CONSOLIDATED QUARTERLY FINANCIAL REPORT

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GOBARTO S.A. GROUP OF COMPANIES

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2018

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SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	for the 3-month period ended on 31 March 2018	*for the 3-month period ended on 31 March 2017*	*for the 3-month period ended on 31 March 2018*	*for the 3-month period ended on 31 March 2017*
Net income from products and merchandise sales	551,126	397,714	131,899	92,727
Gain (loss) on operating activity	14,432	13,596	3,454	3,170
Gross profit (loss)	11,977	10,548	2,866	2,459
Net profit (loss)	8,056	9,525	1,928	2,221
			-	-
Net cash flow from business operations	- 16,040	3,718	- 3,839	867
Net cash flow from investments	- 6,242	- 20,696	- 1,494	- 4,825
Net cash flow from financial operations	- 3,304	4,642	- 791	1,082
Total net cash flows	- 25,586	- 12,337	- 6,123	- 2,876
	31 March 2018	***31 Dec. 2017***	***31 March 2018***	***31 Dec. 2017***
Total Assets	1,051,487	1,057,438	249,848	253,528
Liabilities and provisions for liabilities	619,232	631,895	147,138	151,501
Long-term liabilities	109,924	79,430	26,120	19,044
Current liabilities	509,308	552,465	121,019	132,457
Shareholders' equity	432,255	425,543	102,710	102,027
Share capital	278,002	278,002	66,057	66,653
Number of shares (in pieces)	27,800,229	27,800,229	27,800,229	27,800,229
Gain (loss) per one ordinary share (in PLN/EUR)	0.29	0.34	0.07	0.08
Book value per one share (in PLN/EUR)	15.55	15.31	3.69	3.67

For translating the balance sheet items in the Financial Statements, the average exchange rate of the National Bank of Poland as at the last working day in the respective periods was applied:

- **4.2085** EUR/PLN as at 31 March 2018
- **4.1709** EUR/PLN as at 31 December 2017
- **4.2198** EUR/PLN as at 31 March 2017

For translating the individual items in the profit and loss account and for the cash flow statement the following average exchange rates were applied:

- **4.1784** EUR/PLN for the period from 1 January to 31 March 2018
- **4.2891** EUR/PLN for the period from 1 January to 31 March 2017

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 3-month period ended on 31 March 2018

	for the 3-month period ended on 31 March 2018	*for the 3-month period ended on 31 March 2017*
Continued operation		
Income on products and services sales	263,759	181,327
Income from merchandise sales	287,367	216,387
Income from sales	**551,126**	**397,714**
Own expenses of products and services sold	- 230,160	- 159,794
Cost of goods sold	- 248,861	- 191,960
Own cost of sales	**- 479,021**	**- 351,754**
Gross profit (loss) on sales	**72,105**	**45,960**
Other operating income	5,464	4,186
Cost of sales	- 45,612	- 26,194
Overhead expenses	- 14,030	- 8,062
Other operating expenses	- 3,494	- 2,295
Gain (loss) on operating activity	**14,432**	**13,595**
Financial income	160	92
Financial expenses	- 2,615	- 3,141
Gross profit (loss)	**11,977**	**10,546**
Income tax	- 3,921	- 1,022
Net gain (loss) on continued operations	**8,056**	**9,525**
Discontinued operations		
Gain (loss) on discontinued operations	-	-
Net gain (loss) for the period, to:	**8,056**	**9,525**
- shareholders of controlling entity	**8,056**	**9,525**
- non-controlling shareholders	**-**	**-**

Profit / (loss) per one share:		
– primary, from profit for the year, attributable to shareholders of the controlling entity	0.29	0.34
– primary, from profit on continued operations for the year, attributable to shareholders of the controlling entity	0.29	0.34
– diluted, from profit for the year, attributable to shareholders of the controlling entity	0.29	0.34
– diluted, from profit on continued operations for the year, attributable to shareholders of the controlling entity	0.29	0.34

CONSOLIDATED STATEMENT ON ALL INCOME

for the 3-month period ended on 31 March 2018

	for the 3-month period ended on 31 March 2018	*for the 3-month period ended on 31 March 2017*	*for the 3-month period ended on 31 March 2017*
Net gain (loss) for the period	**8,056**	**9,525**	**9,525**
Other total income			
Items to be reclassified to the profit/(loss) in subsequent reporting periods:			
Currency translation profit/loss from recalculation of foreign affiliates	180	- 656	
Cash flow hedges	- 680	128	
Other			
Items not to be reclassified to the profit/(loss) in subsequent reporting periods:			
Measurement at fair value of investment property			
Other comprehensive income, net, to be reclassified to the profit/(loss) in subsequent reporting periods	**- 500**	**- 528**	**- 1**
TOTAL INCOME FOR THE PERIOD, ATTRIBUTABLE TO:	**7,555**	**8,997**	**9,525**
- shareholders of the parent company	**7,555**	**8,997**	**9,525**
- non-controlling shareholders	**-**	**-**	**-**

CONSOLIDATED STATEMENT ON THE FINANCIAL POSITION

for the 3-month period ended on 31 March 2018

	Note	state as at 31 March 2018	state as at 31 Dec. 2017	state as at 31 March 2017
ASSETS				
Fixed assets		**663,241**	**673,148**	**460,124**
Tangible fixed assets		474,369	479,406	312,309
Biological fixed assets		10,524	11,225	13,769
Investment real properties		39,980	41,263	14,025
Intangible assets		13,049	14,391	7,504
Goodwill	7	92,776	93,253	80,936
Trademark	7	19,070	18,633	17,150
Other (long-term) financial assets		1,252	1,334	2,060
Long-term receivables		150	133	3
Deferred corporate tax		12,055	13,495	12,267
Other (long-term) non-financial assets		15	15	101
Current assets		**359,265**	**355,309**	**273,012**
Inventories	8	78,176	70,203	44,062
Biological assets	8	53,656	49,376	52,290
Trading receivables and other receivables		158,165	148,686	108,909
Other (short-term) financial assets		0	0	0
Cash and cash equivalents	10	36,504	62,090	43,997
Other (short-term) non-financial assets		32,764	24,954	23,754
Fixed assets held for sale	C:\C:Dorota2018konsolidacja 2018IQ_2018GOBARTO_SSF_IQ.2018.xlsm - RANGE!A1	**28,981**	**28,981**	**57,269**
TOTAL ASSETS		**1,051,487**	**1,057,438**	**790,405**

	Note	*state as at 31 March 2018*	*state as at 31 Dec. 2017*	*state as at 31 March 2017*
LIABILITIES AND SHAREHOLDERS' EQUITY				
Own capital (attributable to the parent company's shareholders)		**432,255**	**425,543**	**407,794**
Share capital	11	278,002	278,002	278,002
Revenue reserve		155,343	153,519	141,648
Currency translation profit/loss from recalculation of foreign affiliates		-30,474	-30,654	-29,198
Other revenue reserves		1,215	1,896	-246
Retained profits / uncovered losses		28,168	22,780	17,586
Non-controlling shares		**0**	**0**	**0**
Long-term liabilities		**109,924**	**79,430**	**90,236**
Interest bearing borrowings	12	55,494	18,957	59,958
Provisions for wages and salaries payable, net	13.1	1,071	1,071	337
Financial liabilities		27,568	31,187	21,292
Other non-financial liabilities		2,000	4,500	0
Provision from deferred income tax		19,987	19,847	4,389
Deferred income	13.2	3,805	3,868	4,260
Current liabilities		**509,308**	**552,465**	**292,375**
Current part of interest-bearing borrowings	12	130,313	179,310	116,195
Provisions for wages and salaries payable, net	13.1	108	108	43
Accounts payable		202,012	205,991	141,598
Accrued income tax		312	463	52
Financial liabilities		16,416	14,568	6,557
Other non-financial liabilities		139,907	137,061	16,250
Prepayments and accruals	13.2	7,260	5,050	6,873
Deferred income	13.2	5,577	6,010	1,948
Other provisions	13.1	7,402	3,904	2,859
Total liabilities		**619,232**	**631,895**	**382,611**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,051,487**	**1,057,438**	**790,405**

CONSOLIDATED CASH FLOW STATEMENT

for the 3-month period ended on 31 March 2018

	for the 3-month period ended on 31 March 2018	*for the 3-month period ended on 31 March 2017*
Cash flow from operations		
Net profit (loss)	**8,056**	**9,525**
Adjustment for items:	**- 24,096**	**- 5,807**
Depreciation	11,558	6,644
(Gain) loss on foreign exchange translations	- 500	- 527
(Gain) loss on investments	964	6,699
(Increase) decrease in receivables	- 4,598	- 3,314
(Increase) decrease in inventories	- 12,254	- 9,652
Increase (decrease) in liabilities, except borrowings	- 18,324	- 7,397
Interest revenues	- 129	1,107
Interest expenses	2,091	
Change in accruals	- 5,698	943
Change in provisions	3,637	500
Measurement of investment real properties	-	-
Paid income tax	-	-
Other	- 844	- 810
Net liquid assets from business operations	**- 16,040**	**3,718**
Cash flow from investments		
Disposal of tangible and intangible fixed assets	1,083	1,939
Acquisition of tangible and intangible fixed assets	- 3,772	- 6,950
Acquisition of subsidiaries after deduction of the acquired liquid assets	- 3,858	- 15,744
Sale of investment real properties	-	-
Acquisition of investment real properties	-	
Sale of investments in subsidiaries	-	-
From financial assets	305	-
Other	-	59
Net liquid assets from investments	**- 6,242**	**- 20,696**
Cash flow from financial operations		
Repayment of financial leasing liabilities	- 3,753	- 1,121
Cash inflows from loans/bank loans received	10,780	17,514
Repayment of borrowings	- 8,240	- 10,586
Buyout of land	-	-
Interest paid	- 2,091	- 1,165
Net liquid assets from financial operations	**- 3,304**	**4,642**
Net increase (decrease) in cash and cash equivalents	**- 25,586**	**- 12,336**
Net currency translation differences		
Cash and cash equivalents at the beginning of the period	62,090	56,333
Cash and cash equivalents at the end of the period	**36,504**	**43,997**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the 3-month period ended on 31 March 2018

	Share capital	*Revenue reserve*	*Currency translation profit/loss from recalculation of a foreign affiliate*	*Other revenue reserves*	*Retained profits / uncovered losses*	*Total*	*Non-controlling shares*	*Total Shareholders' equity*
As at 1 January 2018	**278,002**	**153,519**	**- 30,654**	**1,896**	**22,780**	**425,543**	**-**	**425,543**
Net gain/loss for the period	-	-	-	-	8,056	8,056	-	**8,056**
Other comprehensive income for the period			180	- 680		- 500	-	**- 500**
Comprehensive income for the period	-	-	180	- 680	8,056	7,555	-	**7,555**
Distribution of profit/covering of loss		1,823			- 1,823	-	-	**-**
Other					- 844	- 844	-	**- 844**
As at 31 March 2018	**278,002**	**155,343**	**- 30,474**	**1,215**	**28,169**	**432,255**	**-**	**432,255**

for the 12-month period ended on 31 December 2017

	Share capital	*Revenue reserve*	*Currency translation profit/loss from recalculation of a foreign affiliate*	*Other revenue reserves*	*Retained profits / uncovered losses*	*Total*	*Non-controlling shares*	*Total Shareholders' equity*
As at 1 January 2017	**278,002**	**140,917**	**- 28,542**	**- 374**	**16,307**	**406,310**	**-**	**406,310**
Net gain/loss for the period	-	-	-	-	20,970	20,970	-	**20,970**
Other comprehensive income for the period			- 2,112	374		- 1,738	-	**- 1,738**
Comprehensive income for the period	-	-	- 2,112	374	20,970	19,232	-	**19,232**
Distribution of profit/covering of loss		12,601		1,896	- 14,496	-	-	**-**
As at 31 December 2017	**278,002**	**153,519**	**- 30,654**	**1,896**	**22,780**	**425,543**	**-**	**425,543**

(in '000 of PLN)

ACCOUNTING PRINCIPLES (POLICY) AND THE NOTES

1 General Information

GOBARTO S.A. Group of Companies ("Group") is composed of the GOBARTO S.A. company („the parent company“, „the Company“) and its subsidiaries. The Consolidated Financial Statements of the Group cover the 3-month period ended on 31 March 2018 and contain comparative data for the period of 3 months ended on 31 March 2017.

The Parent Company is registered in the Register of Entrepreneurs of the National Court Register kept by the District Court, 13th Business Division of the National Court Register, under KRS number 0000094093.

The Parent Company was granted the Business Registration Number (REGON): 411141076.

Duration of the Parent Company and other members of the Group of Companies is indefinite.

Primary business activities of the Group covers:

1. Raising of swine/pigs;
2. Production of pork;
3. Manufacture of canned meat products, cured meat products, meat offal products;
4. Wholesale of meat and meat products.

2 Composition of the Management Board of the Parent Company

As at 31 March 2018, the Management Board of the Parent Company was composed of:

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

Under a resolution of 28 March 2018, the Supervisory Board of the Company appointed Ms Katarzyna Goździkowska-Gaztelu, as of 1 July 2018, to the composition of the Company's Management Board, to the function of the Vice-President of the Management Board.

3 Approval of the Financial Statement

These Consolidated Financial Statements were approved for publication by the Management Board on 15 May 2018.

4 Restatement

In the reporting period no reassessment occurred. The Management Board made estimates of mainly the following values: provisions, investments in real properties and revaluation impairments (including fixed assets, accounts receivable, inventories, goodwill), and income tax asset.

5 Grounds for preparing the Condensed Consolidated Financial Statements

These Consolidated Financial Statements have been prepared under the historical cost convention, except for investment properties, derivatives and biological assets, which are measured at fair value.

The carrying amount of hedged assets and liabilities is adjusted for changes in the fair value attributable to the risk against which the assets and liabilities are hedged.

These Consolidated Financial Statements are presented in the Polish zloty ("PLN") and all values, unless otherwise indicated, are expressed in thousands of PLN.

These Consolidated Financial Statements have been prepared with the assumption that the companies of the Group will continue their business operation (going concern) in the foreseeable future. As at the date of approving these Financial Statements, no circumstances were found that would indicate that the going concern of PKM Duda S.A. is at risk.

