

PATENTUS S.A.

headquartered in Pszczyna, street Górnośląska 11

ANNUAL INDIVIDUAL FINANCIAL STATEMENT for  
the period 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018

Prepared in accordance with  
International Financial Reporting Standards as  
adopted by the European Union

Pszczyna, 20<sup>th</sup> March 2019

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## BALANCE SHEET

Assets (in thousands of PLN)	Note	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>I. Fixed assets</b>		<b>84 771</b>	<b>93 835</b>
1. Intangible assets	1	3 254	4 273
2. Property, plant and equipment	2	71 302	71 471
3. Investment property	3	2 286	2 684
4. Stocks and shares in subsidiaries	3a	3 740	3 740
5. Shares in other entities	3b	0	2 334
6. Deferred tax assets	17	873	1 857
7. Trade and other receivables	4	192	213
8. Long-term receivables arising from lease agreements	4	3 124	7 263
<b>II. Current assets</b>		<b>91 245</b>	<b>55 209</b>
1. Inventories	5	25 641	23 659
2. Trade and other receivables	4	47 974	22 772
3. Short-term receivables arising from lease agreements	4	7 677	7 118
4. Receivables arising from current corporate income tax at end of period	17	129	0
5. Cash and cash equivalents	6	9 824	1 660
<b>Total assets</b>		<b>176 016</b>	<b>149 044</b>

Liabilities (in thousands of PLN)	Note	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>I. Equity</b>		<b>93 670</b>	<b>85 374</b>
1. Share capital	7	11 800	11 800
2. Supplementary capital arising from the sale of shares above their nominal value	7	6 448	6 448
3. Revaluation reserve	7	7 933	7 840
4. Retained earnings	7	67 489	59 286
<b>II. Total long-term liabilities</b>		<b>28 291</b>	<b>27 039</b>
1. Credits and loans	8	11 563	7 071
2. Other long-term financial liabilities	9	277	512
3. Other long-term non-financial liabilities	9	8 363	10 588
4. Provisions for non-current liabilities	10	168	119
5. Deferred tax liabilities	17	7 920	8 749
<b>III. Total short-term liabilities</b>		<b>54 055</b>	<b>36 631</b>
1. Credits and loans	8	24 230	22 438
2. Trade and other short-term financial liabilities	9	27 074	10 475
3. Other short-term non-financial liabilities	9	2 739	3 020
4. Liabilities arising from current income tax	17	0	15
5. Provisions for current liabilities	10	12	683
<b>Total liabilities</b>		<b>176 016</b>	<b>149 044</b>

## PROFIT AND LOSS STATEMENT

Profit and Loss Statement (in thousands of PLN)	Note	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
I. Revenue from the sale of products, services, goods and materials	11	132 326	55 159
II. Cost of sales	12	(114 220)	(49 949)
<b>III. Gross profit (loss)</b>		<b>18 106</b>	<b>5 210</b>
IV. Distribution costs	12	(2 472)	(2 077)
V. Administrative expenses	12	(4 652)	(2 629)
VI. Other operating income	13	3 550	5 157
VII. Other operating expense	14	(2 524)	(3 444)
<b>VIII. Operating profit (loss)</b>		<b>12 008</b>	<b>2 217</b>
IX. Finance income	15	235	3 447
X. Finance cost	16	(2 057)	(3 467)
<b>XI. Profit (loss) before tax</b>		<b>10 186</b>	<b>2 197</b>
XII. Income tax expense	17	(1 983)	(500)
<b>XIII. Net profit (loss)</b>		<b>8 203</b>	<b>1 697</b>
Additional information			
Weighted average number of shares (in units)		29 500 000	29 500 000
Net profit (loss) per share and diluted net profit (loss) per share (in PLN)		0,28	0,06
Discontinued operations did not occur			

## STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income (in thousands of PLN)	Note	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Net profit (loss)</b>		<b>8 203</b>	<b>1 697</b>
<b>Other comprehensive income, including:</b>		<b>93</b>	<b>15</b>
Effects of revaluation of property, plant and equipment to fair value		132	123
Deferred tax liability charged to equity	17	(39)	(108)
<b>Total comprehensive income</b>		<b>8 296</b>	<b>1 712</b>

## STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity (in thousands of PLN)	Note	Share capital	Supplementary capital arising from the sale of shares above their nominal value	Revaluation reserve	Retained earnings	Total equity
<b>Data as for 1<sup>st</sup> January 2018</b>		<b>11 800</b>	<b>6 448</b>	<b>7 840</b>	<b>59 286</b>	<b>85 374</b>
Raising capital through issuance of new shares						<b>0</b>
Net surplus from the sale of shares above their nominal value						<b>0</b>
Total comprehensive income				93	8 203	<b>8 296</b>
<b>Data as for 31<sup>st</sup> December 2018</b>		<b>11 800</b>	<b>6 448</b>	<b>7 933</b>	<b>67 489</b>	<b>93 670</b>
<b>Data as for 1<sup>st</sup> January 2017</b>		<b>11 800</b>	<b>6 448</b>	<b>7 825</b>	<b>57 589</b>	<b>83 662</b>
Raising capital through issuance of new shares						<b>0</b>
Net surplus from the sale of shares above their nominal value						<b>0</b>
Total comprehensive income				15	1 697	<b>1 712</b>
<b>Data as for 31<sup>st</sup> December 2017</b>		<b>11 800</b>	<b>6 448</b>	<b>7 840</b>	<b>59 286</b>	<b>85 374</b>

## CASH FLOW STATEMENT

Statement (in thousands of PLN)	Note	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Operating activities</b>			
Net profit (loss)	17	8 203	1 697
Depreciation and amortization	12	7 453	7 362
Gains and losses through currency fluctuations	15	83	5
Interest and profit sharing (dividends)	16	2 334	0
Profit (loss) on investment activities	19	42	12
Change in provisions for liabilities and deferred tax liabilities	19	(755)	500
Change in inventories	5	(1 982)	490
Change in trade and other receivables excluding advances transferred for the acquisition of fixed assets	4	(34 934)	(20 784)
Change in liabilities excluding credits, loans and provisions	19	16 321	1 957
Change in deferred tax assets	17	(984)	(514)
Other adjustments		0	0
Current income tax from profit and loss statement	17	0	15
Current income tax paid (adjusted for the settlement balance of the previous year)	17	(129)	0
<b>Net cash flows from operating activities</b>		<b>(4 348)</b>	<b>(9 260)</b>
<b>Investment activities</b>			
Disposal of intangible assets and property, plant and equipment	19	1 170	52
Purchase of intangible assets and property, plant and equipment	1,2	(7 110)	(59)
Transferred advances for the acquisition of intangible assets and property, plant and equipment	4	(117)	0
Purchase of investment property	3	0	0
Subscription for shares in subsidiaries	3	545	1 864
Long-term loans granted to subsidiaries	4	0	0
Loans granted to other entities	4	0	0
Repayment of loans granted to subsidiaries		70	0
Repayment of granted loans		1 513	750
Received interest on granted loans	15	37	84
Received interest on loans granted to subsidiaries	15	6	0
<b>Net cash flows from investment activities</b>		<b>(3 886)</b>	<b>2 691</b>
<b>Financing activities</b>			
Net inflows from issuance of shares	7	0	0
Received credits and loans	8	24 607	8 543
Repayment of credits and loans	8	(18 322)	(6 168)
Other inflows (+) or outflows (-) from financing activities	9	458	1 376
Payment of liabilities arising from finance lease	9	(259)	(259)
Payment of receivables arising from financial leasing		11 508	4 937
Interest paid		(1 594)	(900)
<b>Net cash flows from financing activities</b>	<b>16</b>	<b>16 398</b>	<b>7 529</b>
<b>Total net change in cash</b>		<b>8 164</b>	<b>960</b>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		0	0
<b>Balance sheet change in cash and cash equivalents</b>	<b>6</b>	<b>8 164</b>	<b>960</b>
Cash and cash equivalents at beginning of period		1 660	700
<b>Cash and cash equivalents at end of period</b>		<b>9 824</b>	<b>1 660</b>
Including cash of limited disposability	6	0	0



## **ADDITIONAL INFORMATION TO THE INDIVIDUAL FINANCIAL STATEMENT**

### **1. Introduction**

#### **1.1. Business name, registered office, line of business**

Business name: PATENTUS Spółka Akcyjna

Registered Office: Pszczyna

Company address: 43-200 Pszczyna, street Górniośląska 11. PATENTUS Spółka Akcyjna (the Company) operates at its registered office, but also through its branches which are not self-balancing entities of the Company.

Registration: The Company was registered on 3<sup>rd</sup> June 1997 by District Court in Katowice, 8<sup>th</sup> Department of Economic Registration under the number RHB 14340. The current registration authority is the District Court Katowice-Wschód in Katowice, 8<sup>th</sup> Economic Department of National Court Register (NCR). The Company is registered under the number KRS 0000092392.

VATIN: 638-14-35-033

National Business Registry Number: 273585931

Line of business: According to Polish Classification of Activities (PKD 2007), the primary line of business corresponds to the activities identified under the symbol 28.92Z - "Manufacture of machinery for mining, quarrying and construction".

The Company is also involved in: installation, repair and maintenance of machinery for mining, quarrying and construction and wholesale of steel products, welding products and packaging.

#### **1.2. Company's duration**

The Company's duration is indefinite.

#### **1.3. Composition of the Management Board and the Supervisory Board**

As for 31<sup>st</sup> December 2018, the Management Board of the Company consists of:

- Józef DUDA - President of the Management Board
- Stanisław DUDA - Vice President of the Management Board

Only President of the Management Board and Vice President of the Management Board can independently submit and sign statements on behalf of the Company. The term of office of the Management Board lasts from 23<sup>rd</sup> May 2017 until 23<sup>rd</sup> May 2022.

As for 31<sup>st</sup> December 2018, the Supervisory Board of the Company consists of:

- Bartłomiej NIEMIEC
- Łukasz DUDA

- Anna GOTZ
- Jakub SZYMCZAK
- Edyta Głombek

In the reporting period there was a change in the position of a Member of the Supervisory Board. On 24<sup>th</sup> May 2018, Mrs. Alicja Saller-Pawełczyk resigned from the position of a Member of the Supervisory Board and the General Meeting of the Company by resolution No. 19 appointed Mrs. Edyta Głombek as her seat.

Until the day of drawing up this financial statement and its approval for publication, there were no changes in the composition of the Management Board and the Supervisory Board.

#### **1.4. Date of approval of the individual financial statement**

This individual financial statement was approved for publication and signed by the Management Board of the Company on 20<sup>th</sup> March 2019.

#### **1.5. Discontinued operations, assets held for sale**

The Management Board declares, that the Company did not discontinue any operations. There are no assets or asset groups held for sale or related to discontinued operations, and there is no revenue or expense from discontinued operations.

#### **1.6. Going concern**

Financial statement was prepared on the assumption, that the Company is a going concern and operates in its original form and line of business for a period of at least 12 months from the end of the reporting period. Moreover, there is no evidence, that the Company has neither the intention nor the need to liquidate or curtail materially the scale of its operations. On the day of signing the financial statement, the Management Board of the Company did not identify any facts or circumstances, that may cast significant doubt upon the Company's ability to continue as a going concern in the foreseeable future.

#### **1.7. The framework for the preparation and presentation of financial statement**

Individual financial statement of PATENTUS S.A. has been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and related interpretations published in the form of regulations by the European Commission (hereinafter IFRS).

Financial statement has been prepared under historical cost basis (adjusted for impairment losses), except for investment properties, land and financial assets available for sale, which are measured at fair value.

The basis for the preparation of financial statement in accordance with IFRS is Article 45 paragraph 1a of the Accounting Act. Under this provision, the Company as an issuer of securities admitted to trading on the Warsaw Stock Exchange may decide to prepare its financial statement in accordance with IFRS. The decision on application of IFRS has been adopted by the Extraordinary General Meeting of PATENTUS S.A. Pursuant to the resolution No 2 of the

Extraordinary General Meeting of PATENTUS S.A. dated 29<sup>th</sup> November 2007 - the date of transition to IFRS is 1<sup>st</sup> January 2004 and at that date, the Company has drawn up the opening balance. For the purposes of the Issue Prospectus, financial statements of the Company for previous years, that were originally prepared under the Polish Accounting Act, have been converted to IFRS.

The Company exercised its rights under § 10 of IAS 1 and did not change the names of elements of full financial statement. And so:

- the term "Balance Sheet" will be used instead of the term "Statement of Financial Position"
  - the term "Statement of Changes in Equity" will be used instead of the term "Statement of Changes in Equity for the period"
  - the term "Cash Flow Statement" will be used instead of the term "Statement of Cash Flows"
- "Statement of Comprehensive Income" consists of two elements, "Profit and Loss Statement" and separate "Statement of Comprehensive Income"

## **1.8. Functional and presentation currency of the financial statement, fiscal year**

Company's functional currency and presentation currency of this financial statement is PLN.

The financial data reported in the financial statement is in thousands of Zlotys (thousands of PLN), unless there was a need to present it with greater accuracy.

Company's fiscal year corresponds with the calendar year.

## **1.9. Statement of the Management Board about the compliance with IFRS**

The Management Board declares, that the individual financial statement of PATENTUS S.A. has been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and related interpretations published in the form of regulations by the European Commission.

## **2. Description of the most important accounting principles (policy) used in this report**

### **2.1. Application of IFRS**

**New standards, changes in existing standards and interpretations that have been adopted by the European Union ("EU"):**

- IFRS 16 "Leases" published on 13<sup>th</sup> January 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2019;
- Explanations to IFRS 15 "Revenues from contracts with customers" published on 12<sup>th</sup> April 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2018;
- Amendments to IFRS 4: application of IFRS 9 "Financial instruments" including IFRS 4 "Insurance contracts" published on 12<sup>th</sup> September 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2018;

- Amendments to IAS 12: Recognition of deferred income tax assets resulting from unsettled tax losses published on 19<sup>th</sup> January 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2017;
- Amendments to IAS 7: Information Disclosure Initiative published on 29<sup>th</sup> January 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2017;

**New standards, changes in existing standards and interpretations that have not been adopted by the European Union:**

- IFRS 17 "Insurance Contracts" published on 18<sup>th</sup> May 2017. Effective for annual periods beginning on or after 1<sup>st</sup> January 2021;
- IFRIC Interpretation 22: Transactions in foreign currencies and advance payments published on 8<sup>th</sup> December 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2018;
- IFRIC Interpretation 23: Uncertainty related to the recognition of income tax published on 7<sup>th</sup> June 2017. Effective for annual periods beginning on or after 1<sup>st</sup> January 2019;
- Amendments to IFRS 2: Classification and valuation of share-based payment transactions published on 20<sup>th</sup> June 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2018;
- Amendments resulting from the review of IFRS cycle 2014 - 2016 issued 8 December 2016. Amendments to IFRS 12 and IFRS 1 are effective for annual periods beginning on or after 1<sup>st</sup> January 2017 or later, while the amendments to IAS 28 are effective for annual periods beginning on or 1<sup>st</sup> January 2018 or later),
- Amendments to IAS 40: Transfer of investment on 8<sup>th</sup> December 2016. Effective for annual periods beginning on or after 1<sup>st</sup> January 2018;
- Amendments to IFRS 9: Contracts with prepayment features with negative compensation published on 12<sup>th</sup> October 2017. Effective for annual periods beginning on or after 1<sup>st</sup> January 2019;
- Amendments to IAS 28: Long-term shares in associates and joint ventures published on 12<sup>th</sup> October 2017. Effective for annual periods beginning on or after 1<sup>st</sup> January 2019;
- Amendments preparing from the review of IFRS, 2015 - 2017 series, issued on 12<sup>th</sup> December 2017. Effective for annual periods beginning on or after 1<sup>st</sup> January 2019;
- Amendments to IAS 19 Change, restriction or regulation of the program published on 7<sup>th</sup> February 2018. Effective for annual periods beginning on or after 1<sup>st</sup> January 2019.

The Management Board expects, that the application of above-mentioned standards and interpretations will not have significant effect on the financial statement for the period of its initial application.

The Management Board does not foresee the possibility of early adoption of standards, amendments to standards and interpretations.

## 2.2. Changes in applied accounting principles.

The accounting principles (policies) used to prepare the financial statements are consistent with those used in the preparation of the Company's financial statements for 2017, excluding changes resulting from the adoption of new standards of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers".

The International Accounting Standards Board has approved new standards for application: IFRS 9 and IFRS 15, which are effective for annual periods beginning on or after 1 January 2018. The impact of applying the above standards on the separate financial statements is presented below:

### 2.2.1 IFRS 9 "Financial Instruments"

The company applied the IFRS 9 standard with effect from 1<sup>st</sup> January 2018 without transforming the comparative data, which means that the data for 2017 and 2018 will not be comparable. Adjustments related to the adjustment to IFRS 9 were introduced on 1<sup>st</sup> January 2018 with reference impact on equity.

From 1<sup>st</sup> January 2018, the Company classifies financial assets into the following valuation categories:

- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss.

The company qualifies financial assets to the appropriate category depending on the business model of managing financial assets and on the characteristics of contractual cash flows for a given financial asset.

**Financial assets valued at amortized cost** are debt instruments held to collect contractual cash flows, which include only repayments of principal and interest. The Company classifies receivables due to deliveries and services, loans granted, other financial receivables as well as cash and cash equivalents to assets valued at amortized cost. Financial assets are measured at amortized cost using the effective interest rate method. Receivables from deliveries and services after initial recognition are measured at amortized cost using the effective interest rate method, including impairment losses, while receivables from deliveries and services with a maturity of less than 12 months from the date of creation (i.e. without element of financing) and not forwarded to factoring, are not discounted and are valued at face value.

**Financial assets at fair value through other comprehensive income** are:

- debt instruments, of which the flows constitute only payments of principal and interest, and which are maintained in order to collect contractual cash flows and for sale,
- investments in equity instruments. Changes in the carrying amount are recognized in other comprehensive income, except for profits and losses due to impairment, interest income and foreign exchange differences and dividends, which are recognized in profit or loss. To the assets

measured at fair value through other comprehensive income, the company classifies stocks and shares in other entities as of the initial recognition.

**Financial assets at fair value through profit or loss** are financial instruments that do not meet the measurement criteria at amortized cost or at fair value through other comprehensive income. The Company classifies derivative instruments, trade receivables subject to factoring as assets at fair value through the financial result, when the terms of the factoring agreement result in the cessation of receivables and loans that do not meet the SPPI and dividend tests. IFRS 9 did not change the classification of financial liabilities.

The table below presents changes in the classification and measurement of financial assets as at the date of first application of IFRS 9.

	Klasyfikacja wg MSR 39	Klasyfikacja wg MSSF 9	Wartość bilansowa wg MSR 39	Wartość bilansowa wg MSSF 9	Ref.
Aktywa finansowe			31.12.2017	01.01.2018	
Udziały i akcje w pozostałych jednostkach	Dostępne do sprzedaży	Wyceniane w wartości godziwej przez pozostałe całkowite dochody	2.334,00	2.334,00	a)
Należności z tytułu umów leasingu	Pożyczki i należności	Wyceniane w zamortyzowanym koszcie	14.381,00	14.381,00	b)
Należności z tytułu umów leasingu	Pożyczki i należności	Wyceniane w zamortyzowanym koszcie	0,00	0,00	c)
Pożyczki udzielone	Pożyczki i należności	Wyceniane w zamortyzowanym koszcie	900,00	900,00	d)
Pozostałe należności	Pożyczki i należności	Wyceniane w zamortyzowanym koszcie	21.675,00	21.675,00	e)
Środki pieniężne i ich ekwiwalenty	Pożyczki i należności	Wyceniane w zamortyzowanym koszcie	1.660,00	1.660,00	f)

## 2.2.2 Impairment of financial assets

### Assets recognized at amortized cost

IFRS 9 introduced a change in the approach to estimating the impairment of financial assets from the loss model for the model based on the calculation of expected losses. The most important items of financial assets in the Company's financial statements that are subject to the amended principles of calculating expected credit losses are trade receivables and loans granted. At each balance sheet date, the entity makes an assessment of expected loan losses, regardless of whether there is any indication of impairment.

The Company uses the following models for determining impairment losses for individual items of financial assets:

- **Loans granted and receivables from related entities** - the Company performs an individual analysis of each exposure by assigning it to one of three levels:

- a) Level 1 - balances for which there was no significant increase in credit risk from the initial recognition and for which the expected loss is determined based on the probability of insolvency within 12 months,

- b) Level 2 - balances for which there has been a significant increase in credit risk from the initial recognition and for which the expected loss is determined based on the probability of insolvency throughout the entire loan term,
- c) Level 3 - balances with identified impairment, as well as balances for which there is no significant credit risk (due to the surplus of liabilities over the exposure of loans and receivables).

For exposures classified to grade 1 or 2, the impairment allowance is determined based on individually determined rating, repayment profile and collateral recovery.

For exposures classified to step 3, the amount of the impairment write-down equals the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future losses from unrecoverable receivables that have not yet been incurred) discounted with the effective interest rate .

Reversal of created write-offs occurs when the current value of estimated future cash flows is higher than the net assets involved and a positive balance of payments is planned for the next 12 months from a given entity.

- **Receivables from other entities** - the Company analyzes the portfolio exposure (with the exception of those analyzed individually as unsupported) and applies a simplified write-down matrix in individual age ranges based on expected loan losses over the entire life of the receivables (based on default ratios set at based on historical data). The expected credit loss is calculated when the receivable is recognized in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of a given receivable.

- **Cash** - the Company makes estimates of write-offs based on the probability of insolvency determined on the basis of external ratings of banks. The company currently does not apply hedge accounting principles. The table below presents the impact of the implementation of IFRS 9 on the separate financial statements of the Company as at 1<sup>st</sup> January 2018:

### 2.2.3 IFRS 15 "Revenue from contracts with customers"

The company applied IFRS 15 "Revenues from contracts with customers" with effect from 1<sup>st</sup> January 2018, using a modified retrospective approach, without adjusting the comparative data.

The company applies the principles of IFRS 15 including a 5-step model for recognizing revenues. The Company recognizes revenues when the obligation to perform the service is fulfilled by transferring the promised good or service (i.e. an asset) to the client, i.e. when the client obtains control over that asset. Revenues are recognized as amounts equal to the transaction price that has been assigned to this obligation to perform the service.

In order to determine the transaction price, the Company takes into account the terms of the contract and the usual commercial practices. The transaction price is the amount of remuneration which, in line with the Company's expectation, will be due in exchange for the transfer of the promised goods or services to the client, excluding amounts collected on behalf of third parties (for example, some sales taxes). The remuneration specified in the contract with the client may

include fixed amounts, variable amounts or both types of amounts. In the event of variable remuneration, the Company estimates the amount of variable remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client.

The application of IFRS 15 did not have a significant impact on the Company's financial statements at the time of the first application of the standard, i.e. in the period starting from 1<sup>st</sup> January 2018.

### **2.3. Transactions in foreign currency and measurement of items denominated in foreign currency**

Business transactions denominated in foreign currency are recognized in the books at the date of their execution at the exchange rate:

- actually used on that day, based on the nature of the operation - in the case of acquisition or sale of foreign currencies and payment of receivables or liabilities,
- based on the average exchange rate of the National Bank of Poland from the last working day for a given currency preceding the day of the transaction, unless the Company agreed for a different exchange rate valid for the remaining operations, as stated in the customs declaration or other binding document.

Assets and liabilities denominated in foreign currencies are measured at the average exchange rate published by the National Bank of Poland for a given currency prevailing at the balance sheet date.

The exchange rates published by the National Bank of Poland for a given currency prevailing at the balance sheet date are presented in "Selected Financial Data converted into Euros (EUR)".

Foreign exchange differences arising from the measurement of balance sheet assets and liabilities denominated in foreign currencies; from settlement of transactions denominated in foreign currencies; and relating to Company's core business activities (operating activities) are recognized as finance cost or finance income.

### **2.4. Property, plant and equipment**

Property, plant and equipment are tangible items:

- that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes,
- that are expected to be used during more than one year,
- for which there is a likelihood, that the Company will receive future economic benefits associated with the component of the property
- which value can be determined reliably.

Property, plant and equipment include, inter alia:



- own land,
- right of perpetual usufruct of land,
- buildings, civil engineering facilities, and separately owned premises,
- machinery, equipment, vehicles,
- other movable tangible assets,
- improvements in foreign-owned tangible assets,
- tangible assets under construction, installation or improvement of an existing tangible asset.

Property, plant and equipment also include tangible assets acquired for safety or environmental reasons.

On the date of initial recognition, property, plant and equipment shall be measured at their purchase price/cost of production. The purchase price/cost of production include borrowing cost incurred to finance the acquisition or construction of tangible asset (in accordance with IAS 23, revised in 2007).

In connection with first-time adoption of IFRS on 1<sup>st</sup> January 2004, fair value of the item of property, plant and equipment was used as its deemed cost (in accordance with IFRS 1, § 16).

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or are recognized as a separate fixed asset (where applicable), only if it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other expenditures on repairs and maintenance of the item of property, plant and equipment are recognized in the profit and loss statement for the fiscal period in which they are incurred.

The right of perpetual usufruct was acquired on the secondary market and is shown together with the value of own land, in the group of tangible assets.

On the balance sheet date, the item of property, plant and equipment included in the group of "land" (including the right of perpetual usufruct of land) is measured according to the revaluation model (in accordance with IAS 16, § 31 et seq.). Revalued amount of the item of property, plant and equipment included in this group, is the fair value at the date of the revaluation less subsequent cumulative amount of impairment losses. Revaluations shall be made with sufficient regularity to ensure, that the carrying amount does not differ materially from, that which would be determined using fair value at the balance sheet date. Fair value is determined based on the measurement done by a professional appraiser. The frequency of revaluations depends upon the changes in fair values of the revalued items of property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. If an item of property, plant and equipment is revalued, the entire group of property, plant and equipment to which that asset belongs shall be revalued. If an asset's carrying amount is increased, as a result of a revaluation, the increase shall be credited directly to other equity as "revaluation reserve". Revaluation reserve is adjusted for deferred tax liabilities. Revaluation reserve included in equity may be transferred directly to "retained earnings" when the corresponding asset is derecognized.

When an item of property, plant and equipment is revalued, the accumulated depreciation at the date of the revaluation is eliminated from the gross value of asset's carrying amount and its net value of the carrying amount is restated to asset's revalued amount.

The item of property, plant and equipment classified as other generic group, that is, buildings and structures, machinery and equipment, vehicles and other movable tangible assets, improvements in foreign tangible assets, tangible assets under construction - is measured at the balance sheet date, at purchase price or production cost less accumulated depreciation and impairment losses.

Land and right of perpetual usufruct of land, in accordance with accepted accounting principles, are not depreciated.

Depreciation of tangible assets shall be made on a straight line basis over the estimated useful life of the asset.

The following time ranges have been adopted as the estimated useful lives of tangible assets:

- Buildings and civil engineering facilities: 11-70 years,
- Machinery and equipment: 4-13 years,
- Vehicles: 6-15 years,
- Other property, plant and equipment - useful life of each asset is estimated individually

The above-mentioned useful lives apply to new tangible assets. If used tangible asset is put into use, the depreciation rates are set individually, according to the expected useful life of the asset. Asset's depreciation basis is equal to its initial value.

The Company did not identify any significant components of used tangible assets, whose useful lives would be different from the useful life of the whole tangible asset.

Depreciation begins when the asset is available for use. Depreciation ceases at the earlier of the date, that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Fixed assets held for sale and discontinued operations", and the date that the asset is derecognized. The method of depreciation, rate of depreciation and residual value are reviewed at each balance sheet date. Any changes resulting from the verification are recognized as change in estimates.

Impairment losses are made to its recoverable amount, if the carrying amount of the asset (or cashgenerating unit to which it belongs) is greater than its estimated recoverable amount. The impairment test is performed and any potential impairment losses are recognized, in accordance with the principles set out in section "Impairment of non-financial assets".

Tangible asset shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and shall be recognized in the profit and loss statement.

## **2.5. Leasing**

A lease agreement, under which substantially all the risks and rewards incidental to legal ownership are transferred to the Company, is classified as finance lease. Assets held under finance lease shall be recognized as assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Each lease payment shall be apportioned between finance cost and the amount that reduces the balance of the liability, in such a way as to maintain a constant rate of interest on the remaining balance of the liability. The interest element of the lease payment is recognized as finance cost in the profit and loss statement over the lease term in such a way as to obtain a constant periodic rate of interest for each period on the remaining balance of the liability. Depreciable leased assets acquired under finance lease are depreciated according to the principles described for property, plant and equipment.

A lease agreement, under which a significant portion of risks and rewards incidental to legal ownership are retained by the lessor, is classified as operating lease.

In the case where the Company concludes a finance lease and acts as the lessor, it shall recognize the asset held under finance lease in their balance sheets and present it as a receivable at the amount equal to the net lease investment.

The Company, as a manufacturer of machines covered by finance lease agreements, shall recognize selling profit or loss in the period, in accordance with the policy followed by the Company for outright sales. Cost incurred by manufacturer in connection with the production of machinery, negotiating and arranging of the lease agreement shall be recognized as an expense when the selling profit is recognized.

The recognition of finance income, during the term of finance lease agreement, shall be based on a pattern reflecting a constant periodic rate of return on the net lease investment.

## **2.6. Investment property**

Investment property is a property which the Company treats as a source of rental income or holds in its possession due to the increase in their value, or both jointly.

An investment property shall be measured initially at its cost. Transaction cost and borrowing cost incurred to finance the acquisition shall be included in the initial measurement.

For subsequent balance sheet dates, investment properties are measured at fair value. A gain or loss arising from a change in the fair value of investment property shall be recognized in net profit (loss) for the period in which it arises.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Investment properties are measured according to International Valuation Standards. Market value reflects the collective perception and operation of the market and is the basis for estimating the value of most stocks in the economy based on market rules. Market value (or professional market value opinion) is defined as the estimated, anticipated amount for which a particular property

should be quoted on the valuation day, between the willing buyer and the willing seller, in a transaction where the parties are not particularly interdependent, Recognizing a market where each of the parties is well informed of the important traits that affect the value of the transaction, acts with understanding, prudence and without coercion.

