBREVIATED CONSOLIDATED MID-YEAR FINANCIAL STATEMENT FOR THE 1ST QUARTER OF 2011**

RZESZÓW, 12 MAY 2011 General Information

**Abbreviated Consolidated Mid-Year Financial Statement of Makarony Polskie Group:**

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## **Introduction**

The data presented herein, in the Statement of the Financial Standing are shown in juxtaposition with comparable financial data as of 31 December 2010 published in the Consolidated/Stand-Alone 2010 Annual Report. The information presented in the Consolidated Statement of Comprehensive Income, and the Consolidated Statement of Cash Flows includes financial data for periods: from 1 January 2011 to 31 March 2011 and 1 January 2010 to 31 March 2010 (published in the Mid-year Statement for the 1st Quarter of 2010). The Statement of Changes in Equity shows comparable financial data for the period from 1 January 2010 to 31 December 2010 and 1 January 2010 to 31 March 2010.

The data is presented in accordance with the International Financial Reporting Standards.

Selected financial data in EUR are presented in accordance with § 91, clause 2 of the Ordinance of the Minister of Finance of 19 February 2009:

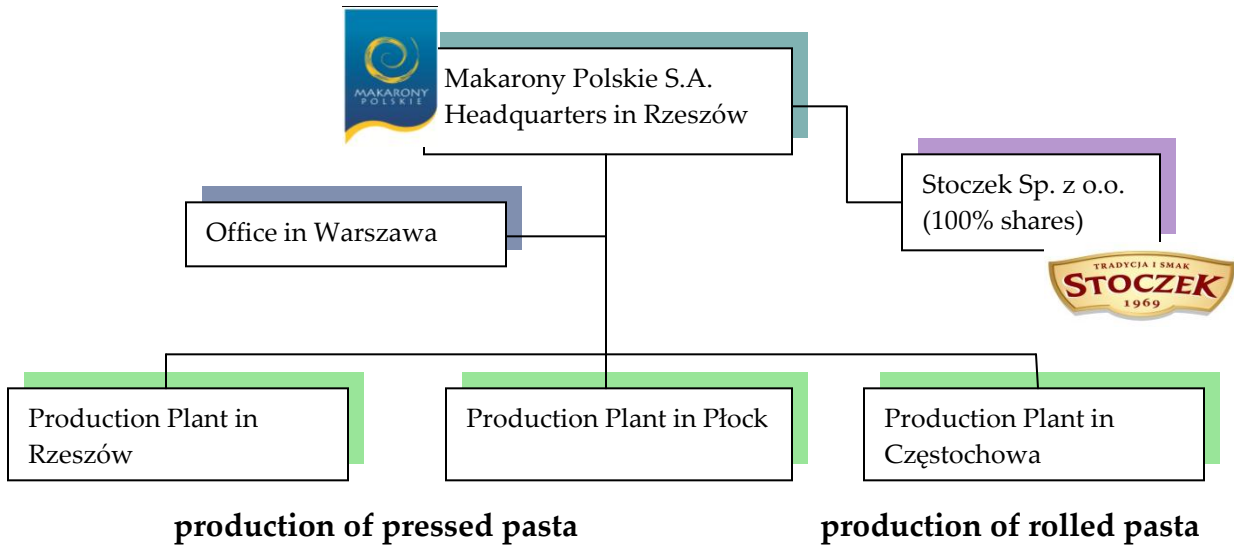
- ✓ balance sheet items were converted at the average FX rate announced by the National Bank of Poland (NBP) and binding as of the end of the reporting period (31 March 2011 - 1 EUR = 4.0119 PLN; 31 December 2010 - 1 EUR = 3.9603 PLN);
- ✓ items of the profit and loss account and cash flows were converted at the FX rate being arithmetic mean of the average FX rates defined by NBP as binding for the last day of each month during the period from 1 January to 30 September of the given year: during the 1st Quarter of 2011: 1 EUR = 3.9742 PLN and in the same period of 2010: 1 EUR = 3.9669 PLN.

The presented abbreviated mid-year Consolidated/Stand-alone Statement of the Financial Standing, mid-year Consolidated/Stand-alone Statement of Comprehensive Income, abbreviated mid-year Consolidated/Stand-alone Statement of Cash Flows and mid-year/Stand-alone abbreviated consolidated Statement of Changes in Equity were not reviewed by an auditor and were not subject to evaluation by an independent auditor.

This Abbreviated Consolidated Financial Statement was approved by the Management Board for publication on 12 May 2011.

## I. General Information

The structure of Makarony Polskie Capital Group as of 31 March 2011, and the day of submitting the statement:



As of 31 March 2011 Makarony Polskie Capital Group ("Group") consisted of two companies: Makarony Polskie S.A. ("Parent Company", "Company") and the subsidiary Stoczek Sp. z o.o. with a seat in Stoczek Łukowski.

Makarony Polskie S.A. conducts business within the pasta production and sale industry.

Stoczek Sp. z o.o. produces meat and vegetable preserves, processed fruit and vegetable, as well as products based on meat and animal fat. The transaction of purchasing 100% shares in Stoczek took place on 1 June 2007.

On 25 February 2011 Makarony Polskie S.A. acquired an Organized Part of an Enterprise from Gardenau. Owing to this transaction the Groups commercial offer has expanded to include products with the Tenczynek trademark – syrups, salads and pickled products, vegetable preserves, as well as jams and marmalades.

### **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](http://www.makarony.pl)

**Stoczek Sp. z o.o**

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

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

**KRS Number:** 0000050439

**Share capital:** 15 207 800 PLN

**Regon Number:** 711584640

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

[www.stoczek.com.pl](http://www.stoczek.com.pl)

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

**The Management Board of the Parent Company**

On 31 March 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,
- ✓ Marek Feruś – Vice- President of the Management Board,
- ✓ Krzysztof Rubak - Vice- President of the Management Board.

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

Management Board	Shares owned by members of the Management Board on the date of compiling stock exchange report for the 1st Quarter of 2011		Shares owned by members of the Management Board on the date of compiling stock exchange report for 2010	
	Number of shares	Nominal value	Number of shares	Nominal value
Paweł Nowakowski	218 066	654 198	218 066	654 198
Marek Feruś	-	-	-	-
Krzysztof Rubak	2 000	6 000	2 000	6 000

No changes occurred in the number of shares owned by the members of the Makarony Polskie S.A. Management Board during the 1st Quarter of 2011 and in the period preceding the publication of this Statement.

**The Supervisory Board of the Parent Company**

As of 1 January 2011, the Supervisory Board consisted of:

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

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Mr. Marek Jutkiewicz resigned from the function in the Supervisory Board as of 25 February 2011.

On 30 March 2011 the Extraordinary General Meeting of Makarony Polskie S.A. supplemented the membership of the Supervisory Board by re-electing Mr Marek Jutkiewicz.

On 31 March 2011 and on the day of disclosing this statement the Supervisory Board consisted of:

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

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

Supervisory Board	Shares owned by members of the Supervisory Board on the date of compiling stock exchange report for the 1st Quarter of 2011		Shares owned by members of the Supervisory Board on the date of compiling stock exchange report for the 2010	
	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 (Co-Chairman of the Supervisory Board) and his wife.

In accordance with information available to the Company, no changes occurred in the number of shares owned by the members of Makarony Polskie S.A. Supervisory Board during the 1st Quarter of 2011 and in the period preceding the publication of this Statement

### **The General Meeting of Makarony Polskie S.A.**

As of 31 March 2011 the share capital of Makarony Polskie S.A. was 27 750 213 PLN, and was divided in the following way:

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

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

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**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 Shareholders as of the publication date of the report:**

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 Słomkowsy	1 183 040	12.79%	1 183 040	12.79%
Marek Jutkiewicz	1 360 000	14.70%	1 360 000	14.70%
OFE Polsat	488 733	5.28%	488 733	5.28%
Others, including:	4 218 298	45.60%	4 218 298	45.60%
<b>TOTAL</b>	<b>9 250 071</b>	<b>100.00%</b>	<b>9 250 071</b>	<b>100.00%</b>

### **The Management Board of the Subsidiary Company**

Resulting from the resignation from the position of the President of the Management Board submitted on 1 March 2011 by Mr. Jacek Wilkoszewski, as of 31 March 2011 the position of the Vice-President of the Management Board of Stoczek Sp. z o.o. was held by Mr. Leszek Trzciński, who also exercised the duties of the Company's President of the Management Board.

