



**DIRECTORS' REPORT ON OPERATIONS OF
THE GOBARTO S.A. GROUP**

FOR THE 12-MONTH PERIOD ENDED ON 31 DECEMBER 2017



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A. Information on organizational and equity relations of the GOBARTO S.A. Company with other entities and description of its major national and foreign investments

The GOBARTO S.A. Group is a vertically integrated holding operating in the meat business focusing on pig farming, purchase, slaughtering and cutting and packaging of pork in many assortments. The production and trade sphere is a key part of the Group's operations. In parallel, the Group conducts trading activities in the distribution of raw meat and meat products and intermediation in the trade. Moreover, companies from the agricultural segment are active in the plant production business.

As a part of the business integration of the Group, GOBARTO S.A. is segmenting its operating activities. The breakdown by segments was compiled based on types of products and services. All companies belonging to the GOBARTO S.A. Group of Companies have been assigned to five segments: raw meat and cured meat products, processing, pigs, cereals and other operations.

At present GOBARTO S.A. is a subsidiary of CEDROB S.A., the majority shareholder of the Company. As of 21 March 2018, Cedrob S.A. held 23,368,888 shares of GOBARTO S.A., which represent 84.06% of the share capital of GOBARTO S.A.

RAW MEAT AND CURED MEAT PRODUCTS segment

- **GOBARTO S.A.** - (up to 7 October 2016 under the business name of PKM DUDA S.A.) is the parent company of the GOBARTO S.A. Group. The Company operates in the pork meat sector. Its main operations concentrate on purchasing, slaughtering and cutting meat that in numerous assortments gets to recipients all over Poland and to customers in over a dozen of European and Asian countries. The production & trading activity of the Company is complemented with service operations in respect of freezing, storing and transporting food products that require specialist cooling equipment. The production plant is located in Grąbkowo (Wielkopolskie Province) and has annual slaughtering output of about 1 million animals.

As a part of the Raw Meat and Cured Meat Products segment, the Company is a consequent developer of the distribution activity and it is one of the largest Polish vendors of raw meat and cured meat products for the traditional retail sale. The Company has Distribution Centers located in: Warsaw, Poznań, Kraków, Katowice, Radom, Lublin and Gdańsk.

- **GOBARTO Dziczyna Sp. z o.o.** - is involved in purchasing and processing of game and in selling the meat all over Poland and on the EU markets. The main game processing facility is located in Karolinki in the Wielkopolska Province. The plant ensures appropriate sanitary and veterinarian conditions in keeping with the market standards, and the procedures applied guarantee high and continuous quality of products.
- **NetBrokers Polska Sp. z o.o. S.K.** – the trading operations have been the company's leading activity since 2003 – as an importer NetBrokers has become a leading supplier of fresh pork onto the Polish market for cutting plants and processing plants as well as of fresh minced meat for the needs of the retail market. Additionally, it has been the largest in Poland internet platform directed at companies operating on the agricultural & food market, whose mission is to supply industry-specific information and offering an application that enables placing trading offers for selling and purchasing goods.
- **Bekpol Sp. z o.o.** – is a company dealing with wholesale of meat, cured meat products and poultry. It has been operating in the market since 1993, and it has been a member of the GOBARTO Group since January 2017.
- **Meat-Pac Sp. z o.o.** – the company's leading business is the cutting of poultry meat.
- **Jama Sp. z o.o.** – is a company dealing with wholesale of meat, cured meat products and poultry. It has been a member of the Gobarto Group of Companies since November 2017.

PROCESSING segment

This segment is composed of the Silesia Group of Companies. It has been within the structures of the Gobarto Group of Companies since December 2017. It is composed of the following companies:

- **Zakłady Mięsne Silesia S.A.** – one of the largest companies on the Polish meat processing market involved in the cutting and packaging of pork, poultry and beef, the production of convenience meals and pet food. The company conducts sales and distribution based on commercial chains, a wholesale chain, purchasing groups and exports.
- **Silesia Pet Foods sp. z o.o.** – the company's operations are based on the production and sale of ready pet food.
- **Vital Food Silesia sp. z o.o.** – the company is involved in the production and sale of convenience dishes and meals.
- **Silesia Logistics sp. z o.o.** – the company's operations cover the provision of transport services.
- **Samba sp. z o.o.** – the company's activity is based on retail sales of meat and meat products.
- **Panteon S.A.** – activities of head offices and holdings, except for financial holdings.
- **Centrum Dystrybucji Imperium sp. z o.o.** – the company is involved in the processing, preservation and sale of poultry meat.
- **Meat Market sp. z o.o.** – the company's activity is based on retail sales of meat and meat products.

SWINE segment

- **Agro Bieganów Sp. z o.o.** – is engaged in agricultural production, breeding of meat and breeding cattle and breeding of pigs in a full production cycle.
- **Agro Gobarto Sp. z o.o.** – breeds pigs in the complete production cycle and supplies piglets to satisfy the needs of other companies in the Group.
- **Bioenergia Sp. z o.o.** – currently the company is involved in fattening of pigs.
- **Agroferm Sp. z o.o.** – the company is involved in breeding of pigs and plant production.
- **Gobarto Hodowca Sp. z o.o.** – the company is involved in the organization of the development and sales of pigs; currently responsible for the Gobarto 500 program supporting the development of pigs.
- **Pork Pro Sp. z o.o. S.K.** – operates as a support for GOBARTO S.A. in respect of provision of raw materials for production; it is engaged in purchasing piglets and pigs and in meat trading. It has ceased its operations for now.
- **PPH Ferma-Pol Sp. z o.o.** – the company is involved in breeding of pigs and plant production.

CEREALS Segment

- **Rolpol Sp. z o.o. and Agroprof Sp. z o.o.** – are involved in the plant production of cereals and rapeseed.
- **Agro Net Sp. z o.o.** – it is involved in plant production and has a cereals elevator.
- **Plon Sp. z o.o.** – it is involved in organizing the sale of cereals; the production group ceased its operations on 17 March 2017.
- **Brassica Sp. z o.o.** – it is involved in organizing the sale of oleaginous plants; the production group ceased its operations on 28 October 2015.

OTHER OPERATIONS Segment

- **Tigra Trans Sp. z o.o.** – a company established in order to manage Tigra Trans Sp. z o.o. S.K.
- **Tigra Trans Sp. z o.o. S.K.** – a company that provides transportation services.

- **Bio Gamma Sp. z o.o.** – has been set up for carrying out businesses using renewable sources of energy. In 2017, it did not carry out any operating activity.
- **Bio Delta Sp. z o.o.** – has been set up for carrying out businesses using renewable sources of energy. In 2017, it did not carry out any operating activity.
- **Polskie Biogazownie „Energy-Zalesie” Sp. z o.o.** – has been set up for carrying out businesses using renewable sources of energy.
- **Makton Nieruchomości Sp. z o.o.** – a special purpose vehicle established to sell real estates not related to the core business in the distribution segment.
- **Insignia Management Sp. z o.o.** – a company engaged in intermediation in purchases for companies of the Group.
- **NetBrokers Polska Sp. z o.o.** – a company established in order to manage NetBrokers Polska sp. z o.o. S.K.
- **Pork Pro Polska Sp. z o.o.** – a company established in order to manage Pork Pro Polska Sp. z o.o. S.K.; it has ceased its operations for now.
- **Rosan Agro Sp. z o.o.** – the parent company for Ukraine-based companies of the Group. It is involved in producing slaughter pork animals.
- **PF "MK" Rosana** – an entity included in the Rosana Group in Ukraine that is involved in slaughtering, cutting and production of cured meat products and in selling raw meat and cured meat products under Rosana's own brand (Premium). The sales area covers mainly western Ukraine.
- **ROSANA Trading House** – an entity included in the Rosana Group in Ukraine that is involved in the sale and distribution of cured meat products. As of 31 December 2017, the company had 3 own stores.
- **ROSANA PLUS Trading House** – an entity included in the Rosana Group that has been established to sell the group's products; its structures are being developed.
- **Pieprzyk Rogatyń Sp. z o.o.** – the company did not run any operating activities in 2017.
- **PP Świniokompleks Zoria** – the company did not run any operating activities in 2017.

The Management Board monitors operating results of the segments separately in order to make decisions on the resources allocation, evaluate consequences of such allocations and results of operations. Transactional prices applied for transactions between operating segments are arm's length prices, similarly as in case of transactions between unaffiliated entities.

A detailed list of companies that are members of the GOBARTO S.A. Group as at 31 December 2017:

<i>Entity</i>	<i>Registered office</i>	<i>Scope of operation</i>	<i>% interest in the Group in the share capital</i>	
			<i>31 December 2017</i>	<i>31 December 2016</i>
Agro Bieganów sp. z o.o.	Bieganów 19 69-108 Cybinka	agricultural production, breeding of meat cattle and breeding of pigs in a full production cycle.	100%	100%
Agro Gobarto sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	raising of swine/pigs	100%	100%
Agro Net sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	plant-related activities	100%	100%
Agroferm sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	raising of swine/pigs, plant production	100%	100%
Agroprof sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	plant production of cereals	100%	100%
Bio Gamma sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	activities using renewable sources of energy	100%	100%
Bio Delta sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	activities using renewable sources of energy	100%	100%
Bioenergia sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	feeding of swine/pigs	100%	100%
Brassica sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	producers' group - sale of oilseed plants	100%	100%
Bekpol sp. z o.o.	ul. Wrocławska 83	wholesale of meat, cured	100%	-

	58-306 Wałbrzych	meat products and poultry		
Przedsiębiorstwo Produkcyjno – Handlowe Ferma-Pol sp. z o.o.	Zalesie 46-146 Domaszowice	plant production and raising of swine/pigs	100%	-
Gobarto Hodowca sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	producers' group - sale of swine/pigs	100%	100%
Jama sp. z o.o.	ul. Wysockiego 17, 58-300 Wałbrzych	wholesale of meat, cured meat products and poultry	100%	-
Insignia Management sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	intermediation in the purchase to the group	100%	100%
Makton Nieruchomości Sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	sale of real properties	100%	100%
Meat-Pac sp. z o.o.	ul. Wrocławska 83, 58-306 Wałbrzych	cutting of poultry meat	100%	-
Netbrokers Polska sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	management of Netbrokers Polska sp. z o.o. sp. K	100%	100%
Netbrokers Polska sp. z o.o. sp. K.	ul. Cystersów 22 31-553 Kraków	trading activities	100%	100%
Plon sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	producers' group - sale of cereals	100%	100%
Polskie Biogazownie „Energy-Zalesie” sp. z o.o.	ul. Krucza 24/26, 00-526 Warszawa	activities using renewable sources of energy	100%	100%
GOBARTO S.A. (up to 7 October 2016, Polski Koncern Mięsny DUDA S.A.)	ul. Kłobucka 25 02-699 Warszawa	buying, slaughter, cutting, processing of pork, and distribution of meat and cured meat products; freezing and storage of food products; slaughter of beef cattle	100%	100%
Gobarto Dzikizna	Grąbkowo 73 63-930 Jutrosin	purchase and processing of wild game	100%	100%
PorkPro Polska sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	management of Pork Pro sp. z o.o. sp. k.	100%	100%
PorkPro Polska sp. z o.o. Sp.K.	ul. Kłobucka 25 02-699 Warszawa	purchase of piglets and pigs; trade in meat	100%	100%
Rolpol sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	plant production of cereals	100%	100%
Tigra Trans sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	management of Tigra Trans Sp. z o.o. sp. k.	100%	100%
Tigra Trans sp. z o.o. sp. K.	ul. Kłobucka 25 02-699 Warszawa	transportation services	100%	100%
Rosan Agro sp. z o.o.	ul. Pasiczna 135 79035 Lwów	production of live animals for slaughter	100%	100%
Pieprzyk Rohatyń sp. z o.o.	ul. Pasiczna 135 79035 Lwów		100%	100%
Dom Handlowy Rosana	ul. Pasiczna 135 79035 Lwów	sale and distribution of cured meat products	100%	100%
Dom Handlowy Rosana Plus	ul. Pasiczna 135 79035 Lwów	sale and distribution of cured meat products	100%	-
PP Świniokompleks Zoria	ul. Pasiczna 135 79035 Lwów		100%	100%
PF "MK" Rosana	ul. Pasiczna 135 79035 Lwów	slaughtering, cutting, production of cured meat products and sale of cured meat products and meat	100%	100%
ZM Silesia S.A.	ul. Opolska 22, 40-084 Katowice	cutting and packaging of meat, production and sale of cured meat products	100%	-
Silesia Pet Foods sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec, Poland	production and sale of prepared pet foods	100%	
Vital Food Silesia sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec, Poland	manufacture and sale of prepared meals and dishes	100%	
Silesia Logistics sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec,	transportation services	100%	

	Poland		
Samba sp. z o.o.	ul. Opolska 18 31-323 Kraków	retail sale of meat and meat products	100%
Panteon S.A.	ul. Gliwicka 12/12 40-079 Katowice, Poland	Activities of head offices and holdings, except for financial holdings	100%
Centrum Dystrybucji Imperium sp. z o.o.	ul. Zagrodnia 6 43-512 Bestwinka, Poland	processing, preserving and sale of poultry meat	100%
Meat Market sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec, Poland	retail sale of meat and meat products	100%

B. Information specified in accounting regulations

B.1. Events having significant impact on the Company's operation in the 12-month period ended 31 December 2017:

Execution of an annex to the Overdraft Facility Agreement

On 03 January 2017, the Management Board of Gobarto S.A. and Credit Agricole Bank Polska S.A. executed an annex to the Overdraft Facility Agreement.

The purpose of the Annex was to increase the total limit of bank guarantees provided by the Bank from the existing amount of PLN 4,500,000 to the maximum amount of PLN 4,700,000.

Execution of an investment loan agreement by the Issuer

On 03 January 2017, the Management Board of Gobarto S.A. and Credit Agricole Bank Polska S.A. executed an investment loan agreement.

The object of the Loan Agreement was to grant a loan of PLN 11,000,000. The purpose of the Loan was to finance the purchase of 100% of shares in a limited liability company:

1. that was formed by reorganization of Bekpol Spółka z ograniczoną odpowiedzialnością Spółka komandytowa and
2. under the business name of Meat-Pac Sp. z o.o.

The Company is required to repay the Loan in installments on the terms and conditions specified in the Agreement, where the final repayment of the Loan will be made by 31 January 2022, together with any accrued interest, fees and charges.

The conclusion of the conditional binding agreement of the sale of shares in a limited liability Bekpol SK and Meat Pac sp. z o.o. was announced by the Issuer in Current Reports Nos. 20/2016 and 21/2016 of 24 August 2016, updated with Current Reports Nos. 28/2016 and 29/2016 of 28 October 2016 and 33/2016 and 34/2016 of 26 November 2016.

Gobarto SA – BEKPOL – execution of the disposition agreement

On 03 January 2017, the Management Board of Gobarto S.A. executed in the name of the Company as the purchaser and Mr Adam Marek Skwarek, residing in Szczawno-Zdrój, Mrs Barbara Izabela Skwarek, residing in Szczawno-Zdrój and ABKO Sp. z o.o. (formerly Bekpol Sp. z o.o.):

1. an annex to the conditional binding agreement for the sale of shares in Bekpol (executed on 24 August 2016)
2. disposition agreement

Annotation to 1. The object of the Annex was, inter alia, a change of the Sales Price into the amount of PLN 15,054,361.91, a change of the amount representing the sales price of non-operating assets into the amount of PLN 2,900,819.72 and a change of the amount of the transfer price into the amount of PLN 481,201.95.

Annotation to 2. According to the Disposition Agreement, the Seller will sell and transfer onto Gobarto S.A. 100% of shares in the Transferred Company, i.e. 238,980 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 11,949,000. The legal title in the shares and all the rights

associated with them are transferred onto Gobarto S.A. upon the conclusion of the Disposition Agreement and the crediting to the bank accounts of the Sellers of the Purchase Price of PLN 15,054,361.91, less any amounts and in the cases provided for in the provisions of the Commitment Agreement and the Annexes thereto, i.e. less of:

1. the sales price of the non-operating assets of PLN 2,900,819.72,
2. the loan amount, in the total amount of PLN 977,171.64,
3. the amount of transfer price of PLN 481,201.95,

As the security, the Company retained also a part of the Purchase Price in the amount of PLN 3.000.000, which will be paid to the Sellers on the terms and conditions and within the time limits set out in detail in Current Report No. 20/1016 of 24 August 2016.

Gobarto SA – MEAT PAC – execution of the disposition agreement

On 03 January 2017, the Management Board of Gobarto S.A. executed in the name of the Company as the purchaser and Mr Adam Marek Skwarek, residing in Szczawno-Zdrój, and Mrs Barbara Izabela Skwarek, residing in Szczawno-Zdrój, a disposition agreement.

