



Boryszew S.A.
Notes to the financial statements
for the period between 1 January and 31 December 2018

(amounts expressed in PLN thousands unless specified otherwise)

Financial statements

BORYSZEW S.A.

for the period between 1 January and 31

December 2018





(amounts expressed in PLN thousands unless specified otherwise)

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(amounts expressed in PLN thousands unless specified otherwise)

STATEMENT OF COMPREHENSIVE INCOME

	note	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Revenues from sales	6	1 540 902	1 512 908
Prime cost of sale	7	1 395 022	1 330 518
Gross profit on sales		145 880	182 390
Selling costs		29 178	30 440
Administrative expenses		76 554	77 419
Other operating revenue	8	29 017	41 962
Other operating expenses	9	17 089	4 771
Write-downs on receivables	10	22 565	(14 284)
Operating income		74 641	97 438
Financial revenues	11	19 330	15 895
Financial expenses	12	43 889	43 817
Impairment write-offs on financial investments	13	189	11 812
Financial profit/loss		(24 370)	(16 110)
Profit before taxation		50 271	81 328
Income tax	14	5 551	(3 176)
Net profit		44 720	84 504
Earnings/loss per share			
Weighted average number of shares		225 969 005	230 716 016
		01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Net profit		44 720	84 504
Earnings recognised in equity			
Earnings recognised in equity, to be transferred to income statement		497	(2 841)
Hedge accounting		614	(3 507)
Gains/losses on valuation of equity instruments transferred to profit or loss		-	
Income tax		(117)	666
Earnings recognised in equity, not to be transferred to income statement		7	(246)
Gains/losses on valuation of equity instruments			
Gains/losses on disposal of equity instruments			
Employee benefit capital reserve		9	(304)
Income tax		(2)	58
Total earnings recognised in equity		504	(3 087)
Total comprehensive income		45 224	81 417



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STATEMENT OF FINANCIAL POSITION

		As at	As at 31.12.2017
		31.12.2018	
ASSETS	Note		
Non-current assets			
Non-current assets	15	272 723	272 862
Investment property	16	16 525	16 525
Intangible assets	17	33 115	26 856
Shares in subsidiaries and associates	18	463 522	444 437
Financial assets	19	382 320	388 685
Long-term receivables	21	33 705	32 693
Deferred tax assets	14	141	6 038
Other assets	23	5 485	15 002
Total fixed assets		1 207 536	1 203 098
Current assets			
Inventory	22	181 527	181 956
Trade receivables and other receivables	21	285 672	289 688
Short-term financial assets	19	136 243	40 157
Derivative financial instruments	20	579	-
Current tax assets	14	313	-
Other assets	23	17 827	10 893
Cash and cash equivalents	24	29 313	36 081
Total current assets		651 474	558 775
Total assets		1 859 010	1 761 873



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LIABILITIES AND EQUITY		As at	As at
		31.12.2018	31.12.2017
Equity	25		
Share capital		248 906	248 906
Share premium		112 346	112 346
Own shares		(129 735)	(84 329)
Hedge accounting capital		(2 300)	(2 797)
Capital reserve on translating employee payables		(162)	(169)
Retained earnings		378 668	340 396
Total equity		607 723	614 353
Liabilities and long-term provisions			
Bank credits, loans, bonds	26	368 119	230 096
Lease liabilities	27	30 066	28 977
Payables on perpetual usufruct of investment land	28	1 951	1 957
Deferred tax provision	14	0	-
Employee benefit provisions	30	3 377	3 036
Other provisions	31	5 136	5 221
Other long term equity and liabilities	32	2 534	2 851
Liabilities and long-term provisions - total		411 183	272 138
Short-term liabilities			
Bank credits, loans, bonds	26	535 892	500 650
Lease liabilities	27	8 033	16 094
Payables on perpetual usufruct of investment land	28	9	67
Trade payables and other liabilities	29	280 773	337 377
Derivative financial instruments	19	66	4 530
Current tax liabilities	12	0	935
Employee benefit provisions	30	5 277	8 826
Other provisions	31	2 798	2 349
Other liabilities and equity	32	7 256	4 554
Liabilities and short-term provisions - total		840 104	875 382
Total liabilities and provisions		1 251 287	1 147 520
Total equity and liabilities		1 859 010	1 761 873



(amounts expressed in PLN thousands unless specified otherwise)

CASH FLOW STATEMENT

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Cash flows from operating activities		
Profit before taxation	50 271	81 328
Adjustments for (+/-)	(13 728)	21 868
Amortisation/depreciation	33 047	29 882
Profit/loss on financial activity (including interest on financial liabilities)	14 816	11 731
Dividends from share in profit	(8 004)	(10 078)
Profit / loss on investment activities	(12 925)	(9 945)
Change in receivables	(4 090)	27 165
Change in inventories	429	(47 697)
Change in liabilities	(31 536)	26 044
Change in provisions and accruals as well as prepayments	746	(4 736)
Other items	(5 708)	3 132
Income tax paid	(503)	(3 630)
Net cash from operating activities	36 543	103 196
Cash flows from investment activities		
Profit on fixed assets disposal	11 045	4 081
Proceeds from disposal of shares	-	2 948
Proceeds from redemption of bonds	2 000	-
Proceeds from dividend	8 004	10 078
Proceeds from repayment of loans granted	28 686	220 000
Expenses on acquisition of fixed assets	(28 403)	(23 833)
Acquisition of shares in capital group entities	(32 149)	(76 183)
Long term borrowings granted	(4 741)	(279 387)
Expenditure on bonds	(116 082)	(10 700)
Other capital expenditures	-	(3 745)
Net cash from investing activities	(131 640)	(156 741)
Cash flows from financial activities		
Incomes on credit and loan facilities	186 706	173 115
Loans received	70 841	37 998
Proceeds from bond issue	110 000	12 000
Share buy-back expense	(45 406)	(34 811)
Loans repaid	(129 389)	(40 398)
Repayment of borrowings	(12 455)	(27 682)
Redemption of bonds	(43 000)	(8)
Interest paid on loans, bonds...	(24 254)	(22 042)
Payment of liabilities under finance lease agreements	(24 714)	(69 478)
Net cash from financing activities	88 329	28 694
Net change in cash	(6 768)	(24 851)
Cash opening balance	36 081	60 932
Cash closing balance	29 313	36 081



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STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Retained earnings	Total equity
As at 01.01.2018.	248 906	112 346	(84 329)	(2 797)	(169)	340 396	614 353
Adjustment due to application of IFRS 9						(6 448)	(6 448)
Valuation of hedge instruments				497			497
Valuation of employee benefits					7		7
Profit/loss for 2018						44 720	44 720
Comprehensive income for 2018	-	-	-	497	7	44 720	45 224
Share buy-back			(45 406)				(45 406)
As at 31.12.2018	248 906	112 346	(129 735)	(2 300)	(162)	378 668	607 723

	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Retained earnings	Total equity
As at 01.01.2017	248 906	112 346	(49 518)	44	77	255 892	567 747
Valuation of hedge instruments				(2 841)			(2 841)
Valuation of employee benefits					(246)		(246)
Profit/loss for 2017						84 504	84 504
Comprehensive income for 2017	-	-	-	(2 841)	(246)	84 504	81 417
Share buy-back			(34 811)				(34 811)
As at 12.31.2017	248 906	112 346	(84 329)	(2 797)	(169)	340 396	614 353



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2018

1. GENERAL INFORMATION

1.1 Basic Company details

Boryszew Spółka Akcyjna (joint stock company)

Registered office: 03-301 Warszawa; ul. Jagiellońska street No. 76

Registered with the National Court Register of the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division,

KRS number 0000063824

Statistical registration number (REGON) 750010992

NIP (Tax ID) 837-000-06-34

The company is established for an indefinite period of time.

Classification of the Company on the listing market

Company's shares are listed on the main market of Warsaw Stock Exchange in the continuous trading system, chemical sector.

Company's business includes manufacturing, services and trade.

This report contains cumulative data.

SUPERVISORY BOARD OF BORYSZEW S.A.

As at 1 January 2018, the composition of the Supervisory Board was as follows:

Mr Janusz Siemieniec - Chairman of the Supervisory Board,

Mr Piotr Lisiecki – Vice-Chairman of the Supervisory Board,

Mr Mirosław Kutnik – Secretary of the Supervisory Board

Mr Jarosław Antosik - – Member of the Supervisory Board,

Mr Arkadiusz Krężel – Member of the Supervisory Board,

Ms Małgorzata Waldowska - Member of the Supervisory Board.

On 7 November 2018, Mr Piotr Lisiecki handed in his resignation from the position of the Member of the Supervisory Board for Boryszew S.A.