As of the date of disclosing the Statement, the Management Board of Stoczek consists of one person, Mr. Leszek Trzciński being the President of the Management Board.

### **Basis for compiling the Financial Statements**

The Consolidated Financial Statements of Makarony Polskie Capital Group, including the parent company and the subsidiary company, have been prepared in compliance with the requirements set forth by the International Financial Reporting Standards (IFRS) which were published and approved by the European Union. IFRS include standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC). Detailed principles of accounting adopted by the Group have been described in the Group's Consolidated Financial Statement for the year ending on 31 December 2010 and published on 21 March 2011.

The Consolidated Financial Statements are prepared in compliance with the historic cost principle, with the exception of the financial assets and financial liabilities which are evaluated in accordance with their fair value. The Abbreviated Consolidated Financial Statement was compiled with the assumption of continued business activity by both the parent and the subsidiary company in the foreseeable future. There are no indicators of any threat to continuing operations of any of the Group's companies. During the period included in this Statement no significant activity was abandoned and there are no formal plans for abandoning any significant activities in neither of the companies constituting the Group.

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The financial statements of the entities constituting the capital group were compiled in Polish zloty and all the values presented in this financial statement, if not specified otherwise, are given in thousands of PLN. The consolidated and stand-alone statement of comprehensive income is presented by function of expenditure. Reporting period of the subsidiary company coincides with the reporting period of the parent company.

Capital adjustments included in the Consolidated Statement involve the elimination of specific items of proprietary capital of the subsidiary company in order to show the share of Makarony Polskie S.A. in the losses for the previous years, in the results of the current year and in determining the cost of merger and the value of the company.

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

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

### **Uncertainty of estimates**

Below the basic assumptions are presented with regard to the future and the 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:

- evaluation of goodwill/badwill;
- evaluation of loss reserve and revenues received as the settlement of contracts with the Agricultural Market Agency (while accounting for agency contracts the companies use the method of proportional settlement depending on the advancement of the product delivery and the sale of barley grains received as remuneration for such products). In order to use this method the companies are required to estimate the proportion of the deliveries which have not been executed to the value of the whole contract. The predicted overall loss on sale of products is calculated as the cost for the period in which it was recognized and it is accounted for in the following months relative to the level of delivery execution. The outcome of an agency contract results from the difference between the said loss on sale of the products and the gain on the sales of barley received as remuneration for the products.
- depreciation rates
- the loss on the assets' value
- deferred tax assets (the companies recognize the deferred tax assets making the assumption that in the future a taxable profit will be gained which will allow for using the asset. A decrease in the taxable results in the future can be the reason why this assumption becomes unjustified),
- impairment write-downs on fixed assets and receivables;



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## II. Selected Financial Data - Makarony Polskie Capital Group

Selected financial data	1st Quarter 2011	1st Quarter 2009	1st Quarter 2011 (thousand EUR)	1st Quarter (thousand EUR)
Net sales revenue on products, services, goods and materials	50 985	41 159	12 829	10 376
Profit (loss) from continuing operations	1 078	1 757	271	443
Gross profit (loss)	167	1 017	42	256
Net profit (loss) from continuing operation	-783	941	-197	237
Net cash flows from operating activities	8 795	11 267	2 213	2 840
Net cash flows from investing activities	-5 333	-398	-1 342	-100
Net cash flows from financing activities	-3 487	619	-878	156
Total net cash flows	-25	11 488	-6	2 896
Total assets ***	162 548	132 206	40 517	33 383
Liabilities and provisions for payables	98 815	67 690	24 630	17 092
Long-term liabilities ***	25 677	27 303	6 400	6 894
Short-term liabilities ***	73 138	40 387	18 230	10 198
Equity ***	63 733	64 516	15 886	16 291
Share capital ***	27 750	27 750	6 917	7 007
Number of shares as of the sheet balance day	9 250 071	9 250 071	9 250 071	9 250 071
Weighted average number of shares in the 1st quarter of a given year	9 250 071	9 250 071	9 250 071	9 250 071
Profit/loss per one ordinary share (in PLN/EUR)*	-0.08	0.10	-0.02	0.03
Book value per one share (in PLN/EUR)**	6.89	6.97	1.72	1.76

\*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.

\*\*\*Comparable data related to the statement of the financial standing, as of 31 December 2010.

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### III. Consolidated Statement of Financial Standing

<b>ASSETS</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>NON -CURRENT ASSETS</b>	<b>90 414</b>	<b>90 620</b>
Property, plant & equipment	77 748	77 912
Goodwill	5 946	5 946
Other intangible assets	4 990	4 990
Long-term financial assets	394	394
Deferred tax assets	1 135	1 186
Long-term prepayments and accruals	201	192
<b>CURRENT ASSETS</b>	<b>68 149</b>	<b>41 586</b>
Inventories	34 510	11 287
Short-term receivables	30 915	29 101
Corporate income tax receivables	320	196
Loans granted	162	101
Cash and cash equivalents	340	363
Short-term prepayments and accruals	1 902	538
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>3 985</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>162 548</b>	<b>132 206</b>

<b>EQUITY AND LIABILITIES</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>EQUITY</b>	<b>63 733</b>	<b>64 516</b>
Share capital	27 750	27 750
Other capital	33 839	33 839
Retained profit/loss (profit/loss from previous periods)	2 927	-243
Net profit	-783	3 170
<b>NON-CURRENT LIABILITIES</b>	<b>25 677</b>	<b>27 303</b>
Deferred tax provision	1 347	1 230
Long-term bank loans and borrowings	15 600	16 630
Provision for pension and similar (long-term) benefits	256	257
Long-term prepayments and accruals	7 063	7 550
Non-current liabilities from finance lease agreements	1 411	1 636
<b>CURRENT LIABILITIES</b>	<b>73 138</b>	<b>40 387</b>
Short-term bank loans and borrowings	7 531	9 320
Current financial liabilities	2 258	2 597
Other current liabilities	56 416	26 521
Short-term prepayments and accruals	1 716	1 720
Provision for pension and similar (short-term) benefits	95	132
Other short-term provisions	5 122	97
<b>TOTAL LIABILITIES</b>	<b>98 815</b>	<b>67 690</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>162 548</b>	<b>132 206</b>

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### IV. Consolidated Statement of Comprehensive Income

<b>FOR THE PERIOD</b>	<b>01.01. 2011- 31.03.2011</b>	<b>01.01. 2010- 31.03.2010</b>
<b>Net sales revenue</b>	<b>50 985</b>	<b>41 159</b>
Net sales revenue on products and services	29 367	26 666
Net sales revenue on goods and materials	21 618	14 493
<b>Prime costs</b>	<b>41 061</b>	<b>36 415</b>
Cost of manufacturing sold products and services	27 383	21 441
Value of sold goods and materials	13 678	14 974
<b>Gross sales profit (loss)</b>	<b>9 924</b>	<b>4 744</b>
Costs of sale	4 388	3 904
Costs of general governance	1 363	1 327
Other income	1 527	2 311
Other costs	4 622	67
<b>Profit (loss) on continuing operations</b>	<b>1 078</b>	<b>1 757</b>
Financial income	15	105
Financial costs	926	845
<b>Gross profit (loss)</b>	<b>167</b>	<b>1 017</b>
Income tax - current	782	-
Income tax - deferred	168	76
<b>Net profit (loss) on continuing operations</b>	<b>-783</b>	<b>941</b>

## V. Consolidated Statement of Cash Flows

<b>FOR THE PERIOD</b>	<b>01.01. 2011- 31.03.2011</b>	<b>01.01. 2010- 31.03.2010</b>
<b>Operating cash flows</b>		
<b>Profit/loss before tax</b>	<b>167</b>	<b>1 017</b>
<b>Adjustments by:</b>	<b>8 628</b>	<b>10 240</b>
Amortization and depreciation	1 556	1 348
Foreign exchange gains/losses	2	138
Interest costs and income	401	423
Investment profits/losses	-35	-18
Movements in provisions	4 974	291
Movements in inventories	-23 282	753
Movements in receivables	-1 814	-4 467
Movements in liabilities, prepayments and accruals	27 736	12 065
Paid/reimbursed corporate income tax	-906	-8
Other adjustments	-4	-
<b>Net operating cash flows</b>	<b>8 795</b>	<b>11 267</b>
<b>Investment cash flows</b>		
Inflows on the sale of fixed assets and intangible assets	15	8
Interest inflows	9	41
Outflows on the acquisition of tangible fixed assets, and intangible assets	-5 297	-431
Outflows on the acquisition of investment-related property	-	-16
Granted loans	-60	-
Other	-	-
<b>Net cash flows on investing activities</b>	<b>-5 333</b>	<b>-398</b>
<b>Cash flows on financing activities</b>		
Cash inflows from loans and borrowings	240	1 848
Repayment of loans and borrowings	-3 051	-614
Repayment of finance lease liabilities	-255	-216
Interest paid	-421	-399
Other cash inflows	-	-
<b>Net cash flows on financing activities</b>	<b>-3 487</b>	<b>619</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>-25</b>	<b>11 488</b>
<b>Cash, cash equivalents and loans in current account at the beginning of the period</b>	<b>363</b>	<b>938</b>
<b>Profit/loss on exchange rate differences related to the evaluation of cash, cash equivalents and loans in current account</b>	<b>2</b>	<b>101</b>
<b>Cash, cash equivalents and loans in current account at the end of the period</b>	<b>340</b>	<b>12 527</b>