5.1 Declaration on compliance

These Quarterly Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("IAS 34").

The Quarterly Condensed Consolidated Financial Statements do not cover all information and disclosures required for the Annual Financial Statements and must be read together with the Consolidated Financial Statements of the Group for the year ended on 31 December 2017 approved for publication on 21 March 2018.

5.2 Functional currency and Financial Statements currency

The Consolidated Financial Statements of the Group were presented in PLN, which is also the functional currency of the Parent Company. For each subsidiary the functional currency is determined and the assets and liabilities of that entity are measured in the functional currency. The functional currency of subsidiaries located in Poland and covered by these Consolidated Financial Statements is the Polish Zloty. The functional currency of subsidiaries located in Ukraine is the Ukrainian Hryvnia

6 Changes in the accounting policies applied

The accounting principles (policy) used in preparing these Quarterly Condensed Consolidated Financial Statements are consistent with those used in the preparation of the Group's Annual Consolidated Financial Statements for the year ended 31 December 2017.
The Group has not decided for an earlier adoption of any other standard, interpretation or amendment that was issued but had not been yet effective in the light of the provisions of the European Union.

7 Operating segments

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.

RAW MEAT AND CURED MEAT PRODUCTS segment

- **GOBARTO 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 900 thousand 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 Dziczyzna 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. in liquidation** 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.

<u>CEREALS Segment</u>

- **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 the provision of agricultural services to the Group companies.
- **Brassica Sp. z o.o.** – did not run any operating activities in 2018.

<u>OTHER OPERATIONS Segment</u>

- **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 2018, 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 2018, 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 March 2018, 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 2018.
- **PP Świniokompleks Zoria –** the company did not run any operating activities in 2018.

(in '000 of PLN)

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.

Period of 3 months ended on 31 March 2018

	Raw meat and cured meat products	*Processing*	*Pigs*	*Cereals*	*Other operations*	*Adjustments*	*Total operations*
Revenues							
Sale to unaffiliated customers	409,797	123,152	7,680	1,407	9,090		**551,126**
Sale between segments	15,156	19,108	23,429	74	166	-57,933	**0**
Income of the segment	**424,953**	**142,260**	**31,109**	**1,481**	**9,256**	**-57,933**	**551,126**
Performance							
Profit/(loss) of the segment	**14,688**	**-316**	**885**	**-148**	**-675**	**0**	**14,433**
Other information							
Depreciation	4,849	3,589	1,734	372	1,014		**11,558**
State as at 31.12.2017							
Trademarks	18,194						**18,194**
Relations with customers	4,891						**4,891**
Goodwill	86,990		1	5,169	616		**92,776**
EBITDA	19,537	3,273	2,619	223	339	0	25,991

(in '000 of PLN)

Period of 3 months ended on 31 March 2017

	Raw meat and cured meat products	*Pigs*	*Cereals*	*Other operations*	*Adjustments*	*Total operations*
Revenues						
Sale to unaffiliated customers	379,008	11,926	1,977	4,803		**397,714**
Sale between segments	1,357	29,647	30	2,388	-33,422	**0**
Income of the segment	**380,365**	**41,573**	**2,007**	**7,191**	**-33,422**	**397,714**
Performance						
Profit/(loss) of the segment	**5,966**	**7,464**	**854**	**-688**		**13,596**
Other information						
Depreciation	3,870	1,769	329	676		**6,644**
State as at 31 March 2018						
Trademarks	17,150					**17,150**
Goodwill	74,768	987	5,169	12		**80,936**

Income from transactions between segments are eliminated at consolidation.

(in '000 of PLN)

8 Inventories

	state as at 31 March 2018	*state as at 31 December 2017*	*state as at 31 March 2017*
Materials	19,223	19,460	6,224
Work in progress	18,796	17,653	1,789
Finished goods	23,378	18,082	16,054
Merchandise	16,646	14,936	19,984
Prepaid inventories	134	72	11
Total inventories	**78,176**	**70,203**	**44,062**
Biological assets			
Cereals	0	0	394
Pigs	41,173	40,331	43,024
Sowings	12,483	9,045	8,872
Total biological assets	**53,656**	**49,376**	**52,290**
Total inventories	**131,832**	**119,579**	**96,352**

9 Biological assets

The Group owns a breeding herd whose value is recognized as a biological fixed asset.

In the 3-month period ended on 31 March 2018, the Group did not make any significant impairment write-offs.

10 Cash and cash equivalents

Cash at bank earns interest at floating interest rates, the amount of which depends on the interest rate on overnight bank deposits. Short-term deposits are made for varying periods of between one day and one month, depending on the current demand of the Group for cash and bear interest at interest rates fixed for them. The fair value of cash and cash equivalents as of 31 March 2018 is PLN 36,504 k (as of 31 March 2017: PLN 43,997 k).

The balance of cash and cash equivalents in the consolidated cash flow statement consisted of the following items:

	state as at 31 March 2018	*state as at 31 December 2017*	*state as at 31 March 2017*
Cash in hand	624	548	370
Cash at bank	18,902	46,261	21,546
Short-term deposits	14,656	14,547	21,788
Cash in progress	2,311	734	286
Other liquid assets	11	0	7
Total	**36,504**	**62,090**	**43,997**

(in '000 of PLN)

11 Share capital and revenue reserves / supplementary capitals

11.1 Shareholders with significant participation

As a result of the purchase of 265,000 (in words: two hundred sixty-five thousand) shares of the Issuer made on 6th of February 2018, the interest of CEDROB S.A. in the total number of votes at the General Meeting of Shareholders of the Issuer exceeding the threshold of 84%. Prior to the acquisition, Cedrob S.A. held 23,103,888 (in words: twenty-three million one hundred three thousand eight hundred and eighty-eight) shares of the Issuer, representing 83.11% of the share capital of the Issuer, giving 23,103,888 (in words: twenty-three million one hundred three thousand eight hundred and eighty-eight) votes at the General Meeting of Shareholders of the Issuer, which represented 83.11 % of the total number of votes. As a result of the acquisition, Cedrob S.A. is a holder of 23,368,888 (in words: twenty-three million three hundred sixty-eight thousand eight hundred and eighty-eight) shares of the Issuer, representing 84.06 % of the share capital of the Issuer, giving 23,368,888 (in words: twenty-three million three hundred sixty-eight thousand eight hundred and eighty-eight) votes at the General Meeting of Shareholders of the Issuer, which represents 84.06% of the total number of votes.

As at 31 March 2018

No.	**Shareholder**	**Number of shares**	**Interest in the share capital (%)**	**Number of votes**	**Interest in the total number of votes (%)**
1.	CEDROB S.A.	23,368,888	84.06	23,368,888	84.06
2.	Other	4,431,341	15.94	4,431,341	15.94

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 S.A.	23,103,888	83.11	23,103,888	83.11
2.	Other	4,696,341	16.89	4,696,341	16.89

11.2 Retained earnings and restrictions on dividend payments

The parent company is not intending to pay the dividend.

11.3 Non-controlling shares

As at 31 March 2018, there are no non-controlling shares.

12 Interest bearing borrowings

In the current accounting period, i.e. from 01.01.2018 to 31.03.2018, in terms of loan agreements concluded by the Group companies the following changes occurred:

(in '000 of PLN)

12.1 Establishment of mortgages

On 3 March 2018, in the implementation of the provisions of the Bank Facilities Agreement concluded on 31 October 2017 with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, the competent district courts made, in their respective land and mortgage registers, the entry on the following instruments established by Gobarto S.A. and its direct and indirect subsidiaries, i.e. Agro Gobarto Sp. z o.o, Gobarto Dziczyzna 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 317,753,610.00 in order to secure the Bank's claims under the Bank Facilities Agreement; and
- of a contractual joint mortgage up to:
- in case of Gobarto S.A. - PLN 9,100,000.00
- in case of Agro Gobarto sp. z o.o. - PLN 845.000,00
- in case of Gobarto Dziczyzna sp. z o.o. - PLN 1.560.000,00
- in case of Agroferm sp. z o.o. - PLN 195.000,00
- in case of Agro Bieganów sp. z o.o. - PLN 845.000,00
- in case of Agro Net sp. z o.o. - PLN 292.500,00
- in case of Rolpol sp. z o.o. - PLN 455,000.00 and
- in case of Bioenergia sp. z o.o. - PLN 14.787.500,00
- to secure the Bank's financial receivables under the hedging agreements entered into by the Company and its subsidiaries in connection with the Bank Facilities Agreement.

12.2 Annex to Bank Loans Agreement

On 20 March 2018, the Company signed an annex to the Bank Loans Agreement of 31 October 2017 with the Bank, which specifies that the Bank accepts the lower level of the equity index to the balance sheet total.

13 Financial instruments

13.1 Fair value of each class of financial instruments

The table below shows a comparison of the carrying amounts and fair values of the Group's financial instruments measured at fair value, divided into different classes and categories of assets and liabilities.

	Carrying amount		*Fair value*	
	31 March 2018	***31 March 2017***	***31 March 2018***	***31 March 2017***
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Foreign currency forward contracts			2	- 242
Total	**-**	**-**	**2**	**- 242**

	Carrying amount		*Fair value*	
	31 March 2018	***31 March 2017***	***31 March 2018***	***31 March 2017***
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Interest rate swaps	- 680	- 246	- 680	- 246
Total	**- 680**	**- 246**	**- 680**	**- 246**

	Level 1	***Level 2***	***Level 3***	
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Interest rate swaps				- 680
Foreign currency forward contracts				2
Total	**-**	**-**	**-**	**- 678**

According to the assessment of the Group, the fair values of the other assets and liabilities of a financial nature do not differ from the carrying amounts, largely due to the short maturity.

(in '000 of PLN)

14 Provisions

14.1 Change in provisions

The balance of provisions is comprised of:

- provision for employee benefits: unused leaves, retirement benefits, bonuses,
- provision for auditing of financial statements,
- provision for costs of current operations of the Group companies that have been incurred in the reporting period and for which no cost invoices were received up to the balance sheet date.

	Post-employment benefits (Note 23)	*Other provisions for employee allowances*	*Provision for marketing operations*	*Other provisions*	*Total*
As at 1 January 2018	**1,179**	**3,544**	**- 0**	**360**	**5,083**
Established in the course of the accounting year	-	54	1,667	2,703	4,424
Used	-	- 460	-	- 104	- 564
Cancelled	-	- 252	-	- 80	- 332
Adjustment arising from foreign exchange translations	-	-	-	- 29	- 29
As at 31 March 2018	**1,179**	**2,886**	**1,667**	**2,849**	**8,581**
As at 1 January 2017	**380**	**2,469**	**241**	**16**	**3,107**
Established in the course of the accounting year	799	3,635	-	1,516	5,950
Used	-	- 220	- 219	- 757	- 1,196
Cancelled	-	- 2,340		- 518	- 2,858
Adjustment arising from foreign exchange translations	-	-	- 22	103	81
As at 31 March 2017	**1,179**	**3,544**	**- 0**	**360**	**5,083**
Short-term as at 31 March 2018	**107**	**2,886**	**1,667**	**2,849**	**7,510**
Long-term as at 31 March 2018	**1,071**	**-**	**-**	**-**	**1,071**
Short-term as at 31 March 2017	**43**	**2,469**	**241**	**16**	**2,769**
Long-term as at 31 March 2017	**337**	**-**	**-**	**-**	**337**

(in '000 of PLN)

In the item of post-employment benefits, the Group recognizes a provision for pensions, whereas under other employee-related provisions - a provision for bonuses, costs associated with the non-competition and other employee-related matters. Provision for VAT is related to tax proceedings pending in Ukraine-based companies.

14.2 Prepayments and accruals

As at 31 March 2018 and in the comparative period, the balance of accrued liabilities consisted of the following items:

	state as at 31 March 2018	*state as at 31 December 2017*	*state as at 31 March 2017*
Accruals and deferred expenses, on:			
Accrued cash bonuses for suppliers	1,580	1,420	2,190
Marketing services and sales intermediation	2,024	2,073	1,452
Other accruals and deferred expenses	3,655	1,557	3,231
Total	**7,260**	**5,050**	**6,873**
- short-term	6,868	5,050	6,873
- long-term	392	-	-

	state as at 31 March 2018	*state as at 31 December 2017*	*state as at 31 March 2017*
Accruals and deferred income, on:			
Government subsidies	4,567	4,854	5,461
Preliminary settlement of the purchase of ZM Silesia shares	4,314	4,314	-
Other	501	710	746
Total	**9,382**	**9,878**	**6,207**
- short-term	5,577	6,010	1,948
- long-term	3,805	3,868	4,260

15 Contingent liabilities

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. These cases relate mainly to claims for debts and interest on debtors. In relation to the state indicated in the previous report, in the period of 3 months ended on 31 March 2018 no additional litigations have been initiated and there were no significant changes in the legal status of the pending proceedings. Most claims under litigation are covered by the write-off. The prudence principle is being applied.

(in '000 of PLN)

16 Information on related entities

The below table presents the total amounts of transactions concluded with the affiliates in the current and previous accounting year:

Related entity		*Sales to related parties*	*Purchases from related entities*	*Receivables from subsidiaries and affiliates*	*of which overdue*	*Liabilities to related entities*	*of which outstanding, after the term of payment*
Parent company:							
CEDROB S.A.	*31 March 2018*	1,308	49,234	80	-	140,649	1,840
	31 March 2017	4,785	55,827	1,216	3	51,520	4,942
Other related entities:							
CEDROB Vertriebs Und Handelsgesellschaft GmbH	*31 March 2018*	-	-	210	210	-	-
	31 March 2017	-	-	211	211	-	-
Cedrob Passau GmbH	*31 March 2018*	5,430	-	3,091	-	-	-
	31 March 2017	7,183	-	4,963	-	-	-

16.1 Entity with significant influence over the Group

As at 31 March 2018, CEDROB S.A. owns 84.06 % of ordinary shares of the parent company.

16.2 Terms of transactions with subsidiaries and affiliates

Transactions with subsidiaries and affiliates are concluded on the arm's-length terms.

17 Objectives and rules of the financial risk management

The risks to which the Group is exposed include:

- the market risk covering the currency translation risk and interest rate risk,
- credit risk,
- liquidity risk.

The financial risk of the Group management is coordinated by the Parent Company, in a close cooperation with Management Boards and financial directors of the subsidiaries.