On 17 January 2019, the Supervisory Board of the Company adopted a resolution on appointing Mr Janusz Wiśniewski to the Supervisory Board. Mr Janusz Wiśniewski was appointed to the Supervisory Board, replacing Mr Piotr Lisiecki, who resigned from his membership in the Supervisory Board on 7 November 2018.

As at the date of submitting the report for publication, the Supervisory Board was composed of the following persons:

Mr Arkadiusz Krężel – Chairman of the Supervisory Board

Mr Janusz Wiśniewski - Deputy Chairman of the Supervisory Board,

Mr Mirosław Kutnik – Secretary of the Supervisory Board

Mr Jarosław Antosik - – Member of the Supervisory Board,

Ms Małgorzata Waldowska - Member of the Supervisory Board.



MANAGEMENT BOARD OF BORYSZEW S.A.

As at 1 January 2018 the Company's Management Board was composed of the following persons:

Mr Jarosław Michniuk – President of the Management Board, Chief Executive Officer,
Mr Aleksander Baryś – Member of the Management Board, Finance Director,
Mr Mikołaj Budzanowski – Member of the Management Board
Mr Cezary Pyszkowski - Member of the Board, Director for Automotive Sector Development,
Mr Piotr Szeliga - Member of the Management Board, Director, Metals Segment.

On 19 January 2018 Mr Jarosław Michniuk, President of the Management Board of the Company, Chief Executive Officer, resigned from his function. Mr Jarosław Michniuk did not give reasons for his resignation.

At the same time, on 19 January 2018, the Supervisory Board of the Company decided to temporarily appoint Mr Piotr Szeliga, Member of the Management Board, to perform the duties of President of the Management Board, Chief Executive Officer.

On 7 November 2018, Mr Piotr Szeliga, acting President of the Management Board of the Company, Chief Executive Officer, resigned from his function, effective immediately.

On 7 November 2018 the Supervisory Board decided to appoint Mr Piotr Lisiecki as the President of the Management Board, Chief Executive Officer of Boryszew S.A.

As at 31 January 2018, the composition of the Management Board of the Company was as follows:

Mr Piotr Lisiecki - President of the Management Board, CEO,
Mr Aleksander Baryś – Member of the Management Board, CFO,
Mr Mikołaj Budzanowski – Member of the Management Board
Mr Cezary Pyszkowski - Member of the Board, Director for Automotive Sector Development,

1.2 Organisational structure of the Company

In 2016, Boryszew S.A. operated in eight branches, preparing separate financial statements:

Branch	Business segment
Headquarters	Other
Elana Branch in Toruń	Chemical products
Energy Branch in Toruń	Other
ERG Branch in Sochaczew	Chemical products
Nylonbor Branch in Sochaczew	Chemical products
NPA Skawina Branch	Metals
Maflow Branch in Tychy	Automotive

1.3 Financial statements

Financial statements were drafted in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union (EU).

In addition to the presented financial statements, the Company drafted consolidated financial statements of Boryszew Capital Group, for which Boryszew S.A. is the parent company. The presented financial statements are separate financial statements and serve primarily statutory purposes.

Financial statements are presented in PLM. PLN is the functional and reporting currency. All values in the financial statements are presented in full thousands of PLN, unless stated otherwise.



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These financial statements were drafted on the assumption that the Company will continue as a going concern in the foreseeable future. As of the date of drafting the financial statements, no circumstances existed that would indicate any threats to further business activity.

This report was approved for publication by a resolution of the Management Board on 25 April 2019 and presents the situation of Boryszew S.A. pursuant to the legal requirements for the period from 1 January 2018 to 31 December 2018, including any events which occurred by the date of approval of this report.

The financial statements are based on historical cost concept, except for certain fixed assets and financial instruments which are measured at revalued amounts or fair values at the end of each reporting period in accordance with the accounting policy set out below.

Historical cost is determined on the basis of the fair value of the payments made. Fair value is the price that can be obtained by selling the asset or paid to transfer a liability in an arm's length transaction in the principal (or most advantageous) market as at the measurement date and under current market conditions, regardless of whether the price is directly observable or estimated using another valuation technique.

1.4 Conversion of financial data

The Company adopted IFRS 9 as of 1 January 2018, which resulted in changes to accounting policies and adjustments to the amounts recognised in the financial statements prepared as at 31 December 2017. The Company chose to implement the standard without restating comparative data, which means that the data for 2017 and 2018 are not comparable. IFRS restatements were introduced as at 1 January 2018, through equity (retained earnings)

Impact of IFRS 9 introduction on equity

Adjustment of revaluation write-offs for assets measured at amortised cost

	Retained earnings	Total equity
Trade receivables	(7 954)	(7 954)
Deferred tax adjustment (deferred tax asset)	1 511	1 511
Total	(6 443)	(6 443)

1.5 Statement by the Management Board on compliance of accounting principles

The Management Board for Boryszew S.A.: Piotr Lisiecki, Aleksander Baryś, Mikołaj Budzanowski and Cezary Pyszkowski represent that to the best of their knowledge the financial statement and comparative data have been compiled in accordance with the binding accounting principles and that the financial statements truly, reliably and clearly reflect the actual and financial condition as well as the financial result Boryszew S.A. The Management Board confirms that the report on the activities of Boryszew Capital Group presents a true picture of the development and accomplishments of the Group as well as its situation, including a description of fundamental risks and threats.

1.6 REPRESENTATION OF THE MANAGEMENT BOARD ON THE SELECTION OF FINANCIAL STATEMENTS

On 28 June 2018, the Supervisory Board appointed BDO Spółka z ograniczoną odpowiedzialnością sp. k. based in Warsaw (currently: BDO Spółka z ograniczoną odpowiedzialnością sp. k.) to:

- conduct review of separate interim financial statements of Boryszew S.A. and the interim consolidated financial statements of Boryszew Capital Group drafted in accordance with the International Financial Reporting Standards and regulations on public trading in securities for the periods of 6 months ended 30 June 2018 and 30 June 2019,
- conduct audit of separate annual financial statements of Boryszew S.A. and the annual consolidated financial statements of Boryszew Capital Group drafted in accordance with the International Financial Reporting Standards and regulations on public trading in securities for the periods ending on 31 December 2018 - 2019.

On 30 July 2018 an Audit Service Agreement was signed. Per the agreement, the net remuneration for its performance will amount to PLN 200 000, including:



(amounts expressed in PLN thousands unless specified otherwise)

- PLN 81 000 as remuneration for the review of interim separate and consolidated financial statements prepared as at 30 June 2018, drafted in accordance with International Accounting Standards (IAS 34).
- PLN 119 000 as remuneration for audit of separate and consolidated financial statements drafted as at 31 December 2018. in accordance with International Financial Reporting Standards.

The Management Board for Boryszew S.A. represents that BDO Spółka z ograniczoną odpowiedzialnością sp. k., which audited the financial statements for 2018, was selected in accordance with the provisions of law and that BDO and its statutory auditors performing this audit met the conditions to issue an impartial and independent opinion on the audit of the financial statements in accordance with applicable regulations and professional standards.

1.7. Statement regarding the report on non-financial data

The Management Board for Boryszew S.A.: Piotr Lisiecki, Aleksander Baryś, Mikołaj Budzanowski and Cezary Pyszkowski declare that the Company has drafted a statement on non-financial information referred to in Article 49b section 1 of the Accounting Act as a separate part of the report on operations. The statement has been drafted both at the standalone basis for Boryszew S.A. as well as consolidated basis for Boryszew Capital Group. Financial statements are available on Company's website - www.boryszew.com.

1.8. Dividend

Proposed distribution of profit for 2018 The Management Board of the Company recommends to retain the 2018 profit with the Company to be allocated to supplementary capital.

2. PLATFORM OF APPLIED IFRS

Amendments to existing standards applied for the first time in the financial statements for 2018

The following new standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for use in the EU come into force for the first time in 2018:

IFRS 15 "Revenue from contracts with customers" and amendments to IFRS 15 "Effective date of IFRS 15" - approved by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 15 "Revenue from contracts with customers" - explanations to IFRS 15 "Revenue from contracts with customers" - approved by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),

IFRS 9 "Financial Instruments" - approved by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 4 "Insurance Contracts" - Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts" - approved by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied for the first time).

Amendments to IFRS 2 "Share-based payments" - Classification and measurement of share-based payments - approved by the EU on 27 February 2018 (effective for annual periods beginning on or after 1 January 2018).

Amendments to IAS 40 "Investment property" - Reclassification of investment property - approved in the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018).

Interpretation of IFRIC 22 "Foreign currency transactions and advance payments" - approved in the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 1 and IAS 28 as a result of "Amendments to IFRS (cycle 2014 - 2016)" - amendments made under the procedure of introducing annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) aimed primarily at resolving inconsistencies and clarifying vocabulary - approved in the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018).