According to International Valuation Standards, we determine the market value using the following valuation methods:

- Comparative approach - Condition of use - Necessary selection of comparable and other transactions, market comparisons based on market observation;
- income capitalization approach, including discounted cash flow analysis; - condition of use; market information on rental rates and rates of return;
- cost approach - condition of use - construction costs and consumption determined on the basis of market analyzes, cost estimates and consumption;

The valuation rules in IAS are located at three levels. The first level of International Valuation Standards comprises three fundamental standards:

- MSW 1. Market value as the basis for valuation,
- MSW 2. Non-market values as a basis for valuation,
- MSW 3. Estimated operation.

The next level is called Application of International Valuation Standards [AMLM] and applies to the rules of application of the Ministry of Interior in individual situations. This level is divided as follows:

- ZMSW 1. Valuation for the purposes of financial statements,
- ZMSW 2. Valuation for credit purposes.

The third level of the Ministry of Interior provides interpretative guidance where an expert will learn about the details of solving problems and issues that may arise during the valuation. The current edition of the Ministry of Interior contains 14 interpretative guidelines.

The concept of market value according to the Ministry of Interior reflects the overall concept of market functioning and is the basis for the valuation of most stocks in market economies, and the definition is simple and rigorous. Fair value is defined in IFRS as the amount at which an asset could be exchanged on an arm's length basis or the amount that could be settled between the parties knowingly and knowingly transacts the transaction (IAS 16, paragraph 6). The concept of fair value is used to determine both market and non-market values in financial statements. In the balance sheet, the asset is recognized at fair value after deduction of depreciation (amortization) and accumulated impairment losses (IAS 36, item 6). Where it is possible to determine the market value of an asset, it is considered to be fair. The use of the fair value model requires constant and ongoing value updates. In the initial approach, fair value is used when using a revaluation based model (IAS 16, point 31).

Therefore, the fair value of an asset is based on its market value.

The definition of market value contained in the National Standards and in the Real Estate Management Act is identical with the definition in the IAS.

The market value of the property, in accordance with Art. 151 of the Act on Real Estate Management and Professional Standards of Valuers is the most probable its price, obtainable on the market, with the following assumptions: parties were independent from each other, did not act in a forced situation and had a firm intention to conclude a contract, To expose real estate on the market to negotiate the terms of the contract. The Company has separated property, plant and equipment that are fully leased to other entities and which meet the definition of investment property (paragraph 5 of IAS 40 Investment Property). According to the Ministry of Internal Affairs, fair value measurement was based on the capitalization of income method (Identity with investment method, net simple capitalization technique according to UGN and National Standards).

## **2.7. Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. In particular, intangible assets include:

- acquired computer software,
- acquired property rights - development costs, proprietary copyrights, related rights, licenses, concessions, utility model, patents, trademark rights, design rights.

Intangible assets shall be measured at its purchase price less accumulated amortization and cumulative amount of impairment losses.

Intangible assets also include the costs of completed development work. Costs of completed development work carried out by an entity for its own purposes, incurred before production or use of technology is included in intangible assets, if:

- 1) the product or technology of manufacture is strictly defined and that the development costs relied on reliably,
- (2) The technical suitability of the product or technology has been documented and documented accordingly, and on that basis, the individual has decided to manufacture those products or use technology,
- 3) Development costs will be covered, as anticipated, by the sales of these products or technology.

The above means that only when the above mentioned Costs of completed development work may be capitalized as intangible assets.

Pending completion of work and fulfillment of the aforementioned conditions, the development costs incurred are recognized in the balance sheet as progressive development work.

The costs of completed development work are written off for the period of economic usefulness of the results of development work. If, in exceptional cases, the economic useful life of the results of such works can not be estimated reliably, the period of write-offs can not exceed 5 years.

Developmental failures that did not produce intended results or positive results, which for various reasons have not been implemented, pay off the financial result in the year in which they were completed. They are then charged to other operating expenses.

Amortization of intangible assets is calculated on a straight-line basis over their anticipated useful lives, that for different types of intangible assets equals:

- Software licenses and computer software - 1-2 years. In justified cases, the expected useful life of the license may be extended to 20 years.
- Development costs - 2-5 years.

The Company has no other intangible assets with indefinite useful lives. Intangible assets, that have not yet been put into use, are not amortized until they are settled under another group of intangible assets. These types of intangible assets are subject to mandatory annual impairment test.

Amortization shall begin when the intangible asset is available for use. Amortization shall cease at the earlier of the date, that the intangible asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Fixed assets held for sale and discontinued operations" and the date that the asset is derecognized.

The residual value of intangible assets owned by the Company shall be assumed to be zero.

The method of amortization and rate of amortization are reviewed at each balance sheet date. Any changes resulting from the verification are recognized as change in estimates.

Intangible assets are tested for impairment in accordance with the principles set out in section "Impairment of non-financial assets".

Intangible asset shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of intangible asset shall be determined as the difference between the fair value of revenue from sales (if any) and the carrying amount of this intangible asset, and shall be recognized in the profit and loss statement.

## **2.8. Capital investments**

### **Subsidiaries**

In the financial statement, investments in subsidiaries that are not classified as held for sale according to IFRS 5, shall be recognized at cost according to IAS 27 Consolidated and separate financial statements, less impairment losses according to IAS 36 Impairment of assets, where the impairment is assessed by comparing the carrying amount with the higher of two amounts:

- fair value or
- value in use

## **Associates**

An associate is an entity, over which the investor has significant influence, but does not control it, that is, he does not participate in setting both financial and operational policy of the associate, which generally involves a shareholding of between 20% and 50% of the voting rights and has no other means which could affect the associate's activities.

Investments in associates does not occur in this financial statement.

### **2.9. Impairment of non-financial assets**

At each balance sheet date, the Company reviews the carrying amount of fixed assets to determine whether or not there is any indication of possible impairment. If any such indication exists, the Company shall estimate the recoverable amount of an asset in order to determine the potential impairment loss.

When an asset does not generate cash flows, that are largely independent of cash flows generated by other assets, the analysis is performed for a group of assets generating cash flows to which the asset belongs. The recoverable amount is determined as the higher of two values, that is: fair value less selling costs and value in use, which is a present value of estimated future cash flows discounted using a discount rate, that reflects current market value of money and specific risk, if any, for a given asset.

If the recoverable amount is lower than the net book value of an asset or its group, the book value is reduced to the recoverable amount. Resulting loss is recognized as cost incurred in the period of the impairment.

In the event when the impairment loss is reversed, net asset value is increased to the newly estimated recoverable amount, but not higher than the net value of asset, that would have been determined, if impairment loss had not been recognized in prior periods. Reversal of an impairment loss is recognized in the period in which the indications causing impairment loss have ceased to exist.

As of 31<sup>st</sup> December 2016 the Company tested for impairment of fixed assets and intangible asset subject to the provisions of the provisions of IAS 36 test was conducted in come metod based on financial projections EBITDA. The recoverable amount is determined based on value in use is higher than the carrying value of tangible fixed assets and intangible assets. In this way, the estimated fair value of significant tangible fixed assets is greater than the carrying value of 20,5 %.

There is no need to make write-downs related to the potential impairment of property, plant and equipment and intangible assets in the balance sweet at the end of the financial year.

### **2.10. Financial assets**

The Company classifies financial assets into one of four categories described below. Classification is based on the purpose for which financial assets were acquired, the method of measurement and the place of their effect. Classification is made at the initial recognition of financial asset. The following classification refers to measurement and not presentation of financial assets in the financial statement.

Principles for the classification of financial assets into different categories and their measurement:

- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss.

**Financial assets valued at amortized cost** are debt instruments held to collect contractual cash flows, which include only repayments of principal and interest. The Company classifies receivables due to deliveries and services, loans granted, other financial receivables as well as cash and cash equivalents to assets valued at amortized cost. Financial assets are measured at amortized cost using the effective interest rate method. Receivables from deliveries and services after initial recognition are measured at amortized cost using the effective interest rate method, including impairment losses, while receivables from deliveries and services with a maturity of less than 12 months from the date of creation (i.e. without element of financing) and not forwarded to factoring, are not discounted and are valued at face value.

**Financial assets at fair value through other comprehensive income** are:

- debt instruments, of which the flows constitute only payments of principal and interest, and which are maintained in order to collect contractual cash flows and for sale,
- investments in equity instruments. Changes in the carrying amount are recognized in other comprehensive income, except for profits and losses due to impairment, interest income and foreign exchange differences and dividends, which are recognized in profit or loss. To the assets measured at fair value through other comprehensive income, the company classifies stocks and shares in other entities as of the initial recognition.

**Financial assets at fair value through profit or loss** are financial instruments that do not meet the measurement criteria at amortized cost or at fair value through other comprehensive income. The Company classifies derivative instruments, trade receivables subject to factoring as assets at fair value through the financial result, when the terms of the factoring agreement result in the cessation of receivables and loans that do not meet the SPPI and dividend tests. IFRS 9 did not change the classification of financial liabilities.

## **2.11. Derivatives and hedging instruments**

Derivatives are recognized and measured at their fair value at the balance sheet date. Methods of recognizing gains and losses on derivatives depend on the nature of the collateral and on whether the instrument was designated as a hedging instrument. Given instrument can act as a fair value hedge, a cash flow hedge or a hedge of foreign investment.

The Company did not use any derivatives and did not conclude any hedging transactions.

## **2.12. Inventories**

Inventories include assets held for sale in the ordinary course of business, that are in the process of production for such sale and which have the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories include materials, goods, work in progress and finished products.



At the balance sheet date, materials and goods are measured at cost, where materials held for sale and goods are not measured higher than net selling price.

Write-downs of goods and materials resulting from their measurement in net selling prices are charged to other operating expense and cost of sales.

Semi-finished products and work in progress are measured at cost.

Manufacture cost of finished products, semi-finished products and work in progress includes: direct cost and properly allocated fixed and variable production overheads. Fixed production overheads are allocated assuming normal level of capacity utilization. At the balance sheet date, products are not measured higher than the net selling price.

Write-downs of finished products and semi-finished products are charged to cost of sales.

Inventory measurement is carried out according to the FIFO principle ("first in - first out"), and only in duly justified cases through specific identification of real prices (costs) of assets, that relate to specific project, regardless of their date of purchase or manufacture.

### **2.13. Trade and other receivables**

Trade receivables are financial claims resulting from Company's core operating activities.

Other receivables include:

- other financial receivables, i.e. receivables that meet the definition of financial assets, inter alia, deposits over 3 months, receivables under settlement of derivative instruments, commercial papers, debt instruments with maturities over 3 months qualified to the category loans and receivables, dividend receivables, interest on debts, advances, other financial receivables;
- other non-financial receivables, including advances (for supplies, tangible assets, tangible assets under construction and intangible assets), receivables arising from the Social Fund, tax receivables, other non-financial receivables. Advances for tangible assets, tangible assets under construction and intangible assets are recognized in fixed assets;
- active accruals.

Receivables are recognized initially at fair value. When applying normal payment terms (14 to 90 days) used for similar transactions in the market, the fair value shall be a nominal value arising on the revenue recognition date.

At the balance sheet date, other financial receivables with maturities greater than 3 months after the balance sheet date and trade receivables with maturities longer than 12 months after the balance sheet date, are measured at amortized cost using an effective interest rate, while maintaining the prudence principle. Receivables are updated, taking into account the probability of their payment, by recognizing write-downs of the entitlements:

- from debtors in liquidation or bankruptcy – up to the amount of receivables not covered by collateral,
- from debtors in case of dismissal of petition in bankruptcy - in the amount of 100% of the accounts receivables,

- which were disputed or for which debtor falls behind with payments, and thus the repayment of the whole amount of receivables is unlikely – up to the amount of receivables not covered by collateral,
- which are equivalent to the increase in previously updated receivables - up to the amount of the increase in receivables,
- which are overdue and non-overdue but with high probability of default - based on the individual assessment; wherein receivables that had been overdue for more than 365 days are covered with 100% impairment loss.

Write-downs of the entitlements are charged to other operating expense or to finance cost depending on the type of claims covered by the impairment. Receivables denominated in foreign currencies are recognized in the books and measured at the balance sheet date in accordance with the principles described in Section 2.2. "Transactions in foreign currency and measurement of items denominated in foreign currencies".

#### **2.14. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank deposits repayable on demand, other short-term, highly liquid investments with initial maturities of up to three months from the date of acquisition.

Cash and cash equivalents are measured at nominal value. Cash and cash equivalents denominated in foreign currencies are recognized in the books and measured at the balance sheet date in accordance with the principles described in Section 2.2. "Transactions in foreign currency and measurement of items denominated in foreign currencies". For the purposes of the cash flow statement, cash and cash equivalents are defined in the same way as for the recognition in the balance sheet.

#### **2.15. Fixed assets (or disposal groups) held for sale**

Fixed assets (or disposal groups) are classified as held for sale, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, provided that they are available for immediate sale in its present condition subject only to terms, that are usual and customary for the sale of such assets (or disposal groups) and its sale must be highly probable.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amount of the asset shall be measured in accordance with applicable standards. Property, plant and equipment and intangible assets are subject to depreciation and amortization until the day of their reclassification, and if there are any indications of possible impairment, the impairment test is being performed and any potential impairment losses are recognized according to IAS 36 "Impairment of assets".

Fixed assets (or disposal groups) whose value were determined as described above, are reclassified as assets held for sale. At the time of reclassification, such assets are measured at the lower of: their carrying amount or fair value less cost of disposal. The difference in fair value is recognized in other operating expense. At the time of subsequent measurement, possible recovery of fair value is recognized in other operating income.

## 2.16. Equity

Company's equity has been divided in accordance with IAS 1 "Presentation of financial statements" into the following categories:

- Company's share capital, recognized at nominal value;
- Supplementary capital arising from the sale of shares above their nominal value. According to Article 396 § 2 of the Commercial Companies Code, this item presents a surplus arising from the sale of shares above their nominal value less costs associated with the increase of share capital;
- Revaluation reserve. This item presents capital from revaluation of property, plant and equipment to fair value less deferred tax liability charged to equity; □Retained earnings, which include:
- Undistributed profits or accumulated losses from past years;
- Statutory supplementary capital - created out of profit in accordance with the requirements of Article 396 § 1 of the Commercial Companies Code;
- Supplementary capital created in accordance with the Articles of Association - created out of profit in accordance with the Articles of Association;
- Net profit (loss) for the current period.

The Articles of Association provides for the creation of a capital reserve for payment of dividends to shareholders and the creation of other special funds. In the previous years, the Company has not established any capital reserve or other funds.

## 2.17. Liabilities

A liability is an obligation resulting from past events, to provide reliably estimated benefits, which will result in the use of current or future assets of the Company. Measurement of liabilities depends on their classification. They fall into one of two categories mentioned below:

- Financial liabilities at fair value through profit and loss. This group includes liabilities held for trading and those which contain embedded elements. The Company has no such obligations.
- Other liabilities. This group includes two types of liabilities: financial liabilities and liabilities not classified as financial liabilities.

Financial liabilities are initially recognized at fair value less direct transaction cost. When applying normal payment terms used for similar transactions in the market, the fair value shall be a nominal value arising on the liability recognition date. At the balance sheet date, financial liabilities are measured at amortized cost using the effective interest rate. The exceptions are bank overdrafts, for which repayment schedules are not determined. In case of such credit, commissioning cost and other fees are charged to finance cost using a straight-line method, at the time they are incurred. The group of other financial liabilities include:

- liabilities arising from credits and loans;
- liabilities arising from finance lease;
- trade payables;

- liabilities to pay for goods or services, that have been received or supplied but have not been invoiced, short-term provisions for unused leave, other expenses payable on the basis of contracts or other reliable estimates (accrued expenses);
- other financial liabilities (liabilities arising from personal wages, interest payable arising from failure to execute trade payables and other liabilities, etc.)

Liabilities not included in other financial liabilities are measured at the amount due. This category includes:

- liabilities arising from taxes, charges, duties, social and health insurance and other public and legal titles;
- received advances, which will be settled by physical delivery of finished products/goods or performance of service, liability arising from special funds;
- deferred income, including cash received to finance the acquisition or construction of tangible assets under construction and purchase of ready-made assets. The method of settlement of received grants was described in "Government Grants".

Liabilities denominated in foreign currencies are recognized in the books and measured at the balance sheet date in accordance with the principles described in "Transactions in foreign currency and measurement of items denominated in foreign currencies".

## **2.18. Government grants**

Cash grants are recognized at their nominal value. Government grants, including grants for assets received from the structural funds of the European Union are recognized in the balance sheet as deferred income in the group of long-term liabilities. Part of the grant, which will be settled over the next 12 months after the balance sheet date is recognized as deferred income in the group of short-term liabilities. A government grant is not recognized, until there is reasonable assurance, that the entity will comply with the conditions attaching to it, and that the grant will be received. Government grants shall be recognized as income over the periods necessary to match them with the related cost of depreciation, on a systematic basis.

The Company also receives grants for the reimbursement of salaries and benefits for workers who are disabled. Those grants are fully recognized in the period of their enforceability and charged to other operating income in profit and loss statement.

The Company also receives grants for expenditures incurred during research and development, funded by the EU under concluded contracts. These grants were described in detail in 4.9.

Grants received in the form of advances for expenses, that will be incurred in the future, are recognized as deferred income in the group of short-term liabilities. They are settled proportionally to the cost incurred in each accounting period and proportionally to the extent of reimbursement of expenses by assigning them to other operating income with simultaneous correction of tax costs.

According to IAS 20 § 28, the amounts of received grants are recognized as a separate item in the group of cash flows from financing activities.

## **2.19. Income tax and deferred tax**

In the profit and loss statement, income tax includes: current income tax and deferred tax.

Current income tax is calculated in accordance with current tax regulations.

Deferred tax is determined using tax rates and tax laws, that are expected to apply when the asset is realized or the liability is settled.

Deferred tax is recognized in profit and loss statement for the period, except where the deferred tax arises from transactions or events, that are recognized in equity - at that time, deferred tax is also recognized in the appropriate item of the equity.

Deferred tax is calculated using the balance sheet method, as tax payable or tax recoverable in future periods, based on the differences between the carrying amounts of assets and liabilities and their assigned tax values used in the computation of the tax base. Deferred tax liability is recognized for all taxable temporary differences, whereas deferred tax asset is recognized to the amount of income taxes recoverable in future periods in respect of deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent, that it is no longer probable that sufficient taxable profit will be available, to allow the benefit of part or all of that deferred tax asset to be utilized.

## **2.20. Provisions and employee benefits**

Provisions are recognized when the following conditions are met: the Company has a legal or constructive obligation, which results from past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the amount recognized as the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the impact of time value of money is material, provisions are determined by discounting the expected future cash flows to their present value using a discount rate that reflects current market value of money and specific risk for a given liability.

As required by IAS 1, provisions in the balance sheet are presented as short-term and long-term.

Provisions may be formed in particular for the following titles:

- employee benefits and related;
- effects of pending proceedings and disputes;
- guarantees and sureties.

In terms of employee benefits, the Company is not a party to any wage agreements or collective labor agreements. The Company also has no pension schemes, managed directly or by external funds.

Employee benefits expenses include salaries paid in accordance with the terms of the employment contract of individual employees and the cost of retirement benefits (retirement and disability packages, death benefit) paid to employees in accordance with the law after a period of employment. Liabilities arising from short-term employee benefits are measured on general terms and presented in the item of other liabilities. Provisions for liabilities arising from retirement benefits (retirement package) are estimated at the present value of defined benefit obligations at the balance sheet date, taking into account actuarial gains and losses and past service costs. Defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method.

## **2.21. Profit and loss statement**

Profit and loss statement has been prepared using the “function of expense” (cost of sales) method.

## **2.22. Revenue**

Revenue from sales is recognized at the fair value of the consideration received or receivable less tax on goods and services, discounts and rebates.

Revenue from the sale of finished products, goods and materials is recognized when:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, finished products and materials;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue associated with the transaction involving the rendering of services is recognized when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably;
- the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

In other operating income the Company includes revenue and profit not directly related to operating activities. This category includes profit from: the sale of property, plant and equipment, revaluation of investment property, received grants, received compensation related with the reimbursement of court costs, overpaid tax liabilities and received compensation for the loss of Company's property, which was covered by insurance. Other operating income also includes reversal of write-downs of the entitlements and reversal of impairment write-offs of fixed assets.

Finance income include interest on bank deposits, interest on overdue receivables, write-downs of the entitlements arising from interest and gains through currency fluctuations.

Interest income is recognized on an accrual basis, using the effective interest rate method.

### **2.23. Cost**

A cost is a probable, reliably estimated decrease of economic benefits for the period, in the form of reduction of the asset's value or an increase of liabilities and provisions, that will lead to equity decrease or increase in its deficit in a different way than the withdrawal of funds by the owners. Cost is recognized in the profit and loss statement on the basis of direct relationship between incurred costs and the achievement of specific revenue, i.e. applying the matching principle by prepayments and accrued expenses.

Cost accounting is presented based on either the nature of expenses or their function within the Company, wherein the "function of expense" method is assumed to be the primary cost reporting system in profit and loss statement.

Total cost of sold products, goods and materials include:

- cost of sales
- value of sold goods and materials
- distribution costs
- administrative expenses

Other operating expense and finance cost also affect Company's financial results in the reporting period.

In other operating expense the Company includes costs and losses not directly related to operating activities. This category includes losses from: the sale of property, plant and equipment, donations, penalties and fines, cost associated with write-downs of the entitlements, inventories and materials and impairment write-offs of fixed assets.

Finance cost include borrowing costs, interest payable arising from finance lease agreements and losses through currency fluctuations.

### **2.24. Cash flow statement**

Cash flow statement has been prepared using the indirect method.

### **2.25. Segment reporting**

According to IFRS 8 "Operating Segments", operating segment is a component of the Company, (i) that engages in business activities from which it may earn revenues and incur expenses, (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker, and (iii) for which discrete financial information is available.

Company's operations can be divided into two segments. First operating segment is associated with the manufacture of machinery and equipment and the provision of services to the mining industry. The second operating segment includes wholesale of goods and materials.

In financial statement, geographical segments are determined according to Company's separate areas of operations, in which it provides products and services within a particular economic

environment, that is subject to risks and returns different from those that are appropriate in other economic environments.

Company's operations focuses mainly in the country. Therefore, the Company has not prepared separate reports for geographical segments.

Segments expenses include the cost of sales to external customers, that can be reasonably attributed to the segment. Segment expenses do not include administrative expenses, management cost, other operating expense, finance cost and other costs incurred on the Company level, which relate to the enterprise as a whole.

Segment's assets include, inter alia, property, plant and equipment, inventories, receivables, which are directly attributable to particular area of activity. Segment's liabilities include, inter alia, all trade payables, accrued expenses, deferred income.

## **2.26. Risk management**

Risk management explains how to identify, measure, determine and deal with risk. The following kinds of the risk are distinguished:

- market risk, including: changes in material prices,
- interest rate risk and exchange rate risk,
- liquidity risk,
- credit risk.

The main problem is the market risk, in particular, changes of raw material prices used in the production. Production costs largely depend on the changes in the prices of materials, including steel products (sheets, profiles). The Company does not hedge itself against the risk of increasing raw material prices.

Interest rates risk. The Company concludes credit agreements, that bear a floating interest rate: WIBOR 1M (1 month) + bank's margin or EURIBOR 1M (1 month) + bank's margin. Therefore, the Company is exposed to the interest rate risk in case of new borrowings or refinancing of existing debt. The Company does not hedge itself against interest rate risk.

Exchange rate risk. Due to the fact, that part of trading is done on foreign markets, the Company is exposed to the currency exchange risk. Such risk arises when the Company sells or purchases in currencies other than its functional currency. Due to the insignificant size of such turnover, the Company does not hedge itself against the currency exchange risk.

Liquidity risk. The Company is exposed to liquidity risk, understood as the ability of the Company to settle its obligations within the given deadlines. Financing business activities with external sources (credits, loans, trade credit) increases the liquidity risk. The Company must have permanent access to financial markets. Therefore, it is exposed to the risk of inability to obtain new financing, or refinancing of its debt. This risk is primarily dependent on market conditions, credit rating and the degree of concentration.

Credit risk. Creditworthiness of customers with whom the Company concludes transactions of physical sale, is subject to verification procedures. Receivables are subject to continuous



monitoring. Credit risk arising from trade receivables is high, and therefore is limited to number of major customers.

## **2.27. Estimates of the Management Board**

While preparing the financial statement, the Management Board used estimates based on certain assumptions and judgments. These estimates affect the adopted accounting policy and reported amounts of assets, liabilities, revenues and expenses.

The estimates and the underlying assumptions are based on historical experience and analysis of various factors, that are considered to be reasonable under given circumstances. The results form the basis of professional judgment as to the value of each item concerned.

In some important issues, the Management Board of the Company relied on the opinion of independent experts.

Due to the nature of estimates and assumptions concerning the future, the resulting accounting estimates may not, by definition, coincide with the actual results. Estimates and adopted assumptions are subject to ongoing verification. Revisions to accounting estimates are recognized in the period in which they are revised, only if they relate to that period and future periods.

The estimates and assumptions, that pose a risk include:

- Measurement of investment properties. In accordance with accepted accounting principles (policy), at subsequent balance sheet dates, investment properties are measured at fair value. A basis for determining (estimating) fair value of the investment property at the balance sheet date, is the measurement done by an independent property appraiser. Estimation of fair value is performed at a specific balance sheet date. Given the volatility of market conditions, so estimated value of investment properties may prove to be incorrect at a later date.
- Measurement of property, plant and equipment included in the group of "land". In accordance with accepted accounting principles (policy), this group includes own land and the right of perpetual usufruct of land. The value of tangible assets classified into the group of "land" is subject to periodic revaluation to fair value. A basis for determining (estimating) fair value is the measurement done by an independent property appraiser. Revaluations shall be made with sufficient regularity to ensure, that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Given the volatility of market conditions, such revaluation of tangible assets classified into the group of "land" may prove to be incorrect at a later date.
- Useful lives of tangible assets. The Company shall periodically (at least once a year at the balance sheet date) assess the correctness of previously established useful lives and potential residual values of each fixed asset. These estimates are primarily based on Company's historical experience and on the analysis of various factors affecting the use of economic benefits flowing from these assets.
- Provisions for employee benefits. The Company is not a party to any wage agreements or collective labor agreements. The Company also has no pension schemes, managed directly or by external funds. Employee benefit expenses include salaries paid in accordance with the terms of the employment contract of individual employees and the cost of retirement

benefits (retirement and disability packages, death benefit) paid to employees in accordance with the provisions of the Labor Code (Act as of 26<sup>th</sup> June 1974, unified text Dz. U. 1998, No 21 item 94, with further amendments) after a period of employment. Liabilities arising from short-term employee benefits are measured on general terms. Long-term benefits are based on actuarial estimates. Application of these methods requires the adoption of multiple assumptions, including appropriate discount rates and demographic assumptions. The level of provisions and cost associated with future employee benefits has been accepted and presented in historical financial statements based on the report of qualified actuary.

- The Company distinguishes an item of deferred tax assets based on the assumption, that future taxable profit will enable its use. Deterioration of future taxable results could make this assumption to be unfounded.
- The Company classifies lease agreements as operating or finance, based on the assessment of the extent to which the risks and benefits resulting from the ownership of leased asset fall to the lessor and to the lessee. This assessment is based on the economic meaning of each transaction.

## **2.28. The fair value**

The fair value of an asset or liability is the price obtainable for the sale of an asset or paid to transfer a liability (an exit price) in a transaction entered into under normal conditions between market participants at the measurement date. While there are no indications that the asset was not purchased at a price representing its fair value, it is considered that the fair value at the date of initial recognition of an acquisition price of an asset or - in the case of financial liabilities - the selling price.

At the end of the reporting period the fair value of financial instruments for which there is an active market is determined based on the most representative price derived from the market at the measurement date.

If the market for the asset or liability is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques based on maximum use of relevant observable inputs and minimum use of unobservable inputs. These include the use of recent transactions conducted on normal market conditions, the comparison to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other techniques / models which are commonly used in the market.

he estimated fair value of derivative instruments corresponds to the amount realizable or payable in order to close positions opened at the end of the reporting period. For transactions for which this is possible, the valuation shall be based on market quotations.

Land and right of perpetual usufruct of land and investment properties are carried at revalued amounts which are the fair values at the date of revaluation, less any accumulated impairment losses. In estimating the fair value approach was applied largest and best use of the property, which is consistent with the current use of the property.

The fair value of land and the right of perpetual usufruct of land was determined by an experienced appraiser on the basis of comparable market data that reflects recent transaction prices for similar properties. Market approach was applied.

The fair value of investment property was determined by an experienced appraiser on the basis of comparable market data that reflects the latest rental rates for similar properties. Income approach was applied.

There has been no change in the technique (method) valuation during the year.

The fair value of land and the right of perpetual usufruct of land and investment property is classified as Level 2 fair value hierarchy.

There has been no movement between the fair value hierarchy levels during the year.

### 3. Selected Financial Data converted into Euros (EUR)

The Company assumed average EUR/PLN exchange rates for the periods covered by the financial statement in order to obtain comparable financial data - exchange rates set by the National Bank of Poland. Average exchange rate for the period is calculated as the average of the exchange rates prevailing on the last day of each month during the period.

Period	Average EUR/PLN exchange rate for the period	The lowest EUR/PLN exchange rate for the period	The highest EUR/PLN exchange rate for the period	EUR/PLN exchange rate for the last day of the period
column 1	column 2	column 3	column 4	column 5
from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2017	4,2617	4,1423	4,3978	4,3000
from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	4,2583	4,1709	4,4157	4,1709

Source: Table A - Exchange rates archive of NBP (<http://www.nbp.gov.pl>)

Basic items of the balance sheet, profit and loss statement and cash flow statement presented in the financial statement converted into euro.

