

PATENTUS S.A.

headquartered in Pszczyna, street Górnośląska 11

**REPORT OF THE MANAGEMENT  
BOARD ON OPERATIONS OF  
PATENTUS S.A. IN THE YEAR 2018**

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

## Table of Contents

REPORT OF THE MANAGEMENT BOARD ON OPERATIONS OF PATENTUS S.A. in 2018.....	5
1. The principles for drawing up the annual financial statement. ....	5
2. Discussion of basic financial and economic figures, disclosed in the annual financial statement.....	5
3. Description of factors and events, especially those of unusual nature, which had significant impact on the operations of the Company and its financial gains or losses in the fiscal year. ....	11
4. Development prospects of the Company, at least in the next fiscal year.....	12
5. Description of significant risks and threats, identifying the extent to which the Company is exposed.	13
6. Indication of proceedings pending before the court, competent arbitration authority or public administration .....	16
7. Information about basic products, goods and services together with their value and volume of sales and contribution of individual products, goods and services (if relevant) or their groups in Company's total sales, as well as developments in this area in a given year. ....	17
8. Information about markets broken down into domestic and foreign markets.....	19
9. Information on sources of supply of materials for production, goods and services, identifying the dependence on one or more recipients and providers, and if the share of one customer or supplier reaches at least 10 % of total sales - (business) name of the supplier or recipient, his participation in the sale or supply, and its formal relationship with the Company. ....	19
10. Information on contracts relevant for Company's business, including agreements between the shareholders (partners), insurance contracts or cooperation agreements.....	21
11. Information on organizational or equity relationship of the Company with other entities. ....	45
12. Determination of major domestic and foreign investments (securities, financial instruments, intangible assets and real estate) including capital investments made outside the group of related parties and the description of methods of their financing. ....	47
13. Information on significant transactions concluded by the Company or its subsidiary with related entities, on non-market terms, with their amounts and the nature of those transactions.....	48
14. Information on concluded and terminated credits and loans in a given fiscal year, providing at least their amount, type, interest rate, currency and maturity date.....	48
15. Information on loans granted in this fiscal year, with particular regard to loans granted to related parties, providing at least the amount, type, currency, interest rate and maturity date.....	60
16. Information on given and received warranties and guarantees in the given fiscal year, with particular emphasis on warranties and guarantees granted to related entities.....	61
17. In the case of securities issue in the period covered by the report - a description of the use of proceeds from the issuance until drawing up the report on operations.....	67
18. Explanation of differences between financial results disclosed in the annual report and previously published forecasts for the given year.....	67
19. Rating and its justification concerning financial resources management, with particular emphasis on the ability to fulfill contractual obligations, and identification of potential threats and actions, that the Company has taken or intends to take to address these threats.....	67

20. Feasibility study of investment, including capital investments compared to the resources available, taking into account possible changes in the financing structure. ....	68
21. Evaluation of factors and unusual events affecting the operating result for the fiscal year with an indication of the impact of these factors or unusual events on the achieved result. ....	68
22. Description of external and internal factors affecting Company's business development and a description of Company's business development perspectives at least until the end of the fiscal year following the fiscal year for which there are accounts contained in the annual report, including the elements of market strategy (developed in the report). ....	69
23. Changes in the basic principles of Company's management and its Capital Group. ....	69
24. All agreements concluded between the Company and its management, providing for compensation in case of resignation or dismissal without valid reason or if their dismissal results from Company's merger or acquisition of its subsidiaries. ....	69
25. The value of wages, bonuses and benefits, including those arising from the incentive and bonus programs based on Company's capital, including programs based on senior bonds, convertible bonds, subscription warrants (in cash, kind or in any other form), payments due or potentially due, separately for each member of management and supervisory bodies in the enterprise, regardless of whether they were included in costs or resulted from profit sharing. ....	70
26. Information on any obligations arising from pensions and similar benefits for former managers or supervisors or former members of administrative bodies and obligations incurred in connection with these pensions, indicating the total amount for each category of authority; If the relevant information has been presented in the financial statements, the obligation is considered to be fulfilled by indicating the place of their inclusion in the financial statements. ....	71
27. Total number and par value of all shares (stocks) of the Company and shares and stocks in related parties held by members of management and supervisory bodies (for each person separately). ....	71
28. Information on the agreements known to the Company (including those concluded after the balance sheet date) which may result in changes in the proportion of shares held by existing shareholders and bondholders. ....	72
29. Significant events affecting the operation of the unit after the end of the fiscal year to the approval date of the financial statement. ....	72
30. Information about major achievements in the field of research and development. ....	75
31. Information on the control system for employee share schemes. ....	75
32. Information on agreements concluded with the entity authorized to audit financial statements. ...	75
<b>REPORT ON COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE IN YEAR 2018. ....</b>	<b>76</b>
1. Indication of corporate governance principles to which the Company is subject and the place where these principles are publicly available. ....	76
2. Information on fields in which the Company has departed from the provisions of given corporate governance principles and reasons for that withdrawal. ....	76
3. Description of main features of the internal control and risk management in relation to the process of preparing financial statements. ....	80

4. Identification of shareholders holding directly or indirectly significant blocks of shares together with the number of shares held by those shareholders, their percentage of share capital, number of votes resulting therefrom, their percentage of the total number of votes at the General Meeting. ....	83
5. Identification of persons holding securities giving special control rights and description of these rights. ....	83
6. Identification of any restrictions concerning voting rights, such as limiting the voting rights of holders of a given percentage or number of votes, time constraints to exercise voting rights, or provisions under which, with the cooperation of the Company, the equity rights attached to securities are separated from the ownership of securities. ....	84
7. Identification of any restrictions relating to the transfer of ownership of Company's securities.	84
8. Description of rules governing the appointment and dismissal of managers and their rights, in particular the right to decide whether to issue or buy back shares. ....	84
9. Description of amendments to Company's Articles of Association. ....	85
10. Mode of action of the General Meeting and its key powers, as well as a description of shareholders' rights and the manner of their execution, in particular the rules stemming from the General Meeting, if such regulations have been adopted and unless an information in this regard does not arise directly from the law. ....	85
11. Personal composition and changes, that occurred during the last fiscal year, and a description of activities of Company's managing, supervising or administrative bodies and their committees. ....	88
12. In the case of an issuer that in the financial year for which the financial statements are prepared and in the year preceding that year exceeds at least two of the following three amounts: a) 85,000,000 PLN - in the case of the balance sheet total assets at the end of the financial year; B) 170,000,000 PLN - in the case of net sales revenues for the financial year; C) 250 persons - for full-year full-time employment, a description of the diversity policy applied to the governing, managing and supervisory bodies of the issuer in relation to aspects such as age, sex or education and professional experience, the objectives of this diversity policy, Its implementation and effects in a given reporting period; If the issuer does not apply such policy, it shall include in the statement clarification of such decision. ....	90
STATEMENT OF THE MANAGEMENT BOARD .....	91

## REPORT OF THE MANAGEMENT BOARD ON OPERATIONS OF PATENTUS S.A. in 2018

### 1. The principles for drawing up the annual financial statement.

Financial statement of PATENTUS S.A. for the annual reporting period ended 31<sup>st</sup> December 2018, as well as the comparative financial statement for the annual reporting period ended 31<sup>st</sup> December 2017, have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and related interpretations published in the form of regulations by the European Commission (hereinafter referred to as 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.

### 2. Discussion of basic financial and economic figures, disclosed in the annual financial statement.

Balance sheet:

#### a) Assets

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>

## b) Liabilities

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 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 January 1<sup>st</sup>, 2017</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						0
Net surplus from the sale of shares above their nominal value						0
Total comprehensive income				93	8 203	8 296
<b>Data as for December 31<sup>st</sup>, 2017</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 January 1<sup>st</sup>, 2016</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						0
Net surplus from the sale of shares above their nominal value						0
Total comprehensive income				15	1 697	1 712
<b>Data as for December 31<sup>st</sup>, 2016</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



*Notes' numbers from the above tables indicate the notes included in the annual financial statement.*

Selected financial data:

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 2017 to 31 <sup>st</sup> December 2017	For the period from 1 <sup>st</sup> January 2016 to 31 <sup>st</sup> December 2016	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 2016 to 31 <sup>st</sup> December 2016
I. Net revenue from sales	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
II. Operating profit (loss)	132 326	55 159	31 050	12 953
III. Profit (loss) before tax	12 008	2 217	2 818	521
IV. Net profit (loss)	10 186	2 197	2 390	516
V. Total comprehensive income	8 203	1 697	1 925	399
VI. Weighted average number of shares (in units)	8 296	1 712	1 947	402
VII. Book value per share (in PLN/EUR)	29 500 000	29 500 000	29 500 000	29 500 000
VIII. Net profit (loss) per share and diluted net profit (loss) per share (in PLN/EUR)	3,18	2,96	0,75	0,71
IX. Net cash flows from operating activities	0,28	0,06	0,07	0,09
X. Net cash flows from investment activities	(4 348)	(9 260)	(1 020)	(2 175)
XI. Net cash flows from financing activities	(3 886)	2 691	(912)	632
XII. Total net change in cash	16 398	7 529	3 848	1 768
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

Table of exchange rates:

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 2018	4,2617	4,1423	4,3978	4,3000
from 1 <sup>st</sup> January 2017	4,2583	4,1709	4,4157	4,1709

from 31 <sup>st</sup> December 2017				
-------------------------------------	--	--	--	--

In 2018, we can observe an increase in assets and liabilities by 15,32 % compared to the previous year.

Compared to the same period of the previous year, a decrease in fixed assets amounted to 9,66 %, whereas an increase in the current assets by 65,27 %. With respect to the end of the fiscal year, it is an decrease (in assets) of 9 064 thousand PLN and a increase (in current assets) of 36 036 thousand PLN.

In liabilities, there is an increase in the equity group of 9,72 %, whereas in long-term liabilities a decrease of 1 252 thousand PLN i.e. by 4,63 % over the same period last year. The value of short-term liabilities increased by 17 424 thousand PLN i.e. by 47,57 % in relation to the value as at 31<sup>st</sup> December 2017.

As for 31<sup>st</sup> December 2018, sales revenue reached the level of 77 167 thousand PLN, and thus were higher by about 139,90 % compared to the corresponding period of the previous year. Net profit at the end of 2018 amounted to 6 506 thousand PLN.

Bankruptcy trustee Patentus Strefa S.A. in Stalowa Wola announced an offer for the sale of real estate in perpetual usufruct with built-in office and production and warehouse buildings as well as fixed assets under construction, for an asking 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 tender 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 the payment of a bid bond in the amount of 10% of the starting price (i.e. 474,000 PLN ) and submission of a written offer. The opening and identification of bids 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 indicates that 3,871 thousand PLN was obtained from the liquidation of receivables, of which the amount to be divided is 3,271 thousand PLN. The division plan shows that Raiffeisen Bank Polska S.A. will be satisfied in the amount of 2,417 thousand PLN and the Industrial Development Agency in the amount of 854,000 PLN. Within 2 weeks of receipt of the notification, the creditors and bankrupt may lodge charges against the plan to divide the sum obtained from the sale of goods charged.

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 S.A. 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.

**3. Description of factors and events, especially those of unusual nature, which had significant impact on the operations of the Company and its financial gains or losses in the fiscal year.**

Below, the Company presents information related to the efforts of PATENTUS S.A. to receive a nonreturnable grants:

1. On 31<sup>st</sup> January 2014 the PATENTUS S.A. and Warsaw University of Technology filed an application with the number 246715 in the framework of the Program of Applied Research Competition 3 track A Chemical Sciences under the title: "Development of an innovative method based on casting, gear manufacturing technology of the nanocrystalline structure. The funding amounts to 2 977 000,00 PLN while the total cost of the project amounts to 4 119 000,00 PLN.

On 6<sup>th</sup> August 2014, the Company has received information that the project has been recommended for support. On 31<sup>st</sup> October 2014 at the headquarters of the National Centre for Research and Development held financial negotiations as a result of questioning the validity of part of eligible expenditures incurred by the Company under the above mentioned project. Awarded funding to the company has been reduced by 80 thousand PLN.

On 11<sup>th</sup> November 2015 it was signed the grant agreement with the National Research and Development Centre based in Warsaw.

On 31<sup>st</sup> October 2018, the project has been completed. As at the date of this report, the project was settled.

2. On 19<sup>th</sup> November 2015, as part of the Operational Programme 2014-2020 Intelligent Development Company submitted to the National Centre for Research and Development of the project proposal (Priority: Increasing the research potential; Action: Research and development; Measure: Application Projects; number of recruitment 1 / 4.1.4 / 2015) under the title: "Development of innovative production technology toothed elements of the hybrid surface layers of the surface nanostructure powertrain conveyors designed to operate in extreme operating conditions "no POIR.04.01.04-00-0064 / 15. Duration of the project is scheduled for 1<sup>st</sup> April 2016 to 30<sup>th</sup> September 2020. The project is to be implemented in consortium which leader will be Patentus S.A. and other contractors Warsaw University of Technology, Institute of Technology consumables - National Research Institute, Nanostal Sp. z o.o. The value of the project amounts to 11,666 thousand PLN, of which funding will amount to 8 612 thousand PLN. The Company's share in the whole project will amount to 7 718 thousand PLN, of which grant 5 036 thousand PLN. As at the date of preparation of this report the project is at the stage of signing the co-financing agreement. On 29<sup>th</sup> April 2016 the Company signed a co-financing agreement.

1) On 1<sup>st</sup> February 2017 the Company signed an agreement with Oerlikon Balzers Coating Polska Sp. z o.o based in Polkowice for the execution of DLC coatings on samples for wear tests and toothed wheels. Contract value depends on the number of coatings made. On the day of submitting this report the contract is being implemented.

3. 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. On 10<sup>th</sup> October 2018, the Company's registered office received a grant agreement dated 28<sup>th</sup> August 2018 concluded with the National Center for Research and Development.

As at the date of this report, the project is under way.

#### **4. Development prospects of the Company, at least in the next fiscal year.**

The company will continue to purchase fixed assets and will sell its products through financial leasing, as it has done in previous years. The company received a certificate confirming compliance with requirements of the standard 15085, which allows the plant to weld components of rail vehicles. The purpose of certification is to provide high quality parts rail vehicles in accordance with the requirements of PN-EN 15085 series while maintaining full quality requirements concerning welding of metallic materials according to PN-EN ISO 3834-2. Procedure for the welded structures for railway is used for execution of contracts in accordance with the requirements of PN-EN 15085 getting the certification of compliance with the conditions resulting from the PN-EN 15085 allows the use of the current potential of the Department for the production of rail vehicles bearing structures - including the bogie frames. Obtaining this certificate in accordance with DIN EN 15085 is the result achieved in the previous year certificates recognized by PKP Cargo S.A. the manufacturer of the product. On the basis of the audit work for the company PKP CARGO S.A. confirmed that our company has the organization, technical equipment, hire employees with the right skills and technologies used in accordance with the requirements of the regulations and instructions in force in PKP CARGO S.A. in production:

- Gear box drives of traction rolling stock
- Mechanical semi-axes and wheels bare for traction vehicles
- Hollow, bolts spring

Moreover, based on the same auditing company Patentus SA. obtained a certificate recognized by PKP Cargo contractor services in machining:

- Bodies axle boxes, hooks tension, spring pins, bumpers elements
- hollow gears main
- old useful railroad cars and locomotives axles

According to the strategy, the Company will pursue:

- conduct further recognition among companies in the metal industry and others, in order to continue the construction of the Capital Group,
- conduct further exploration foreign contractors;
- search for new grants;
- development of the operating entities of the Capital Group.

## **5. Description of significant risks and threats, identifying the extent to which the Company is exposed.**

### Risk associated with the dependence of revenues on the situation in the mining industry

The amount of revenue of PATENTUS S.A. is heavily dependent on the current situation in the coal industry in Poland. Over 88% of the Company's revenues in the audited period of 2018 and about 65% in the analogous period of 2017 were realized for the benefit of such recipients as Jastrzębska Spółka Węglowa S.A., Famur, Fabryka Pojazdów Szynowych Cegielski, Polska Grupa Górnicza, Ramb, Ungarex. Completion of cooperation or limitation of orders from these entities would have a significant negative impact on the level of revenues and the financial situation of the Company. The Management Board's objective over the recent years has been to diversify revenue sources, among others, by launching supplies of mining machinery and equipment to the Eastern and Far Eastern markets, as well as export of welded structures and equipment to European Union markets.

### 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 pre-production processes, material supply process and timetable for maintenance and repair of machinery are more difficult to plan and implement. This phenomenon may temporarily 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.

Due to the low risk of complaints, the Management Board of the Company has decided, that there is no need to make provisions for future warranty repair costs.

### Risk of losing qualified employees

In the activities of the Company, qualifications of employees represent one of higher values. The Company employs skilled engineering, economic and financial staff who constitute a key group of workers. The Company cooperates with PPHU Mirpol Mirosław Kobiór headquartered in Pszczyna, a private company which has highly qualified production staff. It 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 the cooperation which lasts for many years. 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.

### Risk of production stoppages due to breakdowns or destruction of productive assets

Operations of PATENTUS S.A. are based largely on the usage of productive assets. Destruction of property, plant and equipment owned by the Company may result in temporary suspension of pursued contracts, and in extreme cases, in the lack of capacity to execute them, which can lead to deterioration in sales.

The Company has insured productive assets and real estate for the amount corresponding to the costs of replacement.

### Risk of Late Payment

PATENTUS S.A. pursues a number of projects related to the production of machinery and equipment but also maintenance services of such devices. Possible delays in payment can adversely affect the liquidity ratios of the Company and may lead to higher financial cost connected with the usage of external sources of financing.

### Risk associated with public tenders

Significant part of Company'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.

### Risk associated with macroeconomic environment

Macroeconomic situation is of vital importance for PATENTUS S.A., and particularly such factors as government's economic policy (in particular in the field of mining) and its impact on GDP growth, inflation, taxes, and the amount of employers' labor costs. Additional elements, that affect the Company's business are the policies of the National Bank of Poland and the Polish Monetary Policy Council concerning the level of interest rates and exchange rates.

### Exchange rate risk

PATENTUS S.A. is aware of the risk of unfavorable abrupt changes in PLN exchange rate against other currencies. This phenomenon may affect (in light of the strategy adopted by the Management Board) the results of the Company, in relation to the assumed increase in export of goods and services. Substantial strengthening of Polish Zloty may lead to lower profitability of export contracts. Changes in PLN exchange rate are also important due to credits denominated in foreign currencies.

### 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 prices of raw materials

Changes in world market prices of basic raw materials used by PATENTUS S.A. in the production (steel, steel products) can greatly affect the price of the final product. Company calculates prices of its products so as to include the effect of those changes in the product price, but in the short term, strong and sudden appreciation of raw material prices may adversely affect the financial result of the Company.

### Risk arising from 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 arising from received grants from the EU funds. The Company concluded nine 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 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 refund is approximately 41 719 thousand PLN (without taking into account possible

Risk of dependence on major recipients and suppliers

The amount of Group's revenue depends largely on the current situation of coal industry in Poland. More than 86,66 % of the Company's revenues in the analyzed period of 2018 and 60,55% in the corresponding period of 2017 were realized for Jastrzębska Spółka Węglowa S.A., Kompania Węglowa S.A., Katowicki Holding Węglowy S.A., Jastrzębskie Zakłady Remontowe and the Polska Grupa Górnicza S.A. or Famur. Deterioration of financial situation of key customers in this industry may result in deterioration of Group's financial results. Terminating or reducing orders arising from such entities would have a significant, negative impact on revenue and financial situation of the Capital Group. In recent years, the Management Board of the Parent Company has taken steps to diversify 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 2018 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.

Risk of changes in legislation

Polish legal system is subject to a number of changes, that may have an impact on the Company. These changes may give rise to legal risks associated with interpretation problems, lack of uniform judicial practice, adverse or wrong interpretations adopted by the courts or public authorities.

Risk associated with the application of tax law

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 the one hand, it raises doubts as to the proper application of provisions. On the other hand, it is 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.

#### Liquidity risk

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 0,53.

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 1,87.

### **6. Indication of proceedings pending before the court, competent arbitration authority or public administration**

#### **a) Proceedings on liabilities and receivables, which values amount to at least 10% of equity of the Parent Company**

- 1) On 4<sup>th</sup> April 2018, the motion was filed to the District Court in Stalowa Wola I Civil Department for appealing to the former President of the Management Board of PATENTUS STREFA S.A. in bankruptcy based in Stalowa Wola (a subsidiary of Issuer) Mr. Jan Paślawski for the payment of 15 971 439.64 PLN along with statutory interest from the date of submitting this application to the date of payment as compensation for damage caused by failure to submit the application for bankruptcy on time of PATENTUS STREFA S.A.

The above information was disclosed to the public in current report No. 4/2018 on 5<sup>th</sup> April 2018.

- 2) On 20<sup>th</sup> April 2018 - the information was received on 23<sup>rd</sup> April 2018 has been submitted to AIG EUROPE LIMITED Sp. z o. o. with registered office in Warsaw, the claim and damage in the amount of 15 971 439.64 PLN related to the culpable failure to file for bankruptcy of PATENTUS STREFA S.A. based in Stalowa Wola by its former President of the Board, Jan Paślawski.

The above information was disclosed to the public in current report No. 5/2018 on 23<sup>rd</sup> April 2018.

#### **b) Two or more proceedings on liabilities or receivables, that value amounts to at least 10% of PATENTUS S.A. equity**

As for 31<sup>st</sup> December 2018, the Parent Company conducted proceedings on receivables, pending before the court, competent arbitration authority or public administration. However, their total value did not amount to 10% of the equity of the Parent Company.



As for 31<sup>st</sup> December 2018 the Subsidiary Undertakings conducted proceedings on receivables, pending before the court, competent arbitration authority or public administration. However, their total value did not amount to 10% of the equity of the Parent Company PATENTUS S.A.

All receivables claimed at court or asserted by way of enforcement are covered by 100% impairment loss.

