

Poraj, dated 28 February 2018

MANAGEMENT BOARD REPORT ON ACTIVITIES OF COGNOR HOLDING S.A. AND COGNOR CAPITAL GROUP IN 2018

I. Description of the Company and Capital Group

1. Basic data

The parent company in the Capital Group of Cognor constitutes the company Cognor Holding S.A. with its headquarters located at 42-360 Poraj, ul. Zielona 26 that is registered with the KRS (National Court Register) under the number of 0000071799. The company possesses NIP (Tax Identification Number) 584-030-43-83 and REGON (Business Registry Number) 190028940. The shares of the parent company are listed on the Warsaw Stock Exchange. The parent company is a holding company exercising control over the Cognor Capital Group.

The basic subject matter of the activities of the Capital Group is as follows: the purchasing of scrap metal, processing of scrap steel into semi-products and finished metallurgical goods, while also other activities (property developer services).

2. Shareholding of the parent company

As of 31 December 2018 and as of the date of this report the shareholding of Cognor Holding S.A. was presented as follows:

Shareholder	Number of shares	Share in equity	Number of votes	Share in voting rights
PS HoldCo Sp.z o.o.	92 430 239	76,76%	92 430 239	76,76%
Other	27 986 903	23,24%	27 986 903	23,24%
Total	120 417 142	100,00%	120 417 142	100,00%

3. Employment

As of 31 December 2018 employment figures in fully consolidated companies of the Capital Group were presented in the following way:

- Cognor Holding S.A. – 11 people
- Cognor S.A. – 2 044 people – including:
 - HSJ branch in Stalowa Wola – 914 people
 - Ferrostal branch in Gliwice. – 317 people
 - Ferrostal branch in Zawiercie – 37 people
 - Ferrostal branch in Kraków – 320 people
 - Złomrex branch in Wrocław – 221 people
 - OM Szopienice branch in Katowice – 84 people
 - PTS branch in Kraków – 151 people
- Cognor Blachy Dachowe S.A. – 17 people
- Business Support Services Sp. z o.o. – 0 people
- Cognor International Finance Plc – 0 people
- Cognor Holding SA Sp.k. – 2 people

4. Management Board and Supervisory Board of the parent company

In the period under analysis, the composition of the Management Board of the parent company did not undergo any change and was presented as follows:

Management Board

Przemysław Sztuczkowski – Chairman of the Board
 Przemysław Grzesiak – Vice-Chairman of the Board
 Krzysztof Zoła – Member of the Board
 Dominik Barszcz – Member of the Board

In the period under analysis, the composition of the Supervisory Board of the parent company did not undergo any change and was presented as follows:

Supervisory Board

Hubert Janiszewski – Chairman of the Supervisory Board
Piotr Freyberg – Vice-Chairman of the Supervisory Board
Zbigniew Łapiński – Secretary of the Supervisory Board
Marek Rocki – Member of the Supervisory Board
Jerzy Kak – Member of the Supervisory Board

5. The steel market in Poland and in the world

The year 2018 and in global market was a period of a increased in the production of steel. In Poland and EU production of steel slightly decreased.

STEEL PRODUCTION (million tonnes)	2018	YoY	2017	2016	2015	2014
Poland	10,2	-1,6%	10,3	9,0	9,2	8,6
EU (28)	168,1	-0,3%	168,5	162,0	166,1	169,2
China	928,3	6,6%	870,9	786,9	798,8	822,7
World	1 789,6	4,5%	1 712,3	1 587,2	1 615,4	1 637,0

II. Description of the organization of the issuer of the Capital Group while indicating the units undergoing consolidation, as well as a description of the changes in the organization of the issuer of the Capital Group, together with the presentation of their causes

1. Organizational structure of the Capital Group created by Cognor Holding S.A.

As of 31 December 2018, the structure of the Capital Group was presented as follows:

Entity	Seat	Share in equity and voting rights	Abbreviations
Cognor S.A.	Poland	94,38%*	COG
Business Support Services Sp. z o.o.	Poland	100,0%**	BSS
Cognor Blachy Dachowe S.A.	Poland	100,0%*	COGNOR BLACHY
Cognor Holding S.A. Sp.k.	Poland	98,0%*	COGNOR SK
Cognor International Finance PLC	UK	100,0%**	CIF
Madrohut Sp. z o.o.	Poland	25%***	MADROHUT
4Groups Sp. z o.o.	Poland	30,0%****	4GR

* shares and votes belong to Cognor Holding SA

** shares and votes belong to COG

*** shares and votes belong to do PTS

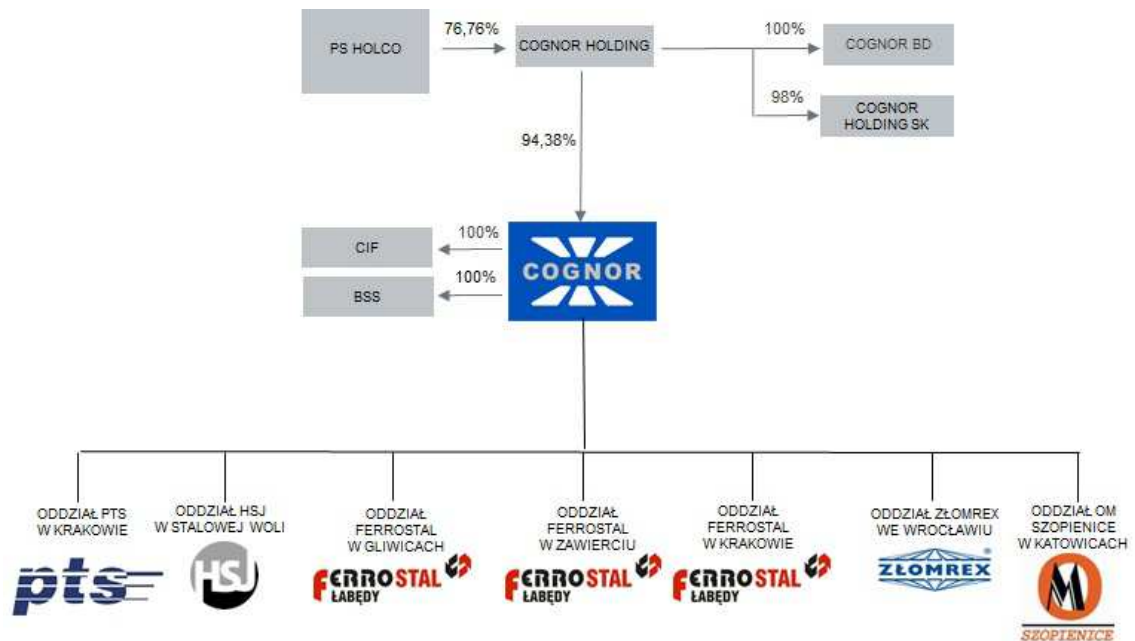
**** shares and votes belong to do BSS

The above-mentioned entities are consolidated entities. 4Groups Sp. o.o. and Madrohut Sp. z o.o. are associates.

Branches of the Cognor SA:

Branch	Seat	Abbreviations
Cognor SA Ferrostal Łabędy Branch in Gliwice	Poland	FERR
Cognor SA Ferrostal Łabędy Branch in Zawiercie	Poland	ZW-WB
Cognor SA Ferrostal Łabędy Branch in Kraków	Poland	PROFIL
Cognor SA HSJ Branch In Stalowa Wola	Poland	HSJ
Cognor SA OM Szopienice Branch in Katowice	Poland	OMS
Cognor SA PTS Branch in Kraków	Poland	PROFIL
Cognor SA Zlomrex Branch in Wrocław	Poland	ZLX

Structure as of 31 December 2018 in the form of a diagram looks as follows:



2. Changes in the organization of the Capital Group

- in the period between 24 May and 31 August 2018 Cognor SA bought from minority shareholders – physical persons – 3,681 shares of the company Przedsiębiorstwo Transportu Samochodowego SA (PTS), thus the share of Cognor SA in the shareholding increased from 99.09% to 100%
- on 25 September 2018 Cognor Holding SA sold to Cognor SA 100 shares constituting 100% in the share capital of the company Odlewnia Metali Szopienice Sp. z o.o.
- on 17 December 2018 Cognor Holding SA sold to Cognor SA 15 602 shares constituting 100% in the share capital of the company Business Support Services Sp. z o.o.
- on 21 December 2018 Cognor SA (as the acquiring company) merged with Odlewnia Metali Szopienice Sp. z o.o. (OMS) and Przedsiębiorstwo Transportu Samochodowego SA (PTS) (as the companies being acquired). OMS and PTS are branches of Cognor SA under the following names: Cognor SA OM Szopienice branch in Katowice and Cognor SA PTS branch in Kraków

III. Outline of the basic economic and financial magnitude revealed in the annual financial report, particularly a description of the factors and events including those of an untypical nature that have a significant impact on the activities of the Company and the Capital Group and the profits gained by it or losses incurred in the trading year, while also an outline of the perspectives of development of the business activities of the issuer at least in the upcoming trading year.