Individual items of assets and liabilities were converted according to EUR/PLN exchange rates published by National Bank of Poland prevailing on the last day of the period (column 5).

Individual items of profit and loss statement and cash flow statement are converted according to EUR/PLN exchange rates which are an arithmetic average of exchange rates published by National Bank of Poland prevailing on the last day of each month in the reporting period (column 2).

Selected financial data from profit and loss statement and cash flow statement	in thousands of PLN		in thousands of EUR	
	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
I. Net revenue from sales	132 326	55 159	31 050	12 953

II. Operating profit (loss)	12 008	2 217	2 818	521
III. Profit (loss) before tax	10 186	2 197	2 390	516
IV. Net profit (loss)	8 203	1 697	1 925	399
V. Total comprehensive income	8 296	1 712	1 947	402
VI. Weighted average number of shares (in units)	29 500 000	29 500 000	29 500 000	29 500 000
VII. Book value per share (in PLN/EUR)	3,18	2,96	0,75	0,71
VIII. Net profit (loss) per share and diluted net profit (loss) per share (in PLN/EUR)	0,28	0,06	0,07	0,09
IX. Net cash flows from operating activities	(4 348)	(9 260)	(1 020)	(2 175)
X. Net cash flows from investment activities	(3 886)	2 691	(912)	632
XI. Net cash flows from financing activities	16 398	7 529	3 848	1 768
XII. Total net change in cash	8 164	960	1 916	225
EUR/PLN exchange rate used to convert Profit and Loss Statement and Cash Flow Statement from PLN to EUR			4,2617	4,2583

Selected financial data from assets and liabilities	in thousands of PLN		in thousands of EUR	
	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
XIII. Fixed assets	84 771	93 835	19 714	22 498
XIV. Current assets	91 245	55 209	21 220	13 237
XV. Total assets	176 016	149 044	40 934	35 734
XVI. Long-term liabilities	28 291	27 039	6 579	6 483
XVII. Short-term liabilities	54 055	36 631	12 571	8 783
XVIII. Equity	93 670	85 374	21 784	20 469
XIX. Share capital	11 800	11 800	2 744	2 829
EUR/PLN exchange rate used to convert Balance Sheet from PLN to EUR			4,3000	4,1709

Weighted average number of shares in the given reporting period, has been calculated in accordance with IAS 33. While calculating the weighted average number of shares, a registration date of new shares in the National Court Register was taken into account.

To calculate book value per share, the Company divided the total equity at end of period (numerator) by weighted average number of shares (denominator).

To calculate net profit (loss) per share and diluted net profit (loss) per share, the Company divided net profit (numerator) by weighted average number of shares (denominator). There were no differences between the data used to calculate basic net profit (loss) per share and diluted net profit (loss) per share.

#### 4. Notes to the financial statement

##### 4.1. Note 1 – Intangible assets

Intangible assets are presented in the table below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Net value of intangible assets, including</b>	<b>3.254</b>	<b>4.273</b>
Development cost	2.103	3.386
Computer software	794	858
Development work in progress:	357	29
<b>Additional information:</b>		
<i>Intangible assets used under finance lease agreement</i>	<i>0</i>	<i>0</i>

Development costs include expenditures for technical and technological documentation, projects and cost of certification process. Development activities are recognized as assets and depreciated in accordance with the accounting policy described in Section 2.6.

In the current year and in the previous year, expenses for research work were incurred. In 2018, it was a cost in the amount of 2 040 thousand PLN, and in 2017 - amount of 2 192 thousand PLN. The Company received subsidies for the expenses incurred. In 2018, it was amount of 108 thousand PLN, and in 2017 amount of 1 375 thousand PLN.

Computer software includes mainly licenses for computer systems and software tools used in Company business activities.

Changes in initial value and accumulated amortization of intangible assets in the reporting periods are presented in the following tables:

Data for the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	Development cost	Computer software	Total
<b>Net value at beginning of period</b>	<b>3 415</b>	<b>858</b>	<b>4 273</b>
<b>Gross value at beginning of period</b>	<b>6 738</b>	<b>2 357</b>	<b>9 095</b>
Increases, including:	8	28	36
acquisition	8	28	36
Decreases	(3)	0	(3)
<b>Gross value at end of period</b>	<b>6 749</b>	<b>2 385</b>	<b>9 134</b>
<b>Accumulated amortization at beginning of period</b>	<b>(3 352)</b>	<b>(1 499)</b>	<b>(4 851)</b>
Increase in accumulated amortization	(1 287)	(92)	(1 379)
Decrease in accumulated amortization	0		0
<b>Total accumulated amortization at end of period</b>	<b>(4 639)</b>	<b>(1 591)</b>	<b>(6 230)</b>
Balance of impairment losses	0	0	0
<b>Development work in progress</b>	<b>350</b>	<b>0</b>	<b>350</b>
<b>Net value at end of period</b>	<b>2 460</b>	<b>794</b>	<b>3 254</b>

Data for the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	Development cost	Computer software	Total
<b>Net value at beginning of period</b>	<b>4 676</b>	<b>953</b>	<b>5 629</b>
<b>Gross value at beginning of period</b>	<b>6 718</b>	<b>2 395</b>	<b>9 113</b>
Increases, including:	20	0	20
acquisition	20	0	20

Decreases	0	38	38
<b>Gross value at end of period</b>	<b>6 738</b>	<b>2 357</b>	<b>9 095</b>
<b>Accumulated amortization at beginning of period</b>	<b>(2 066)</b>	<b>(1 442)</b>	<b>(3 508)</b>
Increase in accumulated amortization	(1 286)	(94)	(1 380)
Decrease in accumulated amortization	0	37	37
<b>Total accumulated amortization at end of period</b>	<b>(3 352)</b>	<b>(1 499)</b>	<b>(4 851)</b>
Balance of impairment losses	0	0	0
<b>Development work in progress</b>	<b>29</b>	<b>0</b>	<b>29</b>
<b>Net value at end of period</b>	<b>3 415</b>	<b>858</b>	<b>4 273</b>

The Company does not use intangible assets under the renting agreement, tenancy or other agreement, including operating lease.

Company does not use intangible assets as collateral for credits granted to the Company.

#### 4.2.Note 2 – Property, plant and equipment

The structure of property, plant and equipment is presented in the table below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Net value of tangible assets, including:</b>	<b>71 246</b>	<b>71 001</b>
own land and right of perpetual usufruct of land, including:	11 714	11 599
<i>right of perpetual usufruct of land</i>	7 533	7 533
buildings, civil engineering facilities, premises	23 275	24 763
machinery and technical equipment	32 509	31 670
vehicles	1 291	831
other tangible assets	2 457	2 138
<b>Tangible assets under construction</b>	<b>56</b>	<b>470</b>
<b>Total net value of property, plant and equipment disclosed in the financial statement</b>	<b>71 302</b>	<b>71 471</b>
<b>Additional information:</b>		
<i>Net value of tangible assets used under finance lease agreement</i>	583	863

Changes in initial value and accumulated depreciation of tangible assets in the reporting periods are presented in the following tables:

Data for the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	Land and right of perpetual usufruct of land	Buildings and structures	Machinery and equipment	Vehicles	Other tangible assets	Total
Net value at beginning of period	11 599	24 763	31 670	831	2 138	71 001
Gross value at beginning of period	11 599	35 073	61 202	2 526	5 341	115 741
<b>Increases, including:</b>	<b>115</b>	<b>48</b>	<b>5 834</b>	<b>604</b>	<b>588</b>	<b>7 189</b>
acquisition	0	48	5 834	604	588	7 074
revaluation at end of period “+”	115	0	0	0	0	115
reversal of impairment losses on revalued assets from previous period	0	0	0	0	0	0

internal transfer	0	0	0	0	0	0
<b>Decreases</b>	<b>0</b>	<b>0</b>	<b>(904)</b>	<b>(263)</b>	<b>0</b>	<b>(1 167)</b>
liquidation and sale	0	0	(904)	(263)	0	(1 167)
revaluation at end of period “-“	0	0	0	0	0	0
internal transfer	0	0	0	0	0	0
<b>Gross value at end of period</b>	<b>11 714</b>	<b>35 121</b>	<b>66 132</b>	<b>2 867</b>	<b>5 929</b>	<b>121 763</b>
<b>Accumulated depreciation at beginning of period</b>	<b>0</b>	<b>(10 310)</b>	<b>(29 532)</b>	<b>(1 695)</b>	<b>(3 203)</b>	<b>(44 740)</b>
<b>Increase in accumulated depreciation</b>	<b>0</b>	<b>(1 536)</b>	<b>(4 775)</b>	<b>(99)</b>	<b>(269)</b>	<b>(6 679)</b>
<b>Decrease in accumulated depreciation, including:</b>	<b>0</b>	<b>0</b>	<b>684</b>	<b>218</b>	<b>0</b>	<b>902</b>
liquidation and sale	0	0	684	218	0	902
adjustment of accumulated depreciation associated with revaluation at end of period	0	0	0	0	0	0
other adjustments	0	0	0	0		0
<b>Total accumulated depreciation at end of period</b>	<b>0</b>	<b>(11 846)</b>	<b>(33 623)</b>	<b>(1 576)</b>	<b>(3 472)</b>	<b>(50 517)</b>
Including: balance of impairment losses						0
<b>Net value of tangible assets at end of period</b>	<b>11 714</b>	<b>23 275</b>	<b>32 509</b>	<b>1 291</b>	<b>2 457</b>	<b>71 246</b>
Including: effects of revaluation at end of period	10 121					10 121
<b>Tangible assets under construction at end of period</b>	<b>0</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56</b>
<b>Total net value of property, plant and equipment at end of period</b>						<b>71 302</b>

<b>Data for the period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017</b>	<b>Land and right of perpetual usufruct of land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Other tangible assets</b>	<b>Total</b>
<b>Net value at beginning of period</b>	<b>11 580</b>	<b>26 284</b>	<b>36 434</b>	<b>896</b>	<b>2 318</b>	<b>77 512</b>
<b>Gross value at beginning of period</b>	<b>11 580</b>	<b>35 058</b>	<b>61 206</b>	<b>2 576</b>	<b>5 357</b>	<b>115 777</b>
<b>Increases, including:</b>	<b>19</b>	<b>15</b>	<b>93</b>	<b>52</b>	<b>46</b>	<b>225</b>
acquisition	0	15	93	52	46	206
revaluation at end of period “+”	19	0	0	0	0	19
reversal of impairment losses on revalued assets from previous period	0	0	0	0	0	0
internal transfer	0	0				0
<b>Decreases</b>	<b>0</b>	<b>0</b>	<b>(97)</b>	<b>(102)</b>	<b>(62)</b>	<b>(261)</b>
liquidation and sale	0	0	(97)	(102)	(62)	(261)
revaluation at end of period “-“	0	0	0	0	0	0
internal transfer	0	0	0	0	0	0
<b>Gross value at end of period</b>	<b>11 599</b>	<b>35 073</b>	<b>61 202</b>	<b>2 526</b>	<b>5 341</b>	<b>115 741</b>
<b>Accumulated depreciation at beginning of period</b>	<b>0</b>	<b>(8 774)</b>	<b>(24 772)</b>	<b>(1 680)</b>	<b>(3 039)</b>	<b>(38 265)</b>
<b>Increase in accumulated depreciation</b>	<b>0</b>	<b>(1 536)</b>	<b>(4 822)</b>	<b>(93)</b>	<b>(221)</b>	<b>(6 672)</b>
<b>Decrease in accumulated depreciation, including:</b>	<b>0</b>	<b>0</b>	<b>62</b>	<b>78</b>	<b>57</b>	<b>197</b>
liquidation and sale	0	0	62	78	57	197
adjustment of accumulated depreciation associated with revaluation at end of period	0	0	0	0	0	0
other adjustments	0			0		0
<b>Total accumulated depreciation at end of period</b>	<b>0</b>	<b>(10 310)</b>	<b>(29 532)</b>	<b>(1 695)</b>	<b>(3 203)</b>	<b>(44 740)</b>
Including: balance of impairment losses						0
<b>Net value of tangible assets at end of period</b>	<b>11 599</b>	<b>24 763</b>	<b>31 670</b>	<b>831</b>	<b>2 138</b>	<b>71 001</b>
Including: effects of revaluation at end of period	9 989					9 989
<b>Tangible assets under construction at end of</b>	<b>0</b>	<b>0</b>	<b>470</b>	<b>0</b>	<b>0</b>	<b>470</b>

<b>period</b>						
<b>Total net value of property, plant and equipment at end of period</b>						<b>71 471</b>

According to the accounting policy described in Section 2.3. - at the balance sheet date, the Company presents land and right of perpetual usufruct of land in accordance with the adopted revaluation model. According to this model of measurement (as described in IAS 16), the effects of value increase are recognized as an increase in the value of equity (item "Revaluation reserve").

On the balance sheet date, the item of property, plant and equipment included in the group of "land" (including the right of perpetual usufruct of land) is measured according to the revaluation model. Revalued amount of the item of property, plant and equipment included in this group, is the fair value at the date of the revaluation less subsequent cumulative amount of impairment losses. As a result of measurement, carried out by an independent appraiser, the carrying amount of assets included in the group of land and the right of perpetual usufruct of land, has increased. The effects of revaluation were charged directly to other equity as "revaluation surplus". Revaluation surplus is adjusted by the amount of deferred tax liability.

The fair value of land and perpetual usufruct of land was classified as level 2 of the fair value hierarchy.

The last revaluation took place on 31<sup>st</sup> December 2018. As compared to the carrying amount from the previous period, the revalued components decreased by 86 thousand PLN.

In tangible assets, the Company disclosed land which includes own land and right of perpetual usufruct of land acquired on the secondary market. The Company treats the acquired right of perpetual usufruct of land as tangible asset. Own land and right of perpetual usufruct of land are not depreciated.

As of 31<sup>st</sup> December 2015, the Parent Company reclassified the land and warehouse buildings located in Żory for lease of fixed assets investment in real estate. For valuations were used market prices determined by a qualified appraiser.

Company pays an annual administrative fees for perpetual usufruct of land. Fees amount to 3% of the estimated value of land, measured by the municipality in which the land is located. Periodically, fees are subject to valorization based on the market value of land, which is estimated by the Municipal Offices. The Company treats these fees as local tax cost.

The Company has no obligations towards state authorities arising from the transfer of ownership of real estate.

In accordance with the principles set out in IFRS, the Company periodically analyzes and adjusts depreciation rates to the expected useful lives of tangible assets.

Part of machinery and equipment was utilized by the Company under finance lease agreement. Lease liabilities are recognized in the balance sheet as other financial liabilities. They are divided into short term and long-term liabilities. A detailed reconciliation of above-mentioned commitments and a description of key provisions of the contracts are included in Note 9 Liabilities.



The Company used tangible assets under renting and tenancy agreement, which did not classify as finance lease. Estimated value of tangible assets, that were kept off the balance sheet, is presented in the following table:

<b>Specification (in thousands of PLN)</b>	<b>End of period 31<sup>st</sup> December 2018</b>	<b>End of period 31<sup>st</sup> December 2017</b>
<i>Tangible assets kept off of a Company's balance sheet (used under renting agreement, tenancy or other agreement, including operating lease)</i>	184	184
<i>The annual value of rent arising from renting agreement, tenancy or other agreement, including operating lease</i>	153	153

Tangible assets and investment properties are used as collateral for credits granted to the Company. The value of tangible assets, used as collateral for credit agreements, presents the following table:

<b>Specification (in thousands of PLN)</b>	<b>End of period 31<sup>st</sup> December 2018</b>	<b>End of period 31<sup>st</sup> December 2017</b>
<i>Mortgage on real property (tangible assets and investment properties) as collateral for liabilities arising from bank loans</i>	52 538	75 213
<i>The amount of registered pledge or transfer of ownership of tangible assets as collateral for liabilities arising from bank loans</i>	29 649	48 314
<b>Total value of tangible assets and investment properties used as collateral for credits granted to the Company</b>	<b>82 187</b>	<b>123 527</b>
<i>Mortgage on real estate (tangible assets and investment properties) as security for liabilities arising from bank loans related entity Patentus Strefa S.A.</i>	11 088	11 088
<b>Total</b>	<b>93 275</b>	<b>134 615</b>

On 7<sup>th</sup> December 2011, the Company submitted an application to Śląskie Centrum Przedsiębiorczości (under the Regional Operational Programme of the Silesia Voivodeship 2007 - 2013, Technological research and development, innovation and entrepreneurship), for funding of the project described below: Increase of competitiveness and development of the Company by offering innovative measurement services of gears (Agreement No WND- RPSL.01.02.04-00-C09/11/02). The value of the requested subsidy equals 749 thousand PLN. By letter dated 10<sup>th</sup> January 2012, the Parent Company had been informed, that it successfully passed the stage of formal assessment. Grant agreement was signed on 4<sup>th</sup> January 2013. On 18<sup>th</sup> November 2013 was purchased and accepted fixed measuring device subject of the contract. On 20<sup>th</sup> November 2013 the Company filed in Śląskie Centrum Przedsiębiorczości request for final payment. In April 2014 the Company received a grant in the amount of 750 thousand. PLN, which has been shown in the balance sheet as deferred income and accrued monthly in the amount of depreciation of an asset financed above mentioned grant. On 31<sup>st</sup> December 2018 a subsidy was accounted of the amount of 387 thousand PLN.

On 14<sup>th</sup> September 2012, the Company submitted an application to Polish Agency for Enterprise Development (under the Operational Programme Innovative Economy, Investments in innovative undertakings, Support for the first implementation of an invention), for funding of the project: Introducing mechatronic powertrain of scraper conveyors of high power into production. On 18<sup>th</sup>

April 2013 the Company signed a grant agreement number POIG.04.06-00-24-007 / 12. The amount of the subsidy amounted to 7.591 thousand PLN. During the project, the Company received a grant advances that were recorded for deferred income as a down payment on the investments until their completion and acceptance of fixed assets. In June 2014, following the completion of the project, the Company filed an application for final payment, which was granted on 12<sup>th</sup> September 2014 and in the same month the Company received the final tranche of the grant. In total, within the framework of the aforementioned project, the Parent Company received a grant of 7,573 thousand PLN, of which as of 31<sup>st</sup> December 2018 the amount of 2 843 thousand PLN was settled.

On 16<sup>th</sup> November 2012, the Company together with Bank Gospodarstwa Krajowego headquartered in Warsaw ("BGK") - signed two subsidy contracts under the Operational Programme Innovative Economy 2007-2013, Priority Axis 4. - Investments in innovative undertakings, measure 4.3 Technological credit:

Agreement No POIG.04.03.00-00-954/11-00 relates to the funding for the implementation of a project: "Implementation of innovative and highly efficient method, based on carburizing with prenitriding, for the production of bevel wheels". Total expenditure of the project amounts to 8,036 thousand PLN, including eligible costs in the amount of 7,951 thousand PLN, and the maximum amount of funding equal to 3,976,000.00 PLN. On 12<sup>th</sup> September 2014 as a result of the completion of the project, the Company filed an application for payment. On 28<sup>th</sup> November 2014 the funding institution announced the successful verification of the payment request and approval to pay a premium in the amount of 3.909 thousand PLN. On 11<sup>th</sup> December 2014, the Company received above mentioned premium, which as a whole has been used to repay the loan taken technology. As of 31<sup>st</sup> December 2018, the subsidy was settled in the amount of depreciation of fixed assets financed with the aforementioned grant in the amount of 1 762 thousand PLN.

Agreement No POIG.04.03.00-00-950/11-00 relates to the funding for the implementation of a project: "Implementation of innovative technology for the production of large-size powertrain elements with increased service life". Total expenditure of the project amounts to 8,045,000.00 PLN, including eligible costs in the amount of 7,940 thousand PLN, and the maximum amount of funding equal to 3,970 thousand PLN. On 12<sup>th</sup> September 2014 as a result of the completion of the project, the Company filed an application for payment. On 28<sup>th</sup> November 2014 the funding institution announced the successful verification of the payment request and approval to pay a premium in the amount of 3,941 thousand PLN. On 11<sup>th</sup> December 2014, the Company received above mentioned premium, which as a whole has been used to repay the loan taken technology. As of 31<sup>st</sup> December 2018, the subsidy was settled in the amount of depreciation of fixed assets financed with the aforementioned grant in the amount of 1 858 thousand PLN.

On 1<sup>st</sup> December 2015 the Parent Company signed an agreement with the Regional Fund for Environmental Protection and Water Management for financing the project titled: Modernisation of the heating system in the building of social production, located in Jankowice Street. Złote Łany 52B (contract number 451/2015/60 / OA / al. / D). The grant in the amount of 13 thousand PLN received on account of the Parent Company on 23<sup>rd</sup> December 2015 was settled. To guarantee the repayment of subsidies are two blank promissory notes.

On 19<sup>th</sup> November 2015, under the Operational Program Intelligent Development 2014-2020, the Parent Company applied for a grant to the National Research and Development Center (Priority Axis: Increasing Research and Development Potential: Action: Research and Development; The

recruitment number: 1 / 4.1.4 / 2015) entitled: "Development of innovative technology for production of toothed components with hybrid nanostructured surface coatings for conveyor belts for use in extreme operating conditions" POIR.04.01.04-00- 0064/15. The project implementation period is scheduled for 01.04.2016 to 30.09.2020. The project is to be implemented in a Consortium led by Patentus S.A. , And other executives of Warsaw University of Technology, Institute of Operation Technology - National Research Institute, Nanostal Sp. From o.o. The value of the whole project amounts to 11,621 thousand PLN, of which the subsidy will amount to 8,589 thousand PLN. The share of the Parent Company in the entire project will amount to 7,652 thousand PLN, of which the subsidy of 4.992 thousand PLN. The project passed the substantive evaluation stage, was recommended for support and on 29<sup>th</sup> June 2016 the contract for co-financing of the aforementioned project was signed. As at the date of preparation of this report, the Parent Company received a subsidy of 2 394 thousand PLN. As of 31<sup>st</sup> December 2018 a subsidy was accounted in the amount of 2 394 thousand PLN.

#### 4.3.Note 3 – Investment property and capital investments

##### Investment property

The Company owns an investment property located in Pszczyna. In accordance with IAS 40, objects, that are not used for the production, provision of services or administrative purposes, but all are rented and constitute a source of rental income, have been included in the investment properties. Investment properties, along with other real estate, were purchased in 2005.

On 31<sup>st</sup> December 2015, the Parent Company reclassified the land and warehouse buildings located in Żory for lease of fixed assets investment in real estate. For valuations were used market prices determined by a qualified appraiser.

In accordance with accepted accounting principles, at the subsequent balance sheet dates, investment properties are measured at fair value. Measurement of the investment property is carried out by an independent appraiser, who holds a current professional certification. To measure the value of the investment property, appraiser relied on the data from the market.

A gain or loss arising from the change in fair value of the investment property is presented appropriately in other operating income or other operating expense.

Changes in fair value of the investment property in the reporting periods are presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Investment properties at beginning of fiscal period</b>	<b>2 684</b>	<b>2 714</b>
<b>Changes during the fiscal period, including:</b>	<b>(398)</b>	<b>(30)</b>
<i>increases due to acquisition</i>	<i>0</i>	<i>0</i>
<i>decreases and increases due to the fair value</i>	<i>(398)</i>	<i>(30)</i>
<b>Investment properties at end of fiscal period</b>	<b>2 286</b>	<b>2 684</b>

The following table summarizes the income arising from rent and estimated maintenance cost of the investment properties, which include the cost of repairs, maintenance works and local taxes charged to investment properties.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<i>Revenue arising from investment properties (rent)</i>	223	171
<i>Maintenance cost of investment properties</i>	(50)	(40)
<b>Excess of revenue over cost arising from investments in real estate</b>	<b>173</b>	<b>131</b>

Investment properties are used as collateral for liabilities arising from bank loans, which was described in Note 2 Property, plant and equipment.

### Capital investments

Investments in subsidiaries are presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Investments in subsidiaries at beginning of fiscal period</b>	<b>3 740</b>	<b>3 740</b>
<b>Changes during the fiscal period, including:</b>	<b>0</b>	<b>0</b>
<i>increases due to acquisition of shares or stocks / subscription for shares or stocks</i>	0	0
<i>impairment losses</i>	0	0
<b>Net book value of investments in subsidiaries at end of period</b>	<b>3 740</b>	<b>3 740</b>

The Company owns no shares or stocks in associates.

Investments in other units are presented in the table below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Investments in subsidiaries at beginning of fiscal period</b>	<b>2 334</b>	<b>4 196</b>
<b>Changes during the fiscal period, including:</b>	<b>(2 334)</b>	<b>(1 862)</b>
<i>increases due to acquisition of shares or stocks / subscription for shares or stocks</i>	0	0
<i>impairment losses</i>	(2334)	(1 862)
<b>Net book value of investments in subsidiaries at end of period</b>	<b>0</b>	<b>2 334</b>

On 27<sup>th</sup> May 2016, the Management Board of the subsidiary Patentus Strefa S.A. submitted to the District Court in Rzeszów XII Economic Division of the National Court Register a request for bankruptcy covering the liquidation of the Company's assets. On 20<sup>th</sup> October 2016, a bankruptcy order was issued and the Insolvency authority was appointed.

As a result, the Company made an impairment loss on Patentus Strefa S.A. The aforementioned shares refer to long-term investments and are presented in the balance sheet as long-term financial assets available for sale in net value less the revaluation write-off. As of 31<sup>st</sup> December 2016, the recoverable value of these shares amounts to 4,196 thousand PLN and corresponds to their useful value. Impairment of Patentus Strefa S.A.'s shares has worsened the Company's financial results and affected its cash flow.

During the reporting period, a provision was made for bank guarantees and sureties for Patentus Strefa S.A. in the amount of 4,723 thousand PLN. During the year, these guarantees were realized and the provision was utilized.

On 29<sup>th</sup> November 2016, the Company filed its claims against the subsidiary amounting to 5,917 thousand PLN. Additional filing took place on 16<sup>th</sup> January 2017 for 41 thousand PLN and 2<sup>nd</sup> February 2017 for 14 thousand PLN. In total, the Company reported receivables amounting to 5,971 thousand PLN, of which 4,796 thousand PLN relates to receivables from category II and 1,175 thousand PLN from category IV.

Entity of the bankruptcy Patentus Strefa S.A. in Stalowa Wola announced tender offer for the sale of real estate in perpetual usufruct of office-production-warehouse buildings and fixed assets under construction, with a starting price of 2/3 of the estimated price of 6,330 thousand PLN.

The opening and recognition of offers was to take place on 7<sup>th</sup> September 2017. The tender did not take place. The trustee announced a new offer for sale of real estate for a starting price of 50% of the estimated price in the amount of 4,747 thousand PLN. The condition for participation in the tender was to pay a 10% of the starting price (i.e. 474 thousand PLN) and the submission of a written offer.. The opening and recognition of offers was to take place on 9<sup>th</sup> November 2017 at 12:00, at a public hearing at the seat of the District Court in Rzeszów.

On 2<sup>nd</sup> July 2018, the Company received a notification from the bankruptcy receiver PATENTUS STREFA S.A. on the preparation of a plan to divide the sum obtained from the sale of goods laden. The above-mentioned plan shows that from the liquidation of receivables, the amount of 3,871 thousand PLN was obtained, of which the amount to be divided is 3,272 thousand PLN. The division plan shows that will be satisfied the Raiffeisen Bank Polska S.A. in the amount of 2,417 thousand PLN and the Industrial Development Agency in the amount of 854 thousand PLN. Within two weeks of receiving the notification, the creditors and the bankrupt may lodge allegations against the plan to divide the sum obtained from the sale of encumbered goods.

As at the date of this report, the sale of PATENTUS STREFA S.A. and the receiver's settlement of the amount received as a result of the sale took place. In accordance with the division plan, Raiffeisen Bank Polska S.A. and the Agencja Rozwoju Przemysłu were satisfied in a total amount of 3,271 thousand PLN. In connection with the above, the Company settled all previously created revaluation write-downs and settled the release from debt in relation to Raiffeisen Bank Polska SA. Since Raiffeisen Bank Poland SA disputes the amount of 545 thousand PLN paid towards repayment of the loan for PATENTUS STREFA S.A for the aforementioned amount, the Company created a revaluation write-down.

### Note 3a - Subsidiaries included in the Capital Group of PATENTUS S.A.

Business name of the entity	Registered office	Line of business	Percentage of share capital owned by the Company (in %)	Percentage of the total number of votes owned by the Company (in %)	Carrying amount of shares/stocks in thousands of PLN
Zakład Konstrukcji Spawanych Montex Ltd.	Świętochłowice	production of steel structures and equipment	82.8	82.8	3,740

The financial results of entities included in the PATENTUS SA Capital Group are presented below.