In the process of risk management, most important are the following objectives:

- drawing up financial statements,
- securing short-term and medium-term cash flows,
- stabilization of fluctuations of the financial result of the Group,
- executing the projected financial forecasts by satisfying budgetary assumptions,
- achieving a rate of return from long-term investments together with obtaining optimal sources of financing of investment activity.

The Group did not participate in transactions on financial markets for speculation purposes.

From the economic aspect, the transactions carried out have a character that secures from a specific risk.

Description of key risks

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. 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.

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.

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

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.

18 Capital management

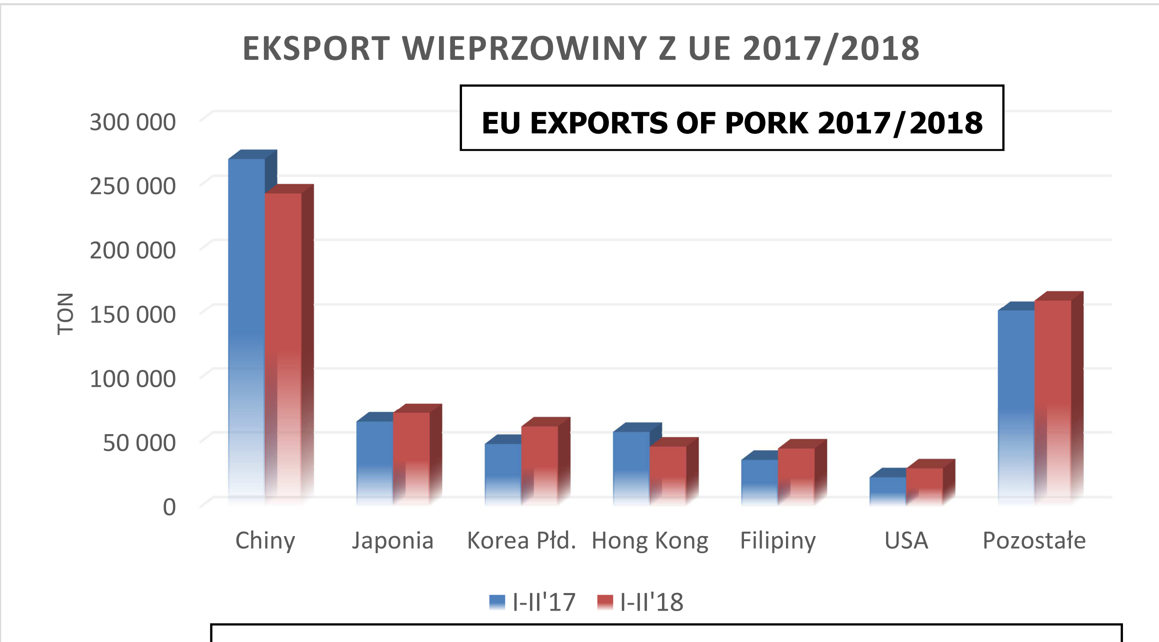
The main objective of the Group's capital management is to maintain a good credit rating and healthy capital ratios to support its operating business and maximize the Group's value for its shareholders.

By managing the capital, the Group seeks the optimal structure between the equity and external sources of financing. The disposal of profit earned in particular years, which supplies the equity capital, is also one of the elements of the capital management. The capitals that the group has at its disposal must allow it to carry out its day-to-day operations and development activities.

In the reporting period, i.e. from 1 January 2018 to 31 March 2018, there were no changes in respect of the objectives, policies and processes in respect of this area.

19 Brief description of significant achievements or failures of GOBARTO S.A. Group in the first quarter of 2018, including the most important events concerning the Group

The lower level of pork production in the EU countries in 2017 and the drop in demand from China had an impact on reducing EU exports of this product to third countries. The European Commission informed about the volume of the Community exports at the level of 3.8 million tonnes of swine products (as and equivalent of carcasses), by 8% lower than in 2016. China imported 1.4 million tonnes, which - in comparison to 2016 - was a 26% decrease. Other countries to which pork products were exported from the EU included Japan (0.4 million tonnes, an increase of 5%), Hong Kong (0.4 million, an increase of 4%) and South Korea (0.3 million, an increase of 5%).



Source: EU data

China Japan South Korea Hong Kong Philippines USA Other

In the first two months of 2018, the EU exports amounted to over 659 k tonnes (in carcass equivalent) and were by 0.9% higher than in the corresponding period of the previous year. China remains the largest importer with a volume of 243 k tonnes, however, this quantity is almost 10% smaller than in 2017. Japan and South Korea are the next largest importing markets with YoY increases by 10% and 27%, respectively.

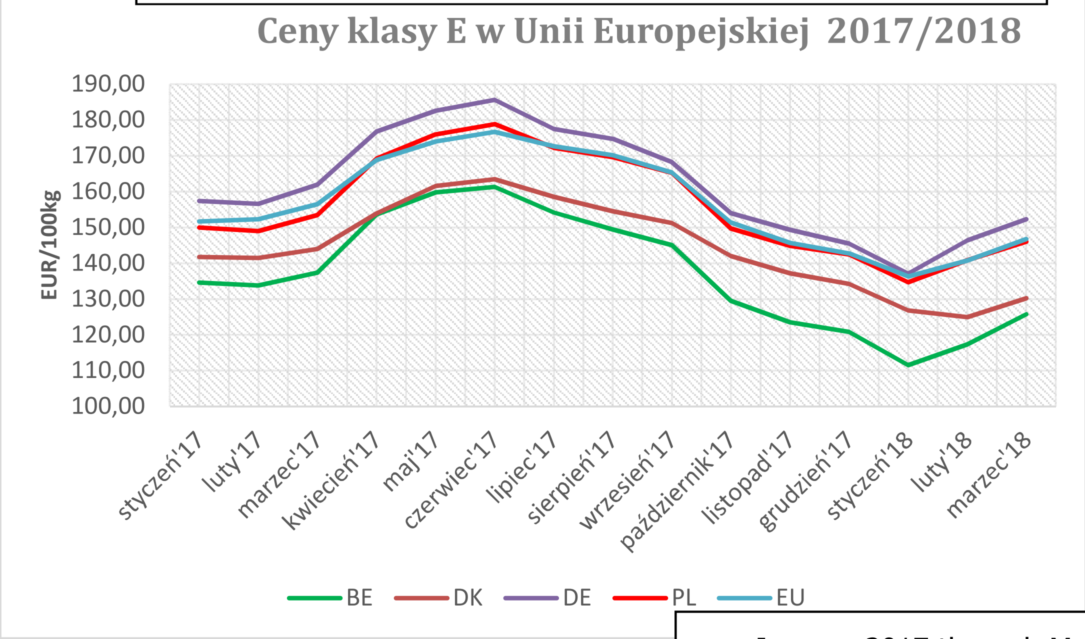
As a result of the collapse of the EU pork exports to China, which is its main recipient, the average prices of swine in the EU since July 2017 show a downward trend. In January 2018, the average purchase price of class E swine in the European Union was EUR 136.32 per 100 kg and was 4.5% lower than in December 2017 and 10%

lower than in the corresponding period of the previous year. In Poland, the price of E-class swine expressed in the EU currency was at the level of EUR 134.69 per 100 kg and was 1% lower than the average EU price.

In February 2018, in most European Union countries, the downward trend in prices reversed; EU suppliers received an average of EUR 140.80 per 100 kg, over 3% more than last month, for E-class livestock. However, it was 7.5% less than in the corresponding month of 2017.

March brought further price increases, but they were still lower than in March last year. The average E-class price in the European Union was EUR 146.70 per 100 kg and was over 6% lower than in the same period of 2017.

E-class prices in the European Union 2017/2018



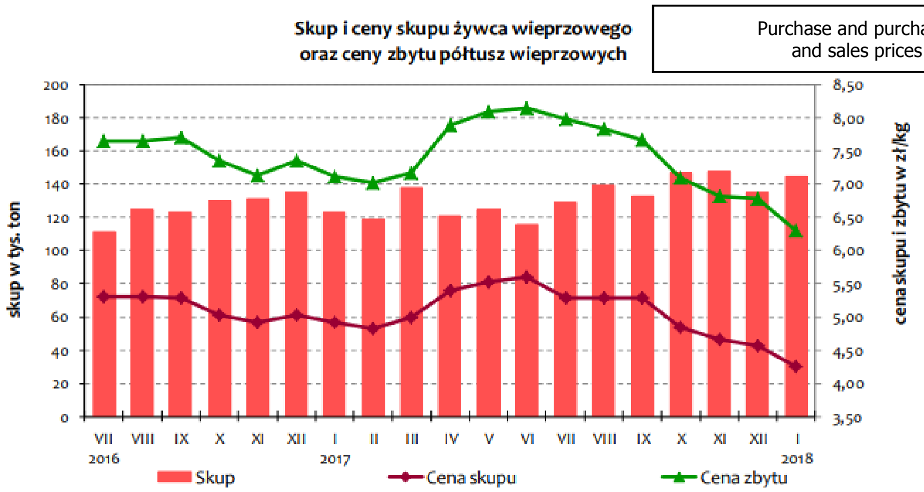
January 2017 through March 2018

Source: prepared by us based on data from the European Commission

According to preliminary data of the Central Statistical Office, in Poland, in 2017 the domestic purchase of swine amounted to 1.9 million tonnes of livestock, 2% more than in 2016. In the first month of 2018, 145 k tonnes of live pigs were delivered for purchase, which was 7% more than in December 2017 and 18% more than in the same period last year.

Purchase and purchase prices of swine livestock and sales prices of swine half-carcasses

Purchase in k tonnes



Purchase price and sales price in PLN per kg

Purchase - Purchase price - Sales price

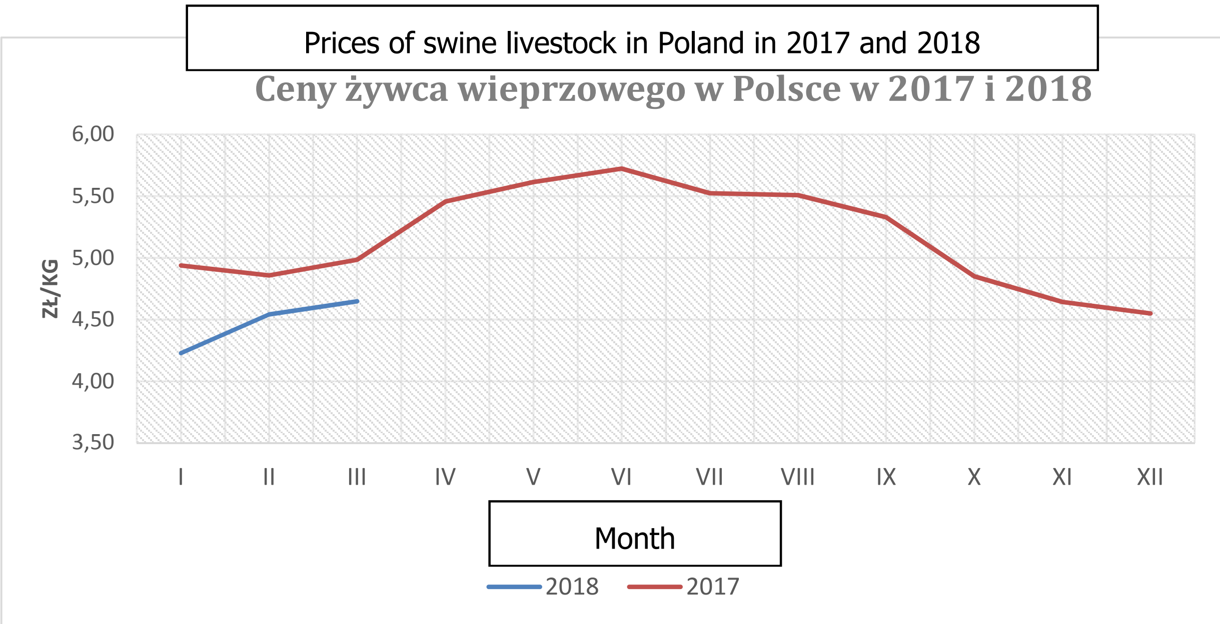
Source: National Center for Agricultural Support (NCAS)

In Poland, purchase prices of pigs, after an increase in the first six months of 2017, showed a downward trend in the second half of the year. In December 2017, the average price of swine livestock was PLN 4.55 per kg, more than 11% less than last year and 20% less than in June 2017.

January 2018 was characterized by a further decline in prices; the average price of livestock was PLN 4.23 per kg, 7% less than in December 2017 and 14% less than in the same period of the previous year.

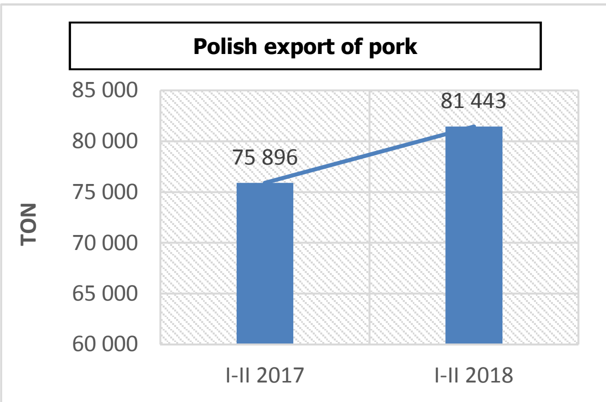
In February 2018, domestic prices of swine livestock increased. The average price for the slaughter pigs that month was PLN 4.54 per kg, 7% more than the previous month, but 6% less than last year.

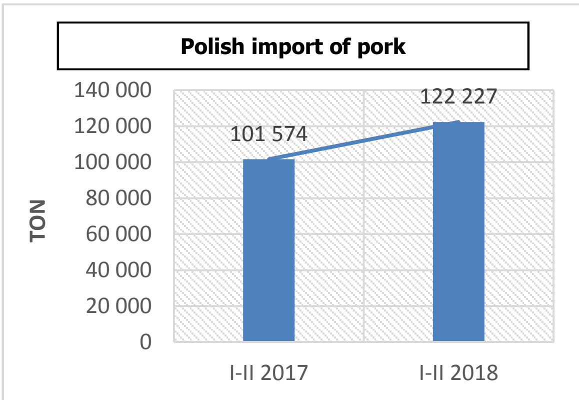
March brought more price rises, with the average price of pork reaching the level of PLN 4.65 per kg. It was over 2% more than the previous month but almost 7% less than in 2017.