1. Financial results

Cognor Holding SA

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	2018	2017	2016
'000 PLN			
Revenue	18 730	37 419	21 175
Cost of sales	-1 243	-340	-5 443
Gross profit	17 487	37 079	15 732
Other income	2 455	1 498	1 295
Distribution expenses	173	-25	20
Administrative expenses	-6 891	-18 010	-11 762
Other gains/(losses) – net	4 128	-805	13 163
Other expenses	-24	-399	-55
Shares in the result of entities accounted for using the equity method	61 818	38 104	-12 979
EBIT	79 146	57 442	5 414
Financial income	340	3 389	3 918
Financial expenses	-4 965	-10 520	-8 446
Net financing costs	-4 625	-7 131	-4 528
Profit before tax	74 521	50 311	886
Income tax expense	-4 483	-4 190	-3 244
Profit for the period	70 028	46 121	-2 358

Cognor Capital Group

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT	2018	2017	2016
'000 PLN			
Revenue	2 081 841	1 789 280	1 377 352
Cost of sales	-1 805 528	-1 573 044	-1 228 812
Gross profit	276 313	216 236	148 540
Other income	10 542	10 126	5 558
Distribution expenses	-76 700	-65 792	-51 231
Administrative expenses	-46 041	-50 528	-39 343
Other gains/(losses) – net	1 977	-2 644	2 822
Other expenses	-9 883	-8 188	-6 951
EBIT	156 208	99 210	59 395
Financial income	4 460	22 131	5 216
Financial expenses	-67 230	-53 339	-68 412
Net financing costs	-62 770	-31 208	-63 196
Share of profits of associates	-662	51	103
Excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost	0	0	0
Profit before tax	92 776	68 053	-3 698
Income tax expense	-20 730	-18 148	7 770
Loss for the period from discontinued operations	0	0	0
Profit for the period	72 046	49 905	4 072
Depreciation and amortization	-43 861	-41 328	-39 022
EBITDA	200 069	140 538	98 417

SALES	2018	% YoY	2017	2016
<i>'000 PLN</i>				
Scrap metal	185 997	35,9%	136 902	70 275
Billets	332 800	-9,2%	366 629	180 764
Finished products	1 366 281	23,9%	1 102 463	942 670
Total	1 885 078	17,4%	1 605 994	1 193 709
<i>Tonnes</i>				
Scrap metal	172 762	24,4%	138 865	93 553
Billets	140 450	-24,3%	185 424	115 496
Finished products	498 084	3,6%	480 910	479 742
Total	811 296	0,8%	805 199	688 791

Further market improvement manifesting itself with higher demand and raising prices resulting in significantly higher consolidated revenues – by 16.4%. We managed to produce 2.6% more tonnes of crude steel and sold 0.8% more tonnes of combined scrap metal, billets and finished products as compared to 2017.

The price for our billets and finished products manufactured at Ferrostal mill went up by 16.6% and 16.2% respectively and the price for HSJ improved by 20.5% with respect to billets and 22.3% for finished products. Cognor saw a significant improvement of gross profit – by PLN 60.1 million and 27.8%, EBIT – by PLN 57.0 million and 57.5% and EBITDA – by PLN 59.5 million and 42.4%.

The following table presents the average scrap metal, billet and finished product prices for both of our steel plants. The spreads are calculated by way of subtraction of the scrap metal prices.

PRICES AND SPREADS	2018	2017	2016	2015	2014	2013
<i>(pln/ tonne)</i>						
FERROSTAL						
scrap metal price <i>(all qualities, freight cost inclusive)</i>	1 092	1 014	755	864	989	1 096
billet price <i>(all qualities)</i>	2 138	1 834	1 455	1 660	1 858	2 015
<i>billet spread</i>	<i>1 046</i>	<i>821</i>	<i>700</i>	<i>796</i>	<i>869</i>	<i>919</i>
finished product price <i>(all types)</i>	2 321	1 997	1 714	1 842	2 036	2 131
<i>product spread</i>	<i>1 229</i>	<i>983</i>	<i>960</i>	<i>978</i>	<i>1 047</i>	<i>1 036</i>
HSJ						
scrap metal price <i>(all qualities, freight cost inclusive)</i>	1 206	1 076	823	902	1 041	1 114
finished product price <i>(all types)</i>	3 496	2 858	2 463	2 703	2 920	2 937
<i>product spread</i>	<i>2 290</i>	<i>1 782</i>	<i>1 640</i>	<i>1 801</i>	<i>1 879</i>	<i>1 823</i>

2. Main Metrics for consolidated data

MAIN METRICS	2018	2017	2016
Liquidity ratio	1.40	1.73	1.44
Quick ratio	0.55	0.86	0,52
Inventories turnover <i>days</i>	76	64	90
Receivables turnover <i>days</i>	29	35	36
EBITDA margin	9.6%	7.9%	7.1%
Net profit margin	3.5%	2.8%	0.3%
Equity <i>'000 PLN</i>	295 885	241 834	160 300
Net debt <i>'000 PLN</i>	209 421	325 087	453 259
Net debt / EBITDA	1.0	2.3	4.6

Liquidity metric improved, quick decreased - but remained at satisfactory levels.

Turnover of inventories decreased by 12 days, the receivables cycle improved by 6 days, the efficiency ratios remain fair.

The profitability metrics improved as a consequence of the improvement of our results.

Company's leverage went down to 1.0 times as a consequence of higher EBITDA .

3. Perspectives of development

Further development is conditioned by both the market environment, as well as internal activity. Within the framework of the latter, which we have an influence on in terms of a certain time perspective, it is necessary to list the steps to be taken aimed at reducing the costs of production, increasing the product range and further improvement of the quality of the goods on offer. Significant progress in all of these areas is dependent on capital expenditures. The Group has prepared a mid-term project of modernization for the technological equipment at our disposal that could improve our operational activities in a most significant manner in all the three key aspects.

IV. Description of significant factors of risk and threats with the definition of the extent to which the Company and the Capital Group are at risk.

1. Risk of fluctuations in currency rates:

The Group is susceptible to the risk of fluctuations in currency rates with relation to sales, purchases and financial obligations denominated in other currencies than the functional currency. The currency risk mainly relates to the Euro currency.

2. Price risk:

The Group is not susceptible to the price risk relating to capital shares and is classified in the report on the financial situation as available for sale valued in equitable value by means of financial results as it does not possess such financial instruments. The Group is also not susceptible to the price risk relating to mass goods.

3. Risk of fluctuations in interest rates on equitable values and cash flows

The Group does not possess significant financial assets other than pecuniary means and their equivalents, thus the revenues of the Group and the cash flows from operational activities are to a large extent independent of fluctuations in the market interest rates. The Group is more susceptible to the risk of interest rates in terms of loans and credit. Credit loans granted at variable interest rates place the Group at the risk of interest rates on cash flows. Credit loans granted at constant rates place the Group at the risk of equitable values of interest rates.

4. Credit risk:

Credit risk is the risk of the Group incurring financial losses as a result of the failure of a client or trading partner as a financial instrument to fulfil its contractual obligations. Credit risk is particularly associated with receivables from clients and financial investments.

Financial instruments, which potentially jeopardize the Group with a concentration of credit risk particularly encompass the pecuniary means and their equivalents, as well as trading receivables and others. The Group deposits its pecuniary means and their equivalents in financial institutions possessing a high credit rating. Credit risk associated with receivables is limited as the clientbase of the Group is wide, thus the concentration of the credit risk is not significant.

5. Risk of losing solvency:

The risk of losing solvency is the risk of the lack of possibility of repayment occurring in the case of the Group with relation to its financial obligations at the moment of payment due date. Activities aimed at limiting the subject of risk encompass the appropriate management of financial solvency through the means of ensuring where possible that the Group shall always have sufficient solvency in order to be able to repay its obligations at the moment when this is required, both in normal and in specific conditions without incurring losses or jeopardizing the Group with a loss of reputation.

6. Risk of continuation of activities:

The individual and the consolidated financial statements as of and for the year ended 31 December 2017 have been prepared on the going concern basis.

V. Indicating the proceedings before the court, the appropriate body for arbitration proceedings or the body of public administration taking account of information in the following areas:

- a) Proceedings relating to obligations or outstanding debts of the issuer or entity affiliated to it, whose value constitutes at least 10 % of the equity capital of the issuer with the definition: the subject matter of proceedings, the value of the subject matter of the dispute, the date of commencing the proceedings, the parties to the proceedings commenced and the position of the issuer.
- b) Two or more cases of proceedings relating to the obligations and outstanding debts, whose combined value constitutes respectively at least 10 % of the equity capital of the issuer, with the definition of the combined value of the proceedings separately in a group of obligations and outstanding debts, together with the position of the issuer with relation to this case and with regard to the largest proceedings in the group of obligations and the group of outstanding debts with an indication of their subject matter, the value of the subject of dispute, the date of commencing the proceedings and the parties to the proceedings commenced.

The Group is party to a range of court proceedings, the majority of which it participates in as the plaintiff. Cognor has not been charged in any singular or group proceedings which together could significantly affect their financial results or level of obligations. There is one proceeding before the court important from the point of view of the Group:

- the company Złomrex Metal Sp. z o.o. (now Cognor SA Złomrex Branch in Wrocław) filed to the Supreme Administrative Court a cassation complaint against the judgment of the Provincial Administrative Court in Gliwice of 28 September 2015 – on November 17, 2017 a hearing was held, ending with a valid judgement for setting aside the judgement under appeal; annulment of the decision of the Director of the Tax Chamber in Katowice of September 19, 2014 and reconsideration of the case. Complaint concerns challenged by the Tax Control Office in Katowice deductions of VAT invoices issued in 2008 by 19 suppliers of the Company. The amount of the contested tax is PLN 1 418 thousand. Challenged tax along with interest in the total amount of PLN 2 478 thousand has been paid by Złomrex Metal Sp. z o.o. in 2014.

VI. Information about the basic products, goods or services, together with their valuation and quantitative specification, as well as the proportion of particular products, goods and services (if important), or their groups in terms of the total sales of the Capital Group, while also fluctuations in this area in a given trading year.

The main companies creating the Capital Group operate on two important steel markets: the production of semi-finished products and finished goods, as well as sourcing and trading in scrap metal. Production of semi-finished products and finished goods is dealt with by the following: Cognor SA HSJ Branch in Stalowa Wola (HSJ), Cognor SA Ferrostal Łabędy Branch in Gliwice (Ferrostal), Cognor SA Ferrostal Łabędy Branch in Zawiercie (ZW-WB) and Cognor SA Ferrostal Łabędy Branch in Kraków (PROFIL). The trading in scrap metal is run by Cognor SA Złomrex Branch in Wrocław (ZLX).