Pursuant to the content of the Disposition Agreement, the Seller shall sell and transfer onto the Company 100% of the shares in Meat-Pac, i.e. 100 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 5,000. The legal title in the shares and all the rights associated with them were transferred onto the Company upon the conclusion of the Disposition Agreement and the crediting in the bank accounts of the total amount of PLN 2,000,000. As the security, the Company retained a part of the Purchase Price in the amount of PLN 3.000.000, i.e. an amount of PLN 1.000.000, which will be paid to the Sellers on the terms and conditions and within the time limits set out in detail in Current Report No. 21/1016 of 24 August 2016.

Gobarto S.A. – execution of an annex to the Factoring Agreement

On 13 January 2017, the Management Board of Gobarto S.A. and BZ WBK Faktor Sp. z o.o. executed an annex to the Factoring Agreement of 22 February 2012, as amended. The object of the Annex was to change the limit, understood as the maximum value of the purchased receivables, into the amount of PLN 11,000,000 and to change the term of the said limit to end on 31 October 2017.

Signing of an agreement for sale of shares

On 10 April 2017, FERMA-POL Sp. z o.o., a subsidiary of the Issuer, purchased 100% shares in Polskie Biogazownie „Energy-Zalesie” Sp. z o.o. of Warsaw, address: ul. Krucza 24/26, 00-526 Warszawa, Poland, entered into the National Court Register kept by the District Court for the capital city of Warsaw in Warsaw, 12th Business Division of the National Court Register under KRS no.: 0000309063, having Tax Identification Number (NIP): 7521426194.

The subject matter of the purchase were 600 shares in the share capital of the company, each with the nominal value of PLN 100, with the total nominal value of PLN 60,000. The purchase price was agreed to PLN 1 net.

Acquisition of shares by the parent company

On 13 April 2017, Cedrob S.A., as a result of a transaction performed outside an organized turnover, purchased 25,000 shares of Gobarto S.A. at a price of PLN 7.08 per share. As a result of the transaction, Cedrob S.A. held 23,094,033 shares, representing 83.07% of the total number of votes.

Signing of a conditional agreement for purchase of shares

On 27 April 2017, the Company signed a conditional agreement for purchase of 100% of shares in JAMA sp. z o.o. with its registered office in Wałbrzych.

The agreement was concluded under conditions precedent: among others: the consent of the Office of Competition and Consumer Protection (OCCP) and absence of the right of first refusal by the Agricultural Property Agency.

Commitment to sell the shares has a character of a preliminary agreement. The disposition agreement is to be concluded no later than on 31 December 2017. The sales price of PLN 12,000,000.00 will be reduced on the dispositive agreement conclusion date by any possible so-called withheld amounts up to the amount of PLN 4,000,000.00 or decreased/increased by any amounts determined based on the pro forma Financial Statements of JAMA.

Amendment of the Company's Articles of Association

On 2 June 2017, the Company amended the Articles of Association by extending the scope of business activities with the 82.19.Z PKD (NACE) code.

Acquisition of shares by the parent company

On 29/05-16/06/2017, as a result of transactions made on the WSE, Cedrob S.A. acquired the following quantities of shares in Gobarto S.A.:

29 May - 1,478 shares at the average price of PLN 7.24,
6 June - 30 shares at the price of PLN 7.23,
7 June - 494 shares at the price of PLN 7.25,
8 June - 30 shares at the price of PLN 7.23,
12 June - 2.663 shares at the price of PLN 7.25,
13 June - 20 shares at the price of PLN 7.24,
14 June - 4,000 shares at the price of PLN 7.25,
16 June - 1.140 shares at the price of PLN 7.23,

As a result of the transactions, the interest of Cedrob S.A. in the total number of votes at the General Meeting of Shareholders of GOBARTO amounted to 83,11% as at 30 June 2017. Cedrob S.A. held 23,103,888 shares in GOBARTO S.A., which constituted 83.11% of the Issuer's share capital.

Execution by the Issuer and its subsidiaries of annexes to bank facilities agreements

On 21 July 2017, the Issuer and its subsidiaries: AGRO GOBARTO Sp. z o.o. (formerly AGRO DUDA Sp. z o.o.), AGROFERM Sp. z o.o., AGRO NET Sp. z o.o., ROLPOL Sp. z o.o., AGROPROF Sp. z o.o. and GOBARTO Dziczynna Sp. z o.o. concluded annexes to the overdraft agreements with Credit Agricole Bank Polska S.A. with its registered office in Wrocław.. The final repayment date was set to 31 October 2017.

Additionally, in case of:

- a) the Issuer: the term of bank guarantees availability was agreed to the day of 31 October 2017;
- b) GOBARTO Dziczynna Sp. z o.o.: the overdraft amount was reduced to PLN 2,600,000

AGRO GOBARTO Sp. z o. o., AGROFERM Sp. z o. o., AGRO NET Sp. z o. o., GOBARTO Dziczynna Sp. z o. o. are the Issuer's subsidiaries with 100% shares held by the Issuer.
ROLPOL Sp. z o. o. and AGROPROF Sp. z o.o. are the subsidiaries of AGRO GOBARTO Sp. z o. o. - a subsidiary of the Issuer.

Gobarto S.A. – conditional binding agreement for the sale of shares in JAMA sp. z o. o.

The Management Board of the Issuer informs that it has received the decision of the President of the Office of Competition and Consumer Protection of 31 July 2017 concerning the granting of consent to the concentration, i.e. taking over by the Issuer of the control over JAMA sp. z o.o. of Wałbrzych.

Gobarto S.A. – arrangement made in respect of termination of a lease agreement for an organized part of the enterprise in Ciechanowiec

On 29 August 2017, the Management Board of Gobarto S.A. with its registered office in Warsaw (as the Lessor) and CEDROB S.A. with its registered office in Ujazdów (as the Lessee) made an arrangement on the termination of the lease agreement of an organized part of the enterprise comprising a set of assets, in the functional and organizational scope of a plant in Ciechanowiec.

Under the arrangement made, the Agreement was terminated on 30 September 2017.

Gobarto S.A. – convening of the Extraordinary General Meeting of Shareholders

On 14 September 2017, the Management Board of Gobarto S. A. publicly informed about convening the Extraordinary General Meeting of Shareholders on 18 October 2017 at the Company's office in Warsaw.

The subject of the resolutions were, among others, appointment of a member of the Supervisory Board, amendment of the Company's Articles of Association by granting an authorization to the

Management Board to increase the share capital within the limits of the target capital, and amendment of the Supervisory Board's Rules of Procedure.

Gobarto S.A. – execution of the lease agreement for an organized part of the enterprise

On 29 September 2017, the Management Board of Gobarto S.A. (as the Lessor) and Zakłady Mięsne Silesia S.A. with its registered office in Katowice (as the Lessee) concluded a lease agreement for an organized part of the enterprise covering a set of assets in the functional and organizational scope of the Company's plant in Ciechanowiec.

The lease agreement was made for an indefinite time and is effective as of 1 October 2017. The lease rent is PLN 144,000 net per month.

Gobarto S.A. – content of resolutions adopted at the Extraordinary General Meeting of Shareholders on 18 October 2017

On 19 October 2017, the Management Board of Gobarto S.A. disclosed the following information:

1. Text of resolutions adopted by the Extraordinary General Meeting on 18 October 2017 along with results of voting on individual resolutions;
2. Information on objections reported to the minutes during the Extraordinary General Meeting of Shareholders on 18 October 2017, with indication of resolutions that they concerned.

The detailed wording was published in an appendix to Current Report no. 36/2017.

Gobarto S.A. – the appointment of a supervising person

The Management Board of Gobarto S.A. announced that on 18 October 2017, under Resolution No. 5/18/10/2017, the Extraordinary General Meeting of Shareholders appointed Mr. Zbigniew Natkański to the 5th term in office of the Supervisory Board of the Company.

Gobarto S.A. – execution by the Issuer and its subsidiaries of annexes bank facilities agreements

On 30 October 2017, the Issuer and its subsidiaries: AGRO GOBARTO Sp. z o. o., AGROFERM Sp. z o. o., AGRO NET Sp. z o. o., ROLPOL Sp. z o. o., AGROPROF Sp. z o. o. and GOBARTO Dżiczyszna Sp. z o.o. (on one hand) and Credit Agricole Bank Polska Spółka Akcyjna of Wrocław (on the other hand) of annexes to the overdraft facilities agreements.

The purpose of the Annex was to determine the final date for repayment of the overdraft facilities to the day of 30 November 2017. Moreover, the term of bank guarantees availability in respect of the Issuer was agreed to the day of 30 November 2017.

AGRO GOBARTO Sp. z o. o., AGROFERM Sp. z o. o., AGRO NET Sp. z o. o. and GOBARTO Dżiczyszna Sp. z o.o. are the subsidiaries of the Issuer. It holds 100% shares in the above entities. ROLPOL Sp. z o. o. and AGROPROF Sp. z o.o. are the subsidiaries of AGRO GOBARTO Sp. z o. o. - a subsidiary of the Issuer.

Gobarto S.A. – execution by the Issuer and some of its subsidiaries of bank facilities agreements

The Management Board of Gobarto S.A. announced the conclusion on 31 October 2017 the Bank Polska Kasa Opieki S.A. with its registered office in Warsaw (as the lender) and the Company and the following subsidiaries and indirect subsidiaries of the Company: Agro Gobarto Sp. z o.o., Agroferm Sp. z o.o., Agro Net Sp. z o.o., Rolpol Sp. z o.o., Agro Bieganów Sp. z o.o., Przedsiębiorstwo Produkcyjno-Handlowe "Ferma-Pol" Sp. z o.o., Gobarto Dżiczyszna Sp. z o.o., Agroprof Sp. z o.o., Meat- Pac Sp. z o.o. and Gobarto Hodowca Sp. z o.o. as borrowers and the Company and its Subsidiaries (excluding PPH "Ferma-Pol"), as guarantors, of a bank facilities agreement.

Under the Bank Facilities Agreement, the Bank will extend - to the Company and the Subsidiaries - overdraft facilities aimed at repaying the existing debt of the Company and its group of companies arising from the existing working capital loans, investment loans, factoring limits and guarantees extended by other financial institutions and from the possibility of launching an additional financing (hereinafter Bank Facilities) in the total amount of PLN 244,425,852.42. The Agreement provides for an interest rate on the bank facilities in a variable rate, consisting of a margin plus WIBOR rate. Pursuant to the content of the Agreement, the Company and the Subsidiaries will be obliged to repay the bank facilities by 31 December 2023 at the latest.

Gobarto S.A. – accession to negotiations with CEDROB S.A. concerning acquisition of 100% of the shares in ZM Silesia and organized part of the enterprise of CEDROB S.A.

The Management Board of Gobarto S.A. accessed negotiations with CEDROB SA with its registered seat in Ujazdówko concerning the acquisition of 100% of shares in the share capital of Zakłady Mięsne Silesia S.A. with its registered office in Katowice and a network of thirty stores of CEDROB S.A. and an organized part of the enterprise engaged in the production of processed products in Ciechanów.

On 31 October, the Issuer and CEDROB S.A. completed negotiations concerning purchase of the following assets from CEDROB S.A.:

- 5,500,000 shares representing 100% of the share capital of Zakłady Mięsne Silesia S.A. with its registered office in Katowice;
- An organised part of the enterprise CEDROB S.A., constituting an organized set of tangible and intangible assets intended for conducting business activity consisting of manufacture of processed products in the processing plant in Ciechanów;
- An organized part of an enterprise of CEDROB S.A., constituting an organized set of tangible and intangible assets intended for conducting business activity consisting in the retail sale of cured meat products and meat in twenty-five company stores of CEDROB S.A.

Gobarto S.A. – execution by the Issuer of agreements regarding the acquisition of assets

On 31 October 2017, the Management Board of Gobarto S.A. concluded the following agreements with CEDROB S.A.:

- conditional binding agreement for the sale of 5,500,000 shares of Zakłady Mięsne Silesia S.A. with its registered office in Katowice (hereinafter: ZMS) (hereinafter: Agreement 1)
- contract of sale of organized parts of the enterprise (hereinafter: Agreement 2)

Under Agreement 1, Cedrob agreed to sell 5,500,000 shares in ZMS to the Issuer for the price of PLN 78,000,000. The Issuer and Cedrob have agreed that the payment of the price for ZMS shares will be paid in two installments:

- I by 30 June 2018, the Company will pay PLN 30,000,000 to Cedrob
- II by 31 December 2018, the Company will pay the remaining amount of PLN 48,000,000 to Cedrob

Agreement 1 was concluded subject to the following conditions precedent:

- non-exercising by the National Center for Supporting Agriculture of the right of pre-emption in respect of the ZMS shares
- expression of consent to the execution of the transaction by two of the banks cooperating with ZMS

Agreement 1 is a preliminary agreement, where the promised agreement needs to be concluded no later than on 31 December 2017.

Under Agreement 2, Cedrob has sold to the Company:

- an organised part of the enterprise of Cedrob, constituting an organized set of tangible and intangible assets intended for conducting business activity consisting of manufacture of processed products in the processing plant in Ciechanów, for the price of PLN 24,685,600 net,
- an organized part of the enterprise of Cedrob, constituting an organized set of tangible and intangible assets intended for conducting business activity consisting in the retail sale of cured meat products and meat in twenty-five company stores of Cedrob, for the price of PLN 3,314,400 net.

Under Agreement 2, payment shall be made in two installments:

- I by 30 June 2018, the Company will pay PLN 14,000,000 to Cedrob
- II by 31 December 2018, the Company will pay PLN 14,000,000 to Cedrob

Gobarto S.A. – execution of the lease agreement for an organized part of the enterprise – Zakład Przetwórstwa Mięsnego of Ciechanów

Gobarto S.A. (as the Lessor) executed on 02 November 2017 with Zakłady Mięsne Silesia S.A. with its registered office in Katowice (as the Lessee) the Lease Agreement for an organized part of the enterprise covering a set of assets in the functional and organizational scope in a form of a processing plant of Zakład Przetwórstwa Mięsnego of Ciechanów.

The Lease Agreement was made for an indefinite time and is effective as of 02 November 2017. The lease rent is PLN 178,000 net per month.

Gobarto S.A. – execution of the lease agreement for an organized part of the enterprise – corporate stores of Zakład Przetwórstwa Mięsnego of Ciechanów

The Issuer (as the Lessor) executed on 02 November 2017 with Zakłady Mięsne Silesia S.A. with its registered office in Katowice (as the Lessee) the Lease Agreement for an organized part of the enterprise covering a set of assets in the functional and organizational scope in a form of twenty-five company stores of Zakład Przetwórstwa Mięsnego of Ciechanów.

The Lease Agreement was made for an indefinite time and is effective as of 02 November 2017. The lease rent is PLN 22,000 net per month.

Gobarto S.A. – acquisition of 100% of shares in JAMA Sp. z o.o.

The Management Board of Gobarto S.A. in reference to current report No. 21/2017 and 22/2017 dated 27 April 2017, announces that on 2 November 2017 the Company acquired 100% of shares in JAMA Sp. z o.o. with its registered office in Wałbrzych from Mr Marek Piotr Piekaj.

The base price for the shares is PLN 12,000,000. The price for the acquired Shares payable on 2 November amounted to PLN 9,500,000 and is the sum of PLN 7,500,000 and the value of cash in JAMA, i.e. PLN 2,000,000. The total price for the Shares is subject to adjustment based on the closing balance by the amounts specified in the agreement, i.e. by PLN 4,500,000, which consists of the Amount Retained (as defined in current report No. 22/2017) paid in accordance with the provisions of the agreement concluded between the Company and the Seller on 27 April 2017 and any other amounts specified in the agreement (i.e. cash and net working capital). At the same time, the Company and the Seller concluded an annex to the conditional binding agreement on the sale of Shares, providing - among other issues - for an insurance of the payment of the Amount Retained as referred to in report no. 22/2017 by the Issuer's voluntary submission to debt collection pursuant to Art. 777 § 1 point 5 of the Civil Procedure Code, by the date of delivery to the Seller of the Bank Guarantee.

Acquisition of JAMA is a part of the strategy for the years 2015-2019, as through the acquisition of JAMA, the Issuer will expand the territorial range of operations of the distribution segment.

Gobarto S.A. – establishment by the Issuer and the Issuer's subsidiaries of collaterals under the bank loan agreement and submission of statements on the establishment of the mortgage

On 8 November 2017, the Management Board of Gobarto S.A. informed about the performance by the Issuer and its subsidiary, i. e. Gobarto Dzielniczna Sp. z o. o., of the bank facilities agreement concluded on 31 October 2017 with Bank Polska Kasa Opieki S.A. Collaterals were established in a form of statements on the voluntary submission to debt enforcement pursuant to Article 777 §1 Point 5 of the Civil Procedure Code Act of 17 November 1964 and mortgages.