Financial data for assets and liabilities	Zakład Konstrukcji Spawanych Montex Sp.z o.o.	
	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>I. Fixed assets</b>	<b>5 859</b>	<b>5 893</b>
1. Intangible assets	20	24
2. Property, plant and equipment	5 644	5 796
3. Investment property	0	0
4. Stocks and shares in subsidiaries	0	0
5. Deferred tax assets	195	73
6. Trade and other receivables	0	0
7. Long-term receivables arising from lease agreements	0	0
<b>II. Current assets</b>	<b>1 517</b>	<b>2 208</b>
1. Inventories	555	1 325
2. Trade and other receivables	951	882
3. Short-term receivables arising from lease agreements	0	0
4. Receivables arising from current corporate income tax at end of period	0	0
5. Cash and cash equivalents	11	1
Total assets	<b>7 376</b>	<b>8 101</b>
<b>I. Equity</b>	<b>4 960</b>	<b>4 524</b>
1. Share capital	4 518	4 518
2. Supplementary capital arising from the sale of shares above their nominal value	0	0
3. Revaluation reserve	53	53
4. Retained earnings	389	(47)
<b>II. Total long-term liabilities</b>	<b>801</b>	<b>630</b>
1. Credits and loans	0	0
2. Other long-term financial liabilities	64	128
3. Other long-term non-financial liabilities	0	0
4. Provisions for non-current liabilities	20	8
5. Deferred tax liabilities	717	494
<b>III. Total short-term liabilities</b>	<b>1 615</b>	<b>2 947</b>
1. Credits and loans	631	1 054
2. Trade and other short-term financial liabilities	763	1 288
3. Other short-term non-financial liabilities	214	590
4. Liabilities arising from current income tax	0	0
5. Provisions for current liabilities	7	15
<b>Total liabilities</b>	<b>7 376</b>	<b>8 101</b>

Financial data for assets and liabilities	Name of subsidiary	
	Zakład Konstrukcji Spawanych Montex Sp.z o.o.	
	for the period from 1st January 2018 to 31st December 2018	for the period from 1st January 2017 to 31st December 2017
I. Revenue from the sale of products, services, goods and materials	7 623	5 257
II. Cost of sales	(6 033)	(3 857)
<b>III. Gross profit (loss)</b>	<b>1 590</b>	<b>1 400</b>
IV. Distribution costs	(287)	(418)
V. Administrative expenses	(720)	(676)
VI. Other operating income	15	19
VII. Other operating expense	(6)	(34)
<b>VIII. Operating profit (loss)</b>	<b>592</b>	<b>291</b>
IX. Finance income	2	1
X. Finance cost	(57)	(100)
<b>XI. Profit (loss) before tax</b>	<b>537</b>	<b>192</b>
XII. Income tax expense	(100)	(16)
<b>XIII. Net profit (loss)</b>	<b>437</b>	<b>176</b>
Weighted average number of shares (in units)	9 036	9 036
Net profit (loss) per share and diluted net profit (loss) per share (in PLN)	48,36	19,48
Total	<b>437</b>	<b>176</b>

#### 4.4.Note 4 – Trade and other receivables

The structure of long-term and short-term receivables is presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Trade and other long-term receivables by category</b>		
Trade and other receivables	0	0
Granted long-term loans	0	232
<i>Shares in other units</i>	0	0
<i>Impairment allowances for loans granted</i>	0	(94)
<b>Total net value of loans and financial receivables</b>	<b>0</b>	<b>138</b>
Receivables arising from advances transferred for the acquisition of property, plant and equipment	192	75
<i>Impairment losses</i>	0	0
<b>Total net value of long-term non-financial receivables</b>	<b>192</b>	<b>75</b>
<b>Total net value of trade and other long-term receivables</b>	<b>192</b>	<b>213</b>
<b>Trade and other short-term receivables by category</b>		
<i>Gross value of trade and other receivables from related entities</i>	9	17
Gross value of trade and other receivables from other entities	39 899	14 191
Short-term loans granted to other entities	150	1 573

Short-term loans granted to related entities	0	75
<i>Impairment allowances for loans granted</i>	<i>(100)</i>	<i>(886)</i>
<i>Impairment losses</i>	<i>(976)</i>	<i>(2 352)</i>
<b>Total net value of loans and short-term financial receivables</b>	<b>38 982</b>	<b>12 618</b>
Receivables arising from advances transferred for the acquisition of inventories	1 226	7 252
Tax receivables	553	320
Other receivables	6 798	2 247
Short-term prepayments	544	335
<i>Impairment losses</i>	<i>0</i>	<i>0</i>
<b>Total net value of short-term non-financial receivables</b>	<b>9 121</b>	<b>10 154</b>
<b>Total net value of trade and other short-term receivables</b>	<b>48 103</b>	<b>22 772</b>
<b>Total long-term and short-term trade and other receivables</b>	<b>48 295</b>	<b>22 985</b>

As of 31<sup>st</sup> December 2018, the Company demonstrates the following receivables arising from concluded loan agreements:

On 23<sup>rd</sup> September 2008 (with further amendments), the Company entered into a loan agreement with an unrelated entity AURES Sp. z o.o. (formerly KRESPOL Sp. z o.o.) in the amount of 1,800 thousand PLN. Liabilities arising from loan agreement are hedged with a registered pledge on tangible assets, that were acquired with the amount representing 70% of loan's value. Additional collateral represents a mortgage on Borrower's property, in the amount of 2,200 thousand PLN. Borrower's mortgage is already charged, and the total mortgage charge is close to the market value of the property. The loan bears an interest rate of 10% per annum. In the opinion of the Management Board, loan receivables are not at risk due to the established collateral described above. Therefore, the Management Board did not recognize any write-downs of the entitlement arising from loan agreement. On 20<sup>th</sup> December 2012, the interest rate of the loan was changed to 7% per annum and on 7<sup>th</sup> January 2015 an annex was extended to extend the repayment date of the loan as at 31<sup>st</sup> December 2016. Interest due for 2015 in the amount of 126 thousand PLN have been paid. In March 2016, an annex to the above-mentioned agreement establishing the quarterly repayment of the loan from June 2016 amounts 150 thousand PLN, with a deadline of 31<sup>st</sup> March 2019, and provided that in the case of overdue payments of the contract will be terminated and the loan repayment will take place in within 7 days from the date of termination. According to the annex, interest on the loan is to be paid at the end of each year for a given year. As at 31<sup>st</sup> December 2018, the balance due on this loan is 150 thousand PLN.

Contract of 16<sup>th</sup> March 2010 with P.W. "ROTEKS" Bożena Bujak for 150 thousand PLN with an interest rate of 8% on a yearly basis and a maturity date of 30<sup>th</sup> September 2013. With the annex dated 30<sup>th</sup> September 2015 the maturity date has been postponed to 30<sup>th</sup> September 2017. Due to the lack of repayment of the loan within the specified period on 30<sup>th</sup> December 2016, a settlement was signed - the debt is considered to be the debtor's obligation to pay the loan together with interest by 30<sup>th</sup> November 2019. As of 31<sup>st</sup> December 2018, the balance of receivables under this loan plus interest amounted to 100 thousand PLN. Due to the threat that the aforementioned loan will not be repaid, the Parent Company created an impairment allowance for the entire loan plus interest.

The agreement dated 29<sup>th</sup> August 2011, concluded with Mr. Jan Paślawski, the President of PATENTUS Strefa S.A., for the amount of 300 thousand PLN and repayable on 30<sup>th</sup> September



2021. The loan bears an interest rate of WIBOR 1M + 2%. The loan has been hedged with a mortgage on Borrower's real estate in the amount of 400 thousand PLN and a blank promissory note guaranteed by a spouse. Interest installments are payable monthly in arrears, capital installments are payable annually until the end of September of a given year (starting in 2012), each in the amount of profit bonus earned by PATENTUS Strefa S.A. As of 30<sup>th</sup> June 2016, the balance of receivables due to this loan with interest is 300 thousand PLN. In connection with the dismissal of Mr. Jan Paślawski from the position of the President of the company PATENTUS Strefa S.A. on 30<sup>th</sup> June 2016, an annex to the agreement was signed fixing the loan repayment in 24 installments of 12 thousand PLN per month starting from 31<sup>st</sup> July 2016. The deadline for returning the loan was set for 30<sup>th</sup> June 2018. In the event of a delay in repayment of principal or interest, the Company may demand immediate repayment of the entire loan. As of 31<sup>st</sup> December 2018, the loan was fully repaid with interest in the amount of 1 thousand PLN.

An agreement of 18<sup>th</sup> December 2013 (annex dated 21<sup>st</sup> April 2015) for the amount of 838 thousand PLN with a related entity of Patentus Strefa S.A with registered office in Stalowa Wola with the repayment date as of 31<sup>st</sup> March 2017. Loans bearing WIBOR 1 M + 2pp on a yearly basis. According to the schedule, the loan was to be repaid in 23 installments and interest at annual rates at the end of each year. As of 31<sup>st</sup> December 2016, the balance of the aforementioned loan (with interest) amounts to 886 thousand PLN. Since Patentus Strefa S.A has declared bankruptcy and there is little chance of recovering the aforementioned amount, the Company has created a write-off for the whole loan with interest.

Agreement dated 31<sup>st</sup> May 2016 for the amount of 70 thousand PLN with an entity affiliated with the Zakład Konstrukcji Spawanych Montex sp. z o.o with registered office in Świętochłowice with the repayment date as of 30<sup>th</sup> September 2016. Interest on the loan is WIBOR 1 M + 2.5 pp on an annualized basis. Interest is to be paid on a one-off basis with repayment of principal. As of 29<sup>th</sup> December 2017, the loan repayment date has been postponed to 30<sup>th</sup> June 2018. As of 31<sup>st</sup> December 2018, the loan was fully repaid with interest in the amount of 6 thousand PLN.

Trade receivables are non-interest bearing and are normally paid within 14 to 90 days. The fair value of receivables is not significantly different from their book value reported in the balance sheet.

The age structure of trade receivables is presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Current trade receivables</b>	<b>17 693</b>	<b>9 015</b>
<b>Overdue trade receivables, including:</b>	<b>22 115</b>	<b>5 193</b>
up to 30 days	10 312	1 177
between 31 and 60 days	6 404	1 690
between 61 and 90 days	1 724	89
between 91 and 180 days	2 162	(75)
between 181 and 365 days	311	183
more than 365 days	1 202	2 129
<b>Total gross value of trade receivables</b>	<b>39 808</b>	<b>14 208</b>
Write-downs of the entitlements at beginning of period	(2 352)	(2 458)
Recognition of write-downs of the entitlements in the period+	(7)	(537)

Reversal of impairment losses in the period as a result of the redemption of receivables	485	87
Reversal of impairment losses in the period as a result of payment	898	556
<b>Write-downs of the entitlements at end of period</b>	<b>(976)</b>	<b>(2 352)</b>
<b>Total net value of trade receivables</b>	<b>38 832</b>	<b>11 856</b>

Impairment losses cover receivables from debtors in liquidation or bankruptcy, receivables which are disputed, and in other cases where the assessment of economic and financial situation of the entity indicates, that the repayment of debts in the near future is unlikely. Receivables claimed at court and receivables overdue for more than 365 days are covered with 100% impairment loss.

For overdue receivables over 365 days are not coming from debtors in liquidation or bankruptcy and systematically repaid by the debtors, the Company has not recognized impairment losses considering that the repayment of these debts is not compromised and due to the fact that the Company has entered into agreements with contractors on the installment payment.

In the reporting period, the Company charged interest on capital and transaction arrears of counterparties such as Jastrzębskie Zakłady Remontowe, Spółka Restrukturyzacji Kopalń, Polska Grupa Górnicza and Jastrzębska Spółka Węglowa for a total amount of 2,386 thousand PLN. Some of these interest was questioned by contractors, which is why the Company went on the court path. The Company created a write-down in the amount of 25% of the principal amount, i.e. 409 thousand PLN for the disputed portion of interest. In 2018, in connection with court proceedings, the disputed interest in the amount of PLN 865 thousand was considered undue and derecognized from revenue. The revaluation write-down was corrected. As at 31<sup>st</sup> December 2018, interest in the amount of 1,155 thousand PLN was paid. The remaining amount to be repaid is 366 thousand PLN.

The currency structure of receivables is presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Total net value of trade receivables, including:</b>	<b>38 832</b>	<b>11 856</b>
Net value of trade receivables denominated in Polish currency	38 802	11 856
Net value of trade receivables denominated in foreign currency	30	0

The company has a lease agreement with Polska Grupa Górnicza sp. z o.o. in Katowice where the Company acts as a lessor. The subject matter of the contract is financial leasing together with the delivery of two wall scraper conveyors for the needs of KWK Piast-Ziemowit Ruch Ziemowit produced by the Company. The value of the contract was set at a gross amount of 24,891 thousand PLN. The aforementioned amount consists of a capital installment of 18,506 thousand PLN, interest in the amount of 1 731 thousand PLN and VAT in the amount of 4,654 thousand PLN. The contract is concluded for a period of three years. Payment has been divided into 36 monthly installments according to the payment schedule. As at the date of this report, both conveyors were produced and transferred for use to the mine.

On 30<sup>th</sup> April 2018 another undercut scraper was delivered in accordance with the third lease agreement signed on 6<sup>th</sup> November 6 2017 with Polska Grupa Górnicza sp. z o.o. in Katowice, the recipient of which was KWK Bolesław Śmiały. The value of the contract was determined for a gross amount of 5,390 thousand PLN. The aforementioned amount consists of a capital

installment of 3,917 thousand PLN, interest in the amount of 462 thousand PLN and VAT in the amount of PLN 1 011 thousand PLN. The contract is concluded for a period of three years. Payment has been divided into 36 monthly installments according to the payment schedule.

The balance of receivables under the aforementioned leasing agreements as at 31<sup>st</sup> December 2018 amounts to 7,645 thousand PLN.

Relevant information on lease receivables is presented in the tables below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Present value of receivables arising from finance lease at beginning of period</b>	<b>14 381</b>	<b>0</b>
Increases due to new finance lease agreements (+)	3 918	18 506
Repayment of finance lease installments (principal installments) for the period (-)	(7 498)	(4 125)
<b>Present value of receivables arising from finance lease at end of period, including:</b>	<b>10 801</b>	<b>14 381</b>
Short-term receivables arising from lease agreements	7 677	7 118
Long-term receivables arising from lease agreements	3 124	7 263
<b>Additional information:</b>		
<b>Future finance income arising from interest on lease agreements at beginning of period</b>	<b>985</b>	<b>0</b>
Increases of future finance income due to new finance lease agreements (+)	461	1 797
Repayment of finance lease installments (finance income arising from interest) for the period (-)	(854)	(812)
Adjustments to settlement of interest in the period resulting from fluctuations of interest rates (-)	0	0
<b>Future finance income arising from interest on lease agreements at end of period, including:</b>	<b>592</b>	<b>985</b>
<i>Contingent lease payments recognized in profit and loss statement for given period</i>	<i>0</i>	<i>0</i>

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>The nominal value of minimum finance lease payments due in the period:</b>	<b>11 393</b>	<b>15 366</b>
up to 1 year	8 077	7 118
between 1 and 5 years	3 316	8 248
more than 5 years	0	0
<b>Future finance income arising from interest on lease agreements (-)</b>	<b>(592)</b>	<b>(985)</b>
<b>Present value of future receivables arising from finance lease disclosed in assets, due in the period:</b>	<b>10 801</b>	<b>14 381</b>
up to 1 year	7 677	7 118
between 1 and 5 years	3 124	7 263
more than 5 years	0	0
<b>Additional information:</b>		
Unguaranteed residual values attributable to lessor	0	0

#### 4.5.Note 5 – Inventories

Structure of inventories is presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Gross value of inventories, including:</b>	<b>25 590</b>	<b>23 644</b>
Materials	17 489	8 776
Semi-finished products and work in progress	5 613	12 705
Finished products	980	996
Goods	1 508	1 167
<b>Write-downs of inventories, including:</b>	<b>51</b>	<b>15</b>
<i>Materials</i>	<i>13</i>	<i>9</i>
<i>Goods</i>	<i>2</i>	<i>(10)</i>
<i>Semi-finished products and work in progress</i>	<i>41</i>	<i>18</i>
<i>Finished products</i>	<i>(5)</i>	<i>(2)</i>
<b>Value of inventories disclosed in the balance sheet, including:</b>	<b>25 641</b>	<b>23 659</b>
Materials	17 502	8 785
Semi-finished products and work in progress	5 654	12 723
Finished products	975	994
Goods	1 510	1 157
<b>Additional information:</b>		
<i>Value of basic materials recognized as expense in the period</i>	<i>54 773</i>	<i>21 021</i>

Inventory measurement methods are consistent with applied accounting principles described in Section 2.11. Write-downs of materials are recognized as other operating expense in the period and write-downs of finished goods increase the distribution cost in the period.

The calculated differently % deduction for commercial goods on the warehouse packaging and warehouse welding due to the variety of articles and averaged decided to take one factor due to the long-term fate and partial loss of the market value of overdue items. In the case of semi-finished products, finished products, materials and commercial goods wholesalers Steel decided to adopt a factor of impairment in the amount of 5%, due to the fact that these are articles that despite the long period of keeping them in a store does not lose its value and there is no risk that the Company does not receive the purchase price for these components in the time of sale. Since these are articles of steel are not liable to deteriorate or damaged. Even in the case of slight rust coverage and purification they are still a full blown article that may be sold or may be used in the production. In addition, it issues for its products certificates and quality and provides its customers with quality guarantees which also testifies to the fact that articles which are made of our products are wholesome. In addition, the Company must maintain certain reserve inventory due to long-term contracts and the need to deliver spare parts to components manufactured by the Company.

Inventories are pledged as collateral of multi-agreements number 889/2015/0000771/00 concluded between the Parent Company and ING Bank Śląski located in Katowice (with credit limit in the amount of 6 306 thousand PLN) to amount of 10 000 thousand PLN.

The company buy supplies from different suppliers. Some suppliers of materials and foods protects its claims to sell stocks. In accordance with the relevant an notations on invoices, sold stocks remain the property of the supplier until the settlement of obligations by the Company.

The analysis of unused production capacity has shown that the production capacity in 2011-2016 is at a similar level in terms of actually worked time. In 2018, there was a significant increase in sales revenues by 58% and profit from sales of 71% in relation to 2017, which resulted in a significant decrease in the value of unused production capacity. In 2018, unused production capacity is at the level of 3%.

#### 4.6.Note 6 – Cash and cash equivalents

Cash and cash equivalents are presented the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Cash and cash equivalents, including:</b>	<b>9 824</b>	<b>1 660</b>
Cash in hand and cash at bank	268	1 141
Short-term deposits	9 556	519
Other cash equivalents	0	0
<b>Additional information:</b>		
<i>Cash in foreign currency (converted into PLN)</i>	<i>41</i>	<i>43</i>
<i>Cash of limited disposability</i>	<i>0</i>	<i>0</i>

Short-term deposits are deposited for different periods, ranging from one day to three months, depending on the current needs of the Company for cash. Interest on deposits is floating.

The fair value of cash and cash equivalents is equal to their carrying amount. Components of cash and cash equivalents in the cash flow statement and balance sheet are equal.

The effects of measurement of cash in foreign currency are presented in the table below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Exchange differences relating to the measurement of cash balance held on bank accounts denominated in Euro at end of period. Foreign exchange gains (increase of cash balance) are shown with sign (+), whereas foreign exchange losses with sign (-)	0	0

#### 4.7.Note 7 – Equity

##### Share capital

Detailed information on share capital and the issuance of shares as for 31<sup>st</sup> December 2018 is shown in the following table:

<b>As for 31<sup>st</sup> December 2018</b>							
<b>Series</b>	<b>Number of shares (in units)</b>	<b>Nominal value in PLN</b>	<b>Date of registration in the National Court Register</b>	<b>The right to dividends</b>	<b>Manner of settlement</b>	<b>Type of shares</b>	<b>Number of votes</b>
A	5,000,000	2,000,000	3 <sup>rd</sup> June 1997	Lack of specific provisions	Cash	preferred registered shares; 2 votes at the AGM	10,000,000
B	7,500,000	3,000,000	9 <sup>th</sup> June 2004	starting from 1 <sup>st</sup> January 2005	Cash	preferred registered shares; 2 votes at the AGM	15,000,000
C	5,625,000	2,250,000	14 <sup>th</sup> November 2007	starting from the distribution of profit for the year 2007	Settlement of claims	preferred registered shares; 2 votes at the AGM	11,250,000
D	5,250,000	2,100,000	14 <sup>th</sup> November 2007	starting from the distribution of profit for the year 2007	Settlement of claims	Ordinary bearer shares	5,250,000
E	3,125,000	1,250,000	25 <sup>th</sup> March 2008	starting from the distribution of profit for the year 2007	Cash	Ordinary bearer shares	3,125,000
F	3,000,000	1,200,000	29 <sup>th</sup> October 2009	starting from the distribution of profit for the year 2008	Cash	Ordinary bearer shares	3,000,000
<b>Total</b>	<b>29,500,000</b>	<b>11,800,000</b>					<b>47,625,000</b>

As for 31<sup>st</sup> December 2018, the nominal value of one share of Series A, B, C, E and F equals 0.40 PLN (40 groszy).

Registered shares of Series A are preferred shares as to voting rights in a way that each share is worth 2 (two) votes at the General Meetings.

Registered shares of Series B are preferred shares as to voting rights in a way that each share is worth 2 (two) votes at the General Meetings.

Registered shares of Series C are preferred shares as to voting rights in a way that each share is worth 2 (two) votes at the General Meetings.

All shares of Series D, E and F are ordinary bearer shares, admitted to trading on the main market of Warsaw Stock Exchange.

#### **Admission to trading shares of series D, E and F**

On 18<sup>th</sup> September 2009, Polish Financial Supervision Authority approved Company's issue prospectus.

On 29<sup>th</sup> October 2009, new share issue of series F (public issue) has been registered in the National Court Register. After registration, share capital of the Company amounts to 11,800,000 PLN and is divided into 29,500,000 shares, each with a nominal value of 0.40 PLN.

On 3<sup>rd</sup> November 2009, the Management Board of Warsaw Stock Exchange adopted a resolution to admit ordinary bearer shares of series D, E and F of PATENTUS S.A. to trading on the main market of WSE. In accordance with the resolution No 632/2009 dated 4<sup>th</sup> November 2009 of the Management Board of Warsaw Stock Exchange, on 9<sup>th</sup> November 2009, ordinary bearer shares of series D, E and F were introduced - in normal mode - to trading on the main market. Shares are traded in the continuous trading system under the abbreviated name "PATENTUS" and shortcut "PAT". ISIN code: PLPTNTS00019.

Company's shareholder structure at end of reporting periods according to the best knowledge of the issuer:

Shareholders	As for 31 <sup>st</sup> December 2018				As for 31 <sup>st</sup> December 2017			
	Number of shares	Percentage of share capital	Number of votes	Percentage of the total number of votes	Number of shares	Percentage of share capital	Number of votes	Percentage of the total number of votes
Małgorzata Duda nee Wąs	7 804 675	26,46%	13 846 350	29,07%	7 804 675	26,46%	13 846 350	29,07%
Józef Duda	4 325 175	14,66%	7 679 350	16,12%	4 325 175	14,66%	7 679 350	16,12%
Małgorzata Duda nee Wiktor	3 619 300	12,27%	6 306 800	13,24%	3 619 300	12,27%	6 306 800	13,24%
Urszula Gotz	4 829 150	16,37%	8 183 300	17,18%	4 829 150	16,37%	8 183 300	17,18%
Henryk Gotz	2 962 500	10,04%	5 650 000	11,86%	2 962 500	10,04%	5 650 000	11,86%
Other natural persons and legal entities	5 959 200	20,20%	5 959 200	12,53%	5 959 200	20,20%	5 959 200	12,53%
Total	29 500 000	100,00%	47 625 000	100,00%	29 500 000	100,00%	47 625 000	100,00%

### Supplementary capital arising from the sale of shares above their nominal value

According to Article 396 § 2 of the Commercial Companies Code, this item presents a surplus arising from the sale of shares above their nominal value less costs associated with the increase of share capital.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Supplementary capital arising from the sale of shares above their nominal value at beginning of period</b>	<b>6 448</b>	<b>6 448</b>
<b>Changes in supplementary capital arising from the sale of shares above their nominal value during the year, including:</b>	<b>0</b>	<b>0</b>
Gross surplus arising from the sale of shares of Series "E" above their nominal value	0	0
Costs associated with the increase of share capital	0	0

<b>Supplementary capital arising from the sale of shares above their nominal value at end of period</b>	<b>6 448</b>	<b>6 448</b>
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### Revaluation reserve

Detailed information about the source of the revaluation reserve is shown in the following table:

<b>Specification (in thousands of PLN)</b>	<b>End of period 31<sup>st</sup> December 2018</b>	<b>End of period 31<sup>st</sup> December 2017</b>
<b>Revaluation reserve at beginning of period</b>	<b>7 840</b>	<b>7 825</b>
<b>Changes in revaluation reserve during the year, including:</b>	<b>93</b>	<b>15</b>
Effects of revaluation of property, plant and equipment to fair value	(39)	(108)
Deferred tax liability charged to equity	132	123
<b>Revaluation reserve at end of period</b>	<b>7 933</b>	<b>7 840</b>

Capital from revaluation of property, plant and equipment (land and the right of perpetual usufruct of land) to fair value is recognized after its reduction by deferred tax liabilities.

### Retained earnings

Retained earnings, include:

- Undistributed profit or accumulated losses from past years;
- Statutory supplementary capital - created out of profit according to the requirements of the Article 396 § 1 of the Commercial Companies Code;
- Supplementary capital created in accordance with the Articles of Association - created out of profit in accordance with Company's Articles of Association;
- Net profit (loss) for the current period.

On 24<sup>th</sup> May 2018, the Ordinary General Meeting of Shareholders of PATENTUS S.A. According to Resolution No. 5, the annual financial statements for 2017 were approved. The shareholders also adopted resolution No. 7 to allocate the entire net profit for 2017 in the amount of 1 697 thousand PLN for supplementary capital created voluntarily, which as of 31<sup>st</sup> December 2017 amounted to 51 197 thousand PLN and is presented in the balance sheet in the position of retained profits.

According to the Act of 16<sup>th</sup> September 2011 on the reduction of certain obligations of citizens and entrepreneurs (Journal of Laws No. 232, item 1378), the obligation to publish financial statements was removed in the Official Journal of the Republic of Poland "Monitor Polski B". As of 1<sup>st</sup> January 2013 information about the entry in the National Court Register on the submission of the report is automatically published in "Monitor Sądowy i Gospodarczy".

Changes in the item of retained earnings, which also include the effects of conversion of financial statements to IFRS, are presented in the following table:



Specification (in thousands of PLN)	Statutory supplementary capital - created out of profit according to the requirements of the Article 396 § 1 of the Commercial Companies Code	Supplementary capital created in accordance with the Articles of Association - created out of profit in accordance with the Articles of Association	Profit (loss) for the current period recognized in financial statement prepared in accordance with IAS / IFRS	Total retained earnings
Data as for 1 <sup>st</sup> January 2018	3 933	51 197	4 156	59 286
Distribution of financial results disclosed in financial statement prepared in accordance with IAS / IFRS	0	1 697	(1 697)	0
Profit (loss) for the current period recognized in financial statement prepared in accordance with IAS / IFRS	0	0	8 203	8 203
Data as for 31 <sup>st</sup> December 2018	3 933	52 894	10 662	67 489
Data as for 1 <sup>st</sup> January 2017	3 933	66 863	(13 207)	57 589
Distribution of financial results disclosed in financial statement prepared in accordance with IAS / IFRS	0	(15 666)	15 666	0
Profit (loss) for the current period recognized in financial statement prepared in accordance with IAS / IFRS	0	0	1 697	1 697
Data as for 31 <sup>st</sup> December 2017	3 933	51 197	4 156	59 286

#### 4.8.Note 8 – Credits and loans

Liabilities arising from credits are presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Long-term bank loans	11 563	7 071
Short-term bank loans	24 230	22 438
<b>Total liabilities arising from credits and loans, due in the period:</b>	<b>35 793</b>	<b>29 509</b>
up to 1 year	24 230	22 438
between 1 and 3 years	4 998	3 188
between 3 and 5 years	6 565	3 883

In 2018, in the amount of short-term loans of 12 751 thousand PLN represent overdrafts that are repayable current influences on bank accounts. In 2017, it amounted to 13 425 thousand PLN.

The currency structure of credits granted to the Company is presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Bank loans denominated in PLN	35 793	29 509
Bank loans denominated in EUR (converted into PLN)	0	0
<b>Total credits at end of period</b>	<b>35 793</b>	<b>29 509</b>

Effects of measurement of the balance of liabilities arising from credits at the average exchange rate of National Bank of Poland prevailing on the last day of the fiscal year, are presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Exchange differences relating to the measurement of the balance of liabilities arising from bank loans denominated in EUR at end of period. Negative exchange differences (cause an increase in the balance of liabilities) are recognized with a sign (+); positive exchange differences with (-)	112	0

The average interests on credits and loans granted to the Company are presented in the table below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Average interest rate – bank loans denominated in PLN	7,35%	7,58%
Average interest rate – bank loans denominated in EUR	4,68%	-0,14%

### Applications for funding from the EU funds.

Agreement No. 451/2015/60 / OA / al. / D with the Provincial Fund for Environmental Protection and Water Management to co-finance the task under the name: "Modernization of the heating system in a production and social building located in Jankowice, ul. Złote Łany 52B "- detailed in note 2.

Contract for co-financing the project entitled "Development of innovative, based on foundry methods of technology of manufacturing gear wheels with nanocrystalline structure", PBS3 / B5 / 45/2015 - detailed in note 12.

On 5<sup>th</sup> January 2018 as part of the Intelligent Development Operational Program 2014-2020, the Company submitted to the National Center for Research and Development a project financing application (Priority axis: Increasing the research and development potential; number 1 / 4.1.4 / 2017) under the title: "Development of innovative scraper conveyors with increased starting susceptibility and operational durability" no. POIR.04.01.04-00-0081/17. The project implementation period is scheduled from 2<sup>nd</sup> July 2018 to 1<sup>st</sup> July 2021. The project is to be implemented in a Consortium whose leader is Patentus S.A., and other performers of the Silesian University of Technology and Fabryka Elementów Napędowych "FENA" Sp. z o.o. . The value of the entire project is 5,760 thousand PLN, of which 3,923 thousand PLN will be subsidized. The company's share in the entire project will amount to 3,982 thousand PLN, of which the subsidy is 2,351 thousand PLN. As at the date of this report, the project is at the stage of signing the contract for co-financing.

### Loan commitments

They do not occur.

### Loans and Credits

Specification of credits and loans and essential terms of credit agreements is presented in the tables below:

Bank's margin on credits ranges from 0,85 to 2,60 percentage points.