New standards and amendments to existing standards that have already been issued by the IASB and endorsed by the EU but have not yet entered into force



(amounts expressed in PLN thousands unless specified otherwise)

When preparing these financial statements, Group Companies did not apply the following standards, amendments to standards and interpretations, which were published by the IASB and approved by the EU, but not yet effective:

IFRS 16 "Leases" - approved by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

Amendments to IFRS 9 "Financial Instruments" - Features of prepayment options with negative compensation - approved in the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019).

New standards and amendments to existing standards issued by the IASB but not yet approved for use in the EU

IFRS as approved by the EU do not significantly differ from the regulations issued by the International Accounting Standards Board (IASB), except for the following new standards, amendments to standards and new interpretations which, as at the date of publication of these financial statements, have not yet been approved for use:

IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2012)

IFRS 14 "Deferred balances on regulated activity" (beginning on or after 1 February 2018) - the European Commission chose not to initiate the process of approval of this interim standard for use in the EU until the final version of IFRS 14 is published,

Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" - Sale or in-kind contribution of assets between an investor and its associated entity or joint venture and subsequent amendments (effective for annual periods beginning on or after 1 January 2016),

Amendments to IAS 19 "Employee Benefits" - amendment, limitation or settlement of the plan (effective for annual periods beginning on or after 1 January 2019),

Amendments to IAS 28 "Investments in associates and joint ventures"

Long-term shares in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019)

Amendments to various standards "Amendments to IFRS (cycle 2015 - 2017)" - resulting from the annual improvement procedure of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) aimed mainly at resolving inconsistencies and clarifying vocabulary (effective for annual periods beginning on or after 1 January 2019),

Interpretation of IFRIC 23 "Uncertainty regarding the settlement of income tax" (effective for annual periods beginning on or after 1 January 2019).

As per estimates of the Parent Company, the above-mentioned standards, interpretations and amendments to standards - except for IFRS 16 "Leasing" in force from 1 January 2019 - would not have had a significant impact on the financial statements had they been applied by the Group as at the balance sheet date. The impact of the application of IFRS 16 on the financial statements of the Capital Group is described below.

IFRS 16 "Leasing"

In accordance with IFRS 16, the lessee recognises the right to use the asset and the lease liability. The right to use an asset is treated similarly to other non-financial assets and depreciated accordingly. Lease liabilities are initially measured at the present value of lease payments payable over the lease term, discounted at the rate included in the lease, if it can be easily determined. Otherwise, the lessee uses a marginal interest rate. Lessors classify leases also as prescribed by IAS 17, - as either operating or finance lease. A lessor will treat a lease as finance lease if such lease transfers substantially all the risks and rewards of ownership of the related assets. Otherwise, the lease is classified as an operating lease. In case of finance leases, a lessor will recognise finance income over the lease term based on a fixed periodic rate of return on net investment. A lessor will recognise operating lease payments as revenues on a straight-line or in another similar way should it reflect better the pattern in which it receives the benefits from use of the related assets.

Impact of IFRS 16 on future consolidated financial statements

Based on evaluation of this standard, the Company identified assets that should be included in the balance sheet. These are long-term lease agreements for production buildings and office premises as well as perpetual usufruct rights to land not currently recognised but obtained free of charge under administrative decisions.



(amounts expressed in PLN thousands unless specified otherwise)

The Group will apply the provisions of IFRS 16 as of 1 January 2019.

The value of rights to use assets and liabilities related to them is PLN 62 628. If the discount rate was applied at a rate higher by 0.5 percentage point, the difference in value would amount to PLN 60 496 thousand

3. ACCOUNTING PRINCIPLES APPLIED

The adopted accounting principles conform with the International Financial Reporting Standards within the scope of regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning application of the International Financial Reporting Standards with subsequent amendments.

In preparing these financial statements, the Company made no changes to any previously applied accounting principles.

Principles and methods of valuating assets and liabilities

Model based on purchase price or production cost plus revaluation

The balance sheet value of an asset item is written down to the recoverable value only, if the retrievable value is lower than its balance sheet value. The above reduction is recognised as impairment write-off. This write-off is recognized immediately recognized in the income statement, unless such asset is recognized at revalued amount. Any impairment write-offs for restated asset item are considered as reduction of revaluation reserve.

Revaluation model

Upon initial recognition of the asset at cost, which fair value can be reliably estimated, such asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

Fair value

Fair value is the price that would be received for the disposal of an asset or transfer of a liability in a transaction conducted under normal conditions in the primary (or most favourable) market at the date of valuation in current market conditions (that is the exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Purchase price or production cost of an asset item

Purchase cost or cost of manufacturing is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. The purchase price covers the amount payable to the seller, without deductible: VAT and excise duty tax, and in case of import - increased by relevant charges and costs directly associated with the purchase and adaptation of the asset item to a condition suitable for use or introduction into trade, along with the costs of transport, loading, unloading, storage or introduction into trade, and decreased by discounts, allowances and other similar decreases or recoveries.

Tangible assets

After the initial recognition at purchase price or production cost, the components of tangible fixed assets are measured by a valuation model based on purchase price or production cost and the revaluation for impairment loss. Tangible fixed assets, which value has been determined as at the day of transition to IFRS, i.e. 01.01.2014 by fair value, after this date will be measured by the valuation model based on purchase price or production cost and the revaluation for impairment loss.

Tangible fixed assets, which are owned or jointly owned by the Company, purchased or produced in-house, under a finance lease and usable on the day of commissioning, with an expected use period longer than one year, used by the company for the purposes associated with business activity or let to use based on rental, tenancy or lease agreement, are subject to amortisation. The value, which is either a purchase price or cost of production of specific assets, reduced by the final value of this asset, should be amortised. The final value of the asset is the amount, which according to the forecast the company could currently obtain taking into consideration the age and state at the end of its life (after deducting the estimated selling costs). Amortisation begins in the month in which the asset is available for use. Amortisation of fixed assets is made on the basis of planned, systematic spread of the depreciable value over estimated life of the specific asset item. Amortisation ends in the month, in which the asset was classified as held for sale (in accordance with IFRS 5 Fixed Assets held for sale and discontinued operation) or in the month in which the asset is no longer disclosed, taking into consideration the earlier of these dates.



(amounts expressed in PLN thousands unless specified otherwise)

Depreciation rates applied for individual groups of tangible fixed assets:

Land	-
Buildings, premises, civil and water engineering structures	2.5% - 50%
Technical equipment and machines	5% - 50%
Means of transportation	10% - 33%
Other tangible fixed assets	6% - 50%

Investment outlays

Fixed assets under construction are recognised at the price of purchase or cost of manufacturing less impairment write-offs. Until completion of construction and handing over for use they are recognised in individual groups of fixed assets and are not amortised until handed over for use.

The right for perpetual usufruct of land acquired on the market

The cost of acquisition of the right for perpetual usufruct of land is depreciated on a straight-line basis over the period for which the right is granted. An average depreciation rate for the right for perpetual usufruct of land is 1.1%-1.2%.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical form, which is in entity's possession to use or to put into gratuitous use. Intangible assets purchased in a separate transaction are capitalised at purchase price or production cost, reduced by accumulated depreciation and accumulated revaluation write-offs.

Life of intangible assets is estimated and found to be limited or unlimited. Intangible assets with unlimited life are not amortised, neither are they subject to annual impairment evaluation. An example of intangible assets with unlimited life are concessions, licenses and purchased trademarks, which can be renewed without any time limit for a small fee and the company plans to renew them and it is expected that they will generate cash flow without any time restrictions. At the balance sheet day, the company did not reveal such intangible assets.

Limited life assets are amortised over their life.

Amortisation ends in the month, in which the asset was classified as held for sale (in accordance with IFRS 5 Fixed Assets held for sale and discontinued operation) or in the month in which the asset is no longer disclosed, taking into consideration the earlier of these dates.

Life of intangible assets should not be longer than 20 years from the date when the asset is ready to use, unless this is possible to prove longer period.

Depreciation rates applied for intangible fixed assets:

Patents, licenses, software	10% - 50%
Other intangible fixed assets	10% - 50%

Leasing

Financial leasing agreements where the Company retains substantially all the risks and rewards of ownership of the leased item are recognised, as at the date of leasing commencement, at the lower of: fair value of leased asset or current value of minimum lease payments. Leasing fees are divided into financial costs and decrease of the liability balance against leasing (represented in the balance sheet as trade payables and other long term and short term liabilities) - so as to obtain a fixed interest rate on the outstanding liability amount.