The basic products of the companies belonging to the parent company are as follows:

- HSJ: billets - rectangular 270X320mm, 130X800mm, 180X800mm, 190X1030mm, length 1-4,5m; billets for forging with rounded edges – square shaped 50-130mm, length 3-6m; rods - 55-120mm, length 3-6m; metal sheets - thin (3-6)x(800-1250)x(1600-2500)mm, thick (6-30)x(1000-2000)x(2000-6000)mm; polygonal forging ingots, weight from 2 to 15 tons; profile cutting products; above mentioned products made by carbon steel and medium-alloy steel: carburizing steel and quenching and tempering steel, heat resisting steel, wear resistance steel (Hadfield's steel X120Mn12) and armour steel
- Ferrostal: billets – square-shaped 100-160mm, rectangular 165X140mm and round 170mm; carbon steel and medium-alloy steel
- ZW-WB: flat bar - from 20X4mm to 150X40mm, standard length 6m; blade bars 150X11X5mm; round rods - 10-22mm, standard length 6m and 12 m; round rods – 24-32mm, standard length 6m; square rods - 10-20mm, standard length 6m; clamp sections WZ 18X12X10mm; shin sections KŁ-24, 49W, 60W, 60WS; lining sections KP24, KP30; carbon steel and medium-alloy steel
- PROFIL: flat bars – 50X7mm, rebars – 8-16mm; round rods – 10-30mm; flat rods from 20X4mm to 50X10mm; square rods 10X20mm; tee bars from 25X3,5mm to 30X4mm; equal angle bars from 20X20X3mm to 50X50X5mm; unequal angle bars from 20X30X3mm to 60X40X6mm; standard length of all products 6m and 12m
- ZLX: scrap steel; non-ferrous scrap metal; non-ferrous metal products

The level of sales in the particular assortment segments are provided in the tables below:

1. Scrap metal

SCRAP METAL		2018	2017	2016
PURCHASES FROM EXTERNAL SUPPLIERS	<i>Tonnes</i>			
FERR		380 904	329 931	358 383
ZLX		345 308	331 912	306 145
HSJ		191 072	161 244	138 704
INTERNAL USE	<i>Tonnes</i>			
FERR		481 737	483 225	453 611
HSJ		302 974	281 624	258 680
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
ZLX		172 762	130 883	93 553
FERR		0	7 982	0
SALES	<i>'000 PLN</i>			
CONSOLIDATED		185 997	136 902	70 275
TOTAL PURCHASES in TONNES		917 284	823 087	803 232
TOTAL INTERNAL USE in TONNES		784 711	764 849	712 291
TOTAL SALES in TONNES		172 762	138 865	93 553
TOTAL SALES in '000 PLN		185 997	136 902	70 275

2. Semi-products (billets and ingots)

BILLETS		2018	2017	2016
PURCHASES	<i>Tonnes</i>			
FERR		0	0	0
PRODUCTION	<i>Tonnes</i>			
FERR		429 687	431 731	402 676
HSJ		265 693	246 189	226 090
INTERNAL USE	<i>Tonnes</i>			
FERR		348 404	320 796	329 371
HSJ		222 250	202 091	195 931
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		97 007	141 326	85 337
HSJ		43 443	44 098	30 159
SALES	<i>'000 PLN</i>			
CONSOLIDATED		332 800	366 629	180 764
TOTAL PURCHASES in TONNES		0	0	0
TOTAL PRODUCTION in TONNES		695 380	677 920	628 766
TOTAL INTERNAL USE in TONNES		570 654	522 887	525 302
TOTAL SALES in TONNES		140 450	185 424	115 496
TOTAL SALES in '000 PLN		332 800	366 629	180 764

3. Finished goods

FINISHED PRODUCTS		2018	2017	2016
PURCHASES	<i>Tonnes</i>			
FERR		0	19	132
PRODUCTION	<i>Tonnes</i>			
ZWWB		79 835	78 729	80 480
PROFIL		252 415	226 647	223 029
HSJ		188 966	171 697	156 858
SALES TO EXTERNAL CUSTOMERS	<i>Tonnes</i>			
FERR		293 564	305 571	318 095
HSJ		204 520	175 339	161 647
SALES	<i>'000 PLN</i>			
CONSOLIDATED		1 366 281	1 102 463	942 670
PURCHASED		0	19	132
TOTAL PRODUCTION in TONNES		521 216	477 073	460 367
TOTAL BULK PRODUCT SALES in TONNES		498 084	480 910	479 742
TOTAL SALES in '000 PLN		1 366 281	1 102 463	942 670

The companies that are not specified signify the lack of running business activities or activities with insignificant meaning in terms of the results of the Group as a whole.

VII. Information about markets, while taking account of the division into the domestic and foreign markets, as well as information about the sources of supply of materials for production in terms of goods and services with the specification of the dependence on one or more clients or suppliers, whereas in the case whereby the proportion of one client or supplier achieves at least 10 % of revenue in terms of general sales or supplies – the name of (firm) supplier or client, its proportion of revenue or supplies and its formal ties with the issuer.

1. HSJ

Market	Participation in sales
Domestic	44.5%
Foreign	55.5%

Customers:

Sale to any of the customers do not exceed 10% of the total sale of HSJ.

Suppliers:

Supplies from three of the suppliers – Cognor SA Złomrex branch in Wrocław (ZLX), Wtór-Steel Sp. z o.o. and Cognor SA Ferrostal branch in Gliwice (FERR) - exceed 10% of the total purchases of HSJ and are: 14.9%, 12.7% and 10.8%. ZLX and FERR are branches on Cognor SA . Wtór-Steel Sp. z o.o. is not related with any company of the Cognor Capital Group. ZLX and Wtór-Steel Sp. z o.o. deliver to HSJ scrap batch for the production of steel, FERR deliver finished products.

2. FERR

Market	Participation in sales
Domestic	88.6%
Foreign	11.4%

Customers:

Sale to any of the customers do not exceed 10% of the total sale of FERR.

Suppliers:

Supplies from one supplier exceed 10% of the total purchases of FERR and is: 11.9% from ZLX. ZLX is a branch on Cognor SA and delivers to FERR scrap batch for the production of steel.

3. ZLX

Market	Participation in sales
Domestic	97.6%
Foreign	2.4%

Customers:

Sale to three customers exceed 10% of the total sale of ZLX and are: 20.2% to FERR, 20.8% to HSJ and 16.5% to CMC Poland Sp. z o.o. To these companies ZLX supplies scrap batch for the steel production. FERR and HSJ are branches of Cognor SA. CMC Poland Sp. z o.o. is not related with any company of the Cognor Capital Group.

Suppliers:

Deliveries from any of the suppliers do not exceed 10% of the total purchases of ZLX.

VIII. Information about the entered agreements that are significant for the activities of the Company and the Capital Group, including agreements known to the issuer that were entered into with shareholders (partners), insurance agreements, cooperation agreements.

On 12 July 2018 Cognor SA (as the borrower) and Cognor Holding SA, BSS, PTS, Cognor Holding SA Spk, OMS, CIF, Cognor Blachy Dachowe SA (as the guarantors) concluded a loan agreement with a consortium of four banks (mBank, BZWBK, BGK, EBRD) on the basis of which it received a long-term loan in the amount of EUR 60m and revolving loan in the amount of PLN 40m. The long-term loan was designated for the total repayment of the Company's bonds (SSN) in the amount of EUR 80.9 m (repayment of the missing amount - 20.9 m eur - Cognor SA realized from own funds).

IX. Information about the organizational or capital ties of the issuer with other entities, as well as a definition of its main national and international investments (shares, financial instruments, intangible and legal value, as well as real estate), including capital investments carried out by an entity from outside its affiliated entities, as well as the methods of their financing.

Not applicable.

X. Information about significant transactions entered into by the issuer or entity affiliated to the entities connected by other factors than market ones, together with their amounts and information defining the nature of these transactions – the obligation is deemed to be fulfilled by means of indicating the placement of this information in the financial statement.

All transactions of the parent company and its subsidiaries with affiliated entities were run in accordance with market conditions.

XI. Information about agreements on loans and credit loans taken out in the given trading year, providing at least their amounts, type and level of interest rate, currency and payment due date

1. Credit loans

a) Taken in 2018 and before 2018 but still active:

- on July, 2018 Cognor SA signed the loan agreement with a consortium of four banks (mBank, BZWBK, BGK, EBRD) on the basis of which it received a long-term loan in the amount of EUR 60 000 000 (released in two currencies – EUR 30 000 000 EUR and PLN 129 126 000), interest rate is EURIBOR + points of margin and WIBOR + points of margin. Period of validity – December 31, 2022. The overdraft balance as at 31 December 2018 was EUR 28 900 000 and PLN 124 348 338
- on July, 2018 Cognor SA signed the loan agreement with a consortium of four banks (mBank, BZWBK, BGK, EBRD) on the basis of which it received a revolving loan in the amount of PLN 40 000 000, interest rate is WIBOR + points of margin. Period of validity – June 30, 2020. Loan was repaid.

b) Terminated:

- on March 5, 2012 Cognor Holding S.A. and its subsidiaries (Ferrostal Łabędy Sp. z o.o., Huta Stali Jakościowych S.A. and Złomrex Metal Sp. z o.o. – currently Cognor SA)

signed the loan agreement of bank overdraft with the limit of PLN 10 000 000 with mBank S.A., interest rate is WIBOR + points of margin, and in 2014 the limit was split between Ferrostal Łabędy Sp. z o.o. (PLN 3 700 000) and Huta Stali Jakościowych S.A. (PLN 6 300 000). Annex No. 7 of 18 December 2014 terminated the contract with Złomrex Metal Sp. z o.o. Annex No. 8 of 18 December 2014 established the amount of the loan for PLN 9 100 000 and established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 3 700 000, Huta Stali Jakościowych SA PLN 5 400 000. Annex No. 10 of 29 June 2015 extended the limit of bank overdraft until 29 June 2016, established the amount of the loan for PLN 25 000 000 and established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 11 650 000, Huta Stali Jakościowych SA PLN 13 350 000. On 7 January 2016 established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 0, Huta Stali Jakościowych SA PLN 0. On 27 January 2016 established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 0, Huta Stali Jakościowych SA PLN 10 000 000. On 27 July 2016 established the breakdown: Ferrostal Łabędy Sp. z o.o. PLN 0, Huta Stali Jakościowych SA PLN 25 000 000 and extended the limit until 27 July 2017. On 24 July 2017 extended the limit until 28 December 2017. On 28 December 2017 extended the limit until 29 March 2018. On 17 January 2018 established the breakdown: Cognor Holding SA PLN 25 000 000. Loan was repaid.

