

*Dear Madams and Sirs, Dear Shareholders,*

On behalf of the Management Board of Gobarto S.A., I present the annual consolidated report of the Gobarto S.A. Group of Companies for the financial year ending on 31 December 2017 to you.

The Group's situation in the last twelve months was shaped both by the actions taken by the Management Board and by external factors beyond the control of the Group. In the second half of last year, due to the collapse of EU pork exports to China, which is its main recipient, average prices of pigs showed a downward trend throughout the European Union. In October 2017 (according to data from the ZSiRR), Polish 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 a year ago. In November, prices dropped further, reaching in December the average price of 4.55 PLN per kg, 11% lower than in the corresponding period of the previous year.

Despite the limited Chinese demand for pork and further embargo of Russia, in 2017 an increase in the export of Polish swine products was recorded as compared to the previous year. According to KOWR data, in the period January through December 2017, 479,000 of pork were exported from Poland, which is an increase of 10% YoY. Its total value increased by 21% up to EUR 966 million YoY.

For a longer time now, a sustained increase in the pig population can be observed. 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 upward trend did not translate into an increased domestic production of pigs, which could have been related to the occurrence of African Swine Fever (ASF) in Poland.

Under these dynamic market conditions, the Gobarto Group achieved satisfactory financial results, reaching a gross profit of PLN 26.5 million for 2017, with revenues higher by 21.6% than those achieved in 2016 and amounting to PLN 1.77 billion. Proceeds from exports amounted to PLN 261.4 million, i.e. by 44.7% more than last year, which gave a 14,78 % share in the total income. The operating profit of the Group amounted to PLN 39.9 million and EBIDTA for the 12 months of 2017 was PLN 70.05 million - nearly 9.7% more YoY.

In 2017, the Group companies became involved in acquisitions of entities operating in the same industry in order to develop the Group while expanding markets. These activities were accompanied by changes in the structure of entities operating within the Group, which was necessary for its further, intensive development. On 3 January 2017, Gobarto S.A. announced the acquisition of Bekpol of Wałbrzych which specializes in the distribution of raw meat and cured meat products. On 31 October 2017, Gobarto S.A. and Cedrob S.A. signed a conditional agreement regarding the purchase of 100% of shares in the share capital of Zakłady Mięsne Silesia S.A., producing and selling processed red and poultry meat, thanks to which it gained the possibility of developing the meat processing segment by supplementing the value chain with the production of cured meat products. On the same

day, the Company also concluded an agreement for the purchase of a processing plant owned by Cedrob in Ciechanów and twenty five company stores. Another acquisition was the purchase of the Jama company, specializing in the distribution of meat and cured meat products, which was dictated by the desire to expand the scope of territorial activities of the distribution segment and by the increased expansion in respect of meat, poultry and cured meat products. The activities undertaken helped to build a potential for future growth and strengthen the market position of the Gobarto Group.

At the same time the Gobarto Group also conducts activities aimed at rebuilding the swine market in Poland. To this end, in 2017, it implemented the "Gobarto 500" program that stimulates the domestic pork production. The project is based on partnership cooperation between the Company and the farmer in the area of pig raising. The cooperation is based on the technical and substantive support of Gobarto and consists in building a livestock building for 2,000 pigs on the land of the farmer. The contract is concluded for a period of 15 years and guarantees a high remuneration of up to PLN 10,000 monthly to the farmer (*the amount is independent from the situation on the swine market and is calculated after paying the loan installments and the costs of the on-going operation of the farm provided that certain operating conditions for fattening are met*). Throughout the term of the contract, the farmer also uses substantive support from Gobarto, and has access to high quality piglets and fodder.

Against other companies operating in the business, the Gobarto Group has achieved very good financial results. While increasing our revenues, we have also lead to a growth of EBITDA. Our main shareholder – Cedrob S.A. – believes strongly in our potential to further improve our financial performance and, as a consequence, to strengthen our market position. As of 31 December 2017, Cedrob S.A. held 23,103,888 shares of Gobarto S.A., which represented 83.11% of the share capital of Gobarto S.A. After the block transaction made on 6 February 2018, Cedrob S.A. increased his involvement in Gobarto S.A. up to 23,368,888 shares, representing 84.06% of its share capital.

I would like to thank you for the trust you gave us in 2017 and invite you to read the attached Consolidated Financial Statements.

Yours sincerely,

Dariusz Formela

President of the Management Board of Gobarto S.A.