## Credits as for 31<sup>st</sup> December 2018

No	Entity / Person	Date of conclusion of the contract / annex	Form of commitment / contract number	Amount of the credit according to the contract		Amount of the credit constituting a commitment at end of period 31 <sup>st</sup> December 2018, in thousands of PLN		Interest rate conditions	Repayment period	Notes	Collateral
				in thousands	currency	short-term	long-term				
1	Raiffeisen Bank Polska S.A.	18 <sup>th</sup> November 2011 with subsequent amendments	Debt-limit agreement No CRD/L/36366/11 bank overdraft	Limit: 142 PLN		0	0	WIBOR 1M + bank's margin	31 <sup>st</sup> November 2019		The cash deposit made at the Bank in the amount of 142 PLN
2	Raiffeisen Bank Polska S.A.	28 <sup>th</sup> September 2011	Framework agreement for corporate clients - current account and time deposits	0	EUR	0	0	Indefinitely			
3	Deutsche Bank PBC S.A.	2 <sup>nd</sup> October 2012 with subsequent amendments***	Investment credit No KIN/1219501**	7 592	PLN	713	4 322	WIBOR 1M + bank's margin	30 <sup>th</sup> September 2027		<b>a)</b> irrevocable power of attorney to dispose Company's all current accounts held at the Bank <b>b)</b> blank promissory note <b>c)</b> mortgage on the developed land owned by the Company located in Jankowice, covered by Land Register No KA1P/00039796/5 to the amount of 11 387 589 PLN (in favor of the bank) <b>d)</b> assignment of rights arising from the insurance contract in favor of the bank <b>e)</b> total irrevocable lock of auxiliary Company's accounts <b>f)</b> confirmed transfer current and future receivables for the Bank of PARP; <b>g)</b> a statement of submission to enforcement
4	Deutsche Bank PBC S.A.	17 <sup>th</sup> December 2012 with subsequent amendments***	Investment credit No KIN/1228558	1 700	PLN	194	516	WIBOR 1M + bank's margin	2 <sup>nd</sup> January 2023		<b>a)</b> irrevocable power of attorney to dispose Company's all current accounts held at the Bank <b>b)</b> blank promissory note <b>c)</b> mortgage on the developed land owned by the Company located in Jankowice, covered by Land Register No KA1P/00077485/0 to the amount of 2 550 000 PLN (in favor of the bank) <b>d)</b> assignment of rights arising from the insurance contract in favor of the bank <b>e)</b> borrower's declaration of submission to enforcement
5	ING Bank Śląski S.A.	22 <sup>th</sup> April 2015 with subsequent amendments	Multiproduct agreement 889/2015/0000771/00	Limit: 6 306 PLN		5 164	0		29 <sup>th</sup> November 2018		<b>a)</b> the repayment security is the establishment of a mortgage to the amount of 10 500 000.00 PLN on enjoyed by ZKS MONTEX Sp. z o.o. the real property situated in Świętochłowice Street. Wojska Polskiego 68C; <b>b)</b> assignment of rights from the insurance policy subject of the pledge - contractual mortgage in the field of fire and other perils; <b>c)</b> lien on inventories of materials, finished products, semi-finished products and goods at a minimum of 12 000 000.00 PLN <b>d)</b> assignment of rights from the insurance policy of the collateral <b>e)</b> statement of voluntary execution <b>f)</b> blank promissory note

6	Fundusz Górnośląski	20 <sup>th</sup> March 2014 with subsequent amendments	Loan agreement No SFP/P/71/03/2014	584	PLN	33	0	Fixed percentage	20 <sup>th</sup> March 2019		blank promissory note, b) mortgage on the purchased under the project, c) assignment of the rights of the insurance policy, d) power of attorney to bank account
7	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	1 <sup>st</sup> December 2015	Loan agreement No 307/2015/60/OA/al./P	126	PLN	0	0	rediscount rate	15 <sup>th</sup> June 2020		a) the agreement on transfer of receivables from term deposits in the amount of 128 thousand. PLN and future receivables in the amount of 128 thousand. PLN resulting from term deposit accounts opened for subsequent periods with the adoption by the bank to the implementation and made transfers of receivables, b) 2 blank promissory
8	Deutsche Bank Polska S.A.	26 <sup>th</sup> August 2016 with subsequent amendments***	Loan agreement No KON/1619068**	1 000	PLN	244	0	WIBOR 1M + bank's margin	31 <sup>st</sup> July 2019		a) a power of attorney irrevocable to dispose of by the Bank with all current accounts of the Borrower maintained by the Bank; b) blank promissory note; c) mortgage to the bank up to 11,387,589 PLN established on the ownership of real estate located in Jankowice (KW No. KA1P / 00039796/5); d) assignment of rights to the Bank from the insurance policy; e) a registered pledge of 820 thousand PLN on a set of machinery and equipment located under addresses Pszczyna Górnośląska street 11 and Jankowice Złote Łany street 52B
9	Raiffeisen Bank Polska S.A.	23 <sup>rd</sup> December 2016 with subsequent amendments	Loan Repayment Agreement (CRD / 35678/11, CRD / 45141/15, CRD / 35677/11)	2 334	PLN	0	0	WIBOR 1M + bank's margin	30 <sup>th</sup> November 2018 was shown in the statement in connection with the bank's failure to release the collateral		a) a power of attorney irrevocable to dispose of by the Bank with all current accounts of the Borrower maintained by the Bank; b) blank promissory note; c) mortgage to the bank up to 11,387,589 PLN established on the ownership of real estate located in Jankowice (KW No. KA1P / 00039796/5); d) assignment of rights to the Bank from the insurance policy; e) a registered pledge of 820 thousand PLN on a set of machinery and equipment located under addresses Pszczyna Górnośląska street 11 and Jankowice Złote Łany street 52B
10	Alor Leasing Sp.z o. o.	20 <sup>th</sup> February 2018	Loan agreement No. 133258/18/3	922	EUR	646	2 670	EURIBOR 3M	20 <sup>th</sup> January 2015		a) registered pledge on metal machine machine tool-machining center OKUMA VTM-1200YB, b) assignment of insurance policy rights, c) blank promissory note without retention, d) other collateral than listed
11	Getin Noble Bank S.A.	9 <sup>th</sup> August 2018	Credit agreement No. 129595/KO/2018	12 000	PLN	8 062	1500	WIBOR 3M + bank's margin	10 <sup>th</sup> February 2020		a) power of attorney to dispose of funds on the account maintained by Getin Noble Bank SA, b) blank promissory note, c) registered pledge on fixed assets with the assignment of the insurance policy, d) contractual mortgage in the amount of 20,400,000. PLN on land property located in Jankowice for which the District Court in Pszczyna, V Land and Mortgage Register keeps a land and mortgage register no. KA1P / 00044542/8 with the assignment of an insurance policy, e) assignment of receivables from a leasing contract for two conveyors for KWK Piast Ziemowit Ziemowit Ruch, f) assignment of receivables from the contract for the supply of two conveyors for KWK Murcki Staszic

PATENTUS S.A. headquartered in Pszczyna, street Górnośląska 11  
Annual Individual Financial Statement prepared in accordance with IFRS as adopted by the European Union  
for the period 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018  
(amounts in tables are in thousands of PLN, unless stated otherwise)

12	Towarzystaw o Inwestycji Społeczno- Ekonomiczny ch S.A. Warszawa	12 <sup>th</sup> October 2018	Loan agreement No. 42178	1 000	PLN	170	806	fixed percentage rate	17 <sup>th</sup> October 2025		a) blank promissory note, b) contractual mortgage in the amount of 1 200 thousand PLN on perpetual usufruct of land covered by plot No. 2648/128 with the area of 0.1105 ha and on the building constituting a separate property for which the District Court in Pszczyna, V Land and Mortgage Register Division keeps the land and mortgage register KA1P / 00038751/1, c) assignment of rights under the insurance policy for the aforementioned property not less than 950 thousand. PLN, d) transfer of the security of the UNION CWS 2500 table milling machine and the HELLER MC 16 machining center with a value not smaller than 750 thousand PLN, e) assignment of rights under the insurance policy of the transferred property, plant and equipment
13	Getin Noble Bank S.A.	21 <sup>th</sup> November 2018	Credit agreement No. 130795 / MF / 2018 for overdraft	9 000	PLN	7 597	0	WIBOR 1M + bank's margin	20 <sup>th</sup> November 2019		a) blank promissory note, b) contractual mortgage in the amount of 17,000 thousand PLN on the property covered by KW KA1P / 00022605/8 kept by the District Court in Pszczyna, V Division of Land and Mortgage Registers, along with the assignment of the insurance policy for the amount not lower than 6,300. PLN, which also constitutes the collateral of the Loan Agreement No. 445 / LG / 2018 of the Bank Guarantee Line of 21 <sup>st</sup> November 2018, c) the power of attorney to dispose of funds by the Bank on the current account of the borrower
14	Getin Noble Bank S.A.	21 <sup>th</sup> November 2018	Agreement of the guarantee bank line no. 445 / LG / 2018	Limit: 1 000 PLN		0	0	x	20 <sup>th</sup> November 2019		As above
15	Kuke Finanse S.A.	1 <sup>st</sup> March2018	Debt management agreement No. 0110/2018	Limit: 4 000 000 PLN		1 407	1 749	WIBOR 1M + bank's margin	30 <sup>th</sup> April 2021		a) blank promissory note with a promissory note declaration, b) power of attorney to the bank account maintained by Raiffeisen Bank Polska SA, c) declaration on submission to enforcement d) registered pledge on the machine which is the subject of the contract
Total liabilities arising from credits as for 31 <sup>st</sup> December 2018						24 230	11 563				

35 793

\* In the contract the limit is 7 000 thousand PLN, of which 1,000 thousand PLN is for Montex

\*\*one mortgage to the contract KON/1619068 and KIN/1219501 amounted of 11 388 thousand PLN

\*\*\* The value of the assignment from the policy rights one to the contract KON/1619068 and KIN/1219501, KIN/1228558 amounted of 9 284 thousand PLN

16	PEKAO Leasing Sp. z o.o.	22 <sup>nd</sup> December 2015	Umowa leasingu finansowego nr 50/0130/15	1 400	PLN	254	277	WIBOR 1M	12 <sup>th</sup> January 2021		a) blank promissory note
17	Coface Poland Factoring Sp. z o.o.	31 <sup>st</sup> August 2017	Factoring agreement 1638/2017	Limit: 5 000 PLN		0	0	WIBOR 1M	indefinite time		a)blank promissory note with a promissory note declaration,
18	Kuke Finanse S.A.	29 <sup>th</sup> November 2017 ****	Factoring agreement No. 0096/2017 ****	Limit: 32 000 PLN ****		26 000	0	WIBOR 1M	indefinite time		a) blank promissory note with a promissory note declaration, b) power of attorney to the bank account maintained by Raiffeisen Bank Polska S.A, c) statement on submission to enforcement, d) global assignment of rights under the insurance policy number RW / OP / 1400013949/2018
Total liabilities arising from credits and leasing as for 31 <sup>st</sup> December 2018						50 484	11 840				

62 324

\*\*\*\* the contract limit is 14,000 PLN. On 24<sup>th</sup> July 2018 a revolving policy agreement number RW / OP / 14/00013949/2018 to the aforementioned agreement with an additional limit of 5,000 PLN until 31<sup>st</sup> December 2018 and 8,000 PLN for an indefinite period was concluded.

## Credits as for 31<sup>st</sup> December 2017

No	Entity / Person	Date of conclusion of the contract / annex	Form of commitment / contract number	Amount of the credit according to the contract		Amount of the credit constituting a commitment at end of period 31 <sup>st</sup> December 2017, in thousands of PLN		Interest rate conditions	Repayment period	Notes	Collateral
				in thousands	currency	short-term	long-term				
1	Raiffeisen Bank Polska S.A.	18 <sup>th</sup> November 2011 with subsequent amendments	Debt-limit agreement No CRD/L/36366/11 bank overdraft	Limit: 8.785 PLN		8 212	0	WIBOR 1M + bank's margin	2 <sup>nd</sup> January 2018		a) power of attorney to dispose Company's current account b) capped mortgage on real estate located in Pszczyna, Street Górnośląska 11, Land Registration No 22605 KW c) power of attorney to dispose Company's current account d) capped mortgage on real estate located in Pszczyna, Street Górnośląska 11, Land Registration No 22605 KW e) assignment of claims from the insurance contract f) mortgage to 9 000 thousand PLN on real estate located in Stalowa Wola at ul. Kwiatkowski, being in perpetual usufruct of PATENTUS STREFA SA for which the District Court conducts a perpetual book KW No. TB1S / 00058985/9 together the assignment of the insurance policy (this has also secured mortgages are loans CRD835677 / 11; CRD / 35678/11 AND CRD / 45141/15 granted PATENTUS STREFA SA) g) mortgage to the amount of 15 450 thousand. PLN on real estate located in Jankowice Street. Złote Lany, being in perpetual usufruct of PATENTUS SA for which the District Court conducts a perpetual book KW No. KA1P / 00037544/0 and a book register KW number KA1P / 00040317/4 along with the assignment of the policy h) mortgage to the amount of 15 450 thousand PLN on property located in Pszczyna Street. Górnośląska, which is in perpetual usufruct of PATENTUS SA for which the District Court conducts a perpetual book KW No. KA1P / 00040503/5 i) pledge regis trenches on a set of machines and equipment to the highest sum 15 450 thousand PLN j) a statement on submission to enforcement up to 15,450 thousand PLN
				Limit: 8.502 PLN					30 <sup>th</sup> November 2018		
				Limit: 283 PLN					31 <sup>st</sup> December 2019		
2	Raiffeisen Bank Polska S.A.	18 <sup>th</sup> November 2011 with subsequent amendments	Debt-limit agreement No CRD/L/36366/11 revolving credit denominated in EUR	Limit: 2 000 PLN		0			31 <sup>st</sup> December 2019		as above
3	Raiffeisen Bank Polska S.A.	28 <sup>th</sup> September 2011	Framework agreement for corporate clients - current account and time deposits	0	EUR	0	0	Indefinitely			
4	Deutsche Bank PBC S.A.	2 <sup>nd</sup> October 2012 with subsequent amendments***	Investment credit No KIN/1219501**	7 592	PLN	759	4 900	WIBOR 1M + bank's margin	30 <sup>th</sup> September 2027		<b>a)</b> irrevocable power of attorney to dispose Company's all current accounts held at the Bank <b>b)</b> blank promissory note <b>c)</b> mortgage on the developed land owned by the Company located in Jankowice, covered by Land Register No KA1P/00039796/5 to the amount of 11 387 589 PLN (in favor of the bank) <b>d)</b> assignment of rights arising from the insurance contract in favor of the bank <b>e)</b> total irrevocable lock of



											auxiliary Company's accounts f) confirmed transfer current and future receivables for the Bank of PARP; g) a statement of submission to enforcement
5	Deutsche Bank PBC S.A.	17 <sup>th</sup> December 2012 with subsequent amendments***	Investment credit No KIN/1228558	1 700	PLN	214	687	WIBOR 1M + bank's margin	2 <sup>nd</sup> January 2023		<b>a)</b> irrevocable power of attorney to dispose Company's all current accounts held at the Bank <b>b)</b> blank promissory note <b>c)</b> mortgage on the developed land owned by the Company located in Jankowice, covered by Land Register No KA1P/00077485/0 to the amount of 2 550 000 PLN (in favor of the bank) <b>d)</b> assignment of rights arising from the insurance contract in favor of the bank <b>e)</b> borrower's declaration of submission to enforcement
6	m Bank Spółka Akcyjna	28 <sup>th</sup> September 2012 subsequent amendments	Technological credit No 16/074/12/Z/FT	5 963	PLN	372	133	WIBOR 1M + bank's margin	28 <sup>th</sup> August 2019		<b>a)</b> assignment of future receivables; <b>b)</b> power of attorney to dispose Company's accounts held at the Bank; <b>c)</b> borrower's declaration of submission to enforcement to the amount not exceeding 6,600 thousands PLN; <b>d)</b> blank promissory note with promissory note agreement; <b>e)</b> registered pledge on purchased machinery and equipment; <b>f)</b> assignment of rights arising from the insurance contract
7	m Bank Spółka Akcyjna	28 <sup>th</sup> September 2012 subsequent amendments	Technological credit No 16/075/12/Z/FT	5 955	PLN	373	194	WIBOR 1M + bank's margin	28 <sup>th</sup> August 2019		<b>a)</b> assignment of future receivables; <b>b)</b> power of attorney to dispose Company's accounts held at the Bank; <b>c)</b> borrower's declaration of submission to enforcement to the amount not exceeding 6,600 thousands PLN; <b>d)</b> blank promissory note with promissory note agreement; <b>e)</b> registered pledge on purchased machinery and equipment; <b>f)</b> assignment of rights arising from the insurance contract;
8	Bank Pekao S.A.	12 <sup>th</sup> April 2013 with subsequent amendments	eFinancing agreement for suppliers finance facility No 85/eF/KR/2013 (factoring) and agreement No 3/2017 from 28 <sup>th</sup> March 2017	Limit: 1 838 PLN		1 398	0	WIBOR 1M + bank's margin	1 <sup>st</sup> March 2020		<b>a)</b> power of attorney to dispose Recipient's resources deposited in its bank account <b>b)</b> blank promissory note <b>c)</b> a registered pledge on fixed assets: Diana Correa milling machine 20; lathe Poreba TR135 / 4m; milling machine Heller BEA3; milling Frejoth International ACM3000; measuring machine Zeiss Accura; Famak crane Kluczbork; cleaner MJB S.C. R0A-8; plasma cutter Ajan SHP 260; AK AWK20 rollers BEND / 30; machine Wotan Werke GmbH, Dusseldorf; chamber paint Yoki Star YS 8 / E for a total value of 4,497,139.41 PLN with assignment of rights from the insurance policy
9	ING Bank Śląski S.A.	22 <sup>th</sup> April 2015 with subsequent amendments	Multiproduct agreement 889/2015/0000771/00	Limit: 6 842 PLN		5 212	0	WIBOR 1M + bank's margin	29 <sup>th</sup> November 2017		<b>a)</b> the repayment security is the establishment of a mortgage to the amount of 10 500 000.00 PLN on enjoyed by ZKS MONTEX Sp. z o.o the real property situated in Świętochłowice Street. Wojska Polskiego 68C; <b>b)</b> assignment of rights from the insurance policy subject of the pledge - contractual mortgage in the field of fire and other perils; <b>c)</b> lien on inventories of materials, finished products, semi-finished products and goods at a minimum of 12 000 000,00 PLN <b>d)</b> assignment of rights from the insurance policy of the collateral <b>e)</b> statement of voluntary execution <b>f)</b> blank promissory note
				Limit: 6 606 PLN					30 <sup>th</sup> May 2018		
				Limit: 6 556 PLN					29 <sup>th</sup> June 2018		
				Limit: 6 506 PLN					30 <sup>th</sup> July 2018		
				Limit: 6 456 PLN					30 <sup>th</sup> August 2018		
				Limit: 6 406 PLN					29 <sup>th</sup> September 2018		
				Limit: 6 356 PLN					30 <sup>th</sup> October 2018		
				Limit: 6 306 PLN					29 <sup>th</sup> November 2018		

10	Fundusz Górnośląski	20 <sup>th</sup> March 2014 with subsequent amendments	Loan agreement No SFP/P/71/03/2014	584	PLN	146	33	Fixed percentage	20 <sup>th</sup> March 2019		blank promissory note, b) mortgage on the purchased under the project means rwących t, c) assignment of the rights of the insurance policy, d) power of attorney to bank account
11	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	1 <sup>st</sup> December 2015	Loan agreement No 307/2015/60/OA/al./P	126	PLN	30	47	rediscount rate	15 <sup>th</sup> June 2020		a) the agreement on transfer of receivables from term deposits in the amount of 128 thousand. PLN and future receivables in the amount of 128 thousand. PLN resulting from term deposit accounts opened for subsequent periods with the adoption by the bank to the implementation and made transfers of receivables, b) 2 blank promissory
12	Deutsche Bank Polska S.A.	26 <sup>th</sup> August 2016 with subsequent amendments***	Loan agreement No KON/1619068**	1 000	PLN	395	250	WIBOR 1M + bank's margin	31 <sup>st</sup> July 2019		a) a power of attorney irrevocable to dispose of by the Bank with all current accounts of the Borrower maintained by the Bank; b) blank promissory note; c) mortgage to the bank up to 11,387,589 PLN established on the ownership of real estate located in Jankowice (KW No. KA1P / 00039796/5); d) assignment of rights to the Bank from the insurance policy; e) a registered pledge of 820 thousand PLN on a set of machinery and equipment located under addresses Pszczyna Górnośląska street 11 and Jankowice Złote Łany street 52B
13	Raiffeisen Bank Polska S.A.	23 <sup>rd</sup> December 2016 with subsequent amendments	Loan Repayment Agreement (CRD / 35678/11, CRD / 45141/15, CRD / 35677/11)	2 334	PLN	963	827	WIBOR 1M + bank's margin	30 <sup>th</sup> June 2018		a) contractual mortgage in the amount of 2,751,000.00 PLN on a plot of land located in Pszczyna for which the District Court in Pszczyna, V Department of the Perpetual Books keeps a land and mortgage register No. KA1P / 00040503/5, b) contractual mortgage in the amount of 543,000.00 PLN per a land property located in Pszczyna, for which the District Court in Pszczyna, V Land and Mortgage Register Department keeps the Land and Mortgage Register no. KA1P / 00040503/5, c) contractual mortgage in the amount of 2,250,000.00 PLN on a plot of land located in Pszczyna, for which the District Court in Pszczyna, V Land and Mortgage Register Department keeps the Land and Mortgage Register no. KA1P / 00040503/5, d) contractual mortgage in the amount of 543,000.00 PLN on a plot of land located in Pszczyna for which the District Court in Pszczyna, V Land and Mortgage Register Department keeps Księgę Wieczystą nr KA1P / 00040317/4 and KA1P / 00037544/0, e) contractual mortgage in the amount of 2,250,000.00 PLN on a plot of land located in Pszczyna, for which the District Court of onowy in Pszczyna, V Land and Mortgage Register Department keeps the Land and Mortgage Register No. KA1P / 00040317/4 and KA1P / 00037544/0, f) contractual mortgage in the amount of 2,751,000.00 PLN on a plot of land located in Pszczyna for which the District Court in Pszczyna, V The Land and Mortgage Register Department keeps the Land and Mortgage Register no. KA1P / 00040317/4 and KA1P / 00037544/0. Statement on submission to enforcement on the basis of art. 777 pairs 1 point 5 of the Code of Conduct to the amount of 4.300.000.000 PLN

14	Alior Bank S.A.	19 <sup>th</sup> October 2017	Credit agreement No. U0003244757585 for non-revolving loan for financing current operations	9,000 PLN (first tranche in 4,800 PLN, second tranche: 4,200 PLN)	4 364	0	WIBOR 3M + bank's margin	10 <sup>th</sup> October 2019	a) power of attorney to dispose of funds on bank accounts of the Borrowers maintained in the Banks; b) credit repayment guarantee under the de minimis portfolio guarantee line - a guarantee of Bank Gospodarstwa Krajowego; c) contractual mortgage up to the amount of 13,500,000.00 PLN established as collateral for loan principal, claims for interest, collateral receivables, including fees and commissions for the Bank, on the property right of the Borrower, located in Jankowice, Pszczyna commune, plot No. 2518/125 and 2793/2017 with a total area of 0.6964 hectare, for which the District Court in Pszczyna, V Land and Mortgage Register Department keeps a land and mortgage register KA1P / 00044542/8; d) assignment of rights under the insurance policy; assignment confirmed from the financial leasing agreement concluded with Polska Grupa Górnicza Sp. z o.o. to the Bank; e) a declaration on submission to enforcement pursuant to art. 777 pairs 1 point 5 of the Code of Civil Procedure with the indication of the date until which the bank is entitled to submit an application for granting the enforcement clause, ie until 10 <sup>th</sup> October 2017 together with the indication of the maximum payment amount, ie 18,000,000.00 PLN
Total liabilities arising from credits as for 31 <sup>st</sup> December 2017					22 438	7 071			

\* In the contract the limit is PLN 7 000 thousand, of which PLN 1,000 thousand is for Montex

\*\*one mortgage to the contract KON/1619068 and KIN/1219501 amounted of 11 388 thousand PLN

\*\*\* The value of the assignment from the policy rights one to the contract KON/1619068 and KIN/1219501, KIN/1228558 amounted of 9 284 thousand PLN

15	PEKAO Leasing Sp. z o.o.	22 <sup>nd</sup> December 2015	Umowa leasingu finansowego nr 50/0130/15	1 400	PLN	275	548	WIBOR 1M	day of money transfer order	a) blank promissory note
16	Coface Poland Factoring Sp. z o.o.	31 <sup>st</sup> August 2017	Factoring agreement 1638/2017	Limit: 5 000 PLN		0	0	WIBOR 1M + bank's margin	indefinite period of time	a) blank promissory note together with a promissory note declaration
17	Kuke Finanse S.A.	29 <sup>th</sup> November 2017	Factoring agreement No. 0096/2017	Limit: 14 000 PLN		0	0	WIBOR 1M	indefinite period of time	a) blank promissory note with a promissory note declaration, b) proxies to the bank account maintained by Raiffeisen Bank Polska SA, c) declaration on submission to enforcement

#### 4.9. Note 9 – Trade and other financial liabilities and non-financial liabilities

The table below shows the structure of trade liabilities and other financial liabilities:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Other long-term financial liabilities, including:</b>	<b>277</b>	<b>512</b>
Liabilities arising from finance lease agreements	277	512
<b>Trade and other short-term financial liabilities, including:</b>	<b>27 074</b>	<b>10 475</b>
Trade liabilities against related entities	0	109
Trade liabilities against other entities	26 410	9 755
Liabilities arising from finance lease agreements	254	254
Payroll liabilities	410	357
<b>Total trade and other long-term and short-term financial liabilities</b>	<b>27 351</b>	<b>10 987</b>

Trade liabilities are non-interest bearing and are normally paid within 7 to 90 days.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Current trade liabilities</b>	<b>21 412</b>	<b>6 706</b>
<b>Overdue trade liabilities, including:</b>	<b>4 998</b>	<b>3 158</b>
up to 30 days	3 154	2 198
between 31 and 60 days	1 538	719
between 61 and 90 days	107	240
between 91 and 180 days	155	0
between 181 and 365 days	15	(16)
more than 365 days	29	17
<b>Total trade liabilities</b>	<b>26 410</b>	<b>9 864</b>

Part of obligations is settled with a delay. In the opinion of the Management Board, there is no risk, that the contractors will charge additional interest for the delay in payments.

The currency structure of liabilities is presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Trade liabilities, including:</b>	<b>26 410</b>	<b>9 864</b>
Trade liabilities denominated in Polish currency	26 333	9 698
Trade liabilities denominated in foreign currency	77	166

On 22<sup>nd</sup> December 2015 between PEKAO LEASING sp. z o.o. and the Parent Company the financial leasing agreement No. 50/0130/15 has been signed, subject to a test station of 630 KW for testing gear gears under load. As at the date of the lease agreement, the purchase price of the leased item amounted to 1,400 thousand PLN net. The remuneration for concluding the aforementioned agreement amounts to 1,520 thousand PLN net and includes: initial fee (first installment of remuneration) in the amount of 210 thousand PLN; Periodic salary installments total net of 60 installments for the amount of 1.296 thousand PLN; Vat from the capital in the amount of 322 thousand PLN; Vat from the interest portion of 28 thousand PLN and purchase price (sale) of 14 thousand PLN. The amount of remuneration was determined on the basis of the Net Purchase Price of the Net Leasing Item and the WIBOR 1M rate of 1<sup>st</sup>

December 2010 of 1.670000 %. The leasing contract is secured by a blank promissory note. Amortization charges for use of the subject of the lease during the term of the leasing contract will be made by the beneficiary, ie the Company. Remuneration - Monthly payments covering the principal and interest will be payable according to the payment schedule of each 12th day of the month from February 2016 to January 2021. The transfer of the leased object took place on the basis of the acceptance protocol on 15<sup>th</sup> January 2016. As at 31<sup>st</sup> December 2018, the balance due under the lease agreement amounted to 531 thousand PLN.

Detailed information on liabilities arising from finance lease agreements of tangible assets is presented below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2019
<b>Present value of future liabilities arising from finance lease agreements at beginning of period</b>	<b>766</b>	<b>991</b>
Increases due to new finance lease agreements (+)	0	0
Repayment of finance lease installments (principal installments) for the period (-)	(235)	(225)
<b>Present value of future liabilities arising from finance lease agreements at end of period</b>	<b>531</b>	<b>766</b>
Short-term liabilities under lease agreements	254	254
Long-term liabilities under lease agreements	277	512
<b>Future finance cost arising from interest on lease agreements at beginning of period</b>	<b>46</b>	<b>80</b>
Increases of future finance cost due to new finance lease agreements (+)	0	0
Repayment of finance lease installments (finance cost arising from interest) for the period (-)	(24)	(34)
<b>Future finance cost arising from interest on lease agreements at end of period</b>	<b>22</b>	<b>46</b>

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2019
<b>The nominal value of minimum finance lease payments, due in the period:</b>	<b>553</b>	<b>811</b>
up to 1 year	259	259
between 1 and 5 years	294	552
more than 5 years	0	0
<b>Future finance cost arising from interest on lease agreements (-)</b>	<b>(22)</b>	<b>(46)</b>
<b>Present value of future liabilities arising from finance lease agreements disclosed in liabilities, due in the period:</b>	<b>531</b>	<b>765</b>
up to 1 year	254	254
between 1 and 5 years	277	511
more than 5 years	0	0

The table below presents the structure of other non-financial liabilities:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2019
<b>Other long-term non-financial liabilities, including:</b>	<b>8 363</b>	<b>10 588</b>
Deferred income (grants from the EU funds)	8 363	10 588

<b>Other short-term non-financial liabilities, including:</b>	<b>2 739</b>	<b>3 020</b>
Advances received for supplies and services	0	0
Tax and social security liabilities	546	643
Other liabilities and accrued expenses	251	368
Deferred income (grants from the EU funds)	1 942	2 009
<b>Total other long-term and short-term non-financial liabilities</b>	<b>11 102</b>	<b>13 608</b>

In accordance with the accounting policy adopted - grants are accounted for in the period of use of fixed assets and are accounted for in proportion to the depreciation of subsidized assets. Settled in the equivalent period of the grant is recognized as other operating income (Note 13).