Source: prepared by us based on data from the Ministry of Agriculture and Rural Development

Polish pork export in the first two months of 2018 showed an increase of around 7%, from 75 k to 81 k tonnes. Imports increased by approx. 20% compared to the same period of 2017.

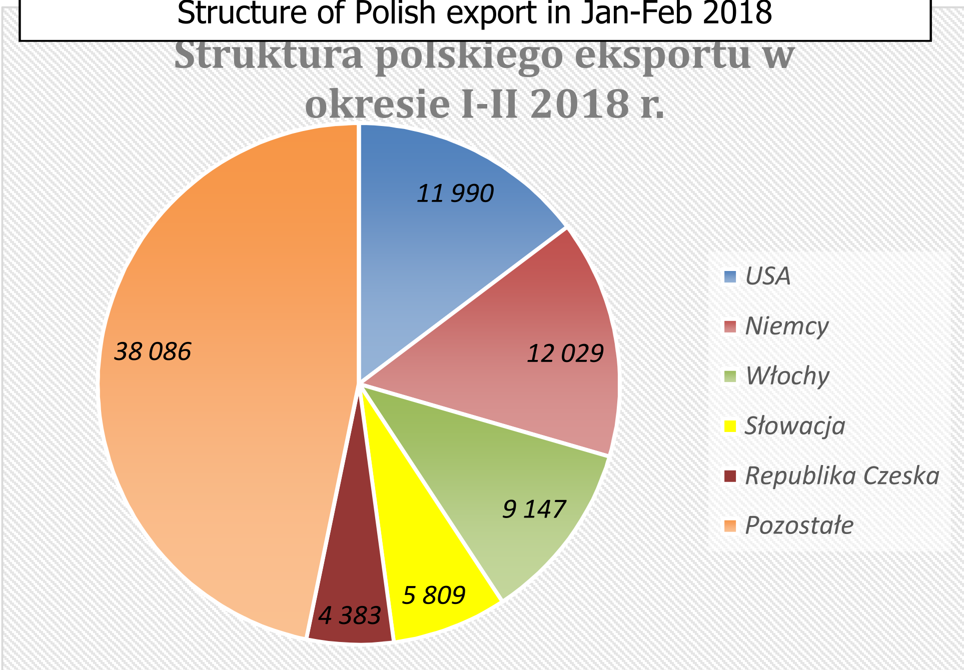




Source: prepared by us based on data from the Ministry of Agriculture and Rural Development

The structure of Polish exports is dominated by Germany with a size of sales of over 12 k tonnes. The US is right behind, as at the same time they recorded the highest growth in Polish pork imports by over 56% compared to the corresponding period last year.

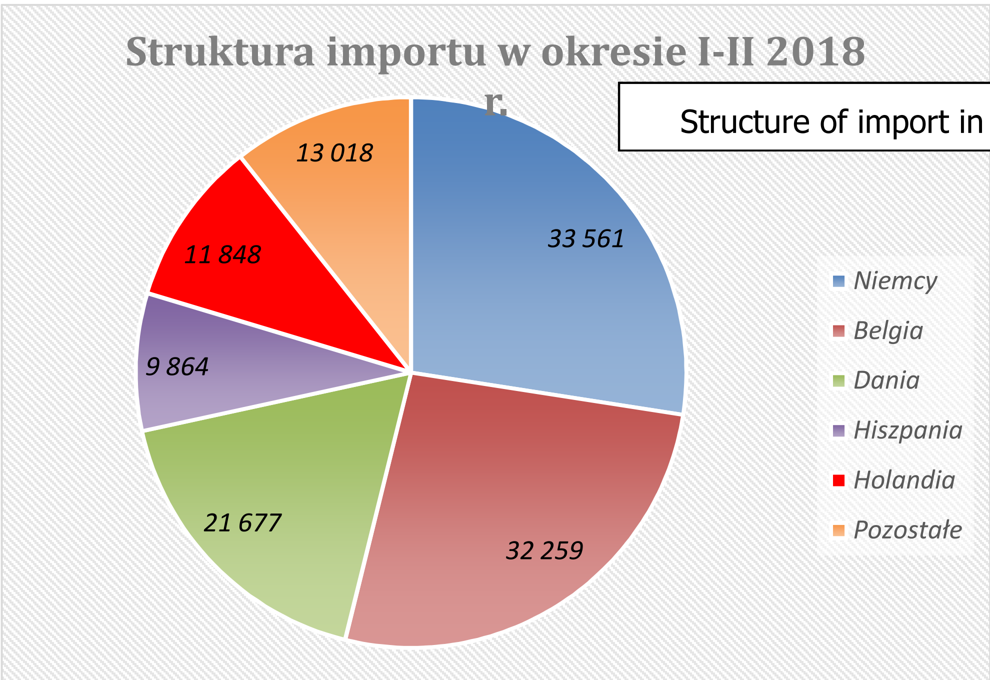
Structure of Polish export in Jan-Feb 2018



USA
Germany
Italy
Slovakia
Czech Republic
Other

Source: prepared by us based on data from the Ministry of Agriculture and Rural Development

Structure of import in Jan-Feb 2018



Germany
Belgium
Denmark
Spain
Holland
Other

Source: prepared by us based on data from the Ministry of Agriculture and Rural Development

The import structure is invariably lead by Germany, Belgium and Denmark, for which the YoY growth was 18%, 20% and 26%, respectively. The greatest import was from Germany - over 33.5 k tonnes.

At the meeting of the Expert Team on Forecasting Prices of Basic Agricultural and Food Products, appointed by the General Director of the National Center for Agricultural Support, forecasts of market prices of basic agricultural products for June and September 2018 were made.

(in '000 of PLN)

The predicted price for swine livestock in June 2018 is PLN 4.60-4.80 per kg and in September PLN 4.60-4.90 per kg.

Wyszczególnienie	j.m.	Ceny w lutym 2018 r.* (wg GUS)	Prognozowane ceny na:		Wskaźnik cen analogiczny okres poprzedniego roku = 100	
			VI 2018	IX 2018	VI 2018	IX 2018
pszenica ogółem [1)]	zł/t	662	670 - 700	640 - 680	94 - 99	99 - 105
pszenica konsumpcyjna [2)]	zł/t	676	690 - 720	660 - 700	95 - 99	100 - 106
żyto ogółem [1)]	zł/t	574	580 - 600	540 - 570	95 - 98	101 - 106
żywiec wieprzowy	zł/kg	4,43	4,60 - 4,80	4,60 - 4,90	82 - 86	87 - 93
bydło ogółem	zł/kg	6,47	6,40 - 6,70	6,30 - 6,70	103 - 108	100 - 106
młode bydło rzeźne	zł/kg	6,62	6,60 - 6,90	6,50 - 7,00	103 - 108	100 - 108
kurczęta brojlery [3)]	zł/kg	3,39	3,30 - 3,50	3,40 - 3,60	100 - 106	98 - 104
mleko surowe	zł/hl	135,24	120 - 126	120 - 128	90 - 95	83 - 88
masło w blokach [4)]	zł/kg	18,73	18,20 - 19,00	18,10 - 19,40	85 - 89	68 - 72
odtłuszczone mleko w proszku (OMP)[4)]	zł/kg	6,58	5,30 - 5,60	5,20 - 5,60	64 - 67	65 - 70

Source: National Center for Agricultural Support (NCAS)

Item	Unit	Prices in Feb. 2018 (acc. to Central Statistical Office	Forecast prices for:	Price index / Corresponding period of previous year = 100
total wheat	PLN per kg			
consumption wheat	PLN per kg			
total rye	PLN per kg			
swine livestock	PLN per kg			
total cattle	PLN per kg			
young slaughter cattle	PLN per kg			
chicken	PLN per kg			
raw milk	PLN per kg			
butter in blocks	PLN per kg			
skim powdered milk(OMP)	PLN per kg			

Results of the GOBARTO S.A. Group for the period of 3 months ended on 31 March 2018 as compared to the same period of 2017.

Items	***for the 3-month period ended 31-03-2018***	***for the 3-month period ended 31-03-2017***	***Dynamics***
Net income from products and merchandise sales	**551,126**	**397,714**	**38.6%**
Profit on sales	12,462	11,704	6.5%
Profit on operating activity	14,433	13,596	6.2%
Gross profit	11,978	10,548	13.6%
Net profit	**8,056**	**9,525**	**-15.4%**
Depreciation	11,558	6,644	74.0%
EBIDTA	25,991	20,240	28.4%

(in '000 of PLN)

Net profitability	1.46%	2.40%	-0.94 % points
EBITDA profitability	4.72%	5.09%	-0.37 % points
Indebtedness ratio	58.90%	48.40%	10.49 % points
Equity/assets ratio	50.78%	63.53%	-12.75 % points
Interest debt	229,791	204,003	12.6%
Liquid assets	36,504	43,997	-17.0%
Net debt	193,291	160,006	20.8%
Net debt / EBITDA*	1.86	1.98	-5.9%
Debt / EBITDA*	2.21	2.52	-12.3%
Equity/Balance sheet total	41.10%	51.59%	-10.49 % points
Debt Service Coverage Ratio	2.08	2.14	-2.8%
Interest on bank loans	2,128	1,735	22.7%
Income from export	75,445	61,735	22.2%
Interest in total income	13.69%	15.52%	-1.83 % points

* Net debt / EBITDA calculated according to the formula: EBITDA for the first quarter divided by 1 and multiplied by 4

In the period of 3 months of 2018, the GOBARTO Group reached the income on sales of PLN 551,126 k, which – in comparison with the previous year – constitutes an increase by over 38%. Export revenues amounted to PLN 75,445 k, and their share in relation to total revenues was 13.69%.

EBITDA generated by the Group in this period amounted to PLN 25,991 k and is higher by 28.4 % than in the same period of the previous year.

At the net profit level, the consolidated result was PLN 8,056 k.

Significant events during the reporting period

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.

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.

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.

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 Dziczyzna 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 Dziczyzna – 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.

Adoption of a resolution on the increase of the share capital in the Issuer's subsidiary, i.e. in the company under the business name of Zakłady Mięsne Silesia S.A. with its registered office in Katowice.

The Management Board of Gobarto S.A. informed that on 26/03/2018 the Extraordinary General Meeting of the Issuer's subsidiary - a company under the business name of Zakłady Mięsne Silesia S.A. with its registered office in Katowice (hereinafter: the Subsidiary) adopted a resolution on increasing the share capital of the Subsidiary from PLN 2,750,000.00 to PLN 23,500,000.00, that is by PLN 20,750,000.00, by issuing 41,500,000 "C" class, non-preferential, registered shares with the numbers from C 00000001 to C 41500000 with the nominal and issue value of PLN 0.50 per share.

All newly issued "C" series shares with numbers from C 00000001 to C 41500000 were designated for subscription by the Issuer and have been fully covered by a cash contribution not later than by 9 April 2018.

The Management Board of Gobarto S.A. requested the National Center for Agricultural Support (NCAS) for the preemptive right.

Selection of the auditor of the Financial Statements

Under Resolution no. 13/28/03/2018 of 28 March 2018, the Supervisory Board of the Issuer selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw, ul.

Inflancka 4A, 00-189 Warszawa, National Court Register (KRS) no. 0000339379, Tax Identification Number (NIP): 5272615362 (entered on the list of the Polish Council of Statutory Auditors under number 3546) to be the entity authorized to audit the financial statements.

The Company and the above-mentioned entity will conclude an agreement for the audit of the Company's Separate Financial Statements and Consolidated Financial Statements of the Company's Group of Companies for 2018 and 2019 and a review of the Interim Separate Financial Statements of the Company and Interim Consolidated Financial Statements of the Company's Group of Companies for the period from 1 January 2018 to 30 June 2018 and 1 January 2019 to 30 June 2019.

The agreement for conducting audits and reviews of the Company's Financial Statements will be concluded for a period of two years. The selected auditor has not cooperated so far with the Issuer.

Draft Resolutions for the Annual General Meeting

The Management Board of Gobarto S.A. attached draft resolutions for the Annual General Meeting convened for 25 April 2018 to Current Report No. 10/2018.

Appointment of a managing person

On 28 March 2018, the Supervisory Board of the Company adopted Resolution no. 14/28/03/2018 on appointing Ms Katarzyna Goździkowska-Gaztelu into the composition of the Management Board of the Company as of 01 July 2018 to hold the function of the Vice-President of the Management Board of the Company.

Information on education, qualifications and previous positions, together with a description of the career and the activity performed outside of the Issuer's enterprise of the above specified person is provided in the enclosure to Current Report no. 11/2018.

Conclusion of agreements regarding termination of (i) a lease agreement for an organized part of an enterprise – Zakład Przetwórstwa Mięsnego of Ciechanów and (ii) a lease agreement for an organized part of an enterprise – company stores of Zakład Przetwórstwa Mięsnego of Ciechanów

In reference to Current Reports No. 43/2017 and 44/2017 of 2 November 2017, the Management Board of Gobarto S.A. informed that on 30 March 2018, it concluded with Zakłady Mięsne Silesia S.A. with its registered office in Katowice (as the Lessee) agreements regarding termination of (i) a lease agreement for an organized part of an enterprise comprising a set of assets, in the functional and organizational scope in the form of Zakład Przetwórstwa Mięsnego of Ciechanów ("Agreement 1") and (ii) a lease agreement for an organized part of an enterprise comprising a set of assets, in a functional and organizational scope in the form of twenty-five company stores of Zakład Przetwórstwa Mięsnego of Ciechanów ("Agreement 2"). Under the arrangements made, Agreement 1 and Agreement 2 were terminated on 31 March 2018.

20 Specification of shares of GOBARTO S.A. or rights to them held by the management and supervisory officers of the issuer as at the date of this quarterly report, together with a specification of changes in the ownership in the period from the previous quarterly report separately for each person.

According to the information available to the Management Board of GOBARTO S.A., as at 31 March 2018, and also as at the date of publication of the report (15 May 2018), the ownership of the securities by managing and supervisory officers of GOBARTO S.A. is as follows:

(in '000 of PLN)

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%

21 Events after the balance sheet date

Gobarto S.A. – texts of resolutions adopted by the Ordinary General Meeting on 25 April 2018 and results of voting on the individual resolutions.