Detailed information is included in Current Report No. 46/2017.

Gobarto S.A. – establishment by the Issuer's subsidiaries of collaterals under the bank loan agreement and submission of statements on the establishment of the mortgage

On 10 November 2017, the Management Board of Gobarto S.A. informed about the performance by subsidiaries and partially subsidiaries, of Agro Gobarto Sp. z o. o., Agroferm Sp. z o. o., Agro Bieganów Sp. z o. o., Agro Net Sp. z o. o., Gobarto Hodowca Sp. z o. o., Meat-Pac Sp. z o. o., Agroprof Sp. z o. o., Rolpol Sp. z o. o., and PPH Ferma-Pol Sp. z o. o. of the provisions of the bank facilities agreement concluded on 31 October 2017 with Bank Polska Kasa Opieki S. A. Collaterals were established in a form of statements on the voluntary submission to debt enforcement pursuant to Article 777 §1 Point 5 of the Civil Procedure Code Act of 17 November 1964 and mortgages.

Detailed information is included in Current Report No. 47/2017.

Gobarto S.A. – notice of being informed of the contestation of the EMS's resolution

On 17 November 2017, the Issuer was informed that an action has been filed for the annulment or revocation of Resolution No. 7/18/10/2017 of the Extraordinary General Meeting of the Issuer's Shareholders of 18 October 2017 on the amendment of the Company's Articles of Association by authorising the Management Board to increase the share capital under the target capital and

authorising the Management Board to deprive, in whole or in part, the existing shareholders of the subscription right, upon the consent of the Company's Supervisory Board.

Information on the contestation against the Resolution was received by the Issuer based on information on the ex officio suspension of registration proceedings conducted in connection with the Resolution. The information has been obtained on the basis of data available in the online court system, but as for now it has not yet been provided with a decision on the suspension of registration proceedings or with a copy of the action petition for the annulment or revocation of the Resolution. The company informs that the above issues will be analyzed by it and based on the analysis it will decide on any further steps in relation to both court decisions.

Gobarto S.A. – the appointment of managing persons

On 22 November 2017, the Supervisory Board adopted the following resolutions:

1. Resolution no. 4/22/11/2017 on appointment of Mr. Dariusz Formela into the Management Board of the Company for the 6th term in office to hold the function of the President of the Management Board;
2. Resolution no. 5/22/11/2017 on appointment of Mr. Roman Miler into the Management Board of the Company for the 6th term in office to hold the function of the Vice-President of the Management Board;
3. Resolution no. 6/22/11/2017 on appointment of Mr. Rafał Oleszak into the Management Board of the Company for the 6th term in office to hold the function of the Vice-President of the Management Board;
4. Resolution no. 7/22/11/2017 on appointment of Mr. Przemysław Koźlakiewicz into the Management Board of the Company for the 6th term in office to hold the function of the Vice-President of the Management Board.

The Resolutions entered into force upon their adoption, effective on the day immediately following the expiry date of the 5th term of office.

The education, qualifications and previously held positions of the above-mentioned persons have been provided in the attachment to Current Report No. 49/2017.

Gobarto S.A. – Satisfaction by the Issuer and some subsidiaries of the conditions precedent and disbursements of bank facilities.

The Management Board of Gobarto S.A., in reference to Current Report No. 40/2017 dated 31 October 2017, informed about the satisfaction by the Issuer and the Company's direct and indirect subsidiaries: Agro Gobarto Sp. z o.o., Agroferm Sp. z o.o., Agro Net Sp. z o.o., Rolpol Sp. z o.o., Agro Biegaków Sp. z o.o., Przedsiębiorstwo Produkcyjno-Handlowe "Ferma-Pol" Sp. z o.o., Gobarto Dzikczyzna Sp. z o.o., Agroprof Sp. z o.o., Meat-Pac Sp. z o.o. and Gobarto Hodowca Sp. z o.o. (hereinafter the Subsidiaries), on 30 November 2017, all conditions precedent provided for in the Bank Loans Agreement of 31 October 2017 (hereinafter: the Agreement), upon which payment (disbursement) of loans granted to the Company and Subsidiaries by Bank Polska Kasa Opieki S.A. with its registered office in Warsaw (hereinafter the Bank) under the Agreement was conditional.

Liquid assets resulting from the extended credit limits were made available to the Company and its Subsidiaries on 30 November 2017.

Gobarto S.A. – Satisfaction of the conditions precedent and conclusion of a disposition agreement for the sale of the shares in Zakłady Mięsne Silesia S. A. and agreements concerning the transfer of assets.

On 1 December 2017, the Issuer concluded with Cedrob S.A. a disposition agreement for the sale of 5,500,000 shares in Zakłady Mięsne Silesia S.A. with its registered office in Katowice (hereinafter "the Disposition Agreement") (hereinafter "ZMS").

The conclusion of the Disposition Agreement was preceded by the satisfaction of the conditions precedent, i.e.:

- the receipt by Cedrob of a statement of resignation of the National Support Centre for Agriculture from exercising the pre-emptive right to acquire shares in ZMS;

- obtaining appropriate approvals/conclusion of appropriate annexes with banks cooperating with ZMS regarding the consent for acquisition of ZMS shares by the Company.

In addition, in connection with the sale of organized parts of the enterprise that were subject to the agreements concluded with Cedrob on 31 October 2017, the Company and Cedrob concluded, as accompanying agreements, some licence agreements concerning trademarks belonging to Cedrob and some lease agreements for stores and real estates related to organized parts of the enterprise being the subject of sale. Terms and conditions of these agreements do not differ from the ones commonly applied in agreements and transactions of this type.

Acquisition of the above assets complies with the strategy of action for 2015-2019, published in Current Report No. 35/2015 of 23 July 2015.

Gobarto S.A. – convening of the Extraordinary General Meeting of Shareholders

On 1 December 2017, the Management Board of Gobarto S.A. convened an Extraordinary General Meeting of Shareholders that was held on 28 December 2017 in the registered office of the Company.

Detailed information on the agenda and participants in the Extraordinary General Meeting of the Company were provided in Current Report No. 52/2017

Gobarto S.A. – draft resolutions for the Extraordinary General Meeting of Shareholders

As an appendix to Current Report No. 53/2017, the Management Board of Gobarto S.A. presented draft resolutions for the Extraordinary General Meeting convened for 28 December 2017.

Gobarto S.A. – texts of resolutions adopted by the Extraordinary General Meeting on 28 December 2017 and results of voting on the individual resolutions.

In the appendix to Report No. 54/2017, the Management Board of Gobarto S.A. enclosed the text of resolutions adopted by the Extraordinary General Meeting on 28 December 2017 and results of voting on individual resolutions.

Gobarto S.A. – list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of Shareholders on 28 December 2017.

The Management Board of Gobarto S.A. provided the list of shareholders holding at least 5% of votes at the Extraordinary Meeting of Shareholders of 28 December 2017, with a specification of the number of votes to which each of them is entitled based on the shares held by them and with an indication of the percentage share in the number of votes at that General Meeting and in the general number of votes.

B.2. Information about financial instruments in the area of: price changes risk, credit risk, the risk of significant disruptions in cash flows or loss of liquidity to which the entity is exposed to; objectives and methods of managing the financial risk assumed by the Company, including methods of securing significant types of planned transactions for which hedging accounting is used.

The main financial instruments used by the Group include bank loans, financial leasing agreements and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trading receivables and payables that arise directly from its operations.

The Group's policy now and throughout the period covered by the report is not to get involved in financial instruments trading.

The main types of risk arising from the Group's financial instruments include interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board reviews and agrees policies for managing each of these risks - these policies are briefly discussed below. The Group also monitors the market price risk arising from all financial instruments it has.

Interest rate risk

The Company's exposure to risk due to changes in interest rates could affect primarily all long-term financial liabilities. The Group manages its interest cost by using a mix of fixed-rate and variable-rate liabilities. To ensure that the solution adopted by the Group is successful from the economic point of view, the Group concludes interest rate swaps, in which the Group agrees to exchange, at specified intervals, of the difference between the amount of interest charged at a fixed and floating interest rate on the agreed capital amount. These swaps are designated to hedge underlying debt obligations.

Exchange rate risk

The GOBARTO Company is both the exporter and importer and so it has an open currency translation position. Therefore, levels of the exchange rates influence the financial performance of Gobarto. Moreover it should be noted that strengthening of zloty against other currencies undermines the Company's competitiveness on foreign markets and has an adverse impact on the export development in the Company. It must be emphasized here that contracts concluded by the Company include clauses that allow quarterly price revisions on the grounds of the exchange rates fluctuations. On the other hand, weakening of the zloty exchange rate against foreign currencies improves the profitability of export sales. Investors' attention is drawn to the fact that, in the past, Gobarto, at that time PKM Duda, entered into a series of foreign exchange transactions in respect of which it suffered a substantial loss both on the separate and the consolidated level. Currently, in order to secure the open currency translation position, the Company does not use any hedging transactions such as currency options, but it uses forward transactions only, but it may not be ruled out that in the future it will enter into some hedging transactions, which in case of unfavourable fluctuations of the exchange rate may have an adverse impact on the Company's financial performance.

Macroeconomic risk

Majority of the Group's sales takes place in Poland. Therefore, the results achieved by the Group are indirectly dependent on macroeconomic variables such as GDP growth, unemployment, inflation and interest rates as much as the wages growth rate. These factors influence the financial condition of any entities participating in the trade and the purchasing power of end customers. A possible slowdown of the economic growth and worsening of macroeconomic indices could act to disadvantage of the Group's financial results. The broadly understood food sector, in which the Group operates, is exposed to a lesser extent to a risk of recession than other industries, as the demand for a majority of foods, and particularly to meat, is rigid.

Credit risk

The Group trades with companies with good credit ratings. All customers who wish to use trade credits are subject to procedures of initial verification. Moreover, thanks to ongoing monitoring of receivables, the Group's exposure to bad debts is not significant. In relation to the Group's other financial assets such as cash and cash equivalents, financial assets available for sale and certain derivative instruments, the Group's credit risk arises from the default of the counterparty to pay, with a maximum exposure to this risk equal to the carrying amount of these instruments. The Group has no significant concentrations of credit risk.

Liquidity risk

The Group monitors its risk of a shortage of funds by planning its liquidity. This tool takes into account the maturity of both investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operating activities. The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various sources of financing, such as bank overdrafts, bank loans, bonds, preference shares, financial leasing contracts and hire purchase contracts.

B.3. Acquisition of own shares, and particularly information on the purpose, number and par value of these shares, including indication which part of the share capital they represent, purchase price and selling price in case of their sale.

Did not occur.

B.4. Branches (divisions) owned by the entity

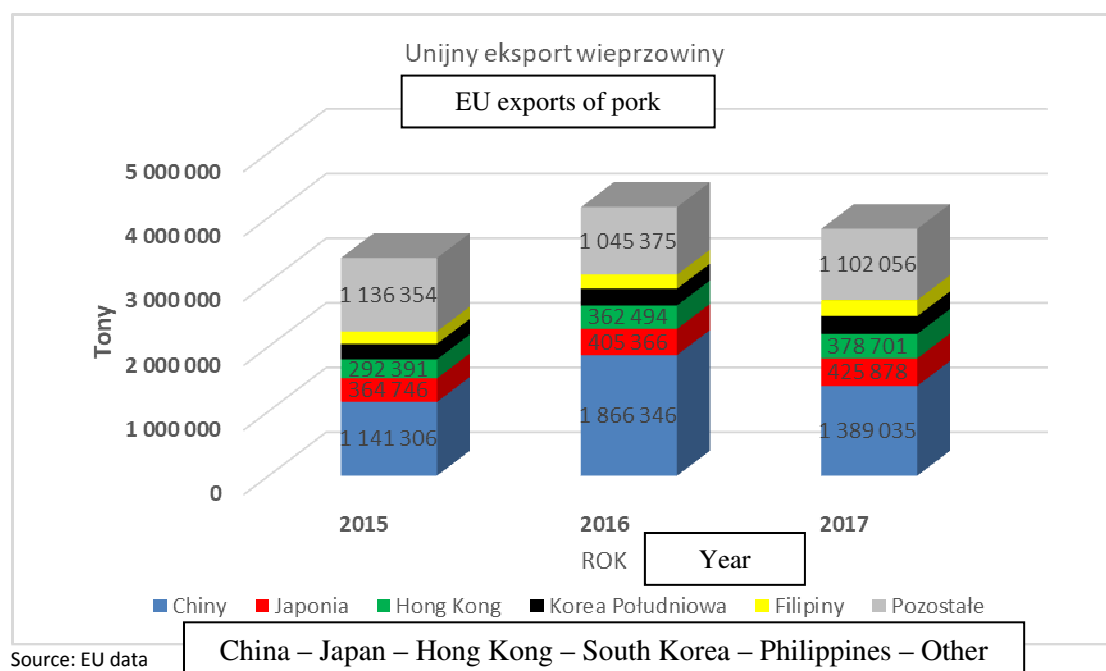
No changes.

B.5. Characteristics of external and internal factors relevant to the issuer's business development at least until the end of the financial year following the financial year for which the Financial Statements included in the annual report were prepared, taking into account elements of the market strategy developed by the Issuer;

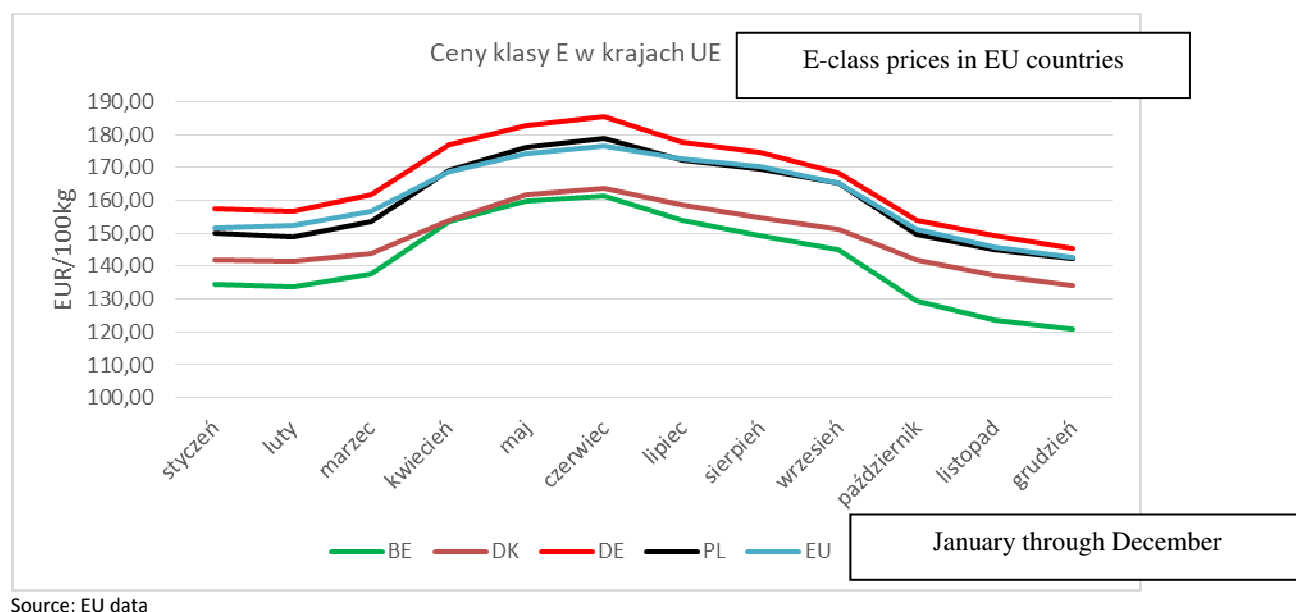
The basic risks for development are described in sections B.2. and P

C. Description of elementary economic and financial figures disclosed in the annual report, and particularly description of factors and event, including untypical, having a significant impact on the Company's operation, and profit gained or loss incurred in the 12-month period ended on 31 December 2017.