If there is no certainty that the leaseholder will receive ownership before the end of the lease agreement, the activated tangible assets used under lease agreements are amortised throughout shorter of the two periods: estimated life of fixed asset or lease period.

If the lease agreement is so favourable that it is highly probable that after the lease agreement the asset will become leaseholder's property and will be used, then this asset is amortised over life.

Investment property

Investment property is a property (land, building or a part of building or both), which the Company, as owner or leaseholder, treats as a source of income from rent including operating lease or owns due to the increase in its value, or both, the property should not be used neither for production activities, deliveries, services or for administrative purposes nor should it be held for sale as part of company's ordinary activity.

Investment property is initially valued according to its purchase price or construction cost.

Leased investment properties are recognised at the lower of the two values: property fair value or current value (discounted) of lease payments with simultaneous recognition of lease liability.



(amounts expressed in PLN thousands unless specified otherwise)

After the initial recognition, investment properties are measured by the Company according to fair value and fixed differences of value, both increase and decrease are recognised directly in the income statement. Fair value of investment property is determined by an expert once every three years or more frequently in case of a significant change in the parameters used in the valuation

Impairment loss for tangible and intangible fixed assets.

On each balance date, the Company reviews its tangible and intangible fixed assets in order to verify if premises exist that would suggest any loss of value of these assets. Should such premises be found, the retrievable value of an asset is estimated in order to determine a potential write-off. If a given asset does not generate any cash flows which would be substantially independent from cash flows generated by other assets, the analysis is performed for the group of assets generating cash flows to which such asset belongs.

In the case of intangible assets with undefined usability period, the loss of value test is carried out every year and, additionally, if there are any premises that the loss of value could have occurred.

The retrievable value is the higher of the two following values: fair value less sales costs or usable value. The latter corresponds to the current value of the estimated future cash flows expected by the company from the assets, discounted at the discount rate which takes into account the current money value in time and the asset-specific risk.

If the retrievable value is lower than the balance sheet value of an asset (or a cash flow generating unit), the balance sheet value of the asset or unit is written-down to the retrievable value. The amount of impairment loss is immediately recognised as a cost for the period.

When the loss of value is subsequently reversed, the net value of the asset (or cash flow generating unit) is increased to the new estimated retrievable value, however not higher than the balance sheet value of the asset which would have been determined had the loss of value of the asset/cash flow generating unit not been recognized in the previous years. The amount of impairment loss reversal is recognised in the income statement.

Shares in associates and subsidiaries

Investments in subsidiaries are measured at acquisition cost.

For all financial assets in subsidiaries, the Company carries out an impairment test. Should an indication be determined that they may be impaired, an impairment loss is recognised in costs

Financial instruments

Financial instrument means every agreement which results in creation of a financial asset of one of the parties and a financial obligation or a capital instrument of the other party.

Financial assets

Financial investment is any asset in the form of cash, equity instrument issued by other entities as well as a contract (agreement) based right to receive financial assets or the right to exchange financial instruments with another entity under potentially favourable conditions.

Based on the timeliness criterion, they can be divided into:

- long-term,
- short-term.

Where the period during which a financial asset is held is not apparent from the nature, features or the contract that gives rise to that asset, the person concluding the contract is responsible for determining the intended holding period. When the deadline for disposal of long-term financial assets becomes less than one year, these assets are reclassified to short-term investments.

As of 1 January 2018, the Company recognises financial assets in one of the three categories specified in IFRS 9:

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

The classification depends on the nature and purpose of financial assets and is determined on initial recognition.

A financial asset is measured at amortised cost if both of the following conditions are met:

- 1) financial asset is held to generate contractual cash flows;
- 2) the terms of the contract generate cash flows on specific dates that are repayment of the principal amount and interest

The following are recognised by the Company as financial assets at amortised cost:

- trade receivables
- loans granted
- bonds
- other receivables and deposits, cash and cash equivalents



(amounts expressed in PLN thousands unless specified otherwise)

Financial assets measured at amortised cost are measured at amortised cost using the effective interest rate method, adjusted for any write-downs due to expected credit losses.

A financial asset is measured at fair value through profit or loss if both of the following conditions are met:

- 1) the purpose is to keep it in order to obtain both contractual cash flows as well as to sell it;
- 2) the terms of the contract generate cash flows on specific dates that are repayment of the principal amount and interest

All financial instruments that were not classified as measured at amortised cost or measured at fair value through profit or loss are recognised as assets measured at fair value through total comprehensive income.

Financial asset impairment loss

On 01.01.2018 the Company replaced its principles of recognition of credit losses based on incurred loss with, as per IFRS 9 Financial Instruments, the concept of expected credit loss resulting in recognition of impairment losses on assets from the moment of their initial recognition.¹ Impairment requirements for financial assets relate in particular to financial assets

measured at amortised cost and measured at fair value through other comprehensive income.

The Company identified the following categories of financial assets where it verified the impact of calculation of expected credit losses on the financial statements in accordance with IFRS 9 Financial Instruments:

- trade receivables,
- loans granted

With respect to trade receivables, the Company estimated expected credit losses based on historical data on lost receivables and taking into consideration the insurance of trade receivables, covering 90% of their value.

In the case of loans granted, the Company estimates the expected credit losses based on historical flows as well as the degree of maturity and individual assessment of the debtor.

Derivative instruments

As provided in section 7.2.21 of IFRS 9, the Company chose to continue to apply the requirements of IAS 39 to hedge accounting.

Derivative instruments are recognised at fair value on the day of conclusion of a contract, and then they are remeasured to fair value for each balance sheet day. The resulting gain or loss is immediately recognised in profit or loss unless a specific derivative has a hedging function. In such case the moment of recognition of a profit or loss depends on the nature of hedging relationship. The company defines certain derivative instruments as:

- fair value hedge of recognised assets or liabilities or probable future liabilities (fair value hedge);
- hedge of specific risk associated with recognised liabilities or highly probable planned transactions (cash flow hedge).

Fair value of derivative instruments treated as a hedge is classified as a component of fixed assets or long-term liabilities if the period remaining to maturity of the hedging relationship exceeds 12 months, or as a component of current assets if this period is shorter than 12 months.

Derivatives not designated as an effective hedging relationship are classified as current assets or liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or agreements, which are not instruments, are treated as separate derivatives if the character of the embedded instrument and the related risks are not closely associated with the nature of the primary agreement and the related risks and if the primary agreements are not measured according to the fair value, which alterations are recognised in the profit and loss account.

Fair value hedge

Changes in the fair value of derivatives defined and classified as fair value hedges are recognised immediately in the profit and loss account, together with any changes in the fair value of the hedged item attributable to the hedged risk.

Hedge accounting

The Company defines specific hedges of foreign exchange risk and market risk that cover derivatives, embedded derivatives and other instruments as fair value hedges, cash flows hedges.¹ Hedges of foreign exchange risk and market risk in relation to probable future liabilities are accounted for as cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item as well as the risk management objectives and strategy for the execution of the various hedging transactions. In addition, the Company documents the effectiveness with which the hedging instrument compensates for changes in the fair value or cash flows of the hedged item, both at the time of the relationship and on an ongoing basis thereafter.



(amounts expressed in PLN thousands unless specified otherwise)

Cash flow hedge

The effective portion of changes in the fair value of derivatives defined and classified as cash flow hedges is deferred to equity. Profit or loss related to the ineffective part is recognised immediately in the profit and loss account as a part of costs or revenues.

Amounts recognised in equity are recovered in the income statement in the period in which the hedged item is disclosed in the income profit and loss account. However, if a forecast hedged transaction results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously recognised in equity are reclassified to the initial measurement of the cost of asset or liability.

The company discontinues the hedge accounting practice if a hedge instrument expires, is sold, terminated or executed or if it does not comply with the hedge accounting criteria. If this happens, the cumulative profits or loss on that hedge instrument recognised in equity remain as capital items until the hedged transaction is executed. If the hedged transaction is not executed, cumulative net result recognized in equity is immediately transferred to the income statement for relevant period.

The market price of financial assets held by the Company and financial liabilities that the Group intends to take out, is the current purchase offer placed on market while the market price of financial assets, which the Group intends to purchase and financial liabilities is the current sales offer placed on the market.

Inventories

Inventories are valued at the lower of purchase price and net realisable value.

Goods and materials

They are valued at the purchase price not higher than their net realisable value.

The difference between higher net purchase and lower net sale price is written off to manufacturing costs. For inventories which are unnecessary or lost their commercial value, the Group creates write-downs recognised as production.

Goods and materials issue methodology

Due to the fact that the purchase prices of materials and goods fluctuate throughout the fiscal year, issue of materials and goods is recorded according to "first in, first out" (FIFO) method as well as based on weighted average prices.