Subsidy for received as an advance for expenses to be incurred in the future are classified as deferred income (deferred income) in the short-term liabilities and are assessed in proportion to the expenditure incurred in each settlement periods and proportionally to the level of reimbursement of these expenses through include them in the other operating income from the simultaneous adjustment of tax costs.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2019
<b>Deferred income (grants from the EU funds) at beginning of period</b>	<b>12 597</b>	<b>14 429</b>
Received grants for fixed assets (+)	0	0
Grants received for the cost of (+)	458	(5)
Received grants for research and development	0	1 381
The settlement grants for fixed assets (-)	(2 009)	(2 044)
Grant settlement costs (-)	(741)	(1 164)
<b>Deferred income (grants from the EU funds) to be settled in coming years</b>	<b>10 305</b>	<b>12 597</b>

A detailed list of the various EU projects, their degree of sophistication and the amount of grants and advances received from 2005 until day of below report in the table below:

LP	the name and number of the project	time limit for completion	Date of grant / down payment	the amount of the advance payment	settled	balance on 31 <sup>st</sup> December 2018	Stage of realization	maintenance period indicators	until when
				w tys.PLN					
1	Grant Agreement No. SPOWKP / 2.3 / 1/24/513 Project title: the purchase of burners to the plate and fork lift	12.2004 06.2005	15.12.2005	224	224	0	completed	5 years	2010
2	Grant Agreement No. SPOWKP / 2.3 / 2/24/1061 Project title: the purchase of CNC lathes	06.2005 06.2006	06.12.2006	577	577	0	completed	5 years	2011
3	Grant Agreement No. SPOWKP / 2.3 / 3/24/01499 Project title: the purchase of robotic welding station	09.2005 09.2006	22.12.2006	739	739	0	completed	5 years	2011
4	Grant Agreement No. SPOWKP / 2.3 / 4/24/3077 Project title: the purchase of cleaner cruising	01.04.2006 31.12.2007	31.03.2008	393	393	0	completed	5 years	2012
5	Grant Agreement No. UDA-RPSL.01.02.02-00-524 / 08-00 Project title: consultancy services	01.05.2009 30.11.2010	26.10.2011	37	37	0	completed	3 years	2013
6	Grant Agreement No. UDA-RPSL.01.02.02-00-526 / 08-00 Project title: purchase spraying booths	01.09.2009 28.02.2010	27.10.2010	515	379	136	completed	5 years	2015
7	Grant Agreement No. UDA-RPSL.01.02.03-00-025 / 10-00 Project title: purchase metrology	01.02.2011 31.07.2011	26.06.2012	750	563	187	completed	3 years	2014
8	Grant Agreement No. UDA-POIG.01.04.00-24-100 / 11-00 Project title: Innovative technology for the production of elements of string transportation systems using materials lane	26.04.2012 31.03.2014	From previous years to cost	2 672	2 672	108	completed	5 years	2019
			From previous years to cash	588	480				

9	Grant Agreement No. UDA-POIG.01.04.00-24-094 / 11-00 Project title: Development of an innovative eco-specialized gear integrated diagnostic system	26.04.2012 30.09.2015	From previous years to cost	4 216	4 216				
			From previous years to cash	1 236	783				
10	Grant Agreement No. UDA-RPSL.01.02.04-00-C09 / 11-00 Project title: Improvement of competitiveness and development Patentus SA by introducing innovative services to offer the measurement gear	04.01.2013 28.06.2013	16.04.2014	750	387	363	completed	5 years	2020
11	Grant Agreement No. POIG.04.03.00-00-954 / 11 Project title: Implementation of innovative high throughput method for the production of bevel gears using carburizing	16.11.2012 31.08.2014		3 909	1 762	2 147	completed	3 years	2017
12	Grant Agreement No. POIG.04.03.00-00-950 / 11 Project title Implementation of the innovative technology for the production of large-size elements powertrains with increased service life	16.11.2012 31.08.2014		3 935	1 858	2 077	completed	3 years	2017
13	Grant Agreement No. POIG.04.06-00-24-007 / 12 Project title: Implementation of the production of mechatronic drive assembly conveyor powerful	25.04.2013 30.06.2014	From previous years to cash	7 573	2 843	4 730	completed	3 years	2017
14	Grant Agreement No. POIG.01.04.00-24-057 / 13 Project title: Development of innovative manufacturing technologies gutters routes conveyors using robotic methods.	20.02.2014 31.12.2015	From previous years to cost	1 931	1 931				
			From the current year to cash	260	156				
15	Grant Agreement No. PBS3 / B5 / 45/2015 Project title: Development of innovative, based on the method of casting technology of gear nanocrystalline	01.03.2015 28.02.2018	From previous years to cost	840	840	0	in progress	5 lat	2023
			From the current year to cash	-70	-70				
16	Grant agreement No. 451/2015/60 / OA / al. / D to subsidize the task under the name: Modernization sysytemu heating in the building of social production, located in Jankowice Street. Gold Łany 52B		From previous years to cost	13	13	0	completed		
17	Contract for co-financing no. POIR.04.01.04-00-0064 / 15 project title Development of an innovative technology for the production of toothed elements with hybrid surface layers of nanostructured substrate for drive units of conveyors designed for operation in extreme operating conditions	01.04.2016 30.09.2020	From previous years to cost	1 995	1 995	0	in progress	3 years	2023
			From the current year to cost	399	399				
			From previous years to sash	0	0				
			From the current year to cash						
18	Contract for co-financing no. POIR.04.01.04-00-0081 / 17-00 project title. Development of innovative scraper conveyors with increased starting susceptibility and operational durability	02.07.2018 01.07.2021	From previous years to cost	0	0	0	In progress	3 years	2024
			From the current year to cost	129	129				
			From previous years to cash	0	0				
			From the current year to cash						
total				33 611	23 306	10 305	x	x	x

#### 4.10.Note 10 – Provisions for liabilities

Employees are entitled to retirement benefits under the terms of Article 92<sup>1</sup> of the Labor Code, i.e. in the amount of employee's one month's salary at the vesting date of severance pay. Provisions for retirement package, disability package and death benefits are estimated using actuarial methods.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Provisions for liabilities, including:</b>	<b>180</b>	<b>802</b>
Provisions for long-term employee benefits	168	119
Provisions for short-term employee benefits	12	23
Other long -term provisions	0	0
Other short-term provisions	0	660

Significant actuarial assumptions at each balance sheet date, are shown in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Discount rate	2,9%	3,7%
Salary growth rate	0,0%	0,5%
Salary growth rate for future years	0,0%	0,5%

Based on the cost analysis of previous years - the Management Board decided, that there is no risk of significant future costs arising from warranty repairs, and on this basis, refrained from estimating provisions for warranty repairs.

The warranty period provided by the Company for its products range from 6 to 36 months.

Management Board of the Company believes, that there are no other factors and events, that suggest a need to create provisions arising from other titles.

#### 4.11.Note 11 – Revenue

The structure of revenues is presented in the table below:

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Revenue from sales according to material structure, including:</b>	<b>132 326</b>	<b>55 159</b>
Revenue from the sale of products and services	123 246	47 071
Revenue from the sale of goods and materials	8 670	7 460
Revenue from renting agreements and tenancy of investment properties and other real estate	410	628
<b>Additional information:</b>		
Revenue from sales to related entities	223	133

Company's operations can be divided into two segments:

- Manufacture of machinery and equipment, provision of services to the mining industry (repair of



mining machinery and equipment) and production of other devices

- Wholesale sales of steel products, welding equipment and packaging

Information on the results of the operating segments is presented in Note 18.

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Revenue from sales according to the territorial structure, including:</b>	<b>132 326</b>	<b>55 159</b>
Revenue from sales in the country	131 480	53 976
Export and intra-Community delivery of goods and services	846	1 183

Due to fact, that the sale beyond Polish borders is directed primarily to customers based in the European Union, where the same conditions prevail delivery - no additional geographical segmentation has been performed.

#### 4.12. Note 12 – Cost

Specification of costs by function and costs by kind is presented in the tables below:

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
Cost of sales	114 220	49 949
Distribution costs	2 472	2 077
Administrative expenses	4 652	2 629
<b>Total operating cost (cost by function)</b>	<b>121 344</b>	<b>54 655</b>

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
Depreciation and amortization	7 453	7 362
Consumption of energy and materials	61 584	24 903
Outsourcing	24 615	12 063
Taxes and charges	760	711
Employee benefit costs	7 232	6 100
Other costs	886	650
Write-down of inventories (products)	0	0
<b>Total costs by kind</b>	<b>102 530</b>	<b>51 789</b>
Change in finished goods and work in progress	12 917	(2 182)
Production costs of product for own use	0	0
Selling cost of goods and materials	5 897	5 048
<b>Total cost (cost of sales + distribution costs + administrative expenses)</b>	<b>121 344</b>	<b>54 655</b>

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Employee benefit cost, including:</b>	<b>7 232</b>	<b>6 100</b>
Salaries and wages	5 894	4 971
Social insurance and other benefits	1 338	1 129

Contribution to the Company Social Benefits Fund	0	0
Future benefits (provisions) arising from retirement packages and other employee benefits	0	0

On 26<sup>th</sup> April 2012, the Company signed two agreements with Górnośląska Agencja Rozwoju Regionalnego S.A. (under the Operational Programme Innovative Economy 2007 - 2013, Research and development of modern technologies, Support for goal-oriented projects), for financing of projects listed below: Development of an innovative environment-friendly specialized gear, integrated with the diagnostic system (Agreement No UDA-POIG.01.04.00-24-094/11-00), and Innovative technology for the production of band elements in the transport systems utilizing poured materials (Agreement No UDA-POIG.01.04.00-24-100/11-00). The total value of the requested subsidy equals 8,783 thousand PLN. Date of completion of the first project is 31<sup>st</sup> March 2014, where the second is 30<sup>th</sup> September 2015. Received amount of the grant accounts for 75,00 % of eligible expenses for the first project and 74,21 % of eligible expenses for the second project and 35 % of development works. Costs incurred are recognized in the cost of basic activities of each period. The first project was completed on time and on 30<sup>th</sup> of June 2014 the Company filed in the Upper Silesian Regional Development Agency a request for final payment. On 14<sup>th</sup> January 2015 the application has been verified positively thus ending the project. In total, within the framework of implementation of the first project, the Company received a grant in the amount of 3,260 thousand PLN, of which at 31<sup>st</sup> December 2018 was settled a grant in the amount of 3 152 thousand PLN. The second project was also completed on time and on 27<sup>th</sup> November 2015, the Company filed in the Upper Silesian Regional Development Agency a request for final payment which was also positively verified by the completion of the project. By 31<sup>st</sup> December 2018, the second grant received a grant of 5 452 thousand PLN of which 4 999 thousand PLN was settled.

On 31<sup>st</sup> January 2014 PATENTUS S.A. and the Warsaw University of Technology (beneficiary) filed an application with the number 246715 in the framework of the Program of Applied Research Competition 3 track A Chemical Science under the title: "Development of innovative methods based on foundry technology, the manufacture of gears nanocrystalline. The value of co-financing of the project amounts to 2 035 thousand PLN to Warsaw University of Technology and 942 thousand PLN for PATENTUS S.A., the total cost of the project amounts to 2 035 thousand PLN at the Warsaw University of Technology and 2 084 thousand PLN side PATENTUS S.A. On 6<sup>th</sup> August 2014 the Company was informed that the project has been recommended for support, and on 11<sup>th</sup> May 2015 the Company signed a financing agreement number PBS3 / B5 / 45/2015. Until 31<sup>st</sup> December 2018 the Warsaw University of Technology transferred to the account of PATENTUS S.A. an advance payment in the amount of 770 thousand PLN, of which all amount were settled.

On 7<sup>th</sup> February 2014, the Company filed with the National Research and Development Centre in Warsaw for funding the implementation of a new project entitled "Development of an innovative technology for the production of conveyor chutes routes using robotic methods" under the Innovative Economy Operational Programme, Priority: Research and development of modern technology, Measure 1.4: Support for special projects. The total cost of the project amounts to 4,634 thousand PLN, of which an amount of eligible expenditure amounts to 4.205 thousand PLN while the possible amount of funding is 2.297 thousand PLN. On 23<sup>rd</sup> April 2014 an agreement was signed for funding No POIG.01.01.00-24-057 / 13 on the implementation above mentioned project, and on 5<sup>th</sup> June 2014, the Company filed the first application for the advance payment. The eligibility period ended 30<sup>th</sup> December 2015. On 28<sup>th</sup> January 2016 the Company submitted a final payment request that was positively verified. As part of this project, the Company received a grant of 2 191 thousand PLN, of which as of 31<sup>st</sup> December 2018 the amount of 2 087 thousand PLN was settled.

Payroll costs include salaries paid in accordance with the terms of the employment contract of individual employees and in accordance with the terms of individual civil law contracts.

Social security costs of units located in Poland include: pension insurance, disability insurance, accident insurance, contributions to the Guaranteed Social Fund and the Labor Fund.

The Company creates a Social Fund (CSBF). Contributions to the Social Fund are charged to Company's operating expenses. Cash funds of CSBF are stored in a separate bank account. In the financial statement, Fund's assets and liabilities are recognized in net values. Due to the specific nature of the Social Fund, Fund's assets and liabilities are equal. As for 31<sup>st</sup> December 2014 the balance of the Social Fund amounted to 38 thousand PLN.

Using the powers conferred under Article 4 paragraph 1-3 of the Act of 4<sup>th</sup> March 1994 on Employee Benefits Fund with effect from 1<sup>st</sup> September 2013. Company has resigned from the creation of the Social Fund (CSBF). Cash funds of CSBF are stored in a separate bank account to be exhausted for purposes specified in the above mentioned Act. In the financial statements of the fund assets and liabilities are recognized in net worth. Due to the specific nature of the operation of the Social Fund assets and liabilities of the fund are equal. As for 31<sup>st</sup> December 2014, the balance of the Social Fund amounted to 1 thousand PLN.

Other employee benefits include skills improvement trainings and other benefits determined by the labor law.

Pension costs include retirement packages paid to employees in accordance with the provisions of the Labor Code. The Company is not a party to any wage agreements or collective labor agreements, that would require the application of other regulations.

#### 4.13.Note 13 – Other operating income

Specification of other operating income is presented in the table below:

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Other operating income, including:</b>	<b>3 550</b>	<b>5 157</b>
Gain from the sale of non-financial fixed assets	0	0
EU grants settled in the proportion to the amount of depreciation and amortization of fixed assets	2 009	2 044
EU grants settled in the proportion to the amount of costs	741	1 164
Other received grants	119	119
Reversal of write-downs of the entitlements as a result of payment	129	638
Reversal of write-downs of inventories (materials)	33	0
Reimbursement of court costs	56	19
Compensation received	245	544
Other operating income	218	629
Reversal of write-downs of tangible assets	0	0
Revaluation of investment properties	0	0

#### 4.14. Note 14 – Other operating expense

Specification of other operating expense is presented in the table below:

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Other operating expense, including:</b>	<b>2 524</b>	<b>3 444</b>
Loss from the sale of non-financial fixed assets	42	12
Write-downs of the entitlements	2	486
Write-downs of inventories	0	0
Write-downs of tangible assets	0	0
Court costs	3	21
Donations	23	12
Decrease in fair value of investment properties	358	0
Paid compensation for poor service and accident repair costs	60	12
Other operating expense	0	591
Other operating expense	2 036	2 310

#### 4.15. Note 15 – Finance income

The structure of finance income is presented in the table below:

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Finance income, including:</b>	<b>235</b>	<b>3 447</b>
Interest on untimely payment of receivables	0	2 448
Interest on overdue receivables	0	6
Interest on bank deposits	9	2
Interest on granted loans	44	93
Interest on receivables arising from lease agreements	182	812
Gains through currency fluctuations	0	0
Other finance income	0	86

#### 4.16. Note 16 – Finance cost

The structure of finance cost is presented in the table below:

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Finance cost, including:</b>	<b>2 057</b>	<b>3 467</b>
Interest on tax liabilities	1	12
Interest on bank loans	669	871
Interest charged for late payment of liabilities	44	78
Interest on finance lease agreements	183	0
Interest and fees on factoring agreement	201	14
Impairment losses due to the interest on receivables	0	415
Revaluation of financial assets (granted loans)	0	0
Losses through currency fluctuations	83	5
Costs related to Impairment of Interests of a Related Entity Patentus Strefa S.A.	0	1 862

Other finance cost	876	210
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#### 4.17.Note 17 – Income tax

Current income tax is calculated in accordance with current tax regulations. Application of these rules differentiates taxable gain (loss) from accounting net profit (loss), in connection with the adjustment of non-taxable income and costs not constituting tax deductible costs, as well as items of expense and income, that will not be taxable (permanently).

Current income tax of the Parent Company was calculated on the basis of fixed and binding tax rate - 19%. Current regulations do not presume changes in tax rates in future years.

As for 31<sup>st</sup> December 2015, the balance of deferred tax assets was offset against the balance of deferred tax liabilities. The balance sheet indicates, that there is a deferred tax liability, which is the excess of deferred tax liabilities over deferred tax assets.

Subsidiary Patentus Strefa S.A. operates in the Special Economic Zone and has an income tax exemption.

Fiscal year and balance sheet year coincide with the calendar year.

Amounts significantly affecting income tax, that have been disclosed in the profit and loss statement, are presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Statutory income tax rate	19%	19%
<b>Current income tax</b>	<b>1 850</b>	<b>15</b>
<b>Deferred tax, including:</b>	<b>133</b>	<b>485</b>
Change in deferred tax assets	(984)	(514)
Change in deferred tax liabilities	851	999
<b>Income tax disclosed in Profit and Loss Statement</b>	<b>1 983</b>	<b>500</b>

The following table shows the difference between nominal and effective tax rate:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Gross profit before tax	10 186	2 197
Effective tax rate	19,47%	22,76%
<b>Income tax at effective tax rate</b>	<b>1 983</b>	<b>500</b>
<b>Income tax at statutory tax rate</b>	<b>1 935</b>	<b>417</b>
Tax effect related to the adjustment of costs not constituting tax deductible costs under tax regulations	1 417	3 734
Tax effect related to the adjustment of revenues, that are not considered revenues under tax regulations	(640)	(4 144)
Tax effect related to the adjustment of deferred tax estimates from previous years	(729)	493
<b>Income tax at effective tax rate</b>	<b>1 983</b>	<b>500</b>

As a result of temporary differences between the tax value and the carrying amount of assets and liabilities, deferred tax is created. Specification of main items affecting the balance of deferred tax assets

and deferred tax liabilities is shown in the tables below:

Specification (in thousands of PLN)	Balance Sheet		Profit and Loss Statement	
	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Deferred tax assets</b>				
Impairment losses for doubtful debts	157	398	241	(382)
Differences in currency exchange rates	0	0	0	0
Write-down of the value of inventories	(10)	(3)	7	5
Tax loss	680	1 375	695	(74)
Write-downs of fixed assets	0	0	0	0
Interest on payables	0	8	8	(8)
Provisions for employee benefits	34	27	(7)	(3)
Correction of costs to be paid	0	0	0	0
Social Security paid after the deadline	12	52	40	(52)
<b>Total deferred tax assets</b>	<b>873</b>	<b>1 857</b>	<b>984</b>	<b>(514)</b>
<b>Deferred tax assets reducing the balance of provisions for deferred income tax</b>	<b>0</b>	<b>0</b>	<b>x</b>	<b>x</b>
<b>Total (per balance) deferred tax assets disclosed in the balance sheet</b>	<b>873</b>	<b>1 857</b>	<b>x</b>	<b>x</b>

<b>Deferred tax income</b>				
Differences in tax value and carrying amount of investment properties	399	475	(76)	(5)
Interest on receivables and interest on loans	0	2	(2)	(4)
Capital interest on late payment of receivables (mines)	60	376	(316)	376
Differences in tax value and carrying amount of tangible assets	3 981	4 084	(103)	(54)
Profit from the sale of products in the form of lease agreements settled over time	271	484	(213)	484
Temporary differences arising from sales adjustments (receivables from lease agreements - unpaid interest)	0	0	0	0
Difference between the tax and balance sheet value of fixed assets covered by the subsidy	1 192	1 260	(68)	15
Interest on leasing	113	187	(74)	187
Other correction items from previous years	43	42	0	0
<b>Total deferred tax liabilities settled with financial results</b>	<b>6 059</b>	<b>6 910</b>	<b>(852)</b>	<b>999</b>
Effects of revaluation of property, plant and equipment (settled with item of Revaluation reserve)	1 861	1 839	x	x
<b>Total deferred tax income</b>	<b>7 920</b>	<b>8 749</b>	<b>x</b>	<b>x</b>
<b>Deferred tax assets reducing the balance of provisions for deferred income tax</b>	<b>0</b>	<b>0</b>	<b>x</b>	<b>x</b>
<b>Total (per balance) deferred tax liabilities disclosed in the balance sheet</b>	<b>7 920</b>	<b>8 749</b>	<b>x</b>	<b>x</b>
<b>Total impact of change in deferred tax assets and deferred tax liabilities, that affect the financial results</b>	<b>x</b>	<b>x</b>	<b>132</b>	<b>485</b>

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Total deferred tax liabilities at beginning of period:</b>	<b>8 749</b>	<b>7 746</b>
Change in deferred tax liability settled with the item of Revaluation reserve	22	4
Change in deferred tax liability settled with financial results	(851)	999
<b>Total deferred tax liabilities at end of period, including:</b>	<b>7 920</b>	<b>8 749</b>
Deferred tax liabilities settled with the item of Revaluation reserve	1 861	1 839
Deferred tax liabilities settled with financial results	6 059	6 910
<b>Deferred tax assets offset by deferred tax liabilities</b>	<b>0</b>	<b>0</b>
<b>Total (per balance) deferred tax liabilities disclosed in the balance sheet at end of year</b>	<b>7 920</b>	<b>8 749</b>

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Deferred tax assets at beginning of period</b>	<b>1 857</b>	<b>1 343</b>
Change in assets settled with financial results	(984)	514
<b>Deferred tax assets at end of period</b>	<b>873</b>	<b>1 857</b>
<b>Deferred tax assets offset by deferred tax liabilities</b>	<b>0</b>	<b>0</b>
<b>Total (per balance) deferred tax assets disclosed in the balance sheet at end of year</b>	<b>873</b>	<b>1 857</b>

The table below presents settlements related to the current income tax of the Company:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Current income tax from legal persons for the period	1 850	15
Income tax paid on settlement for given period	0	0
<b>Balance of settlement arising from the current income tax at end of period, including:</b>	<b>129</b>	<b>(15)</b>
Receivables arising from current income tax from legal persons at end of period	129	0
Liabilities arising from current income tax at end of period	0	15

#### 4.18.Note 18 – Segment Information

Operations of the Capital Group can be divided into two segments. First operating segment is associated with manufacture of machinery and equipment and the provision of services to the mining industry. Second operating segment includes wholesale of goods and materials.

Operations of the Capital Group focuses mainly in the country. Minimum share of revenue from sales is realized through export. Due to fact, that the sale beyond Polish borders is directed primarily to customers based in the European Union, where the same conditions prevail delivery - no additional geographical segmentation has been performed.

Segment's assets include, inter alia, property, plant and equipment, inventories, trade receivables, which are directly attributable to particular area of activity. Segment's liabilities include, inter alia, all trade payables, deferred income and partly liabilities arising from credits and finance lease agreements.

Segment's revenue include revenue from sales to external customers and partly other operating income, that can be reasonably attributed to the segment.

Segment's expense include cost of sales to external customers, that can be reasonably attributed to the segment. Due to the needs of the Management Boards of Entities of the Capital Group, in the field of economic analysis of segments - conducted accounting records do not allow the precise allocation of other expenses, including administrative expense, other operating expense, finance cost and other costs incurred on the Group's level, which relate to the Group as a whole.

The Capital Group provides additional information concerning each segment, about the acquisition of tangible and intangible assets, the value of write-downs of tangible assets, net value of liquidated tangible assets, depreciation and amortization costs and the cost of inventory write-downs.

The Capital Group disclosed information about major customers in respect of revenue from sales. It also presents the structure of the balance of trade receivables at end of period, taking into account information on trade receivable from major customers. The balances of trade receivables are presented on a net basis, that is, after taking into account the effects of impairment losses.

Furthermore, the Company presents the information on main suppliers of services, goods and materials as well as information about the structure of the balance of trade liabilities at end of period on the Company level.

Information on revenues, expenses, assets and liabilities of each operating segment for the period ending on 31<sup>st</sup> December 2018 is presented in the tables below:

Specification for period 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018 (in thousands of PLN)	Products and services	Wholesale	Items not allocated to segments	Total (whole Company)
Revenue from the sale of products, services, goods and materials	123 246	8 670	410	132 326
Cost of sales	(108 323)	(5 897)	0	(114 220)
<b>Gross profit (loss)</b>	<b>14 923</b>	<b>2 773</b>	<b>410</b>	<b>18 106</b>
Distribution costs	(1 234)	(1 196)	(42)	(2 472)
Administrative expenses and other operating income and expense	0	0	(3 626)	(3 626)
<b>Operatin profit (loss)</b>	<b>13 689</b>	<b>1 577</b>	<b>(3 258)</b>	<b>12 008</b>
Finance income	0	0	235	235
Finance cost	0	0	(2 057)	(2 057)
<b>Profit (loss) before tax</b>	<b>13 689</b>	<b>1 577</b>	<b>(5 080)</b>	<b>10 186</b>
Income tax expense	0	0	(1 983)	(1 983)
<b>Net profit (loss)</b>	<b>13 689</b>	<b>1 577</b>	<b>(7 063)</b>	<b>8 203</b>

Specification for period 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018 (in thousands of PLN)	Products and services	Wholesale	Items not allocated to segments	Total (whole Company)
Property, plant and equipment and intangible and legal assets	63 256	4 950	6 542	74 748
Investment property	0	0	2 286	2 286
Deferred tax assets and long-term financial assets	0	0	7 737	7 737
Inventories	24 447	1 194	0	25 641
Trade receivables (net value)	36 182	2 201	449	38 832



Unallocated current assets	0	0	26 772	26 772
<b>Total assets</b>	<b>123 885</b>	<b>8 345</b>	<b>43 786</b>	<b>176 016</b>
Trade liabilities	25 790	561	59	26 410
Deferred income	0	0	10 305	10 305
Credits, loans and liabilities arising from finance lease agreements	0	0	36 324	36 324
Unallocated liabilities and provisions	0	0	9 307	9 307
<b>Total liabilities and provisions</b>	<b>25 790</b>	<b>561</b>	<b>55 995</b>	<b>82 346</b>

Specification for period 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018 (in thousands of PLN)	Products and services	Wholesale	Items not allocated to segments	Total (whole Company)
<b>Other information</b>				
Acquisition or modernization of property, plant and equipment and intangible assets	6 573	165	372	7 110
Revaluation (value increase) of property, plant and equipment and intangible assets	0	0	115	115
Impairment losses and net value of liquidated property, plant and equipment and intangible assets	0	0	0	0
Depreciation of property, plant and equipment and amortization intangible assets	7 274	61	118	7 453
Acquisition or modernization of investment properties	0	0	0	0
Revaluation (value increase) of investment properties	0	0	(398)	(398)
Write-downs of inventories (-) or reversal of write-downs of inventories (+)	49	2	0	51

Information on revenues, expenses, assets and liabilities of each operating segment for the period ending on 31<sup>st</sup> December 2017 is presented in the tables below:

Specification for period 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017 (in thousands of PLN)	Products and services	Wholesale	Items not allocated to segments	Total (whole Company)
Revenue from the sale of products, services, goods and materials	47 065	7 466	628	55 159
Cost of sales	(44 901)	(5 048)	0	(49 949)
<b>Gross profit (loss)</b>	<b>2 164</b>	<b>2 418</b>	<b>628</b>	<b>5 210</b>
Distribution costs	(902)	(1 061)	(114)	(2 077)
Administrative expenses and other operating income and expense	0	0	(916)	(916)
<b>Operatin profit (loss)</b>	<b>1 262</b>	<b>1 357</b>	<b>(402)</b>	<b>2 217</b>
Finance income	0	0	3 447	3 447
Finance cost	0	0	(3 467)	(3 467)
<b>Profit (loss) before tax</b>	<b>1 262</b>	<b>1 357</b>	<b>(422)</b>	<b>2 197</b>
Income tax expense	0	0	(500)	(500)
<b>Net profit (loss)</b>	<b>1 262</b>	<b>1 357</b>	<b>(922)</b>	<b>1 697</b>

Specification for period 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017 (in thousands of PLN)	Products and services	Wholesale	Items not allocated to segments	Total (whole Company)
Property, plant and equipment and intangible and legal assets	64 601	4 919	6 224	75 744

Investment property	0	0	2 684	2 684
Deferred tax assets and long-term financial assets	0	0	15 407	15 407
Inventories	13 717	9 942	0	23 659
Trade receivables (net value)	9 116	154	2 586	11 856
Unallocated current assets	0	0	19 694	19 694
<b>Total assets</b>	<b>87 434</b>	<b>15 015</b>	<b>46 595</b>	<b>149 044</b>
Trade liabilities	9 528	529	-193	9 864
Deferred income	0	0	12 597	12 597
Credits, loans and liabilities arising from finance lease agreements	0	0	30 275	30 275
Unallocated liabilities and provisions	0	0	10 934	10 934
<b>Total liabilities and provisions</b>	<b>9 528</b>	<b>529</b>	<b>53 613</b>	<b>63 670</b>