In 2017, pork exports from the European Union decreased. In the period from January to December 2017, 3.8 million tonnes of swine products (in carcass equivalent) were exported from the EU, by 8.1% less than in the same period of 2016. The main reason for this result is primarily the significantly smaller deliveries to China, which is the largest recipient of this assortment. The volume of exports to this country was by almost 26% lower than in 2016, and amounted to 1.38 million tonnes. Other large markets importing pork from the EU are Japan (425,000 tonnes, an increase of 5.1%), Hong Kong (378,000 tonnes, an increase of 4.5%), South Korea (274,000 tonnes, an increase of 5.2%) and the Philippines (249,000 tons, increase by 15.5%). The export market that recorded the largest growth was the USA (155,000 tonnes, an increase of 33.2%). Despite the lower volume of exports than last year, proceeds from the sale of swine products outside the EU in 2017 were only slightly lower and reached the level of EUR 7.7 billion against EUR 7.8 billion in 2016. This was mainly due to the high level of pork prices in the EU market in the first six months of 2017.



The deepening decline in the volume of exports of pork products from the EU has resulted in a downward trend of pork prices in the EU market from July 2017. In October 2017, the average price of E-class pigs in the EU was EUR 151.4 per 100 kg of cooled post-slaughter weight. It was 8% less than a month earlier and 4% less than in the same period of the previous year.



In November, the fall in pig prices in the EU countries was further deepened. The average price for 100 kg of E-class pork was EUR 145.65, 4% less than last month and 4% less than last year. In December, prices reached the lowest level in 2017. The average price in the EU was EUR 142.8 (down by 6.7% y/y)

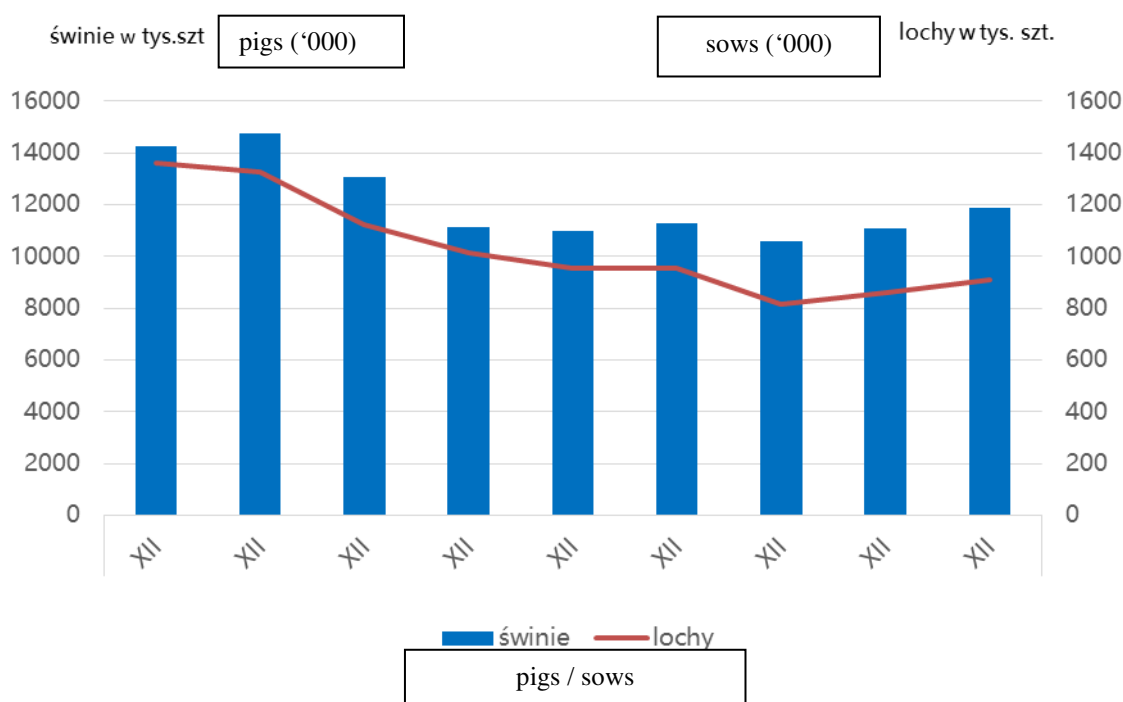
In Poland in December, the price for E-class expressed in the EU currency was EUR 142.46 per 100 kg and it was 6% lower than in the same period of 2016.

In Poland, in the last decade, y/y declines in the number of pigs were recorded. However, we have observed the trend reversal and a moderate growth since 2013.

According to the CSO data, the number of pigs in December 2017 was 11,897.7 thousand, showing an increase of 7.1% over the same period last year. The increase in livestock occurred for the majority of groups, including pigs for slaughter (fatteners) by 11.4%, weaners by 10.7%, and the pig population for breeding weighing 50 kg and more by 5.7%. A decrease in the number of piglets by 3.1 % was recorded.

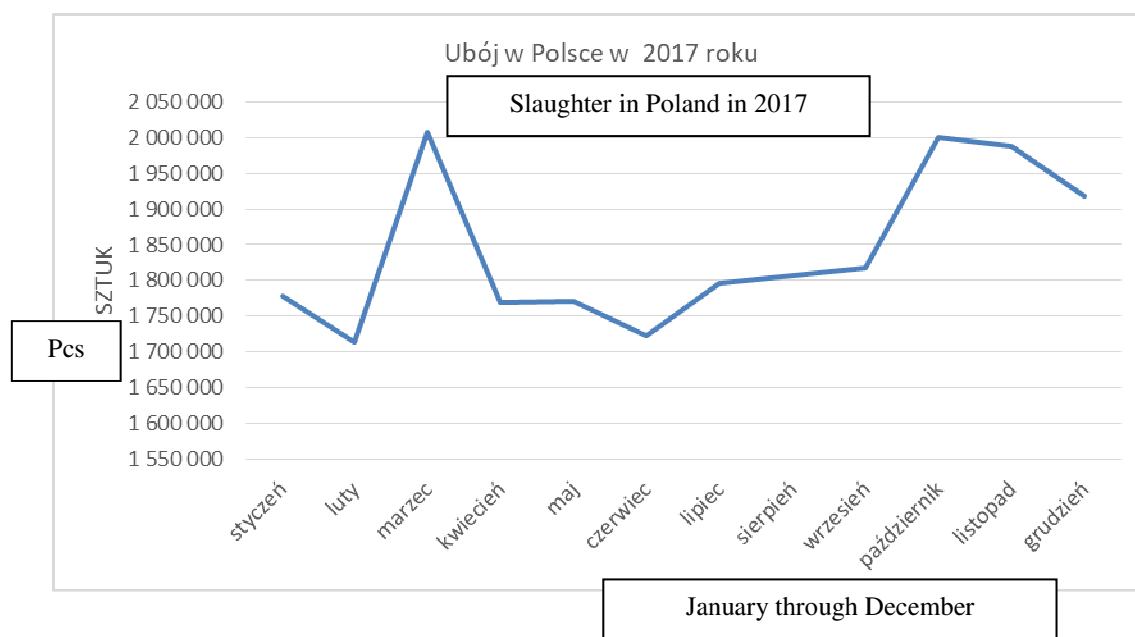
The limited production of piglets presented in subsequent tests of the pig population in 2017 was compensated by the import of young pigs. In the period January-November 2017 (according to preliminary data) imports of swine livestock amounted to 6,219.4 thousand animals and was by 6.5% higher than in the same period last year, including import of pure-bred breeding pigs and sows increased by 22.2%, and piglets and weaners by 5.3%. The average weight of one imported animal was 32.5 kg compared to 33.9 kg in 2016.

Number of pigs and sows in the years 2009 – 2017



Source: Central Statistical Office

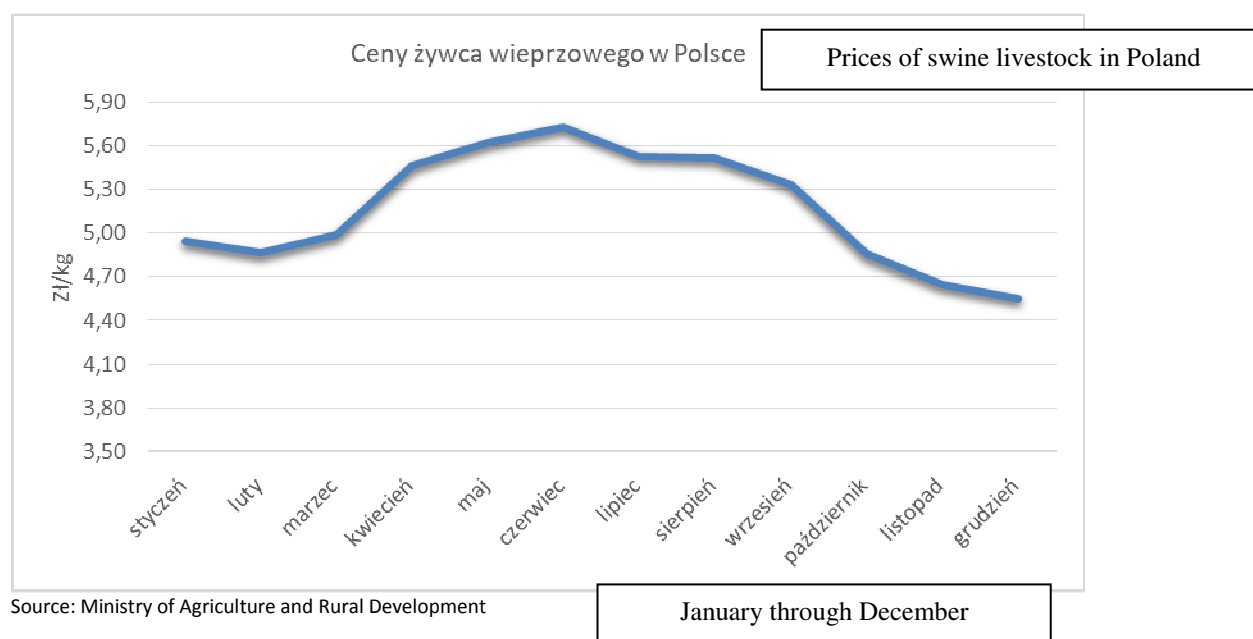
The volume of slaughter in Poland in 2017 amounted to 22,088,959 animals and was by 1.3% higher than in the same period of the previous year. The months with the highest number of slaughtered animals were March and October.



Source: Ministry of Agriculture and Rural Development

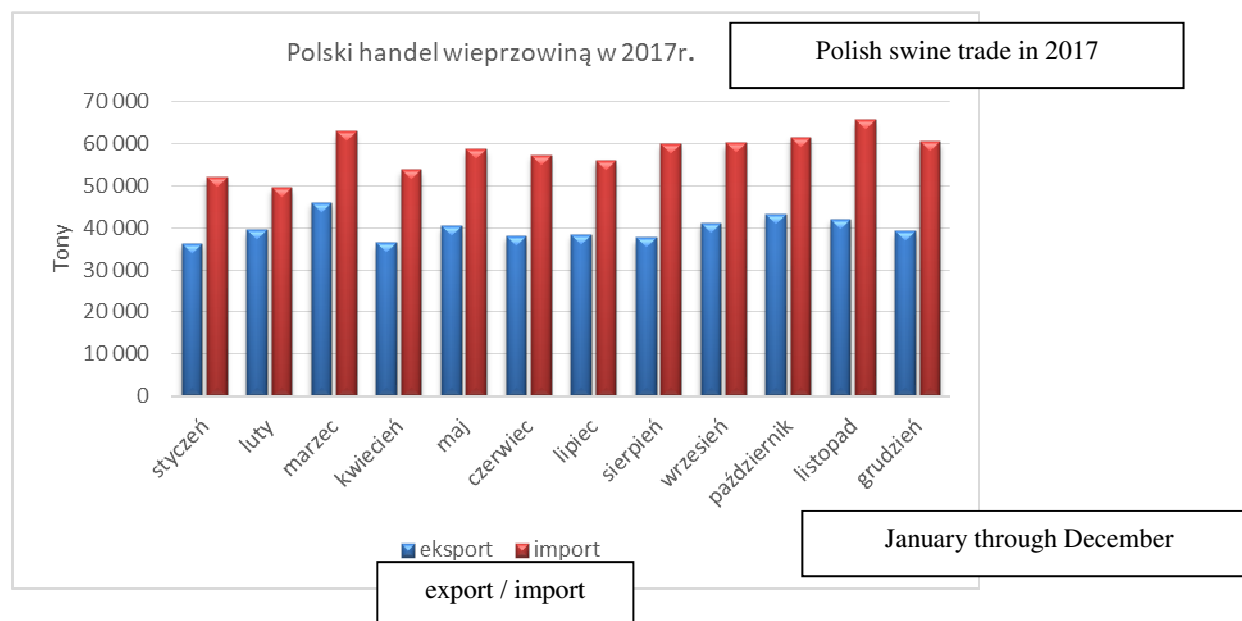
Similarly to European markets, at the turn of June and July 2017, the prices of pigs in the domestic purchase were characterized by a downward trend, which intensified until the end of the year. In October 2017, (according to the ZSiRR), suppliers received on average PLN 4.85 per kg of swine livestock, which was 8% less than a month earlier and 3.5% less than last year.

In November, prices dropped further reaching in December the average price of 4.55 PLN per kg, 11% lower than in the same period of the previous year.



Source: Ministry of Agriculture and Rural Development

Foreign demand for Polish pork from both the EU and third countries stimulates the export of swine products from Poland. Throughout 2017, over 478,000 tonnes of pork were exported from Poland, almost 10% more than last year, and revenues from its exports increased by 21% to EUR 965 million. In 2017, 698,000 tonnes of pork were imported to Poland, more than 1% more than in the same period of the previous year. Expenditures incurred on imports amounted to EUR 1,446 million and due to the higher prices of pork in the first half of 2017, compared to the same period of 2016, they were 10% larger than last year.



Source: Central Statistical Office

The threat of the African Swine Fever (ASF), which prevails since 2014, must be listed as one of the events shaping the market that were important for the pork producers. Outbreaks of the African Swine Fever occurring in the eastern Poland virtually halted the Polish pork exports outside the European Union. This state of affairs has an extremely significant impact on the size and value of sales and the generated profit. The situation gets even more complicated due to the ban introduced in 2015 for all European producers on sale of pork in the territory of Russia. Combination of the two above circumstances forces pork producers to operate in conditions of increased risk and uncertainty.

Results of the GOBARTO S.A. Group for the period of 12 months ended on 31 December 2017 as compared to the same period of 2016.

Items	for the 12-month period ended 31-12-2017	for the 12-month period ended 31-12-2016*	Dynamics
Net income from products and merchandise sales	1,768,795	1,454,296	21.6%
Profit on sales	36,390	34,147	6.6%
Profit on operating activity	39,934	41,829	-4.5%
Gross profit	26,533	33,390	-20.5%
Net profit	20,970	31,110	-32.6%
Depreciation	30,121	22,012	36.8%
EBITDA	70,055	63,841	9.7%
Net profitability	1.19%	2.14%	-0.95 % points
EBITDA profitability	3.96%	4.39%	-0.43 % points
Indebtedness ratio	59.76%	47.49%	12.27 % points
Equity/assets ratio	45.42%	63.03%	-17.61 % points
Equity/Balance sheet total	40.24%	52.51%	-12.27 % points
Interest debt	251,776	190,636	32.1%
Liquid assets	62,090	56,333	10.2%
Net debt	189,686	134,302	41.2%

Net debt / EBITDA*	2.71	2.10	15.8%
Debt / EBITDA*	3.59	2.99	8.2%
Interest on bank loans	5,895	7,080	-16.7%
Income from export	261,472	180,723	44.7%
Interest in total income	14.78%	12.43%	2.35 % points

**data after restatement*

Business operations of the GOBARTO S.A. Group in 2017, as in 2016, were profitable. The Group generated PLN 20.97 million of the net profit attributable to shareholders, as compared to PLN 31.11 million last year. Revenues were PLN 300 million higher than in 2016 and amounted to PLN 1,768.79 million in 2017 and PLN 1,454.29 million in 2016, respectively. The revenues from exports amounted to PLN 261.47 million, or 44.7% more than in 2016, which gave a 14.78% share in total revenues (by 2.3 percentage points more than a year earlier). The Group's operating profit amounted to PLN 39.9 million and was 4.5% lower than in 2016. EBITDA amounted to over PLN 70 million as compared to PLN 63.84 million a year before (an increase by nearly 10%).

The balance sheet total in the consolidated financial statement is over PLN 1,057 million. On the assets side, the fixed assets account for 63%, current assets - for 34% and the fixed assets for sale - for 3%. On the liabilities and the shareholders' equity side, the equity represents 40%, while the liabilities are 60%. As far as liquidity is concerned, the Group does not report any problems in terms of the liabilities reconciliation.

D. Information on elementary products, goods and services

GOBARTO S.A. together with the companies from the Group operates in the widely understood agricultural & food sector in the meat industry, and the scope of its activities extends to both the Polish and foreign markets. Next to the Polish market, giving as much as approx. 90% of incomes, the most important markets in the Company's operations cover:

- the European Union,
- Third markets

In terms of the supply, the Company purchases raw materials and goods mainly from the domestic market and it supports its purchases from the European Union.