Products and work in progress

Products are recognised at their cost of manufacture which covers the costs in direct connection with the product plus justified part of costs directly associated with the manufacture of the product.

On the balance-sheet day, the value of the products accounted for in the ledgers at fixed price is adjusted to the effective cost of their manufacture, not higher than the realisable market prices.

The effects of write-downs on the finished products and their reversal, refers to the cost of sales.

Product issue methodology

If the costs of manufacturing of identical products or products considered as identical due to similarity of nature and purpose, are different then the final value of these assets, depending on the method the Company chose to determine the issue value of particular kind of products, sale or use is measured:

- according to FIFO ("first in, first out") method
- according to average manufacturing costs set by weighted average for a given product.

Various methods of determining the issue in case of inventories with a different nature and purpose are allowed.

Items in the work in progress are measured at the direct manufacturing cost.

Inventory impairment write-offs

The Group accounts for impairment write-offs recognised in the profit and loss account for all inventories being unjustifiably obsolete. The Group takes into account the requirement that the carrying value cannot exceed net sales prices.

Cash and cash equivalents

Cash is considered as cash in hand, on bank accounts and deposits payable on demand.

Cash disbursement in foreign currency is determined by using average weighted cost method.

Bank deposits, bonds, treasury and commercial bills with payment date of up to 3 months from the purchase date are considered by the Group as cash.

Accruals

The Group recognises accruals and prepayments as well as their financial impact as follows:

- prepayments (included in trade and other receivables) are recognised if expenses incurred relate to future reporting periods;



(amounts expressed in PLN thousands unless specified otherwise)

- accruals (included in trade and other payables) are recognised at the amount of probable liabilities in the current reporting period, arising in particular:
 - from services provided to the Company by its suppliers (contractors), where the amount of liabilities can be reliably estimated,
 - from the obligation to provide future services to unknown persons, where such services related to current activity and where the amount can be estimated even though the date of the liability is not yet known, in particular for warranty and guarantee repairs of sold durable products.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities with uncertain maturity date or of uncertain amount, which can be estimated.

Contingent liabilities - possible liability that arises from past events and whose existence will be confirmed only by occurrence or not of one or more uncertain future events beyond the Company's control or an existing liability, which is not recognised in the balance sheet, because disbursement of beneficial funds is unlikely or the amount of the liability cannot be reasonably estimated.

The Group recognises provisions, if:

- legal or customary obligation resulting from past events exists
- outflow of resources is probable
- reliable estimate is possible

Provisions are measured at least at the balance sheet date in a reasonable, estimated value. The Group discounts a provision when the time value of money significantly affects the amount of such provision.

Shareholders' equity

Shareholders' equity is measured at least at the balance sheet date in the nominal value and is recognised in the ledgers according to their nature and rules set by law or the Company's statute or agreement. In accordance with IFRS 29, art. 24 items of equity (except retained earnings and capital from revaluation of assets) were calculated at the date of transition to IFRS i.e. 01.01.2004 using general price indices since their contribution or otherwise. The amount arising from the hyperinflation revaluation increased share capital and the issue premium.

State subsidies

Subsidies are divided into:

capital subsidies - for acquisition, financing of fixed tangible and intangible assets

revenue/cost subsidies - for financing of expenses in a given area.

State subsidies including non-cash subsidies accounted for in their fair value are not recognized unless a reasonable certainty exists that the Group will comply with the subsidy-related conditions and will receive such subsidies.

Revenue from cash subsidies are accounted for in the profit and loss account parallel to the associated subsidy expenses. Costs and subsidies amounts are recognised separately in the income statement.

Revenue from capital grants is accounted for as deferred income in the "State subsidies" section and is settled in line with the associated depreciation of fixed or intangible assets.

Revenues

The Company recognises revenue on a one-off basis when the promised good or service is delivered to the customer. The company concludes no contracts on services provided over time. As per IFRS 15, revenue is recognised at the amount of remuneration that, as expected by the Company, is payable in exchange for the promised goods or services delivered to the customer, less any expected discounts, customer returns and similar deductions, and any applicable value added tax. The Company estimates the probability of bonuses or customers and provides for their value at the end of each reporting month as an adjustment of sales revenue. The agreed transaction prices do not include variable elements. The Company does not recognise assets or liabilities under agreements. The company bears no significant costs of concluding contracts.

Interest and dividends

The Group recognises revenues occurring as the result of interest and dividend generating Company's assets being used by other entities as long as:

it is likely that the Group will generate economic benefits and the amount of revenues can be reliably estimated

Interest are disclosed gradually to the time passage taking into account the effective yield.

Dividends are accounted for when shareholders receive the right to obtain them in the Other revenue section.



(amounts expressed in PLN thousands unless specified otherwise)

Principle of substance over form

For each transaction, the Company evaluates whether the transaction raises the economic effects, which would be expected for this kind of transaction. This rule is applied in case of sales, leasing, consignment or sales with recourse to the seller.

To demonstrate the sales, transfer of significant risks and profits for the buyer, the lack of ability to control by the seller and high probability of benefits impact should be taken into account.

Costs of external financing

Costs of external financing include interest and other costs incurred by the entity in connection with borrowing of funds.

Costs of external financing include:

- interest on loans and borrowings
- amortisation of discount or bonus related to loans and borrowings
- amortisation of costs associated with obtaining borrowings and loans
- financial leasing costs
- exchange rate differences associated with borrowings and loans in foreign currency, in the interest valuation part

Costs of external financing are recognised as costs of the period, in which they were incurred, excluding the costs of external financing, which can be directly assigned to the adjusted assets. Costs of external financing for the period of adjusting the asset increase the cost of production of fixed assets or real estate investments.

Employee benefits

Employee benefits are all the benefits offered in exchange for employees' work. The working period should absorb the full cost of work.

Holiday provision – employees of the Company are entitled to holiday according to the Labour Code regulations. The costs of employees' holiday are recognised on accrual basis. Employee holiday liability is determined based on the difference between the actual status of employees' holiday usage and the status, which would result from use proportional to the passage of time.

Retirement provision – they result from the Labour Code regulations, collective labour agreement or in-company regulations. The estimation of the provision amount requires several premises:

- salary – indication of salary increase, bonuses and grading
- staff turnover
- risk of survival
- interest rates associated with discounting
- the necessity for estimation for a large number of people

Retirement provisions are determined each year by an independent pensions actuary and the actuarial differences are included in the income statement in the Administration costs or Cost of Goods Sold. All the actuarial profits and losses relating to demographic changes and discount rate changes are recognised directly in other comprehensive income.

Restructuring provision

Restructuring provision is recognised when the Group is certain that the cash outflow will be needed and that its amount was reliably estimated. Provisions include in particular severance payment for dismissed employees. Restructuring provision is recognised only when the Group announced a detailed and formal restructuring plan to all interested parties.

Accrued income

Accrued income is recognised prudently and includes the equivalent of amounts received or receivable from customers for services that will be performed in future reporting periods.

Impact of foreign exchange rate changes

Functional and presentation currency of the Company is the Polish currency.



(amounts expressed in PLN thousands unless specified otherwise)

Valuation as at transaction date

Transactions in currency different than PLN are posted at the average exchange rate announced by the National Bank of Poland for the day preceding the transaction. For purchase or sale of the foreign currency in a bank, Group Companies use the exchange rates negotiated with the bank.

Non-monetary assets and liabilities are measured at fair value and denominated in foreign currency, are valued according to the average exchange rate set by the National Bank of Poland on the date of setting the fair value.

Valuation as at balance sheet date

As at the balance sheet date, foreign-currency assets and liabilities are converted at the average exchange rate of the National Bank of Poland (NBP) applicable on the balance sheet date.

Cash items - NBP average exchange rate as at the balance sheet date

Non-cash items at historical cost - at exchange rate as at the transaction date

Non-cash items in foreign currency at fair value - translated at the exchange rate effective as at the date of fair value determination.

Disclosure of exchange rate differences

Exchange rate differences arising from implementation or conversion of monetary items are accounted for in the profit and loss account and are presented in net amount (exchange rate profit or loss).

If the non-monetary profits or losses are recognised in the profit and loss account then the associated exchange rates are also recognised in the same account.

If the profits and losses from non-monetary items are recognised directly in the equity, then the exchange rates associated with them are also recognised directly in the equity.

The selected financial data in the initial part of the report were presented in EUR according to § 91 para. 1 of the Minister of Finance Regulation of 19 February 2009 (Journal of Law No. 33, item 259 of 2009).