Specification for period 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017 (in thousands of PLN)	Products and services	Wholesale	Items not allocated to segments	Total (whole Company)
<b>Other information</b>				
Acquisition or modernization of property, plant and equipment and intangible assets	226	0	0	226
Revaluation (value increase) of property, plant and equipment and intangible assets	0	0	19	19
Impairment losses and net value of liquidated property, plant and equipment and intangible assets	0	0	0	0
Depreciation of property, plant and equipment and amortization intangible assets	7 184	62	116	7 362
Acquisition or modernization of investment properties				0
Revaluation (value increase) of investment properties	0	0	(30)	(30)
Write-downs of inventories (-) or reversal of write-downs of inventories (+)	16	(1)	0	15

Tables below present basic information about main recipients, as well as the structure of trade receivables:

Specification (in thousands of PLN)	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
	in thousands of PLN	in percentage points	in thousands of PLN	in percentage points
<b>Total revenue from the sale of products, services, goods and materials, including main recipients:</b>	<b>132 326</b>	<b>100,00%</b>	<b>55 159</b>	<b>100,00%</b>
Jastrzębska Spółka Węglowa S.A.	32 077	24,24%	4 841	8,78%
PGG SP.Z O.O.	49 489	37,40%	29 024	52,62%
Fabryka Pojazdów Szynowych Cegielski	1 526	1,15%	0	0,00%
FAMUR	31 467	23,78%	1 585	2,87%
RAMB	2 525	1,91%	305	0,55%
UNGAREX	3 940	2,98%	2 959	5,36%
ATI	860	0,65%	826	1,50%
KOLSAM	886	0,67%	524	0,95%
Other recipients	9 556	7,22%	15 095	27,37%

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018		End of period 31 <sup>st</sup> December 2017	
	in thousands of PLN	in percentage points	in thousands of PLN	in percentage points
<b>Total net value of trade receivables at end of period, including:</b>	<b>38 832</b>	<b>100,00%</b>	<b>11 856</b>	<b>100,00%</b>
Jastrzębska Spółka Węglowa S.A.	5 188	13,36%	2 931	24,72%
PGG Polska Grupa Górnicza	10 093	25,99%	3 633	30,64%
Fabryka Pojazdów Szynowych Cegielski	500	1,29%	0	0,00%
FAMUR	866	2,23%	256	2,16%
RAMB	0	0,00%	0	0,00%
UNGAREX	343	0,88%	320	2,70%
ATI	340	0,88%	341	2,88%
KOLSAM	0	0,00%	0	0,00%
Other recipients	21 502	55,37%	4 375	36,90%

Tables below present basic information about main suppliers, as well as the structure of trade liabilities:

Specification (in thousands of PLN)	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
	in thousands of PLN	in percentage points	in thousands of PLN	in percentage points
<b>Acquisition of goods and services for core business activities (in net value without VAT tax), including main suppliers:</b>				
PPHU Mirpol Mirosław Kobiór	17 721	13,39%	8 778	15,91%
Przedsiębiorstwo Budownictwa i Handlu Unipol Sp.z o.o.	2 908	2,20%	1 699	3,08%
FAMUR SA	2 449	1,85%	291	0,53%
SYMATECH	6 229	4,71%	0	0,00%
MEGA STEEL	2 734	2,07%	1 484	2,69%
PIOMA ODLWENIA	9 322	7,04%	2 085	3,78%
HUTA MAŁAPANEW	1 845	1,39%	426	0,77%
DAMEL	1 732	1,31%	511	0,93%
PROFI M TEC	1 704	1,29%	0	0,00%
BECKER WARKOP	6 300	4,76%	0	0,00%

NOTE: Involvement of suppliers (column "in percentage points"), was calculated in proportion to the revenue from sales for a given year.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018		End of period 31 <sup>st</sup> December 2017	
	in thousands of PLN	in percentage points	in thousands of PLN	in percentage points
<b>Total trade liabilities at end of period (in gross value with VAT tax), including:</b>	<b>9 864</b>	<b>100,00%</b>	<b>4 794</b>	<b>100,00%</b>
PPHU Mirpol Mirosław Kobiór	0	0,00%	14	0,14%
Przedsiębiorstwo Budownictwa i Handlu Unipol Sp.z o.o.	425	1,61%	912	9,34%
FAMUR SA	0	0,00%	4	0,04%
SYMATECH	1 312	4,97%	0	0,00%
MEGA STEEL	191	0,72%	503	5,15%

PIOMA ODLWENIA	5 472	20,72%	1 148	11,76%
HUTA MAŁAPANEW	638	2,42%	54	0,55%
DAMEL	1 269	4,80%	461	4,72%
PROFI M TEC	0	0,00%	0	0,00%
BECKER WARKOP	4 573	17,32%	0	0,00%
Other recipients	12 530	47,44%	6 664	68,28%

#### 4.19. Note 19 – Additional information on Cash Flow Statement

Pursuant to multi-product agreement No. 889/2015/00000771/00 with ING Bank Śląski S.A. and the debt management contract number 0110/2018 from Kuke Finanse S.A., the Company could use as at 31<sup>st</sup> December 2018 the overdraft facility up to 10,306 thousand PLN.

In addition, according to factoring agreements concluded with Coface Poland Factoring Sp. z o.o (number 1638/2017) and Kuke Finanse S.A. (contract No. 0096/2017), the Company may use the factoring limit of 37,000 thousand PLN.

As at 31<sup>st</sup> December 2018, the Company used the overdraft facility limit of 8,320 thousand PLN and the factoring limit of 26,000 thousand PLN, which means that it still may use limit of 12 986 thousand PLN.

The following tables present an analysis and calculations of complex items of the cash flow statement:

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Profit (loss) from investment activities, including:</b>	<b>42</b>	<b>12</b>
Revenue from the sale of intangible assets, property, plant and equipment and investment properties	(263)	(52)
Net value of liquidated property, plant and equipment, intangible assets and investment properties (in accordance with Note 1, Note 2 and Note 3)	305	64
Write-down of tangible assets (in accordance with Note 2 and Note 14)	0	0
Reversal of write-down of tangible assets (in accordance with Note 2 and Note 13)	0	0
Write-down of investment properties (in accordance with Note 3 and Note 13)	0	0

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Change in provisions for liabilities and deferred tax liabilities, including:</b>	<b>(755)</b>	<b>500</b>
Change in provisions for liabilities (in accordance with Note 10)	(622)	15
Change in deferred tax liability settled with financial results (in accordance with Note 17)	851	999
Change in deferred tax asset settled with financial results (in accordance with Note 17)	(984)	(514)

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Change in liabilities excluding credits, loans and provisions, including:</b>	<b>13 165</b>	<b>1 957</b>
Change in other long-term financial liabilities (in accordance with Note 9)	(235)	(226)
Change in other long-term non-financial liabilities (in accordance with Note 9)	(2 225)	(1 797)
Change in other short-term financial liabilities (in accordance with Note 9)	16 599	5 098
Change in other short-term non-financial liabilities (in accordance with Note 9)	(281)	483
Adjustment for increase in liabilities arising from finance lease agreements concluded during the given period (in accordance with Note 9)	(235)	(226)
Adjustment for repayment of liabilities arising from finance lease agreements concluded during the given period (in accordance with Note 9)	0	1
Adjustment for grants related to assets received in the given period (disclosed as separate item in cash flows from financing activities - in accordance with Note 9)	(458)	(1 376)

Specification (in thousands of PLN)	For the period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	For the period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
<b>Expenditures on acquisition of intangible assets and property, plant and equipment, including:</b>	<b>(6 207)</b>	<b>(59)</b>
Purchase of intangible assets and property, plant and equipment (in accordance with Note 1 and Note 2)	(7 110)	(226)
Change in the balance of property, plant and equipment under construction (in accordance with Note 2)	414	(449)
Settlement of advances received in prior periods for the acquisition of property, plant and equipment (in accordance with Note 4)	(117)	(75)
Adjustment for increase in liabilities arising from finance lease agreements concluded during the given period (in accordance with Note 9)	606	691
Other adjustments	0	0

#### 4.20. Note 20 – Financial instruments and risk management

Financial instruments by category are shown in the table below:

Specification (in thousands of PLN)	Note	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Available-for-sale financial assets		0	2 334
Financial assets held until maturity		0	0
Financial assets at fair value through profit or loss statement		0	0
Loans and receivables, including:		38 982	13 736
Trade receivables (net value)	4	38 832	11 856

Granted loans	4	150	1 880
Other receivables arising from finance lease agreements	4	10 801	14 381
Cash and cash equivalents	6	9 824	1 660
<b>Total assets by category</b>		<b>59 607</b>	<b>32 111</b>
Financial liabilities at fair value through profit or loss statement		0	0
Liabilities arising from derivative instruments designated as hedging instruments		0	0
Other liabilities, including:		63 144	40 496
Trade liabilities	9	26 410	9 864
Other financial liabilities	9	410	357
Liabilities arising from credits and loans	8	35 793	29 509
Liabilities arising from finance lease	9	531	766
<b>Total liabilities by category</b>		<b>63 144</b>	<b>40 496</b>

Financial instruments by class are shown in the table below:

Specification (in thousands of PLN)	Note	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Trade receivables (net value)	4	38 832	14 190
Granted loans	4	150	1 880
Other receivables arising from finance lease agreements	4	10 801	14 381
Cash and cash equivalents	6	9 824	1 660
<b>Total assets by class</b>		<b>59 607</b>	<b>32 111</b>
Trade and other financial liabilities	9	26 410	9 864
Liabilities arising from personal wages	9	410	357
Liabilities arising from credits and loans	8	35 793	29 509
Liabilities arising from finance lease	9	531	766
<b>Total financial liabilities by class</b>		<b>63 144</b>	<b>40 496</b>

Items of revenue, cost, gain and loss recognized in Profit and Loss Statement divided into categories of financial instruments are shown in the table below:

Specification (in thousands of PLN)	Note	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Items of revenue (cost) related to the category of "Loans and receivables", "Other receivables", "Cash and cash equivalents"</b>			
Interest income (cost)	15	53	2 549
Interest income arising from lease receivables	15	182	812
Gains (losses) through currency fluctuations	15,16	14	5
Impairment losses	4	(7)	(537)
Reversal of impairment losses	4	898	556
<b>Total net profit (loss)</b>		<b>1 140</b>	<b>3 385</b>
<b>Items of revenue (cost) related to the category of "Other liabilities" and "Liabilities arising from finance lease"</b>			
Interest income (cost)	16	(1 098)	(975)
Gains (losses) through currency fluctuations	15,16	(97)	(8)
<b>Total net profit (loss)</b>		<b>(1 195)</b>	<b>(983)</b>

One of collaterals used to hedge liabilities arising from credit agreements is unacknowledged global transfer (assignment) of existing and future receivables arising from lease contracts and sale of goods and services.

During the reporting periods, the Company did not identify any of the following economic events and situations that would require a disclosure:

- as for the balance sheet date, the Company has not exercised the option to appoint financial instrument on initial recognition as at fair value through profit or loss statement (IFRS 7, § 9, 10, 11)
- the Company did not reclassify items of financial assets, in a way that would result in a change of the measurement method of these assets (IFRS 7, § 12)
- the Company did not issue any instruments, that would contain both liability and equity component (IFRS 7, § 17)
- the Company did not breach contractual provisions (IFRS 7, § 18)
- the Company does not apply fair value hedges and cash flow hedges (IFRS 7, § 22)
- the Company did not purchase any financial assets at a price different from their fair value (IFRS 7, § 28)
- the Company did not obtain any assets by taking possession of collateral (IFRS 7, § 38)

The Company uses a number of major financial instruments, which include bank loans including overdrafts

The Company uses a number of financial instruments, which include bank loans including overdrafts (described in Note 8), cash and cash equivalents and short-term deposits (described in Note 6). The main purpose of these instruments is to raise capital for Company's operations and to make short-term investments of surplus of liquid cash assets. The Company also own other financial instruments, which include trade receivables, trade payables, receivables arising from loan agreements and receivables arising from finance lease agreements (Note 4 and Note 9), which are the result of Company's operations.

Main risks arising from Company's financial instruments include:

- market risk (including: interest rate risk, exchange rate risk, risk associated with prices of raw materials, risk of increased competition in domestic market, risk associated with public tenders, risk associated with production unit, liability risk for the quality of delivered equipment and timeliness of executed services, risk of dependence on major recipients and suppliers, risk arising from received grants from the EU funds, risk of granted collateral on Company's assets, risk of tax law and changes in tax regulations)
- credit risk
- liquidity risk

## **Market risk**

Interest rate risk. Risk of changes in interest rates is primarily associated with long-term commitments, which include credits. Credits bear floating interest rates. The base rate used as a reference rate for credits

is WIBOR 1M, WIBOR 3M and EURIBOR 1M, EURIBOR 3M . Therefore, the Company is exposed to the interest rate risk. The average interest rate on credits used by the Company is disclosed in Note 8.

In the event where EURIBOR 1M and WIBOR 1M increases by 1.00 percentage point, the Company is exposed to additional financial cost in next fiscal year, as shown in the table below:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Additional financial cost to which the Company is exposed when interest rates on financial liabilities increase by 1 percentage point	385	295

In the opinion of the Company, any increase in interest rates on credits and finance lease agreements will not have significant effect on the level of gross financial results. The Company does not use any instruments to hedge against interest rate risk.

Exchange rate risk. The Company is exposed to exchange rate risk through transactions of sale and acquisition in currencies other than its functional currency, and by concluding credit agreements in foreign currencies. The Company does not conduct investment activities fraught with currency risk. Exchange rate differences from operating activities are recognized as finance cost or finance income.

If the EUR/PLN exchange rate increased in the next fiscal year, the Company would be exposed to additional finance cost resulting from measurement of liabilities arising from credit agreements denominated in EUR. The table below shows the estimated additional finance cost associated with foreign exchange losses, that would occur, if the EUR/PLN exchange rate increased by 10% in the next fiscal year:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Additional finance cost (to which the Company would be exposed, if the EUR/PLN exchange rate increased by 10%) resulting from measurement of liabilities arising from credit agreements denominated in foreign currency	0	0

Due to the minor share of foreign currency transactions, the Company did not use any instruments to hedge against exchange rate risk.

Risk associated with prices of raw materials. The main problem is the risk of changes in market prices of raw materials used in the production. Production costs largely depend on changes in prices of materials, including steel products (sheets, profiles). In recent years, we observe an increased price volatility of such products. Large stocks of materials used in the production may provide a hedge against temporary increases in commodity prices. The Company does not apply any hedging strategy against risk of increasing raw material prices, which, taking into account the fact that selling price of products is usually determined in public tenders - in a short period of time can have a significant impact on the profitability of production. Due to the large variety of raw materials needed for production, large stocks of raw materials and variable lead times of finished products, it is not possible to estimate the potential financial impact of commodity price changes on Company's financial results during the reporting period.

Risk of increased competition in domestic market. In recent years, we can observe an increased activity of competitors (producing mining machinery and equipment) on the home market. It increases the



pressure to reduce margins on individual products, which in turn may adversely affect Company's financial results. However, the Management Board has taken steps to diversify Company's income sources. As a result, lower prices of products for mining industry will not have such significant impact on Company's operations and revenue in the future.

Risk associated with public tenders. Significant part of Group's revenue comes from the realization of public tenders. A main factor which has a decisive influence on the final result of the tender is an offered price. At present, the Company calculates prices at the level, that ensures fair margin, which may not always occur in the future. Additionally, competitors who challenge tendering processes ( it can delay signing of the contract or, in extreme cases, cancel the tender) increase the risk of obtaining financial underperformance. In November 2017, the Company signed a finance lease agreement with Polska Grupa Górnicza in Katowice for the construction of a new scraper conveyor for the needs of KWK Bolesław Śmiały, with the amount of 5.390 thousand PLN gross. In January 2018, the Company signed a contract for the supply and modernization of four belt conveyors with a bandwidth of 1200 mm for exploitation regions below 800 m for Polska Grupa Górnicza KWK ROW Ruch Marcel. The contract value is 27,900 thousand PLN net. As at the date of this report, invoices have been already issued for a total amount of 11,789 thousand PLN net. In October 2018, the Company concluded a contract with JSW S.A. Jastrzębie Zdrój for the execution of a scraper conveyor and a sub-complex under the amount of 23 377 thousand PLN net with a deadline of 8 weeks from the date of conclusion of the contract. To further reduce the tender risk, the Company is also looking for clients from outside the mining industry.

Risk associated with production unit. The Company manufactures machinery and equipment for particular customers, mainly on the basis of individual orders. In the absence of serial production, typical preproduction processes, materiel supply process and timetable for maintenance and repair of machinery are more difficult to plan and implement. This phenomenon may temporary affect the financial results of the Company.

Liability risk for the quality of delivered equipment and timeliness of executed services. Liability risk for the quality of delivered equipment and timeliness of executed services is an integral element of each agreement concluded by PATENTUS S.A. The Company may be exposed to the risk of incurring additional cost associated with possible complaints. However, in the opinion of the Management Board of the Company, the risk of frequent or significant complaints which could aggravate the financial result is small, due to the extensive experience of the crew.

Risk of dependence on major recipients and suppliers. The amount of Company's revenue depends largely on the current situation of coal industry in Poland. Over 85% of the company's revenues in the audited period of 2018 and 37% in the corresponding period of 2017 were realized for such customers as Jastrzębska Spółka Węglowa S.A., Kompania Węglowa S.A., Famur, Polska Grupa Górnicza, Linter S.A. or PGE S.A. Deterioration of financial situation of key customers in this industry may result in deterioration of Company's financial results. Terminating or reducing orders arising from such entities would have a significant, negative impact on revenue and financial situation of the Company. In recent years, the Management Board has taken steps to diversify Company's income sources, inter alia, by starting to supply mining machinery and equipment to Eastern and Far East markets, and by exporting welded structures and devices to the EU markets.

The largest provider of services in 2017 was the company PPHU MIRPOL Mirosław Kobiór headquartered in Pszczyna. MIRPOL provides services concerning work on machines and equipment of the Company, under the supervision of engineering staff and on the basis of patents, solutions and documentation of the Company. The Management Board believes, that there is little risk of termination of

cooperation. Termination of cooperation would cause temporary shortages in production. However, in such a case, the Company will seek to take over the majority of contractor's employees. The Company is a major service recipient of the contractor.

Several suppliers cooperating with the Company has significant share of the supply of materials and commercial goods, including steel products. In the case where leading suppliers of steel products terminate the cooperation with the Company, the Company could (periodically) experience shortages in the supply of raw materials, until increasing delivery quantities from other suppliers. However, due to the large supply of steel products - any difficulties in obtaining raw materials should not be permanent.

Risk arising from received grants from the EU funds. The Company concluded agreements with managing unit of structural funds in order to receive financial support from the EU funds for the acquisition of new machinery and equipment and two agreements for reimbursement of costs necessary to perform the tasks arising from these agreements. In the case of failure to perform indications included in the contracts, it may be necessary to return part or all of the grant plus interest. The maximum repayment amount is about 41 719 thousand PLN (excluding possible interest).

Risk of granted collateral on Company's assets. Mortgages and registered pledges on production assets are some forms of collateral for bank loans granted to the Company. In a situation in which the Company would not settle its obligations under credit agreements, banks can satisfy their claims by taking over the pledge. Such situation may affect the production process and thus the financial results of the Company. The Company settles its debts in a timely fashion and at the moment, there is no such threat.

Risk of tax law and changes in tax regulations. Polish tax system is characterized by lack of stability. Tax law tends to change very often, often to the detriment of taxpayers. Changes in tax law may also result from the need of deployment of new solutions under the law of the European Union, resulting from the introduction of new or changes in existing regulations concerning taxes. In practice, tax authorities apply the law basing not only directly on the legislation, but also on their interpretations made by the superior court and court rulings. Such interpretations are also subject to changes, are replaced by others, or are in conflict with one another. To some extent, this also applies to judicial decisions. This results in lack of certainty as to how tax authorities should apply the law or an automatic use of it in accordance with current interpretations, that may not be conformed to the diverse and often complex situations occurring in the course of trade. Additional ambiguity of many provisions, that make up Polish tax system, helps to increase this risk. On one hand, it raises doubts as to the proper application of provisions. On the other hand, it makes it necessary to take into account the above-mentioned interpretation to a greater extent. In the case of tax regulations, which are based on the provisions in force in the European Union and thus should be fully harmonized with them, it should be noted that the risk of their use is often associated with inadequate level of knowledge about the EU legislation, which is driven by the fact, that they are relatively new to the Polish legal system. This may result in adoption of interpretations of Polish law, that are contradictory with regulations in force in the European Union. Many changes occur in other areas of law, that may affect the Company. Such legal changes can potentially raise the risk associated with problems of interpretation, lack of judicial practice, adverse interpretations adopted by courts or public authorities.

## **Credit risk**

Creditworthiness of customers with whom the Company concludes transactions of physical sale, is subject to verification procedures. Receivables are subject to continuous monitoring. Credit risk arising from trade receivables is high, and therefore is limited to number of major customers. According to the

data as at 31<sup>st</sup> December 2018, as shown in Note 18, the total balance of trade receivables reported in the balance sheet assets for the 5 largest contractors represents 88% of the total balance of trade receivables reported in the balance sheet assets. As at 31<sup>st</sup> December 2017, the receivables concentration ratio was 57 %. The remaining part of the balance of receivables is attributable to other clients. Specification of overdue receivables and the amount of write-downs of the entitlements are presented in Note 4. In the opinion of the Company, the maximum risk of uncollectible balance on receivables is equal to write-downs of trade receivables created at each given balance sheet date.

As of 31<sup>st</sup> December 2018 the Company discloses receivables under loans granted with accrued interest at the amount of 250 thousand PLN. Loan agreements are described in Note 4. The Company has created a revaluation write-off for a loan of company Roteks the amount of 100 thousand PLN. In relation to other loans, in the opinion of the Management Board of the Company, the collateral established is sufficient and there is no need to create an impairment loss on the loans receivable in the balance sheet.

With respect to other financial assets, including cash and deposits, Company's risk is directly related to the inability of other parties to pay, and the maximum level of this risk is equal to the carrying amount of the instrument. However, given the fact that the Company collaborates with leading banks, the risk associated with cash investments is significantly reduced.

For each balance sheet date, the fair value of financial instruments does not differ from the book values reported in the financial statement.

### **Liquidity risk**

The Company is exposed to the liquidity risk, understood as the ability of the Company to settle its obligations within the given deadlines. Financing business activities with external sources (credits, loans, trade credit) increases the liquidity risk. The Company must have permanent access to financial markets. Therefore, it is exposed to the risk of inability to obtain new financing, or refinancing of its debt. This risk is primarily dependent on market conditions, credit ratings and the degree of concentration. Due to the high credit rating of the Company, in the opinion of the Management Board - there is no risk of loss of access to finance. In 2011, the concentration of credit risk in one bank was limited by signing new credit agreements with other banks.

In order to ensure financial liquidity, in 2017 the Company concluded two factoring agreements with the Coface Poland Factoring Sp. z o.o. in Warsaw (contract 1638/2017 from 31<sup>st</sup> August 2017) with a funding limit of up to 5,000 thousand PLN and with Kuke Finanse SA. in Warsaw (agreement 0096/2017 of 29<sup>th</sup> November 2017) with a funding limit of 32,000 thousand PLN.

One of the liquidity risk measures is the degree of matching cash flows (inflows and outflows) for up to 3 months, in the period from 4 to 12 months, from 1 to 5 years and for more than 5 years. Inflows include: balance of trade receivables and balance of receivables arising from lease agreements, which were increased by cash at bank and available balance of unused bank overdraft. Outflows include: value of outstanding liabilities arising from credits, loans and lease agreements, which were increased by interest payable for the period and the value of other financial liabilities.

The surplus (deficit) of planned expenditures over planned revenues for particular periods and years is presented in the tables below:

Financial liabilities as for 31 <sup>st</sup> December 2018 in thousands of PLN	Contractual maturities from the balance sheet date				Total liabilities (undiscounted)	Value of liabilities disclosed in the balance sheet
	up to 3 moths	between 3 and 12 months	between 1 and 5 years	more than 5 years		
Trade liabilities	26 286	0	0	0	26 286	26 286
Other financial liabilities	410	0	0	0	410	410
Bank loans (gross value with accrued interest for the period)	15 424	7 611	5 984	5 340	34 359	35 793
Loans (gross value with accrued interest for the period)	0	0	0	0	0	0
Liabilities arising from finance lease (gross value with accrued interest for the period)	65	194	293	0	552	531
<b>Total financial liabilities in particular maturity periods (planned outflows)</b>	<b>42 185</b>	<b>7 805</b>	<b>6 277</b>	<b>5 340</b>	<b>61 607</b>	<b>63 020</b>
Cash at bank	9 824	0	0	0	9 824	9 824
Available balance of unused bank overdraft	12 986	0	0	0	12 986	0
Current trade receivables and receivables overdue up to 90 days	36 138	0	0	0	36 138	36 138
Net value of trade receivables overdue for more than 90 days	2 694	0	0	0	2 694	2 694
Receivables arising from granted loans (gross value with accrued interest)	153	0	0	0	153	150
Called-up receivables arising from finance lease agreements (gross value with accrued interest)	1 705	4 965	1 568	0	8 238	10 801
<b>Total planned inflows in the period</b>	<b>63 500</b>	<b>4 965</b>	<b>1 568</b>	<b>0</b>	<b>70 033</b>	<b>59 607</b>
<b>Excess (deficiency) of planned inflows over planned outflows in the period</b>	<b>21 315</b>	<b>(2 840)</b>	<b>(4 709)</b>	<b>(5 340)</b>	<b>8 426</b>	<b>(3 413)</b>

Financial liabilities as for 31 <sup>st</sup> December 2017 in thousands of PLN	Contractual maturities from the balance sheet date				Total liabilities (undiscounted)	Value of liabilities disclosed in the balance sheet
	up to 3 moths	between 3 and 12 months	between 1 and 5 years	more than 5 years		
Trade liabilities	9 760	0	0	0	9 760	9 760
Other financial liabilities	357	0	0	0	357	357
Bank loans (gross value with accrued interest for the period)	20 082	2 425	3 292	4 688	30 487	29 509
Loans (gross value with accrued interest for the period)	0	0	0	0	0	0
Liabilities arising from finance lease (gross value with accrued interest for the period)	65	194	517	35	811	766
<b>Total financial liabilities in particular maturity periods (planned outflows)</b>	<b>30 264</b>	<b>2 619</b>	<b>3 809</b>	<b>4 723</b>	<b>41 415</b>	<b>40 392</b>
Cash at bank	1 660	0	0	0	1 660	1 660
Available balance of unused bank overdraft	2 816	0	0	0	2 816	0
Current trade receivables and receivables overdue up to 90 days	10 184	0	0	0	10 184	10 184
Net value of trade receivables overdue for more than 90 days	1 672	0	0	0	1 672	1 672
Receivables arising from granted loans (gross value with accrued interest)	317	479	153	0	949	900

Called-up receivables arising from finance lease agreements (gross value with accrued interest)	1 743	5 098	7 933	0	14 774	14 381
<b>Total planned inflows in the period</b>	<b>18 392</b>	<b>5 577</b>	<b>8 086</b>	<b>0</b>	<b>32 055</b>	<b>28 797</b>
<b>Excess (deficiency) of planned inflows over planned outflows in the period</b>	<b>(11 872)</b>	<b>2 958</b>	<b>4 277</b>	<b>(4 723)</b>	<b>(9 360)</b>	<b>(11 595)</b>

Another liquidity risk measure, which is used by the Company, is the analysis of the level of Company's equity. Analysis of the level of equity is made on the basis of Equity-to-Assets ratio and Debt/EBITDA ratio.

Equity-to-Assets ratio is calculated as the ratio of total equity to total assets on the specified balance sheet date. The Company assumes to maintain the Equity-to-Assets ratio of not less than 0.5. As for 31<sup>st</sup> December 2018, the ratio stands at 0,54.

The equity ratio in asset financing is calculated as the proportion of total equity to the balance sheet total of assets as at a given balance sheet date. The Company assumes to maintain the Equity-to-Assets ratio of not less than 0.5. As for 31<sup>st</sup> December 2018, the ratio stands at 0,54.

Debt/EBITDA ratio is calculated as the ratio of total liabilities arising from credits, loans and finance lease agreements to total EBITDA. EBITDA is the sum of operating profit and depreciation and amortization. The Company assumes to maintain debt/EBITDA ratio not higher than 2.5. As for 31<sup>st</sup> December 2018, the ratio stands at 1,70.

The analysis of the indicators shows that the Company was in a difficult economic and financial situation. The reason for such a difficult situation of the Company is the difficult situation in the mining industry, the lack of orders for large conveyors, extended payment periods for loans by mines to 150 days and for leases concluded. Another reason for the Company's difficult situation is the bankruptcy of the subsidiary, Patentus Strefa S.A., and thus the necessity to take over some of the debt of the subsidiary in connection with the granting of its corporate guarantees as collateral for loans.

The following table presents the analysis of the levels of equity in subsequent years:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Calculation of Equity-to-Assets ratio (ratio of total equity to total assets)</b>		
Equity	93 670	85 374
Total assets	176 016	149 044
<b>Equity-to-Assets ratio</b>	<b>0,53</b>	<b>0,57</b>

<b>Calculation of Debt/EBITDA ratio (ratio of total liabilities arising from credits, loans and finance lease agreements to total EBITDA)</b>		
Operating profit	12 008	2 217
Depreciation and amortization	7 453	7 362
EBITDA (sum of operating profit and depreciation and amortization)	19 461	9 579

Total liabilities arising from credits, loans and finance lease agreements	36 324	30 275
<b>Debt/EBITDA ratio (for six-month periods the value of indicator was averaged for the entire year)</b>	<b>1,87</b>	<b>3,16</b>

#### 4.21.Note 21 – Contingent receivables and contingent liabilities

In 2016 and in comparable reporting period, no entity of the Capital Group has entered into any trade agreement, that would generate significant commitments in the next reporting period.