- on September 21, 2015 Ferrostal Łabędy Sp. z o.o. (currently Cognor SA) signed the loan agreement of bank overdraft with the limit of PLN 5 000 000 with Pekao S.A., interest rate is WIBOR + points of margin and the limit of bank overdraft 20 September 2016. Annex from 20 September 2016 extended the limit until 30 September 2017. On 29 September 2017 extended the limit until 30 September 2018. Loan was repaid.
- on August 30, 2017 Odlewnia Metali Szopienice Sp. z o.o. signed the loan agreement of bank overdraft with the limit of PLN 3 000 000 with ING Bank Śląski SA, interest rate is WIBOR + points of margin and the limit of bank overdraft 30 August 2018. Loan was repaid.
- on March 31, 2008 ZW Profil SA (currently Cognor SA) signed the loan agreement of investment credit with the limit PLN 7 000 000, interest rate is WIBOR + points of margin and the limit of credit 30 March 2018. Loan was repaid.
- on July, 2018 Cognor SA signed the loan agreement with a consortium of four banks (mBank, BZWBK, BGK, EBRD) on the basis of which it received a revolving loan in the amount of PLN 40 000 000, interest rate is WIBOR + points of margin. Period of validity – June 30, 2020. Loan was repaid.

2. Loans:

a) Taken in 2018:

- Cognor SA. took out a loan from PTS SA with the amount PLN 3 000 000, in which the agreement was entered on 4 June 2018 for the period up to 30 June 2019, with interest at 10.0% at a scale of the year as a whole. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid
- Odlewnia Metali Szopienice Sp. z o.o. took out a loan from Cognor SA with the amount PLN 2 800 000, in which the agreement was entered on 23 August 2018 for the period up to 31 December 2018, with interest at 13.2% at a scale of the year as a whole. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid

b) Taken before 2018, but still active:

- Cognor Blachy Dachowe SA took out a loan from Cognor Holding SA with the amount 350 000 PLN, in which the agreement was entered on 16 January 2017 for the period up to 31 December 2017, with interest at 13.2% at a scale of the year as a whole. Upon the annex extended the limit of a loan until 31 December 2019 and the limit was raised to PLN 3 200 000. On 1 October 2018 the interest was reduced to 6.0%. As at 31 December 2018 the principal amount was PLN 3 200 000 plus interest PLN 415 223,69
- Huta Stali Jakościowych SA (currently Cognor SA) took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 5 383 285 PLN, in which the agreement was entered on 20 May 2016 for the period up to 31 December 2019, with interest at 0.72% rediscount rate for promissory note but not less than 3.5% at a scale of the year as a whole. As at 31 December 2018 the principal amount was PLN 1 977 137,05 plus interest PLN 21 034,95
- Huta Stali Jakościowych SA (currently Cognor SA) took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 992 000 PLN, in which the agreement was entered on 4 October 2016 for the period up to 31 September 2021, with interest at 0.72% rediscount rate for promissory note but not less than 3.5% at a scale of the year as a whole. As at 31 December 2017 the principal amount was PLN 598 800,00 plus interest PLN 5 704,48
- Huta Stali Jakościowych SA (currently Cognor SA) took out a loan from Business Support Services Sp. z o.o. with the amount 3 061 849.73 PLN, , in which the agreement was entered on 23 October 2014 for the period up to 26 January 2015, with interest at 7,75% at a scale of the year as a whole. On 26 January 2015 the limit was raised up to 4 300 000 mln PLN and extended for the period up to 31 December

2015. On 31 December 2015 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7% and the limit was raised up to 4 800 000 PLN. Upon the next annexes the interest was raised up to 13,2 (from 1 February 2017), then reduced to 6,0% (from 1 August 2018) and extended the limit of a loan until 31 December 2019. As at 31 December 2018 the principal amount was PLN 3 117 461,50 plus interest PLN 118 326,26

- Przedsiębiorstwo Transportu Samochodowego SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 227 940,65 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3.75% at a scale of the year as a whole. As at 31 December 2018 the principal amount was PLN 131 100,00 plus interest PLN 0
- Przedsiębiorstwo Transportu Samochodowego SA took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount 422 470,73 PLN, in which the agreement was entered on 31 July 2014 for the period up to 15 September 2024, with interest at 3.75% at a scale of the year as a whole. As at 31 December 2018 the principal amount was PLN 242 880,00 plus interest PLN 0
- Odlewnia Metali Szopienice Sp. z o.o. took out a loan from Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej with the amount PLN 2 529 450, in which the agreement was entered on 18 February 2016 for the period up to 10 July 2022, with interest at 3.0% at a scale of the year as a whole. As at 31 December 2018 the principal amount was PLN 1 545 075,00 plus interest PLN 0

c) Terminated:

- Cognor Holding SA Sp.k. took out a loan from Cognor Holding SA with the amount 2 600 000 PLN, in which the agreement was entered on 25 November 2016 for the period up to 31 December 2017, with interest at 10.7% at a scale of the year as a whole. On 30 December 2016 the limit was raised to 2 625 000 PLN. On 1 February 2016 the interest was raised up to 13.2%. Upon the next annex extended the limit of a loan until 31 December 2018. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid
- Kapitał SA Sp.k. (recent Cognor Holding SA Sp.k.) took out a loan from Kapitał SA (recent Huta Stali Jakościowych SA) with a loan in the amount 100 000 PLN, in which the agreement was entered on 30 October 2012 for the period up to 31 December 2015, with interest at 9,2% at a scale of the year as a whole. Changes: on 5 March 2013 the limit was raised up to 5 000 000 PLN, on 3 February 2014 the limit was raised up to 7 000 000 PLN and interest was limited to 7,7% at a scale of the year as a whole. On 4 January 2016 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7%. On 2 January 2017 extended the limit of a loan until 31 December 2017 and from 1 February 2017 the interest was raised up to 13.2%. Upon the next annex extended the limit of a loan until 31 December 2018. Loan was repaid
- Cognor SA. took out a loan from PTS SA with the amount PLN 3 000 000, in which the agreement was entered on 4 June 2018 for the period up to 30 June 2019, with interest at 10.0% at a scale of the year as a whole. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid
- Odlewnia Metali Szopienice Sp. z o.o. took out a loan from Cognor SA with the amount PLN 2 800 000, in which the agreement was entered on 23 August 2018 for the period up to 31 December 2018, with interest at 13.2% at a scale of the year as a whole. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid
- Cognor Holding SA took out a loan from Cognor SA with the amount 35 000 000 PLN, in which the agreement was entered on 1 January 2017 for the period up to 31 December 2017, with interest at 13.2% at a scale of the year as a whole. This agreement contains all previous loans between Cognor Holding SA and Ferrostal Łabędy Sp. z o.o. and Huta Stali Jakościowych SA – currently Cognor SA. Upon the annex extended the limit of a loan until 31 December 2018. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid
- Business Support Services Sp. z o.o. took out a loan from 4Workers Przemysław Sztuczowski with the amount 350 000 PLN, in which the agreement was entered on 23 October 2014 for the period up to 31 December 2015, with interest at 7,75% at a scale of the year as a whole. On 26 January 2015 2013 the limit was raised up to 1 650 000 PLN. On 1 February 2016 the limit was raised up to 1 750 000 PLN and the limit was extended until 31 December 2016. Upon the next annexes the limit was raised up to 3 200 000 PLN, the limit was extended until 31 December 2017, then 31 December 2018 and from 1 February 2017 the interest was raised up to 13.2%. Loan was repaid
- Cognor Holding SA took out a loan from Odlewnia Metali Szopienice Sp. z o.o. with the amount PLN 9 000 000, in which the agreement was entered on 8 December 2017 for the period up to 31 December 2018, with interest at 7.0% at a scale of the year as a whole. Loan was repaid

XII. Information about credit loans granted in the given trading year, with particular attention paid to the entities that are tied with the issuer , providing at least their amounts, type and level of interest rate, currency and the payment due date

- a) Credit loans granted in 2018 to the affiliated entities:
- Cognor SA. took out a loan from PTS SA with the amount PLN 3 000 000, in which the agreement was entered on 4 June 2018 for the period up to 30 June 2019, with interest at 10.0% at a scale of the year as a whole. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid
 - Odlewnia Metali Szopienice Sp. z o.o. took out a loan from Cognor SA with the amount PLN 2 800 000, in which the agreement was entered on 23 August 2018 for the period up to 31 December 2018, with interest at 13.2% at a scale of the year as a whole. On 1 October 2018 the interest was reduced to 6.0%. Loan was repaid
- b) Credit loans granted to the affiliated entities before 2018, but still active:
- Cognor Blachy Dachowe SA took out a loan from Cognor Holding SA with the amount 350 000 PLN, in which the agreement was entered on 16 January 2017 for the period up to 31 December 2017, with interest at 13.2% at a scale of the year as a whole. Upon the annex extended the limit of a loan until 31 December 2019 and the limit was raised to PLN 3 200 000. On 1 October 2018 the interest was reduced to 6.0%. As at 31 December 2018 the principal amount was PLN 3 200 000 plus interest PLN 415 223,69
 - Huta Stali Jakościowych SA (currently Cognor SA) took out a loan from Business Support Services Sp. z o.o. with the amount 3 061 849.73 PLN, , in which the agreement was entered on 23 October 2014 for the period up to 26 January 2015, with interest at 7,75% at a scale of the year as a whole. On 26 January 2015 the limit was raised up to 4 300 000 mln PLN and extended for the period up to 31 December 2015. On 31 December 2015 extended the limit of a loan until 31 December 2016. On 1 February 2016 the interest was raised up to 10.7% and the limit was raised up to 4 800 000 PLN. Upon the next annexes the interest was raised up to 13,2 (from 1 February 2017), then reduced to 6,0% (from 1 August 2018) and extended the limit of a loan until 31 December 2019. As at 31 December 2018 the principal amount was PLN 3 117 461,50 plus interest PLN 118 326,26