## VI. Statement of Changes in Consolidated Equity

### From the period from 1 January 2011 to 31 March 2011

	Share capital	Other capitals	Current year loss	Profit/loss from previous years	Total
<b>As of 1 January 2011</b>	<b>27 750</b>	<b>33 839</b>	-	<b>2 927</b>	<b>64 516</b>
Profit distribution/covering losses	-	-	-	-	-
Loss for the period from 1 Jan. 2011 to 31 March 2011	-	-	-783	-	-783
<b>As of 31 March 2011</b>	<b>27 750</b>	<b>33 839</b>	<b>-783</b>	<b>2 927</b>	<b>63 733</b>

### From the period from 1 January 2010 to 31 December 2010

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

### From the period from 1 January 2010 to 31 March 2010

	Share capital	Other capitals	Current year profit	Loss from previous years	Total
<b>As of 1 January 2010</b>	<b>27 750</b>	<b>31 537</b>	-	<b>2 059</b>	<b>61 346</b>
Issue of shares	-	-	-	-	-
Profit distribution	-	-	-	-	-
Profit for the period from 1 Jan. 2010 to 31 March 2010	-	-	941	-	941
<b>As of 31 December 2009</b>	<b>27 750</b>	<b>31 537</b>	<b>941</b>	<b>2 059</b>	<b>62 287</b>

## **VII. Information on Makarony Polskie Group**

### **1. Contacts significantly impacting the Group's operation**

#### 1. Contract with Jeronimo Martins Dystrybucja Polska S.A.

Under the contract signed between Makarony Polskie S.A. and Jeronimo Martins Dystrybucja in 2004, as well as the subsequent annexes, the Company sells Dobrusia and Vitalia pastas to Biedronka retail chain. The revenues generated by Makarony Polskie S.A. under the contract with Jeronimo Martins Dystrybucja Polska S.A. in 2010 accounted for approximately 17% of the total annual revenues of the Company. The projected value of the Group's revenues under this Contact in 2011 will reach approx. 36 million PLN.

#### 2. Contact with Kaufland Chain

On 5 Nov. 2010 Makarony Polskie S.A. set forth new prices which will remain valid within the period from 15 Nov. 2010 until 31 Oct. 2011 in trade with Kaufland chain (Kaufland Polskie Markety Sp. z o.o., k., Kaufland Česká Republika, Kaufland Slovenská Republika and Kaufland Romania). The contract concerns the deliveries of Kaufland brand pasta to the Kaufland chain. Under other valid contracts, Makarony Polskie Group supplies Kaufland chain with pasta under Sorenti and Abak trademarks, and under Kaufland own trademark, as well as ready-made dishes under Stoczek and Kaufland trademarks. The total estimated value of the turnover under all contracts in force between Makarony Polskie Group and entities affiliated within Kaufland Group in 2011 will amount to approx. 17 million PLN.

#### 3. Contracts with the Agricultural Market Agency

The cooperation with ARR in 2011 is connected with the execution of contracts under the "Food aid programme for the European Union poorest people, 2011". The total value of contracts between Makarony Polskie Group and ARR in 2011 amounts to approx. 26.7 mln PLN and includes two contracts to be executed up to 31 December 2011:

- contract for the supply of pasta,
- contract for the supply of ready-made meals (kasha with goulash, and pasta with goulash).

The remuneration for the delivery of food products under the contract shall be in the form of barley grains held in intervention storage.

#### 4. Contract of the subsidiary company with Pamapol S.A.

In February 2011 the Management Board of Stoczek Sp z o.o. concluded a contract with Pamapol S.A. concerning intermediate supplies for the contract executed by Stoczek Sp. z o.o. with the Agricultural Market Agency, under the "Food aid programme for the European Union poorest people, 2011". The subject of the contract is the production and delivery of ready-made meals in the form of barley kasha with goulash by Pamapol S.A. on behalf of Stoczek Sp. z o.o. directly to the storage facilities of the Polish Food Banks Federation and Caritas Polska. The contract shall be executed in the time period from 1 March 2011 to 31 Dec. 2011. The total value of the services provided under the contract will amount to over 18 million PLN.

5. Contracts concerning sales of barley

The Companies of Makarony Polskie Group have received barley grains as remuneration under the contracts executed with the Agricultural Market Agency. The grains are treated by the Group as equivalent of money and successively sold under sales contracts concluded by the companies. These are one-time events. Details of concluded contracts are published in current reports of the Company. As of the date of disclosing this Statement the following contracts have been effected:

- on 17 Feb. 2011 the contract with Alfred C. Toepfer International (Poland) amounting to 15.8 million PLN;
- on 14 April 2011 the contract with Glencore Polska Sp. z o.o. amounting to 7.1 million PLN;
- on 9 April 2011 the subsidiary company Stoczek Sp. z o.o. concluded a contract with Agri Plus Sp. z o.o. amounting to 12.6 million PLN.

6. Contract between the subsidiary company and TDM Arrtrans S.A.

In February 2011 Stoczek sp. z o.o. concluded a contract with Towarowy Dom Maklerski Arrtrans S.A. with a seat in Łódź; The subject of the contract is the delivery of krupnik (barley soup) of the total net value 10.8 million PLN. The contract shall be executed in the period from March to December 2011.

7. Contract of acquisition for the Organized Part of the Enterprise "Tenczynek"

On 25 Feb. 2011 Makarony Polskie S.A. executed a contract with Gardenau Sp. z o.o. regarding the purchase of the Organized Part of the Enterprise "Tenczynek" ("OPE").

The value of the transaction is 3.1 million PLN. Gardenau Sp. z o.o. may receive an additional amount of 1 million PLN provided that the sales of Tenczynek brand products in the period from executing the said contract to the end of 2011 are not lower than 9.3 million PLN.

In accordance with the contract Makarony Polskie S.A. took over the following components of OPE:

- 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 (production lines for fruit syrup, production lines for salads, production lines for jams);
- selected inventories;

In accordance with the executed project the production is located in Stoczek Sp. z o.o. (the production plant in Stoczek Łukowski).

By the end of the first half of 2011 Makarony Polskie S.A. will sell the components of OPE Tenczynek to Stoczek at the purchase price.

8. Contract between Makarony Polskie S.A. and Mispol S.A. on activities aimed at the merger of the companies

On 22 Dec. 2010 Makarony Polskie S.A. and Mispol S.A. entered into an agreement on proceeding with activities aimed at the merger of the companies. The agreement sets forth a commitment made by the Parties to undertake activities aimed at the merger of Mispol and Makarony Polskie and at determining specific principles of operation and the strategy of the Group of companies established as a result of the merger.

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Due to significant changes which occurred in Mispol and Makarony Polskie, on 11 May 2011 the Management Boards of both companies signed an agreement on terminating the aforementioned contract. It will be possible to continue the process leading to the merger of the companies after issues of key importance for this process are clarified, including re-evaluation of both entities' goodwill.

## **2. Information on issuing, redemption and discharge of debt and equity securities**

In the 1st Quarter of 2011 the companies of Makarony Polskie Group did not issue, redeem or discharge debt and equity securities.