**7. Information about basic products, goods and services together with their value and volume of sales and contribution of individual products, goods and services (if relevant) or their groups in Company's total sales, as well as developments in this area in a given year.**

PATENTUS S.A. is currently involved in:

- 1) Production of specialized mining equipment of its own design or manufactured according to customer specification, such as: wall scraper conveyors, face scraper conveyors and haulage scraper conveyors, belt conveyors, coal crushers, haulage platforms, working drift platforms, draught lyre coolers, hydraulic tensioners, machine's separator devices, shifting devices, hydraulic presses.
- 2) Repairs of mining machinery and equipment;
- 3) The Company provides repair services of all machines manufactured by PATENTUS S.A. but also those of similar type according to customer's request.
- 4) Manufacture of steel structures such as: performance of steel weldments of production halls and supermarkets; performance of steel weldments of membrane roofings of amphitheaters and roller coasters; manufacture of antenna masts broadcasting radio (cellular); performance of occasional sacral and secular objects.
- 5) Trade of metallurgical and steel;
- 6) The Company owns a wholesaler of steel, who provides materials for production, and trades metallurgical products and screw connections. The wholesaler's assortment includes, inter alia: hot-rolled black plates, cold-rolled plates and galvanized, hot-rolled shapes and cold-bent, round bars, deformed bars, flat bars, square bars, sheets resistant to corrosion and aluminum sheets.
- 7) Wholesale of office and computer equipment, household chemicals, reusable packaging;
- 8) The core business of the wholesaler is to supply companies, educational institutions and health centers. Since the beginning of the business, part of revenue came also from retail sales. The offered range of products includes: school and office accessories, disposable packaging and disposable tableware, household chemicals, ornamental articles and gifts. Product range is being constantly extended.
- 9) Trade of welding equipment and protective clothing, accessories and safety equipment;  
Company owns storage warehouses, which makes it possible to extend the range of products and enables their constant presence in the commercial offer. The offer of welding equipment and welding consumables includes, inter alia: compact semiautomatic welding equipment (step voltage control), semiautomatic welding equipment with dedicated feeder (step and infinitely adjustable voltage control), multi-process semiautomatic welding equipment (synergistic parameters setting), devices for crafts, devices based on inverter technology, welding generators, plasma cutting machines, automatic welding machines, reducers, hand and machine torches, fittings.
- 10) Machining; PATENTUS S.A. has the ability to implement a wide range of jobs from the scope of machining. Thanks to the wide range of machining, the Company takes both high-volume and individual orders, performing elements with very different levels of difficulty. CNC lathe provides the customer with a guarantee of quality but also a good price.

11) Digital cutting machine services;

The Company offers services in the field of sheet cutting with the use of digital cutting machine. Offer applies to cutting and cutting out with the use of plasma torch for stainless steel sheets (austenitic) and autogenous burner (oxygen) for carbon sheets.

12) Welding on the robotized welding station; PATENTUS S.A. has the ability to implement a wide range of jobs from the scope of gasshielded arc welding on the automated welding station. Stand is equipped with tools of new generation, thus it ensures reliability of welding of structural components supplied to customers.

13) Specialist services within established inspection-testing laboratory.

14) Heat treatment services

The structure of sales revenue:

- 1) Manufacture and repair of specialized equipment for the mining industry (sale and repair of mining machinery and equipment);
- 2) Sale of materials (like horse-combs, star-shaped drives, cylinders, shafts, drums);
- 3) Wholesale of metallurgical products and steel (steel wholesaler);
- 4) Wholesale of office supplies and computer equipment, household chemicals, disposable packaging, comprehensive office equipment (wholesaler of office supplies);
- 5) Wholesale of welding equipment and protective clothing, accessories and safety equipment (wholesaler of welding equipment);
- 6) Trade in scrap metal (scrap);
- 7) Revenue from lease of fixed assets (buildings).

Sales structure by sources of income:

Types of services / service groups	2018 in thousands of PLN	Share	2017 in thousands of PLN	Share	Difference (2-4)	Dynamics of changes
<b>Total</b>	<b>132 326</b>	<b>100,00 %</b>	<b>54 988</b>	<b>100,00 %</b>	<b>77 338</b>	<b>140,65 %</b>
Wholesaler of office supplies	2 646	2,00 %	2 463	4,48 %	183	7,43 %
Wholesaler of welding equipment	1 201	0,91 %	1 099	2,00 %	102	9,28 %
Steel wholesaler	1 056	0,80 %	425	0,77 %	631	148,47 %
Scrap	724	0,55 %	426	0,77 %	298	69,95 %
Sale of conveyors	79 219	59,92 %	20 078	36,51 %	59 213	294,91 %
Other sales of mining machinery and equipment	29 726	22,46 %	23 106	42,02 %	6 530	28,65 %
Hungarian railway (Ungarex company)	3 940	2,98 %	2 959	5,38%	981	33,15 %
Gearboxes for the power industry (Ramb company)	2 525	1,91 %	305	0,55 %	2 220	727,87 %
Services	7 764	5,87 %	624	1,13 %	7 140	1144,23 %
Revenue from rental of investment	410	0,31 %	457	0,83 %	-47	-10,28 %
Sale of materials Jankowice	3 043	2,30 %	3 046	5,54 %	-3	-0,10 %

Revenue from the sale of conveyors constitute the largest share of revenues, whose share in total sales is equal to 22,46 %. A significant share of revenue comes from the sale of other mining machinery and equipment: 59,92 %. We can observe an increase in revenues for services by 59 213 thousand PLN and an increase in the sales of materials and goods by 6 620 thousand PLN. The Company continued to sell outside the mining segment.

## 8. Information about markets broken down into domestic and foreign markets.

Given the structure of sales revenue, Company's principal market, on which the Company operates, is the market for mining machinery. By operating in this market, the Company generated in 2018 more than 88 % of its total sales.

Export sales does not constitute a significant share in the sales revenue. The Company currently exports to Germany. The Company generates revenue primarily from its most important source, that is, the sale and repair of mining machinery and equipment in the country. In accordance with the adopted development strategy plans, the Company wants to expand its export sales.

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>Sales revenue by the territorial structure, including:</b>	<b>132 326</b>	<b>55 159</b>
Revenue from domestic sales	131 480	53 976
Exports and intra-community supply of goods and services (WDT)	846	1 183

## 9. Information on sources of supply of materials for production, goods and services, identifying the dependence on one or more recipients and providers, and if the share of one customer or supplier reaches at least 10 % of total sales - (business) name of the supplier or recipient, his participation in the sale or supply, and its formal relationship with the Company.

The main customers of PATENTUS S.A. are mines owned by the three largest mining companies: Jastrzębska Spółka Węglowa S.A. headquartered in Jastrzębie-Zdrój, and Polska Grupa Górnicza Sp. z o.o. headquartered in Katowice.

Detailed information on the volume of purchases and their participation % of the total sales of the Company:

Specification (in thousands of PLN)	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	
	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>
Jastrzębska Spółka Węglowa S.A.	32 077	24,24%
PGG SP.Z O.O.	49 489	37,40%
Fabryka Pojazdów Szynowych Cegielski	1 526	1,15%
FAMUR	31 467	23,78%
RAMB	2 525	1,91%

UNGAREX	3 940	2,98%
ATI	860	0,65%
KOLSAM	886	0,67%
Other recipients	9 556	7,22%

Accordingly, the revenues of the Company are significant revenue generated from the production and provision of services to the mines, which causes addition level of the Company's revenue on the number and value of winning tenders for the supply of a specific device or so. Annual delivery of spare parts. Until the end of 2018, the Company won 53 tenders. Tenders are held under the Public Procurement Act or on the basis of internal regulations mining. Accordingly, the supply may take place only on the basis of signed temporary contracts. Such an agreement may involve a supplier of mine for the whole year or the end of a predetermined range of supply. Due to the nature of the business, which also includes commercial activities, the company works throughout the year with customers whose number exceeds one thousand.

On the supply side, the situation is similar. Due to the commercial activity conducted number of suppliers in 2018 exceeded 800. The main suppliers of the Company include mainly suppliers of steel needed for production and parts for conveyors. Goods such as sheet metal, forgings or profiles are considered a strategic material whose proper supply of storage must be maintained at the appropriate level, and their absence could hamper the course of production.

Detailed information on the volume of purchases and their participation% of the total sales of the Company:

Specification (in thousands of PLN)	Period from 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	
	in thousands of PLN	in thousands of PLN
<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%
Przedsiębiorstwo Budownictwa i Handlu Unipol Sp.z o.o.	2 908	2,20%
FAMUR SA	2 449	1,85%
SYMATECH	6 229	4,71%
MEGA STEEL	2 734	2,07%
PIOMA ODLWENIA	9 322	7,04%
HUTA MAŁAPANEW	1 845	1,39%
DAMEL	1 732	1,31%
PROFI M TEC	1 704	1,29%
BECKER WARKOP	6 300	4,76%

Most of the major providers of strategic products has signed a contract for the supply of raw materials of adequate quality by a specified date. For products of strategic importance to ensure business PATENTUS SA applicable initial and periodic qualification of suppliers. The Company shall also buy other goods to its warehouse (office supplies, steel products and welding).

We need to include PPHU Mirpol Mirosław Kobiór headquartered in Pszczyna to Company's major suppliers. It is a company run by a natural person, with which the Company currently cooperates on an outsourced basis, having qualified production staff providing services concerning work on machines and equipment of PATENTUS S.A., under the supervision of engineering staff and on the basis of patents, solutions and documentation of the Company. In 2018, the share of liabilities towards PPHU

Mirpol Mirosław Kobiór in relation to Company's total sales amounted to 13,39 %. The value of services purchased from MIRPOL amounted to 17,721 thousand PLN. In addition to PPHU Mirpol Mirosław Kobiór headquartered in Pszczyna, the Company believes it is not dependent on suppliers. The vast majority of raw materials used in production - the Company has the option to purchase from another contractor.

All of the above-named suppliers and recipients are not related parties, as defined in IAS 24.

#### **10. Information on contracts relevant for Company's business, including agreements between the shareholders (partners), insurance contracts or cooperation agreements.**

##### **Credit agreements\*:**

\*Bank's margins on credits listed below range from 1,50 percentage points to 2.25 percentage points.

1) On 31<sup>st</sup> August 2017, Company signed the Factoring Agreement No. 1638/2017 between the Issuer and Coface Poland Factoring Sp. z o.o. under the following conditions:

- ✓ The contract was concluded for an indefinite period;
- ✓ Explicit factoring - conditional assignment;
- ✓ Limit: PLN 5,000,000;
- ✓ An advance payment of 80% of the receivables financed; a guarantee fund of 20% of the receivables financed and amounts for non-financial claims;
- ✓ The maximum loan period is 120 days counted from the invoice;
- ✓ WIBOR 1M + margin;
- ✓ Security: blank promissory note together with a promissory note declaration.

On 18<sup>th</sup> January 2018, Company signed Annex No. 1 to the Factoring Agreement No. 1638/2017 of 31<sup>st</sup> August 2017 which changing the maximum loan period to 124 days, starting from the invoice issue date.

The remaining provisions of the contract remain unchanged.

On 9<sup>th</sup> August 2018, Company signed Annex No. 2 to the Factoring Agreement No. 1638/2017 of 31<sup>st</sup> August 2017, introducing the following changes:

- ✓ Factor with the entry into force of the annex excludes all Debtors from the List of Debtors. Until the day the Customer submits the application to include the Customer's contractors to the Agreement, the Customer is released from all duties. The Factor shall not be entitled to the fees specified in the contract until the month preceding the month in which the Factor begins to acquire the receivables.

2) On 29<sup>th</sup> November 2017, was signed the Factoring Agreement No. 0096/2017 ("Factoring Agreement") between the Issuer and KUKA Finance Spółka Akcyjna with registered office in Warsaw ("Faktor"):

- ✓ The subject of the Factoring Agreement is the provision of factoring services by the Factor to the benefit of the Company. The Factor in accordance with under the terms of

- the Factoring Agreement, acquires all undisputed financial receivables due to the Company to its counterparties included in the list of Contractors;
- ✓ the Limit granted to the Company is 14,000,000 PLN;
- ✓ the maximum maturity period of debts which the Factor is buying out amounts to 120 days;
- ✓ Factor will pay an advance payment of 85% of the value of purchased debts,
- ✓ a guarantee fund in the amount of 15% of the value of the purchased receivables and the amount for the repaid purchased and unredeemed receivables
- ✓ the deadline for requesting the return of the advance payment is 30 days;
- ✓ interest: WIBOR 1M + margin of the factor;
- ✓ securing the Factor's claims under the Factoring Agreement: a blank promissory note together with a promissory note declaration; power of attorney to a bank account; a declaration in the form of a notarial deed on submission to the enforcement of the repayment of claims under the Factoring Agreement pursuant to art. 777 Code of Civil Procedure up to 15,000,000.00 PLN. The Factor has the right to satisfy its claims from each security separately or jointly, in order of its own choice.
- ✓ The contract was concluded for an indefinite period with one month's notice

Above mentioned information was made public on 18<sup>th</sup> December 2017 in current report no 18/2017.

On 13<sup>th</sup> February 2018, was signed annex No. 1 changing the maximum maturity period for receivables that the Factor buys, amounts to 130 days.

The remaining provisions of the contract remain unchanged.

On 1<sup>st</sup> March 2018, was signed annex No. 2 which adds a point to the contract with the following wording: " The Factor agrees to deduct KUKE Finance SA's receivables under this factoring agreement No. 0096/2017 with amounts due to the Factor due to the debt management contract No. 0110/2018 of 1<sup>st</sup> March 2018 ".

The remaining provisions of the contract remain unchanged.

On 1<sup>st</sup> March 2018, was signed annex No. 3 changing as below:

The Parties jointly declare that the aforementioned factoring agreement is ongoing, implemented, not terminated or terminated, therefore the Parties shall amend the Factoring Agreement and introduce a consolidated text that reads as follows:

- ✓ The subject of the Factoring Agreement is the provision of factoring services by the Factor to the Company. The Factor, in accordance and subject to the terms and conditions set out in the Factoring Agreement, acquires all undisputed financial receivables due to the Company to its contractors included in the list of Contractors;
- ✓ The following options constitute an integral part of the contract: taking over the risk with the KUKE S.A. Package.
- ✓ the Limit granted to the Company is 14,000,000 PLN;
- ✓ the maximum maturity period of claims that the Factor buys amounts to 130 days;
- ✓ Factor will pay an advance payment of 85% of the value of purchased debts;
- ✓ guarantee fund in the amount of 15% of the value of the purchased receivables and the amount for repaid purchased and unredeemed debts;
- ✓ the deadline for requesting the return of the advance payment is 30 days;



- ✓ interest rate: WIBOR 1M + margin of the factor;
- ✓ securing the Factor's claims resulting from the Factoring Agreement: a blank promissory note together with a promissory note declaration; power of attorney to a bank account; a declaration in the form of a notarial deed on submission to the enforcement of the repayment of claims under the Factoring Agreement pursuant to Art. 777 Code of Civil Procedure up to the amount of 15,000,000.00 PLN; will make a global assignment of rights from the insurance policy No.RW/OP/14/00013949/2018 concluded with the Export Credit Insurance Corporation S.A. (KUKE S.A. - the policy is described in the current report 15/2018). The Factor has the right to satisfy its claims from each collateral separately or jointly, in the order of its own choice.
- ✓ The factoring agreement was concluded for an indefinite period with a one-month notice period. Provisions of the factoring agreement regarding the purchase of receivables and the acquisition of the risk of insolvency of the Contractor shall not last longer than until the day of termination of the insurance contract.

On 6<sup>th</sup> June 2018, a trilateral agreement was concluded regarding supplementary provisions regarding the insurance contract RW / OP / 14/00013949/2018 concluded with the Korporacją Ubezpieczeń Kredytów Eksportowych S.A. („KUKE”) and Factoring Agreement No. 0096/2017 concluded with KUKE Finance S.A. ("Faktor") with the following content:

- ✓ KUKE agrees to the transfer of the insured under the insurance contract for claims from debtors made by the Insurer / Factor Agent to the Factor. Transfer of receivables does not result in the exclusion of the above claims from the Insurance Contract provided that the receivables resulting from the invoices being the subject of the transfer are transferred to the Factor in full;
- ✓ On the day the transfer of receivables to the Factor is made, the insurance contract in the part concerning the receivables transferred is treated as a contract concluded for the account of a third party;
- ✓ The Factor as an insured is entitled to demand from KUKE the benefits due under the Insurance in connection with the lack of payment of claims from the debtor whose obligation towards the Policyholder / Factor is the subject of the factoring agreement;
- ✓ The Factor agreed to be covered by insurance under the insurance contract - turnover policy entered into by the Issuer and KUKE S.A. ; acknowledges that in relation to the claims bought by him, he was identified as a third party; read and accepted all the provisions contained in the insurance contract; The Factor acknowledged that it can not achieve greater benefits than those available to the Insuring Party / Faktorant; KUKE has the right to raise any charges against it that affect the limitation or exclusion of insurance liability due to KUKE in relation to the Issuer in accordance with the insurance contract.

Above mentioned information was made public on 28<sup>th</sup> August 2018 in current report no 21/2018.

On 31<sup>st</sup> August 2018, Company received a copy of trilateral agreement was concluded regarding supplementary provisions regarding the insurance contract RW / OP / 14/00013949/2018 concluded with the Korporacją Ubezpieczeń Kredytów Eksportowych S.A. („KUKE”) and Factoring Agreement No. 0096/2017 concluded with KUKE Finance S.A. ("Faktor") with the following content:

- ✓ KUKE agrees to the transfer of the insured under the insurance contract for claims from debtors made by the Insurer / Factor Agent to the Factor. Transfer of receivables does not result in the exclusion of the above claims from the Insurance Contract provided that the receivables resulting from the invoices being the subject of the transfer are transferred to the Factor in full;
- ✓ On the day the transfer of receivables to the Factor is made, the insurance contract in the part concerning the receivables transferred is treated as a contract concluded for the account of a third party;
- ✓ The Factor as an insured is entitled to demand from KUKE the benefits due under the Insurance in connection with the lack of payment of claims from the debtor whose obligation towards the Policyholder / Factor is the subject of the factoring agreement;
- ✓ The Factor agreed to be covered by insurance under the insurance contract - turnover policy entered into by the Issuer and KUKE S.A. ; acknowledges that in relation to the claims bought by him, he was identified as a third party; read and accepted all the provisions contained in the insurance contract; The Factor acknowledged that it can not achieve greater benefits than those available to the Insuring Party / Faktorant; KUKE has the right to raise any charges against it that affect the limitation or exclusion of insurance liability due to KUKE in relation to the Issuer in accordance with the insurance contract.

Above mentioned information was made public on 31<sup>st</sup> August 2018 in current report no 22/2018.

On 10<sup>th</sup> September 2018, was signed Annex No. 4 to the Factoring Agreement No. 0096/2017 of 29<sup>th</sup> November 2017 between KUKE Finance Spółka Akcyjna with its registered office in Warsaw ("Faktor") and Patentus S.A. introducing the following changes:

- ✓ The Factor will pay the Factor all payments due to the Factor from the Factor for the implementation of the Factoring Agreement to the following bank accounts of the Client in PLN currency in the following division:

- Raiffeisen Bank Polska S.A. in the amount of 25%,
- Deutsche Bank Polska S.A. in the amount of 25%,
- Getin Noble Bank S.A. in the amount of 25%,
- ING Bank Śląski S.A. in the amount of 25%.

The remaining provisions of the contract remain unchanged.

On 7<sup>th</sup> November 2018, was signed Annex No. 5 to the Factoring Agreement No. 0096/2017 of 29<sup>th</sup> November 2017 between KUKE Finance Spółka Akcyjna with its registered office in Warsaw ("Faktor") and Patentus S.A. introducing the following changes:

- ✓ the Limit granted to the Company is 26,000,000.00 PLN;
- ✓ the maximum maturity period of claims that the Factor buys amounts to 130 days;
- ✓ The factor pays an advance payment of 80% of the value of purchased debts;
- ✓ guarantee fund of 20% of the booked claims and the amount paid for and acquired on unpaid



claims; the deadline for requesting the return of the advance payment is 30 days;

✓ interest rate: WIBOR 1M + margin of the factor;

✓ securing the Factor's claims resulting from the Factoring Agreement: a blank promissory note together with a promissory note declaration; power of attorney to bank accounts; a declaration in the form of a notarial deed on submission to the enforcement of the repayment of debts arising from the Factoring Agreement in accordance with art. 777 Code of Civil Procedure up to 30,000,000.00 PLN; will make a global assignment of rights from the insurance policy No. RW / OP / 14/00013949/2018 concluded with the Export Credit Insurance Corporation S.A. (KUKI S.A. - the policy is described in the current report 15/2018). The Factor has the right to satisfy its claims from each collateral separately or jointly, in the order of its own choice.

✓ the Factoring Agreement was concluded for an indefinite period with a one-month notice period. The provisions of the Factoring Agreement regarding the purchase of receivables and the acquisition of the Counterparty's insolvency risk are valid for no longer than until the day of termination of the insurance contract.

Above mentioned information was made public on 5<sup>th</sup> December 2018 in current report no 31/2018.

On 31<sup>st</sup> December 2018, was signed Annex No. 6 to the Factoring Agreement No. 0096/2017 of 29<sup>th</sup> November 2017 between KUKI Finance Spółka Akcyjna with its registered office in Warsaw ("Faktor") and Patentus S.A. introducing the following changes:

✓ The Factor will pay the Factor all payments due to the Factor from the Factor for the implementation of the Factoring Agreement to the following bank accounts of the Client in PLN currency in the following division:

- Deutsche Bank Polska S.A. in the amount of 25%,
- Getin Noble Bank S.A. in the amount of 25%,
- ING Bank Śląski S.A. in the amount of 25%.

The remaining provisions of the contract remain unchanged.

3) On 24<sup>th</sup> July 2018 was signed an agreement of the Revenue Policy ("Revolving Policy", "Agreement") concluded between the Issuer and Korporacją Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna with registered office in Warsaw ("Corporation", "Insurance Institution") under the following conditions:

- Subject of insurance: The insurance covers cash receivables from contracts for the supply of metallurgical products, welding consumables, building materials, machinery and equipment for mining as well as receivables due to repair services purchased by KUKI Finance S.A. on the basis of the factoring agreement concluded with the Policyholder, accrued to the Policyholder from the domestic debtor for which the Corporation has granted credit limits.
- Limit granted to the Company amounts to 13 000 000,00 PLN;
- minimum contribution and payment mode: it will be payable in 12 equal installments per month;
- The Policyholder undertakes to notify the Corporation for insurance of all turnover resulting from the receivables acquired by KUKI Finance SA;
- Compensation limit: the maximum amount of claims paid by the Corporation for the settlement period cannot exceed a multiple of minimum premiums or, if it is more advantageous for the Policyholder, a multiple of paid premiums due for this settlement period;

- Contract validity period: the contract is concluded for an indefinite period, from 1<sup>st</sup> July 2018 until 31<sup>st</sup> December 2018. Each of the parties may terminate it no later than 30 days before the end of each settlement period with effect at the end of this period. The billing period lasts 12 months;
- Own contribution 15%;
- Payment term: 130 days counting from the date of issuing the invoice entitling to receive payments

The above information was disclosed to the public in current report No.15/2018 on 1<sup>st</sup> August 2018.