In the appendix to Report No. 13/2018, the Management Board of Gobarto S.A. enclosed the text of resolutions adopted by the Annual General Meeting on 25 April 2018 (which was announced in Current Report no. 9/2018) and results of voting on individual resolutions.

The Annual General Meeting of Shareholders decided to approve the Financial Statements for 2017 and to allocate the profit generated by the Company in the financial year 2017 in the net amount of PLN 15,230,126.52 in total for the revenue reserve. The distribution of profit was made in accordance with the recommendation of the Issuer's Management Board, positively evaluated by the Company's Supervisory Board.

Gobarto S.A. – list of shareholders holding at least 5% of votes at the Annual General Meeting of Shareholders on 25 April 2018.

In the enclosure to Current Report no. 14/2018, the Management Board of Gobarto S.A. provided the list of shareholders holding at least 5% of votes at the Annual Meeting of Shareholders of 25 April 2018, 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.

Gobarto S.A. – the appointment of supervising persons

The Management Board of Gobarto S.A. announced that on 25 April 2018 the Annual General Meeting, by adopting Resolutions Nos.

- 21/25/04/2018, appointed Mr. Andrzej Goździkowski to the Supervisory Board in the 6th term in office;
- 22/25/04/2018, appointed Mr. Włodzimierz Bartkowski to the Supervisory Board in the 6th term in office
- 23/25/04/2018, appointed Mr. Aleksander Koźlakiewicz to the Supervisory Board in the 6th term in office
- 24/25/04/2018, appointed Mr. Andrzej Śliwiński to the Supervisory Board in the 6th term in office
- 25/25/04/2018, appointed Mr. Ryszard Ceranowicz to the Supervisory Board in the 6th term in office
- 26/25/04/2018, appointed Mr. Robert Bednarski to the Supervisory Board in the 6th term in office
- 27/25/04/2018, appointed Mr. Zbigniew Natkański to the Supervisory Board in the 6th term in office

Moreover, the Management Board of the Issuer announced that with Resolution No. 28/25/04/2018, the Annual General Meeting appointed Mr. Andrzej Goździkowski to be the Chairperson of the Supervisory Board. The above resolution took effect on the day of its adoption.

Information on education, qualifications and previous positions, together with a description of the career and the activity performed outside of the Issuer's enterprise of the appointed members of the Supervisory Board was provided by the Management Board of the Company in the enclosure to Current Report no. 15/2018.

(in '000 of PLN)

The Management Board of GOBARTO S.A., the parent company

15 May 2018	Dariusz Formela	President	…………………………….
15 May 2018	Roman Miler	Vice-President	…………………………….
15 May 2018	Rafał Oleszak	Vice-President	…………………………….
15 May 2018	Przemysław Koźlakiewicz	Vice-President	…………………………….

Prepared by:

15 May 2018	Agnieszka Kabus	Chief Accountant	…………………………….

CONDENSED FINANCIAL STATEMENTS OF GOBARTO S.A.

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2018

Approved on 15 May 2018

SELECTED FINANCIAL DATA (SEPARATE STATEMENTS)

	in '000 of PLN		*in '000 of EUR*	
	for the 3-month period ended on 31 March 2018	***for the 3-month period ended on 31 March 2017***	***for the 3-month period ended on 31 March 2018***	***for the 3-month period ended on 31 March 2017***
Net income from products and merchandise sales	318,987	308,039	76,342	71,819
Gain (loss) on operating activity	10,213	4,284	2,444	999
Gross profit (loss)	14,231	6,682	3,406	1,558
Net profit (loss)	11,137	5,765	2,665	1,344
Net cash flow from business operations	- 16,806	- 2,108	- 4,022	- 491
Net cash flow from investments	- 9,179	- 17,303	- 2,197	- 4,034
Net cash flow from financial operations	6,344	6,131	1,518	1,429
Total net cash flows	- 19,641	- 13,280	- 4,701	- 3,096

	31 March 2018	***31 December 2017***	***31 March 2018***	***31 December 2017***
Total Assets	649,595	647,474	154,353	155,236
Liabilities and provisions for liabilities	374,952	383,289	89,094	91,896
Long-term liabilities	23,536	109,073	5,592	26,151
Current liabilities	333,103	257,367	79,150	61,705
Shareholders’ equity	274,642	264,185	65,259	63,340
Share capital	278,002	278,002	66,057	66,653
Number of shares (in pieces)	27,800,229	27,800,229	27,800,229	27,800,229
Gain (loss) per one ordinary share (in PLN/EUR)	0.40	0.21	0.09	0.05
Diluted gain (loss) per one ordinary share (in PLN/EUR)	0.40	0.21	0.09	0.05
Book value per one share (in PLN/EUR)	9.88	9.50	2.27	2.29
Diluted book value per one share (in PLN/EUR)	9.88	9.50	2.27	2.29

For translating the balance sheet items in the Financial Statements, the average exchange rate of the National Bank of Poland as at the last working day in the respective periods was applied:

- **4.2085** EUR/PLN as at 31 March 2018
- **4.1709** EUR/PLN as at 31 December 2017
- **4.2198** EUR/PLN as at 31 March 2017

For translating the individual items in the profit and loss account and for the cash flow statement the following average exchange rates were applied:

- **4.1784** EUR/PLN for the period from 1 January to 31 March 2018
- **4.2891** EUR/PLN for the period from 1 January to 31 March 2017

(in '000 of PLN)

CONDENSED PROFIT AND LOSS ACCOUNT (SEPARATE STATEMENTS)

for the 3-month period ended on 31 March 2018

	01.01.2017 31.03.2017	*01.01.2017 31.03.2017*
A. Net income from sales of products, merchandise and materials of which:	**318,987**	**308,039**
- from subsidiaries and affiliates	17,275	6,028
I. Net income from product sales	139,244	155,935
II. Net income from merchandise sales	179,743	152,104
B. Costs of products, merchandise and materials sold, including:	**281,310**	**278,047**
– to subsidiaries and affiliates		
I. Cost of production sold	124,475	144,441
II. Value of merchandise, raw materials and supplies sold	156,835	133,606
C. Gross profit (loss) on sales	**37,677**	**29,992**
D. Cost of sales	**22,281**	**20,664**
E. Overhead expenses	**5,183**	**5,044**
F. Profit (loss) on sales	**10,213**	**4,284**
G. Other operating income	**4,090**	**1,342**
I. Gain on the disposal of non-financial fixed assets	849	145
II. Subsidies and grants	42	71
III. Revaluation of non-financial fixed assets	-	-
IV. Other operating income	3,199	1,126
H. Other operating expenses	**2,817**	**843**
I. Loss on disposal of non-financial fixed assets	1,375	-
II. Revaluation of non-financial fixed assets	170	-
III. Other operating expenses	1,272	843
I. Gain (loss) on operating activity	**11,486**	**4,783**
J. Financial income	**4,785**	**4,210**
I. Dividends received, of which:	4,010	3,960
a) from subsidiaries and affiliates, of which:	4,010	3,960
- in which the entity holds interest in the capital	-	-
b) from other entities, of which:	-	-
II. Interest, of which:	260	250
- from subsidiaries and affiliates	249	246
III. Gain on the disposal of non-financial assets, of which:	-	-
IV. Revaluation of financial assets	-	-
V. Other	515	-
K. Financial expenses	**2,040**	**2,311**
I. Interest, of which:	1,125	1,257
– to subsidiaries and affiliates	-	218
II. Loss on the disposal of financial assets, of which:	-	-
III. Revaluation of financial assets	-	-
IV. Other	915	1,054
L. Gross profit (loss)	**14,231**	**6,682**
M. Income tax	**3,094**	**917**
- current part	3,308	1,073
- deferred part	-214	-156
N. Other statutory decrease to profit (increase to loss)		
O. Net profit (loss)	**11,137**	**5,765**

CONDENSED BALANCE SHEET (INDIVIDUAL STATEMENTS)

as at 31 March 2018

ASSETS (in '000 of PLN)	*period of 3 months ended on 31 March 2018*	*Period of 3 months ended on 31 December 2017*	*Period of 3 months ended on 31 March 2017*
A. Fixed assets	**482,898**	**488,615**	**374,838**
I. Intangible fixed assets	**17,242**	**18,413**	**7,368**
1. Development expenses	-	-	-
2. Goodwill	10,516	11,397	-
3. Other intangible assets	5,781	6,206	7,368
4. Prepaid intangible assets	945	810	-
II. Tangible fixed assets	**114,103**	**115,748**	**114,980**
1. Tangible fixed assets	109,731	108,054	111,189
a) land (including perpetual usufruct of land)	9,791	9,791	10,252
b) buildings, premises and civil engineering facilities	86,596	83,868	84,580
c) machinery and equipment	8,355	8,789	10,025
d) vehicles	4,482	5,110	5,744
e) other fixed assets	507	496	588
2. Investment in progress	4,372	7,694	3,791
3. Prepaid investment in progress	-	-	-
III. Long-term receivables			
1. From subsidiaries and affiliates	-	-	-
2. From other entities in which the entity holds interest in the capital	-	-	-
3. From other entities	-	-	-
IV. Long-term investments	**338,790**	**341,682**	**235,392**
1. Real estates	37,716	40,782	35,125
2. Intangible fixed assets	2,402	2,148	377
3. Long-term financial assets	298,672	298,752	199,890
a) in subsidiaries and affiliates:	297,570	297,550	198,543
- shares	297,570	297,550	198,543
- other securities	-	-	-
- repayment of loans granted	-	-	-
- other long-term financial assets	-	-	-
b) in other entities in which the entity holds interest in the capital:	-	-	-
- shares	-	-	-
- other securities	-	-	-
- repayment of loans granted	-	-	-
- other long-term financial assets	-	-	-
c) in other entities	1,102	1,202	1,347
- shares	-	-	-
- other securities	-	-	-
- repayment of loans granted	1,102	1,202	1,347
- other long-term financial assets	-	-	-
4. Other long-term investments	-	-	-
V. Long-term prepayments and accruals	**12,763**	**12,772**	**17,098**
1. Deferred corporate income tax	12,763	12,772	17,098
2. Other prepayments and accruals	-	-	-
B. Current assets	**166,697**	**158,859**	**157,541**
I. Inventories	**19,982**	**15,215**	**26,183**

(in '000 of PLN)

1. Materials	938	753	675
2. Semi-finished goods and work in progress	-	-	-
3. Finished goods	7,566	4,394	12,350
4. Merchandise	11,394	10,030	13,147
5. Prepaid inventories	84	38	11
II. Short-term receivables	**105,354**	**88,345**	**86,669**
1. Receivables from subsidiaries and affiliates	18,646	11,908	2,113
a) trading receivables, with maturity of:	18,646	11,908	2,113
- up to 12 months	18,646	11,908	2,113
- over 12 months	-	-	-
b) other	-	-	-
2. Receivables from other entities in which the entity holds interest in the capital:	-	-	-
a) trading receivables, with maturity of:	-	-	-
- up to 12 months	-	-	-
- over 12 months	-	-	-
b) other	-	-	-
3. Receivables from other entities	86,708	76,437	84,556
a) trading receivables, with maturity of:	76,698	67,798	72,656
- up to 12 months	76,698	67,798	72,656
- over 12 months	-	-	-
b) taxes, subsidies and social and health insurance premiums and other public-law benefits receivable	9,267	8,211	11,372
c) other	693	378	478
d) disputable receivables	50	50	50
III. Short-term investments	**33,464**	**52,817**	**38,371**
1. Short-term financial assets	33,464	52,817	38,371
a) in subsidiaries and affiliates	23,076	22,788	22,569
- shares	-	-	-
- other securities	-	-	-
- repayment of loans granted	22,845	22,545	22,545
- other short-term financial assets	231	243	24
b) in other entities	-	-	-
- shares	-	-	-
- other securities	-	-	-
- repayment of loans granted	-	-	-
- other short-term financial assets	-	-	-
c) cash and cash equivalents	10,388	30,029	15,802
- cash in hand and at bank	8,420	30,029	15,801
- other cash	1,968	-	1
- other liquid assets	-	-	-
2. Other short-term investments	-	-	-
IV. Short-term prepayments and accruals	**7,897**	**2,482**	**6,318**
C. Contributions to the share capital receivable	**-**	**-**	**-**
D. Treasury shares	**-**	**-**	**-**
Total Assets	**649,595**	**647,474**	**532,379**

LIABILITIES AND SHAREHOLDERS' EQUITY (in '000 of PLN)	***period of 3 months ended on 31 March 2018***	***Period of 3 months ended on 31 December 2017***	***Period of 3 months ended on 31 March 2017***
A. Shareholders' equity	**274,642**	**264,185**	**254,476**
I. Share capital	278,002	278,002	278,002
II. Revenue reserve	66,850	66,850	65,890
III. Reserve from revaluations	-680	-	-245
IV. Other revenue reserves	-95,897	-95,897	-95,897
V. Profit (loss) brought forward	15,230	-	961
VI. Net profit (loss)	11,137	15,230	5,765
VII. Appropriation of the current fiscal year net profit (a negative amount)	-	-	-
B. Liabilities and provisions	**374,952**	**383,289**	**277,903**
I. Provisions	**7,960**	**8,354**	**6,527**
1. Accrued corporate income tax	1,249	1,472	1,045
2. Pension and similar allowances provisions	3,395	3,395	2,445
- long-term	276	276	198
- short-term	3,119	3,119	2,247
3. Other provisions	3,316	3,487	3,037
- long-term	-	-	-
- short-term	3,316	3,487	3,037
II. Long-term liabilities	**23,536**	**109,073**	**52,322**
1. To subsidiaries and affiliates	-	-	-
2. To other entities in which the entity holds interest in the capital:	-	-	-
3. To other entities	23,536	109,073	52,322
a) interest bearing borrowings	17,156	99,057	42,911
b) bonds and other securities	-	-	-
c) other financial liabilities	4,380	5,516	9,411
d) other	2,000	4,500	-
III Current liabilities	**333,103**	**257,367**	**208,341**
1. Liabilities to subsidiaries and affiliates	150,093	153,221	55,191
a) accounts payable, with maturity of:	37,093	40,177	36,368
- up to 12 months	37,093	40,177	36,368
- over 12 months	-	-	-
b) other	113,000	113,044	18,823
2. Liabilities to other entities in which the entity holds interest in the capital:	-	-	-
a) accounts payable, with maturity of:	-	-	-
- up to 12 months	-	-	-
- over 12 months	-	-	-
b) other	-	-	-
3. To other entities	182,820	103,959	152,963
a) interest bearing borrowings	86,197	11,740	61,888
b) bonds and other securities	-	-	-
c) leasing liabilities	1,875	1,806	1,378
d) accounts payable, with maturity of:	84,319	78,757	81,424
- up to 12 months	84,319	78,757	81,424
- over 12 months	-	-	-
e) advances received for deliveries	-	-	-
f) bills of exchange payable	-	-	-
g) other financial liabilities	-	-	321