XIII. Information about the granted and received warrants and guarantees in the given trading year, with particular regard to the warrants and guarantees granted to the entities affiliated with the issuer

- 1) Granted in 2018: none
- a. Cognor Holding SA, Przedsiębiorstwo Transportu Samochodowego SA, Odlewnia Metali Szopienice Sp. z o.o, Business Support Services Sp. z o.o., Cognor Holding SA Spk, Cognor Blachy Dachowe SA granted Cognor SA a guarantee for long-term loan and revolving loan
- b. Cognor Holding granted Cognor SA a guarantee for 2 agreements of co-financing investment projects
- 2) Granted before 2018, but still active:
- a. Cognor S.A. granted PTS S.A. a guarantee for 2 loan agreements
- b. Cognor S.A.. granted Cognor Holding S.A. a guarantee for leasing agreement
- c. Cognor Holding S.A. granted Cognor S.A. a guarantee for trade agreement
- d. Cognor Holding S.A. granted Cognor Blachy Dachowe S.A a guarantee for trade agreement
- e. Cognor S.A. granted Cognor Blachy Dachowe S.A a guarantee for trade agreement
- f. Cognor Holding S.A. granted Cognor S.A. a guarantee for 2 factoring agreements
- g. Cognor Holding S.A. granted Cognor Sa HSJ Branch in Stalowa Wola a guarantee for loan agreement
- 3) Terminated:
- a. Cognor Holding S.A. granted Cognor International Finance PLC a senior secured notes indenture
- b. Cognor S.A. granted Cognor International Finance PLC a senior secured notes indenture
- c. Odlewnia Metali Szopienice Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- d. PS Holdco Sp. z o.o. granted Cognor International Finance PLC a senior secured notes indenture
- e. Cognor Holding S.A. granted Cognor S.A. a guarantee for credit agreements
- f. Cognor S.A.. granted Cognor Holding S.A. a guarantee for 2 leasing agreements
- g. Cognor Holding S.A. granted Cognor S.A. a guarantee for factoring agreement

XIV. Description – in the case of issuing shares in the period encompassed in the report, the utilization of the issuer of the revenue from the emission up to the moment of preparing the report on the activities

On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Exchangeable Notes. The Exchangeable Notes will be unsecured and guaranteed by Cognor Holding S.A. The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021. The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor Holding S.A. new and/or existing shares, credited as fully paid, in the period from March 1, 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to: (i) deliver (or procure the issue or transfer and delivery of) Cognor Holding S.A. shares, (ii) pay a cash settlement amount, or (iii) a combination thereof. Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor Holding S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 1.92.

In connection with the request of the holders of Exchangeable Notes (EN) to a subsidiary Cognor International Finance plc for conversion of Notes held by them into shares of Cognor Holding SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor Holding S.A.:

- July 9, 2015 admitted to trading 50 000 of shares,
- August 3, 2015 admitted to trading 41 489 of shares
- September 7, 2015 admitted to trading 457 446 of shares
- November 17, 2015 admitted to trading 3 080 304 of shares
- August 10, 2016 admitted to trading 868 456 of shares
- November 7, 2016 admitted to trading 4 545 925 of shares
- June 23, 2017 admitted to trading 685 155 of shares
- July 18, 2017 admitted to trading 136 222 of shares
- August 31, 2018 admitted to trading 95 271 of shares
- November 7, 2018 admitted to trading 1 706 211 of shares

Altogether admitted to trading 11 666 479 of shares of Cognor Holding SA in exchange for the conversion of EUR 6 195 724 of Exchangeable Notes. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2018 is 18 891 279 EUR.

Futhermore on December 14, 2017 the District Court in Częstochowa registered changes in equity resulting from:

- issued by Cognor Holding SA
 - through SPO 26 528 415 shares of issue no. 11 with nominal value PLN 1.5 per share (PLN 39 792 622.50)
 - through private subscription for 16 000 000 shares of issue no. 12 with nominal value PLN 1.5 per share (PLN 24 000 000)
- reduction of the share capital by reducing the nominal value of each share from PLN 2.0 to PLN 1.5

Funds from the share issue described above together with earned own funds equivalent to EUR 20.9m and funds obtained under a loan agreement signed in 12 July 2018 on EUR 60m were used to repay the whole debt resulting from the issue of SSN in 2014 (EUR 80.9m).

XV. Explanation of the differences between the financial results indicated in the annual report and the previously published forecasts of results for a given year

The Group has not published the forecast of results in a given year.

XVI. Evaluation, together with its justification with relation to managing the financial resources, with particular mention of the ability to comply with the obligations taken out and a definition of the possible threats and action that the issuer has taken out or intends to take out with the aim of counteracting its danger

The management of financial resources was correct and effective in 2018. The activity of the Group was featured by good indicators in terms of the rotation of stocks and receivables as a result of which, the outflow of cash to working capital was insignificant. Steps were continued with the aim of selling off unnecessary elements of fixed assets. The Company maintained a significant balance of cash on its bank accounts. The main reason for this policy was to secure the capital resources for the deadlines of repaying the short-term financial obligations due in 2018 that are the result of bank loans granted.

In the perspective of the year 2019, the Management of Cognor Holding S.A. does not visualize any threats which could cause the lack of possibility to comply with the financial obligations undertaken.

XVII. Evaluation of the possibilities of the realization of the investment intentions, including capital investments in comparison with the magnitude of the resources in possession, by taking account of the possible changes in the structure of financing these activities

In the assessment of the Company, the possibility of the realization of the investment intentions should not be at risk.

XVIII. Evaluation of the factors and untypical events having an impact on the result of activities on the trading year with the specification of the extent of these factors or untypical events on the result achieved.

Not applicable.

XIX. Characteristics of the external and internal factors essential for the development of the Company and the Capital Group, as well as a description of the perspectives of development of the activities of the Company and the Capital Group at least until the end of the trading year which takes place after the trading year for which the financial statement was prepared and included in the annual report, by taking account of the elements of the market strategy worked out in it

External factors:

- pace of development of the economy,
- investment outlays in construction,
- realization of the programme of building roads and motorways,
- ability to acquire and utilize EU funds,
- world demand for steel products,
- shaping the exchange rate of the Zloty with the Euro and the US Dollar.

Internal factors:

- success in the continuation of organic development in the appropriate policy of investment outlays on the means of production,
- gaining of new markets; launching new products

In the following years, the Group plans to continue activities primarily based on organic growth through the implementation of appropriate repair, investment and research aimed at increasing production capacities, expanding the product offer and reducing variable and fixed production costs.

XX. Changes in the basic principles of managing the enterprise of the issuer and his Capital Group

In the period under analysis the basic principles of management of the parent company and its Capital Group did not undergo significant change.

XXI. All agreements entered between the issuer and the managerial personnel foresee recompensation in the case of their resignation or dismissal from the position held without valid reasons, or when their demotion or dismissal takes place due to a merger with the issuer

Not applicable.

XXII. The value of remuneration, awards or perks, including those resulting from motivational or premium programmes on the basis of the capital of the issuer, including programmes based on bonds with the right of priority, variable, subscription warrants (paid in cash, in kind or any other form), paid out, due or potentially due, separately for each person managing and supervising the issuer in the enterprise of the issuer, regardless of whether they were appropriately calculated as costs, or whether they resulted from a share of profits, in the case of which the issuer is the parent company, the partner of the unit which is also affiliated or a significant investor – separate information about the value of remuneration and awards received due to fulfilling the functions of the authorities of the subsidiaries; if the appropriate information was presented in the financial statement, the obligation is deemed to have been fulfilled by means of indicating their place in the financial statement

Net remuneration for the members of the Management Board and the Supervisory Board of the parent company in 2018:

Management Board

- Przemysław Sztuczkowski – 5 733.3 kPLN
- Przemysław Grzesiak – 3 413.6 kPLN
- Krzysztof Zoła – 1 492.0 kPLN
- Dominik Barszcz – 884.0 kPLN

The above remuneration consists of:

Przemysław Sztuczkowski due to fulfilling the function of:

- President of the Management Board of Cognor Holding – 4 678.0 kPLN (including 2 038.0 kPLN bonus)
- President of the Management Board of Cognor SA and the Managing Director in Cognor SA Ferrostal Branch in Gliwice – 1 055.3 kPLN (including 803.3 kPLN bonus)

Przemysław Grzesiak due to fulfilling the function of:

- Vicepresident of the Management Board of Cognor Holding – 2 948.0 kPLN (including 1 292.0 kPLN bonus)
- Member of the Management Board of Cognor SA and the Managing Director in Cognor SA HSJ Branch in Stalowa Wola – 465.6 kPLN (including 213.6 kPLN bonus)

Krzysztof Zoła due to fulfilling the function of:

- Member of the Management Board of Cognor Holding – 1 492.0 kPLN (including 1 000.0 kPLN bonus)

Dominik Barszcz due to fulfilling the function of:

- Member of the Management Board of Cognor Holding – 860.0 kPLN (including 500.0 kPLN bonus)
- Member of the Management Board of Cognor SA – 24.0 kPLN

Supervisory Board

- Hubert Janiszewski – 90 kPLN
- Marek Rocki – 72 kPLN
- Piotr Freyberg – 72 kPLN
- Jerzy Kak – 72 kPLN
- Zbigniew Łapiński – 72 kPLN

The members of the Board due to fulfilling supervisory functions in the subsidiary companies do not receive remuneration for this work.

XXIII. Specification – in the case of capital companies, the combined numbers and nominal value of all shares (stocks) of the issuer and the stocks and shares in units associated with the issuer that has people at its disposal managing and supervising the issuer (separately for each person)

Przemysław Sztuczkowski, the Chairman of the Board of the parent company is the owner of 100% of shares in the company PS HoldCo Sp. z o.o. (72,42% by 4Workers Sp. z o.o. and 27.58% by FER Holding Sp. z o.o.), which is directly the owner of 76.76% of shares in the company Cognor Holding SA, providing 76.76% votes at the AGM.