The most important fields of business activity of the GOBARTO S.A. Group include:

- trading and distribution of raw meat and cured meat products,
- slaughter and cutting of red meat,
- production of live pigs for slaughter
- plant growing
- meat processing,
- storage and cold-storage services.

E. Information on contracts concluded and significant for the Group:

1. Bank loan agreements described in Point F
2. Agreements described in Point B.1

F. Information relevant transactions concluded by the Company with entities related on terms other than at the arm's length

Transactions with related entities were concluded on the arm's-length terms.

Information on loans and bank loans agreements concluded and terminated in the 12-month period ended on 31 December 2017

Repayment of capital installments of investment loans

	1Q 2017	2Q 2017	3Q 2017	4Q 2017 - full repayment		TOTAL 2017
				share	interest received	
Bank loans of GOBARTO						
Raiffeisen Bank	2,500,000	2,500,000	2,500,000	22,500,000	58,688	30,058,688
CREDIT AGRICOLE - BEKPOL, MEAT-PAC	261,017	391,525	391,525	9,825,424	46,500	10,915,991
BZWBK - Bieganów	902,129	902,129	902,129	18,042,568	91,105	20,840,060
Agricultural companies						
CREDIT AGRICOLE	1,705,800	1,705,800	1,705,800	11,888,752	27,908	17,034,060
Agro Gobarto	783,600	783,600	783,600	4,431,000	10,416	6,792,216
Agro Gobarto	160,200	160,200	160,200	783,432	1,867	1,265,900
Agroferm	509,100	509,100	509,100	507,700	1,210	2,036,210
Agro Net	125,100	125,100	125,100	2,255,220	5,375	2,635,895
Rolpol	100,200	100,200	100,200	3,133,400	7,211	3,441,211
Rolpol	27,600	27,600	27,600	778,000	1,829	862,629
Raiffeisen Bank	0	0	200,000	7,800,000	21,645	8,021,645
PPH Ferma-Pol	0	0	200,000	7,800,000	21,645	8,021,645
BZWBK	187,500	187,500	187,500	6,750,000	35,799	7,348,299
Agrobieganów	187,500	187,500	187,500	6,750,000	35,799	7,348,299
Total GOBARTO Group	5,556,446	5,686,954	5,886,954	76,806,744	281,645	94,218,743

In the current accounting period, i.e. from 01 January 2017 to 31 December 2017, in terms of loan agreements concluded by the Company, the following changes occurred:

- On 3 January 2017, an annex was signed to the Overdraft Agreement with Credit Agricole Bank Polska S.A. with its registered office in Wrocław which increased the total limit of guarantees given by the Bank from the existing: PLN 4,000,000 up to the maximum amount of PLN 4,500,000;
- On 21 July 2017, the Issuer and its subsidiaries: AGRO GOBARTO Sp. z o. o., AGROFERM Sp. z o. o., AGRO NET Sp. z o. o., ROLPOL Sp. z o. o., AGROPROF Sp. z o. o. and GOBARTO Dzielniczna Sp. z o.o. (on one hand) and Credit Agricole Bank Polska Spółka Akcyjna of Wrocław (on the other hand) signed annexes to the overdraft facilities agreements. The purpose of the annexes was to determine the final date for repayment of the overdraft facilities to the day of 31 October 2017. Additionally, in case of: the Issuer: the term of bank guarantees availability was agreed to the day of 31 October 2017;
GOBARTO Dzielniczna Sp. z o.o. – the bank loan amount was decreased to PLN 2,600,000.
- On 30 October 2017, the Issuer and its subsidiaries: AGRO GOBARTO Sp. z o. o., AGROFERM Sp. z o. o., AGRO NET Sp. z o. o., ROLPOL Sp. z o. o., AGROPROF Sp. z o. o. and GOBARTO Dzielniczna Sp. z o.o. (on one hand) and Credit Agricole Bank Polska Spółka Akcyjna of Wrocław (on the other hand) signed annexes to the overdraft facilities agreements. The purpose of the annexes was to determine the final date for repayment of the overdraft facilities to the day of 30 November 2017. Moreover, the term of bank guarantees availability in respect of the Issuer was agreed to the day of 30 November 2017.

- The Management Board of Gobarto S.A. announced the conclusion on 31 October 2017 the Bank Polska Kasa Opieki S.A. with its registered office in Warsaw (as the lender) and the Company and the following subsidiaries and indirect subsidiaries of the Company: Agro Gobarto Sp. z o.o., Agroferm Sp. z o.o., Agro Net Sp. z o.o., Rolpol Sp. z o.o., Agro Bieganów Sp. z o.o., Przedsiębiorstwo Produkcyjno-Handlowe "Ferma-Pol" Sp. z o.o., Gobarto Dzikich Sp. z o.o., Agroprof Sp. z o.o., Meat- Pac Sp. z o.o. and Gobarto Hodowca Sp. z o.o. as borrowers and the Company and its Subsidiaries (excluding PPH "Ferma-Pol"), as guarantors, of a bank facilities agreement.

Under the Bank Facilities Agreement, the Bank will extend - to the Company and the Subsidiaries - overdraft facilities aimed at repaying the existing debt of the Company and its group of companies arising from the existing working capital loans, investment loans, factoring limits and guarantees extended by other financial institutions and from the possibility of launching an additional financing (hereinafter Bank Facilities) in the total amount of PLN 244,425,852.42. The Agreement provides for an interest rate on the bank facilities in a variable rate, consisting of a margin plus WIBOR rate. Pursuant to the content of the Agreement, the Company and the Subsidiaries will be obliged to repay the bank facilities by 31 December 2023 at the latest.

Pursuant to the provisions of the Bank Facilities Agreement, in order to secure the Bank's claims under the Agreement:

- the Company will provide the following collateral for the Bank: (i) joint contractual mortgage (including mortgages established by the Issuer's subsidiaries) on the Company's real estates as indicated in the Bank Facilities Agreement; (ii) assignment to secure receivables of entities not related to the Company; (iii) financial and registered pledges on the Company's bank accounts; (iv) a declaration on submission to the debt collection as referred to in Article 777 §1(5) of the Civil Procedure Code; (v) assignment of rights and claims for a collateral in relation to the rights under insurance policies relating to the Company's assets; (vi) a registered pledge on a set of fixed assets of at least PLN 9,000,000 located in Grąbkowo and stocks located in Grąbkowo and Kobylin Stary with a value of at least PLN 5,000,000;
- The Subsidiaries will establish the following collaterals for the Bank: (i) registered pledges on a set of movables and rights (in the enterprise); (ii) a declaration on submission to the debt collection as referred to in Article 777 §1(5) of the CPC; (iii) assignment of rights and claims for a collateral in relation to the rights under insurance policies relating to the assets of the company concerned.

In addition, the following subsidiaries of the Issuer: Agro Gobarto Sp. z o.o., Agroferm Sp. z o.o., Agro Net Sp. z o.o., Rolpol Sp. z o.o., Agro Bieganów Sp. z o.o., Gobarto Dzikich Sp. z o.o. and Bioenergia Sp. z o.o. will establish a joint contractual mortgage for the Bank (together with a mortgage established by the Company).

Moreover, the Issuer's indirect subsidiary, Polskie Biogazownie "Energy-Zalesie" Sp. z o.o., in order to secure the Bank's claims arising from the Bank Facilities Agreement, will establish the following for the benefit of the Bank: (i) a registered pledge on the equipment; and (ii) assignment of rights and claims to secure the rights under insurance policies relating to the assets of the company.

In connection with the conclusion of the Bank Facilities Agreement, on 31 October 2017, in order to secure the Bank's claims under the Bank Facilities Agreement:

- the Company provided the following collateral for the Bank: (i) a financial and registered pledge on the Company's bank account, up to the maximum amount of the collateral of PLN 366,638,779; and (ii) a power of attorney to the bank account.
- The Subsidiaries have established collaterals for the Bank in a form of powers of attorney to the bank accounts.

G. Information on loans extended in the 12-month period ended on 31 December 2017

In the reporting period, the Company did not extend any loans.

H. Information on sureties and guarantees extended and obtained in the 12-month period ended on 31 December 2017

In connection with annexing the revolving loan agreements in the subsidiaries, GOBARTO S.A. extended the guarantees granted to the Group companies (AGRO GOBARTO Sp. z o. o., AGROFERM Sp. z o. o., AGRO NET Sp. z o. o., AGROPROF Sp. z o. o., ROLPOL Sp. z o. o. and GOBARTO Dzikczyzna Sp. z o. o.).

I. *Description of the method of using incomes from the share issuance by the Company*

Not applicable.

J. *Explanation of differences between financial results shown in the annual report and the previously released forecasts of the annual results*

The Company did not release forecasts of its results.

K. *Assessment of financial resources and instruments management*

In the 12-month period ended on 31 December 2017, the finances were managed reasonably and effectively. The Company satisfied all its trading and investment obligations. Taxes and social security premiums payable were also paid on time.

Cooperation with suppliers of raw materials (with farmers) must be noted and appreciated, as payments for the supplies were always effected in a timely manner.

L. *Assessment of feasibility of the investment intentions fulfilment*

The Company intends to finance the planned investments from own capital. It does not exclude however financing from any EU funds and with participation of bank loans.

M. *Description of the structure of the capital deposits and main capital investments made within the issuer's group of companies in the given financial year;*

The description of the main takeovers of shares is presented in Section B.1.

N. *Information on any contracts known to the issuer (including those concluded after the balance sheet date) as a result of which the company may experience changes in proportions of shares held by current shareholders and bondholders;*

The Management Board has no information on such contracts

O. Characteristics of the policy concerning the directions of development of the issuer's group of companies;

The policy and directions of the issuer's development were determined by the Company in the strategy for the years 2015-2019 published on 23 July 2015 (in Current Report No. 35/2015).

The primary assumptions of the Strategy are a continuation of the assumptions for the directions of development of the Issuer and its Group as adopted in 2010 (Current Report No. 26/2010) and they are as follows:

- Development of the raw materials segment (own farms)
- Increasing the slaughter volume in its own production plants by 25%
- Extending the range of the territorial operation of the distribution segment by building new warehouses or acquiring existing entities
- Increasing own cured meat production within the Group

The aim of the strategic directions is to focus on strengthening the Group's activities on the Polish meat market by increasing the production capacity (in respect of slaughter and processing, including cured meat production) and its distribution capabilities.

P. Description of relevant risk factors and threats, with determination of the degree to which the Company is endangered***Risks associated with the spread of animal diseases (ASF)***

A significant risk for pork producers arises from the African Swine Fever (ASF), which has been present in Poland since February 2014. This led to a lot of confusion among pig producers and in the meat industry. In accordance with the relevant provisions, presence of the African Swine Fever, a disease for which no effective vaccine has yet been found, virtually halted the Polish pork exports outside the European Union. Meat cannot be sent to the Customs Union, consisting of: Russia, Belarus and Kazakhstan. At present, ASF outbreaks have been spreading all the time and have already crossed the Vistula river border. This state of affairs has an extremely significant impact on the size and structure of sales and margins. Since the beginning, more than 100 outbreaks of the disease have been located in Poland.

Risks associated with the geopolitical situation

Among the potential risks into account must be also taken the deteriorating geopolitical situation arising from the conflict between Russia and Ukraine. So far, the conflict has caused imposition of reciprocal trade embargo on essential goods by Russia, the United States of America and the European Union. The most important issue for the Group is the blockade of the Russian market for pork originating from the European Union, which translates into restrictions on the optimal placement of products in target markets and difficulties in generating profit.

Risk associated with Brexit

The United Kingdom is one of Poland's key trade partners. The Brits' decision on the exit from the European Union will certainly have serious consequences for Polish exporters. Currently, the associated risk concerns functioning of the business entities in conditions of uncertainty. In the absence of detailed arrangements on the conditions of the Brexit, it is impossible to estimate the economic impact of the decision of the Brits. In case of the fulfillment of the negative scenarios assuming introduction of barriers in the trade between the parties, it will necessary to seek new markets and thus to incur significant additional costs associated with winning completely new markets.

Risk of the Group's results being impacted by the macroeconomic situation

Majority of the Group's sales takes place in Poland. Therefore, the results achieved by the Group are indirectly dependent on macroeconomic variables such as GDP growth, unemployment, inflation and interest rates as much as the wages growth rate. These factors influence the financial condition of any entities participating in the trade and the purchasing power of end customers. A possible slowdown of the economic growth and worsening of macroeconomic indices could act to disadvantage of the Group's financial results. The broadly understood food sector, in which the Group operates, is exposed to a lesser extent to a risk of recession than other industries, as the demand for a majority of foods, and particularly to meat, is rigid.

Risk associated with the exchange rate fluctuations

Companies from the GOBARTO S.A. Group are both exporters and importers. Therefore, levels of the exchange rates influence the financial performance of the Group. Moreover it should be noted that strengthening of zloty against other currencies undermines the Company's competitiveness on foreign markets and has an adverse impact on the export development in the Company. It must be emphasized here that contracts concluded by the Group companies include clauses that allow quarterly price revisions on the grounds of the exchange rates fluctuations. On the other hand, weakening of the zloty exchange rate against foreign currencies improves the profitability of export sales. Investors' attention is drawn to the fact that, in the past, the parent company - Gobarto S.A., at that time PKM Duda S.A., entered into a series of foreign exchange transactions in respect of which it suffered a substantial loss both on the separate and the consolidated level. Currently, in order to secure the open currency translation position, the parent company does not use any hedging transactions such as currency options, but it uses forward transactions only, but it may not be ruled out that in the future it will enter into some hedging transactions, which in case of unfavourable fluctuations of the exchange rate may have an adverse impact on the Group's financial performance.

The risk associated with the volatility in the cereals, pigs and cattle markets

These markets are characterized by very high volatility in the prices, which directly translates into results generated by each segment in the GOBARTO Group.

Risk associated with the value of assets

Potential worsening of the unsatisfactory results of the parent company in the future periods could require the Group to make write-downs and changes in the value of assets that negatively affect the financial performance.

Risks associated with a poor or deteriorating financial situation of certain entities operating in the meat industry

In the recent years, particularly during the Poland's accession to the European Union, many plants operating in the meat industry invested intensely, often taking advantage of preferential credits, which had a grace period for repayment for several years. The grace periods for most credits ended at the turn of 2008-2009. Today, many companies in the meat industry operate on very low margins and many of them record negative financial results. Therefore there is a risk that the financial surplus from operations will not be sufficient for covering principal installments in the credits repayment. This may lead to a situation where financing agencies terminate the loans extended to individual companies, and this may lead to the need of entering into an arrangement or declaring bankruptcy by some of these companies. This situation could be beneficial to the Group, since it could experience an abrupt increase of its market share after its competitors go bankrupt. On the other hand, the Group's business model assumes close cooperation with many meat industry plants by supplying half-carcasses and industrial meat to them, and then collecting cured meat products from them. There is a risk that a deteriorated position of meat industry plants may result in a situation where the Group will not be able to cooperate with these sites that will no obtain a loan facility or whose loan facility is

projected to be reduced. This turn of event may have a negative impact on the financial standing of the Group.

Risks associated with fiercer competition in the raw meat and cured meat products market.

In the meat and cured meat products distribution market, new competitors are emerging. It is also observed that the supply chain is being shortened by producers, who deliver products directly to their customers. A growing number of retail chains and big distributors decide to own central warehouses of meat. An increasing importance is applied to different types of buying groups in the retail market, and in relation the marketing cost of customer service is growing as well.

Q. Changes in the primary principles of managing the Company

In the period covered by this report no such changes occurred.

R. Contracts concluded between the Company and its managers

In the 12-month period ended on 31 December 2017, the Company did not conclude any additional contracts or agreements with Members of the Management Board.

S. Remuneration paid or payable to Members of the Management and Supervisory Boards of the Group

	Year ended	Year ended
	31 December 2017	31 December 2016
Management Board of the controlling entity		
Short-term employee allowances (salaries and mark-ups)	3,693	2,126
Supervisory Board of the controlling entity		
Short-term employee allowances (salaries and mark-ups)	349	327

T. Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes

As far as the Management Board of Gobarto S.A. knows, the following entities are shareholders holding significant blocks of the Company's shares (over 5% in the total number of votes) as at 31 December 2017:

No.	Shareholder	Number of shares	Interest in the share capital	Number of votes	Interest in the total number of votes
1.	CEDROB Spółka Akcyjna	23.103.888	83.11	23.103.888	83.11

U. Total number and par value of the Company's all shares as well as shares and interests in affiliates that are held by the managing and supervising employees (for each person separately)

As at 31 December 2017, the managing and supervising employees of the Company hold the Company's shares at the par value of PLN 10.00 (in words: ten zloty 00/100) each in the number of:

No.	Managing, supervising officer/Shareholder	Number of shares	Interest in the share capital (%)	Number of votes	Interest in the total number of votes (%)
1	Dariusz Formela – President of the Management Board	20,000	0.07%	20,000	0.07%
2	Roman Miler – Vice-President of the Management Board	20,000	0.07%	20,000	0.07%
3	Rafał Oleszak - Vice-President of the Management Board	30,600	0.11%	30,600	0.11%

V. Information on the system of supervising programs of employee shares

In the period of 12 months ended on 31 December 2017, no employee share programs were operated.