(in '000 of PLN)

h) for taxes, duties, and social and health insurance premiums and other public-law benefits	5,121	3,854	4,359
i) salaries and wages payable	2,949	2,759	2,595
j) other	2,359	5,043	998
4. Special funds	190	187	187
IV. Prepayments and accruals	**10,353**	**8,495**	**10,713**
1. Negative goodwill	-	-	-
2. Other prepayments and accruals	10,353	8,495	10,713
- long-term	3,588	3,630	3,944
- short-term	6,765	4,865	6,769
Total Liabilities and Shareholders’ Equity	**649,594**	**647,474**	**532,379**

(in '000 of PLN)

CONDENSED CASH FLOW STATEMENT (SEPARATE STATEMENT)

for the 3-month period ended 31 March 2017

		period of 3 months ended on 31 March 2018	*Period of 3 months ended on 31 March 2017*
	Cash flow from operations		
I.	**Net profit (loss)**	**11,137**	**5,765**
II.	**Total adjustments**	**-27,943**	**-7,873**
1.	Depreciation	3,992	3,230
2.	Gain (loss) on foreign exchange translations	-680	26
3.	Dividend and interest paid and received	-2,901	-2,703
4.	Gain (loss) on investments	-1,173	-559
5.	Change in provisions	-3,710	1,077
6.	Change in inventories	-4,767	-5,840
7.	Change in receivables	-1,172	-6,994
8.	Change in short-term liabilities, except loans and bank loans	-17,299	2,984
9.	Change in accruals	-233	906
III.	**Net cash flow from operations (I±II)**	**-16,806**	**-2,108**
B.	**Cash flow from investments**		
I.	**Cash inflows**	**8,009**	**4,778**
1.	Disposal of tangible and intangible fixed assets	3,849	-
2.	Disposal of investment in real properties and intangible assets	-	-
3.	From financial assets, of which:	4,160	4,778
a)	in subsidiaries and affiliates	4,010	4,706
-	disposal of financial assets	-	-
-	dividends and shares of profits	4,010	3,960
-	receipt of repayments of long-term loans granted	-	500
-	interest received	-	246
-	other cash inflows from financial assets	-	-
b)	in other entities	150	-
-	disposal of financial assets	-	-
-	dividends and shares of profits	-	-
-	receipt of repayments of long-term loans granted	100	-
-	interest received	50	72
-	other cash inflows from financial assets	-	-
4.	Other cash inflows from investments	-	-
II.	**Expenditures**	**-17,188**	**-22,081**
1.	Purchase of tangible and intangible fixed assets	-1,144	-2,694
2.	Investments in properties and intangible assets	-	-
3.	On financial assets, of which:	-16,044	-19,387.00
a)	in subsidiaries and affiliates	-16,044	-19,387.00
-	purchase of financial assets	-15,856	-19,387
-	repayment of short-term loans granted	-188	-
b)	in other entities	-	-
-	purchase of financial assets	-	-
-	repayment of short-term loans granted	-	-
4.	Receivables on financial leasing liabilities		

(in '000 of PLN)

III.	**Net cash flow from investments (I–II)**	**-9,179**	**-17,303**
C.	**Cash flow from financial operations**		
I.	**Cash inflows**	**8,123**	**12,353**
1.	Net inflows from shares issued (issue of shares) and other capital instruments and add. contrib. to share capital	-	-
2.	Borrowings	8,123	12,353
3.	Proceeds from issues of debt securities	-	-
4.	Other cash inflows from financing	-	-
II.	**Expenditures**	**-1,779**	**-6,222**
1.	Acquisition of treasury shares	-	-
2.	Dividends paid and other payments to shareholders	-	-
3.	Cash outflows for appropriation of profit other than payments to shareholders	-	-
4.	Repayment of borrowings	-	-4,640
5.	Redemption of debt securities	-	-
6.	Cash outflows to repay other financial liabilities	-	-
7.	Payments of finance lease liabilities	-671	-325
8.	Interest	-1,108	-1,257
9.	Other financial outflows	-	-
III.	**Net cash flow from financial operation (I–II)**	**6,344**	**6,131**
D.	**Total net cash flows (A.III±B.III±C.III)**	**-19,641**	**-13,280**
E.	Movement in cash and cash equivalents on the balance sheet, of which:	-19,641	-13,280
-	movement in cash and cash equivalents due to foreign exchange differences	-	-
F.	Cash and cash equivalents at the beginning of the period	30,029	29,082
G.	**Cash and cash equivalents at the end of the period (F±D), of which:**	**10,388**	**15,802**
-	restricted access funds	-	-

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (SEPARATE STATEMENT)

for the 3-month period ended on 31 March 2018

SEPARATE STATEMENT OF CHANGES IN EQUITY (in '000 of PLN)	period of 3 months ended on 31 March 2018	Period of 3 months ended on 31 March 2017
I. Shareholders' Equity at the beginning of the period (opening balance)	**264,185**	**248,685**
a) changes in the adopted accounting principles (policy)	-	-
B) adjustment of basic errors	-	-
Ia. Shareholders' Equity at the beginning of the period (opening balance), restated for comparable data	264,185	248,685
1. Share capital at the beginning of the period	**278,002**	**278,002**
1.1 Changes in the share capital	-	-
a) increases (on)	-	-
b) decreases (on)	-	-
1.2 Share capital at the end of the period	**278,002**	**278,002**
2. Unpaid share capital at the beginning of the period	-	-
2.1 Change in unpaid share capital	-	-
a) increases (on)	-	-
b) decreases (on)	-	-
2.2 Unpaid share capital at the end of the period	-	-
3. Treasury shares at the beginning of the period	-	-
3.1 Changes in treasury shares	-	-
a) increases (on)	-	-
b) decreases (on)	-	-
3.2 Treasury shares at the end of the period	-	-
4. Revenue reserve at the beginning of the period	**66,850**	**65,890**
4.1 Changes in the revenue reserve	-	-
a) increases (on)	-	-
– appropriation of net profit (in excess of statutory requirements)	-	-
- merger of entities	-	-
b) decreases (on)	-	-
– covering of loss	-	-
- other	-	-
4.2 Revenue reserve at the end of the period	**66,850**	**65,890**
5. Revaluation reserve at the beginning of the period	-	**-271**
5.1 Change in revaluation reserve	-680	26
a) increases (on)	-	26
- release of reserve from revaluations of financial instruments	-	26
b) decreases (on)	680	-
- valuation of financial instruments	680	-
5.2 Revaluation reserve at the end of the period	**-680**	**-245**
6. Other capital reserves at the beginning of the period	**-95,897**	**-95,897**
6.1 Change in the other capital reserves	-	-
a) increases (on)	-	-
b) decreases (on)	-	-
– reserve from revaluations of financial instruments	-	-
6.2 Other capital reserves at the end of the period	**-95,897**	**-95,897**
7. Retained earnings (loss) at the beginning of the period	-	**-6,062**

(in '000 of PLN)

7.1 Retained earnings at the beginning of the period	-	-
7.2 Restated retained earnings at the beginning of the period, after adjustments for comparable data	-	-
a) increases (on)	15,230	7,023
b) decreases (on)	-	-
- appropriation for revenue reserve	-	-
- covering of losses	-	-
7.3 Retained earnings at the end of the period	15,230	7,023
7.4 Retained loss at the beginning of the period	-	-
7.5 Restated retained loss at the beginning of the period, after adjustments for comparable data	-	-
a) increases (on)	-	-
b) decreases (on)	-	-
- covering of losses	-	-
- other	-	-
7.6 Retained loss at the end of the period	-	-
7.7 Retained profit (loss) at the end of the period	**15,230**	**961**
8. Net balance	**11,137**	**5,765**
a) net profit	11,137	5,765
b) net loss	-	-
c) appropriation of profit	-	-
II. Shareholders' equity at the end of the period (closing balance)	**274,642**	**254,476**

(in '000 of PLN)

THE NOTES

1 General Information

GOBARTO S.A. was organized under the Notarial Deed of 12 December 2001 and registered on 21 February 2002. The Company operates all around Poland in keeping with the provisions of the Commercial Companies Code. The Company is entered in the Register of Entrepreneurs kept by the District Court of Warsaw, Business Division of the National Court Register under KRS no. 0000094093. It was assigned Business Reg. No. (REGON): 411141076. The Company's stock is listed on the Warsaw Stock Exchange. The Parent Company's registered seat is at ul. Kłobucka 25, 02-699 Warsaw, Poland.

Scope of operations of GOBARTO S.A. according to the PKD/NACE codes:

Items	PKD/NACE code
Raising of swine/pigs	01.46.Z
Support activities for animal production	01.62.Z
Processing and preserving of meat	10.11.Z
Processing and preserving of poultry meat	10.12.Z
Production of meat and poultry meat products	10.13.Z

These Condensed Quarterly Separate Financial Statements of the Company for the 3-month period ended on 31 March 2018 was approved for publication by the Management Board on 15 May 2018.

2 Grounds for preparing the Condensed Financial Statements

The Condensed Quarterly Separate Financial Statements for the period of 3 months of 2018 have been prepared in accordance with the provisions of the Accounting Act of 24 September 1994 (consolidated text in Journal of Laws no. 152 of 2009) and the Resolution of the Minister of Finance on Current and Periodic Information to Be Supplied by Issuers of Securities and on Conditions of Acknowledging Information Required by the Laws of a Non-Member Country as Equivalent (Journal of Laws no. 33, item 259 of 19.02.2009, as amended).

The accounting principles adopted by the Company in areas where the Accounting Act allows a choice of the accounting policy have been described in detail in the annual statements for 2017 and have not been changed.

These Interim Condensed Separate Financial Statements have been prepared with the assumption that the Company will continue its business operation for at least 12 months from the date of these Financial Statements.

In the period of 3 months ended on 31 March 2018, the net profit as recorded in the Separate Financial Statements has been achieved in the amount of PLN 11,137 k.

(in '000 of PLN)

3 Adopted accountancy principles (policy)

3.1 Applied superior accounting principles, in particular:

1) Accrual-based principle, i.e. principle of recognizing any general business operations of the reporting period in the accounts and Financial Statements, whether they were paid or not by the balance sheet date.
2) The principle of matching revenues and expenses, according to which the measurement of the financial result was determined by the revenues relating to the reporting period and by the cost of obtaining these revenues referring to the reporting period.
3) The prudence principle that covered all items of the Balance Sheet.

3.2 Form and grounds for preparing the Financial Statements

The Financial Statements were prepared in compliance with the Accountancy Act of 29 September 1994 (hereinafter "the Accountancy Act").

Data included in the Financial Statements are comparable with the data disclosed in the Financial Statements for the period from 1 January 2018 to 31 March 2018.

The profit and loss account of the Company has been prepared in the multiple-step variant.

The cash flow statement has been prepared under the indirect method.

3.3 Intangible fixed assets

The intangible assets are recognized if in the future they are likely to cause an inflow of economic benefits to the Company that can be linked directly to these assets. The initial recognition of intangible assets is made at the purchase price plus any notary's fees and civil law transaction tax related to the purchase or production cost. After the initial recognition the intangible assets are valued based on purchase prices or cost of production less amortization and asset impairment charges. The intangible assets are amortized by applying the straight-line method in a period reflecting their estimated economically useful life.

The estimated economically useful lives are as follows:

Patents, licenses, trademarks	5-20 years
Computer software	5 years
Other intangible assets	2-5 years

The estimates concerning the period of economically useful life and method of depreciation are subject to review at the end of each accounting year in order to verify if the period and method of depreciation applied comply with the expected time distribution of economic benefits derived from the given intangible fixed asset.

As at the balance date, the Company evaluates each time if the balance value of the declared assets exceeds the value of the expected future economic benefits. If there are reasons to believe that it does, the balance value of the assets is lowered to the net selling price. The asset impairment charges are recognized in the other operating costs.

3.4 Goodwill

Goodwill is the excess of the purchase price of the entity or its organized part over the value of acquired net assets measured at their fair values. It is disclosed in the balance sheet in the assets as a separate item "Intangible assets" as "goodwill."

The estimated economically useful lives are as follows:

Goodwill	5 years

(in '000 of PLN)

Depreciation is made using the straight-line method and depreciation write-offs are included in the other operating expenses.

As at the balance date, the Company evaluates each time if the carrying amount of the declared goodwill exceeds the value of the expected future related economic benefits. If there are any premises thereto, an impairment test is performed. The asset impairment charges are recognized in the other operating costs.

3.5 Tangible fixed assets

The tangible fixed assets are measured at the purchase price plus any notarial fees and tax on civil law operations, VAT amount on the purchase cost in the part that is non-deductable, commissions and interest as well as negative and positive currency translation differences on borrowings, liabilities and prepayments in the period preceding the putting of tangible fixed assets for use, net of accumulated depreciation and asset impairment charges. In case of perpetual usufruct of land the purchase price is meant as the price of purchasing the title from a third party. Land is recognized at the purchase price net of asset impairment charges.

Costs incurred after putting a fixed asset to use, such as costs of repairs, periodic inspections, maintenance fees, affect the financial result of the fiscal period in which they were incurred. If it can be shown, however, that these costs have led to increasing the expected future economic benefits due to ownership of an asset over the benefits originally expected, in such a case they increase the initial value of the fixed asset.

Fixed assets, except for land, are depreciated according to the straight line method over a period corresponding to the estimated period of their useful lives, or over the shorter of two periods: the economic useful life or the right to use.