4) On 1<sup>st</sup> March 2018, was signed the Debt Management Agreement No. 0110/2018 between the Issuer ("the Seller") and KUKE Finance Spółka Akcyjna ("the Buyer"):

- ✓ Subject of the contract: Financial leasing with the supply of machinery and equipment;
- ✓ Debtor: Polska Grupa Górnicza SA;
- ✓ Claim: an indisputable, existing, undemandable and transferable cash claim resulting from the Contract, a VAT invoice, covering the sum of capital and interest installments resulting from the Contract, submitted by the Seller to purchase the Contract.
- ✓ Maximum repayment period: up to 3 years from the date of signing the lease transfer report, in accordance with the Contract, in which the debtor is obliged to pay the debt, in accordance with the terms of the Contract and the repayment schedule;
- ✓ Contractual interest: 1M WIBOR + KUKE Finance margin;
- ✓ Net contract value: 4,373,983.74 PLN;
- ✓ Security features: a blank promissory note together with a promissory note declaration; power of attorney to dispose of a bank account; registered pledge on machines being the subject of the contract; declaration on submission to enforcement pursuant to article 777 Code of Civil Procedure up to the amount of 4,500.00 PLN.
- ✓ Period of notice: each party may terminate the agreement with a one-month notice period with effect at the end of the month.

5) In connection with the bankruptcy of PATENTUS STREFA S.A. and the termination of loan agreements concluded between the subsidiary and Bank Raiffeisen Bank Polska S.A. on 9<sup>th</sup> June 2016, an agreement was concluded between the Issuer ("the Guarantor") and Raiffeisen Bank Polska SA Based in Katowice:

- ✓ the intention of the agreement was to determine the terms of repayment by the Guarantor of outstanding liabilities from credit agreements concluded between PATENTUS STREFA SA in bankruptcy and the Bank where the Issuer was the Guarantor: CRD Credit Agreement No. 35678/11 dated 28<sup>th</sup> July 2011; CRD / 45141/15 dated 18<sup>th</sup> September 2015; CRD / 35677/11 of 28<sup>th</sup> July 2011. Guarantor in connection with its liability under contractual agreements by making payments in the performance of its obligations under the Agreement, ie the repayment of the Bank's receivables, will receive a repaid part of the Bank's receivables which will be determined by the Bank on receipt to the amount paid. As defined below, but the acquisition of this receivable requires the inclusion of the Guarantor as the purchaser of this claim in the Land and Mortgage Register (as a result of the subdivision of the mortgage below the portion of the Bank's receivables covered by the above-mentioned repayment) on the basis of the application submitted by the Guarantor, is to the Bank a mortgage up to the amount of 9 000 000,00 PLN encumbering the property located in Stalowa Wola, Kwiatkowskiego Street 1, being the perpetual usufructuary of the Borrower for which the District Court in Stalowa Wola KW No. TB1S / 00058985/9 which also applies to the repayment of the Bank's Claims from the proceeds from the sale of the Borrower's Property in insolvency proceedings against the borrower in the event of the bankruptcy proceedings being discontinued. In order to avoid doubt about the aforementioned repayment made by the Guarantor are classified as the

performance of the guarantee obligation and are not dependent on the entry of the Guarantor as a buyer of part of the Bank's receivables to the Borrower's Borrow referred to above. The Bank's claims at 23<sup>rd</sup> December 2016 amount to 2 472 923.80 PLN and 98 742.05 EUR. The contract is secured by a contractual mortgage of 2,751,000.00 PLN on a land property located in Pszczyna for which the District Court in Pszczyna, V Division of Land and Mortgage Registers, maintains the Land and Mortgage Register No. KA1P / 00040503/5, a contractual mortgage in the amount of 543,000.00 PLN on a property located in Pszczyna, for which the District Court in Pszczyna, V Division of Land and Mortgage Registers keeps the Land and Mortgage Register No. KA1P / 00040503/5; c) a contractual mortgage in the amount of 2,250,000.00 PLN Land located in Pszczyna, for which the District Court in Pszczyna, V Division of Land and Mortgage Registers keeps the Land and Mortgage Register No. KA1P / 00040503/5, d) contractual mortgage of 543,000.00 PLN on land property located in Pszczyna for which the District Court in Pszczyna, e) Mortgage contract in the amount of 2,250,000.00 PLN on the land property located in Pszczyna for which the District Court in Pszczyna, V Division of Land and Mortgage Registers Runs a 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 property located in Pszczyna, Which the District Court in Pszczyna, V Division of Land and Mortgage Registers, runs the Land and Mortgage Register No. KA1P / 00040317/4 and KA1P / 00037544/0; Declaration on submission to enforcement under Art. 777 pairs 1 pt. 5 Code of Civil Procedure up to the amount of 4.300.000.000 PLN. The Issuer has pledged to pay off the entire liability under this agreement until 30<sup>th</sup> June 2019.

On 13<sup>th</sup> February 2017 the Company signed Annex 1 to the Agreement of 23<sup>rd</sup> December 2016:

- ✓ in connection with the provisions of the Agreement, which, inter alia, provides that, in the context of the Guarantor's liability under contractual mortgages specified in the Arrangement, if the guarantor's performance of obligations under the Agreement, ie repayment of the Bank's receivables as set forth in the Arrangement, the Guarantor will acquire a portion of the Bank's Claims to be repaid By the Bank in the receipt specified in the Agreement to the extent of the payment made to the extent resulting from the collateral of that claim by the contractual mortgage specified below, provided that the acquisition of such receivables requires the inclusion of the guarantor as purchaser of that claim in the land and mortgage register on the basis of the application submitted by the Guarantor, The Mortgage Bank's interest is inscribed to the amount of 9,000,000 PLN charged to the real property located in Stalowa Wola, Kwiatkowskiego 1 street, being perpetual usufruct of PATENTUS STREFA SA. For which the District Court in Stalowa Wola leads the TBT No. TB1S / 00058985/9 the parties have agreed: - to correct the obvious clerical error in the above-mentioned provision with regard to the record in order to avoid any doubt as to the provision in the abovementioned provision " Subdivision of the mortgage specified below in proportion to the part of the Bank's receivables covered by the above repayment) "accept that the above- The proportion is determined according to the following state of affairs existing on the day the guarantor makes repayment of the Bank's Claims, so that the above- The proportion is determined on the basis of (i) the amounts of equity of all receivables secured by a mortgage, the amount of which is determined in the Agreement with the fact that the amount of Claims on the guarantee is determined after conversion into Polish zlotys at the rate of sale of the currency due at the Bank. Repayment by the Guarantor, the amount of repayment of the Bank's receivables. Agreement or repayment of the amount resulting from the realized claim under the Guarantee referred to in the Agreement, which repayment will be divided by the amount specified, and then determined in this way the proportion will be multiplied by the amount of the Mortgage.

On 30<sup>th</sup> March 2017 the Company signed Annex No. 2 to the Agreement of 23<sup>rd</sup> December 2016, in which the following changes were made with the consent of the Parties:

- ✓ the agreement was concluded on 23<sup>rd</sup> December 2016 on repayment of due debt resulting from three loan agreements concluded between Bank and PATENTUS STREFA S..A in connection with liability PATENTUS S.A. Resulting from the Guarantee of repayment of liabilities and contractual mortgages with other banks in which the Borrower has signed loan agreements; Limit of receivables; For which PATENTUS S.A. has any obligation to provide collateral for the repayment of liabilities arising from loan agreements / debt limits concluded by PATENTUS STREFA S.A. have agreed that the repayment date of the receivables resulting from the abovementioned commitments that fall between 31<sup>st</sup> March 2017 and 30<sup>th</sup> May 2017 will be revised to 31<sup>st</sup> May 2017.

On 31<sup>st</sup> August 2017 the Company signed Annex No. 3 to the Agreement of 23<sup>rd</sup> December 2016, in which the following changes were made with the consent of the Parties:

- ✓ the agreement was concluded on 23<sup>rd</sup> December 2016 on repayment of due debt resulting from three loan agreements concluded between Bank and PATENTUS STREFA S..A in connection with liability PATENTUS S.A. Resulting from the Guarantee of repayment of liabilities and contractual mortgages with other banks in which the Borrower has signed loan agreements; Limit of receivables; For which PATENTUS S.A. has any obligation to provide collateral for the repayment of liabilities arising from loan agreements / debt limits concluded by PATENTUS STREFA S.A. have agreed that the repayment date of the receivables resulting from the abovementioned commitments that fall between 31<sup>st</sup> August 2017 and 29<sup>th</sup> November 2017 will be revised to 30<sup>th</sup> November 2017.

On 24<sup>th</sup> November 2017 the Company signed Annex No. 4 to the Agreement of 23<sup>rd</sup> December 2016, in which the following changes were made with the consent of the Parties:

- ✓ the agreement was concluded on 23<sup>rd</sup> December 2016 on repayment of due debt resulting from three loan agreements concluded between Bank and PATENTUS STREFA S..A in connection with liability PATENTUS S.A. Resulting from the Guarantee of repayment of liabilities and contractual mortgages with other banks in which the Borrower has signed loan agreements; Limit of receivables; For which PATENTUS S.A. has any obligation to provide collateral for the repayment of liabilities arising from loan agreements / debt limits concluded by PATENTUS STREFA S.A. have agreed that the repayment date of the receivables resulting from the abovementioned commitments that fall between 29<sup>th</sup> November 2017 and 29<sup>th</sup> June 2018 will be revised to 30<sup>th</sup> June 2018.

On 26<sup>th</sup> June 2018 the Company signed Annex No. 5 to the Agreement of 23<sup>rd</sup> December 2016, in which the following changes were made with the consent of the Parties:

- ✓ the repayment dates of the Bank's receivables specified in the Arrangement, which fall in the period from 30<sup>th</sup> June 2018 to 29<sup>th</sup> November 2018, will be revised to 30<sup>th</sup> November 2018.

On 10<sup>th</sup> December 2018, Company received a signed Annex No. 16 dated 27<sup>th</sup> November 2018 ("Annex") to the agreement on the debt limit concluded on 18<sup>th</sup> November 2011 between the Company and Bank BGŻ BNP Paribas Spółka Akcyjna (concerns Raiffeisen Polbank services within the

framework of the activity taken over by Bank BGŻ BNP Paribas Spółka Akcyjna) with registered office in Warsaw ("the Bank"), ("Agreement"):

The Annex to the Agreement introduces a consolidated text of the Agreement with the following changes:

- the limit amount as at the date of signing the Annex is 8 643 900.00 PLN. The limit will be reduced in the following amounts and dates: 30<sup>th</sup> November 2018 to 141 500.00 PLN ; on 31<sup>st</sup> December 2019, up to 0.00 PLN.

Products at risk: overdraft: 8 502 400.00 PLN; bank guarantees 2,000,000.00 PLN. The deadline for the final repayment of the limit: 31<sup>st</sup> December 2019.

- Last day of the utilization period: overdraft facility 30<sup>th</sup> November 2018; guarantees: 12<sup>th</sup> October 2017. The day of final repayment of a product with a risk: overdraft facility: 30<sup>th</sup> November 2018; guarantees: 31<sup>st</sup> December 2019 subject to: a) In the case of full repayment of the used Loan in the Current Account in PLN together with interest due, commissions and other fees before / on 30<sup>th</sup> November 2018. (i.e. the Final Repayment Date of a Product with Loan Risk in the Current Account in PLN), understood as the achievement of a zero balance of debt under the Current Account Loan in PLN, also taking into account the interests, fees and commissions due to the Bank, the Issuer will not have the right to continue using the Credit in the Current Account in PLN. One-month WIBOR + bank's margin. Securing the repayment of the limit: power of attorney to the current account and other accounts in the Issuer's bank; mortgage without any other entries having priority over entries to the Bank up to 16,875,000.00 PLN on a real property located in Pszczyna at Górnośląska street for which the District Court in Pszczyna keeps the land and mortgage register KW No. KA1P / 00022605/8 with the assignment of rights under the policy; joint mortgage without any other entries having priority over entries to the Bank, up to 15,450,000.00 PLN on a real property located in Jankowice at Złota Łany street for which the District Court in Pszczyna keeps a land and mortgage register no KA1P / 00037544/0 and a land and mortgage register KW No. KA1P / 00040317/4 with the assignment of rights under the policy; mortgage without any other entries having priority over entries to the bank up to 15,450,000.00 PLN on a real property located in Pszczyna at Górnośląska Street for which the District Court in Pszczyna keeps the land and mortgage register KW No. KA1P / 00040503/5; registered pledge on the set of machines and equipment together with any subsequent changes along with the assignment of rights under the insurance policy; statement on submission to enforcement up to 15,450,000.00 PLN; The cash deposit placed in the Bank by the Issuer in the amount of 141 500.00 PLN.

At the same time, the Company informs that on 10<sup>th</sup> December 2018 they received signed Deposit Agreement of 27<sup>th</sup> November 2018 between the Company and Bank BGŻ BNP Paribas Spółka Akcyjna (regarding Raiffeisen Polbank's services under the business of BGŻ BNP Paribas Spółka Akcyjna) was registered with the registered office in In Warsaw.

Purpose of the agreement: In order to secure the Bank's receivables, the Issuer deposited a deposit in the Bank in the form of cash in the amount of 141 500.00 PLN. The day of the final repayment of the guarantee: 31<sup>st</sup> December 2019.

The remaining provisions of the Agreement, as amended, remain unchanged.

The above information was disclosed to the public in current report No.15/2018 on 1<sup>st</sup> August 2018.

- 6) On 20<sup>th</sup> February 2018 (inflow to the Company on 22<sup>nd</sup> March 2018), the Issuer signed a loan agreement No. 133258/18/3 with Alior Leasing Sp. z o.o. :



- ✓ Product amount: EUR 921 500.00;
- ✓ The method of commissioning - payment in tranches: the first tranche - in the amount of EUR 824 500.00; the second tranche - in the amount of EUR 97,000.00;
- ✓ Number of installments: 83 months
- ✓ Security: agreement on transfer of the bridging as security for the loan agreement: description of the subject of transfer: Machine OKUMA VTM-1200YB year production in 2016. The value of the subject of this contract is 970,000 .00. EUR

On 4<sup>th</sup> April 2018, the Company signed the Annex to the Loan Agreement No. 133258/18/3 with Alior Leasing Sp. z o.o. introducing the following change:

- ✓ "Early repayment of the loan in whole or in part: PLN 0".

The remaining provisions of the Agreement remain unchanged.

7) On 9<sup>th</sup> August 2018 was signed a loan agreement No. 129595/2018 between Getin Noble Bank S.A and Patetntus S.A. based in Pszczyna for a PLN working capital loan.

- Loan amount: 12,000,000.00 PLN;
- Loan period: 18 months;
- Purpose of the loan: for the full repayment of Loans taken out in: Alior Bank S.A. - Credit Agreement; PEKAO S.A. - eFinancing agreement for financing suppliers - restructuring agreement; mBank S.A. - credit agreements for technology loans; on the remaining part to finance current operations, including financing a contract for the supply of two pieces of belt conveyors designed for human riding upper and lower tape for PGG S.A. Branch of KWK Murcki - Staszic.
- Credit interest rate: 3M WIBOR + bank's margin;
- The loan will be transferred in two tranches: I tranche 8,000,000.00 PLN; II tranche of 4,000,000.00 PLN
- Security: power of attorney to use the Borrower's current account by Getin Noble Bank SA; blank promissory note with a promissory note declaration; registered pledge on fixed assets on machines: Special slotting machine for teeth; hobbing machine and carburizing furnace located in Jankowice, Złote Łany 52B along with the assignment of rights under the insurance policy; contractual mortgage up to the amount of 20,400,000.00 PLN, established as collateral for loan principal, interest and increased interest rates on property, located in Jankowice, Pszczyna, covering plots no. 2518/125 and 2793/2017 with a total area of 0.6964 ha, for which the District Court in Pszczyna, V Land and Mortgage Register keeps a land and mortgage register KA1P / 00044542/8; assignment of rights under the insurance policy; assignment of receivables from contract No. PAT16.068-26 of 08/11/2016 concluded with PGG Sp. z o.o. as the Ordering Party, the subject of the contract is "Financial leasing with delivery of two new scraper wall conveyors for the needs of KWK Piast - Ziemowit Ruch Ziemowit; assignment of receivables from the contract concluded with PGG S.A. as the Ordering Party for the supply of two pieces of belt conveyors intended for human riding with upper and lower tape for Polska Grupa Górnicza S.A. KWK Murcki - Staszic branch - bank transfer limited to task No. 1 performed by PATENTUS S.A. for a net amount of 4 146 778.62 PLN.

The above information was disclosed to the public in current report No.19/2018 on 17<sup>th</sup> August 2018.

On 28<sup>th</sup> December 2018 the Company received a signed copy of the Agreement on overdraft facility dated 21<sup>st</sup> November 2018 ("Agreement", "Loan").

Detailed information about the Agreement:

- Loan amount: 9,000,000.00 PLN;
- Loan period: from the date of the Credit's launch until 20<sup>th</sup> November 2019
- Particular purpose of the loan: for the full repayment of the overdraft facility granted to the Borrower by Raiffeisen Bank Polska S.A. as part of the debt limit agreement of 18<sup>th</sup> November 2011, as amended; in the remaining part, financing of current operations
- Credit interest rate: 1M WIBOR + bank's margin;
- The loan granted is a revolving loan, i.e. any repayment of all or part of the loan causes that it is renewed from the original amount and may be repeatedly used until the expiration of the Agreement
- Repayment: repayment of the loan and interest accrued for a given fiscal period as well as other costs and fees related to the granted loan is effected by debiting the Borrower's current account by the Bank, in terms of payment of the Bank's receivables; interest on the Loan is accrued daily and is payable on the last day of the month; The Borrower authorizes the Bank to charge the amount of applicable interest rate on the used Loan and interest due and other costs and fees related to the granted Loan, the current borrower's account; The Borrower will make a final repayment of the Credit and other amounts due to the Bank from the Borrower under the Agreement, at the latest on the last day of the loan period.
- Security features: blank promissory note with a promissory note declaration; power of attorney to use the Borrower's current account by Getin Noble Bank S.A.; contractual mortgage up to 17,000,000.00 PLN established to secure the loan capital, interest calculated according to a variable interest rate and increased interest on overdue debt in the amount of maximum interest for delays, granted costs of proceedings and other claims for loan agreement, on real estate located in Pszczyna for which is conducted by the District Court in Pszczyna, V Division of Land and Mortgage Registers - land and mortgage register No. KA1P / 00022605/8 along with the assignment of the rights under the insurance policy. The mortgage along with the assignment from the insurance policy also constitutes a security for the Credit Agreement - Bank Guarantee Limit of 21<sup>st</sup> November 2018

Simultaneously, The Management Board of PATENTUS S.A. ("Company", "Issuer") informs that on 28<sup>th</sup> December 2018 received information that the District Court in Pszczyna, V Division of Land and Mortgage Registers, established on 30<sup>th</sup> November 2018 a contractual mortgage up to 17,000,000.00 PLN on the right of perpetual usufruct of land for real estate located in Pszczyna covered by KW No. KA1P / 00022605/8 along with an assignment from the insurance policy, kept by the District Court in Pszczyna, V Division of Land and Mortgage Registers. The perpetual usufructuary of the real estate is the Issuer.

The above information was disclosed to the public in current report No.35/2018 on 28<sup>th</sup> December 2018.

On 21<sup>st</sup> November 2012, was concluded an Agreement No. 455 / LG / 2018 of the Bank Guarantee Line between Getin Noble Bank S.A. with headquarters in Warsaw and Patentus S.A. based in Pszczyna:

✓ The bank grants Patentus S.A. "Employer" of the Bank Guarantee Line, hereinafter referred to as the "Line", up to 1,000,000.00. PLN

✓ The Principal may use the following types of bank guarantees as part of the Line:  
• tender (wattled).

✓ A single guarantee within the Line can not exceed 6 months.

- 8) On 21<sup>st</sup> November 2018 was signed an Annex No. 7 to the Multi-Product Agreement concluded between ING Bank Śląski S.A. based in Katowice ("Bank") and PATENTUS S.A. based in Pszczyna and Zakład Konstrukcji Spawanych Montex Sp. z o.o. based in Świętochłowice.

Under the Multi-product Agreement:

- ✓ The Bank makes available a revolving Credit Limit in the maximum amount of 6,305,950.00 PLN.
- ✓ The bank makes available to PATENTUS S.A. sublimit within the Credit Limit of Multi-Product Agreement in the amount of 5 605 950.00 PLN and for ZKS MONTEX Sp. z o.o. sublimit under the Credit Limit of Multi-Product Agreement in the amount of 700,000.00 PLN.
- ✓ The Credit Limit of Multi-product Agreement is granted for the period from the Availability Date, i.e. from 31<sup>st</sup> October 2012 to 29<sup>th</sup> November 2019.
- ✓ Credit interest rate: WIBOR for one-month bank deposits plus a bank's margin. The repayment security is the establishment of a mortgage up to the amount of 10,500,000.00 PLN to the subscriber ZKS MONTEX Sp. z o.o. the right to perpetual usufruct of real estate located in Świętochłowice Wojska Polskiego street 68C, covered by the land and mortgage register KW No. KA1C / 00024178/6 kept by the District Court in Chorzów, VI Land and Mortgage Register Division; assignment of rights under the insurance policy for the object of the pledge - a contractual mortgage in the scope of fire and other fortuitous events; registered pledge on inventories of materials, finished products, semi-finished goods and goods with a minimum value of 10,000,000.00 PLN held by PATENTUS S.A. located in a warehouse in Jankowice Złote Łany street 52b;
- ✓ assignment of rights from the insurance policy of the subject of collateral - stock of fire and other fortuitous events and theft; A promissory note; declaration on submission to enforcement up to the amount 9 458 925,00 PLN.