In addition PS HoldCo Sp. z o.o. it has convertible bonds (EN) for Cognor Holding SA shares with a nominal value of EUR 5 438 906 which, when converted as at the date of the report, gives 12 180 882 shares of Cognor Holding SA.

Przemysław Grzesiak, Vice President of the Management Board of the parent company, owns 106 000 shares of Cognor Holding SA, which accounts for 0.09% of votes at the AGM.

Krzysztof Zoła, Member of the Management Board of the parent company, owns 175 000 shares of Cognor Holding SA, which accounts for 0.15% of votes at the AGM.

Dominik Barszcz, Member of the Management Board of the parent company, owns 144 500 shares of Cognor Holding SA, which accounts for 0.12% of votes at the AGM.

XXIV. Information about agreements known to the issuer (also including those entered after the balance sheet day), as a result of which the proportion of shares held by existing shareholders and bond-holders may change in the future

- a) On 19 August 2011 Cognor S.A. (currently Cognor Holding SA) executed resolution no. 13 at the shareholders' meeting dated 14 March 2011 and issued 6,622 subscription warrants of B series. These warrants authorized the accession of 66, 220, 000 no. 9 shares emissions. In the powers of the resolution of the Management dated 13 September 2011 the warranty was accessed in the following way:

- Złomrex S.A. (currently Cognor S.A.)- 6,086 warrants;
- the remaining individual shareholders- 536 warrants.

As a result of the agreement entered on 20 September 2011, Złomrex S.A. sold its warrants to the company PS HoldCo Sp. z o.o., and on 3 February 2014 PS HoldCo Sp. z o.o. sold these warrants to Cognor International Finance Plc, a company established in UK, a subsidiary directly from Cognor S.A.

- b) On December 30, 2013 the shareholders' meeting of the Company has decided to split the warrants of B series by 10,000 and change the strike price to pln 2,35 (on January 2018 the price changed to pln 2.05). As a result of that change each warrant grants a right to subscribe for one capital share of Cognor Holding S.A.
- c) On December 30, 2013 the shareholders' meeting of the Company has decided to issue 200 new subscription warrants of C series each of them allowing to subscribe for one capital share at the price of pln 1,0 million. The warrants were issued exclusively for PS HoldCo Sp. z o.o.
- d) On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Huta Stali Jakościowych S.A.) issued Exchangeable Notes. The Exchangeable Notes will be unsecured and guaranteed by Cognor Holding S.A. The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021. The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor Holding S.A. new and/or existing shares, credited as fully paid, in the period from March 1, 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to: (i) deliver (or procure the issue or transfer and delivery of) Cognor Holding S.A. shares, (ii) pay a cash settlement amount, or (iii) a combination thereof. Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor Holding S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 1.92.
- In connection with the request of the holders of Exchangeable Notes (EN) to a subsidiary Cognor International Finance plc for conversion of Notes held by them into shares of Cognor Holding SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor Holding S.A.:
- July 9, 2015 admitted to trading 50 000 of shares,
 - August 3, 2015 admitted to trading 41 489 of shares
 - September 7, 2015 admitted to trading 457 446 of shares
 - November 17, 2015 admitted to trading 3 080 304 of shares
 - August 10, 2016 admitted to trading 868 456 of shares
 - November 7, 2016 admitted to trading 4 545 925 of shares
 - June 23, 2017 admitted to trading 685 155 of shares
 - July 18, 2017 admitted to trading 136 222 of shares
 - August 31, 2018 admitted to trading 95 271 of shares
 - November 7, 2018 admitted to trading 1 706 211 of shares

Altogether admitted to trading 11 666 479 of shares of Cognor Holding SA in exchange for the conversion of EUR 6 195 724 of Exchangeable Notes. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2018 is 18 891 279 EUR.

- e) Following the restructuring of Cognor Holding's indebtedness on 04.02.2014 PS Holdco agreed to transfer all of its warrants series B for the purpose of the restructuring process. Consequently, on 31.03.2014 PS Holdco and Cognor Holding, made the amendment nr 3 to the Settlement Agreement in order to reflect the arrangement of the restructuring in its terms. In particular it was decided that the payment of Cognor Holding's liability shall occur following subscription for warrants series B and series C by PS Holdco and that the total amount of the subscription shall at least equal the price. The deadlines for the PS Holdco's undertaking to increase Cognor Holding's equity and for the payment of the price for shares in Złomrex S.A. by Cognor Holding were postponed to 31.12.2021 when the remaining number of warrants series B surviving the conversion of Cognor Holding's convertible notes, will have become known.

Moreover, as a consequence of the amendments no. 3 and 4 to the Settlement Agreement, due to the fact that payment deadline has been postponed till 31 December 2021, the Group recognised liability to PS Holdco Sp. z o.o. related to the discounted value of interest accrued on the unpaid price for the shares in Złomrex S.A. total PLN 34 446 thousand (the value as at 31.12.2018: PLN 15 425 thousand).

Implementation of these agreements / resolutions may have an impact on the current proportion of shares held by particular shareholders wherein the quantification of this impact depends on the amount and the time in which the described operations would take place.

XXV. Information about the system of controlling employee action programmes

Neither the parent company, nor the subsidiary companies have employee action programmes.

XXVI. Information about the following:

- a) The date of entering the agreement on the part of the issuer with the entity authorized to analyse or review the financial report or the consolidated financial statement, as well as the period in which the agreement was entered.

The parent company entered an agreement on 3 July 2018 with PricewaterhouseCoopers Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) with its headquarters in Warsaw on the audit of separate and consolidated financial statements for the year ended 31 December 2018 (Agreement 1).

Furthermore the subsidiary Cognor SA entered an agreement on 3 July 2018 with PricewaterhouseCoopers Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) with its headquarters in Warsaw on the audit of financial statements for the year ended 31 December 2018 (Agreement 2).

- b) The remuneration of the entity authorized to analyse the financial statements paid out or due for the trading year in separate form for the following:
- analysis of the annual financial statement,
 - other services rendered, including a review of the financial report,
 - tax advisory services,
 - other services.

The value of the Agreement 1 on the audit of separate and consolidated financial statements for the year ended 31 December 2018 amounts to 50 000 PLN net.

The value of the Agreement 2 on the audit of financial statements for the year ended 31 December 2018 amounts to 185 000 PLN net.

Furthermore PricewaterhouseCoopers Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) received the remuneration:

- from Cognor SA for verification services based on verification OZE factor – 16 000 PLN net

- c) Information defined in lit. b should be also provided for the previous trading year

The parent company entered an agreement on 30 October 2017 with P PricewaterhouseCoopers Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) with its headquarters in Warsaw on the audit of separate and consolidated financial statements for the year ended 31 December 2017 (Agreement 1).

Furthermore the subsidiary Cognor SA entered an agreement on 24 July 2017 with PricewaterhouseCoopers Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) with its headquarters in Warsaw on the audit of financial statements for the year ended 31 December 2017 (Agreement 2).

The value of the Agreement 1 on the audit of separate and consolidated financial statements for the year ended 31 December 2017 amounts to 90 000 PLN net.

The value of the Agreement 2 on the audit of financial statements for the year ended 31 December 2017 amounts to 110 000 PLN net.

Furthermore PricewaterhouseCoopers Sp. z o.o. Audyt Spk (previously PricewaterhouseCoopers Sp. z o.o) received the remuneration:

- from Cognor SA for verification services based on verification OZE factor – 20 000 PLN net (Cognor SA 16 000 PLN net; OMS Sp. z o.o. 4 000 PLN net)
- from Cognor Holding SA for services provided on the project SPO – 249 500 PLN net

XXVII. Characteristics of the structure of assets and passive income in a individual and consolidated balance sheet, including the viewpoint of the solvency of the Capital Group issuer

Cognor Holding SA

ASSETS (000 PLN)	31.12.2018	31.12.2017	31.12.2016
Property, plant and equipment	3 978	4 370	5 709
Intangible assets	2 825	3 329	2 734
Investments in associates	422 897	390 629	333 275
Receivables in leasing	0	0	40 252
Deferred tax assets	1 846	6 329	9 617
Total non-current assets	431 528	404 657	391 587
Investments	4 718	4 891	5 218
Receivables in leasing	0	0	5 110
Current income tax receivables	10	10	10
Trade and other receivables	26 396	5 576	16 203
Cash and cash equivalents	19	39 376	407
Total current assets	31 143	49 853	26 948
Total assets	462 671	454 510	418 535

EQUITY AND LIABILITIES (000 PLN)	31.12.2018	31.12.2017	31.12.2016
Issued share capital	180 626	177 923	150 532
Other capital	59 069	321 398	283 067
Accumulated losses	201 050	-119 152	-161 425
Total equity	440 745	380 169	272 174
Interest-bearing loans and borrowings	2	80	269
Employee benefits obligation	86	9	9
Other payables	18 558	37 958	111 824
Total non-current liabilities	18 646	38 047	112 102
Interest-bearing loans and borrowings	23	15 580	5 312
Employee benefits obligation	21	3	3
Trade and other payables	3 236	20 711	28 944
Total current liabilities	3 280	36 294	34 259
Total liabilities	21 929	74 341	146 361
Total equity and liabilities	462 671	454 510	418 535

ASSETS (000 PLN)	31.12.2018	31.12.2017	31.12.2016
Property, plant and equipment	284 617	285 862	300 250
Intangible assets	17 965	13 005	11 938
Investments in associates	2 589	3 251	3 250
Other investments	178	180	4 805
Other receivables	324	223	126
Prepaid perpetual usufruct of land	23 013	25 771	20 220
Deferred tax assets	50 610	70 178	93 376
Total non-current assets	379 296	398 470	433 965
Inventories	376 969	277 494	303 938
Other investments	12	12	138
Current income tax receivables	660	778	1 908
Trade and other receivables	167 982	171 889	137 394
Cash and cash equivalents	73 459	102 046	25 054
Assets classified as held for sale	0	0	6 012
Total current assets	622 082	552 219	474 444
Total assets	1 001 378	950 689	908 409