For individual type groups, the Company applies the following annual depreciation rates:

Perpetual usufruct of land	depreciated over 99 years
Buildings, premises and civil engineering facilities	from 2.5% to 10%
Technical equipment and machinery	from 4.5% to 33%
Vehicles	from 10% to 40%
Other tangible fixed assets	from 10% to 20%

Tangible assets with a low initial unit value, i.e. with a value over PLN 1 k and below or equal to PLN 3.5 k, are recognized as tangible assets, and depreciated in one entry, in the month they are put to use.

Tangible assets at the initial value not exceeding PLN 1 k are recognized as costs of materials in the month they are put to use. These assets are recorded in the non-balance-sheet register.

The estimates concerning the period of economically useful life and method of depreciation are subject to review at the end of each accounting year in order to verify if the period and method of depreciation applied comply with the expected time distribution of economic benefits derived from the given tangible fixed asset.

As at the balance date, the Company evaluates each time if the balance value of the declared assets exceeds the value of the expected future economic benefits. If there are reasons to believe that it does, the balance value of the assets is lowered to the net selling price. The asset impairment charges are recognized in the other operating costs.

Asset impairment charges in respect of fixed assets, the valuation of which has been updated on the basis of separate regulations, reduce the differences due to revaluation recognized in the revaluation reserve. Any surplus of a charge over the differences from the valuation is classified as other operating costs.

3.6 Investment in progress

The investments in progress are evaluated as the total cost related directly to purchasing or manufacturing of the assets, of which financial costs, net of asset impairment charges. Also the investment materials are recognized as the investment in progress. The investments in progress are not depreciated until finished and put to use.

3.7 Investments in properties and intangible assets

Investments in real estates (including investments in land, perpetual usufruct of land, buildings and structures) and intangible assets include such real estates and intangible assets that the Company does not use for its own purposes but which the Company holds for the benefits arising from the growth of their values.

Investments in real estates and intangible fixed assets are measured based on purchase prices or production costs less accumulated depreciation and asset impairment charges.

3.8 Investments in subsidiaries and other long-term investments

Investments in subsidiaries, jointly controlled entities and affiliates are valued at historical cost less any impairment losses.

Other long-term investments (excluding financial assets as described in Note 4.11 and investments in real estates and intangible assets as described in Note 4.2) are valued at historical cost less any impairment losses.

Impairment of shares in subsidiaries and other long-term investments is measured as at each balance sheet date. The balance value of such assets is on a case by case basis subject to a review in order to determine if it does not exceed the value of any future economic benefits.

The effects of changes in the fair value of real estate investments and intangible assets investments are included in other operating expenses/income, respectively.

3.9 Subsidiaries and affiliates

Subsidiaries and affiliates are understood by the Company as two or more companies that are members of a given group of companies, where the group is understood as a parent company and its subsidiaries.

3.10 Investments in subsidiaries, involvement in the share capital and other long-term investments

Investments in subsidiaries include investments in subsidiaries, jointly controlled entities and affiliates. Subsidiaries are understood by the Company as entities controlled by the Company, jointly controlled entities - as entities jointly controlled by shareholders on the basis of a contract between them, and affiliates - as entities in which it holds share capital and on which it has a significant influence. At the same time, involvement in the share capital of another entity is understood by the Company as any share in the capital of that other entity that has a nature of a permanent relationship. In case of an affiliate, a permanent relationship is always present, unless a sale of a share in a short term from the date of its acquisition, purchase or obtaining it in any other manner is highly probable.

Investments in subsidiaries, jointly controlled entities and affiliates are valued at historical cost less any impairment losses.

3.11 Other short-term investments (except for cash and cash equivalents)

Other short-term investments, except for liquid assets and financial assets, are priced at their purchase price or their market price (value), depending which is lower.

Results of appreciation or impairment of the short-term investments valued at their market prices (values) are recognized as financial revenues or financial expenses respectively.

3.12 Financial assets

Financial assets at the time of being entered into the books of account are priced at cost (purchase price), which is the fair value of the payment made. Transaction costs are posted in the initial value of these financial instruments. Financial assets are entered into the books of account at the transaction date.

After the initial recognition, financial assets are classified into one of four categories and measured as follows:

	Category	*Mode of Pricing*
1.	Financial assets held to maturity	At the adjusted purchase price (depreciated cost) determined using the effective interest rate
2.	Loans and receivables	The borrowings extended are recognized at the balance sheet date at the amount payable, i.e. unpaid principal amount plus the due, already outstanding and payable interest. This interest increases the financial income.
3.	Financial assets held for trading	At the fair value, and the gains/losses on revaluation are recognized in the profit and loss account
4.	Financial assets available for sale	At the fair value, and the gains/losses on revaluation are recognized in the profit and loss account

The fair value of financial instruments traded in an active market is determined in relation to the prices quoted on the market on the balance sheet day. In case where there is no quoted market price, the fair value is measured based on the quoted market price of a similar instrument or based on a valuation model taking into account input from an active regulated market or using other estimation methods commonly regarded as correct.

Impairment of financial assets

As at each balance sheet day, the Company evaluates if there are objective proofs indicating that a single or a group of financial assets have lost their value permanently. If such proofs exist, the Company sets the estimated possible to be retrieved value of an asset and makes a revaluation write-off at the amount equal to the difference between the value possible to be retrieved and the balance value.

Revaluation write-offs on a financial asset or a portfolio of similar financial assets are determined:

1) in case of financial assets measured at the amortized cost - as the difference between the value of these assets resulting from the books of account as at the valuation date and the recoverable amount. The recoverable amount is the present value of future cash flows expected by the entity, discounted using the effective interest rate the entity has applied to date, valuing the revalued financial asset or a portfolio of similar financial assets,
2) in case of financial assets measured at fair value - as the difference between the purchase price of an asset and its fair value determined as at the valuation date, provided that the fair value of debt instruments as at the valuation date is understood as the present value of future cash flows expected by the entity, discounted by the current market interest rate used for similar financial instruments. The cumulative loss to this day recognized in the revaluation reserve (fund) is included in the financial expenses in the amount not less than the write-off less the part directly classified as the financial costs,
3) in case of other financial assets - as the difference between the asset's value resulting from the books of account and the present value of future cash flows expected by the entity, discounted using the current market interest rate used for similar financial instruments.

3.13 Leasing

The Company is a party to leasing contract under which it receives tangible or intangible assets against a charge for using them and deriving benefits from them for a definite period of time.

In case of leasing contracts, under which the entire risk and benefits resulting from possessing the assets being the subject of these contracts is generally transferred, the subject matter of the leasing is recognized in the assets as a tangible asset and at the same time in the receivables at the current value of the minimum leasing charges as at the date the leasing started. The leasing charges are divided between the financial costs and the decrease of the liabilities balance in such a way that will allow obtaining a constant interest rate on the liability left for repayment. The financial costs are recognized directly in the profit and loss account.

(in '000 of PLN)

Fixed assets subject to financial leasing contracts are depreciated in the manner defined for the entity's own fixed assets. However, when there is no control over the moment and no certainty in respect of the transfer of ownership of the subject matter of such a contract, the fixed assets used under financial leasing contracts are depreciated over the shorter of two periods: the expected useful life or the leasing term.

Leasing charges under contracts that do not comply with the requirements of a financial leasing contract are recognized as costs in the profit and loss account using the straight-line method for the period of leasing duration. Depending on the purpose of using the leased asset, leasing payments are recognized in the operating expenses (in which in the general and administrative expenses or selling expenses) or in the other operating expenses.

3.14 Inventories

Inventories are measured at the lower of the two values: the purchase price/cost of production or the net selling price.

Consumption and valuation of inventories are recognized using the weighted average method.

The costs of production of finished products and production in progress include direct costs of materials and labor. At the end of each month, the valuation of inventory is made at the costs of production.

Materials and merchandise inventories are recognized as expenses at the moment of discharging them from the stock. At the end of the period they are valued at their purchase prices, not higher than the net selling prices.

Exceptions are goods and materials used for retail sale, the status of which is determined at the end of the month by means of a physical stock-taking. They are measured at the purchase price, not higher than net selling price.

The net selling price is the selling price possible to be obtained as at the balance sheet day without the value added tax and excise tax less of discounts, bargains and the like and costs of accommodating the given asset to be sold and executing the sales, increased by the receivable related subsidy.

3.15 Short- and long-term receivables

Trade receivables are shown at the amount due and payable less of the revaluation write-offs.

Value of receivables is restated in consideration of the probability they will be actually paid by means of a revaluation write-off. Receivables revaluation write-offs are allocated either to the other operating costs or to the financial costs – depending on the type of the receivables to which the revaluation write-off refers.

Redeemed, overdue or bad receivables debit the formerly made their revaluation write-offs.

Redeemed, overdue or bad receivables for which no revaluation write-offs were made or the revaluation write-offs made were not to their full amount will be posted as the other operating costs or financial costs.

3.16 Foreign currency transactions

Transactions denominated in currencies other than PLN are translated into PLN at the exchange rate actually applied on the transaction date, and if the application of this exchange rate is not possible at the average amount announced for a given currency by the National Bank of Poland on the day preceding that day.

As of the balance sheet day any assets and liabilities denominated in currencies other than the Polish zloty are translated into Polish zloty using the average exchange rate announced for a given currency by the National Bank of Poland on the given day. The resulting exchange differences arising the translation are recognized respectively as financial revenue or financial expenses or, in cases prescribed by the regulations, capitalized at the asset value.

The following exchange rates were used for valuation purposes:

	31 March 2018	*31 March 2017*
USD	3.9455	3.7590
EUR	4.2198	4.2684

3.17 Liquid assets and liquid assets equivalents

Liquid assets in hand and at bank are priced as their par value.

Liquid assets presented in the Cash Flow Statement are composed of cash in hand and bank deposits with the maturity of up to 3 months that were not treated as investment operations.

3.18 Prepayments and accruals

The Company recognizes any amounts as prepayments and accrued income if they apply to future reporting periods. Accruals and deferred income are posted at the amount of the probable liabilities for the current reporting period.

3.19 Share capital

The share capital is recognized at the amount specified in the Company's Articles of Association and recorded in the court register. If the shares are acquired at a price higher than the nominal value, the excess is recognized in the revenue reserve. In case of redemption of own/treasury shares, the amount of payment for the own/treasury shares is charged to the equity and is recognized in the Balance Sheet under the "own/treasury shares" item.

Costs incurred on the issuance of new shares reduce the revenue reserve from the issuance of shares above their nominal value to the amount of that reserve. Other costs are included in the financial expenses.

Interim dividends paid during the financial year are recognized in the books of account and in the balance sheet as a distribution of profits made during the financial year.

3.20 Provisions

Provisions are recognized when the Company has a (legal or customary) obligation resulting from future events and when it is sure or very likely that satisfying this obligation will cause a need of outflow of funds representing economic benefits and when the liability can be evaluated in a reliable way.

The Company operates a scheme of retirement severance payments. Payments under this scheme are charged to the expenses in the Profit and Loss Account in a manner that allows spreading the cost of retirement severance payments throughout the entire period of employment in the Company. Costs related to these payments are determined using the method of actuarial valuation of projected entitlements of the entity.

3.21 Bank loans and credits and financial liabilities apportioned for trading

At the initial recognition, the bank loans and credits are recognized at the cost that constitutes the value of liquid assets received and costs of obtaining the bank loan/credit (transaction costs). Then, all bank loans and credits, except for liabilities held for trading, are measured at the adjusted purchase price (depreciated cost), using the effective interest rate.

3.22 Costs of external financing

The costs of external financing referring to construction, adoption, assembly or improvement of tangible assets, for the period of this construction, adoption, assembly or improvement, are recognized at the value of these assets, provided the liabilities were incurred for this purpose.

The other costs of external financing are recognized in the profit and loss account.

3.23 Deferred income tax

Deferred income tax is made by means of the balance sheet liabilities method in relation to all temporary differences as of the balance sheet day between the tax value of the assets and liabilities and their balance value declared in the Financial Statement.

Provision for deferred income tax is created for all taxable temporary differences, unless the provision for deferred income tax arises from goodwill depreciation or the initial recognition of an asset or liability in a transaction that is not a merger of entities and at its conclusion it does not affect either the gross financial result or the taxable profit or the tax loss.

Provision for deferred tax is created for all taxable temporary differences arising from investments in subsidiaries or affiliates, interests in joint ventures, except where the timing of amounts of the reversing temporary differences are controlled and it is probable that in the foreseeable future the temporary differences will not reverse.

Deferred tax asset is recognized for all deductible temporary differences and unused tax losses brought forward to subsequent years in such an amount as it is likely that it will be taxable profit that will allow to take advantage of these differences and losses (unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a merger of entities and at its conclusion it does not affect either the gross financial result or the taxable profit or the tax loss).

In case of deductible temporary differences in respect of shares in subsidiaries and affiliates and interests in joint ventures, the deferred tax assets is recognized in the balance sheet only in such an amount as it is probable that in the foreseeable future these temporary differences will be reversed and the profits will be taxable income, which will allow deduction of deductible temporary differences.

The balance value of an asset under the deferred income tax is verified on each balance-sheet day and is subject to applicable decrease by as much as it stopped to be likely to yield the taxable income that is sufficient for covering the asset under the deferred income tax in part or in whole.

Uncertainty connected with tax settlements

Regulations of law governing the value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes lead to the absence of respective benchmarks, inconsistent interpretations, and a few established precedents that might be applicable. The provisions of law in force contain also ambiguities that are a result of differences in opinions and legal interpretations of fiscal laws both between various state authorities, and state authorities and enterprises.

Tax reconciliations and other areas of operation (such as customs or foreign currency issues) may be subject to control by authorities that are authorized to impose high fines and penalties, while any additional tax liabilities determined in the course of such a control must be paid together with high interest. These conditions make the tax risk in Poland higher than in countries with more mature fiscal systems.

Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax auditing authority.

On 15 July 2017, the General Tax Code was amended to reflect provisions of the General Anti-Avoidance Regime (GAAR). The GAAR is designed to prevent creation and use of artificial legal structures that are created to avoid paying taxes in Poland. The GAAR defines tax evasion as an act made primarily for the purpose of obtaining a tax advantage that is contradictory in the given circumstances to the subject matter and purpose of the tax law provisions. According to the GAAR, such an act does not result in a tax advantage if the mode of operation was artificial.