At the same time, the PATENTUS SA Management Board ("Company", "Issuer") informs that on 12<sup>th</sup> December 2018 received information that the District Court Katowice - Wschód in Katowice, IX Commercial Division - Register of Pledges, made on 7<sup>th</sup> December 2018 changes to the entry in the register of pledges on inventories of materials, products ready-made, semi-finished products and goods with the highest security collateral of 10,000,000.00 PLN held by PATENTUS S.A.

The above information was disclosed to the public in current report No. 33/2018 on 12<sup>th</sup> December 2018.

- 9) On 12<sup>th</sup> October 2018, the Company (Borrower) signed a copy of the Loan Agreement No. 42178 of 12/09/2012 between the Issuer and Towarzystwo Inwestycji Społeczno-Ekonomicznych S.A. with headquarters in Warsaw (Lender)

The loan was granted from the Regional Operational Program of the Śląskie Voivodeship for the years 2014-2020, the loan amount is financed in 20% from the Lender's own funds, and in 80% from the funds transferred to the Lender by the European Investment Fund under the Portfolio Agreement.

✓ Loan amount: 1,000,000.00 PLN

✓ Repayment period Loans: 84 months, including 0 grace periods, repayment in installments in accordance with the Repayment Schedule;



✓ The Loan amount will be paid in two tranches: the first tranche - 400,000.00 PLN and the second tranche - 600,000.00 PLN, after the payment terms of the Loan have been met;

✓ The loan will be used for the following purpose:

- purchase of a shaft grinder,
- purchase of a tempering furnace and loading trays for the furnace;

✓ Security:

- blank promissory note of the debtor,
- entry of a contractual mortgage of up to 1,200,000.00 PLN on the right of perpetual usufruct of the plot with the registration number 2648/128 and ownership of the social building constituting a separate property for which the District Court in Pszczyna, 5th Department  
The land and mortgage register is kept by the land and mortgage register No. KA1P / 00038751/1,
- assignment of rights under the insurance policy for the a / m property, the insurance amount is not less than 950,000.00 PLN
- transfer to the security of a UNION CWS 2500 table milling machine with a value of not less than 390,000.00 PLN,
- assignment of rights from the UNION CWS 2500 table milling insurance policy for an amount not less than 390,000.00 PLN,
- transfer of ownership to the security of the HELLER MC 16 machining center, with a value not less than 360,000.00 PLN,
- assignment of rights from the insurance policy of the HELLER MC 16 machining center, for an amount not less than 360,000.00 PLN.

#### **In 2018, the Company repaid the following loans:**

- 1) On 3<sup>rd</sup> September 2018 received a certificate of repayment of a non-revolving loan to finance the current operations of the Company. Due to the full repayment of the loan granted to PATENTUS S.A. on the basis of the Loan Agreement for a non-revolving loan for financing current operations of 19<sup>th</sup> September 2017 and the expiry of all liabilities in this respect, the following securities were released: power of attorney to dispose of funds and bank accounts of the Borrower maintained by the Bank, repayment guarantee within the portfolio line de minimis guarantee; a contractual mortgage on real estate, located in the town of Jankowice, for which the District Court in Pszczyna, V Land and Mortgage Register keeps a land and mortgage register as KA1P / 00044542/8; assignment of rights from the insurance policy for the aforementioned real estate; assignment confirmed by the financial leasing agreement concluded with Polska Grupa Górnicza Sp. z o.o.

The above information was disclosed to the public in current report No.23/2018 on 3<sup>rd</sup> September 2018.

- 2) On 19<sup>th</sup> September 2018 received a certificate of full repayment of two loans granted by mBank Spółka Akcyjna to PATENTUS S.A. A loan agreement for granting an investment technological loan in PLN from 28<sup>th</sup> September 2012 together with subsequent amendments and a loan agreement for granting an investment technological loan in PLN from 28<sup>th</sup> September 2012 together with subsequent amendments have been fully repaid and therefore they have lost their effect together with any repayment security for the aforementioned loans.

The above information was disclosed to the public in current report No.24/2018 on 19<sup>th</sup> September 2018.

- 3) On 27<sup>th</sup> September 2018, the Issuer received a certificate from PEKAO Spółka Akcyjna regarding the total repayment of debt under the eFinancing Agreement for financing suppliers no. 85 / eF / KR / 2013 of 12/04/2013, as amended, and release of all securities.
- 4) On 30<sup>th</sup> November 2018, Patentus S.A. made a full repayment of the overdraft facility in PLN together with all costs operating under the Debt Limit granted by Bank BGŻ BNP Paribas S.A. (regarding the services of Raiffeisen Polbank within the framework of the activity taken over by Bank BGŻ BNP Paribas SA) ("the Bank") under the conditions specified in Annex No. 16 of the Credit Limit Agreement (Agreement). The amount of the Debt Limit granted under the Agreement has been reduced to 141,500.00 PLN.

The company informs that on 4<sup>th</sup> January 2019, received a copy of certificate of making the above-mentioned repayment.

The above information was disclosed to the public in current report No. 2/2019 on 4<sup>th</sup> January 2019.

### **Trade agreements**

Due to the number of commercial transactions concluded with the main customers and suppliers Due to the number of commercial transactions concluded with major recipients and suppliers in 2018, only those which fulfill the criterion and so can be regarded as of material value, that is: exceeding 10% of equity of PATENTUS S.A, were presented below.

1. On 25<sup>th</sup> January 2018, the Company received signed contract no. PAT17.085-99 by ("Agreement") between the Issuer and FAMUR S.A. ("Purchaser") based in Katowice concluded on 11<sup>th</sup> December 2017.

The subject of the Agreement is: Supply of a new Rybnik 1100 wall scraper conveyor with a KS-4 wall crusher and two new Grot 1100 scraper conveyors with SCORPION 3000 P crushers ("Subject of Contract") for Polska Grupa Górnicza, KWK Piast Branch - Ziemowit ("End recipient").

The contract value will be 16 978 151,95 PLN net.

The deadline for the implementation of the Subject of the Agreement will be until 30<sup>th</sup> April 2018.

- ✓ Warranty: The Contractor gives the delivered item of guarantee: 36 months from the date of the final acceptance protocol, however, no longer than 42 months from the date of the Completeness delivery Report to the final recipient's warehouse,;
- a) Detailed warranty: fuselage and gutter hulls - 4 million tons of transported spoil or 48 months from the date of commissioning at the bottom, whichever comes first; gutter and chain drums - 2 million tons of transported spoil or 24 months from the date of commissioning at the bottom, whichever comes first; gears and clutches - 24 months from the date of commissioning at the bottom; engines and other electrical devices - 24 months from the date of commissioning at the bottom; bearings for the crusher drum (for face conveyors) - 2 million tons of transported spoil or 24 months from the date of commissioning at the bottom, whichever comes first; the hull of the crusher, the shaft with the bearings of the crusher, the elements of the crusher route - 3 million tons of transported spoil or 36 months from the date of commissioning at the bottom, whichever comes first; beaters of the undercut crusher - 12 months from the date of commissioning at the bottom;

- b) Guarantee for replaced or repaired under warranty components or elements of equipment, excluding elements for which a specific guarantee was granted - 12 months from the date of service, but not less than the general guarantee;
- c) The following materials are not covered by the warranty: fuses, drive belts for crushers, oils, greases and bulbs;
- d) Guarantee for fast wearing elements with reduced lifespan, i.e. ejectors and ejector plates, overload protectors, replacement axles, clutch inserts, O-rings and seals - 12 months from the date of the final acceptance protocol, however not longer than 18 months from the date Completeness report of delivery to the Ordering Party's warehouse.

✓ Contractual penalties:

The Contracting Authority may charge the Contractor contractual penalties:

- a) for withdrawal from the Agreement by one of the parties for reasons attributable to the Contractor in the amount of 10% of the net value of the unrealized part;
- b) in the amount of 0.125% of the net value for each day of delay beyond the date of execution of this Agreement until the 10<sup>th</sup> day inclusive, each time separately for the particular conveyor concerned by the delay;
- c) in the amount of 0.625% of the net value of the contract for each day of delay exceeding 10 days over the term of the Contract, each time separately for a particular conveyor to which the delay relates;
- d) in the amount corresponding to the number of days of delay as in b and c, for delays in delivering the required documents for collection, each time for a specific conveyor whose delay applies;
- e) in the amount of 0.0125% of the net value of the Subject of the Agreement for reporting warranty service at the headquarters of the Ordering Party for repair within more than 8 hours from the notification, for each hour of delay;
- f) in the amount of 0.125% of the net value of the Subject of the Agreement in the scope of the task covered by the Agreement for each hour of failure removed under guarantee obligations, after exceeding 36 hours of total time of stops resulting from this type of failure in a given month;
- g) in the amount of 0.25% of the net value of the Subject of the Agreement for not removing the reported failure within 24 hours from notifying the Contractor, for each day of delay for a particular conveyor whose delay applies.

The Contractor may charge the Ordering Party a contractual penalty for withdrawing from the Agreement by one of the parties for reasons attributable to the Ordering Party in the amount of 10% of the net value of the unrealized part of the Agreement in the scope of the task to which the withdrawal applies, which shall not apply to termination, termination or termination of the Agreement.

Regardless of contractual penalties, the parties may claim compensation on general terms of the amount of actual losses incurred, up to the gross value of the Contract.

✓ Termination, termination or termination of the contract:

- a) The parties may terminate the Contract at any time by agreement of the parties;
- b) The Ordering Party is entitled to withdraw from this Agreement in the event of termination of the contract with the Final Recipient for any reason. In this case, the Employer is entitled to withdraw from this Agreement within 90 days from the date of termination of the contract with the Final Recipient;
- c) The Contracting Authority has the right to withdraw from the Agreement in the event of a breach by the Contractor of the law, resulting in a threat to the security of the property of the Employer or health, life of employees. This right may be exercised by the Contracting Authority within 30 days of becoming aware of the law by the Contractor of the provisions of law resulting in the above-mentioned threats. In this case, the Contractor shall be entitled to the remuneration due to him for the performance of the part of the Contract;

- d) The Contracting Authority reserves the right to unilaterally withdraw from the Agreement in the event of: a significant change in the circumstances causing its performance is not in the public interest, which could not have been foreseen at the time the Agreement was concluded. Withdrawal can take place within 30 days of becoming aware of the above circumstances. In this case, the Contractor shall be entitled to the remuneration due to him for the performance of the part of the Contract; losing by the Contractor owned rights to perform activities or activities covered by the subject of the contract, if the law imposes an obligation to possess them.

Above mentioned information was made public on 25<sup>th</sup> January 2018 in current report no 2/2018.

2. On 30<sup>th</sup> January 2018, the Company received a signed contract No. PAT 18.001-99 ("Agreement") between the Consortium of Companies: 1) The Issuer ("Leader") and 2) SYMATECH S.A. with headquarters in Gliwice ("Participant"), jointly ("Contractor") and Polska Grupa Górnicza S.A. with headquarters in Katowice ("Ordering Party") concluded on 11<sup>th</sup> January 2018.

The subject of the Agreement is: Delivery and modernization of four belt conveyors with a belt width of 1200 mm for mining areas below 800 m for Polska Grupa Górnicza S.A. - KWK ROW Branch Ruch Marcel with documentation.

The value of the Agreement is 27 900 000 PLN

The deadline for the implementation of the Subject of the Agreement will be until 15<sup>th</sup> September 2018.

- ✓ Warranty: The Contractor provides a warranty for the subject of the contract for a period of 24 months from the date of the final protocol, but not longer than the warranty period offered, plus 6 months.
- ✓ Contractual penalties:  
The Contracting Authority may charge the Contractor contractual penalties:
  - a) for withdrawal from the Agreement by one of the parties for reasons attributable to the Contractor in the amount of 10% of the net value of the unrealized part;
  - b) in the amount of 0.1% of the net value for each day of delay beyond the deadline for the performance of the Agreement up to and including the 10th day;
  - c) in the amount of 1% of the net value of the Agreement for each day of delay exceeding 10 days over the deadline specified for the performance of the Agreement;
  - d) in the amount corresponding to the number of days of delay as in point b and c, for delays in delivering the required documents for collection;
  - e) in the amount of 0.01% of the net value of the Subject of the Agreement for reporting warranty service at the headquarters of the Ordering Party for repair within more than 8 hours from the notification, for each hour of delay;
  - f) in the amount of 0.2% of the net value of the Subject of the Agreement for not removing the reported failure within 24 hours from notifying the Contractor, for each day of delay.

The Contractor may charge the Ordering Party a contractual penalty for withdrawing from the Agreement by one of the parties for reasons attributable to the Ordering Party in the amount of 10% of the net value of the unrealized part of the Agreement, which shall not apply to termination, withdrawal or termination of the Agreement.

Regardless of contractual penalties, the parties may claim compensation on general terms of the amount of actual losses incurred, up to the gross value of the Contract.

Above mentioned information was made public on 30<sup>th</sup> January 2018 in current report no 3/2018.

3) During the period from 8<sup>th</sup> August 2017 to 15<sup>th</sup> May 2018 Issuer received from FAMUR S.A. ("Purchaser") headquartered in Katowice, contracts and orders for a total value of 11 754 338,00 PLN + VAT. The agreement No PAT 18.008-99 from 15<sup>th</sup> February 2018 was of the highest value.

Subject of the contract : Execution of FFC-8 longwall conveyor elements, i.e. routes (linear and inspection gutters) as well as dump and return drive zones (hull, gutter, gutter runs).

- ✓ The date of delivery: route until 10<sup>th</sup> April 2018; the return drive zones until 30<sup>th</sup> April 2018;
- ✓ Value of the contract: 5 200 000,00 PLN+ VAT.
- ✓ General warranty: the contractor grants for the delivered good 36 months from the date of launch the complex at the Recipient, however, no longer than 40 months from the date of delivery of the last batch of the Subject of the Contract.
- ✓ Liquidated damages:  
-The Contractor is obliged to pay the Purchaser contractual penalties: in the amount of 20% of the gross price of the Subject of the Contract; for non-performance of the Subject of the Agreement on time, in full or in part, the Contractor shall pay the Ordering Party a contractual penalty in the amount of 0.1% of the gross price of the Subject of the Agreement for each day of delay; for delays in the delivery of missing or non-defective parts of the Subject of the Agreement or missing documents, the Contractor shall pay the Ordering Party a contractual penalty in the amount of 0.1% of the gross price of the Subject of the Agreement for each day of delay.

Above mentioned information was made public on 15<sup>th</sup> May 2018 in current report no 7/2018.

4) During the period from 8<sup>th</sup> November 2017 to 26<sup>th</sup> June 2018 Issuer received from Polska Grupa Górnicza Sp z o.o. the Purchaser "PGG" former Kampania Węglowa) headquartered in Katowice, contracts and orders for a total value of 8 786 883,50 PLN + VAT.

The agreement No PAT 18.024-02 from 29<sup>th</sup> May 2018 was of the highest value.

Subject of the contract : Purchase and Delivery of spare parts for scraper conveyors PATENTUS for Polska Grupa Górniczej SA Branch KWK Ruda Ruch Bielszowice - assortment group 292-10-07.

- ✓ Date of delivery of the subject of the contract: the contract is effective from the day it is concluded until 30<sup>th</sup> June 2018; if, during the Contract period, the contract Purchaser fails to submit contracts for the supply of minimum 50% of the awarded contractm agreement will be in force until 30<sup>th</sup> September 2018;
- ✓ Value of the contract: 3 516 000,00 PLN + VAT.
- ✓ General warranty: 12 months from the date of receipt of the order by the magazine Employer.
- ✓ Liquidated damages:  
-The Contractor is obliged to pay contractual penalties: in the amount of 10% of the net value of the unperformed part of the agreement, the Purchaser withdraws from the contract due to circumstances for which the Contractor; amounting to 10% of the agreed net value of the goods referred to in each case on unrealized part of the contract, the Purchaser withdraws from the contract due to circumstances for which the Contractor; amounting to 0.1% of the agreed net value of the goods referred to in each case in order not delivered within the time limit for each day of delay calculated for the delivery date, the 31st day of delay penalty will be calculated at the rate of 0.5%. In the case of definitive non-implementation of the contract or part thereof, when not abandoned the contract, liquidated damages equal to the value of unrealized orders. For the definitive failure of the contract or part thereof considered, in particular, the Contractor's declaration of withdrawal from the contract or a part thereof, and a situation where the amount of liquidated damages for delay in execution of the contract or part thereof reaches unrealized contract or part thereof; amounting to 0.1% of the net value of goods entered for the claim for each day of delay in its consideration; amounting to 0.1% of net taxable exchange of goods per day of delay. - 3 working days from the date of accepting the complaint



- The Employer agrees to pay the Contractor contractual penalties: in the amount of 10% of the agreed net value of the goods referred to in each case on unrealized contract, the Contractor withdraws from the contract due to circumstances attributable to the Purchaser; amounting to 0.1% of the agreed net value of the ordered and received not the fault of the Purchaser of the goods for each day of delay.

The implementation of the above Agreement as at the date of submission of this report, i.e. 31<sup>st</sup> August 2018, is 100 % of the Agreement.

Above mentioned information was made public on 26<sup>th</sup> June 2018 in current report no 12/2018.

- 5) During the period from 18<sup>th</sup> October 2017 to 17<sup>th</sup> July 2018 – the total net value of turnover between PATENTUS S.A. and P.P.H.U. “ Mirpol “ Mirosław Kobiór headquartered in Pszczyna amounted to 9 615 03,45 PLN.

Cooperation between the parties is based on the cooperation agreement concluded on 2<sup>nd</sup> January 2007 for an indefinite period of time. The agreement covers the manufacture of mining machinery and equipment, steel structures of halls and other facilities, services like machining and any other works commissioned by PATENTUS S.A. Terms of the contract does not differ those commonly used in such agreements. Within the execution of the contract, the invoice FV 04/05/2018 dated 30<sup>th</sup> May 2018 was of the highest value and amounted to 2 427 514,40 PLN ( net value ). The subject of the invoice was the performance of the ejector plate, cable, bolts, scraper conveyor, gears, heat treatment.

Above mentioned information was made public on 17<sup>th</sup> July 2018 in current report no 14/2018.

- 6) On 2<sup>nd</sup> October 2018 received a signed copy of the contract of 28<sup>th</sup> September 2018 concluded between the Issuer and JSW S.A. ("the Purchaser") based in Katowice

The subject matter of the contract is delivery of a new scraper conveyor and the delivery of a new under-panel complex produced by PATENTUS SA for JSW S.A. KWK Pniówek ("Subject of Agreement"). The total value of the Agreement is 23 376 600.00 PLN plus VAT.

- Deadline for the implementation of the Agreement: 8 weeks from the date of its conclusion
- Warranty: The contractor grants a guarantee for 24 months from the date of commissioning the equipment in the underground mining excavation of the Ordering Party, confirmed by the protocol. On the basis of the guarantee granted, the Ordering Party may request the guarantor or persons authorized by him to remove a failure or defect, replace devices or repair them, including replacement of parts and components excluding fast wearing parts that are subject to normal wear and tear (excluding material defects), which include:
  - seals, sealing washers, screws, O-rings, scraper slides, ejector plates, ejectors, linings of friction elements, clutch inserts;
  - gaskets, sealing washers, screws, O-rings, scraper slides, ejector plates, ejectors, linings of friction elements, clutch inserts, beaters crushers, crushing blades, crusher belts and consumables (excluding material defects), which include: fuses, oils and greases.

The contractor will proceed with the repair of the device within 8 hours from the time of notification. As part of the guarantee, the Contractor is obliged to repair the device (removal of a breakdown or defect) within 24 hours from the moment of delivery by the Employer of parts, teams of subassemblies from the area of the Employer's plant to the place of repair. The Contractor shall ensure delivery to the Contracting Party of each part or subassembly within no more than 16 hours from the moment of notification.

- Penalties:

- a) The Ordering Party may charge the Contractor with a contractual penalty in the amount of 0.1% of the total gross contract price for each day of delay;
- b) The Ordering Party may charge the Contractor with a contractual penalty of 0.02% of the total gross Contract price for each hour of delay in the event of the Contractor's delay in performing the warranty obligations provided for in § 9 para. 13-15 contracts;
- c) the Ordering Party will be entitled to withdraw from the Agreement if the Contractor's delay in the performance of his obligations resulting from the Contract exceeds 7 days;
- d) the Purchaser will be able to withdraw from the Agreement in the event of a breach of the provisions of the Contract or if the Contractor performs the Contract improperly;
- e) Withdrawal from the Agreement, which was provided for in § 13 para. 3-6 should take place on the basis of a statement by an authorized party in writing and sent to the other party by registered letter within 30 days from becoming aware of the circumstances justifying the withdrawal;
- f) the Contractor shall pay the Ordering Party 10% of the total gross Contract price in the event of withdrawal from the Agreement for reasons attributable to the Contractor;
- g) The Purchaser also reserves the right to claim damages exceeding the value of the aforementioned contractual penalties, if the contractual penalties do not cover the damage suffered;
- h) The total value of contractual penalties and damages due to the Ordering Party may not exceed the net price specified in the Agreement.

Above mentioned information was made public on 2<sup>nd</sup> October 2018 in current report no 27/2018.

- 7) During the period from 27<sup>th</sup> June 2018 to 27<sup>th</sup> December 2019 – Company received from Polska Grupa Górnicza Sp z o.o. ( Purchaser “PGG” former Kampania Węglowa) headquartered in Katowice, contracts and orders for a total value of 10 757 486,21 PLN + VAT.

The highest-value contract is the agreement of 1<sup>st</sup> August 2018 (the "Agreement").

Subject of the contract : Delivery of two pieces of belt conveyors intended for human riding with upper and lower tape for PGG S.A. Branch of KWK Murcki-Staszic.

The subject of the Agreement includes the following two tasks:

- Task 1: the scope including complete equipment in the mechanical industry, including complete routes except for the conveyor belt - Contractor: Patentus S.A. ;
- Task number 2: the scope covers complete equipment in the electronics industry - Contractor: Atut S.A.

The date of delivery of the Subject of the Agreement:

- task 1: up to 14 weeks from the date of conclusion of the Agreement;
- task No. 2: up to 10 weeks from the date of conclusion of the Agreement.