The exchange rate on the last day for balance sheet items and average exchange rate for the income statement and cash flow statement were used for conversion.

	average EUR exchange rate during the period	EUR exchange rate as at the last day of the period
1.01- 31.12.2018	4.2669	4.3000
1.01- 31.12.2017	4.2447	4.1709

Estimates of the Management Board

Preparation of financial statements in compliance with IFRS requires the Management Board to make professional judgements, estimates and assumptions that impact the adopted accounting principles and the presented value of assets, liabilities, revenues and costs. The estimates and the underlying assumptions are based on historical experience and other factors considered reasonable under given circumstances and the results of such estimates are the basis for professional judgement of the carrying value of assets and liabilities, which cannot be determined using other sources. Actual results may differ from the assumed estimated values. The estimates and the underlying assumptions are reviewed on an on-going basis. A change in estimated values is recognized in the period in which the verification occurred if it concerns that period only, or in the current period and future periods, if the change concerns both the current period and future periods.

The main accounting estimates and the assumptions adopted refer to:

- estimated useful life of the asset - the subject matter of the estimation is to determine the estimated useful life, which may be shortened or extended in use. The end value and amortisation/depreciation methods are verified by the Group once per fiscal year. The verification includes among others: economic useful life, end value of asset, expected method of consuming the economic benefits from an intangible asset, expected physical wear and tear estimated on the basis of the present average useful life, reflecting the speed of physical wear and tear and intensity of use etc., technical or market obsolescence, legal and other limitations to the use of the asset, expected use of the asset estimated under the expected production capacity or production size and other circumstances effecting the useful life of assets.



(amounts expressed in PLN thousands unless specified otherwise)

- Impairment losses- are made if there are any external or internal indications of no possible recovery of the carrying amount of the non-current assets. If the carrying amount assets exceeds the recoverable amount of the asset , the value of asset is lowered to the recoverable amount by the appropriate impairment and recognition of the costs in the income statement.
- allowances of current assets (inventories and receivables), for inventories the allowance is estimated on the basis of the difference between net realizable amount and expected amount of future cash-flows. On the other hand estimate of accounts receivable write-off is the difference between the carrying value of given asset item and the current value of future cash flows discounted at the effective interest rate.
- employee benefits and provisions for retirement benefits and similar- the current amount of benefits and provisions depend on many factors determined by actuarial methods. The assumptions adopted to establish the net amount (income) for the retirement benefit include the discount rate. Any and all changes of such assumptions shall affect the amount of the retirement liabilities. The Group determines relevant discount rate at the end of each year. It is the interest rate applied to determine the present value of the estimated future outflows of cash assessed as necessary to meet the liabilities.
- provisions for expected liabilities due to the business activities- they are established in the amount representing the best estimate of the expenditure required to settle the present obligation or substantiation of the future obligation at the end of the reporting period.
- impairment tests of fixed assets and goodwill - impairment tests are carried out on the basis of five-year discounted forecast cash flows consistent with the approved plans of the Management Board. The discount rate is calculated based on WACC. The model uses the CAPM valuation model and the industry average beta value to calculate the cost of equity.

Balance sheet values and parameters used in estimates are presented in the numerical part of the report.

Events after the balance sheet date

Adjusting events after the balance sheet date- those that provide evidence of conditions that existed at the balance sheet date.

Non-adjusting events after the balance sheet date - those that are indicative of conditions that arose after the balance sheet date. If they are significant, they are recognized in the additional information by the Group, giving the nature and financial effect of such event or by the statement that determination of such effect is impossible or not reliable.

Each event causing the going concern principle cannot be continued is the event causing adjustments in the accounting books and financial statements. An entity shall not prepare its financial statements on a going concern basis, if management determines after the balance sheet date either that it intends to liquidate the Company or to cease trading, or that it has no realistic alternative but to do so.

Income tax

Net book and tax value of assets and liabilities

The Group accounts for provisions and recognises deferred income tax assets as a result of temporary differences between the book value of assets and liabilities and their tax value and tax loss or tax exemption deductible from taxable income in the future.

Deferred tax assets are determined by the Group as the future foreseeable amount, deductible from income tax in respect of deductible temporary differences, tax loss or tax exemption which will result in future reduction of the tax base, calculated in accordance with the prudence principle.

Deferred income tax provision is recognised by the Group in the amount of the income tax payable in future due to occurrence of taxable temporary differences which will increase the income tax base in the future.

The amount of deferred tax provision and deferred tax assets is determined by the Group according to income tax rates applied during the year, in which the tax obligation arose.

Special funds

The contributions to the Company Social Benefits Fund are calculated in compliance with the Act of 04.03.1994 on Company Social Benefits Fund. Assets and liabilities related to this fund are not recognized in the financial statements, because they are not controlled by the Company.



(amounts expressed in PLN thousands unless specified otherwise)

The Company Fund for Rehabilitation of the Disabled is accounted for by Group in accordance with the Ordinance of the Minister of Labour and Social Policy of 31 December 1998 on the Company's Fund for Rehabilitation of the Disabled (Journal of Laws of 1999 No. 3, item 22) and internal rules drafted pursuant to this Ordinance, with funds raised under tax exemptions and fees; the fund is recognised in nominal value.

Events after the balance sheet date

Adjusting events after the balance sheet date- those that provide evidence of conditions that existed at the balance sheet date.

Non-adjusting events after the balance sheet date- those that are indicative of conditions that arose after the balance sheet date. If they are significant, the Company discloses them in the additional information, giving the nature of the event and its financial effect or stating that the determination of such an effect is impossible or unreliable.

Each event causing the going concern principle cannot be continued is the event causing adjustments in the accounting books and financial statements. An entity shall not prepare its financial statements on a going concern basis, if management determines after the balance sheet date either that it intends to liquidate the Company or to cease trading, or that it has no realistic alternative but to do so.

Assets held for sale and discontinuation of operations

The company recognised a non-current assets item (or group of items) as held for sale in the lower amount of its carrying value or fair value less selling costs. Asset item is considered as held for sale if decisions were made by the management and a potential customer is actively sought

Changes in the applied accounting principles covering:

Financial instruments - IFRS 9

On 1 January 2018 the Group started to classify financial assets in the following categories:

- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss
- measured at amortised cost,
- financial hedging instruments

At the time of initial recognition, the Group recognises equity instruments - shares and interests in other entities - as financial instruments measured at fair value through other comprehensive income.

The Group classified trade receivables, loans granted, other financial receivables, cash and cash equivalents as assets measured at amortised cost.

The Group classified as assets measured at fair value through profit or loss those derivatives for which hedge accounting is not applied as well as those hedging instruments that are measured through profit or loss in accordance with hedge accounting principles.

On 1 January 2018 the Group started to classify financial liabilities in the following categories:

- measured at amortised cost,
- measurement at fair value through profit or loss,
- financial hedging instruments

The Group classified trade liabilities, credits, loans and bonds as liabilities measured at amortised cost.

The Group classifies liabilities on account of derivatives to which hedge accounting is not applied as measured at fair value through profit or loss.

Hedging financial instruments are measured and presented in accordance with the hedge accounting principles.

Impact on the change of classification and valuation of financial assets, starting from 1 January 2018:



(amounts expressed in PLN thousands unless specified otherwise)

Comparison of financial assets and liabilities as per IAS 39 and IFRS 9

	IAS 39		IFRS 9			Impact of changes	
	Amortised cost	Fair value settled through profit and loss	Amortised cost	Fair value settled through profit and loss	Fair value settled through other comprehensive income	Total	Additions / Reductions
01.01.2018							
Trade receivables	272 472		266 170	6 302		272 472	-
Write-down on receivables			-7 954			(7 954)	(7 954)
Trade receivables post revaluation	272 472		258 216	6 302		264 518	(7 954)
Other debtors	36 541			36 541		36 541	-
Loans granted	374 613		374 613			374 613	-
Bonds purchased	29 161		29 161			29 161	-
Shares held for trading		25 068		25 068		25 068	-
Cash	36 081		36 081			36 081	-
	748 868	25 068	698 071	67 911	-	765 982	(7 954)

Revenues from contracts with customers - IFRS 15

The Company implemented IFRS 15 as of 1 January 2018 and chose to apply the retrospective method by converting only the agreements existing as at the date of the first application of the standard, without adjusting the comparative data, which means that the data for 2017 and 2018 were drafted using different accounting policies. The new standard introduced one coherent model of revenue recognition. In addition, IFRS 15 introduces a change in the classification of receivables and divides them into assets under contracts with customers and receivables and a change in the classification of liabilities and deferred income, which according to IFRS 15, in justified cases, should be reclassified as of 1 January 2018 to liabilities under contracts.

The Company carried out the process of assessing the impact of application of the new standard on the financial statements. The specific nature of Company's industry and contracts with customers do not require a change in the recognition or valuation of receivables or liabilities resulting from contracts with customers. At the same time, the Company judges that the new standard had no impact on the manner of presentation of certain balance sheet items and did not broaden the scope of disclosures in the financial statements in compliance with the standard. The impact of application of IFRS 15 on Company's consolidated financial statements in relation to the previously binding provisions of IAS 11 and IAS 18 is immaterial.