EQUITY AND LIABILITIES (000 PLN)	31.12.2018	31.12.2017	31.12.2016
Issued share capital	180 626	177 923	150 532
Reserves	86 717	221 018	184 617
Foreign currency translation reserves	40	8	43
Accumulated losses	10 781	-173 600	-188 667
Total equity attributable to owners of the Parent Company	278 164	225 349	146 525
Non-controlling interests	17 721	16 485	13 775
Total equity	295 885	241 834	160 300
Interest-bearing loans and borrowings	229 188	358 003	378 383
Employee benefits obligation	10 677	11 282	9 202
Other payables	18 558	19 515	25 202
Deferred tax liabilities	1 162	0	6 150
Total non-current liabilities	259 585	388 800	418 937
Bank overdraft	0	24 607	25 274
Interest-bearing loans and borrowings	56 692	44 523	74 656
Employee benefits obligation	7 258	5 122	4 939
Current income tax payables	0	0	0
Provisions for payables	4 394	3 362	3 135
Trade and other payables	371 911	242 324	221 051
Government grants and other deferred income	5 653	117	117
Total current liabilities	445 908	320 055	329 172
Total liabilities	705 493	708 855	748 109
Total equity and liabilities	1 001 378	950 689	908 409

The level of fixed assets decreased primarily due to the reduction of deferred tax assets as a result of utilization of our tax shield. Property plant and equipment and intangible assets went down due to depreciation charges at the amount of PLN 43.9 partially offset by CAPEX at the amount of PLN 54.4 million minus the dispositions at the amount of PLN 5.0. The current assets increased by PLN 69.9 million and 12.7% as a result of PLN 99.5 million and 35.8% of inventories increase. This was partially offset by PLN 4.0 million and 2.3% decrease of receivables and PLN 25.6 million and 25.1% reduction of cash balance.

Equity increased by PLN 54.1 million and 22.4% primarily due to positive net result which was partially offset by PLN 11.9 million of dividend payment for 2017. Interest bearing loans and borrowings net of cash went down very considerably - by PLN 141.3 million and 33.1%. This resulted

primarily from the repayment of indebtedness with the use of our cash generated from operations thanks to: (i) the high net profit, (ii) inflows from working capital due to the increase of trade liabilities – by PLN 135.1 million and 55.8% - which proved greater than the PLN 95.5 million increase of combined receivables and inventories and (iii) utilisation of tax shield. A counterbalancing effect had FX losses related to our indebtedness at the amount of PLN 12.0 million.

XXVIII. Most important events that have a significant impact on the business activities and financial results of the issuer and the capital Group issuer in the trading year or whose impact is possible in the upcoming years

- a) On 4 February 2014, Cognor International Finance Plc, established in United Kingdom, (a direct subsidiary from Cognor S.A.) issued Senior Secured Notes and Exchangeable Notes. Within the framework of debt restructuring new Senior Secured Notes and Exchangeable Notes were received by the holders of 7-year Senior Secured Notes issued in 2007 by Złomrex International Finance S.A. with the maturity date of February 2014. The new issue was allocated to the holders in proportion to bonds that they owned.
- The Senior Secured Notes have an aggregate principal amount of EUR 100 348 109.00, mature on February 1, 2020, interest will be payable semi-annually in arrears on February 1 and August 1 in each year and depend on the interest payment periods:
- 1st and 2nd years (from 02.2014 to 01.2016) – 7.5%
 - 3rd year (from 02.2016 to 01.2017) – 10.0%
 - 4th to 6th years (from 02.2017 to 01.2020) – 12.5%

In 2014-2016, the Group bought back SSN bonds from the market with a total nominal value of EUR 19 460 819. The remaining part of the bond debt in the amount of EUR 80 887 290 was repaid in August 2018. The repayment was made of funds raised under the loan of 12 July 2018 in the amount of EUR 60 million. The remaining amount (EUR 20.9 million) was own funds, including those described in point b) below.

The Exchangeable Notes have EUR 25 087 003 aggregate principal amount, mature on February 1, 2021, interest will be payable semi-annually in arrears on February 1 and August 1 and the fixed interest rate is 5%. The holders of the Exchangeable Notes will be entitled to have their Exchangeable Notes converted into Cognor Holding S.A. new and/or existing shares, credited as fully paid, in the period from March 15, 2015 until the lapse of 6 months following the maturity date thereof. Upon a conversion, Cognor International Finance will have the option to: (i) deliver (or procure the issue or transfer and delivery of) Cognor Holding S.A. shares, (ii) pay a cash settlement amount, or (iii) a combination thereof. Unless previously purchased and cancelled, redeemed or converted, the Exchangeable Notes will be mandatorily converted into Cognor Holding S.A. shares at the conversion price on the Exchangeable Notes maturity date at the conversion price of PLN 1.92.

In connection with the request of the holders of Exchangeable Notes (EN) to a subsidiary Cognor International Finance plc for conversion of Notes held by them into shares of Cognor Holding SA, there was a series of conversion of Exchangeable Notes into shares. National Depository for Securities admitted to trading following number of shares Cognor Holding S.A.:

- July 9, 2015 admitted to trading 50 000 of shares,
- August 3, 2015 admitted to trading 41 489 of shares
- September 7, 2015 admitted to trading 457 446 of shares
- November 17, 2015 admitted to trading 3 080 304 of shares
- August 10, 2016 admitted to trading 868 456 of shares
- November 7, 2016 admitted to trading 4 545 925 of shares
- June 23, 2017 admitted to trading 685 155 of shares
- July 18, 2017 admitted to trading 136 222 of shares
- August 31, 2018 admitted to trading 95 271 of shares
- November 7, 2018 admitted to trading 1 706 211 of shares

Altogether admitted to trading 11 666 479 of shares of Cognor Holding SA in exchange for the conversion of EUR 6 195 724 of Exchangeable Notes. The total principal value of Exchangeable Notes remaining to be settled on 31 December 2018 is 18 891 279 EUR.

- b) On December 14, 2017 the District Court in Częstochowa registered changes in equity resulting from:
- issued by Cognor Holding SA
 - through SPO 26 528 415 shares of issue no. 11 with nominal value PLN 1.5 per share (PLN 39 792 622.50)
 - through private subscription for 16 000 000 shares of issue no. 12 with nominal value PLN 1.5 per share (PLN 24 000 000)
 - reduction of the share capital by reducing the nominal value of each share from PLN 2.0 to PLN 1.5

XXIX. Description of the structure of the main capital deposits or main capital investments carried out within the framework of the Company and the Capital Group issuer in the given trading year

Not applicable

XXX. Characteristics of policies in the sphere of the direction of development of the Company and the Capital Group

The policy of development of the Group has been geared for many years towards that of organic growth by means of availing of the possibilities of improving the efficiency of the technological equipment at our disposal by way of capital expenditures. The aim of this policy is to increase the production capacity of the most profitable products manufactured for the automotive industry. The ambition of the Management Board of the Group is to create a cost-effective producer of specialized steel steels, characterized by the highest level of quality in terms of the goods on offer.

XXXI. Description of the significant positions outside of the balance sheet in a subjective, objective and valuation notion

Not applicable

XXXII. Statement of compliance with corporate governance rules

Corporate governance code applicable to the Issuer and where the text of such code is publicly available

In 2018, the Issuer used its own Articles of Association as its set of corporate governance rules and the document: "Code of Best Practices of WSE Listed Companies", which is included as Appendix No. 1 to Resolution No. 12/1170/2007 of the WSE Supervisory Board of 4 July 2007 with subsequent amendments.

The company presents The Articles of Association and the wording of the Resolution No. 12/1170/2007 of the WSE Supervisory Board of July 4, 2007 on its website www.cognor.eu. Starting from January 1, 2016, the Issuer adopted the principles and the recommendations contained in the set of corporate governance principles and rules of conduct affecting the formation of relations of listed companies adopted on October 3, 2015 by a resolution of the WSE Supervisory Board regarding a new set of corporate governance rules under the name "Code of Best Practices of WSE Listed Companies 2016".

Corporate governance standards which were not applied by the Issuer

In the period from January 1, 2018 to December 31, 2018, the following standards were not applied by the Issuer:

Issuer do not enable its shareholders to participate in a general shareholders meeting using electronic communications means, because the Issuer's Articles of Association do not provide such possibility. The Issuer informs that this standard will not be applied in 2019 and the following years.

Basic features of internal control and risk management systems used by the Issuer in the process of preparation of financial statements and consolidated financial statements.

The Management Board of Cognor Holding S.A. is responsible for the internal control system and its effectiveness in the process of preparing financial statements and periodic reports prepared and published by issuers of securities.

In order to secure the correctness, reliability and compliance with the applicable financial statements, the Company uses elements of internal control systems and risk management.

The internal control system is based on:

- Organizational Regulations of the Company
- Accounting policy
- Integrated ERP IT system

Elimination of risks related to the process of preparing financial statements is divided between:

- the Management Board whose task is to fully identify risks and adopt the accounting policy applied in the company,
- Integrated ERP IT System allowing for internal control in the field of branch operations and regularity of recording economic and financial processes occurring in the Company. The system security is ensured by the appropriate structure of entitlements to individual transactions assigned to individual users,
- Financial and accounting department supervised by the Chief Accountant.

Financial data being the basis for financial statements and periodic reports comes from the monthly financial and management reporting used by the company. The Chief Accountant is responsible for the correctness of keeping accounting books in accordance with the law and the accounting policy adopted by the company, as well as for the preparation of financial statements. Preparation of financial data for the purposes of the Company's reporting is based on data from the General Ledger. The Management Board of the Company, after the closure of each accounting month, analyzes jointly the Company's financial results compared to the budget assumptions. Periodic, semi-annual and annual financial statements are approved by the Management Board of the Company.