Value of the Object of the Agreement: 5,500,005.13 PLN plus VAT (task no. 1: 4 146 778.62 PLN, task number 2: 1 443 216.51 PLN);

Warranty: The Contractor provides a guarantee for elements falling within the scope of delivery for a period of 2 (two) years from the date of signing the faultless final acceptance protocol

Contractual penalties:

- the Contractor is obliged to pay the Purchaser contractual penalties: in the amount of 10% of the net value of the unrealized part of the Contract, if the Contracting Authority withdraws from the Agreement due to circumstances for which the Contractor is responsible; in the amount of 0.1% of the net value for each day of delay over the deadline specified in the Agreement up to 10 days inclusive; in the amount of 1% of the net value for each day of delay over 10 days over the specified deadline for implementation specified in the Agreement; in the amount of 0.01% of the

net value of the Subject of the Agreement for reporting warranty service at the headquarters of the Ordering Party for repair within more than 4 hours from the notification, for each hour of delay; in the amount of 0.2% of the net value of the Subject of the Agreement for not removing the reported failure within 24 hours from notifying the Contractor, for each day of delay.

- The Contractor may charge the Ordering Party a penalty for withdrawal from the Agreement by one of the parties for reasons attributable to the Ordering Party in the amount of 10% of the net value of the unrealized part of the Agreement.

Above mentioned information was made public on 27<sup>th</sup> December 2018 in current report no 34/2018.

**Other information provided to the public:**

- 1) On 4<sup>th</sup> April 2018, the motion was filed to the District Court in Stalowa Wola I Civil Department for appealing to the former President of the Management Board of PATENTUS STREFA S.A. in bankruptcy based in Stalowa Wola (a subsidiary of Issuer) Mr. Jan Pasławski for the payment of 15 971 439.64 PLN along with statutory interest from the date of submitting this application to the date of payment as compensation for damage caused by failure to submit the application for bankruptcy on time of PATENTUS STREFA S.A.

The above information was disclosed to the public in current report No. 4/2018 on 5<sup>th</sup> April 2018.

- 2) On 20<sup>th</sup> April 2018 – (the information was received on 23<sup>rd</sup> April 2018) has been submitted to AIG EUROPE LIMITED Sp. z o. o. with registered office in Warsaw, the claim and damage in the amount of 15 971 439.64 PLN related to the culpable failure to file for bankruptcy of PATENTUS STREFA S.A. based in Stalowa Wola by its former President of the Board, Jan Pasławski.

The above information was disclosed to the public in current report No. 5/2018 on 23<sup>rd</sup> April 2018.

- 3) On 24<sup>th</sup> May 2018 Ms. Alicja Saller - Pawełczyk resigned from the position of Member of the Supervisory Board of the Company with effect as of the date of resignation.

In connection with the resignation by Mrs. Alicja Saller - Pawełczyk, the Ordinary General Meeting of Shareholders of the Company adopted Resolution No. 19 appointing Mrs. Edyta Głombek as a Member of the Supervisory Board for the term of office ending on the date of approval by the General Meeting of the financial statements for the financial 2021 . Edyta Głombek is a graduate of the University of Economics in Krakow in the following areas: management and marketing, scope: accounting. In 2001 Edyta Głombek obtained the qualification certificate No. 25346/01 entitling to keep accounting books. In 2004, obtained a Diploma No. 2525/2014 confirming the submission of a positive test result for members of supervisory boards of state-owned companies. In 2013, she completed a course raising professional qualifications - training for tax advisors. Edyta Głombek started her professional career at WELZ Sp. z o.o. where from 1<sup>st</sup> March 1998 to 31<sup>st</sup> May 1998 was employed for a trial period as a marketing specialist; from 1<sup>st</sup> June 1998 to 31<sup>st</sup> March 1999 employed as a forwarder of groupage shipments, from 1<sup>st</sup> April 1999 to 31<sup>st</sup> December 2016 employed as a Chief Accountant also at WELZ Sp. z o.o.; from 1<sup>st</sup> January 2017 to still Edyta Głombek employed at GEIS PL Sp. z o.o as the Chief Accountant. From 2005 to still Edyta Głombek employed on the basis of a contract for work in the company Logotex Sp. z o.o. - keeping accounting records and from 2009 also employed on the basis of a contract for specific work in PPHU Mirpol - keeping accounting records. In the years 2005-2007,



Edyta Głombek was the Chairman of the Supervisory Board of ARIP Sp.z o.o. ; in the years 2006-2011 she was the Deputy Chairman of the Social Council of ZOZ in Pszczyna.

Between Edyta Głombek and other members of the Supervisory Board and members of the Management Board and senior management, as well as shareholders holding shares representing not less than 5% of the total number of votes. - there are no family connections.

Pursuant to the statements made, Mrs. Edyta Głombek has not been entered in the Register of Insolvent Debtors maintained pursuant to the Act on the National Court Register, she does not participate in a competitive company as a partner in a civil partnership, a partnership, and does not participate in another competitive legal person as a member of the body.

The above information was disclosed to the public in current report No.10/2018 on 24<sup>th</sup> May 2018.

4) On 24<sup>th</sup> May 2018, the Supervisory Board of PATENTUS S.A. appointed the Audit Committee from among its Members. In accordance with the resolution adopted by the Supervisory Board, the following persons were appointed to the Audit Committee:

1. Edyta Głombek - Chairwoman of the Audit Committee;
2. Bartłomiej Niemiec - Vice Chairman of the Committee audit;
3. Anna Gotz - Secretary of the Audit Committee.

The above information was disclosed to the public in current report No. 11/2018 on 25<sup>th</sup> May 2018.

5) On 2<sup>nd</sup> July 2018, the Issuer received a notification from the bankruptcy trustee PATENTUS STREFA S.A. on the preparation of a plan to divide the sum obtained from the sale of goods laden. The division plan is available in the reading room of the District Court in Rzeszów. Within two weeks of receipt of this notice, creditors and bankrupt may plead against the plan to divide the sum obtained from the sale of goods charged.

The above information was disclosed to the public in current report No. 13/2018 on 2<sup>nd</sup> July 2018.

6) On 24<sup>th</sup> July 2018 the District Court Katowice-Wschód in Katowice, IX Commercial Division of the National Court Register was entered in the register pledge registry set for other collections of things or rights, constituting an organizational whole even if its composition was variable - a set of devices - for a total value of maximum security amount of 5 890 344.37 owned by PATENTUS S.A.

The above information was disclosed to the public in current report No. 16/2018 on 1<sup>st</sup> August 2018.

7) On 3<sup>rd</sup> August 2018 the Management Board of PATENTUS S.A. ("Company") received information about registration by the District Court Katowice - Wschód in Katowice, VIII Commercial Division of the National Court Register a resolution of 17th July 2018 amendments to the Articles of Association adopted on 24th May 2018 by Resolution No. 20 of the Ordinary General Meeting of Shareholders of PATENTUS S.A.

In addition, the Management Board of the Company informs that the Ordinary General Meeting of PATENTUS S.A. in § 2 of Resolution No. 20 of 24<sup>th</sup> May 2018 authorized the Supervisory Board

to prepare a consolidated text of the amended Articles of Association, taking into account the amendments.

The Management Board of PATENTUS S.A. will present the consolidated text of the Statute, immediately after its adoption by the Supervisory Board of the Company.

Below, the Company presents the content of the changes.

The content of § 14 and the text of § 16 shall read as follows:

#### § 14

(...)

9. On the basis of a resolution of the Supervisory Board, an Audit Committee is established in its structure, functioning on the basis of its own Regulations and provisions of the Act of 11<sup>th</sup> May 2017 on statutory auditors, audit firms and public supervision.

(...)"

#### § 16

(...)

4. The Supervisory Board appoints the Audit Committee from among its members and, by way of a resolution, establishes the rules of its operation. The Audit Committee consists of at least three members, including the Chairman of the Audit Committee, appointed by the Supervisory Board for the term of its term from among the members of the Supervisory Board, of which:

1) at least one member of the Audit Committee possesses knowledge and skills in the field in which PATENTUS S.A. or individual members in specific areas have the knowledge and skills in this industry;

2) at least two Members of the Audit Committee, including its Chairman, are persons independent of the Company, i.e. they meet the independence criteria set out in Article 129 paragraph 3 of the Act of 11<sup>th</sup> May 2017 on statutory auditors, auditing companies and public supervision;

3) at least one member of the Audit Committee has knowledge and skills in accounting or auditing.

5. The tasks of the Audit Committee, established within the Council, include in particular:

1) monitoring:

a) the financial reporting process,

b) the effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting,

c) performing financial auditing activities, in particular conducting an audit by the audit firm, including all applications and findings of the Audit Oversight Commission resulting from audits carried out in the audit firm;

d) the relationship of the Company with related entities;

2) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when other auditing services are provided to the Company by the auditor;

- 3) informing the Supervisory Board about the results of the audit and explaining how this research contributed to the reliability of financial reporting in the Company, and what was the role of the Audit Committee in the audit process;
- 4) assessing the independence of the auditor and consenting to the provision of permitted non-audit services in the company;
- 8) developing a policy of selecting an audit firm to conduct the audit;
- 9) developing a policy of providing by the auditing company conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services;
- 10) determining the procedure for the selection of an audit firm by the Company;
- 11) presenting to the Supervisory Board or another supervisory or control body or body referred to in article 66 paragraph 4 of the Act of 29<sup>th</sup> September 1994 on accounting, recommendation referred to in article 16 paragraph 2 of Regulation No. 537/2014, in accordance with the policies referred to in points 5 and 6;
- 9) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company. "

(...)"

The above information was disclosed to the public in current report No. 17/2018 on 3<sup>rd</sup> August 2018

- 8) On 13<sup>th</sup> August 2018 it was notified, that on 31<sup>st</sup> July 2018, the District Court Katowice-Wschód in Katowice, IX Commercial Division of the National Court Register was entered in the register pledge registry set for another machine or device - machine tools - OKUMA machining center - for a total value of maximum security amount of 1 353 208.50 EUR owned by PATENTUS S.A.

The entry in the register of pledges is related to the signing on 20<sup>th</sup> February 2018 between the Company and the Alior Leasing Sp. z o.o. with its registered office in Wrocław ("Lender", "Alior Leasing") and PATENTUS S.A. with headquarters in Pszczyna ("Issuer", "Borrower") Loan agreements number 133258/18/3 on the following conditions: loan amount and currency: 922,500.00 EUR; subject of the loan: financial investment from the funds obtained from the loan for the purchase of a metal machine: Machine tools - machining centers OKUMA VTM - 1200 YB; the manner of launching - payment in two installments; number of installments: 83 months; collateral: registered pledge on the OKUMA VTM-1200YB machine production year 2016. The value of the subject of this contract is 970,000 .00 EUR

The above information was disclosed to the public in current report No. 18/2018 on 13<sup>th</sup> August 2018.

- 9) On 21<sup>st</sup> August 2018, the Issuer received information about drawing up the unified text of the Articles of Association of the Company, established by the resolution of the Supervisory Board on 20<sup>th</sup> August 2018.

The above information was disclosed to the public in current report No. 20/2018 on 21<sup>th</sup> August 2018.

- 10) The Management Board of PATENTUS S.A. (the "Company", "Issuer") announces that on 19<sup>th</sup> of September 2018 received information that the District Court in Pszczyna V Land Registry Division established on 17<sup>th</sup> September 2018 contractual mortgage to the amount of 20 4000 000,00 PLN for perpetual usufruct of real property located in Jankowice covered KW No. KA1P / 00044542/8 maintained by the District Court in Pszczyna, V Land Registry Division. Perpetual usufructuary of Real estate is the Issuer.

The contractual mortgage was established to secure the loan principal, interest, increased interest on overdue debt in the amount of maximum interest for delayed litigation costs and other claims for side-offs and any costs due to the Getin Noble Bank S.A. under a loan agreement concluded on 9<sup>th</sup> August 2018.

The above information was disclosed to the public in current report No. 25/2018 on 19<sup>th</sup> September 2018.

- 11) On 1<sup>st</sup> October 2018 Management Board of PATENTUS S.A received information that the District Court Katowice - East in Katowice IX Economic Department - Register of Pledges by the decision of 25<sup>th</sup> September 2018, effected deleting from the register of pledges on the set of machines and devices, which securing the repayment of amounts due from the concluded on 28<sup>th</sup> September 2012 a loan agreements for granting investment technology credits between the Issuer and mBank S.A. (formerly BRE Bank S.A.)

Deletion from the register is related to the full repayment of the aforementioned loans

The above information was disclosed to the public in current report No. 26/2018 on 1<sup>st</sup> October 2018.

- 12) On 8<sup>th</sup> of October 2018 Management Board of PATENTUS S.A received information that the District Court Katowice-Wschód in Katowice, IX Commercial Division of the National Court Register on 28<sup>th</sup> September 2018 made an entry in the register pledge registry, the subject of which is:

- ✓ envelope milling machine with equipment - Gleason Pfauter;
- ✓ mortising specialist for gear with equipment - Gleason Pfauter;
- ✓ an electro-energetic device with equipment - Seco/Warwick with the highest collateral amount of 18,000,000 PLN owned by PATENTUS S.A.

The entry in the register is related to the credit agreement concluded on 9<sup>th</sup> August 2018 between Getin Noble Bank S.A. with its registered office in Warsaw and PATENTUS S.A. of which the Issuer reported in Current Report No. 19/2018 on 17<sup>th</sup> August 2018.

The value of the pledge established exceeds the equivalent of 1,000,000, EUR translated at the average exchange rate announced by the National Bank of Poland on the day of the disclosure obligation.

The above information was disclosed to the public in current report No. 28/2018 on 8<sup>th</sup> October 2018.

- 13) On 10<sup>th</sup> October 2018 Issuer received information that the District Court Katowice - East in Katowice IX Economic Department - Register of Pledges by the decision of 3<sup>rd</sup> October 2018, effected deleting from the register of pledges on the set of machines and devices, which securing the repayment of amounts due under the annex of 8<sup>th</sup> December 2015 to the e-Financing agreement for the financing of suppliers of 12<sup>th</sup> April 2013 with subsequent amendments and concluded on 8<sup>th</sup> December 2015 with pledge agreements.

The deletion from the register is related to the full repayment of the abovementioned e-Financing Agreement.

The Issuer informed about the entry in the register of pledges with the current report: No. 3/2016 on 29<sup>th</sup> January 2016.

The above information was disclosed to the public in current report No. 29/2018 on 10<sup>th</sup> October 2018.

- 14) The Supervisory Board of the Company acting on the basis of §16 point 3.8 of Company's Articles of Association, after the recommendation of the Audit Committee of the Supervisory Board of PATENTUS S.A. and applying the provisions of article 66 paragraph 5a of the Accounting Act of 29<sup>th</sup> September 1994, has chosen company:

*Przedsiębiorstwo Usługowe “ Book-Keeper” Kancelaria Biegłych Rewidentów Sp z o. o. headquartered in Bielsko Biala to conduct:*

1. preparation of reports on individual and consolidated financial statements of the Company for the periods from 1<sup>st</sup> January 2019 to 30<sup>th</sup> September 2019 and from 1<sup>st</sup> January 2020 to 30<sup>th</sup> June 2020 prepared in accordance with the requirements of the Act of 11<sup>th</sup> May 2017 on chartered auditors, National Standards on Auditing issued by the National Council of Statutory Auditors;

2. detailed presentation and discussion with the management or representatives of the Company of research results and conclusions resulting from them;

3. preparation of statements on individual and consolidated financial statements of the Company for the periods from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019 and from 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020 prepared in accordance with the requirements of the Act of 11<sup>th</sup> May 2017 on chartered auditors, National Standards on Auditing issued by the National Council of Statutory Auditors;

4. detailed presentation and discussion with the management or representatives of the Company of research results and conclusions resulting from them

The above information was disclosed to the public in current report No. 30/2018 on 22<sup>nd</sup> November 2018.

## **11. Information on organizational or equity relationship of the Company with other entities.**

On 27<sup>th</sup> April 2011 the PATENTUS S.A. capital group was established by establishing the subsidiary PATENTUS STREFA S.A. based in Stalowa Wola at Kwiatkowski street 1. The company was registered in the National Court Register on 18<sup>th</sup> May 2011 under the number KRS 0000386630. Due to the declaration of bankruptcy on 20<sup>th</sup> October 2016 by the District Court in Rzeszów XII Commercial Division - National Court Register Division of restructuring and bankruptcy subsidiary PATENTUS STREFA S.A. in bankruptcy was not included in the consolidation. The last consolidation of PATENTUS STREFA S.A was published in the report for the third quarter of 2016.

On 2<sup>nd</sup> January 2012, PATENTUS S.A. acquired 3740 stocks in the increased share capital of Przedsiębiorstwo Wielobranżowe "MONTEX" Ltd. headquartered in Będzin; National Business Registry Number 008390696, VATIN: 6250007727, KRS 0000136535. The nominal value per share equals 500 PLN, which gives a total nominal value of 1.870 thousand PLN. The whole amount was paid in cash. The acquired stocks represent 70,62 % of share capital of Przedsiębiorstwo Wielobranżowe "MONTEX" Ltd. The increase in the share capital was registered with National Court Register on 14<sup>th</sup> March 2012.

"MONTEX" Ltd. specializes in the construction of steel structures such as: exhaust and air ducts, construction of compensators, containers, pressure vessels, pipeline components (such as segmented bends, T-joints, taper-pipes and hangers) and electrodes used in the energy industry.

As of 14<sup>th</sup> March 2012, headquarters of subsidiary "MONTEX" were changed to Świętochłowice.

On 3<sup>rd</sup> April 2012, an Extraordinary General Meeting of Shareholders of MONTEX Ltd. took place. During the meeting, company's business name was changed to Zakład Konstrukcji Spawanych MONTEX Ltd. On 19<sup>th</sup> April 2012, the District Court in Katowice submitted this change in the National Court Register.

On 28<sup>th</sup> May 2013, the Annual General Meeting of Shareholders of the Department of Zakład Konstrukcja Spawany Montex Sp. z o.o increased the existing share capital of the Company to the amount of 4 518 000,00 PLN, i.e. the amount of 1 870 thousand PLN by creating 3,740 new shares with a nominal value of 500 PLN each. Company PATENTUS S.A. entirely covered them with the cash contribution. On the 1<sup>st</sup> of August 2013 the Regional Court in Katowice - the East the Economic department VIII of the National Court Register, made the entry of increasing the share capital.

Bankruptcy trustee Patentus Strefa S.A. in Stalowa Wola announced an offer for the sale of real estate in perpetual usufruct with built-in office and production and warehouse buildings as well as fixed assets under construction, for an asking 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 tender 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 the payment of a bid bond in the amount of 10% of the starting price (i.e. 474,000 PLN ) and submission of a written offer. The opening and identification of bids 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 indicates that 3,871 thousand PLN was obtained from the liquidation of receivables, of which the amount to be divided is 3,271 thousand PLN. The division plan shows that Raiffeisen Bank Polska S.A. will be satisfied in the amount of 2,417 thousand PLN and the Industrial Development Agency in the amount of 854,000 PLN. Within 2 weeks of receipt of the notification, the creditors and bankrupt may lodge charges against the plan to divide the sum obtained from the sale of goods charged.

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 S.A. Since



Raiffeisen Bank Poland S.A. 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.

As of 31<sup>st</sup> December 2018, the Capital Group of PATENTUS S.A. includes:

- parent company PATENTUS S.A.
- subsidiary Zakład Konstrukcji Spawanych MONTEX Ltd., in which the Parent Company holds 82,78 % of the share capital.

**12. Determination of major domestic and foreign investments (securities, financial instruments, intangible assets and real estate) including capital investments made outside the group of related parties and the description of methods of their financing.**

#### **Major investments in 2018**

Specification	From 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018	
	Expenditures (in thousands PLN)	Sources of funding (in thousands PLN)
Land together with the right of perpetual usufruct	0	Own resources
Buildings and structures	48	Own resources
Machinery and devices	5 834	Own resources
Vehicles	604	Own resources
Equipment	588	Own resources
Intangible assets	36	Own resources
Investment in real estate	0	Own resources
Total	7 110	

#### **Major investments in 2017**

Specification	From 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	
	Expenditures (in thousands PLN)	Sources of funding (in thousands PLN)
Land together with the right of perpetual usufruct	0	Own resources
Buildings and structures	15	Own resources
Machinery and devices	93	Own resources
Vehicles	52	Own resources
Equipment	46	Own resources
Intangible assets	20	Own resources
Investment in real estate	0	Own resources
Total	226	

The Company has not made an investment in securities, financial instruments and property, including capital investments outside the group of related entities.

**13. Information on significant transactions concluded by the Company or its subsidiary with related entities, on non-market terms, with their amounts and the nature of those transactions.**

The Management Board announces, that all the transactions with related entities were concluded on market terms.

Information on transactions with related entities is presented in the financial statement - NOTE 26 (ITEM 4.26 of FINANCIAL STATEMENT).

**14. Information on concluded and terminated credits and loans in a given fiscal year, providing at least their amount, type, interest rate, currency and maturity date.**

Agreements and annexes concluded in the fiscal year are shown in the table below. Detailed description of credit agreements signed in 2018, can be found in Section 10 of this report.