Any occurrence of:

- unreasonable division of operations,
- involvement of intermediaries despite lack of economic or economic justification,
- elements that are mutually abrasive or compensatory,
- other actions with a similar effect to the aforementioned may be treated as a condition for the existence of artificial activities subject to GAAR. The new regulations will require much greater judgment when assessing the tax consequences of individual transactions.

The GAAR should apply to transactions made after it enters into force and to transactions that were made before the GAAR's entry into force, but for which advantages have been or still are being achieved after such an entry. Implementation of the above provisions will allow Polish tax authorities to question the legal arrangements and settlements of taxpayers, such as restructuring and reorganization of the group.

Deferred income tax and provisions for deferred income tax are measured using tax rates that under the applicable regulations of law in force by the balance sheet date will apply during a period when the asset is realized or the provision canceled.

Deferred income tax assets and provision for deferred tax liability are presented separately in the balance sheet.

3.24 Securities accounting

The derivative instruments used by the Company to hedge the risk related to changes in interest rates and foreign exchange rates are mainly the interest rate swaps (percentage swaps) and a limited use of financial instruments to hedge foreign exchange risk by dealing forward.

In order to reduce the volatility of the interest expenses incurred by GOBARTO S.A. (formerly PKM DUDA) (causing deviations from the quotas adopted in the financial plans and budgets), the Parent Company uses Interest Rate Swap (IRS) derivative transactions. Through the use of IRS for the purpose of hedging against the interest rate risk, the Company will reach a steady level of the interest rate at which the interest expense will be operated under the loans in a given period of time.

If the derivative instrument meets the criteria for designating it as a hedging instrument, then depending on the nature of the hedge, changes in its fair value are either recognized on an ongoing basis in the Profit and Loss Account, where they offset any recognized changes in the fair value of the hedged assets, liabilities or firm commitments, or they are recognized as a separate component of the equity until the hedged item is not recognized in the books of account. A change in the fair value of a derivative relating to the uneffective portion of the hedge is recognized immediately in the Profit and Loss Account.

For fair value hedges that meet the conditions for applying hedge accounting, the gain or loss from the revaluation of the hedging instrument is recognized immediately in the Profit and Loss Account. The gain or loss on the hedged item attributable to the risk against which the individual instrument hedges, respectively increasing or decreasing the value of the item presented in the books of account, is recognized on an ongoing basis in the Profit and Loss Account.

If the carrying value of the hedged interest-bearing financial instrument is adjusted, the adjustment is charged to the profit and loss account in such a way that allows its full depreciation before the maturity date of the instrument.

In case of cash flow hedges that meet the conditions for applying hedge accounting, a portion of the gain or loss on the hedging instrument that is considered to be an effective hedge is recognized in the revaluation reserve, while the part that is not a fully effective hedge is recognized directly in the Profit and Loss Account.

If a hedged firm commitment or a hedged forecast transaction results in the recognition of an asset or liability, then upon recognition of the asset or liability, the gains and losses that were previously recognized in the revaluation reserve are now included in the purchase price or other specific initial value of the asset or liability. For all other cash flow hedges, gains or losses initially recognized in the revaluation reserve are recognized in the Profit and Loss Account in the same period in which the hedged firm commitment or hedged forecast transaction affects the Profit and Loss Account (e.g. in the period when the forecast sales transaction takes place).

The entity discontinues hedge accounting when the hedging instrument expires or is sold, its use is ended or completed, or when a hedge no longer meets the criteria under which the hedge accounting may be used to it. In this case, the cumulative gain or loss on the hedging instrument that were initially recognized in the revaluation reserve is still recognized in this reserve until the hedged transaction occurs. If the entity no longer expects the forecast transaction to occur, the cumulative net gain or loss recognized in the revaluation reserve is then recognized in the Profit and Loss Account for the current financial year.

3.25 Embedded derivatives

In case of a contract that includes an embedded derivative, and the whole or part of the cash flows related to such a contract changes in a way similar to the way that the embedded derivative instrument would cause by itself, the embedded derivative must be shown in the books of account separately from the host contract. This occurs when all the following conditions are satisfied:

- a contract which is a financial instrument is classified as financial assets or financial liabilities held for trading or financial assets available for sale, the revaluation results of which are recognized in the financial income or loss for the reporting period,
- the nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,
- a separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative,

- it is possible to reliably determine the fair value of the embedded derivative.

In case of contracts which are not financial instruments and which include an instrument that meets the above conditions, the embedded derivative is classified as financial assets or financial liabilities held for trading and measured at their fair value and the effects of valuation are recognized in the Profit and Loss Account.

3.26 Recognition of revenues

Revenue is recognized at the amount in which it is probable that the Company will obtain economic benefits that can be measured reliably.

3.26.1.1 Sales of merchandise and products

Revenues are recognized at the moment when the significant risks and rewards arising from ownership of the merchandise or products are transferred to the buyer. Revenues include amounts due or received from the sale, net of the value added tax (VAT).

3.26.1.2 Interest

Interest income is recognized at the moment when the interest is accrued (using the effective interest rate), provided it is not doubtful it will be received.

3.26.1.3 Dividends

Dividend receivable are classified as financial income on the day of adoption by the General Meeting of Shareholders of the company in which the Company has invested of a resolution on distribution of profits awarding a dividend, unless the resolution specifies another day for the dividend entitlement.

3.26.1.4 Grants and subsidies

Grants and subsidies are recognized at their fair value when there is reasonable assurance that the grant will be received and all the conditions for obtaining the grant will be fulfilled. If the grant or subsidy concerns a cost item, then it is deferred in the balance sheet and systematically recognized as a revenue item in a way that is commensurate with the costs which the grant is intended to compensate.

If the grant or subsidy is intended to finance the acquisition or production of a fixed asset, then it is deferred in the balance sheet and recognized as income over the period of depreciation of the asset.

3.26.1.5 Social assets and liabilities of the Corporate Social Benefits Fund

The Law on Corporate Social Benefits Fund of 4 March 1994, as amended, stipulates that the Corporate Social Benefits Fund (CSBF) is established by employers with at least 20 employees in FTE. The Company does not make periodic contributions to the CSBF.

In the Balance Sheet, the Company recognizes separately the balance of the Fund and the assets and liabilities of the Fund.

3.27 Recognition of costs

The Company recognizes expenses in the amount of probable reductions in the economic benefits in the reporting period, if it can determine their value reliably. As a part of its records, the Company presents expenditures both in the nature and function formats.

3.28 Measurement of the result

The Company recognizes expenses in the amount of probable reductions in the economic benefits in the reporting period, if it can determine their value reliably. As a part of its records, the Company presents expenditures both in the nature and function formats.

(in '000 of PLN)

3.29 Merger of companies

In case of a merger that does not result in a loss of control over the companies by the existing shareholders, the method of share pooling is used for the purpose of settlement by consolidating the various items of relevant assets and liabilities, and revenues and costs, of the merged companies, according to their status as of the date of merger, having previously brought their values into uniform valuation methods and made respective exclusions.

4 Restatement

The Management Board made estimates of mainly the following values: provisions, investments in real properties and revaluation impairments (including fixed assets, accounts receivable, inventories), and income tax assets.

5 Provisions

In the described reporting period, no relevant changes occurred.

6 Brief description of significant achievements or failures of the GOBARTO S.A. Company in the first quarter of 2018, including the most important events concerning the Group

In the production segment, an increase in the profitability of production continues to be the objective of the Group. In the first quarter, the Company continued to implement a strategy which is based on a completely redesigned model of the plant functioning. The analyzes carried out identified that the following principles are the most optimal solution for implementing the business model:

- customer segmentation in order to optimize the generated margin;
- increase trading within the Group at the expense of unprofitable or less profitable customers (improvement of retained margin and Cash Flow)
- maximization of the fresh products sales;
- increasing the cutting output of carcasses supplied from outside the Group's own slaughter;
- replacing the structure of direct production costs with the labor force outsourcing;
- conversion to variable costs from transport and logistics costs by separating off the logistics and transportation servicing outside the Company;
- focus on direct purchases of raw materials for production (livestock), optimization of logistics costs and the cost of acquisition of raw material;

The results obtained in the first quarter confirmed that the adopted model of functioning allows for achieving positive operating results.

The separate results of GOBARTO S.A. for the period of 3 months ended 31 March 2018 as compared to the same period of 2017.

Items	*for the 3-month period ended 31-03-2018*	*for the 3-month period ended 31-03-2017*	*Dynamics*
Net income from products and merchandise sales	**318,987**	**308,039**	**3.6%**
Profit on sales	10,213	4,284	138.4%
Profit on operating activity	11,486	4,783	140.1%
Gross profit	14,231	6,682	113.0%

(in '000 of PLN)

Net profit	**11,137**	**5,765**	**93.2%**
Depreciation	3,992	3,230	23.6%
EBIDTA	15,478	8,013	93.2%
Net profitability	3.49%	1.87%	1.62 % points
EBITDA profitability	4.85%	2.60%	2.25 % points
Indebtedness ratio	57.72%	52.20%	5.52 % points
Equity/assets ratio	48.01%	59.64%	-11.63 % points
Interest debt	109,608	134,411	-18.5%
Liquid assets	10,388	15,802	-34.3%
Net debt	99,220	118,609	-16.3%
Net debt / EBITDA	1.60	3.70	-56.7%
Debt / EBITDA	1.77	4.19	-57.8%
Equity/Balance sheet total	52.12%	57.00%	-4.88 % points
Debt Service Coverage Ratio	2.31	1.02	126.5%
Interest on bank loans	1,257	1,257	0.0%
Income from export	47,220	50,492	-6.5%
Interest in total income	14.80%	16.39%	-1.59 % points

* Net debt / EBITDA calculated according to the formula: EBITDA for the first quarter divided by 1 and multiplied by 4

In the period of 3 first months of 2018, the GOBARTO Company reached the income on sales of PLN 318,987 k, which – in comparison with the previous year – constitutes an increase by 3.6%. Export revenues amounted to PLN 47,220 k, and their share in relation to total revenues was 14.8%.

EBITDA generated by the Company in this period amounted to PLN 15,478 k and is higher by over 93% than in the same period of the previous year.

At the level of the net result, the Company achieved a result of PLN 11,137 k; it was over 93% more than in the same period of the previous year.

7 Description of factors and events, particularly those with untypical character that have a significant impact on the Company's financial performance.

Such events did not occur in the discussed reporting period.

8 Seasonality of business

In the domestic consumption of raw meat and cured meat products growth of turnover is noted in the periods preceding Christmas and Easter.

(in '000 of PLN)

9 Financial instruments

	Carrying amount		*Fair value*	
	31 March 2018	***31 March 2017***	***31 March 2018***	***31 March 2017***
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Foreign currency forward contracts			2	- 242
Total	**-**	**-**	**2**	**- 242**

	Carrying amount		*Fair value*	
	31 March 2018	***31 March 2017***	***31 March 2018***	***31 March 2017***
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Interest rate swaps	- 680	- 246	- 680	- 246
Total	**- 680**	**- 246**	**- 680**	**- 246**

		Level 1	***Level 2***	***Level 3***
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Interest rate swaps				- 680
Foreign currency forward contracts				2
Total	**-**	**-**	**-**	**- 678**

10 Dividend paid and proposed for payment

The Company does not plan to pay the dividend.

11 Contingent liabilities and contingent assets

A detailed list of court proceedings and bankruptcy proceedings brought by GOBARTO S.A., and in which the Company is a party, has been included in the Annual Consolidated Financial Statements for 2017. These cases relate mainly to claims for debts and interest on debtors. In relation to the state indicated in the previous report, in the period of 3 months ended on 31 March 2018 no additional litigations have been initiated and there were no significant changes in the legal status of the pending proceedings. Most claims under litigation are covered by the write-off. The prudence principle is being applied.

12 Specification of shares of GOBARTO S.A. or rights to them held by the management and supervisory officers of the issuer as at the date of this quarterly report, together with a specification of changes in the ownership in the period from the previous quarterly report separately for each person.

According to the information available to the Management Board of GOBARTO S.A., as at 31 March 2018, and also as at the date of publication of the report (15 May 2017), the ownership of the securities by managing and supervisory officers of GOBARTO S.A. is as follows:

(in '000 of PLN)

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%

According to the information available to the Management Board of GOBARTO S.A., in the period since the publication of the report for the first quarter of 2017 years (i.e. from 15 May 2017) to the date of submission of this report, there were no changes in the ownership of shares or rights in these shares by managing and supervisory officers.

13 Events after the balance sheet date

Gobarto S.A. – the appointment of supervising persons

The Management Board of Gobarto S.A. announced that on 25 April 2018 the Annual General Meeting, by adopting Resolutions Nos.

- 21/25/04/2018, appointed Mr. Andrzej Goździkowski to the Supervisory Board in the 6th term in office;
- 22/25/04/2018, appointed Mr. Włodzimierz Bartkowski to the Supervisory Board in the 6th term in office
- 23/25/04/2018, appointed Mr. Aleksander Koźlakiewicz to the Supervisory Board in the 6th term in office
- 24/25/04/2018, appointed Mr. Andrzej Śliwiński to the Supervisory Board in the 6th term in office
- 25/25/04/2018, appointed Mr. Ryszard Ceranowicz to the Supervisory Board in the 6th term in office
- 26/25/04/2018, appointed Mr. Robert Bednarski to the Supervisory Board in the 6th term in office
- 27/25/04/2018, appointed Mr. Zbigniew Natkański to the Supervisory Board in the 6th term in office

Moreover, the Management Board of the Issuer announced that with Resolution No. 28/25/04/2018, the Annual General Meeting appointed Mr. Andrzej Goździkowski to be the Chairperson of the Supervisory Board. The above resolution took effect on the day of its adoption.

Information on education, qualifications and previous positions, together with a description of the career and the activity performed outside of the Issuer's enterprise of the appointed members of the Supervisory Board was provided by the Management Board of the Company in the enclosure to Current Report no. 15/2018.

The Management Board of GOBARTO S.A., the parent company

15 May 2018	Dariusz Formela	President	....
15 May 2018	Roman Miler	Vice-President	....
15 May 2018	Rafał Oleszak	Vice-President	....
15 May 2018	Przemysław Koźlakiewicz	Vice-President	....

Prepared by:

15 May 2018	Agnieszka Kabus	Chief Accountant	....