W. Information on the body authorized to audit financial statements and on the fee paid to body examining the financial statements

The Management Board of GOBARTO S.A. with its registered office in Warsaw (the Issuer, the Company) informs that under Resolution no. 12/29/03/2017 dated 29 March 2017, the Supervisory Board of the Issuer selected Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw, ul. Rondo ONZ 1, 00-124 Warszawa, National Court Register (KRS) no. 0000481039, Tax Identification Number (NIP): 526-020-79-76 (entered on the list of the Polish Council of Statutory Auditors under number 130) to be the entity authorized to audit the financial statements. This entity was selected in keeping with the laws in force and the applicable professional standards. The Company executed a contract with the said entity for:

- the Review of the Separate Financial Statements of GOBARTO S.A. for the period from 01 January 2017 to 30 June 2017;
- the Review of the Consolidated Financial Statements of the GOBARTO Group for the period from 01 January 2017 to 30 June 2017;
- the Audit of the Separate Financial Statements of GOBARTO S.A. for the period from 01 January 2017 to 31 December 2017;
- the Audit of the Consolidated Financial Statements of the GOBARTO Group for the period from 01 January 2017 to 31 December 2017;

The selected auditor has already worked with the Issuer in respect of the reviews of separate and interim consolidated financial statements for the first six months of years 2010-2016 and the audits of separate and consolidated financial statements for accounting years 2010-2016.

Moreover, this selected entity acted as an advisory body in respect of the separate and consolidated financial statements for accounting year 2009.

The contract with the above entity has been concluded for a period necessary to conduct a review of interim financial statements and the audit of separate and consolidated financial statements referred to above, together with the preparation of opinions and reports on such reviews and audits.

On 9 March 2018, an annex to the contract was signed. In connection with the additional work involved in the audit of the Group's consolidated financial statements for the year ended on December 31, 2017, the Parties agreed to increase the amount of remuneration.

The following table presents remuneration of the entity authorized to audit financial statements paid or payable for the year ended 31 December 2016 and for year 2017:

	<i>Year 2017*</i>	<i>Year 2016</i>
Mandatory audit of the Separate and Consolidated Financial Statements	245	185
Audit of the Individual Financial Statements of the subsidiaries	109	111
Total	354	296

* The remuneration does not cover any other services provided for other companies of the Group.

X. *Indication to all relevant proceedings pending before a court, a body competent for arbitration procedure or a public administration body.*

A detailed list of pending litigation and bankruptcy proceedings filed by GOBARTO S.A. (or companies in the GOBARTO S.A. Group), and in which a company (or companies from the GOBARTO S.A. Group) is a party was included in the Annual Consolidated Financial Statements for 2017 in Point 36.1. These cases relate mainly to claims for debts and interest on debtors.

X.1. *Proceedings concerning liabilities or receivables of the issuer or its subsidiary, the value of which constitutes at least 10% of the issuer's equity, specifying: the subject of the proceedings, the value of the amount in dispute, the date of initiation of the proceedings, parties to the proceedings and the position of the issuer,*

None

X.2. *Two or more proceedings concerning liabilities and receivables whose total value represents at least 10% of the issuer's equity, respectively, with the total value of proceedings separately in the group of liabilities and receivables, together with the issuer's position in the case and, for the largest proceedings in the group of liabilities and the group of receivables - with an indication of their subject, the value of the amount in dispute, the date of initiation of the proceedings and the parties to the proceedings.*

None

Y. *Description of significant non-balance sheet items in terms of their subject, object and value.*

Not applicable

Z. *Events after the Balance Sheet date*

The events are described in a chronological order.

Gobarto S.A. – Dates of publishing interim reports in 2018

The Management Board of Gobarto S.A. announced publicly the dates of publication of interim reports in the accounting year 2018:

- Annual Report for accounting year 2017 – 22 March 2018
- Consolidated Annual Report for accounting year 2017 – 22 March 2018
- Consolidated Quarterly Report for the first quarter of 2018 – 15 May 2018
- Consolidated Semi-Annual Report for the first half of 2018 – 21 August 2018
- Consolidated Quarterly Report for the third quarter of 2018 – 14 November 2018

Moreover, the Issuer informed that it will not publish the Consolidated Quarterly Report for the fourth quarter of 2017 and the Consolidated Quarterly Report for the second quarter of 2018.

Gobarto S.A. – Notice on the acquisition of shares by a person closely associated with the Chairperson and Members of the Supervisory Board

On 8 February 2018, the Management Board of Gobarto S.A. received a notice on a transaction on the Issuer's shares made by CEDROB.

According to the notice, as a result of the block transaction of 6 February 2017, performed at the WSE, CEDROB purchased 265,000 shares of the Issuer at the price of PLN 9.80 per share.

Gobarto S.A. – Announcement of a change in the interest in the total number of votes

On 9 February 2018, the Management Board of Gobarto S.A. informed about a change in the overall structure of the number of votes at the General Meeting of Shareholders of the Issuer.

The change referred to in the notice resulted from the acquisition by CEDROB of 265,000 shares in a block transaction on 6 February 2018.

Currently, CEDROB owns 23,368,888 shares of the Issuer, which accounts for 84.06% of the Issuer's shares and gives 23,368,888 votes at the Issuer's General Meeting of Shareholders, which accounts for 84.06% of the total number of votes at the Issuer's General Meeting.

Gobarto S.A. – establishment of mortgages by the Issuer and its subsidiaries

The Management Board of Gobarto S.A. informed that in compliance with the provisions of the Bank Facilities Agreement concluded on 31 October 2017 (hereinafter: Bank Facilities Agreement) with Bank Polska Kasa Opieki S.A., the competent district courts made, in their respective land and mortgage registers, the entry on the following instruments established by the Issuer and its direct and indirect subsidiaries, i.e. Agro Gobarto Sp. z o.o., Gobarto Dzikczyzna Sp. z o.o., Agroferm Sp. z o.o., Agro Bieganów Sp. z o.o., Agro Net Sp. z o.o., Rolpol Sp. z o.o. and Bioenergia Sp. z o.o.:

- a joint contractual mortgage up to the amount of PLN 317,753,610 in order to secure the Bank's claims under the Bank Facilities Agreement; and
- a contractual joint mortgage up to:
 - in case of the Issuer – PLN 9,100,000
 - in case of Agro Gobarto – PLN 845,000
 - in case of Gobarto Dzikczyzna – PLN 1,560,000
 - in case of Agroferm – PLN 195,000
 - in case of Agro Bieganów – PLN 845,000
 - in case of Agro Net – PLN 292,500
 - in case of Rolpol – PLN 455,000; and
 - in case of Bioenergia – PLN 14,787,500,

to secure the Bank's financial receivables under the hedging agreements entered into by the Issuer and the Issuer's subsidiaries in connection with the Bank Loans Agreement.

AA. *Statement on application of corporate governance, which is a separate part of this report, that contains at least the following information:*

AA.1. *Indication of corporate governance code adopted by the Company and the place where the text of the code is publicly available*

On the grounds of § 29 Sec. 3 of the Stock Exchange Rules and according to the "comply or explain" principle, on 14 February 2017, Gobarto S.A. submitted a report on the non-compliance with the detailed rules contained in the "Good Practices of the WSE Listed Companies 2016", whose full wording is publicly available at www.corp-gov.gpw.pl, the official website of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

Information on the compliance of Gobarto S.A. of the recommendations and principles contained in the "Good Practices of the WSE Listed Companies 2016" is available at http://gobarto.pl/pub/File/Dobre_praktyki_2016.pdf

The following are recommendations and principles which, at the date of this annual report, have not been applied in the Company, together with the Management Board's comments:

AA.2. *Indication to provisions of the code of corporate governance specified in Point D.2 from which the Company withdrew and to the extent of the withdrawal and clarification of the reasons for this withdrawal.*

I. Information policy and communication with investors

I.1.1. *"The Company runs a corporate website and places the following information in a readable form and in a separate place, in addition to the information required by law:"*

I.Z.1.3. *"Scheme of division of tasks and responsibilities between the Management Board Members drawn up in accordance with rule II.Z.1"*

Commentary of the Company: The composition of the Management Board as well as any changes therein are published on the Company's website from time to time. The scheme of duties and responsibilities, which is attached to the resolution of the Management Board on that matter, is not public information due to the sensitive nature of the data contained therein.

I.Z.1.8. *"List of selected financial data of the Company for the last 5 years of activity, in a format that enables processing of this data by their recipients."*

Commentary of the Company: The rule is applied partially. The Company publishes summaries of selected financial data of the Company on its website. The data are presented in the pdf format.

I.Z.1.15. *"Information describing the diversity policy applied by the company in respect to the company's authorities and its key managers; the description should take into account such elements of the diversity policy as gender, direction of education, age, professional experience, and also indicate the objectives of the applied diversity policy and the method of its implementation in the reporting period; if the company has not developed or implemented the diversity policy, it posts an explanation of such a decision on its website."*

Commentary of the Company: The rule is applied partially. The Company adopted the document entitled "Diversity policy" and commenced implementation of its assumptions. On its website, the Company has published information containing a description of the diversity policy being applied. In the current year, the Company will verify the condition of implementation of and compliance with the diversity policy, which will allow the Company to refine information on its use.

I.Z.1.16. *"Information on the planned transmission of the general meeting - not later than 7 days before the date of the general meeting."*

Commentary of the Company: As a result of the excessive cost of organizing the above-mentioned transmission and bearing in mind the arguments presented in Recommendation IV.R.2 below, the Company does not make any on-line transmissions.

II. Management Board and Supervisory Board**II.Z.1.** *"The internal division of responsibilities for individual areas of the company's activities between the management board members should be formulated in an unequivocal and transparent manner, and the division scheme available on the company's website."*

Commentary of the company: The rule is applied partially – the scheme of duties and responsibilities, which is attached to the resolution of the Management Board on that matter, is not public information due to the sensitive nature of the data contained therein.

II.Z.2. *"Holding functions by the company's management board members in the management or supervisory boards of companies outside the company's group requires the consent of the supervisory board."*

Commentary of the company: The rule is applied partially, i.e. in relation to the membership of the Company's managers in corporate bodies of entities competitive to the Company.

II.Z.6. *"The supervisory board assesses whether there are relationships or circumstances which may affect the board member's compliance with the independence criteria. The assessment of the supervisory board member's independence criteria is presented by the board in accordance with rule II.Z.10.2."*

Commentary of the company: The rule is applied partially. The Supervisory Board has assessed fulfillment of the independence criteria by a given member of the Supervisory Board and will present its results in accordance with rule II.Z.10.2.

II.Z.10 *"In addition to the activities arising from the provisions of law, once a year, the supervisory board prepares and presents the following to the annual general meeting:"*

II.Z.10.2 *"Report on the Supervisory Board's Operations covering information at least on:*

- *the composition of the board and its committees,*
- *compliance with the independence criteria by the members,*
- *number of meetings of the board and its committees during the reporting period,*
- *self-evaluation of the work of the supervisory board;"*

Commentary of the Company: The rule is applied partially. The Supervisory Board's Report contains the elements indicated above, however, as regards the information on compliance with the independence criteria by members of the Supervisory Board, it is limited to indicating which Supervisory Board members meet the criteria.

III. Internal systems and functions

III.Z.3. *"As regards the person in charge of the internal audit function and other persons responsible for the performance of its tasks, the principles of independence are to be applied as specified in the generally accepted international standards of the professional practice of the internal audit."*

Commentary of the company: The rule is applied only partially, i.e. in relation to other persons responsible for the implementation of tasks in the field of internal auditing.

III.Z.4. *"At least once a year, the person responsible for the internal auditing (if such a function is identified in the company) and the management board present their own assessment of the effectiveness of the systems and functions referred to in Rule III.Z.1, together with the relevant report, to the supervisory board."*

Commentary of the company: The company has been implementing the above-mentioned rule.

IV. General meeting and relations with the shareholders

IV.R.2. *"If it is justified by the company's shareholding structure or the shareholders' expectations reported to the company, provided the company is able to ensure the technical infrastructure necessary for the smooth conduct of the general meeting using electronic means of communication, the company should make it possible for the shareholders to attend the general meeting using such means, especially through: 1) a real-time transmission of the general meeting, 2) two-way real-time communication in which shareholders may speak during a session of the general meeting, staying in a place other than the venue of a general meeting, 3) exercising, in person or by a proxy, of the voting rights in the course of the general assembly."*

Commentary of the company: Due to some constraints of the technical & organizational nature and to the lack of appropriate statutory regulations, the Company resigned from the recommended real-time transmission of the General Meeting of Shareholders, two-way communication in real time and enabling the exercise of the voting rights by means of electronic communication. However, the Company makes records of the course of the General Meetings of Shareholders. The Company believes that implementation of the rule is associated with technical, organizational and legal risks. These risks can have a significant impact on the fluency of the course of General Meetings and result in increasing the cost of organization of the General Meeting of Shareholders.

IV.Z.2. *If it is justified by the company's shareholding structure, the company provides a real-time, publicly available transmission of the general meeting."*

Commentary of the company: The Company believes that implementation of the rule involves an excessive cost of organization of the General Meeting of Shareholders. However, the Company registers the course of the General Meetings of Shareholders and makes the records available on its website.

V. Conflicts of interest and related party transactions

V.Z.6. *"In its internal regulations the Company determines the criteria and circumstances in which a conflict of interest may occur in the company, as well as the rules of conduct in the event of a conflict of interest or the possibility of its occurrence. The Company's internal regulations include, but are not limited to, prevention, identification and resolution of conflicts of interest, as well as the rules of exclusion of a member of the management or supervisory board from participation in the consideration of a matter subject to or at the risk of conflict of interest."*

Commentary of the company: The rule is applied partially. Internal acts do not specify any criteria and circumstances in which a conflict of interests may arise, or any rules of conduct in the face of its occurrence. Internal regulations regarding the rules of conduct in the process of investment purchase implementation include provisions, the purpose of which is, inter alia, to prevent the possibility of a conflict of interest in this area.

VI. Salary and wage expense

VI.R.4. *"The level of remuneration for the members of the management board and the supervisory board and key managers should be sufficient to attract, retain and motivate people with the competences necessary for the proper management and supervision of the company. The remuneration should be adequate to the tasks entrusted to the individuals and account for any additional functions, such as work in any committees of the supervisory board."*

Commentary of the Company: The Company applies it partially. The Company has a market level of remuneration, as confirmed in a study on the employees' remuneration performed by specialized HR companies. The Audit Committee members do not receive any additional remuneration.

VI.Z.4. *"In the Directors' Report on the Company's Operations, the Company presents a report on remuneration policies, including at least: 1) general information about the company's remuneration system, 2) information on the terms and levels of remuneration of each management board member, broken down by fixed and variable remuneration components, with key parameters for setting variable remuneration components and rules of payment of severance benefits and other allowances in case of termination of the employment relationship, contract of commission or other legal relationship of a similar nature - separately for the company and each entity of the capital group, 3) information on individual non-financial remuneration components payable to the management board members and key managers, 4) indication of relevant changes during the last financial year in the remuneration policy, or information on their absence, 5) an assessment of the remuneration policy functioning from the point of view of its objectives achievement, in particular the long-term shareholder value growth and stability of the company functioning."*

Commentary of the Company: The rule is applied partially. The financial statements present information on the level of remuneration of individual members of the management board in a given financial year.

AA.3. ***Determination of all relevant information concerning application by the Company of practices in corporate governance, beyond requirements under the national law with the***

presentation of information on practice in respect of the corporate governance applied by the Company

Given the transparency of the Company, the Management Board posts any current and periodic reports communicable to the public on a corporate site. It is here that the shareholders may also consult the calendar of major events in the accounting year in the Company, presentations of financial results and information on current events in GOBARTO S.A.

The Company develops its presentations of financial results, which are then discussed with journalists and analysts at conferences. Thus information on the Company is made available directly from the executive staff.