## Report of the Management Board on operations of PATENTUS S.A. in the year 2018

### Specifications of received credits or amendments to credit agreements 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		a) irrevocable power of attorney to dispose Company's all current accounts held at the Bank b) blank promissory note c) 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) d) assignment of rights arising from the insurance contract in favor of the bank e) 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
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		a) irrevocable power of attorney to dispose Company's all current accounts held at the Bank b) blank promissory note c) 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) d) assignment of rights arising from the insurance contract in favor of the bank e) borrower's declaration of submission to enforcement

## Report of the Management Board on operations of PATENTUS S.A. in the year 2018

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		a) 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) assignment of rights from the insurance policy subject of the pledge - contractual mortgage in the field of fire and other perils; c) lien on inventories of materials, finished products, semi-finished products and goods at a minimum of 12 000 000,00 PLN d)assignment of rights from the insurance policy of the collateral e) statement of voluntary execution f) 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

## Report of the Management Board on operations of PATENTUS S.A. in the year 2018

10	Alior 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
12	Towarzystwo Inwestycji Społeczno-Ekonomicznych 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

## Report of the Management Board on operations of PATENTUS S.A. in the year 2018

14	Getin Noble Bank S.A.	21 <sup>st</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> March 2018	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
<b>Total liabilities arising from credits as for 31<sup>st</sup> December 2018</b>					<b>24 230</b>	<b>11 563</b>				

### Lease and factoring agreements:

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
<b>Total liabilities arising from credits and leasing as for 31<sup>st</sup> December 2018</b>						<b>50 484</b>	<b>11 840</b>				



**Lease agreements and factoring agreements:**

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

## Report of the Management Board on operations of PATENTUS S.A. in the year 2018

### Specifications of received credits or amendments to credit agreements 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: 8.644 PLN					30 <sup>th</sup> November 2018		
				Limit: 142 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

## Report of the Management Board on operations of PATENTUS S.A. in the year 2018

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 <b>f)</b> confirmed transfer current and future receivables for the Bank of PARP; <b>g)</b> 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;

## Report of the Management Board on operations of PATENTUS S.A. in the year 2018

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 Internat ional ACM3000; measuring machine Zeiss Accura; Famak crane Kluczbork; cleaner MBJ 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 e) statement of voluntary execution f) 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 rwałych 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

Report of the Management Board on operations of PATENTUS S.A. in the year 2018

											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

Report of the Management Board on operations of PATENTUS S.A. in the year 2018

										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				



Report of the Management Board on operations of PATENTUS S.A. in the year 2018

**Leases:**

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

**15. Information on loans granted in this fiscal year, with particular regard to loans granted to related parties, providing at least the amount, type, currency, interest rate and maturity date.**

- 1) On 23<sup>rd</sup> September 2008, the Company entered into a long-term loan agreement with an unrelated entity AURES Ltd. On 23<sup>rd</sup> September 2008 (with further amendments), the Company entered into a loan agreement with an unrelated entity AURES Ltd. (formerly KRESPOL Ltd.) 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
- 2) 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.
- 3) 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 300,000. 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. The loan was repaid on 29<sup>th</sup> June 2018.

- 4) 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.
- 5) 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. The loan was repaid on 28<sup>th</sup> June 2018.

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.

#### 16. Information on given and received warranties and guarantees in the given fiscal year, with particular emphasis on warranties and guarantees granted to related entities.

In 2018 the PATENTUS S.A. did not grant any loan or loan guarantee or guarantee to a single entity or a subsidiary of this entity whose value would amount to 10% of the equity of the Parent Entity PATENTUS S.A. for information on granting loan sureties or loans in earlier periods - presented in appropriately published periodic reports .

Total value of received sureties at the 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 assets against the Borrower, that result from hedge provided by Company's long-term loan, including:	1 100	1 100
Mortgage on borrower's real estate	2 200	2 200
<b>Total</b>	<b>3 300</b>	<b>3 300</b>

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

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>

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 on the next page presents the total amounts of guarantees issued to the Company as security for the due security and due diligence of commercial contracts respectively as of 31<sup>st</sup> December 2018 and 31<sup>st</sup> December 2017 respectively.

Specification (in thousands of PLN)	End of period 31 <sup>st</sup> December 2018	End of period 31 <sup>st</sup> December 2017
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>	2 389	1 683

Detailed specification of issued warranties is presented below:

### Year 2018

- a) The total amount of bid bond guarantees issued at the request of the Company, as for 31<sup>st</sup> December 2018, amounted to 382 100.00 thousand PLN.

Guarantees granted on behalf of the Company - effective on 31 <sup>st</sup> December 2018. Data in PLN						
No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	26 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	12 000,00	24 <sup>th</sup> March 2019	security deposit	PO/00839159/2018
2	25 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	490 000,00	4 <sup>th</sup> March 2019	security deposit	PO/00839124/2018
3	5 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	140 000,00	8 <sup>th</sup> February 2019	security deposit	PO/00836492/2018
4	5 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	48 000,00	16 <sup>th</sup> February 2019	security deposit	PO/00836462/2018
5	5 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	170 000,00	8 <sup>th</sup> February 2019	security deposit	PO/00836469/2018
6	5 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	160 000,00	22 <sup>nd</sup> January 2019	security deposit	PO/00842405/2018
7	14 <sup>th</sup> November 2018	GENERALI T.U. S.A. Warszawa	280 000,00	17 <sup>th</sup> February 2019	security deposit	PO/00841747/2018
8	26 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	22 000,00	3 <sup>th</sup> February 2019	security deposit	PO/00839156/2018
9	5 <sup>th</sup> October 2018	GENERALI T.U. S.A. Warszawa	240 000,00	10 <sup>th</sup> January 2019	security deposit	PO/00836584/2018
<b>Total value of bid bond guarantees</b>			<b>1 562 000,00</b>			

- a) Performance guarantee for the contract ordered by the Company effective on 31<sup>st</sup> December 2018 amounted to 250 510,10 PLN.

Guarantees granted on behalf of the Company - effective on 31 <sup>st</sup> December 2018. Data in PLN						
No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	27 <sup>th</sup> August 2015	Raiffeisen Bank Polska SA Warsaw	141 500,00	31 <sup>th</sup> December 2019	Contract performance guarantee	CRD/G/0062559
2	12 <sup>th</sup> July 2017	GENERALI T.U. S.A. Warszawa	109 010,10	27 <sup>th</sup> February 2020	Contract performance	PO/00772722/2017

					guarantee	
<b>Total value of the guarantee of warranty and guarantee of quality</b>			<b>250 510,10</b>			

b) The guarantee of proper removal of defects and defects granted at the request of the Company as of 31<sup>st</sup> December 2018.

The guarantee of proper removal of defects and defects granted at the request of the Company - effective on 31 <sup>st</sup> December 2018. Data in PLN						
No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	31 <sup>st</sup> October 2016	GENERALI T.U. S.A. Warszawa	12 975,00	1 <sup>st</sup> December 2019	Guarantee proper removal of defects	PO/00684235/2016
2	14 <sup>th</sup> November 2016	GENERALI T.U. S.A. Warszawa	6 488,00	30 <sup>th</sup> September 2020	Guarantee proper removal of defects	PO/00735664/2016
3	30 <sup>th</sup> November 2016	GENERALI T.U. S.A. Warszawa	122 450,00	30 <sup>th</sup> November 2021	Guarantee proper removal of defects	PO/00715022/2016
4	11 <sup>st</sup> April 2017	GENERALI T.U. S.A. Warszawa	11 254,50	18 <sup>th</sup> January 2022	Guarantee proper removal of defects	PO/00759657/2017
5	22 <sup>nd</sup> April 2017	GENERALI T.U. S.A. Warszawa	247 400,00	22 <sup>nd</sup> May 2022	Guarantee proper removal of defects	PO/00669546/2015
6	19 <sup>th</sup> July 2017	GENERALI T.U. S.A. Warszawa	9 900,00	14 <sup>th</sup> February 2020	Guarantee proper removal of defects	PO/00773884/2017
7	5 <sup>th</sup> April 2017	GENERALI T.U. S.A. Warszawa	11 818,34	15 <sup>th</sup> September 2025	Guarantee proper removal of defects	PO/00811963/2018
8	19 <sup>th</sup> July 2017	GENERALI T.U. S.A. Warszawa	44 058,60	28 <sup>th</sup> April 2025	Guarantee proper removal of defects	/280000151813/
<b>Total value of guarantee proper removal of defects</b>			<b>466 355,44</b>			

c) As of 31<sup>st</sup> December 2018 the guarantees for Raiffeisen Bank Polska S.A. in accordance with the concluded Agreement on 23<sup>rd</sup> December 2016 are as follows:

Guarantee obligations for RAIFFEISEN BANK POLSKA S.A. in force on 31 <sup>st</sup> December 2018. Data in EURO (Agreement of 23 <sup>rd</sup> December 2016)						
No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	23 <sup>th</sup> March 2015	Raiffeisen Bank Polska SA Warsaw	25 480,57	31 <sup>th</sup> December 2018	AMECO S.A.	CRD/G/0059107
<b>Total value of corporate guarantees (liability repayments)</b>			<b>25 480,57</b>	<b>Amount in EUR</b>		
<b>Total value of corporate guarantees (liability repayments)</b>			<b>109 566.45</b>	<b>Amount in PLN</b>		



## Year 2017

- a) The total amount of bid bond guarantees issued at the request of the Company, as for 31<sup>st</sup> December 2017, amounted to 382 100,00 thousand PLN.

No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	14 <sup>th</sup> September 2017	GENERALI T.U. S.A. Warszawa	200 000,00	18 <sup>th</sup> January 2018	security deposit	PO/00780943/2017
2	30 <sup>th</sup> October 2017	GENERALI T.U. S.A. Warszawa	8 000,00	28 <sup>th</sup> January 2018	security deposit	PO/00787130/2017
3	8 <sup>th</sup> November 2017	GENERALI T.U. S.A. Warszawa	26 000,00	6 <sup>th</sup> February 2018	security deposit	PO/00788315/2017
4	27 <sup>th</sup> November 2017	GENERALI T.U. S.A. Warszawa	100 000,00	26 <sup>th</sup> January 2018	security deposit	PO/00780876/2017
5	1 <sup>st</sup> December 2017	GENERALI T.U. S.A. Warszawa	9 100,00	30 <sup>th</sup> January 2018	security deposit	PO/00791628/2017
6	5 <sup>th</sup> December 2017	GENERALI T.U. S.A. Warszawa	29 000,00	3 <sup>rd</sup> February 2018	security deposit	PO/00791618/2017
7	21 <sup>th</sup> December 2017	GENERALI T.U. S.A. Warszawa	10 000,00	21 <sup>st</sup> March 2018	security deposit	PO/00794762/2017
<b>Total value of bid bond guarantees</b>			<b>382 100,00</b>			

- b) Performance guarantee for the contract ordered by the Company effective on 31<sup>st</sup> December 2017 amounted to 785 405,80 PLN.

Guarantees granted on behalf of the Company - effective on 31 <sup>st</sup> December 2017. Data in PLN						
No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	27 <sup>th</sup> August 2015	Raiffeisen Bank Polska SA Warsaw	283 000,00	31 <sup>th</sup> December 2019	Contract performance guarantee	CRD/G/0062559
2	12 <sup>th</sup> July 2017	GENERALI T.U. S.A. Warszawa	355 543,80	27 <sup>th</sup> February 2020	Contract performance guarantee	PO/00772722/2017
3	24 <sup>th</sup> August 2017	ERGO HESTIA S.A.	146 862,00	15 <sup>th</sup> May 2022	Contract performance guarantee	/280000139082/
<b>Total value of the guarantee of warranty and guarantee of quality</b>			<b>785 405, 80</b>			

- c) The guarantee of proper removal of defects and defects granted at the request of the Company as of 31<sup>st</sup> December 2017.

The guarantee of proper removal of defects and defects granted at the request of the Company - effective on 31 <sup>st</sup> December 2017. Data in PLN						
No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	11 <sup>st</sup> April 2017	GENERALI T.U. S.A. Warszawa	11 254,50	18 <sup>th</sup> January 2022	Guarantee proper removal of defects	PO/00759657/2017

2	22 <sup>nd</sup> April 2017	GENERALI T.U. S.A. Warszawa	247 400,00	22 <sup>nd</sup> May 2022	Guarantee proper removal of defects	PO/00669546/2015
3	31 <sup>st</sup> October 2016	GENERALI T.U. S.A. Warszawa	12 975,00	1 <sup>st</sup> December 2019	Guarantee proper removal of defects	PO/00684235/2016
4	30 <sup>th</sup> November 2016	GENERALI T.U. S.A. Warszawa	122 450,00	30 <sup>th</sup> November 2021	Guarantee proper removal of defects	PO/00715022/2016
5	14 <sup>th</sup> November 2016	GENERALI T.U. S.A. Warszawa	6 488,00	30 <sup>th</sup> September 2020	Guarantee proper removal of defects	PO/00735664/2016
6	19 <sup>th</sup> July 2017	GENERALI T.U. S.A. Warszawa	9 900,00	14 <sup>th</sup> February 2020	Guarantee proper removal of defects	PO/00773884/2017
<b>Total value of guarantee proper removal of defects</b>			<b>410 467,50</b>			

d) As of 31<sup>st</sup> December 2017 the guarantees for Raiffeisen Bank Polska S.A. in accordance with the concluded Agreement on 23<sup>rd</sup> December 2016 are as follows:

Guarantee obligations for RAIFFEISEN BANK POLSKA S.A. in force on 31 <sup>st</sup> December 2017. Data in EURO (Agreement of 23 <sup>rd</sup> December 2016)						
No	Issue data	Guarantor	Guarantee amount	Expiry date	Title of commitments under the guarantee	Notes
1	23 <sup>th</sup> March 2015	Raiffeisen Bank Polska SA Warsaw	25 480,57	31 <sup>th</sup> December 2018	AMECO S.A.	CRD/G/0059107
<b>Total value of corporate guarantees (liability repayments)</b>			<b>106 276,91</b>	<b>Amount in PLN</b>		

**17. In the case of securities issue in the period covered by the report - a description of the use of proceeds from the issuance until drawing up the report on operations.**

In the period from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018, the Company did not issue any new series of securities.

**18. Explanation of differences between financial results disclosed in the annual report and previously published forecasts for the given year.**

In 2018, the Company did not publish any forecasts for the given year.

**19. Rating and its justification concerning financial resources management, with particular emphasis on the ability to fulfill contractual obligations, and identification of potential threats and actions, that the Company has taken or intends to take to address these threats.**

Financial situation of the Company as for 31<sup>st</sup> December 2018 and 31<sup>st</sup> December 2017 is as follows:

Data on the financial position of the Company. Data in thousands PLN	31 <sup>st</sup> December 2018	31 <sup>st</sup> December 2017
Credit liabilities	35 793	29 509
Cash at bank and short-term deposits	9 767	1585
Cash in hand	57	75
Any unused limit on bank overdraft	12 986*	2 816*

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.

Cooperation with banks financing Company's operations and investments is proceeding correctly.

Receivables and liabilities are presented in the table below:

Specification (data in thousands PLN)	As for 31 <sup>st</sup> December 2018	As for 31 <sup>st</sup> December 2017
Trade receivables	38 832	11 856
Trade liabilities	26 410	9 864

In the period from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018, we can observe a significant increase in trade receivables compared to the previous year by 227,53 %, that is, by 26 976 thousand PLN and very large increase in liabilities as compared to the previous year by 167,75 %, that is by 16 546 thousand PLN.

Following are the basic financial data of the Company (in thousands PLN)

	2018	2017
Sales revenue	132 326	55 159
Gross profit from sale	18 106	5 210
Operating profit	12 008	2 217
Net income	8 203	1 697

140 000

120 000

100 000

80 000

60 000

40 000

20 000

0

2017

2016

Total assets

Long-term  
liabilities

Short-term  
liabilities

Equity

Share capital

	2018	2017
Total assets	176 016	149 044
Long-term liabilities	28 291	27 039
Short-term liabilities	54 055	36 631
Equity	93 670	85 374
Share capital	11 800	11 800

**20. Feasibility study of investment, including capital investments compared to the resources available, taking into account possible changes in the financing structure.**

Implementation of investment projects, including capital investments is not compromised. Investments are made on an ongoing basis based on funds raised from the public issue of shares, funds from EU grants, own funds and investment credits.

**21. Evaluation of factors and unusual events affecting the operating result for the fiscal year with an indication of the impact of these factors or unusual events on the achieved result.**

In the reporting period, there were no unusual events or factors, that would affect the outcome of the Company for the fiscal year.

**22. Description of external and internal factors affecting Company's business development and a description of Company's business development perspectives at least until the end of the fiscal year following the fiscal year for which there are accounts contained in the annual report, including the elements of market strategy (developed in the report).**

The Management Board of PATENTUS S.A. identifies the following factors relevant to the development of the Company:

**1. External factors**

- changes in the prices of materials, mainly for production purposes,
- changes in law, tax law,
- changes in exchange rates,
- inflation,
- increased competition in the domestic market,
- boom in the mining industry,
- timely payment of amounts due from counterparties, mainly mining companies,
- possible termination of cooperation with significant suppliers and customers.

**2. Internal factors**

- complexity of the production process,
- quality of the supplied equipment, timeliness of executed services in relation to possible complaints,
- possibility of temporary loss of liquidity (collectability of receivables, meeting obligations), - assessment of customers' creditworthiness,
- loss of qualified staff,
- effects of possible breakdowns, production stoppages, destruction of property,
- quantity and quality of bids submitted in public tenders,
- encumbrance on Company's property (mainly productive assets), that is, mortgages, pledges,
- utilization of EU grants in planned investments.
- loss of liquidity.

The Management Board will make every effort and will seek to sign annexes to credit agreements to extend the use of overdrafts for the next 12 months.

Growth prospects are described in section 4 of this report.

**23. Changes in the basic principles of Company's management and its Capital Group.**

In 2018, there were no changes to the basic principles of management, both in Entities of the Capital Group as well as in PATENTUS S.A.

**24. All agreements concluded between the Company and its management, providing for compensation in case of resignation or dismissal without valid reason or if their dismissal results from Company's merger or acquisition of its subsidiaries.**

All managers are employed under a contract of employment and are not entitled to any compensation in case of resignation or dismissal. They are entitled only to the remuneration for performed work (Labor Code

Section Third Chapter Ia Article 80) and cash equivalent for the holiday (Labor Code Section Seventh Chapter 171 § 1).

**25. The value of wages, bonuses and benefits, including those arising from the incentive and bonus programs based on Company's capital, including programs based on senior bonds, convertible bonds, subscription warrants (in cash, kind or in any other form), payments due or potentially due, separately for each member of management and supervisory bodies in the enterprise, regardless of whether they were included in costs or resulted from profit sharing.**

### **Remuneration of Management Board Members:**

As of 1<sup>st</sup> February 2012, on the basis of the Minutes of the Supervisory Board meeting dated 31<sup>st</sup> January 2012, rules concerning the remuneration of the Management Board Members have been changed. The Management Board is employed solely on the basis of the employment contract (without additional benefits arising from the employment relationship based on appointment in the body). By the Resolution No 1 of the Supervisory Board meeting of PATENTUS S.A. dated 31<sup>st</sup> January 2012, the Board agreed and approved gross wages and appreciation bonuses to the following members of the Management Board:

- Józef Duda President of the Management Board – 27 thousand PLN + appreciation bonus in the amount of 3 thousand PLN
- Stanisław Duda Vice President of the Management Board – 27 thousand PLN + appreciation bonus in the amount of 3 thousand PLN

The gross remuneration of the Company's Management Board members in 2018.

Name and Surname	Position	Remuneration paid for serving as a Management Board Member	Bonuses received in PATENTUS S.A. / other	Total value of remuneration paid by the Company
Józef Duda	President of the Management Board	365 thousand PLN	0 thousand PLN	365 thousand PLN
Stanisław Duda	Vice President of the Management Board	365 thousand PLN	0 thousand PLN	365 thousand PLN

### **Remuneration of Supervisory Board Members:**

By the Resolution No 13 of the Annual General Meeting held on 4<sup>th</sup> June 2009, Members of the Supervisory Board receive remuneration in the amount of 1 thousand PLN (gross value) for participation in the meeting of the Supervisory Board.

Key Management Personnel (in thousands of PLN)	Position	Type of benefit	Period from 1 <sup>st</sup> January 2017 to 31 <sup>st</sup> December 2017	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



Report of the Management Board on operations of PATENTUS S.A. in the year 2018

Gotz Anna	Member of the Supervisory Board	Remuneration for serving as a member of the Supervisory Board	4	7
		Other employee benefits		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	
<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>

There are no bonus programs in the Company, and no special severance packages in the case of dismissal of Members of the Management Board and Supervisory Board are assumed - additional information in Section 24 of this report.

Information on benefits for key management personnel and the Supervisory Board is presented in the financial statement - NOTE 27 (ITEM 4.27 of FINANCIAL STATEMENTS).

**26. Information on any obligations arising from pensions and similar benefits for former managers or supervisors or former members of administrative bodies and obligations incurred in connection with these pensions, indicating the total amount for each category of authority; If the relevant information has been presented in the financial statements, the obligation is considered to be fulfilled by indicating the place of their inclusion in the financial statements.**

The Company does not have any obligations arising from pensions and benefits of a similar nature to former members of the administrative organs and obligations incurred in connection with these pensions.

**27. Total number and par value of all shares (stocks) of the Company and shares and stocks in related parties held by members of management and supervisory bodies (for each person separately).**

Management Board of the Company:

As for 31<sup>st</sup> December 2018, the Management Board of the Company owns the following number of shares of PATENTUS S.A.:

Józef Duda acting as the President of the Management Board of PATENTUS S.A. owns a total of 4.325.175 shares of the Company representing 14.66 % of the share capital and entitling to 16,12 % of votes at the General Meeting of the Company.

Supervisory Board of the Company:

As for 31<sup>st</sup> December 2018, Members of the Supervisory Board of the Company owns the following number of shares of PATENTUS S.A.:

Bartłomiej Niemiec acting as a Member of the Supervisory Board of PATENTUS S.A. owns a total of 16 895 shares representing 0,06 % of the share capital and entitling to 0,04 % of votes at the General Meeting of Shareholders.

**28. Information on the agreements known to the Company (including those concluded after the balance sheet date) which may result in changes in the proportion of shares held by existing shareholders and bondholders.**

The Management Board of PATENTUS S.A. has no information regarding any agreements which may result in changes in the proportion of shares held by existing shareholders and bondholders.

**29. Significant events affecting the operation of the unit after the end of the fiscal year to the approval date of the financial statement.**

1) On 4<sup>th</sup> January 2019 the Management Board of PATENTUS S.A. received a certificate of completion on 30<sup>th</sup> November 2018 of the full repayment of the overdraft facility in PLN together with all costs operating within the Debt Limit granted by Bank BGŻ BNP Paribas S.A. (regarding the services of Raiffeisen Polbank within the framework of the activity taken over by Bank BGŻ BNP Paribas SA) ("the Bank") on the terms specified in Annex No. 16 to the Credit Limit Agreement ("Agreement"). The amount of the Limit of the Claims granted under the Agreement has been reduced to 141.500 PLN

Annex No. 16 to the Credit Limit Agreement was described in the current report No. 32/2018 of 10<sup>th</sup> December 2018.

Above mentioned information was made public on 4<sup>th</sup> January 2019 in current report no 2/2019.