## **3. Information on changes in contingent liabilities and contingent assets which occurred after the end of the previous fiscal year**

The change in the in contingent liabilities and contingent assets which occurred after the end of the previous fiscal year:

<b>Off-balance sheet items</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>1. Contingent receivables</b>	<b>55 054</b>	<b>32 147</b>
1.1. From affiliates due to:	39 053	16 756
-received guarantees and warranties	35 853	13 596
-collaterals on property	3 200	3 200
1.2. From other entities due to:	16 001	15 151
-received guarantees and warranties	15 996	15 346
-promissory notes	5	5
<b>2. Contingent liabilities</b>	<b>50 403</b>	<b>28 146</b>
2.1. To affiliates, due to	50 403	28 146
-extended guarantees and warranties	35 853	13 596
-collaterals on property	14 550	14 550
2.2. To other entities, due to	-	-
-extended guarantees and warranties	-	-
<b>3. Other, due to</b>	<b>136 475</b>	<b>131 191</b>
-notes payable	84 096	55 157
-collaterals on property	67 032	76 032
<b>Total off-balance sheet items</b>	<b>-146 478</b>	<b>-127 191</b>



#### **4. Information on dividend paid or declared**

Pursuant to Art. 395 of the Commercial Companies Code, the Annual General Meeting is authorized to pass resolutions with regard to the profit distribution (or covering losses), and dividend payment. In line with the Articles of Incorporation, the Annual General Meeting should be held within 6 months following the end of each fiscal year.

The deadline for the dividend payment (art. 348 § 3 of the Commercial Companies Code) is specified by the ordinary general meeting of a public company by means of a resolution on the distribution of profit for the last fiscal year.

The Annual General Meeting of Makarony Polskie S.A. on 24 May 2011 shall take a decision concerning the allocation of the profit obtained in 2010. The Management Board has made a recommendation to the Supervisory Board on submitting a proposal for a Resolution to the Annual General Meeting concerning the allocation of the whole profit for the fiscal year 2010 for the supplementary capital.

#### **5. Significant achievements and failures during the period from 1 Jan. 2011 to the publication date of this Statement with a list of the major events related to them**

Detailed information on the factors impacting the obtained quarterly results and the perspectives for the following months have been described in the "**Commentary for the financial results**"

#### **6. Business Segments**

Due to the geographic distribution of its business Makarony Polskie Group distinguishes segments of domestic and export sales.

The description of sales taking into consideration the specific reporting segments has been included in the section "**Commentary for the financial results**".

#### **7. Information about going litigations related to the liabilities and receivables due for/from the parent company and the subsidiary company**

In the discussed reporting period no litigations were held in courts, relevant arbitration authorities, or public administration bodies related to the liabilities and receivables of Makarony Polskie S.A. and the subsidiary company whose overall value would be at least 10% of Makarony Polskie S.A. proprietary capital.

## 8. Cyclic and seasonal character of business

The operation of Makarony Polskie Group companies during a year does not have cyclic or seasonal quality.

Sales effected by Makarony Polskie S.A. are slightly lower in April, May and December; this is connected with the reduced number of shopping days due to holidays. The summer season is favourable for the sales of ready-made meals and fruit and vegetable preserves produced by Stoczek Sp. z o.o.

## 9. Description of transactions with affiliated entities

In the period from 1 January 2011 and 31 March 2011 Makarony Polskie S.A. and Stoczek Sp. z o.o. did not conclude single significant transactions exceeding the equivalent of 10% of the overall value of sales.

In the period covered by this Statement there were no significant transactions between the affiliated entities. The transactions between the affiliated entities were related to settling accounts due to sales and purchases. Makarony Polskie S.A. provided distribution and marketing services to Stoczek Sp. z o.o., in accordance with the strategy of reducing structural costs by centralizing certain functions of the Group. The total value of such transactions did not exceed 10% of the overall value of sales in each company. All contracts concluded between the Companies of the Group contain terms and conditions which do not differ from those generally accepted in the market.

Settlements among the affiliates

Affiliate	Sale to affiliates	
	For the period from 01.01. to 31.03.2011	For the period from 01.01. to 31.03.2010
Parent Company - Makarony Polskie S.A.	653	168

Affiliate	Amounts due from affiliates		Amounts due to affiliates	
	As of 31.03.2011	As of 31.12.2010	As of 31.03.2011	As of 31.12.2010
Parent Company - Makarony Polskie S.A.	2 440	287	1 357	1 357
- from/to Stoczek Sp. z o.o.	2 440	287	1 357	1 357

Affiliate	Sale to affiliates	
	For the period from 01.01. to 31.03.2011	For the period from 01.01. to 31.03.2011
Subsidiary Stoczek Sp. z o.o	2 314	585

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Affiliate	Amounts due from affiliates		Amounts due to affiliates	
	As of 31.03.2011	As of 31.12.2010	As of 31.03.2011	As of 31.12.2010
Subsidiary Stoczek Sp. z o.o	1 354	1 357	2 440	287
- from/to Makarony Polskie S.A.	1 354	1 357	2 440	287

Under an agreement between Makarony Polskie S.A. and Stoczek Sp. z o.o., effective as of 1 April 2011, Stoczek leased machines and equipment which Makarony Polskie S.A. had bought as part of an organized part of enterprise (OPE) Tenczynek. At the same time, in accordance with the said agreement Stoczek Sp. z o.o. shall pay a license fee for using the trademarks acquired by Makarony Polskie S.A. with the OPE Tenczynek. The level of the rent and license fee was determined taking into account the level of projected rate of depreciation of the leased equipment. In the case the aforementioned movable property and proprietary rights are sold by Makarony Polskie S.A. to Stoczek the agreed rent and license fees shall be credited to the sale price.

**10. Information on sureties for credit and loan and guarantees extended by Makarony Polskie S.A.**

Makarony Polskie S.A. has granted securities to the subsidiary company Stoczek Sp. z o.o. and their situation as of 31 March 2011 is presented below:

Foreign liabilities	Creditor's name	Amount of the security	Date of security	Validity period	Situation of the secured liability on the day of 31.03.2011
Surety for the credit in current account amounting to 2.0 million PLN	HSCB Bank Polska S.A.	3 000 thousand PLN	29.10.2009	28.02.2014	1 642 thousand PLN
Surety for the non-revolving credit amounting to 3.7 million PLN	HSBC Bank Polska S.A.	6 000 thousand PLN	29.10.2009	11.03.2016	2 350 thousand PLN
Surety for the multi-purpose line of credit amounting to 2.0 million PLN	Fortis Bank Polska S.A.	2 000 thousand PLN	29.12.2009	27.01.2020	1 928 thousand PLN
Surety on the credit in current account amounting to 1.2 million	Bank BGŻ. S.A.	1 200 thousand PLN	10.11.2010	12.08.2012	603 thousand PLN
Surety for the blank promissory note granted by Stoczek as performance bond for the Contract between Stoczek and Agricultural Market Agency.	Stu Ergo Hestia S.A.	23 653 thousand PLN	27.01.2011	30.04.2011	23 653 thousand PLN

Makarony Polskie S.A. shall not receive any remuneration for granting aforementioned sureties

### **11. Information on intended issuance of shares**

During the 1st Quarter of 2011 and in the period before the date of publishing this Statement the Company did not issue shares and it is not planning such operation in the near future.

### **12. Information on employment in the companies of Makarony Polaskie Group**

On 31 March 2011 the employment within Makarony Polskie Group was as follows:

- Makarony Polskie S.A. – 414 employees,
- Stoczek Sp. z o.o. – 94 employees

#### **Employment structure in Makarony Polskie Group**

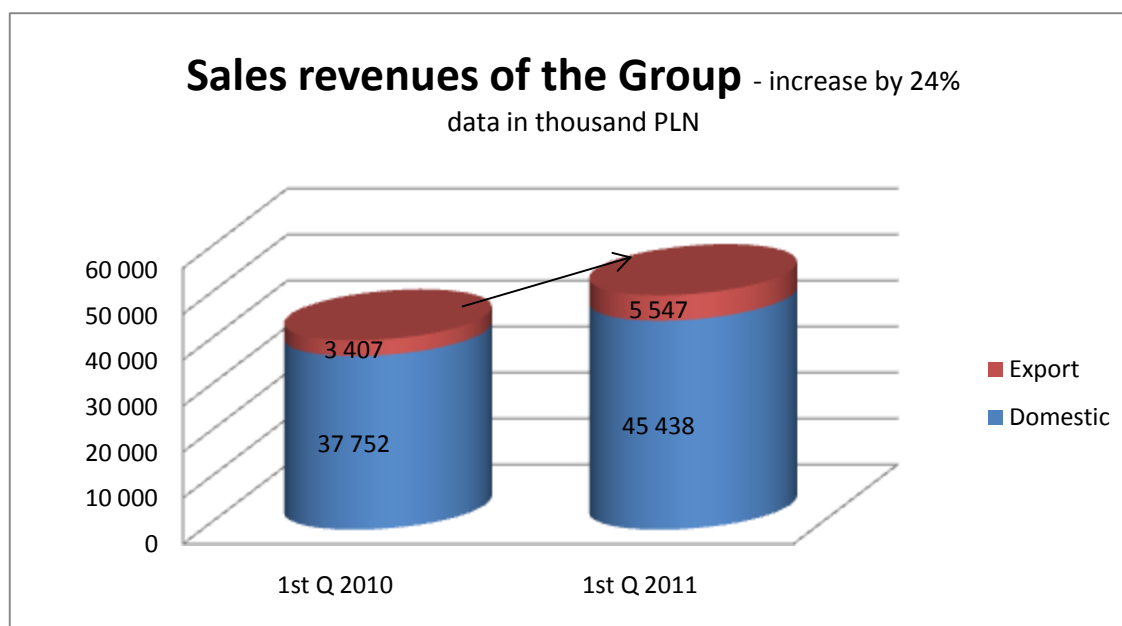
	<b>as of 31 March 2011</b>	<b>as of 31 December 2010</b>
Administration	39	36
Production	399	377
Sales	70	60
<b>Total number of employees</b>	<b>508</b>	<b>473</b>

## **VIII. Commentary for the financial results**

### **1. Sales Analysis**

#### **a. Sales Revenues Distribution According to Markets– Makarony Polskie Group**

In the 1st Quarter of 2011 Makarony Polskie Group generated sales amounting to 51.0 million PLN that is 24% more than in the same period of 2010. The most important event in the 1st Quarter 2011 resulting in the increased sale was the sale of food products (barley) amounting to 17.5 million PLN. After the correction taking into account the said amount the increase in sales in the 1st Quarter 2011 in comparison to the similar period of the previous year would be 17.3%. Makarony Polskie Group conducts sales mainly in the domestic market, which accounted for 89.1 % of the Group's sales revenues.



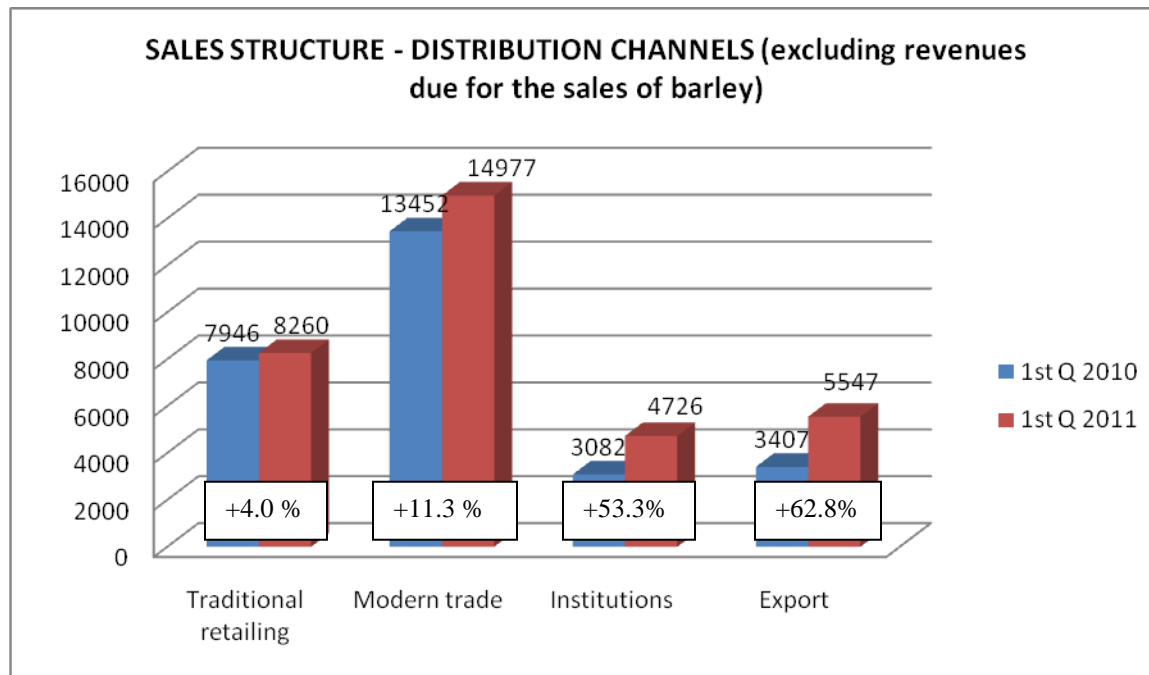
Export sales of the Group in the 1st Quarter 2011 amounted to 5.5 million PLN and were 62.8% higher than in the similar period of 2010.

#### **Domestic Market**

The value of domestic sales in the 1st Quarter of 2011 was 45.4 million PLN with an increase of 20.4 % as compared with the 1st Quarter of 2010.

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In 2011 some customers were transferred to different distribution channels. Due to this in order to retain comparability of results adequate corrections were made in revenues for the 1st Quarter of 2010.



Traditional Retailing

The Group's sales in traditional retailing systems in the 1st Quarter 2011 amounted to 8.3 million PLN, which is a 4% increase in comparison with the 1st Quarter of 2010. The Group is initiating endeavours to strengthen this channel of distribution.

Plans include expanding the range of products (that was the rationale for including Tenczynek brand products into the catalogue) and introducing products to new distributors.

Modern trade

In the 1st Quarter of 2011 the value of sales through modern trade amounted to 15.0 million PLN and was 11.3% higher than in the similar period of 2010. Makarony Polskie Group continues operations aimed at increasing the profitability of this distribution channel, mainly by expanding the number of customers and introducing brand products. Development of this distribution channel is connected with one-time expenditure decreasing the profitability in the initial stage of commerce.

Institutional sales

During 2011 the Group shall execute institutional deliveries of pasta (effected by Makarony Polskie S.A.) and ready-made meals (effected by Stoczek Sp. z o.o.) under the contracts with the Agricultural Market Agency. Additionally, Stoczek will execute a contract for the supply of barley soup concluded with TDM

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Arrtrans S.A. and deliveries of refreshment meals to such institutions as PKP, WARS and power supply plants. Besides the aforementioned the Group is executing sales of pasta and canned food under subcontracts with other manufacturers.

**Foreign Market**

Makarony Polskie Group exports its products to the following countries: Slovakia, Czech Republic, Germany, United Kingdom, Canada, USA, Lithuania, Ukraine, Latvia, Estonia, Australia, the Netherlands. The value of Makarony Polskie Group export sales in the 1st Quarter 2011 amounted to 5.5 million PLN, and was 62.8% higher than in the 1st Quarter of 2010, when it totalled at 3.4 million PLN.