AA.4. Indication of shareholders holding – directly or indirectly – any larger blocks of shares with indication of the number of shares held by them, their percentage interest in the share capital, number of votes such shares entitle to and their percentage interest in the total number of votes at the General Meeting of Shareholders.

As far as the Management Board of GOBARTO S.A. knows, the following entities were shareholders holding significant blocks of the Company's shares (over 5% in the total number of votes) as at the date of these Financial Statements:

No	Shareholder	Number of shares	Interest in the share capital (%)	Number of votes	Interest in the total number of votes (%)
1.	CEDROB Spółka Akcyjna	23.368.888	84.06	23.368.888	84.06
2.	Other	4.431.341	15.94	4.431.341	15.94

In 2017, in the equity structure of larger blocks of the Company's shares the following changes occurred:

- On 20 January 2017, the Company received from CEDROB S.A. of Ujazdówek a notice submitted pursuant to Art. 69 Sec. 1 Point 1 of the Act of 29 July 2005 on Public Offering, Conditions Governing Introduction of Financial Instruments to Organized Trading and Public Companies (consolidated text in Journal of Laws of 2016, Item 1639, as amended), according to which as a result of the acquisition performed on 20 January 2017 - as a result of realization of the Tender Offer - of 4,720,882 shares of the Company in transactions on the Warsaw Stock Exchange (cleared on 20 January 2017), the share of CEDROB S.A. in the total number of votes at the General Meeting of Shareholders of the Company exceeded the threshold of 66%. Prior to the acquisition, CEDROB S.A. held 18,348,151 (say: eighteen million three hundred forty-eight thousand one hundred and fifty-one) shares of the Company, representing 66% of the share capital of the Company, giving 18,348,151 (say: eighteen million three hundred forty-eight thousand one hundred and fifty-one) votes at the General Meeting of Shareholders of the Company, which represented 66% of the total number of votes. After the above described acquisition, CEDROB S.A. holds 23,069,033 (in words: twenty-three million sixty-nine thousand and thirty-three) shares of the Company, representing 82.98 % of the share capital of the Company, which represents 82.98 % of the total number of votes.

- On 23 January 2017, the Company received from Towarzystwa Funduszy Inwestycyjnych PZU S.A. of Warsaw a notice submitted pursuant to Art. 69 Sec. 1 Point 2) and Art. 87 Sec. 1 Point 2) Letter a) of the Act of 29 July 2005 on Public Offering, Conditions Governing Introduction of Financial Instruments to Organized Trading and Public Companies (consolidated text in Journal of Laws of 2016, Item 1639, as amended), according to which, as a result of the disposal performed on 19 January 2017 - in the response to the tender offer for subscribing to the Company's shares - and reconciled on 20 January 2017 of 2,617,868 (say: two million six hundred seventeen thousand eight hundred and sixty-eight) shares of the Company, the interest of the Funds of TFI PZU (PZU Fundusz Inwestycyjny Otwarty Parasolowy, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Globalnych Inwestycji, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum, PZU Fundusz Inwestycyjny Zamknięty Akcji Focus) in the total number of votes at the General Meeting of the Issuer has decreased to 0%. Prior to the change of the shareholding, the Funds of TFI PZU held 2,617,868 shares of the Issuer, representing 9.4167 % interest in the share capital of the Company, and they gave 2,617,868 votes at the General Meeting of Shareholders of the Company, representing 9.4167 % of the total number of votes. Following the change of the shareholding, the Funds of TFI PZU hold 0 shares of the Company, representing 0 % interest in the share capital of the Company, and they are entitled to 0 votes at the General Meeting of Shareholders of the Company, representing 0 % of the total number of votes.
- on 14 April 2017, the Company received from CEDROB S.A. of Ujazdówek a notice submitted pursuant to Art. 19 Sec. 1 of the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on Market Abuse (the Regulation on Market Abuse) and repealing Directive 2003/6/EC of the European Parliament and of the Council and the Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC, on the transaction on the Company's shares carried out outside the organized trading on 13 April 2017, as a result of which CEDROB S.A. purchased 25,000 shares of the Company.
- on 30 May 2017, the Company received from CEDROB S.A. of Ujazdówek a notice submitted pursuant to Art. 19 Sec. 1 of the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on Market Abuse (the Regulation on Market Abuse) and repealing Directive 2003/6/EC of the European Parliament and of the Council and the Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC, on the transactions on the Company's shares carried out on 29 May 2017, as a result of which CEDROB S.A. purchased the total of 1,478 shares of the Company.
- on 08 June 2017, the Company received from CEDROB S.A. of Ujazdówek notices submitted pursuant to Art. 19 Sec. 1 of the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on Market Abuse (the Regulation on Market Abuse) and repealing Directive 2003/6/EC of the European Parliament and of the Council and the Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC, on the transactions on the Company's shares carried out (i) on 06 June 2017, as a result of which CEDROB S.A. purchased 30 shares of the Company, and (ii) on 07 June 2017, as a result of which CEDROB S.A. purchased 494 shares of the Company.
- on 09 June 2017, the Company received from CEDROB S.A. of Ujazdówek a notice submitted pursuant to Art. 19 Sec. 1 of the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on Market Abuse (the Regulation on Market Abuse) and repealing Directive 2003/6/EC of the European Parliament and of the Council and the Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC, on the transaction on the Company's shares carried out on 08 June 2017, as a result of which CEDROB S.A. purchased 30 shares of the Company.
- on 14 June 2017, the Company received from CEDROB S.A. of Ujazdówek notices submitted pursuant to Art. 19 Sec. 1 of the Regulation of the European Parliament and of the Council

(EU) No. 596/2014 of 16 April 2014 on Market Abuse (the Regulation on Market Abuse) and repealing Directive 2003/6/EC of the European Parliament and of the Council and the Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC, on the transactions on the Company's shares carried out (i) on 12 June 2017, as a result of which CEDROB S.A. purchased 2,663 shares of the Company, and (ii) on 13 June 2017, as a result of which CEDROB S.A. purchased 20 shares of the Company.

- on 19 June 2017, the Company received from CEDROB S.A. of Ujazdówek notices submitted pursuant to Art. 19 Sec. 1 of the Regulation of the European Parliament and of the Council (EU) No. 596/2014 of 16 April 2014 on Market Abuse (the Regulation on Market Abuse) and repealing Directive 2003/6/EC of the European Parliament and of the Council and the Commission Directive 2003/124/EC, 2003/125/EC and 2004/72/EC, on the transactions on the Company's shares carried out (i) on 14 June 2017, as a result of which CEDROB S.A. purchased 4,000 shares of the Company, and (ii) on 16 June 2017, as a result of which CEDROB S.A. purchased 1,140 shares of the Company.
- on 09 February 2018, the Company received, from CEDROB S.A. of Ujazdówek, a notice submitted pursuant to Art. 69 Sec. 1 Point 1 of the Act of 29 July 2005 on Public Offering, Conditions Governing Introduction of Financial Instruments to Organized Trading and Public Companies (consolidated text in Journal of Laws of 2016, Item 1639, as amended), according to which as a result of the block transaction of 06 February 2018, CEDROB S.A. purchased 265,000 shares of the Company. Prior to the acquisition, CEDROB S.A. held 23,103,888 shares of the Company, representing 83.11% interest in the share capital of the Company, giving 23,103,888 votes at the General Meeting of Shareholders of the Company, representing 83.11% of the total number of votes. After the above described acquisition, CEDROB S.A. holds 23,368,888 shares of the Company, representing 84.06 % of the share capital of the Company, which represents 84.06 % of the total number of votes.

The Issuer does not have any reliable information on the ownership of shares of the Company as at the date of this Report, by shareholders other than CEDROB S.A.

AA.5. *Indication to holders of any securities that give special control entitlements including a description of these entitlements*

Securities held by shareholders of GOBARTO S.A. give no special control entitlements.

AA.6. *Indication to all limitations in respect of exercising the voting right, such as limitation of exercising the voting right by holders of a specified part or number of votes, time limitation in respect of the voting right, or regulation according to which – provided with the Company's cooperation – the capital rights related to the securities are separated from the rights resulting from any securities held.*

Under the Articles of Association there are no limitations in respect of exercising the voting rights.

AA.7. *Indication to all limitations in respect of assigning ownership of the Company's securities.*

No limitations. All shares issued in the Company are ordinary bearer shares and are dematerialized.

AA.8. Description of principles governing the amendment of the Company's By-Laws or Articles of Association.

Amendments to the Articles of Association of the Company are made with regard to the way and manner required by the Commercial Companies Code, i.e. under a resolution adopted by the General Meeting and by making an appropriate entry in the Register of Entrepreneurs.

AA.9. Method of operation and major entitlements of the General Meeting and description of shareholders' rights and method of exercising thereof, particularly principles based on the rules of the General Meeting

The General Meeting of GOBARTO S.A. sits as an ordinary or extraordinary meeting in keeping with provisions of the Commercial Companies Code, the Company's By-Laws and the Rules of the General Meeting ("the Rules"), as well as with principles contained in the "Best Practice of GPW Listed Companies". The above documents are available from the Company's corporate website at www.gobarto.pl.

Under § 15 of the Company's By-Laws, the General Meeting sessions are held in the Company's registered office or in Grąbkowo or Ujazdówek. The General Meeting shall be opened by the Chairperson of the Supervisory Board or a person appointed by the Chairperson. If the Chairperson of the Supervisory Board is absent or no-one was appointed for opening the session, the General Meeting session is opened by the shareholder who holds the highest percentage interest of shares in the Company's share capital or by his/her/its representative. The Chairperson of the General Meeting of Shareholders shall be elected from all shareholders with the voting right.

Under § 7 Sec. 2 of the Rules of the General Meeting, the course of the General Meeting is directed by the Chairperson in keeping with the adopted agenda, regulations of law, the By-Laws and Rules. The Chairperson should counteract particularly any instances of abusing rights by the General Meeting participants and ensure that rights of minority Shareholders are also respected.

Pursuant to the Rules, the Chairperson orders selection of the vote counting committee composed of two members from the session's participants or from outside, and the committee's competences includes ensuring a correct course of voting as provided for in the agenda or any other resolution of the General Meeting.

Members of the Management Board, their Representatives and members of the Supervisory Board, may participate in sessions of the General Meeting of Stockholders even without any invitations. Sessions of the Ordinary General Meeting may be attended by those members of the Management Board and Supervisory Board whose mandates expired before the day the session but who held their functions in the accounting year covered by the Board's report and the financial statements to be approved by this Ordinary General Meeting. If called by the Management Board, any other people, particularly certified auditors and experts having specialized knowledge in respect of issues discussed by the General Meeting, may attend the General Meeting's sessions – in full or in part.

Under § 11 Sec. 1 of the Rules of the General Meeting, the General Meeting is held in keeping with the following agenda:

- a) Opening of the Meeting of Shareholders,
- b) Election of the Chairperson
- c) Confirming the correctness of convening the General Meeting of Shareholders and its capability to adopt valid resolutions
- d) Adopting the agenda of the General Meeting of Shareholders
- e) Election of the Ballot Counting Committee
- f) Adopting resolutions and other acts specified in the notice by the General Meeting of Shareholders
- g) Free motions,
- h) Adjourning of the General Meeting.

Having presented each consecutive issue from the agenda, the Chairperson opens the discussion and gives the floor in the order of the speakers coming forward.

After reading draft resolutions by the notary, Chairperson or a person appointed by the Chairperson, the General Meeting proceeds to voting.

Votes can be cast orally to the minutes, in writing or using electronics.

The special competences of the General Meeting include:

- a) investigating and approving of the Management Board's report on the Company's operations and the financial statements for the previous accounting year and giving the vote of approval to members of the Company's bodies for execution of their duties;
- b) adopting resolutions on distribution of profit or covering the loss, and on the way of using funds established from the profit;
- c) appointing and dismissing of the Supervisory Board members and determining the principles of remunerating them;
- d) all changes of the Articles of Association, including the increase and decrease of the share capital and change of the Company's scope of business activities;
- e) merger and transformation of the Company;
- f) dissolution of the Company;
- g) issuance of convertible bonds;
- h) selling, leasing and imposing a limited property right on the enterprise or its organized part;
- i) making all decisions on claims for remedying damages suffered at the incorporation of the Company or at the managing or supervising operations;
- j) appointing and dismissing members of the Management Board, including the Board's President and Vice-Presidents;
- k) in case of the General Meeting adopting a resolution on apportioning the profit, in full or in part, for dividends to shareholders, specifying the date as of which the list of shareholders authorized to the dividend payment for the given accounting year is determined (dividend date) and specifying the date of payment of the dividend;
- l) increasing the share capital from the Company's funds;
- m) authorizing the Management Board for making one or more consecutive increases of the share capital on terms specified in the General Meeting's resolutions (targeted share capital);
- n) conditional increase of the share capital for the purpose of granting rights for holding shares by holders of convertible bonds or in priority bonds, or of granting rights to shares to employees, members of the Management Board or the Supervisory Board against contributions in kind constituting liabilities to which they are entitled due to their acquired rights to participation in the Company's or a subsidiary's profit;
- o) other issues that - according to the Articles of Association or unconditionally applicable provisions of law - belong to the competences of the General Meeting.

Under § 11 Sec. 4 of the Company's By-Laws, the right to request calling of the extraordinary general meeting was granted to a shareholder or shareholders who represent at least 1/20 (in words: one twentieth) interest in the share capital. Under § 11 Sec. 9 of the Company's By-Laws, the right to request placing certain issues in the agenda of the general meeting was granted to a shareholder or shareholders who represent at least 1/20 (in words: one twentieth) interest in the share capital.

Under § 13 Sec. 2 and 3 of the Rules of the General Meeting, participants of the General Meeting may submit draft resolutions in writing covered by the agenda to the hands of the Chairperson. Draft resolutions may be submitted by the moment of commencing the voting. The draft resolution or a motion for amending content of a draft resolution can be withdrawn only by the General Meeting participant who submitted it.

AA.10. The personal composition of the Management Board and changes in the Board that occurred within a period ended on 31 December 2017 and a description of operations of managing, supervising and administration bodies of the Company and their committees;

In the period from 01 January 2017 to 31 December 2017 the composition of the Supervisory Board was as follows:

Andrzej Goździkowski	Chairperson of the Supervisory Board On 23 December 2014 appointed to the Supervisory Board under Resolution of the Extraordinary General Meeting no.
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	9/23/12/2014
Robert Bednarski	Member of the Supervisory Board On 23 December 2014 appointed to the Supervisory Board under Resolution of the Extraordinary General Meeting no. 7/23/12/2014
Włodzimierz Bartkowski	Member of the Supervisory Board On 23 December 2014 appointed to the Supervisory Board under Resolution of the Extraordinary General Meeting no. 8/23/12/2014
Ryszard Ceranowicz	Member of the Supervisory Board On 23 December 2014 appointed to the Supervisory Board under Resolution of the Extraordinary General Meeting no. 10/23/12/2014
Aleksander Koźlakiewicz	Member of the Supervisory Board On 23 December 2014 appointed to the Supervisory Board under Resolution of the Extraordinary General Meeting no. 11/23/12/2014
Andrzej Śliwiński	Member of the Supervisory Board On 23 December 2014 appointed to the Supervisory Board under Resolution of the Extraordinary General Meeting no. 12/23/12/2014
Zbigniew Natkański	Member of the Supervisory Board On 18 October 2017 appointed to the Supervisory Board under Resolution of the Extraordinary General Meeting no. 5/18/10/2017

Members of the Supervisory Board are appointed by the General Meeting of Stockholders for joint three-year term in office. A change in the composition of the Supervisory Board does not result in any interruption of the term in office. The term in office of a member of the Supervisory Board who was appointed during the term in office of the Board expires together with the end of the entire Board's term in office.

Members of the Supervisory Board satisfy the independence criteria in the number required by the Company's By-Laws and "Best Practice of GPW Listed Companies".

Under § 20 of the Company's By-Laws, the Supervisory Board ensures continuous supervision over the Company's activities in all areas of its operation.