2) On 9<sup>th</sup> January 2019, the Management Board was informed that the District Court in Pszczyna, V Division of Land and Mortgage Registers, deleted on 31<sup>st</sup> December 2018 the contractual mortgage up to the amount of 16 875 000.00 PLN on the right of perpetual usufruct of land located in the real property in Pszczyna, for which the District Court in Pszczyna, V Land and Mortgage Register keeps a land and mortgage register number KA1P / 00022605/8. Perpetual user the real estate was the Issuer.

The removal from the register is related to the total repayment of the overdraft facility under the Credit Limit Agreement.

Information on loan repayment was disclosed to the public in current report No. 2/2019 on 3<sup>rd</sup> January 2019.

Above mentioned information was made public on 9<sup>th</sup> January 2019 in current report no 3/2019.

3) On 18<sup>th</sup> January 2019, the Issuer learned that the District Court Katowice - Wschód in Katowice, IX Commercial Division - Pledge Register By decision of 10<sup>th</sup> January 2019 deleted pledges on the set of machinery and equipment, securing the repayment of receivables under the concluded loan in the current account in PLN within the Debt Limit granted by Bank BGŻ BNP Paribas SA (regarding Raiffeisen Polbank services within the framework of the activity taken over by Bank BGŻ BNP Paribas SA) ("Bank").

The removal from the register is related to the full repayment of the above-mentioned loan.

Information on repayment of the overdraft loan was made public on 4<sup>th</sup> January 2019 in current report

no. 2/2019; however, the Issuer informed about the entry in the pledge register in current report no. 4/2016 on 29<sup>th</sup> January 2016.

Above mentioned information was made public on 18<sup>th</sup> January 2019 in current report no 4/2019.

4) The Management Board of PATENTUS S.A. ("Company", "Issuer") informs that on 23<sup>rd</sup> January 2019 received information, that the District Court in Pszczyna, V Division of Land and Mortgage Registers deleted on 18<sup>th</sup> January 2019 a contractual mortgage up to 15 450 000.00 PLN on the right of perpetual usufruct of land for real estate located in Pszczyna, for which the District Court in Pszczyna, V Division of Land and Mortgage Registers keeps the land and mortgage register No. KA1P/00037544/0.

In addition, on 18<sup>th</sup> January 2019, the court also has deleted a contractual mortgage to 15 450 000.00 PLN on the right of perpetual usufruct of the land located in Pszczyna, for which the District Court in Pszczyna, 5th Land and Mortgage Register keeps a land and mortgage register No. KA1P / 00040503/5. The perpetual usufructuary of the real estate was the Issuer.

The above-mentioned deletions from the register are related to the total repayment of the overdraft facility under the Credit Limit Agreement.

Information on repayment of the loan was disclosed to the public in current report No. 2/2019 on 4<sup>th</sup> January 2019.

Above mentioned information was made public on 23<sup>rd</sup> January 2019 in current report no 5/2019.

5) In the period from 23<sup>rd</sup> January 2018 to 7<sup>th</sup> February 2019, Company received from Jastrzębska Spółka Węglowa S.A. ("Ordering Party", "JSW") with its registered office in Jastrzębie-Zdrój, contract and contract for a total value of PLN 9,074,762.54 plus VAT.

The contract with the highest value is the agreement of 31<sup>st</sup> January 2019 (the "Agreement").

The subject of the Agreement is the delivery of a brand new sub-panel complex together with the necessary production equipment of PATENTUS S.A. for JSW S.A. KWK Pniówek ("Object Agreement").

- The total value of the Contract is 4 699 123.00 PLN plus VAT.

- Deadline for the Contract: up to 20 weeks from the date of its conclusion

- Warranty:

a) the Contractor shall grant a guarantee for 24 months from the date of the final technical acceptance of the device in the underground mine working of the Ordering Party, excluding mining chain links, which guarantee is 12 months from the date of delivery.

b) The Contractor shall give a guarantee of quality for assemblies, subassemblies or parts replaced or repaired under the guarantee, amounting to 24 months from the date of replacement or repair. On the basis of the guarantee granted, the Ordering Party may demand from the guarantor or persons authorized by him to remove a breakdown or defect, replace devices or repair them, including replacement of parts and subassemblies, excluding:

✓ parts of fast wearing, subject to normal wear during operation (excluding material defects), which include: gaskets, sealing washers, screws, o-rings, scraper slides, ejector plates, ejectors, linings of friction elements, clutch inserts

✓ and consumables (excluding material defects), which include: fuses, oils and lubricants.

The Contractor will proceed with the repair of the device within 8 hours from the time of notification. As part of the guarantee, the Contractor is obliged to repair the device (removal of a breakdown or defect) within 24 hours from the moment of delivery by the Employer of parts, teams of subassemblies from the area of the Employer's plant to the place of repair. The Contractor shall provide delivery to the Contracting Party of each part or subassembly within no more than 8 hours from the moment of notification.  
- Penalties:

✓ The Ordering Party may charge the Contractor with a contractual penalty in the amount of 0.1% of the total gross Contract price for each day of delay;

✓ The Ordering Party may charge the Contractor with a contractual penalty in the amount of 0.01% of the total gross Contract price for each hour of delay in the event of a delay;

✓ The Ordering Party will be able to withdraw from the Agreement in the event of a breach of the provisions of the Contract or if the Contractor performs the Contract improperly;

✓ Each party is entitled to withdraw from the Agreement if:

- the liquidation of the other party will start,
- suspension of the performance of the Agreement, as a result of force majeure, exceeds 6 months,
- after cessation of force majeure referred to in the Agreement, the other party did not immediately proceed with the performance of the Agreement.

✓ The Contracting Authority may withdraw from the Agreement in the event of a significant change in the circumstances causing the performance of the Contract to cease to be in its interest;

✓ Withdrawal from the Agreement, which was provided for in § 13 para. 5 should take place on the basis of a declaration by an authorized party in writing and sent to the other party by registered mail within 30 days from becoming aware of the circumstances justifying the withdrawal;

✓ the Contractor shall pay the Ordering Party 10% of the total gross Contract price in the event of withdrawal from the Agreement for reasons attributable to the Contractor;

✓ The Employer also reserves the right to claim damages exceeding the value of the aforementioned contractual penalties, if the contractual penalties do not cover the damage suffered;

✓ The total value of contractual penalties and damages due to the Ordering Party may not exceed the net price specified in the Agreement.

Above mentioned information was made public on 7<sup>th</sup> February 2019 in current report no 6/2019.

### **30. Information about major achievements in the field of research and development.**

Name	Comments
Enclosure of mechanical devices, especially toothed gear, with cooled internal chamber	Invention contract
Method of cooling electronic systems in mechanical equipment, especially in gearing Invention contract	Invention contract
The method and system of gear cooling of the invention	Invention
Gearbox with chilled inner chamber	Invention
Gear housing	Community industrial design
Pump drive unit	Industrial design
Temperature unit for cooling the refrigerant of mining equipment	Invention
Hydraulic tensioning system	Community industrial design
Hydraulic chain tensioner for chain conveyor	Invention
Closed mining equipment cooling system	Industrial design
Stand for testing driving stars of scraper conveyors	Industrial design
A way to increase the wear resistance of chain drums, especially mining floor conveyors	Invention
Elements of the mining floor conveyor (Linear trough, Torsion rig, Screw)	Industrial design
Trademark NANO4GEARSH	Trademark

### **31. Information on the control system for employee share schemes.**

The Company has no employee share scheme.

### **32. Information on agreements concluded with the entity authorized to audit financial statements.**

On 7<sup>th</sup> April 2017 the Supervisory Board of the Company adopted a resolution on the appointment of a chartered auditor. The Supervisory Board acting pursuant to § 16 pt. 3.8 of the Company's Articles of Association has selected Przedsiębiorstwo Usługowe "Book-Keeper" Kancelaria Biegłych Rewidentów Sp. z o.o. headquartered in Bielsko Biala at Paderewskiego 4 / 1b street, no. of powers 512 - for the company carrying out:

- auditing the individual financial statements for 2017 and 2018;
- auditing the consolidated financial statements for 2017 and 2018;
- review of the individual financial statements for the first half of 2017 and first half of 2018.
- review of the consolidated financial statements for the first half of 2017 and first half of 2018.

Information on agreements concluded with the senior auditor is presented in the financial statement - ITEM 4.30 of FINANCIAL STATEMENT.

## **REPORT ON COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE IN YEAR 2018**

### **1. Indication of corporate governance principles to which the Company is subject and the place where these principles are publicly available.**

The Company applies the corporate governance principles contained in the document "Good Practices of WSE Listed Companies" of the Warsaw Stock. The policy text is available at <http://corp-gov.gpw.pl/>

### **2. Information on fields in which the Company has departed from the provisions of given corporate governance principles and reasons for that withdrawal.**

Below, the Management Board of PATENTUS S.A. presents the principles of the Code of Best Practice for WSE Listed Companies:

#### Section I. Information policy and communication with investors.

I.P.1.: The Company runs a corporate website and publishes, in a readable form and a separate place, in addition to the information required by law:

I.P.1.3: scheme of division of tasks and responsibilities between members of the board, prepared in accordance with rule II.P.1.

The rule is not applied by the Company because there is no division of tasks and responsibilities between the members of the Management Board - each member of the Management Board is responsible for the entire area of the Company.

I.P.1.9 information on the planned dividend and dividends paid by the company over the past 5 financial years, including date of dividend, payout dates and dividends - in total and per share.

The principle is not applied by the Company because no action has yet been taken on the issue of dividends - at what date and amounts will be paid. If the company makes such decisions, it will be communicated to the public.

I.P.1.10. Financial forecasts - if the company has decided to publish them - published during the last 5 years, together with information on the degree of their implementation.

The principle is not applied by the Company because the Management Board has not decided to publish financial forecasts due to competition in the narrow mining market. The publication of financial forecasts could have a negative impact on the company's interests and well-being.

I.P.1.15. Information describing the company's diversity policy with respect to the company's management and its key managers; The description should take into account such elements of diversity policy as gender, education, age, professional experience, and indicate the objectives of the diversity policy and how it will be implemented in the reporting period; If a company has not developed or implemented a diversity policy, it will include an explanation of such a decision on its website.

The principle is not used by the Company because it is not justified for the need to develop diversity policy towards key managers. Nowadays, despite the lack of diversity policy, most managers in management and managerial positions have higher education. The company selected the key managers with professional experience and knowledge.



Curricula vitae of all Members of the Management Board and the Supervisory Board can be found on the Issuer's website.

I.P.1.16 information on the planned transmission of the general meeting - no later than 7 days before the date of the general meeting.

This is not the case with the Company, as a result of the relatively high costs that the Company would incur due to the use of electronic communications, especially since the incurrence of such costs would not be adequate to the average and rather steady low attendance of the Shareholders at the Assembly in recent years. Consequently, the interest of the Shareholders to participate in the General Meeting.

I.P.1.19. Questions of the shareholders addressed to the Management Board pursuant to Art. 428 §1 or §6 of the Code of Commercial Companies, together with the Management Board's answers to the questions asked, or a detailed indication of the reasons for not answering, in accordance with rule IV.P.13

The principle is not applied by the Company because it is not justified by the necessity to disclose the questions asked by the Shareholders and the Management Board's replies. All responses are addressed directly to the interested Shareholder by e-mail.

I.P.1.20 record of the course of the general assembly, in the form of audio or video.

The principle is not applied by the Company as a result of the relatively high costs that the Company would incur due to the use of electronic communications, especially since the incurrence of such costs would not be adequate to the average and rather steady low attendance of the Shareholders at the Assembly in recent years. Consequently, the interest of the Shareholders to participate in the General Meeting.

## Section II. Management Board and Supervisory Board.

II.P.1. The internal division of responsibility for the individual areas of the company's activities between board members should be formulated in an unequivocal and transparent manner, and a division plan available on the company's website.

The rule is not applied by the Company because there is no division of tasks and responsibilities between the members of the Management Board - each member of the Management Board is responsible for the entire area of the Company.

II.P.3. At least two members of the supervisory board meet the criteria of independence referred to in Rule II.P.4.

II.P.4. Annex II to the Recommendation of the European Commission 2005/162 / EC of 15<sup>th</sup> February 2005 applies as regards the criteria for the independence of the members of the supervisory board. Regarding the role of non-executive directors or members of the supervisory boards of listed companies and of the supervisory board.

Notwithstanding the provisions of point 1 lit. (B) the document referred to in the preceding sentence, a person who is an employee of a company, a subsidiary or an affiliate, and a related person of similar nature can not be considered to meet the criteria of independence. The relationship with a shareholder excluding the subject of independence of a member of the supervisory board within the meaning of this rule shall also mean real and significant relationships with a shareholder holding at least 5% of the total number of votes in the company.

The aforementioned rules are not applied by the Company because the above principles are not and will not be used in the election of members of the Supervisory Board. The Supervisory Board is appointed pursuant to paragraph 21 pt.1. of the Company's Articles of Association - the General Meeting of Shareholders appoints and dismisses the members of the Supervisory Board. The main aspect in choosing the Supervisory Board is to take into account their qualifications and professional experience. In view of the above, there is no reason to limit the freedom to elect members of the Supervisory Board. The Chairman of the Supervisory Board fulfills the criterion of independence.

II.P.10.4. An assessment of the rationality of the policy of the company referred to in Recommendation I.R.2, or the lack of such policy.

The rule is not applied by the Company because the Issuer does not carry out sponsorship, charity or other similar activities and does not include information in the annual activity report.

### Section III. Systems and internal functions.

III.P.1. The management board of the company is responsible for the implementation and maintenance of effective internal control, risk management, compliance and internal audit functions.

III.P.2. Subject to principle III. P.3, the persons responsible for risk management, internal auditing and compliance shall be directly liable to the President or other members of the Management Board and shall be provided the opportunity to report directly to the supervisory board or audit committee.

The principle is not applied by the Company because according to the Statute of the company in the Supervisory Board there is an audit committee whose members are appointed by the Supervisory Board from among its members. The duties of the Supervisory Board include: monitoring of the financial reporting process; Monitoring the effectiveness of internal control systems, internal audit and risk management; Monitor the performance of auditing activities and monitor the independence of the statutory auditor and the entity authorized to audit the financial statements.

III.P.3. With respect to the person in charge of the internal audit function and other persons responsible for the performance of its tasks, the principles of independence laid down in generally accepted internationally accepted practices of internal audit practice apply.

The principle is not applied by the Company because according to the Statute of the company in the Supervisory Board there is an audit committee whose members are appointed by the Supervisory Board from among its members. The Supervisory Board is appointed in accordance with Par. 21.1.1.1 of the Company's Articles of Association - the General Meeting appoints and dismisses members of the Supervisory Board. The main aspect in choosing the Supervisory Board is to take into account their qualifications and professional experience. In view of the above, there is no reason to limit the freedom to elect members of the Supervisory Board. The Chairman of the Supervisory Board fulfills the criterion of independence.

### Section IV. General assembly and investor relations.

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

The principle is not applied by the Company, as a result of the relatively high costs that the Company would incur due to the use of electronic communications, especially since the incurrence of such costs would not be adequate to the average and rather steady low attendance of the Shareholders at the Assembly in recent years. Consequently, the interest of the Shareholders to participate in the General Meeting.

Section V. Conflicts of interest and related party transactions.

V.P.6. The Company determines in its internal regulations the criteria and circumstances in which a conflict of interest may arise in a company, as well as the rules of conduct in the face of a conflict of interest or the possibility of its occurrence. Company internal regulations include, but are not limited to, prevention, identification and resolution of conflicts, as well as the exclusion of a member of the board of directors or supervisory board from participation in the consideration of a matter subject to or at risk of conflict of interest.

The principle is not applied by the Company because it does not justify the development of internal regulations defining the criteria and circumstances in which conflicts of interest may arise. According to the Company's Articles of Association, members of the Management Board of the Company may not conduct without any consent of the Supervisory Board to conduct competitive activities and participate in the bodies of other companies or other entities running a competitive activity.

V. Remuneration.

VI.P.1. Motivation programs should be structured in such a way that, among other things, the level of remuneration of board members and key managers from the company's actual long-term financial condition and long-term shareholder value growth and business sustainability are determined.

VI.P.2. To associate the remuneration of members of the board of directors and key managers with the company's long-term business and financial objectives, the period between the incentive option of lb and other instruments related to the company's shares should be limited to a minimum of two years.

The principles are not applied in the Company because it does not have incentive programs. The Supervisory Board determines the remuneration of members of the Management Board, while the Management Board determines the remuneration of key managers in accordance with the Company's remuneration regulations. The General Meeting determines the remuneration of members of the Supervisory Board. In the opinion of the Management Board, the principles of fixing remuneration for members of the Supervisory Board determined by the General Meeting of Shareholders, and in the case of the Management Board, determined in accordance with the Statute by the Supervisory Board are fully legible and do not require the preparation of a separate remuneration policy

VI.P.4. 3) Information on the individual members of the management board and key managers of non-financial remuneration components.

The principle is not applied in the Company because there are no non-financial components of remuneration.

VI.P.4 5) assessment of the functioning of the remuneration policy from the point of view of achieving its objectives, in particular the long-term value growth for shareholders and the stability of the company's operations.

The principle is not applied in the Company because it is not justified for the need to develop a remuneration policy with respect to shareholder value growth and business stability. The Supervisory Board determines the remuneration of members of the Management Board, while the Management Board determines the remuneration of key managers in accordance with the Company's remuneration regulations. The General Meeting determines the remuneration of members of the Supervisory Board. In the opinion of the Management Board, the principles of fixing remuneration for members of the Supervisory Board determined by the General Meeting of Shareholders, and in the case of the Management Board, determined in

accordance with the Statute by the Supervisory Board are fully legible and do not require the preparation of a separate remuneration policy.

The Management Board of the Company declares to observe, in addition to the abovementioned, principles indicated in the "Best Practices of WSE Listed Companies".

### **3. Description of main features of the internal control and risk management in relation to the process of preparing financial statements.**

In order to secure accuracy, reliability and compliance of financial reporting with applicable regulations and high-quality generation of financial data, the Company uses the elements of the internal control and risk management.

The Management Board of the Company is responsible for the internal control system and its effectiveness.

The internal control system is based on:

1. Accounting Policy.
2. Integrated Information System.
3. Quality Management System ISO 9001: 2008.

The Company applies, on a continuous basis, the accounting policies consistent with International Financial Reporting Standards (IFRS) for the presentation of financial data in the financial statements. The body supervising Company's financial reporting process and cooperating with the independent auditor is the Chief Accountant of the Company. Finance department headed by the Chief Accountant is responsible for the preparation of Company's financial statements. The Management Board analyzes obtained financial data, which after acceptance are presented in the financial statements. In the process of preparing the financial statements of the Company, one of the key elements is verification of the financial statements by an independent senior auditor. His role is to audit the annual report and issue an independent opinion on the financial statement. In addition, the senior auditor prepares a report of the review of the semiannual condensed financial statement. As part of the risk management process, in relation to the financial reporting process, the Company utilizes elements of the internal control exercised by the Management Board. The Supervisory Board elects the independent senior auditor.

Commercial Companies Code states, that the Supervisory Board shall supervise the activities of the Company in all areas of its operations. Specific responsibilities of the Supervisory Board include the evaluation and approval of the annual financial statements and management report on operations of the Company in respect of their compliance with the books and documents, as well as the facts.

Audit of the financial statements shall be treated as an additional assessment of the internal control system. The Management Board of the Company confirms, that the aim of the study is to express the opinion on the credibility and integrity of the financial statements, and not the process of its preparation. It is assumed that the opinion and report on the financial statements prepared by the senior auditor reflects the applied control procedures and risk management in preparing the financial statements.

In addition, pursuant to the Article 4a of the Accounting Act dated 29th September 1994, the responsibility of the Supervisory Board is to ensure, that the financial statements and management report on operations of the Company comply with the requirements of law. The Supervisory Board carries out this obligation utilizing competence arising from the commercial law and Company's Articles of Association.

On the basis of the Act on senior auditors and auditor's self-governing bodies dated 7th May 2009, the Supervisory Board performs the following actions: monitoring the financial reporting process; monitoring the effectiveness of internal control systems, internal audit and risk management; monitoring the performance of auditing activities; monitoring independence of the senior auditor and the entity authorized to audit the financial statements, recommending to the Supervisory Board the entity authorized to audit financial statements of the Company (Audit Committee at a time when the Supervisory Board is composed of more than five members).

PATENTUS S.A. uses an integrated ERP information system, that supports commercial and production activities as well as accountancy. This software provides support for most of Company's areas of activity. The system includes modules for the following departments: sales, purchasing, inventory management, financial accounting, control and production management. Integrally with the system operates an electronic documentation workflow. A separate software is used to handle the HR department. This software is, to a certain extent, integrated with the ERP system.

An integrated system provides improved data integrity, once entered data can easily be used in different modules. It helps to control the activities carried out in the system, it provides centralized access control. It automates certain tasks, affecting the flow of information and documentation.

With regard to the activities of financial and accounting departments, implemented system requires the users to enter the data properly. It allows you to automatically inform users about specific actions like, validation, describing, acceptance of documents or actions. It allows you to create tasks for a specific user or a group of users. It provides supervision (by the accounting department) over documentation, that is located in other departments, and is important from the point of view of accounting. It enforces the supervision of the Management Board over important tasks and documents. It contains a number of control and final reports as well as summaries, supporting the stock exchange reporting. The above-mentioned steps are designed to ensure the timeliness and completeness of data entered into the system, which is extremely important in the preparation of reports. This enables a better analysis of processes taking place in the Company and positively affect the ability to more effectively plan Company's development strategy.

Due to the establishment of the Capital Group, and in order to improve matters relating to the consolidated reports, we are currently implementing a module, that will allow us to automate the steps needed to create consolidated reports of the Capital Group.

In addition to dedicated modules (designed for various departments), PATENTUS S.A. also owns an electronic record keeping system. Safety of the collected data is a serious matter. For this reason, we have taken a series of steps designed to improve data security. This applies mainly to: data access across the enterprise, access from the outside and the destruction or loss of the data. As part of this, the Company has introduced a solution concerning the security of data access control, adequate security of the network infrastructure and backup system for key data.