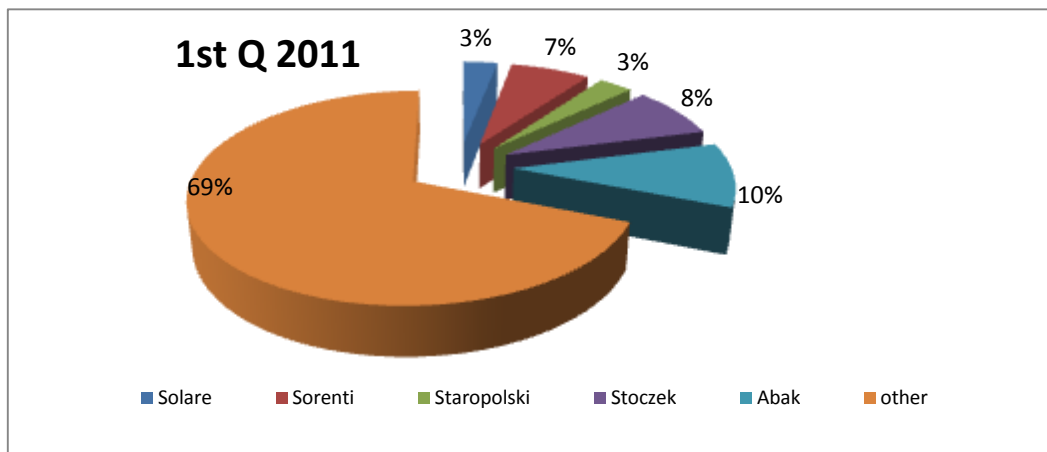
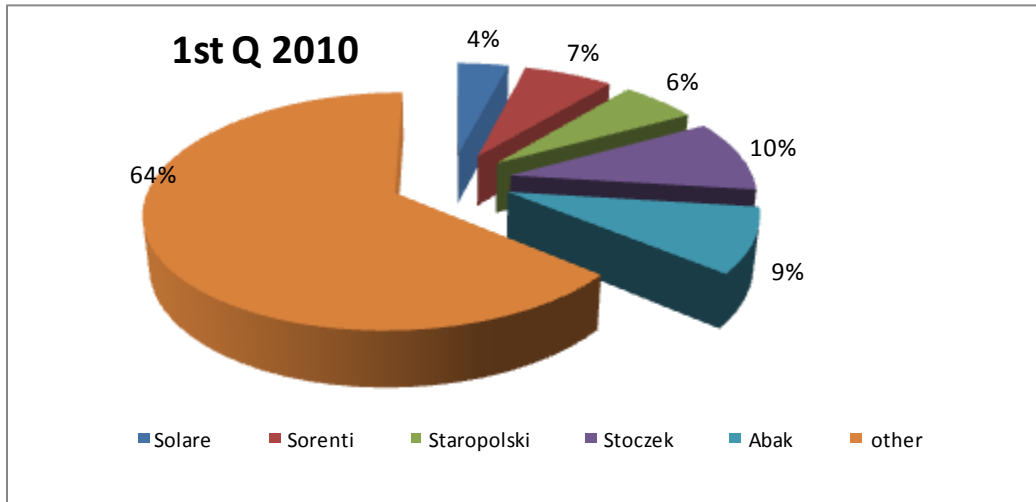


Makarony Polskie Group systematically expands its export. All undertakings result in obtaining new clients and increasing the volume of sales among the existing customers. Further growth of export is expected in the following periods.

**b. Sales revenues distribution according to the Company's own or other brands - Makarony Polskie Group**

Makarony Polskie Group continues to expand its brand products. During the 1st Quarter of 2011 sales of brand products amounted to 10.5 million PLN while in the 1st Quarter of 2010 they totalled at 10.4 million PLN. Sales of brand products in the 1st Quarter 2011 accounted for 31% of the total revenues of the Group (excluding revenues from sales of raw materials in comparable periods).

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The Group slightly increased share of its brand products in the total volume of trade with a simultaneous growth of overall sales revenues.

**Pasta Brands: Sorenti, Abak, Staropolski, Solare,**

Sales revenues for brand pastas in the 1st Quarter 2011 amounted to 7.9 mln PLN, which was an increase of 0.5 mln PLN compared with the same period of the previous year, a growth by 6.4%.

**Stoczek Brand**

Stoczek brand products include: Zamojskie-style and beef meat stew in broth, Breton beans, hunter-style bigos, meatballs, stuffed cabbage, goulache, and high-sugar and low-sugar jams.

In the 1st Quarter 2011 the value of sales of Stoczek brand products was 7% lower than in the 1st Quarter of 2010 and totalled at 2.6 mln PLN.



## 2. Analysis of the financial statement

### 2.1 Consolidated Statement of Makarony Polskie Group

Makarony Polskie Group	1st Quarter 2011	1st Quarter of 2010	change %
Revenue from sales of products, services, goods and materials	50 985	41 159	23.87%
Revenue from sales of products, services, goods and materials (excluding sales of barley)	33 511	28 566	17.31%
Costs of products, services, goods and materials which were sold	41 061	36 415	12.76%
Gross profit on sales	9 924	4 744	109.19%
Costs of sales	4 388	3 904	12.40%
General administrative costs	1 363	1 327	2.71%
Depreciation	1 555	1 348	15.36%
EBIT	1 078	1 757	-38.65%
EBITDA	2 633	3 105	-15.20%
Gross profit	167	1 017	-83.58
Nett profit	-783	941	-183.21%
Return on EBIT	2.11%	4.27%	
Return on EBITDA	5.16%	7.54%	
Gross return on sales	0.33%	2.47%	
Nett return on sales	-1.54%	2.29%	
<b>RATES CORRECTED TAKING INTO ACCOUNT BARLEY SALES</b>			
Return on EBIT	3.22%	6.15%	
Return on EBITDA	7.86%	10.87%	
Gross return on sales	0.50%	3.56%	
Nett return on sales	-2.34%	3.29%	

In the 1st Quarter the Group obtained sales revenues amounting to 51.0 million PLN which is a 23,9% increase in comparison with the similar period of 2010. An essential one-time event in the 1st Quarter this year having impact on such significant difference was the sale of goods (barley) at the amount of 17.5 million PLN. After the correction of revenues taking into account the said amount, the increase in sales in the 1st Quarter 2011 as compared with the similar period of 2010 would amount to 17.3%.

The Group continues implementing the strategy of minimizing costs related to raw materials and the organization, that is exemplified by the costs of sale and general administrative costs – the rate of their growth is lower than the corrected rate of sales increase.

Net loss in the Group amounted to 783 thousand PLN, as compared to the profit in the 1st Quarter 2010 totalling at 941 thousand PLN. This was mainly caused by the same factors which determined results of the Group in the 4th Quarter 2010, most importantly the rapid growth of prices for raw materials. The preventive actions taken and executed by the Group, including the series of price rises for the Group's products shows an improvement in terms of profitability at the level of gross profit (in comparison with

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the 4th Quarter 2010). Due to the fact that the actual effects of increased prices are visible with a delay we expect the net result should improve starting in the 2nd Quarter.

In the 1st Quarter two Customers exceeded the 10% share in overall sales revenues:

-Jeronimo Martins Dystrybucja S.A. (the owner of Biedronka retail chain) – 14.3% share

-Alfred C. Toepfer International Poland Sp. z o.o. (the transaction involving the sale of food product – barley – received as remuneration towards the contract with the Agricultural Market Agency) – 33.4% share.

Makarony Polskie S.A. and Stoczek Sp. z o.o. do not have any formal ties with the aforementioned entities other than trade contracts.

In the 1st Quarter of 2011 Makarony Polskie Group effected sales in the following basic reporting segment and obtained the following sales revenues:

<b>Makarony Polskie Group sales</b>	<b>1st Quarter 2011</b>	<b>1st Quarter of 2010</b>
Pasta	26 675	24 196
Ready-made meals, preserved food	5 929	3 671
Jams	625	280
Raw materials	17 474	12 593
Other	282	419
<b>Total</b>	<b>50 985</b>	<b>41 159</b>
<b>Total – excluding sales of raw materials</b>	<b>33 511</b>	<b>28 566</b>

Pasta products constitute the largest part of the Group's overall sales – accounting for 52.3% of the total revenue and 79.6% of the sales revenues for the Group's products – the quarterly value of pasta sales increased by 10.2% reaching the amount of 26.7 million PLN in comparison with the similar period last year.

The most rapid growth – 65.9% - was noted in the segment of ready-made meals and fruit and vegetable preserves. The value of the sales in this segment in the 1st Quarter of 2011 totalled at 6.6 million PLN compared with 3.9 million PLN in the similar period of 2010. Therefore the share of this segment within the overall sales grew from 9.6% in the 1st Quarter of 2010 to 12.9%, and in the revenues from sales of the Group's products from 13.8% in the 1st Quarter 2010 to 19.6%. This trend is expected to continue, among others due to the fact that starting with the 2nd Quarter the catalogue of the Group will be expanded to include Tenczynek brand products.

The increase in sales revenues (without taking into account the revenues for sales of raw materials) results from the operations of Makarony Polskie Group focusing on changing the sales portfolio, reducing

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the number of one-time contracts, introducing brand products whose profitability is higher, and expanding long-term cooperation with clients. Additionally, Stoczek Company introduced a more restrictive employment policy in order to reduce the production costs.

The Group continues to implement the strategy for minimizing costs of raw materials and those related to the organization. At the same time the size of production was expanded which allowed for reducing fixed unit costs. Stoczek and Makarony Polskie are planning to increase sales by introducing new products to the market which will allow for a further reduction of fixed unit costs.

Accounting for the results obtained by the companies of Makarony Polskie Group under the contracts with the Agricultural Market Agency

The contracts between the Agricultural Market Agency and Makarony Polskie S.A./ Stoczek Sp. z o.o. in 2011, amounting to 26.7 million PLN, include:

- a) sales of spiral pasta by Makarony Polskie S.A.