In the Company there is applied rule that full year financial statements are audited and half year financial statements are reviewed by an independent auditor. The results of both processes are presented by the auditor to the Management Board after audit or review and recommendations resulting from the auditor's review of risk management and internal control procedures are gradually implemented. The Company constantly monitors significant legal, tax, economic and operational risks etc. that may affect the company's operations.

Rules governing the appointment and removal of management personnel and such personnel's powers, particularly the power to make decisions on the issuance or buy-back of shares

Pursuant to the provisions of the Articles of Association of the Issuer, the members of the Issuer's Management Board are appointed and dismissed by the Supervisory Board. Issues related to making decisions on issue or buy-back of shares are always regulated by the General Meeting of the Issuer and the Management Board is always bound by the provisions of the Articles of Association and resolutions of the General Meeting.

Shareholders directly or indirectly holding significant packages of shares, with an indication of the number of shares and percentage of the share capital held by such shareholders, and the number of votes and percentage of the total vote that such shares represent at the General Meeting as at December 31, 2017.

Shareholder	Shares no.	Share in equity	Votes no.	Share in votes no. at the GM
PS HoldCo Sp.z o.o.	92 430 239	76,76%	92 430 239	76,76%
Other shareholders	27 986 903	23,24%	27 986 903	23,24%
Total	120 417 142	100,00%	120 417 142	100,00%

Holders of any securities conferring special control rights, with a description of those rights.

There are no securities conferring special control rights issued by the Issuer.

Restrictions on voting rights, such as limitation of the voting rights of holders of a given percentage or number of votes, time limits on the exercising of voting rights, or provisions under which, with the company's cooperation, equity rights attaching to securities are separated from the holding of the securities.

There are no restrictions on the exercise of voting rights at the Issuer's General Meeting other than the limit resulting from generally applicable provisions, i.e. the Act on Public Offering in case of violation of the provisions on calls and art. 6 section 1 of the Code of Commercial Companies - in the absence of the Issuer's notification about the establishment of a dominance relation.

Restrictions on the transfer of ownership rights to the Issuer's securities.

There are no restrictions on the transfer of ownership rights to the Issuer's securities beyond the restrictions set out in the Act on Public Offering - provisions on calls.

Composition and activities of the Issuer's management, supervisory and administrative bodies or their committees; changes in their composition during the last financial year.**The Management Board**

The Management Board consists of four people:

Przemysław Sztuczkowski – President of the Board

Przemysław Grzesiak – Vice-President of the Board,

Krzysztof Zoła – Member of the Board

Dominik Barszcz – Member of the Board

There were no changes in the composition of the Management Board during the year.

The Supervisory Board

The Supervisory Board consists of five people:

Hubert Janiszewski – Chairman

Piotr Freyberg – Deputy Chairman

Zbigniew Łapiński – Secretary

Marek Rocki – Member

Jerzy Kak – Member

There were no changes in the composition of the Supervisory Board during the year.

The Audit Committee

The Audit Committee consists of five people and coincides with the composition of the Supervisory Board.

There were no changes in the composition of the Audit Committee during the year.

Activities of management boards, supervisory and administrative bodies and committees**The Management Board**

The Issuer's Management Board operates based on the Code of Commercial Companies and the Issuer's Articles of Association.

Declarations of will may be made on behalf of the Issuer by:

- The President of the Board acting individually
- The Vice-President of the Board acting individually or
- two Management Board members acting jointly
- one Management Board member acting jointly with a proxy
- two proxies acting jointly
- independent proxy acting individually

Pursuant to the provisions of the Articles of Association, all matters related to the functioning of the Issuer, but not reserved to the competences of other bodies, fall within the scope of activities of the Management Board.

The competencies of the Management Board include in particular:

- a) submitting and accepting declarations of will on behalf of the Company, in particular with regard to property matters of the Company and conclusion of contracts,
- b) appointing and dismissing Company's proxies,
- c) appointing and dismissing attorneys for individual cases,

d) determining current tasks and plans of the Company,

e) sale and purchase of real estate or share in real property after consulting the Supervisory Board

Management Board members are appointed, dismissed and suspended by the Supervisory Board under the terms of the Commercial Companies Code and the Issuer's Articles of Association.

The Chairman of the Supervisory Board represents the Issuer in contracts with members of the Issuer's Management Board. The term of the Management Board lasts 5 years. The term of office of the Management Board is joint.

The Supervisory Board

The Supervisory Board operates on the basis of the Code of Commercial Companies and the Company's Articles of Association.

The Supervisory Board consists of no less than five and no more than seven members appointed by the General Meeting for the joint five-year term of office.

The Supervisory Board exercises permanent supervision over the Company's operations in all areas of its operations, and in particular the Supervisory Board's competences include:

a. approving the annual plans of the Company prepared by the Management Board,

b. approving the regulations of the Management Board of the Company,

c. selecting an auditor to audit the financial statements,

d. considering the Management Board's statements, balance sheet and profit and loss account for the previous year, as well as periodic reports,

e. expressing opinions on the Management Board's proposals regarding the distribution of profit and coverage of losses,

f. consideration of other matters submitted by the Board,

g. expressing consent to the management board members to deal with competitive businesses.

Pursuant to the provisions of the Act on Statutory Auditors, Audit Firms and Public Oversight, the Audit Committee operates in the Company. Due to the minimum composition of the Supervisory Board determined by law, the Supervisory Board took over the function of the Audit Committee and operates in accordance with the requirements of the above-mentioned The Acts and Directives of the European Commission, including in particular the Supervisory Board, shall perform:

1. research on the reliability of financial information provided by the Company,

2. analysis of internal control and risk management rules in the Company,

3. analysis of all issues related to external audit, including monitoring the independence of the external auditor and its objectivity, inter alia by defining the principles of cooperation with auditing companies in other areas than the Company's reporting and financial audit,

4. analysis of the effectiveness of the external audit process,

5. review of transactions with related entities.

Rules governing amendments to the Issuer's Articles of Association.

Amendments to the Issuer's Articles of Association can be made only in accordance with the rules resulting directly from the Code of Commercial Companies or the Issuer's Articles of Association.

The operation of the General Meeting, its basic powers and description of shareholders' rights, with the procedure for their exercise, in particular the rules stipulated in the Rules of Procedure for the General Meeting

The General Meeting of the Issuer operates based on the provisions of the Commercial Companies Code and the Regulations of the General Meeting, the provisions of which do not depart from the generally applicable provisions of law (the Commercial Companies Code). All significant transactions are made public by the current reports system.

Regarding the Audit Committee (AC) we indicate that:

- a. All the members of AC meet the statutory independence criteria
- b. Mr. Hubert Janiszewski has knowledge and skills in the field of accounting or auditing of financial statements. Mr. Hubert Janiszewski holds a PhD in economics. He graduated from the VSE in Prague and the Central School of Planning and Statistics in Warsaw. Due to the professional functions performed in numerous financial institutions (in which he gained experience, among others in the field of current coordination and supervision over accounting reporting) among others: as Managing Director at Bankers Trust Co and Deutsche Bank AG in London and a member of supervisory boards of entities from the Deutsche Bank capital group
- c. Mr. Jerzy Kak has knowledge and skills in the field of the issuer. In the years 1976-1999, Mr. Kak was professionally involved with Huta Aluminum Konin SA, including since 1990 as the President of the Management Board - Chief Executive. In addition, Mr. Kak served as the President of the Management Board at Huta Szkła Ujście SA (2000-2002), and at Elektrownia Połaniec (2002-2006, and in 2007-2009 as the Vice President of the Board) Mr. Jerzy Kak holds a master's degree in economics: he graduated from the Faculty of Production Economics at the University of Economics in Poznań
- d. AC held 4 meetings in 2018

Additional indications:

- a. The Issuer has developed a policy of selecting an auditing company that audits its financial statements and the policy provided 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. The main criteria for selecting an auditor are his experience, the ability to conduct a comprehensive audit and the proposed price
- b. The selection of the auditing company as the auditor of the reports for the years 2016-2018 took place in 2016 and then met all the conditions prevailing at the time of selection
- c. one non-audit activity was provided to the issuer by the audit firm - an assurance service consisting in the verification of the ratio of the intensity of electricity consumption. This service belongs to the services allowed for implementation by an independent auditor
- d. The Issuer does not apply a separate diversity policy because the rules adopted and applied by the Issuer are included in a wide range of internal regulations in a proper manner:
 - respect for diversity, prohibiting discrimination based on sex, race / descent, age or any other condition and equal treatment of employees and striving to achieve balanced representation of women and men in relation to all functions and responsibilities;
 - all employees have equal opportunities for access to work and promotion opportunities and prevention of unequal treatment due to their age, sex, race, religion, origin, marital status and financial situation;
 - creating a work environment that is free from cases of any abuse of employees or failure to respect their dignity.However, the Issuer's bodies appointing members of the supervisory and management bodies have full freedom of action and the Issuer does not intend to impose in any way and in an administrative manner to create the choices made. It is in the Issuer's best interest to ensure the best possible implementation of business processes and the selection of persons at the highest levels of management takes place primarily based on the criterion of knowledge, skills and experience owned by the person appointed, irrelevant to the sex and age of the person.

XXXIII. Information on non-financial information

Please be advised that we prepare non-financial information in the form of a separate report, which will be published in accordance with the requirement of the Accounting Act to 6 months from the balance sheet date.

XXXIV. Recommendations of the Management Board in the field of allocating profit / covering the losses of the parent company in 2018

The Management Board recommends that the profit of the parent company for the year 2018:

- PLN 36 039 000.00 amount for dividend payment
- PLN 5 603 070.57 amount for supplementary capital
- PLN 28 394 311.61 amount for reserve capital (intentional) created in accordance with the GMS resolution no.8 of 22 March 2018
- PLN 2 000.00 amount to cover losses from previous years

Przemysław Sztuczkowski
Chairman of the Board

Przemysław Grzesiak
Vice-Chairman of the Board

Krzysztof Zoła
Member of the Board

Dominik Barszcz
Member of the Board

Poraj, dated 28 February 2018