To improve and speed up a proper functioning of the system and to enable more efficient data analysis - the Management Board implements, to be applied by the employees of the Company, an additional normalization such as "Detailed guidance - cost invoice" or "Storage and usage of data, backing up your data. Information on the prohibition of use and possession of illegal versions of software and content, that infringes the copyrights of other companies, institutions or individuals - PATENTUS S.A." In addition, the Company introduced a regulation regarding flow of confidential information, that systematize, among other things, the process of preparation and circulation of financial information as well as the process of providing information necessary to carry out the mentioned works. Furthermore, it defines the scope of responsibilities of individual people in the preparation of various parts of interim reports and submitting them to the public.

An important element of Company's risk management is to use solutions that eliminate risk, and so:

- to calculate provisions for retirement and disability benefits - use the services of an independent actuary,
- to measure financial instruments - use valuations of the bank,
- to calculate provisions for bonuses for employees and executives - use the calculations in accordance with the approved remuneration rules,
- to value the property - the company adopted a rule to obtain valuations from the property appraisers,
- to eliminate market risk - liability insurance for the entrepreneur.

Other provisions are raised in accordance with applicable regulations.

Additionally, the Company permanently cooperates with a number of specialized consulting companies.

PATENTUS S.A. (since 2000) established, documented, implemented and maintained a Quality Management System; it also improves its effectiveness on a continuous basis in accordance with the requirements of PN-EN ISO 9001:2008.

Quality Management System of PATENTUS S.A. includes activities related to design, manufacture, production support, renovation of mining machinery and equipment, manufacture of welded steel structures and trade of metallurgical products, welding equipment, protective clothing and office supplies.

Within this framework the Company:

- identified processes needed for the Quality Management System;
- determined the sequence of processes and interactions of these processes;
- identified methods and criteria needed to ensure, that both the operation and control of these processes is effective;
- ensured the availability of resources and information necessary to support the operation and monitoring of these processes;
- performs monitoring, measurement and analysis of these processes, and
- implements actions necessary to achieve planned results and continually improve mentioned processes,
- treats welding as a process, that requires full documentation of the control loop (planning, execution, control).

Processes related to the implementation of a product or service, as the main processes of the QA system, include activities such as: identification of expectations and requirements of the customer and satisfying them while complying with the requirements of PN-EN ISO 9001:2008 and established Quality Policy.

Documentation of Quality Management System is carried out in paper and electronic form and includes:

- documented statements of Quality Policy and quality objectives;
- provisions of law, standards, drawings, design documentation, technological documentation, technical conditions, specifications, instructional cards, work instructions and other documents related to the effective planning, handling and controlling of processes;
- Quality Manual;
- identified processes contained in the Quality Manual;
- procedure,
- Quality Instructions,
- Records

In October 2018 the Issuer was subject to further ISO 9001:2008 surveillance audit, which ended with a positive result.



**4. Identification of shareholders holding directly or indirectly significant blocks of shares together with the number of shares held by those shareholders, their percentage of share capital, number of votes resulting therefrom, their percentage of the total number of votes at the General Meeting.**

According to the knowledge of the Company, Company's shareholders, other than members of management and supervisory bodies, holding directly or indirectly large blocks of shares are: Małgorzata Duda - Chief Financial Officer, Commercial Proxy, Małgorzata Duda (nee Wiktor) - Commercial Proxy.

Shareholder	Position in Company's Governing Bodies	Total number of shares / Total number of voting rights (in units)	Percentage of share capital / Percentage of the total number of votes at the General Meeting
Józef Duda	President of the Management Board	4,325,175 / 7,679,350	14,66 % / 16,12 %
Henryk Gotz	Vice President of the Management Board	2,962,500 / 5,650,000	10,04 % / 11,86 %
Urszula Gotz	Member of the Supervisory Board	4,829,150 / 8,183,300	16,37 % / 17,18 %
Małgorzata Duda	Chief Financial Officer, Commercial Proxy	7,804,675 / 13,846,350	26,46 % / 29,07 %
Małgorzata Duda (nee Wiktor)	Commercial Proxy	3,619,300 / 6,306,800	12,27 % / 13,24 %
Total:		23,540,800 / 41,65,800	79,80 % / 87,47 %

**5. Identification of persons holding securities giving special control rights and description of these rights.**

The Company issued registered shares preferred as to voting rights in the following series:

- SERIES A - EACH SHARE IS WORTH 2 VOTES (a total of 5,000,000 shares, that is, 10,000,000 votes),
- SERIES B - EACH SHARE IS WORTH 2 VOTES (a total of 7,500,000 shares, that is, 15,000,000 votes), -
- SERIES C - EACH SHARE IS WORTH 2 VOTES (a total of 5,625,000 shares, that is, 11,250,000 votes),

Other series of ordinary bearer shares (shares are not preferred):

- ORDINARY BEARER SHARES - SERIES D in a total of 5,250,000 shares, that is, 5,250,000 votes
- ORDINARY BEARER SHARES - SERIES E in a total of 3,150,000 shares, that is, 3,150,000 votes
- ORDINARY BEARER SHARES - SERIES F in a total of 3,000,000 shares, that is, 3,000,000 votes

Shareholders holding registered shares preferred as to voting rights of SERIES A, B, C:

Shareholder	Position in Company's Governing Bodies	Total number of shares of Series A, B, C / Total number of voting rights of Series A, B, C (in units)	Percentage of share capital / Percentage of the total number of votes at the General Meeting
Józef Duda	President of the Management Board	3,354,175 / 6,708,350	11,37 % / 14,086 %

Henryk Gotz	Vice President of the Management Board	2,687,500 / 5,375,000	9,11 % / 11,286 %
Urszula Gotz	Member of the Supervisory Board	3,354,150 / 6,708,300	11,37 % / 14,086 %
Małgorzata Duda	Chief Financial Officer, Commercial Proxy	6,041,675 / 12,083,350	20,48 % / 25,372 %
Małgorzata Duda (nee Wiktor)	Commercial Proxy	2,687,500 / 5,375,000	9,11 % / 11,286 %
Total:		18,125,000 / 36,250,000	61,44 % / 76,12 %

**6. Identification of any restrictions concerning voting rights, such as limiting the voting rights of holders of a given percentage or number of votes, time constraints to exercise voting rights, or provisions under which, with the cooperation of the Company, the equity rights attached to securities are separated from the ownership of securities.**

There are no provisions in Company's Articles of Association relating to the limitation of voting rights. Voting rights of shares encumbered with a pledge or usufruct, recorded on the securities accounts held at the brokerage house or at a bank maintaining the securities accounts, are entitled to a shareholder.

**7. Identification of any restrictions relating to the transfer of ownership of Company's securities.**

There are no provisions in Company's Articles of Association relating to restrictions on the transfer of ownership of Company's securities. In the case of sale of registered shares, pre-emption rights are entitled to the holders of registered shares preferred as to voting rights.

**8. Description of rules governing the appointment and dismissal of managers and their rights, in particular the right to decide whether to issue or buy back shares.**

Pursuant to § 16 point 3 subpart 1 of Company's Articles of Association, Management Board is appointed by the Supervisory Board, and pursuant to § 21 point 1 subpart1, Supervisory Board is elected by the General Meeting.

On 23<sup>rd</sup> May 2017, the Supervisory Board of the Company adopted resolutions No. 1, 2, 3 - appointing the Management Board for a new 5-year term starting from 24<sup>th</sup> May 2017 in the following composition:

Józef Duda - President of the Board  
Stanisław Duda - Vice President of the Board.

The resolutions mentioned above came into force on 24<sup>th</sup> May 2017.

The above-mentioned information was disclosed to the public by the current report no. 8/2017 on 24<sup>th</sup> May 2017.

The right to decide whether to issue or buy back shares is the competence of the General Meeting. The Management Board has no power to decide whether to issue or buy back shares.

## **9. Description of amendments to Company's Articles of Association.**

Amendments to Company's Articles of Association shall comply with applicable provisions of law. Changing Company's Articles of Association is the competence of the General Meeting.

## **10. Mode of action of the General Meeting and its key powers, as well as a description of shareholders' rights and the manner of their execution, in particular the rules stemming from the General Meeting, if such regulations have been adopted and unless an information in this regard does not arise directly from the law.**

The General Meeting is held according to principles laid down by the Commercial Companies Code, provisions of Company's Articles of Association and By-laws of the General Meeting.

The powers of the General Meeting include, in addition to other matters specified by law or Company's Articles of Association:

- 1) appointing and dismissing Supervisory Board Members;
- 2) determining the number of the Supervisory Board Members;
- 3) approval of the By-laws of the Supervisory Board;
- 4) determining the principles of remuneration of the Supervisory Board Members;
- 5) determining the amount of remuneration of the Supervisory Board Members delegated to perform constant and individual supervision;
- 6) adoption of the By-laws of the General Meeting;
- 7) creation, usage and reduction of capital reserve.

Acquisition and disposal of real estate, perpetual usufruct or share of the rights mentioned above, in jointly owned property does not require the consent of the General Meeting.

The General Meeting may be ordinary or extraordinary.

The Annual General Meeting is convened by the Management Board and should be held within six months after the end of each fiscal year.

In the event when the Management Board fails to convene the Annual General Meeting within a time limit, this right is entitled to the Supervisory Board.

The Extraordinary General Meeting shall be convened by:

- the Management Board on its own initiative or at the written request of the Supervisory Board;
- if Supervisory Board deems it necessary;
- shareholders representing at least half of the share capital or at least half of the total number of votes.

A shareholder or shareholders representing at least one twentieth of the share capital may request convening of the Extraordinary General Meeting. The request to convene an Extraordinary General Meeting must be submitted to the Management Board in writing or in electronic form. If, within two weeks from the date of submitting the request to the Management Board, the Extraordinary General Meeting is not convened, the registry court may authorize shareholders making the request to convene the Extraordinary General Meeting. A shareholder or shareholders representing at least one twentieth of the share capital may request to place certain matters in the agenda of the next General Meeting. The request should be submitted to the

Management Board no later than 21 days prior to the date of the meeting. The request should include a justification or a draft resolution on the proposed agenda. The request may be submitted in electronic form.

The General Meeting shall be convened through the announcement. The announcement must specify the date, time and place of the General Meeting and a detailed agenda. In the case of intended amendments to the Articles of Association, the already existing provisions and proposed amendments shall be presented to the General Meeting. If justified by the scope of the proposed changes, the announcement may include a new draft of the unified text of the Articles of Association along with the list of new or amended provisions.

The General Meeting is convened by the announcement published on Company's website and in the manner prescribed for publication of current information in accordance with the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. Detailed information, that should be included in the announcement of the General Meeting, specifies the provision of Article 402<sup>2</sup> of Commercial Companies Code.

The announcement should be made at least twenty-six days before the date of the General Meeting.

General Meetings are held at the registered office of the Company, in Pszczyna, in Tychy, or in Warsaw.

The General Meeting is valid, irrespective of the number of shares represented at the Meeting, unless the Articles of Association or the Act does not provide otherwise. Resolutions of the General Meeting are passed by an absolute majority of votes, unless the provisions of the Articles of Association or mandatory law provide for stricter conditions for adopting resolutions.

Removing or desistance from further examination of the matter included in the agenda, made upon the request of shareholders, require the adoption of the resolution by the General Meeting, after prior consent of all the shareholders who submitted such request, supported by 75 % (seventy five percent) of all votes on the General Meeting.

The right to participate in the General Meeting of the Public Company have persons who are shareholders of the Company at least sixteen days before the General Meeting (record date for participation in the General Meeting).

The record date for participation in the General Meeting shall be the same for holders of bearer shares and registered shares. Holders of registered shares and interim certificates, pledgees and usufructuaries who are entitled to the voting rights have the right to participate in the General Meeting of the Company, if they are registered in the share register on the record date for participation in the General Meeting.

Bearer shares in the form of documents entitle to participate in the General Meeting of the Company, if the documents are submitted to the Company no later than the record date for participation in the General Meeting and will not be collected before the end of that day. Instead of shares, one can submit a certificate confirming the deposit of shares with a notary, bank or investment company having its registered office or branch established in the territory of the European Union or a State which is a party to the Agreement on the European Economic Area, as indicated in the announcement convening the General Meeting.

The certificate should indicate the number of share documents and contain a statement, that the documents will not be released before the end of the record date for participation in the General Meeting. At the request of the holder of Company's uncertificated bearer shares, submitted not earlier than after the announcement convening the General Meeting and no later than the first business day after the record date for participation in the General Meeting, the entity maintaining the securities deposit shall issue a personal statement about the right to participate in the General Meeting.

At the request of the holder of uncertificated bearer shares, the certificate should specify part or all of shares registered in his securities account.

Provisions of the Act on Trading in Financial Instruments may indicate other documents, that are equivalent to certificates, provided that the issuer of such documents was reported to the entity maintaining the securities deposit of the Company.

General Meetings are held at the registered office of the Company, in Pszczyna, in Tychy, or in Warsaw.

The General Meeting is valid, irrespective of the number of shares represented at the Meeting, unless the Articles of Association or the Act does not provide otherwise. Resolutions of the General Meeting are passed by an absolute majority of votes, unless the provisions of the Articles of Association or mandatory law provide for stricter conditions for adopting resolutions.

Removing or desistance from further examination of the matter included in the agenda, made upon the request of shareholders, require the adoption of the resolution by the General Meeting, after prior consent of all the shareholders who submitted such request, supported by 75% (seventy five percent) of all votes on the General Meeting.

The right to participate in the General Meeting of the Public Company have persons who are shareholders of the Company at least sixteen days before the General Meeting (record date for participation in the General Meeting).

The record date for participation in the General Meeting shall be the same for holders of bearer shares and registered shares. Holders of registered shares and interim certificates, pledgees and usufructuaries who are entitled to the voting rights have the right to participate in the General Meeting of the Company, if they are registered in the share register on the record date for participation in the General Meeting.

The Company determines the list of eligible holders of bearer shares to attend the General Meeting on the basis of shares deposited with the Company and the list drawn up by the entity maintaining the securities deposit in accordance with the provisions of the Act on Trading in Financial Instruments. The entity maintaining the securities deposit draws up a list on the basis of lists submitted by authorized entities no later than twelve days before the General Meeting, in accordance with the provisions of the Act on Trading in Financial Instruments. The basis for preparation of lists submitted to the entity maintaining the securities deposit are certificates authorizing to participate in the General Meeting of the Company.

The entity maintaining the securities deposit provides the Company with list, using electronic means, not later than one week prior to the General Meeting. If, for technical reasons, the list cannot be made available in such a way, the entity maintaining the securities deposit draws it in the form of a document in writing no later than six days before the date of the General Meeting; issuance takes place at the premises of the Executive authority of the entity.

Company's Shareholder may transfer shares between the record date for participation in the General Meeting and the closing date of the General Meeting.

Members of the Management Board and Supervisory Board are entitled to attend the General Meeting.

The list of shareholders entitled to participate in the General Meeting, signed by the Management Board, including names and surnames or companies (names) entitled to participate, their place of residence (registered office), the number, type and issue number of shares and their number of votes, shall be made available at the premises of the Management Board for three days prior to the General Meeting. A natural

person can enter a correspondence address instead of the place of residence. A shareholder may view the list of shareholders at the premises of the Management Board and request a copy of the list provided reimbursement of costs of its preparation. If the voting rights are entitled to the pledgee or usufructuary, this shall be marked on the list of shareholders at the request of the proprietor.

Company's shareholder may request to send the list of shareholders free of charge via e-mail, giving the address to which it should be sent. A shareholder has the right to request copies of proposals included in the agenda a week before the General Meeting.

A shareholder may participate in the General Meeting and exercise his/her voting rights in person or by proxy. Power of attorney to participate in the General Meeting and to exercise voting rights shall be in writing or in electronic form. Granting power of attorney in electronic form does not require a secure electronic signature verified by a valid qualified certificate.

The voting is open. Voting by secret ballot are ordered during the election, and on motions to dismiss Members of Company's bodies or liquidators, to hold them accountable, as well as in personal matters or at the request of even one persons entitled to attend the General Meeting. Any party objecting to resolution provides the opportunity to concisely present reasons for the objection.

#### **11. Personal composition and changes, that occurred during the last fiscal year, and a description of activities of Company's managing, supervising or administrative bodies and their committees.**

##### The Management Board:

The Management Board of PATENTUS S.A. operates based on the provisions of:

- a) Commercial Companies Code,
- b) Articles of Association of PATENTUS S.A.,
- c) By-laws of the Management Board approved by the Supervisory Board.

As for 31<sup>st</sup> December 2018, the Management Board of PATENTUS S.A. was composed of two members:

Mr. Józef Duda – President of the Management Board

Mr. Stanisław Duda – Vice President of the Management Board

In accordance with § 9 of Company's Articles of Association, the Management Board of the Company consists of one (1) to five (5) members, appointed and dismissed by the Supervisory Board, which also determines the function that the person appointed will perform in the Management Board of the Company.

The common term of the Management Board shall be 5 years. In accordance with Article 369 § 4 of the Commercial Companies Code, the mandate of the Management Board Member expires at the latest on the date of the General Meeting approving the financial statement for the last full fiscal year of being the Management Board member. The mandate of the Management Board Member shall also expire due to death, resignation or dismissal from the Management Board (Article 369 § 5 of the Commercial Companies Code). The mandate of the Management Board Member appointed for a common term before the expiry of the term shall expire simultaneously with the mandates of other Management Board Members.

Term of office of present Members of the Management Board:



Report of the Management Board on operations of PATENTUS S.A. in the year 2018

Name and Surname	Position	Beginning of the term of office	End of the term of office
Józef Duda	President of the Management Board	24 <sup>th</sup> May 2017	24 <sup>th</sup> May 2022
Stanisław Duda	Vice President of the Management Board	24 <sup>th</sup> May 2017	24 <sup>th</sup> May 2022

The mandates of the Management Board members will expire on the day on which the General Meeting approves the financial statement for the fiscal year 2022.

The Supervisory Board:

The Supervisory Board of PATENTUS S.A. operates based on the provisions of:

- a) Commercial Companies Code,
- b) Articles of Association of PATENTUS S.A.,
- c) By-laws of the Supervisory Board approved by the General Meeting.

As for 31<sup>st</sup> December 2018, the Supervisory Board of PATENTUS S.A. was composed of five members:

Mr. Bartłomiej Niemiec - Chairman of the Supervisory Board

Mr. Łukasz Duda - Vice Chairman of the Supervisory Board

Mr. Jakub Szymczak - Member of the Supervisory Board

Mrs. Anna Gotz - Member of the Supervisory Board

Mrs. Edyta Glombek - Member of the Supervisory Board

In accordance with § 13 of Company's Articles of Association, the Supervisory Board consists of five (5) to seven (7) members appointed and dismissed by the General Meeting. The common term of the Supervisory Board shall be 5 years. In accordance with Article 369 § 4 in conjunction with Article 386 § 2 of Commercial Companies Code, the mandate of the Supervisory Board Member shall expire at the latest on the date of the General Meeting approving the financial statement for the last full fiscal year of being the Supervisory Board member. The mandate of the Supervisory Board Member shall also expire due to death, resignation or dismissal from the Supervisory Board. In accordance with Article 369 § 3 in conjunction with Article 386 § 2 of Commercial Companies Code, the mandate of the Supervisory Board Member appointed for a common term before the expiry of the term shall expire simultaneously with the mandates of other Supervisory Board Members.

Term of office of present Members of the Supervisory Board:

Name and Surname	Position	Beginning of the term of office	End of the term of office
Bartłomiej Niemiec	Chairman of the Supervisory Board	27 <sup>th</sup> April 2017	27 <sup>th</sup> April 2022
Łukasz Duda	Vice Chairman of the Supervisory Board	27 <sup>th</sup> April 2017	27 <sup>th</sup> April 2022
Anna Gotz	Member of the Supervisory Board	27 <sup>th</sup> April 2017	27 <sup>th</sup> April 2022
Alicja Saller - Pawełczyk	Member of the Supervisory Board	27 <sup>th</sup> April 2017	27 <sup>th</sup> April 2022

Report of the Management Board on operations of PATENTUS S.A. in the year 2018

Edyta Glombek	Member of the Supervisory Board	24 <sup>th</sup> May 2018	27 <sup>th</sup> April 2022
Jakub Szymczak	Member of the Supervisory Board	27 <sup>th</sup> April 2017	27 <sup>th</sup> April 2022

The mandates of the Supervisory Board members will expire, in accordance with the provisions of Company's Articles of Association, on the day on which the General Meeting approves the financial statement for the fiscal year 2022.

Working Committees

Within the Supervisory Board does not operate a remuneration committee. According to Company's Articles of Association - within the Supervisory Board operates an Audit Committee. However, when the Supervisory Board consists of not more than five members, the tasks of the Audit Committee are entrusted to the entire Supervisory Board.

**12. In the case of an issuer that in the financial year for which the financial statements are prepared and in the year preceding that year exceeds at least two of the following three amounts: a) 85,000,000 PLN - in the case of the balance sheet total assets at the end of the financial year; B) 170,000,000 PLN - in the case of net sales revenues for the financial year; C) 250 persons - for full-year full-time employment, a description of the diversity policy applied to the governing, managing and supervisory bodies of the issuer in relation to aspects such as age, sex or education and professional experience, the objectives of this diversity policy, Its implementation and effects in a given reporting period; If the issuer does not apply such policy, it shall include in the statement clarification of such decision.**

PATENTUS S.A. in the financial year exceeds 85,000,000 PLN of the balance sheet assets at the end of the financial year, however, it does not exceed net sales of 170,000,000 PLN and does not employ 250 full-time employees. As a consequence, the point is not applicable.

## **STATEMENT OF THE MANAGEMENT BOARD**

The Management Board composed of:

Mr. Józef Duda – President of the Management Board

Mr. Stanisław Duda – Vice President of the Management Board

made the following statement:

We hereby declare that, to the best of our knowledge, the annual financial statement for the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2018 and the comparative figures for the previous year have been prepared in accordance with applicable accounting principles and give a true and fair view of the financial position and the financial results of the Company. The annual report of the Management Board on operations of the Company, provides a true picture of the development and achievements of the Company, including a description of main risks and threats.

We hereby declare, that the entity authorized to audit financial statements, that is currently auditing the annual financial statement, has been selected in accordance with provisions of law. Entity and the senior auditors conducting the study have fulfilled all the conditions for providing an unbiased and independent audit opinion, in accordance with applicable laws and professional standards.

President of the Management Board – Józef Duda .....

Vice President of the Management Board – Stanisław Duda .....

Pszczyna, 20<sup>th</sup> March 2018