In the 1st Quarter 2011 the sales were effected for approximately 5% of contracted pasta and 74% of barley. In accordance with the provisions of the contract sales of barley under the said contract shall be concluded by the end of the 1st half of 2011.

- b) sales of ready-made meals by Stoczek Sp. z o.o.. In the 1st Quarter 2011 the sales were effected for 13% of the contracted products.
- c) sales of pasta with goulache by the subsidiary company. In the 1st Quarter 2011 the sales were effected for nearly 16% of the product.

Remuneration under this contract is in the form of barley grains. Sales of barley will be concluded by the end of July 2011 and the deliveries of products will be concluded by the end of December 2011.

Considering the remuneration for product deliveries – which has the form of barley grains - Makarony Polskie Group accounts for the results achieved under specific contracts as the sum of profits and losses generated through sales of the products and raw materials. Due to the high prices of raw materials the Company expects losses in the sales of products and gains in the sales of barley grains – which will compensate for the losses related to products and allow to achieve the assumed levels of mark-up. Taking into consideration the different timing of sales of products and sales of barley, Costs are charged with accounting provisions related to expected losses in the sales of products, and similarly the value of barley which has not been sold yet and is related to the executed product deliveries is adjusted to the market prices (according to the prices of concluded sales transactions). The accounting provision for losses on sales of pasta, calculated for the whole 2011, is included in item "Other costs" in the Statement of Comprehensive Income and in the 1st Quarter 2011 amounted to **4 372 thousand PLN**. Similarly, in Stoczek the result obtained in the sale of barley in comparison with the effected sales of ready-made meals was included in the item "Other incomes" in the Statement of Comprehensive Income and as of the end of the 1st Quarter amounted to **944 thousand PLN**.

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<b>Consolidated Statement of Financial Standing</b>		<b>31 March 2011</b>	<b>31 Dec. 2010</b>	<b>Change %</b>
<b>A.</b>	<b>FIXED ASSETS</b>	<b>90 414</b>	<b>90 620</b>	<b>-0.23%</b>
1.	Tangible fixed assets	77 748	77 912	-0.21%
2.	Goodwill	5 946	5 946	0.00%
3.	Other intangibles	4 990	4 990	0.00%
4.	Long-term financial assets	394	394	0.00%
5.	Deferred income tax assets	1 135	1 186	-4.30%
6.	Long-term prepayments	201	192	4.69%
<b>B.</b>	<b>CURRENT ASSETS</b>	<b>68 149</b>	<b>41 586</b>	<b>63.87%</b>
1.	Inventories	34 510	11 287	205.75%
2.	Short-term receivables	30 915	29 101	6.23%
3.	Receivables from income tax	320	196	63.27%
4.	Loans and receivables payable	162	101	60.40%
5.	Cash and its equivalents	340	363	-6.34%
6.	Short-term prepayments	1 902	538	253.53%
<b>C.</b>	<b>FIXED ASSETS DESIGNATED FOR SALE</b>	<b>3 985</b>	<b>-</b>	<b>-</b>
	<b>TOTAL ASSETS</b>	<b>162 548</b>	<b>132 206</b>	<b>22.95%</b>

<b>Consolidated Statement of Financial Standing</b>		<b>31 March 2011</b>	<b>31 Dec. 2010</b>	<b>Change %</b>
<b>A.</b>	<b>EQUITY CAPITAL</b>	<b>63 733</b>	<b>64 516</b>	<b>-1.21%</b>
1.	Nominal capital	27 750	27 750	0.00%
2.	Other capitals	33 839	33 839	0.00%
3.	Profit/loss from the previous years	2 927	-243	-1 304.53%
4.	Nett loss	-783	3 170	-124.70%
<b>I.</b>	<b>LONG-TERM LIABILITIES</b>	<b>25 677</b>	<b>27 303</b>	<b>-5.96%</b>
1.	Deferred tax reserve	1 347	1 230	9.51%
2.	Long-term bank credit and loans	15 600	16 630	-6.19%
3.	Reserve for pensions and similar obligations (long-term)	256	257	-0.39%
4.	Long-term prepayments	7 063	7 550	6.45%
5.	Long-term financial leasing contract liabilities	1 411	1 636	-13.75%
<b>II.</b>	<b>SHORT-TERM LIABILITIES</b>	<b>73 138</b>	<b>40 387</b>	<b>81.09%</b>
1.	Short-term bank credit and loans	7 531	9 320	-19.20%
2.	Short-term financial liabilities (from leasing and factoring)	2 258	2 597	-13.05%
3.	Other short-term liabilities	56 416	26 521	112.72%
4.	Short-term prepayments	1 716	1 720	-0.23%
5.	Reserve for pensions and similar obligations (short-term)	95	132	-28.03%
6.	Other short-term reserve	5 122	97	5 180.41%
<b>B.</b>	<b>TOTAL LIABILITIES</b>	<b>98 815</b>	<b>67 690</b>	<b>45.98%</b>
	<b>TOTAL LIABILITIES</b>	<b>162 548</b>	<b>132 206</b>	<b>22.95%</b>

The value of the Group's assets at the end of the 1st Quarter 2011 in comparison with the end of 2010 increased by 22.9% from 132.2 million PLN to 162.5 million PLN

The basic component of assets are tangible fixed assets of 77.7 million PLN. This is a characteristic phenomenon for the type of production entities such as those comprised in the Group.

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**(in thousand PLN)**

The increase in the value of assets resulted mainly from the increase in the current assets – inventories and assets designated for sale. The growth in volume of inventories is a result of including the value of the raw material (barley) received as remuneration under the contracts with the Agricultural Market Agency.

The item "Assets designated for sale" contains selected components of the Organized Part of Tenczynek Enterprise to be sold to the subsidiary company in the 2nd Quarter of 2011.

The main reason for the increase in the liabilities is the growth in the short-term liabilities and other reserves. The level of liabilities grew as a result of obligations under the contracts with the Agricultural Market Agency – the liabilities resulting from barley received as an advance payment towards the future deliveries. The item "Other short-term reserves" includes the accounting provision for losses on the sale of products under the agency contract (see: commentary page 27).

### **3. The opinion of the Management Board on the possibility of achieving the projected results published earlier**

Financial projections for Makarony Polskie Capital Group for 2011 were compiled in accordance with the financial plan approved by the Supervisory Board of the Company and were published on 14 March 2011. The table below show the essential components of the projection and the level of their implementation.

<b>Makarony Polskie Group</b>	<b>Prognosis 2011</b>	<b>1st Quarter 2011</b>	<b>Implementation</b>
Revenue from sales of products, services, goods and materials	216 550	50 985	23.54%
Gross profit on sales	36 500	9 924	27.19%
EBIT	9 420	1 078	11.44%
EBITDA	14 240	2 633	18.49%
Net profit	6 480	-783	-

The gross result of Makarony Polskie Group for the 1st Quarter of 2011 was 167 thousand PLN.

The result for the 1st Quarter is consistent with the adopted financial plan for 2011. The Plan assumed an increase in the prices of both raw materials and the Group's products in the 1st Quarter. Potential risks for achieving the projected results include the possibility of retaining the increased prices for raw materials in the 2nd Quarter and following the harvest. The Management Board maintains the projections published in Current Report No. 14/2011 of 14 March 2011.

#### **4. Factors significantly impacting financial results in the 2nd Quarter of 2011 and the following periods**

The following factors will have major impact on the financial results in the upcoming periods:

- increase in the Group's sales in all distribution channels;
- efficient introduction of new products and implementation of marketing plans, particularly those related to Tenczynek brand products included in the Group's portfolio as a result of the acquisition of an organized part of an enterprise;
- level of prices for strategic raw materials – mainly flour as the basic material impacting the profitability of pasta products, and the ability to incorporate the increased costs of raw materials into the prices of products;
- optimal adjustments of production costs;
- expanding the sales teams in the traditional retailing and modern trade channels, and executing new contracts concluded and negotiated during the 1st Quarter 2011.
- acquisitions.