The total value of received guarantees at end of each period are presented in the following table:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Contingent receivables towards the Borrower, resulting from securing a long-term loan granted by the Company - real estate mortgage	1 100	1 100
Contingent receivables towards the Borrower resulting from securing a long-term loan granted by the Company - registered pledge on fixed assets	2 200	2 200
Total	3 300	3 300

The following is the list of contingent liabilities which result from obligations incurred by the Company:

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
<b>Promissory notes issued to hedge:</b>	<b>99 465</b>	<b>66 171</b>
Bank loans	55 078	28 153
Lease liabilities	531	765
Received subsidies from EU funds	41 719	35 958
Other (separate specification)	2 137	1 295
<b>Bank's loans are hedged by:</b>	<b>167 968</b>	<b>287 991</b>
Mortgage on real estate (tangible assets and investment property) - to secure the obligations arising from bank loans	63 626	86 301
The amount of registered pledge or transfer of ownership of tangible assets - to secure the obligations arising from bank loans	19 649	36 314
Inventories as collateral	10 000	12 000
Assignment of rights arising from the insurance contract	36 810	54 398
Assignment of future receivables from BGK	0	11 445
Borrower's declaration of submission to enforcement	37 883	87 533
<b>Total contingent liabilities</b>	<b>267 433</b>	<b>354 162</b>

A detailed description of bank loan collaterals is presented in Note 8.

The Company has provided a corporate guarantee for loan agreements granted by Raiffeisen Bank Polska S.A. to a subsidiary of PATENTUS Strefa S.A. and a promissory note to a credit agreement granted by Deutsche Bank PBC S.A. to a subsidiary of Zakład Konstrukcji Spawanych Montex Sp. z o. o. Due to the announcement by the subsidiary PATENTUS Strefa S.A. of bankruptcy under the guarantees granted to this company for loan agreements issued by Raiffeisen Bank Polska S.A. As a guarantor, the Company signed an agreement with the Bank to repay the debt due to the bank's claims. The amount of debt at the

date of the agreement, i.e. on 23<sup>rd</sup> December 2016 amounted to 2.334 thousand PLN (paid-up capital) and 99 thousand EUR due to issued bank guarantees. Liabilities due to called-up capital are presented in the Company's balance sheet as a liability due to loans while the liability for issued bank guarantees is disclosed as a contingent liability in off-balance sheet records. On 26<sup>th</sup> June 2018 were drawn up plans for the distribution of the proceeds from the sale of the Subsidiary Patentus Strefa S.A. These plans included Raiffeisen Bank Poland S.A. which means that the Company will be released from the debt and paid off the loan installments to date will be recovered by the Company. The company has already paid off the liability in the amount of 545 thousand PLN. There is still a balance of 1,789 thousand PLN. As at the date of this report, the sale of PATENTUS STREFA SA and the receiver's settlement of the amount received as a result of the sale took place. In accordance with the division plan, Raiffeisen Bank Polska SA and the Agencja Rozwoju Przemysłu were satisfied in a total amount of 3,271 thousand PLN. In connection with the above, the Company settled all previously created revaluation write-downs and settled the release from debt in relation to Raiffeisen Bank Polska SA. Since Raiffeisen Bank Poland SA disputes the amount of 545 thousand PLN paid towards repayment of the loan for PATENTUS STREFA S.A for the aforementioned amount, the Company created a revaluation write-down.

In the ordinary course of business, the Company provides guarantees to all customers (buyers) for the sale of products and services. Warranty is granted for a period of 12 to 36 months from the date of delivery, commissioning of the device or execution of service. The maximum value of liabilities arising from guarantees corresponds to the value of revenue from the sale of products and services.

Based on the cost analysis of previous years - the Management Board decided, that there is no risk of significant future cost arising from warranty repairs. Management Board of the Company believes, that there are no other factors and events that suggest a need to create provisions arising from other titles. On this basis, the Management Board refrained from estimating potential liabilities arising from its business activities.

The company buys supplies from different suppliers. Part of the suppliers of materials and goods protects its receivables sold inventory. According to the notations used on invoices, sold stocks remain the property of the supplier until the settlement of a liability by the Company.

Contingent liabilities include guarantees issued on behalf of the Company, such as bid bond guarantees and bank performance bonds. In order to obtain such guarantees, the Company signed relevant agreements with guarantors and gave them blank promissory notes.

The table below shows the total amount of guarantees issued on behalf of the Company, such as bid bond guarantees and bank performance bonds. Detailed specifications of issued guarantees is presented in the report of the Management Board on operations of the Company (Section 16).

<b>Specification (in thousands of PLN)</b>	<b>End of period 31<sup>st</sup> December 2018</b>	<b>End of period 31<sup>st</sup> December 2017</b>
Total value of bid bond guarantees issued by other entities on behalf of the Company (guarantees valid at end of fiscal year)	1 562	382
Total value of bank performance bonds issued by other entities on behalf of the Company (guarantees valid at end of fiscal year)	251	785
Total value of payment guarantees issued by other entities on behalf of the Company (guarantees valid at end of fiscal year)	0	0
Total value of retention bonds issued by other entities on behalf of the Company (guarantees valid at end of fiscal year)	466	410

Total value of corporate guarantee, that secure the repayment of liabilities by Patentus Strefa S.A. in favor of RAIFFEISEN BANK POLSKA S.A. (guarantees valid at end of period)	110	106
Sum of guarantees provided by Patentus S.A. securing the repayment of liabilities of its subsidiaries	0	0
<b>Total value of issued guarantees</b>	<b>2 389</b>	<b>1 683</b>

Tables below present a list of blank promissory notes, that the Company transferred to other entities, as collateral for commercial and financial transactions.



PATENTUS S.A. headquartered in Pszczyna, street Górnośląska 11  
Annual Individual Financial Statement prepared in accordance with IFRS as adopted by the European Union for the period  
1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018 (amounts in tables are in thousands of PLN, unless stated otherwise)

No	Issue date of promissory note	Return of the promissory note	Type of the promissory note	Holder of the promissory note	Description of trade agreement	Notes	Maximum value of the liability arising from the promissory note agreement or contract (in thousands of PLN)	Hedged liabilities disclosed in the balance sheet as for 31 <sup>st</sup> December 2018 (in thousands of PLN)	Hedged liabilities disclosed in the balance sheet as for 31 <sup>st</sup> December 2017 (in thousands of PLN)
1	26 <sup>th</sup> April 2012	---	Blank promissory note	Górnośląska Agencja Rozwoju Regionalnego S.A. Katowice	Subsidy to the financing agreement No UDA-POIG.01.04.00-24100/11-00 (poured materials)	30 <sup>th</sup> June 2017	To the amount of 3,267 thousand PLN + interest	108	225
2	26 <sup>th</sup> April 2012	---	Blank promissory note	Górnośląska Agencja Rozwoju Regionalnego S.A. Katowice	Subsidy to the financing agreement No UDA-POIG.01.04.00-24094/11-00 (gears)	30 <sup>th</sup> September 2018	To the amount of 5,517 thousand PLN + interest	453	701
3	28 <sup>th</sup> September 2012	---	Blank promissory note	m Bank S.A.	Credit agreements No 16/075/12/Z/FT	28 <sup>th</sup> August 2019	Total debt + interest and cost accrued until repayment	0	568
4	28 <sup>th</sup> September 2012	---	Blank promissory note	m Bank S.A.	Credit agreements No 16/074/12/Z/FT	28 <sup>th</sup> August 2019	Total debt + interest and cost accrued until repayment	0	504
5	2 <sup>nd</sup> October 2012	---	Blank promissory note	Deutsche Bank PBC S.A.	Investment credit No KIN/1219501	30 <sup>th</sup> Septmber 2027	7 592 thousand PLN	5 035	5 659
6	13 <sup>th</sup> December 2012	---	Blank promissory note	Orlen Petro Tank Ltd.	Cooperation agreement No 158/PO/2012		150 thousand PLN	0	0
7	17 <sup>th</sup> December 2012	---	Blank promissory note	Deutsche Bank PBC S.A.	Investment credit No KIN/1228558	2 <sup>nd</sup> January 2023	1 700 thousand PLN	710	902
8	12 <sup>th</sup> April 2013	---	Blank promissory note	Pekao S.A.	Financing contract for financing (factoring) ** 85/eF/kr/2013	1 <sup>st</sup> March 2020	sum of debt + interest + receivables arising from the contract	0	1 398
9	4 <sup>th</sup> January 2013	---	Blank promissory note	Śląskie Centrum Przedsiębiorczości	Subsidy to the financing agreement No UDA-POIG.01.02.04-00-C09/11-00 measurement services	Three years from the date of 24 <sup>th</sup> March 2014	To the amount of 750 thousand PLN + interest	362	438
10	16 <sup>th</sup> November 2012	---	Blank promissory note	Górnośląska Agencja Rozwoju Regionalnego S.A. Katowice	Subsidy to the financing agreement No UDA-POIG.04.03.00-00-954/11 bevel gears	31 <sup>st</sup> August 2017	To the amount of 3.976 thousand PLN + interest	2 147	2 537
11	16 <sup>th</sup> November 2012	---	Blank promissory note	Górnośląska Agencja Rozwoju Regionalnego S.A. Katowice	Subsidy to the financing agreement No UDA-POIG.04.03.00-00-950/11 multi-sized elements powertrains	31 <sup>st</sup> August 2017	To the amount of 3.970 thousand PLN + interest	2 077	2 471
12	25 <sup>th</sup> April 2013	26 <sup>th</sup> February 2019	Blank promissory note	Górnośląska Agencja Rozwoju Regionalnego S.A. Katowice	Subsidy to the financing agreement No UDA-POIG.06.00.24-007/12 mechatronic assembly conveyor	30 <sup>th</sup> June 2017	To the amount of 7.592 thousand PLN + interest	4 731	5 279
13	27 <sup>th</sup> May 2014	---	Blank promissory note	Narodowe Centrum Badań i Rozwoju Warszawa	Subsidy to the financing agreement No UDA-POIG.01.04.24-057/13 gutter slopes	30 <sup>th</sup> December 2018	To the amount of 2.297 thousand PLN + interest	104	156
14	2 <sup>nd</sup> December 2015	24 <sup>th</sup> March 2016	Two Blanks promissory note	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej	Grants agreement No 451/2015/60/OA/aL.D Loan agreement No 307/2015/60/OA/aL.P	5 years from 30 <sup>th</sup> November 2015	To the amount of 13 thousand PLN grants + 126 thousand PLN loan + interest	0	77
15	20 <sup>th</sup> January 2015	---	Blank promissory note	Fundusz Górnośląski	Loan Agreement No SFP/P/71/03/2014	20 <sup>th</sup> March 2019	To the amount of 584 thousand PLN+ interest	33	179

PATENTUS S.A. headquartered in Pszczyna, street Górnośląska 11  
Annual Individual Financial Statement prepared in accordance with IFRS as adopted by the European Union for the period  
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16	22 <sup>nd</sup> December 2015	---	Blank promissory note	PEKAO LEASING Sp zoo Warszawa	Financial lease agreement No 50/0130/15	12 <sup>th</sup> January 2021	To the amount of 1 520 thousand PLN + interest	531	765
17	26 <sup>th</sup> August 2016	---	Blank promissory note	Deutsche Bank Polska S.A.	Loan Agreement No KON-1619068	31 <sup>st</sup> July 2019	To the amount of 1 000 thousand PLN	245	645
18	29 <sup>th</sup> June 2016	---	Blank promissory note	Narodowe Centrum Badań i Rozwoju Warszawa	Subsidy to the financing agreement No UDA-POIG.01.04.24-057/13 toothed elements	30 <sup>th</sup> September 2023	To the amount of 8 589 thousand PLN	0	119
19	28 <sup>th</sup> March 2017	16 <sup>th</sup> October 2018	Blank promissory note	Pekao S.A.	Restructuring Agreement No. 3/2017 for factoring **	1 <sup>st</sup> March 2020	To the amount of 1 868 thousand PLN	0	1 398
20	25 <sup>th</sup> April 2016	---	Blank promissory note	ING Bank Slaski S.A.	Multi-product Agreement No 889/2015/0000771/00	29 <sup>th</sup> November 2017	To the amount of 6 000 thousand PLN	5 164	5 212
21	31 <sup>st</sup> August 2017	---	Blank promissory note	Coface Poland Factoring Sp. z o.o.	Factoring agreement 1638/2017	indefinite period of time	To the amount of 5 000 thousand PLN	0	0
22	29 <sup>th</sup> November 2017	---	Blank promissory note	Kuke Finanse S.A.	Factoring agreement No. 0096/2017	indefinite period of time	To the amount of 32 000 thousand PLN	26 000	0
23	20 <sup>th</sup> February	---	Blank promissory note	Alior Leasing sp. z o.o.	Loan Agreement No. 133258/18/3	20 <sup>th</sup> January 2025	To the amount of 32 000 thousand PLN	3 316	0
24	1 <sup>st</sup> March 2018	---	Blank promissory note	Kuke Finanse S.A.	Debt management agreement No. 0110/2018	30 <sup>th</sup> April 2021	To the amount of 4 500 thousand PLN	3 156	0
25	9 <sup>th</sup> August 2018	---	Blank promissory note	Getin Noble Bank S.A.	Loan agreement No. 129595 / KO / 2018	10 <sup>th</sup> February 2020	To the amount of 12 000 thousand PLN	9 562	0
26	3 <sup>rd</sup> September 2018	---	Blank promissory note	Narodowe Centrum Badań i Rozwoju Warszawa	Co-financing to the agreement POIR.04.01.04-00-0081 / 17-00 RED-DYN	1 <sup>st</sup> July 2021	To the amount of 5 761 thousand PLN	0	0
27	12 <sup>th</sup> October 2018	---	Blank promissory note	Towarzystwo Inwestycji Społeczno-Ekonomicznych S.A. Warszawa	Loan agreement No. 42178	12 <sup>th</sup> October 2025	To the amount of 1 200 thousand PLN	976	0
28	6 <sup>th</sup> November 2018	---	Blank promissory note	Pioma Odlewnia Sp. z o.o.	Transfer contract		To the amount of 4 000 thousand PLN	5 472	0
<b>Total</b>								<b>70 182</b>	<b>29 233</b>

## Off-balance sheet liabilities guaranteed by promissory notes

Off-balance sheet liabilities guaranteed by promissory notes									
No	Issue date of promissory note	Return of the promissory note	Type of the promissory note	Holder of the promissory note	Description of trade agreement	Notes	Maximum value of the liability arising from the promissory note agreement or contract (in thousands of PLN)	Hedged liabilities disclosed in the balance sheet as for 30 <sup>th</sup> December 2018 (in thousands of PLN)	Hedged liabilities disclosed in the balance sheet as for 30 <sup>th</sup> December 2017 (in thousands of PLN)
1	1 <sup>st</sup> July 2008	---	Blank promissory note	Poczta Polska	Agreement No 411/PH1/2008/S/K/EP		The amount equal to the obligations arising from the contract + interest on the date of payment of the promissory note + cost	0	0
2	22 <sup>nd</sup> March 2011	---	Blank promissory note	Deutsche Bank PBC S.A.	Framework Agreement No NRM/2010060167 as collateral for bank's receivables arising from transaction in foreign currency		To the amount of 200 thousand EUR	0	0
3	1 <sup>st</sup> September 2011	---	5 blank promissory notes	Towarzystwo Ubezpieczeń Euler Hermes S.A.	Agreement on providing contractual warranties No 0468/06/2011		To the amount of 5,000 thousand PLN	0	0
4	10 <sup>th</sup> September 2015	---	blank promissory notes	GENERALI T.U. S.A.	Framework agreement for granting contract guarantees within the revolving limit GNL - UF / 2015/997 / UG		To the amount of 2,000 thousand PLN	2 093	1 148
5	23 <sup>rd</sup> August 2017	---	5 blank promissory notes	Ergo Hestia S.A.	contract for granting insurance guarantees within the guarantee limit 40/2017 / GL50	Indefinite period of time	To the amount of 2,000 thousand PLN	44	147
<b>Total</b>								2 137	1 295

#### 4.22.Note 22 – Earnings per share and dividend policy

Earnings per share is calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the fiscal year. There were no financial instruments, that would result in dilution of earnings.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
Weighted average number of shares (in units)	29 500 000	29 500 000
Net profit (loss) in the period (in thousands of PLN)	8 203	1 697
Net profit (loss) per share and diluted net profit (loss) per share (in PLN)	0,28	0,06

Company did not pay dividends from net profit generated in 2018.

On 24<sup>th</sup> May 2018 an Annual General Meeting of PATENTUS S.A. took place. Pursuant to the resolution No 5, the annual financial statement for 2017 has been approved. The shareholders also adopted a resolution No. 7 to cover the net loss for 2017 in the amount of 1 697 thousand PLN from the reserve capital created voluntarily, which as of 31<sup>st</sup> December 2017 amounted to 51 197 thousand PLN and is presented in the balance sheet as retained earnings.

The Management Board of the Company will implement the dividend policy for the coming years, if the Company satisfies the demand for funds under the investment program of PATENTUS S.A.

#### 4.23.Note 23 – Judicial proceedings and arbitration

The Company is not a party to any proceedings instituted against the Company.

The Company recognizes impairment losses for all receivables claimed at court, asserted by way of enforcement or receivables reported to the insolvency proceedings. Such impairment losses are charged to other operating expense or finance cost.

#### 4.24.Note 24 – Events which occurred after the reporting date

Did not occur.

#### 4.25.Note 25 – Threats to going concern

Financial statement was prepared on the assumption, that the Company is a going concern and operates in its original form and line of business for a period of at least 12 months from the end of the reporting period. Moreover, there is no evidence, that the Company has neither the intention nor the need to liquidate or curtail materially the scale of its operations. On the day of signing the financial statement, the Management Board of the Company did not identify any facts or circumstances, that may cast significant doubt upon the Company's ability to continue as a going concern in the foreseeable future.

#### 4.26.Note 26 – Transactions with related entities

Entities related to the Company are:

- Shareholders of the Company. Due to the fact, that there are shareholders holding more than 10% of the total number of votes, and also due to the family connections between the

shareholders, it is considered, that they may have significant influence on the Company. Members of the Management Board are also shareholders. Members of the Supervisory Board are close family members of the Shareholders.

- Other entities. Other related entities are: members of the Management Board and Supervisory Board (including directors); those who are close relatives of these individuals; and other economic entities in which members of the Management Board and Supervisory Board of the Company perform management functions or are their shareholders. Close relatives are those family member who may be expected to influence, or be influenced by, that individual in their dealings with the entity.
- Other entities, including subsidiaries.

The Company does not conduct any program of post-employment benefits for employees of the Company or other related entity.

The Company holds shares in subsidiary Patentus Strefa S.A. headquartered in Stalowa Wola and stakes in the share capital of Zakład Konstrukcji Spawanych "Montex" Ltd. headquartered in Świętochłowice.

The Company holds no equity interests in other entities.

In 2018 and 2017, the scope of mutual transactions with related entities covered commercial transactions concluded between the Company and Shareholder's close relatives or close relatives of persons managing or supervising the Company. Furthermore, since the establishment of a subsidiary company in 2011 and acquisition of stakes in another subsidiary - other transactions with this entity have also been concluded. The Management Board of the Company announces, that transactions with related entities were concluded on market terms.

Synthetic information on the value of transaction concerning the sale and receivables from related parties is presented in the table below:

Other related entities (in thousands of PLN)	Position or nature of the relationship	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
		Value of transactions	Balance at end of period	Value of transactions	Balance at end of period
Total value of transactions / Total balance of gross receivables, including:		1	1	8	2
Małgorzata Duda nee Wiktor	Commercial Proxy and a Shareholder	0	0	3	1
Bąk Joanna	Daughter of a sister of Commercial Proxy who is also a Shareholder – Małgorzata Duda	0	0	1	0
Helf S.C. Pszczyna	Co-owner - Ligas Wiesław - brother in law of Commercial Proxy who is also a Shareholder	0	0	1	0
Duda-Szymczak Joanna	Daughter of a Commercial Proxy who is also a Shareholder and Chief Financial Officer - Małgorzata Duda nee Wąs	0	0	2	1
Małgorzata Duda nee Wąs	Commercial Proxy, Shareholder, Chief Financial Officer	0	0	0	0
Maksi Plan S.C.Michał Skotnica,Maciej Markiel Pszczyna	Co-owner – Maciej Markiel - Chairman of the Supervisory Board	0	1	0	0

Szymczak Jakub MAK	Son-in-law of the proxy - of shareholder - of financial director Małgorzata Duda (Wąs)	1	1	1	1
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Other related entities (in thousands of PLN)	Position or nature of the relationship	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
		Value of transactions	Balance at end of period	Value of transactions	Balance at end of period
Total value of transactions / Total balance of receivables, including:		74	6	69	5
a) Helf S.C. Pszczyna	co-owner - Ligas Wiesław - brother in law of Commercial Proxy who is also a Shareholder	74	6	69	5
b) Maksi Plan S.C.Michał Skotnica,Maciej Markiel Pszczyna	co-owner – Maciej Markiel - Chairman of the Supervisory Board	0	0	0	0

Transactions concluded with subsidiaries and associates (in thousands of PLN)	Type of transaction	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
		Value of transactions	Balance at end of period	Value of transactions	Value of transactions
Total value of transactions / Total value of balance at end of period, including:		9	3 748	466	4 140
Zakład Konstrukcji Spawanych Montex Sp. z o.o	acquisition of of shares in the share capital	0	3 740	0	3 740
Zakład Konstrukcji Spawanych Montex Sp. z o.o	granted loans	0	0	0	70
Zakład Konstrukcji Spawanych Montex Sp. z o.o	accrued interest arising from loans	1	0	3	5
Zakład Konstrukcji Spawanych Montex Sp. z o.o	other receivables	8	8	153	15
Zakład Konstrukcji Spawanych Montex Sp. z o.o	other receivables arising from granted advances for supplies	0	0	310	310

Other related entities (in thousands of PLN)	Position or nature of the relationship	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
		Value of transactions	Balance at end of period	Value of transactions	Balance at end of period
Total value of transactions / Total balance of receivables, including:		124	124	841	104
Zakład Konstrukcji Spawanych Montex Sp. z o.o	purchase of products, goods and services	124	124	531	104
Zakład Konstrukcji Spawanych Montex Sp. z o.o	advance payment for delivery	0	0	310	0

Transactions concluded with subsidiaries and associates (in thousands of PLN)	Type of transaction	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
		Value of transactions	Balance at end of period	Value of transactions	Value of transactions
Total value of transactions / Total value of balance at end of period, including:		(2 334)	0	(1 862)	2 334

Patentus Strefa S.A. in bankruptcy	shares in share capital	0	10 000	0	10 000
Patentus Strefa S.A. in bankruptcy	revaluation write-off for permanent loss of value	(2 334)	(10 000)	(1 862)	(7 666)
Patentus Strefa S.A. in bankruptcy	granted loan	0	0	0	838
Patentus Strefa S.A. in bankruptcy	impairment	0	0	0	(838)
Patentus Strefa S.A. in bankruptcy	accrued interest on loans	0	0	0	48
Patentus Strefa S.A. in bankruptcy	impairment	0	0	0	(48)
Patentus Strefa S.A. in bankruptcy	receivables due to deliveries and services	0	0	0	290
Patentus Strefa S.A. in bankruptcy	impairment	0	0	0	(290)
Patentus Strefa S.A. in bankruptcy	other receivables	0	0	0	1 678
Patentus Strefa S.A. in bankruptcy	impairment	0	0	0	(1 678)
Patentus Strefa S.A. in bankruptcy	receivables from sale of fixed assets	0	0	0	0

Subsidiaries (in thousands of PLN)	Position or nature of the relationship	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
		Value of transactions	Balance at end of period	Value of transactions	Value of transactions
Total value of transactions / Total value of balance of liabilities, including:		0	0	0	0
Patentus Strefa S.A. in bankruptcy	Purchase of goods, goods and services	0	0	0	0
Patentus Strefa S.A. in bankruptcy	Advance payment for delivery	0	0	0	0

#### 4.27. Note 27 – Information on benefits for Key Management Personnel and the Supervisory Board

Key Management Personnel includes the Management Board, the Supervisory Board and Directors.

The Company pays benefits to members of the Management Board and Directors. Remunerations for employment and other employee benefits paid to this group are divided into basic types of benefits which are presented in the table below:

Key Management Personnel (in thousands of PLN)	Position	Type of benefit	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
Duda Józef	President of the Management Board	Remuneration for employment	370	365
		Other employee benefits	0	0
Duda Stanisław	Vice President of the Management Board	Remuneration for employment	370	365
		Other employee benefits	0	0
Duda Małgorzata /Wiktor/	Commercial Proxy and Shareholder	Remuneration for employment	213	173
		Other employee benefits	0	0

Duda Małgorzata /Wąs/	Chief Financial Officer and Shareholder	Remuneration for employment	209	172
		Other employee benefits	0	0
Ligas Krystyna	Chief Accountant	Remuneration for employment	123	113
		Other employee benefits	0	0
Total remuneration of the Management Board			740	730
Total other employee benefits of the Management Board			0	0
Total remuneration of Directors and Commercial Proxies			545	458
Total other employee benefits of Directors and Commercial Proxies			0	0
Total remuneration and other employee benefits of Key Management Personnel			1 285	1 188

Other employee benefits include outflows from the Social Fund and reimbursement of costs for periodic medical examinations.

Members of Key Management Personnel did not receive post-employment benefits, termination benefits, share-based payments or profit bonuses.

Remunerations of Members of the Supervisory Board are presented in the following table:

Key Management Personnel (in thousands of PLN)	Position	Type of benefit	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017
Markiel Maciej	Chairman of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	0	3
		Other employee benefits	0	0
Gotz Urszula	Vice Chairman of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	0	3
		Other employee benefits	0	0
		Remuneration for employment - Assistant in the sales department	0	0
Gotz Anna	Member of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	4	7
		Other employee benefits	0	0
		Remuneration for employment - Assistant in the sales department	72	50
Duda Łukasz	Member of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	4	7
Szymczak Jakub	Member of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	4	7
Niemiec Bartłomiej*	Member of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	3	4
Saller-Pawelczyk Alicja**	Member of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	1	4
Edyta Głombek**	Member of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	2	0
<b>Total remunerations for serving as a member of the Supervisory Board</b>			<b>18</b>	<b>35</b>
<b>Total remunerations for employment</b>			<b>72</b>	<b>50</b>

\* Member of the Supervisory Board until 27<sup>th</sup> April 2017

\*\* Member of the Supervisory Board since 24<sup>th</sup> May 2018

#### 4.28. Note 28 – Information on the amount of outstanding advances, loans, credits, guarantees, or by members of the Management Board and Supervisory Board

As at the date of this report and in the corresponding period of the previous year, the Company did not have any debts towards persons being members of the Company's Key Management Personnel due to unpaid advances, loans, loans, guarantees and sureties.



#### 4.29.Information on average employment

The table below summarizes the average employment of the Company in the reporting period:

Specification by professional groups	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018		Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
	Altogether	including women	Altogether	including women
<b>Total employment, including:</b>	<b>112</b>	<b>28</b>	<b>108</b>	<b>26</b>
Production staff positions	57	2	56	2
Service staff	30	9	28	7
Management Board and administration	25	17	24	17

#### 4.30.Agreements with senior auditor

The Parent Company signed on 4<sup>th</sup> May 2017 an agreement with a company authorized to audit financial statements of P.U. "Book-Keeper" Chancellery of the Auditors Company z o.o. based in Bielsko Biala Paderewski 4 / 1b street to undertake a unit audit and consolidated financial statements for 2017 and 2018, and to review the half-yearly and consolidated financial statements as of 30<sup>th</sup> June 2017 and 30<sup>th</sup> June 2018. The remuneration for activities related to the audit and review of the standalone and consolidated financial statements for 2017 was set of 31 thousand PLN net. At the same level, the remuneration for the analogous period of 2018 was determined.

Apart from the aforementioned - the entity authorized to audit financial statements did not provide other services to the Company, including attestation services and tax advisory services.

## 5. Signatures of persons responsible for the preparation of financial statement

Date	Name and Surname	Position	Signature
20 <sup>th</sup> March 2018	Józef Duda	President of the Management Board	
20 <sup>th</sup> March 2018	Stanisław Duda	Vice President of the Management Board	
20 <sup>th</sup> March 2018	Krystyna Ligas	Chief Accountant Person responsible for bookkeeping	

*Company seal*

## 6. Statement of the Management Board on the integrity of the financial statement

According to our best knowledge this annual financial statement has been prepared in accordance with IFRS as adopted by the European Union, that is, in accordance with the applicable accounting principles. The above-mentioned financial statements give a true and fair view of the financial position and the financial results of PATENTUS S.A.

Annual report on operations of the Company contains a true picture of the development and achievements of PATENTUS S.A., including a description of main risks and threats.

Signatures of all members of the Management Board

Date	Name and Surname	Position	Signature
20 <sup>th</sup> March 2018	Józef Duda	President of the Management Board	
20 <sup>th</sup> March 2018	Stanisław Duda	Vice President of the Management Board	

*Company seal*

## 7. Statement of the Management Board concerning the entity authorized to audit the financial statement

On 7<sup>th</sup> April 2017 the Supervisory Board adopted a resolution on the appointment of " P.U. „Book-Keeper” Kancelaria Biegłych Rewidentów Spółka z o.o. based in Bielsko Biala as the entity authorized to audit the annual and semi-annual standalone and consolidated financial statements of the Company for 2017 and 2018.

We declare, that the entity authorized to audit financial statements, that is currently examining the annual financial statement, has been selected by the Management Board in accordance with the provisions of national law.

Entity and the auditors conducting the study have fulfilled all the conditions for providing an unbiased and independent audit opinion, in accordance with relevant provisions of national law.

Signatures of all members of the Management Board

Date	Name and Surname	Position	Signature
20 <sup>th</sup> March 2018	Józef Duda	President of the Management Board	
20 <sup>th</sup> March 2018	Stanisław Duda	Vice President of the Management Board	

*Company seal*