(amounts expressed in PLN thousands unless specified otherwise)

FINANCIAL STATEMENTS

1. Statement of comprehensive income

The profit/loss on sales is the difference between the sum of due revenues from the sale of products, services and goods, including rebates, discounts and other increases and decreases, excluding value added tax and the value of goods sold at purchase prices and manufacturing costs of products and services sold, and all sales and general and administrative costs incurred during the current period.

Other income include dividends received, redundant provisions redeemed, compensations received and reversals of impairment write-offs on assets and profits on the sales of non-current assets (fixed assets, intangible assets, investment properties and shares in subsidiaries)

Other costs - mainly created provisions, compensation penalties paid, revaluation write-offs of assets and losses on the sale of non-current assets (fixed assets, intangible assets, investment properties and shares in subsidiaries), subsidies to the capital of subsidiaries

Financial revenues - interest received, the result on the sales of receivables, profits on derivative instruments, profits on exchange rates and revaluation gains and sales of financial assets

Cost of financing - interest paid, loss on receivables sales, loss on derivatives, foreign exchange losses, loss on revaluation and sales of financial assets

Income tax - statutory encumbrances of profit/loss due to income tax (including income tax provisions).

2. Other income recognized directly in equity - income from revaluation of assets available for sales reduced by tax and profits/losses on revaluation of employee benefit provisions

Statement of financial position

In the statement of financial position, the Company recognizes the state of assets and liabilities as at the last day of the current and previous reporting period. The value of particular groups of assets recognized in the balance sheet assets results from their net book value adjusted by depreciation, the effects of revaluation and write-offs revaluing the value of assets due impairment loss. Financial assets and liabilities are recognized in the report as net amount if the Company has an unconditional right to the compensation of assets and liabilities of a given type and intends to settle them on a net basis or simultaneously spend a financial asset and settle a financial liability.

Other financial statements applicable to the Company

- Statement of changes in equity
- Cash flow statement
- Additional information in the form of additional explanatory notes
- Declaration on non-financial information
- Report in accordance with the provisions of Article 44 of the Energy Law Act

Statement of changes in equity includes information about changes in individual components of equity for the current and previous reporting period.

Statement of cash flows is prepared by the Company using the indirect method. It includes all cash inflows and outflows from operating, investing and financing activities, excluding inflows and outflow resulting from the purchase or sale of cash, for the current and previous periods.

Notes to the financial statement contain significant data and explanations necessary to ensure that the financial statements present reliably and clearly the property and financial situation as well as the financial result and the yield of the Company.

Report on Company's activities

Along with the semi-annual and annual financial statements, the Company prepares a report of the management board for the period. The management board report on the company's activities is not a part of the financial statement.

This report includes material information on the Company's property and financial condition, including an assessment of the achieved results and an indication of risk factors and a description of risks.



4. BASIC ACCOUNTING JUDGMENTS AND THE BASIS FOR ESTIMATING UNCERTAINTY

Basic accounting judgments and the basis for estimating uncertainty

Estimates of the Management Board

Preparation of financial statements in compliance with IFRS requires the Management Board to make professional judgements, estimates and assumptions that impact the adopted accounting principles and the presented value of assets, liabilities, revenues and costs. The estimates and the underlying assumptions are based on historical experience and other factors considered reasonable under given circumstances and the results of such estimates are the basis for professional judgement of the carrying value of assets and liabilities, which cannot be determined using other sources. Actual results may differ from the assumed estimated values. The estimates and the underlying assumptions are reviewed on an on-going basis. A change in estimated values is recognized in the period in which the verification occurred if it concerns that period only, or in the current period and future periods, if the change concerns both the current period and future periods.

The main accounting estimates and the assumptions adopted refer to:

- estimated useful life of the asset - the subject matter of the estimation is to determine the estimated useful life, which may be shortened or extended in use. The end value and amortisation/depreciation methods are verified by the Company once per fiscal year. The verification includes among others: economic useful life, end value of asset, expected method of consuming the economic benefits from an intangible asset, expected physical wear and tear estimated on the basis of the present average useful life, reflecting the speed of physical wear and tear and intensity of use etc., technical or market obsolescence, legal and other limitations to the use of the asset, expected use of the asset estimated under the expected production capacity or production size and other circumstances effecting the useful life of assets.
- Impairment losses- are made if there are any external or internal indications of no possible recovery of the carrying amount of the non-current assets. If the carrying amount assets exceeds the recoverable amount of the asset, the value of asset is lowered to the recoverable amount by the appropriate impairment and recognition of the costs in the income statement.
- allowances of current assets (inventories and receivables), for inventories the allowance is estimated on the basis of the difference between net realizable amount and expected amount of future cash-flows. On the other hand estimate of accounts receivable write-off is the difference between the carrying value of given asset item and the current value of future cash flows discounted at the effective interest rate.
- employee benefits and provisions for retirement benefits and similar- the current amount of benefits and provisions depend on many factors determined by actuarial methods. The assumptions adopted to establish the net amount (income) for the retirement benefit include the discount rate. Any and all changes of such assumptions shall affect the amount of the retirement liabilities. The Group determines relevant discount rate at the end of each year. It is the interest rate applied to determine the present value of the estimated future outflows of cash assessed as necessary to meet the liabilities.
- provisions for expected liabilities due to the business activities- they are established in the amount representing the best estimate of the expenditure required to settle the present obligation or substantiation of the future obligation at the end of the reporting period.



(amounts expressed in PLN thousands unless specified otherwise)

5. OPERATING SEGMENTS

Branch	Business segment
Headquarters	Other
Elana Branch in Toruń	Chemical products
Energy Branch in Toruń	Other
Boryszew ERG Branch in Sochaczew	Chemical products
Nylonbor Branch in Sochaczew	Chemical products
NPA Skawina Branch	Metals
Maflow Branch in Tychy	Automotive

The applied principle is that each branch belongs to only one operating segment.

	Chemicals	Automotive	Metals	Other	Total	exclusions between segments	Total
01.01.2018 - 31.12. 2018							
Revenues from sales	240 886	642 406	399 657	257 953	1 540 902		1 540 902
Segment costs of sales	206 275	564 342	377 990	246 415	1 395 022		1 395 022
Result on sales within segment	34 611	78 064	21 667	11 538	145 880	0	145 880
General, administrative and sales expenses	29 404	48 172	14 966	13 192	105 734	(2)	105 732
Other operating profit/loss	630	12 795	(1 977)	23 045	34 493		34 493
Segment profit/loss	5 837	42 687	4 724	21 391	74 639	2	74 641
Amortisation/depreciation	5 520	21 406	5 647	474	33 047		33 047
EBITDA	11 357	64 093	10 371	21 865	107 686	2	107 688
Segment assets	208 535	591 860	169 715	1 032 432	2 002 542	(143 532)	1 859 010
Segment liabilities	73 234	654 476	103 559	563 550	1 394 819	(143 532)	1 251 287
01.01.2017 -31.12. 2017							
Revenues from sales	229 439	676 833	401 809	206 611	1 514 692	(1 784)	1 512 908
Segment costs of sales	189 670	579 570	368 375	194 604	1 332 219	(1 701)	1 330 518
Result on sales within segment	39 769	97 263	33 434	12 007	182 473	(83)	182 390
General, administrative and sales expenses	28 811	47 722	14 476	16 933	107 942	(83)	107 859
Other operating profit/loss	4 691	(8 690)	419	26 487	22 907		22 907
Segment profit/loss	15 649	40 851	19 377	21 561	97 438	0	97 438
Amortisation/depreciation	5 324	18 535	5 243	780	29 882		29 882
EBITDA	20 973	59 386	24 620	22 341	127 320		127 320
Segment assets	182 372	585 778	187 261	959 881	1 915 292	(153 419)	1 761 873
Segment liabilities	64 796	660 287	123 674	452 182	1 300 939	(153 419)	1 147 520



(amounts expressed in PLN thousands unless specified otherwise)

6. REVENUES FROM SALE

Revenues from sale	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Revenues from sales of products	1 163 763	1 191 564
Revenues from sales of services	52 798	40 931
Revenues from sales of goods and materials	324 341	280 413
Total	1 540 902	1 512 908

Sales revenues by geographical areas	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Continuing operations		
Domestic sales	640 522	598 386
Sales to EU countries	793 117	825 519
Sales to other European countries	33 396	27 933
Export outside Europe	73 867	61 070
Total	1 540 902	1 512 908