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**IX. Selected Stand-Alone Financial Data – Makarony Polskie S.A.**

<b>Selected financial data</b>	<b>1st Quarter 2011</b>	<b>1st Quarter 2010</b>	<b>1st Quarter 2011 (in thousand EUR)</b>	<b>1st Quarter 2010 (in thousand EUR)</b>
1 Net sales revenue on products, services, goods and materials	45 538	37 232	11 458	9 386
2 Profit (loss) from continuing operations	1 129	2 045	284	516
3 Gross profit (loss)	522	1 454	131	367
4 Net profit (loss) from continuing operation	-401	1 378	-101	347
5 Net cash flows from operating activities	7 448	10 252	1 874	2 584
6 Net cash flows from investing activities	-5 101	-415	-1 284	-105
7 Net cash flows from financing activities	-2 278	807	-573	203
8 Total net cash flows	69	10 644	17	2 683
9 Total assets ***	129 062	117 705	32 170	29 721
10 Liabilities and provisions for payables***	67 664	55 907	16 866	14 117
11 Long-term liabilities ***	19 882	20 442	4 956	5 162
12 Short-term liabilities ***	47 782	35 465	11 910	8 955
13 Equity ***	61 398	61 798	15 304	15 604
14 Share capital ***	27 750	27 750	6 917	7 007
15 Number of shares	9 250 071	9 250 071	9 250 071	9 250 071
16 Weighted average number of shares in a given fiscal year	9 250 071	9 250 071	9 250 071	9 250 071
17 Profit/loss per one ordinary share (in PLN/EUR)*	-0.04	0.15	-0.01	0.04
18 Book value per one share (in PLN/EUR)**	6.64	6.68	1.65	1.69

\*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 data related to the statement of the financial standing as of 31 Dec. 2010.

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**X. Statement of the Financial Standing - Makarony Polskie S.A.**

<b>ASSETS</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>NON -CURRENT ASSETS</b>	<b>82 064</b>	<b>82 172</b>
Property, plant & equipment	55 722	55 806
Other intangible assets	4 964	4 958
Long-term financial assets	20 972	20 972
Deferred tax assets	205	244
Long-term prepayments and accruals	201	192
<b>CURRENT ASSETS</b>	<b>43 013</b>	<b>35 533</b>
Inventories	13 492	8 947
Short-term receivables	28 129	25 626
Corporate income tax receivables	320	196
Granted loans	162	101
Cash and cash equivalents	318	247
Short-term prepayments and accruals	592	416
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>3 985</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>129 062</b>	<b>117 705</b>
<b>EQUITY AND LIABILITIES</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
<b>EQUITY</b>	<b>61 398</b>	<b>61 798</b>
Share capital	27 750	27 750
Other capital	33 770	33 769
Retained profit/loss (profit/loss from previous periods)	279	-
Net profit	-401	279
<b>NON-CURRENT LIABILITIES</b>	<b>19 882</b>	<b>20 442</b>
Deferred tax provision	1 237	1 135
Long-term bank loans and borrowings	10 265	10 242
Provision for pension and similar (long-term) benefits	207	207
Long-term prepayments and accruals	7 063	7 551
Non-current liabilities from finance lease agreements	1 110	1 307
<b>CURRENT LIABILITIES</b>	<b>47 782</b>	<b>35 465</b>
Short-term bank loans and borrowings	6 343	8 122
Current financial liabilities	2 153	2 495
Other current liabilities	-	23 047
Short-term prepayments and accruals	32 492	1 720
Provision for pension and similar (short-term) benefits	1 716	56
Other short-term provisions	56	25
<b>TOTAL LIABILITIES</b>	<b>5 022</b>	<b>55 907</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>67 664</b>	<b>117 705</b>



## XI. Statement of Comprehensive Income - Makarony Polskie S.A.

<b>FOR THE PERIOD</b>	<b>01.01. 2011- 31.03.2011</b>	<b>01.01. 2010- 31.03. 2010</b>
<b>Net sales revenue</b>	<b>45 538</b>	<b>37 232</b>
Net sales revenue on products and services	26 924	23 265
Net sales revenue on goods and materials	18 614	13 967
<b>Prime costs</b>	<b>34 974</b>	<b>32 739</b>
Cost of manufacturing sold products and services	24 402	17 868
Value of sold goods and materials	10 572	14 872
<b>Gross sales profit (loss)</b>	<b>10 564</b>	<b>4 493</b>
Costs of sale	4 286	3 457
Costs of general governance	1 117	1 144
Other income	545	2 184
Other costs	4 577	32
<b>Profit (loss) on continuing operations</b>	<b>1 129</b>	<b>2 045</b>
Financial income	13	88
Financial costs	620	678
<b>Gross profit (loss)</b>	<b>522</b>	<b>1 454</b>
Income tax - current	782	-
Income tax - deferred	141	76
<b>Net profit (loss) on continuing operations</b>	<b>-401</b>	<b>1 378</b>

## XII. Statement of Cash Flows in Makarony Polskie S.A. - Indirect Method

<b>FOR THE PERIOD</b>	<b>01.01. 2011- 31.03.2011</b>	<b>01.01. 2010- 31.03. 2010</b>
<b>Operating cash flows</b>		
<b>Profit before tax</b>	<b>522</b>	<b>1 454</b>
<b>Adjustments by:</b>	<b>6 926</b>	<b>8 798</b>
Depreciation	1 145	964
Foreign exchange gains/losses	-2	-101
Interest costs and income	279	257
Investment profits/losses	-1	-5
Movements in provisions	4 997	278
Movements in inventories	-4 545	717
Movements in receivables	-2 502	-4 136
Movements in liabilities, prepayments and accruals	8 461	10 832
Paid/reimbursed corporate income tax	-906	-8
Other adjustments	-	-
<b>Net operating cash flows</b>	<b>7 448</b>	<b>10 252</b>

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<b>Investment cash flows</b>		
Inflows on the sale of fixed assets and intangible assets	4	5
Interest inflows	9	41
Outflows on the acquisition of investment property	-	-16
Granted loans	-60	-
Other	-	-
<b>Net cash flows on investing activities</b>	<b>-5 101</b>	<b>-415</b>
<b>Cash flows on financing activities</b>		
Cash inflows from loans and borrowings	240	1 545
Repayment of loans and borrowings	-1 998	-323
Repayment of finance lease liabilities	-230	-146
Interest paid	-290	-269
Other cash inflows	-	-
<b>Net cash flows on financing activities</b>	<b>-2 278</b>	<b>807</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>69</b>	<b>10 644</b>
<b>Cash, cash equivalents and loans in current account at the beginning of the period</b>	<b>247</b>	<b>726</b>
<b>Profit/loss on exchange rate differences related to the evaluation of cash, cash equivalents and loans in current account</b>	<b>2</b>	<b>101</b>
<b>Cash, cash equivalents and loans in current account at the end of the period</b>	<b>318</b>	<b>11 471</b>

### XIII. Statement of Changes in Equity of Makarony Polskie S.A.

#### From the period from 1 January 2011 to 31 March 2011

	Share capital	Other capitals	Current year profit	Profit/loss from previous years	Total
<b>As of 1 January 2010</b>	<b>27 750</b>	<b>33 769</b>	-	<b>279</b>	<b>61 798</b>
Profit distribution/covering losses	-	-	-	-	-
Loss for the period from 01.01.2011 to 31.03.2011	-	-	-401	-	-401
<b>As of 31 December 2010</b>	<b>27 750</b>	<b>33 769</b>	<b>-401</b>	-	<b>61 398</b>

#### From the period from 1 January 2010 to 31 December 2010

	Share capital	Other capitals	Current year profit	Profit/loss from previous years	Total
<b>As of 1 January 2010</b>	<b>27 750</b>	<b>31 537</b>	-	<b>2 232</b>	<b>61 519</b>
Profit distribution/covering losses	-	2 232	-	-2 232	-
Net profit in 2010	-	-	279	-	279
<b>As of 31 December 2010</b>	<b>27 750</b>	<b>33 769</b>	<b>279</b>	-	<b>61 798</b>

#### From the period from 1 January 2010 to 31 March 2010

	Share capital	Other capitals	Current year profit	Profit/loss from previous years	Total
<b>As of 1 January 2010</b>	<b>27 750</b>	<b>31 537</b>	-	<b>2 232</b>	<b>61 519</b>
<b>Share issuance</b>	-	-	-	-	-
Profit distribution/covering losses	-	-	-	-	-
Net profit	-	-	1 378	-	1 378
<b>As of 31 March 2010</b>	<b>27 750</b>	<b>31 537</b>	<b>1 378</b>	<b>2 232</b>	<b>62 897</b>

Marek Feruś  
Vice- President of  
the Management Board

Krzysztof Rubak  
Vice- President of  
the Management Board

Paweł Nowakowski  
President of  
the Management Board

Rzeszów 12 May 2011