Apart from the statutory ones, the special competences of the Supervisory Board include:

- a) appointing and dismissing members of the Management Board;
- b) representing the Company in all disputes with members of the Management Board;
- c) representing the Company at the process of concluding all contracts with members of the Management Board;
- d) determining principles of remunerating members of the Management Board and any other terms of contracts with them;
- e) giving consent to members of the Management Board for running a competitive business or participating in a competitive company as a partner in a civil or general partnership, or as a member of a body of a company, corporation, or any other competitive legal entity;
- f) giving opinion on all issues included in the agenda of the General Meeting of Shareholders for discussion;
- g) appointing a certified auditor to audit the Company's financial statements;

- h) evaluating the Management Board's report on the Company's operations and the financial statements for the previous accounting year in respect of their compliance with the books of account and documentation, as well as the factual situation;
- i) evaluating the Management Board's requests in respect of the proposed distribution of profit or loss coverage;
- j) submitting a written report on results of the above evaluations and examination as well as a request for discharging members of the Management Board from their duties to the General Meeting;
- k) giving consent for converting registered shares into bearer's shares;
- l) considering and giving opinion on motions that are subject to resolutions of the General Meeting;
- m) suspending individual or all members of the Company's Management Board, including the President and Vice-Presidents, from execution of their duties and delegating members of the Supervisory Board for a period not exceeding three months to performing on a temporary basis of activities of those of the Board members who have been dismissed, have resigned or cannot execute their duties for other reasons, provided that the Management Board Members may be suspended only for serious reasons;
- n) giving opinion on draft resolutions on a change in the Company's Articles of Association that is to be performed under a resolution of the General Meeting of Shareholders;
- o) approving by the Supervisory Board of budgets and programs adopted by the Management Board;
- p) settling issues that are subject to competences of the Supervisory Board under § 23 Sec. 4 of the Company's Articles of Association.

The Company's Articles of Association provide also for competences of the Supervisory Board in the scope of:

- a) a written demand for calling an Extraordinary General Meeting of Shareholders,
- b) calling an Extraordinary General Meeting of Shareholders when a motion for calling it is submitted and not calling it by the Management Board on the prescribed date.

Provisions under § 4 of the Rules of the Supervisory Board authorize this corporate body to give opinions on all issues related to the Company's operations, including also submission of motions and proposals to the Management Board.

The Supervisory Board operates based on the Commercial Companies Code, provisions of the Company's Articles of Association and Rules of the Supervisory Board and in consideration of principles arising from the "Best Practices of the GPW Listed Companies".

The Supervisory Board gathers as needed but at least once in three months. A session of the Supervisory Board is convened by the Chairperson, and if it proves impossible for the Chairperson to convene a session, it can be convened by a Deputy-Chairperson of the Supervisory Board. A session may be also called on the motion of the Management Board or a proxy acting in its name. In such a case a session should be held not later than within 2 (two) weeks upon submission of the request. A session of the Supervisory Board is called by fax against confirmation of receipt or by registered mail or by e-mail, which are to be sent to members of the Supervisory Board at least 10 (ten) days before the scheduled session date. Sessions of the Supervisory Board may be held over the phone or using another method of direct remote communication that enables communication of all attending members of the Supervisory Board. The Supervisory Board may adopt resolutions also in writing or by other means of direct remote communication and by e-mail.

For validity of resolutions of the Supervisory Board adopted at their session, all members of the Supervisory Board must have been invited to such session. Resolutions of the Supervisory Board of the Company are adopted with an absolute majority of votes, with the participation of at least half of the members of the Board. In case when some resolutions of the Supervisory Board were not adopted due to a lack of quorum while considering them, such resolutions may be adopted on the next session of the Board called not earlier than after 5 days from the date of the initial session of the Board irrespective of the number of members of the Board attending such a session.

Under the Company's Supervisory Board there operates the Auditing Committee.

In 2017, the Auditing Committee was composed (until being recalled or resignation) of:

1. Robert Bednarski – Chairperson of the Auditing Committee, Member of the Auditing Committee who satisfies the conditions of independence, having qualifications in respect of accountancy
2. Andrzej Goździkowski – Member of the Committee (by 18.10.2017)
3. Włodzimierz Bartkowski – Member of the Committee
4. Zbigniew Natkański – Member of the Committee (since 18.10.2017)

The Auditing Committee bases its operations on the provisions of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 2017 Item 1089), provisions of the "Best Practices of WSE Listed Companies", the Company's Articles of Association and the Rules of the Auditing Committee available on the Company's website at www.gobarto.pl.

The Auditing Committee is an advisory body to the Supervisory Board on matters relating to the separate and consolidated financial reporting, internal control, risk management, internal audit and financial audit of the Company.

The Auditing Committee supports the Supervisory Board through:

- a) monitoring of:
 - i. the financial reporting process,
 - ii. the effectiveness of internal control systems and risk management systems as well as of the internal audit, including in respect of the financial reporting,
 - iii. performing financial auditing activities, in particular conducting an audit by an audit firm, accounting for all and any applications and findings of the Auditing Supervision Commission resulting from audits carried out in the audit firm;
- b) controlling and monitoring of the independence of the statutory auditor and the audit firm, in particular when services other than auditing are provided to the Company by the auditing company;
- c) informing of the Supervisory Board about the results of the audit by the auditing company and explaining how the audit contributed to the reliability of financial reporting in the Company, and what was the role of the Auditing Committee in the auditing process;
- d) assessing the independence of the auditor and consenting to the provision of non-audit services by the statutory auditor to the Company;
- e) developing a policy of selecting an auditing company to conduct the audit;
- f) development of the policy of providing permitted non-audit services to the Company by the auditing company conducting the audit, by entities related to this auditing company and by a member of the auditing company's network;
- g) determining the procedure for selection of an auditing company by the Company;
- h) presenting recommendations to the Supervisory Board regarding the appointment of statutory auditors or auditing companies in accordance with the policies indicated in points e) and f) above and the terms and conditions of a contract to be concluded with them;
- i) submitting recommendations aimed at ensuring reliability of the financial reporting process in the Company;
- j) giving opinion on the annual financial statements and the Management Board's motion as to the profit distribution or loss coverage, and presenting recommendations as to their approval to the Supervisory Board,
- k) reviewing, at least once a year, internal control and risk management systems, in order to ensure that the key risks (including those related to compliance with provisions and regulations of law in force) are identified, managed and disclosed correctly,
- l) analyzing the need for deployment of an internal auditing system in the Company, and upon its deployment, controlling efficiency of the internal auditing system,

- m) reviewing the effectiveness of the external audit process and monitoring the position of the Management Board of the Company as to the recommendations provided by the statutory auditor;
- n) investigating the causes of a certified auditor's resignation from providing services and giving recommendations in respect of the required actions.

The Management Board works in close cooperation with the Supervisory Board of the Company. Members of the Management Board always attend any sessions of the Supervisory Board.

The Management Board of Gobarto S.A.

Personal composition of the corporate body in the period from 01 January 2017 to 31 December 2017 and description of operations of the Management Board of Gobarto S.A.

In the period from 01 January 2017 to 31 December 2017 the composition of the Management Board of Gobarto S.A. was as follows:

- 1.** Dariusz Formela – President of the Management Board;
- 2.** Roman Miler – Vice-President of the Management Board;
- 3.** Rafał Oleszak – Vice-President of the Management Board;
- 4.** Przemysław Koźlakiewicz – Vice-President of the Management Board

On 22 November 2017, the Supervisory Board of the Company adopted resolutions appointing the management for the next term of the Management Board, i.e.:

- a) Resolution no. 4/22/11/2017 on appointment of Mr. Dariusz Formela into the Management Board of the Company for the 6th term in office to hold the function of the President of the Management Board;
- b) Resolution no. 5/22/11/2017 on appointment of Mr. Roman Miler into the Management Board of the Company for the 6th term in office to hold the function of the Vice-President of the Management Board;
- c) Resolution no. 6/22/11/2017 on appointment of Mr. Rafał Oleszak into the Management Board of the Company for the 6th term in office to hold the function of the Vice-President of the Management Board;
- d) Resolution no. 7/22/11/2017 on appointment of Mr. Przemysław Koźlakiewicz into the Management Board of the Company for the 6th term in office to hold the function of the Vice-President of the Management Board.

The Management Board operates based on the Commercial Companies Code, provisions of the Company's By-Laws and Rules of the Management Board and in consideration of principles arising from the "Best Practices of the GPW Listed Companies".

The Company may be represented by: 2 (two) members of the Management Board acting jointly or a member of the Board acting jointly with a proxy.

The basic form of the Management Board's operation is holding meetings and adopting resolutions related to managing the Company's matters and providing management. Sessions of the Management Board may also be held over the telephone or by using another method of direct communication at a distance.

Sessions of the Management Board are held not less frequently than once a month.

Resolutions of the Management Board must be adopted especially for the following matters that are operations exceeding the ordinary management of the Company (in keeping with § 23 Sec. 2 of the By-Laws):

- 1) disposal, pledge or making commitment as to such disposal or pledge of the Company's enterprise or its organized part;
- 2) disposal, pledge or making commitment as to such disposal or pledge of any of the Company's real estates;
- 3) disposal or pledge of the Company's shares in the share capitals of its subsidiaries;

- 4) disposal or pledge of the Company's assets other than those listed in § 23 Point 2 Subpoint 1), 2) and 3) of the Company's Articles of Association, including shares or other securities held by the Company, subject to the exceptions provided for in § 23 Point 2 Subpoint 10) of the Company's Articles of Association (the acquisition of own shares) if the current unit book value of the Company's assets without taking depreciation into account exceeds the amount of PLN 2,000,000;
- 5) acquisition or making a commitment to purchase by the Company of any assets, including shares or other securities, subject to the exceptions provided for in § 23 Point 2 in Subpoint 10) of the Company's Articles of Association (the acquisition of own shares), if the initial unit value of these assets after their recording in the books of account of the Company would exceed the amount of PLN 2,000,000;
- 6) making - in the name and on behalf of the Company - any statements of will that result in: (i) entering into a bank loan with the principal amount in excess of PLN 2,000,000 or changing the conditions of bank loans already taken out that would increase the existing liabilities by an amount exceeding PLN 2,000,000;
- 7) sale or purchase or a promise to sell or purchase by the Company any current assets with the total current book value, or with the total value at which the current assets would be put into the accounts of the Company, in excess of PLN 10,000,000, as well as the contracting obligations arising from commercial agreements with business partners of the Company concluded within the normal activities of the Company for an amount higher than PLN 10,000,000, as well as contracting obligations arising from commercial agreements with a given business partner of the Company giving rise to permanent or periodical liabilities, concluded within the normal activities of the Company for an amount higher than PLN 20,000,000;
- 8) conclusion, amendment or termination of any guarantee or security contract, articles of incorporation that set up a partnership or company or corporation, as well as a contract for issuing, endorsing or guaranteeing a bill of exchange or cheque, except for any guarantee or security contract, as well as a contract for issuing, endorsing or unit guaranteeing a bill of exchange or cheque, including those that secure liabilities of companies dependent on the Company, with the unit value not exceeding PLN 2,000,000;
- 9) giving consent to acquiring own shares by the Company and to key provisions of a contract or contracts to this effect;
- 10) issue of shares, bonds and any other securities by the Company;
- 11) exercising the voting rights by the Company and approval of wording of resolutions for which the votes of the Company will be given at the general meetings of shareholders of the subsidiaries in respect of issues for which provisions of the Commercial Companies Code require a resolution of the Meeting of Shareholders and such provisions have not been excluded under provisions of respective articles of association;
- 12) conclusion or amendment of a loan agreement, excluding any conclusion or amendment of terms of loan agreements for loans extended by the Company to its subsidiaries not exceeding in the total principal amount of PLN 2,000,000;
- 13) development of the Company's budget for a period of an financial year;
- 14) conclusion, amendment or termination of any contract between the Company and its shareholder holding at least 5% of interest in the Company's share capital.

Resolutions of the Management Board shall be adopted with the absolute majority of votes in the presence of all Members of the Management Board. In case when some resolutions of the Management Board were not adopted due to a lack of quorum while considering them, such resolutions may be adopted on the next session of the Board convened not later than after 3 days from the date of the initial session of the Board irrespective of the number of members of the Board attending such a session.

The Management Board may adopt resolutions also in writing by circulation or by other means of direct remote communication and by e-mail.

Rules applicable to appointment and dismissal of members of the Management Board and their entitlements, in particular the right to make a decision to issue or buyout of shares

Under § 21 Sec. 1 of the Company's By-Laws, the Management Board is a one-person or multi-person corporate body. Members of the Management Board shall be elected for the term of 3 (three) years served jointly by all members.

Members of the Management Board are appointed to and dismissed from their functions by the Supervisory Board, provided that the President and any of the Vice-Presidents may be dismissed only for serious reasons. The serious reasons as mentioned above include:

- 1) commitment of a crime, unless such an action or omission did not cause any harm to the Company or was a result of force majeure or actions of third parties for which the member of the Management Board is not liable or which are not under his or her control;
- 2) infringement of the provisions of § 25 or a severe breach of a contract of employment or any other contract regulating performance of the position of a member of the Management Board, including an infringement or breach through making a statement of will in the name and on behalf of the Company despite an absence of the required resolution of the Company's Management Board, Supervisory Board, General Meeting of the Company or making such a statement against such respective resolutions;
- 3) allowing a fundamental non-observance of budgets or financial programs by the Company, while such a fundamental non-observance of budgets or financial programs is understood as a negative variation from assumptions by at least 25% of sales or EBITDA if execution of such budgets or programs was approved by the Management Board, Supervisory Board or General Meeting, unless such non-observance:
 - (i) is caused by reasons other than those indicated in point (ii) below and lasts not longer than 105 days, or
 - (ii) irrespective of how long it lasts, is caused by occurrence of any of the below events:
 - a change of the exchange rates of PLN to EUR or USD, according to the average exchange rate at NBP, by at least 20% in a period not longer than 60 days,
 - a change, by not less than 10%, of the average price of live animals for slaughter, without accounting for any taxes, arising out of execution, within 2 consecutive months, of contracts for purchase of live animals for slaughter concluded by the Company with its partners,
 - an occurrence of epidemic of live animals for slaughter lasting for at least 2 consecutive months,
 - a change of regulations of the customs law or other provisions, which severely limits the possibility of carrying out export or import of live animals for slaughter or the Company's products,
 - an increase of corporate income tax by more than 10 percentage points or any indirect tax having significant impact on the Company's business by more than 10 percentage points, where such a change was not known by 1 November of the year preceding the accounting year,
 - extraordinary events caused by force majeure being beyond control of the Management Board and lasting more than 2 months, whereas an occurrence of force majeure will not mean an error or negligence of the Company or a situation that could have been overcome by applying the best diligence by the Company.
 - decreasing financial results due to making write-offs that revalue the assets that have not been accounted for in the budget, provided that a prior acceptance of the Supervisory Board was obtained for making such a write-off, provided consequences of any of the events listed in Subpoint 3)ii) occurred after the beginning of the Company's accounting year and could not have been reversed, with economically justified use of means at the Company's disposal in the given accounting year for remedying the condition of non-observance of the Company's budget.

In view of § 22 Sec. 3 of the Company's By-Laws, the Management Board of the Company manages the Company's assets and specifies the major objectives of the policy carried out by the Company and performs its duties with diligence required for business activities, with strict compliance of the law and provisions of the By-Laws, rules and resolutions adopted by the General Meeting or the Supervisory Board.

All matters related to running the Company that are not restricted to the competences of the General Meeting or Supervisory Board under any statutory acts or the Articles of Association shall fall within the scope of operations of the Management Board.

Under the By-Laws, the Management Board does not currently have any powers to decide on the issue or redemption of shares.

AA.11. Description of primary characteristics of internal control and risk management systems used by GOBARTO S.A. in reference to the process of preparing financial statements and consolidated financial statements

In respect of the financial reporting, the internal control and risk management system is managed directly by the Company's Management Board. In respect of the financial issues, the process of preparing the financial statements is supervised by the Financial Director and Vice-president of the Management Board. Financial statements are prepared by the Company's accountancy department under supervision of the Chief Accountant with assistance from the financial department.

GOBARTO S.A. operates a financial & accounting system in an integrated IT system that allows registering transactions in keeping with the Company's accounting policy based on the Accounting Act. All stages of preparing the financial statements are subject to control. On closing the accounts each month, the top and medium-level executives verify the financial results and compare them with the business assumptions. Errors are corrected immediately in keeping with the assumed accounting policy. The finished financial statements are submitted to the Financial Director for preliminary verification, and then to the Management Board for approval. Interim and annual financial statements are reviewed and examined by a Certified Auditor. Results of the examination are submitted to the Management Board and the Supervisory Board, while the Certified Auditor's opinion and report on examination of annual financial statements – also to the General Meeting.

A report on non-financial information on the Gobarto Group, as prepared on the basis of Art. 52 Sec. 2c of the Accounting Act of 29 September 1994 (consolidated text in Journal of Laws 2018, Item 395), constitutes a separate document and will be posted on the Company's website at www.gobarto.pl

The Management Board of GOBARTO S.A.

21 March 2018	Dariusz Formela	President of the Management Board
21 March 2018	Roman Miler	Vice-President of the Management Board
21 March 2018	Rafał Oleszak	Vice-President of the Management Board
21 March 2018	Przemysław Koźlakiewicz	Vice-President of the Management Board