Share of EU member states in intra-Community sales:	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Germany	24%	30%
Great Britain	12%	14%
The Czech Republic	12%	7%
Italy	6%	8%
Spain	7%	8%



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7. OPERATING EXPENSES

Costs of operating activities by type	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Amortisation/depreciation	33 047	29 882
Consumption of materials and energy	808 779	825 793
External services	135 744	129 271
Taxes and charges	9 725	10 336
Costs of employee benefits, including:	207 864	212 532
<i>costs of remuneration</i>	163 809	170 439
<i>costs of social insurance</i>	31 910	31 400
<i>other employee benefits</i>	12 145	10 693
Other expenses	11 450	8 619
Value of sold goods and materials	309 318	263 503
Total expenses by type	1 515 927	1 479 936
Movements in products (+/-)	(15 716)	(41 187)
Capitalised costs by type (-) consumption for own needs	543	(372)
Impairment write-offs on inventories in COGS	0	0
	1 500 754	1 438 377
Selling costs	(29 178)	(30 440)
General and administrative costs (-)	(76 554)	(77 419)
Cost of sales	1 395 022	1 330 518

8. OTHER OPERATING REVENUES

Other operating revenues	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Profit from sale of non-current assets	8 312	12 171
Reversal of write-downs / Revaluation of non-financial assets	3 591	11 957
Reversal of unnecessary provisions	84	65
Other revenue	5 832	2 949
Dividend	8 004	10 078
Subsidies	3 194	4 742
Total	29 017	41 962



(amounts expressed in PLN thousands unless specified otherwise)

9. OTHER OPERATING EXPENSES

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Other operating expenses		
Loss on sale of fixed assets	164	43
Creation of value impairment write-offs for inventories	7 759	2 453
Creation of provisions	1 347	400
Other expenses	7 819	1 875
Total	17 089	4 771

10. REVALUATION OF TRADE AND OTHER RECEIVABLES

Revaluation of trade and other receivables

Write-downs on trade receivables

Recognition of write-downs on overdue receivables (-)	(6 854)	(14 356)
Reversal of write-downs - recovery of receivables (+)	19 883	72
Valuation of expected credit losses recognised in profit or loss for the current year	<u>344</u>	-
Total revaluation of trade receivables recognised in profit or loss	13 373	(14 284)

Bad debt provision on other receivables

Reversal of write-downs - recovery of receivables (+)	<u>9 192</u>	-
Total revaluation of receivables recognised in profit or loss	22 565	(14 284)

Valuation of expected credit losses brought forward recognised in retained earnings

		<u>(7 955)</u>
Total revaluation of receivables	22 565	(22 239)

11. FINANCIAL REVENUES

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Interest income, including:	14 431	15 854
Interests on loans	11 619	13 707
Interest on bonds	2 300	739
Other interest	512	1 408
Exchange differences	4 534	-
Other interest	93	41
Other	272	-
Total	19 330	15 895



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12. FINANCIAL EXPENSES

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Interest expense, including:	26 836	24 368
Interest on loans	12 056	10 252
Interest on factoring	2 171	1 573
Interest on borrowings	4 151	3 603
Interest from issued bonds	3 932	2 421
Interest on lease	1 944	4 193
Interest on other liabilities	2 582	2 326
Impairment losses on other shares in subsidiaries and associates	13 254	1 427
Loss on sales of financial assets	117	-
Other financial expenses, including:	3 682	18 022
Exchange differences	-	14 805
Loss on derivative financial instruments	-	1 585
Other	2 159	1 632
Total	43 889	43 817

13. MEASUREMENT OF FINANCIAL ASSETS

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Measurement of financial assets		
Borrowings		
<i>Recognition of revaluation write-downs on overdue loans</i>	(4)	(2 000)
<i>Reversal of revaluation write-offs (repayment of written-off loans)</i>	211	13 812
Bonds		
<i>Recognition of revaluation write-downs on overdue loans</i>	(18)	
<i>Reversal of revaluation write-downs</i>		
Total impact on profit/loss	189	11 812



(amounts expressed in PLN thousands unless specified otherwise)

14. INCOME TAX

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
14.1. Current corporate income tax		
Gross profit (loss)	50 271	81 328
Permanent differences in the tax base	(8 225)	(27 136)
Temporary differences in the tax base	(38 126)	12 050
Income after permanent and temporary differences	3 920	66 242
Tax exempt income due to business activity in Special Economic Zones (-)	(13 236)	(40 933)
Income tax base	(9 316)	25 309
Tax rate	19.0%	19.0%
Income tax	4 809	4 809
Capital gains tax	190	
Deduction of overpayment from previous years		(1 982)
Adjustments to the tax of previous years	(1 883)	
Income tax for current year		2 827
Advances paid during the year	503	1 892
Current tax liabilities	-	935
Tax assets (due tax refund)	313	
Current and deferred tax disclosed in the profit and loss account	5 551	(3 176)
Effective tax rate	11.0%	-3.9%

14.2. Deferred tax

	As at 31.12.2018	As at 31.12.2017
Deferred tax disclosed in the balance sheet		
Deferred tax provision	-	-
Deferred tax asset	(141)	(6 038)
Deferred tax balance disclosed in the balance sheet	(141)	(6 038)
Change in the balance sheet recognised in profit or loss	7 244	(7 741)
Change in the balance recognised in other comprehensive income	119	724
Opening balance adjustment (implementation of IFRS 9)	(1 466)	



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Change in deferred tax 2018

Change in deferred income tax asset	As at 01.01.2018	change recognized in the current year	tax recognized in the financial result	tax recognized in other comprehensive income	As at 31.12.2018
Deferred income tax asset on provisions for employee benefits	1 352	(307)	(305)	(2)	1 045
Deferred income tax assets on other provisions	2 807	(598)	(598)		2 209
Impairment write-offs on assets	16 522	2 251	2 251		18 773
Valuation of derivative instruments	361	179	296	(117)	540
Unrealised negative currency exchange differences	1 243	(695)	(695)		548
Amortisation/depreciation	17 814	(173)	(173)		17 641
Deferred income tax asset on loss at the beginning of the year	814	1 770	1 770		2 584
Deferred income tax asset on SEZ taxation	7 000	(3 746)	(3 746)		3 254
Other deferred income tax assets	522	293	293		815
Total	48 435	(1 026)	(907)	(119)	47 409

As at 1 January 2018, the asset for write-downs on account of revaluation of assets was increased by 1 512 as a result of implementation of IFRS 9 and recognised in retained earnings

Change in deferred income tax provisions	As at 01.01.2018	change recognized in the current year	tax recognized in the financial result	tax recognized in other comprehensive income	As at 31.12.2018
Valuation of Assets	10 990	1 105	1 105		12 095
Balance sheet valuation of derivative instruments	0	0	0		0
Unrealised currency exchange rate differences	1 051	931	931		1 982
Fixed assets depreciation	23 752	2 300	2 300		26 052
Other deferred income tax provisions	6 604	535	535		7 139
Total	42 397	4 871	4 871	-	47 268

Change in deferred tax 2017

Change in deferred income tax asset	As at 01.01.2017	change recognized in the current year	tax recognized in the financial result	tax recognized in other comprehensiv e income	As at 31.12.201 7
Deferred income tax asset on provisions for employee benefits	2 464	(1 122)	(1 175)	53	1 342
Deferred income tax assets on other provisions	329	2 478	2 478		2 807
Impairment write-offs on assets	8 858	7 169	7 169		16 027
Valuation of derivative instruments	-	361	(305)	666	361
Unrealised negative currency exchange differences	2 235	992	992		1 243
Amortisation/depreciation	5 593	12 221	12 221		17 814
Deferred income tax asset on loss at the beginning of the year	579	235	235		814
Deferred income tax asset on SEZ taxation	0	7 000	7 000		7 000
Other deferred income tax assets	12 110	(11 588)	(11 588)		522
Total	32 168	15 762	15 043	719	47 930



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Change in deferred income tax provisions	As at 01.01.2017	change recognized in the current year	tax recognized in the financial result	tax recognized in other comprehensive income	As at 31.12.2017
Valuation of Assets	10 861	129	129		10 990
Balance sheet valuation of derivative instruments	1 178	(1 013)	(1 013)		165
Unrealised currency exchange rate differences	3 547	(2 661)	(2 661)		886
Fixed assets depreciation	17 060	6 692	6 692		23 752
Other deferred income tax provisions	1 975	4 629	4 629		6 604
Total	34 621	7 776	7 776	-	42 397

15. NON-CURRENT ASSETS

Tangible fixed assets (by type groups)

	As at 31.12.2018	As at 31.12.2017
Fixed assets by type:	269 538	272 363
land	9 303	9 303
buildings, premises, civil and water engineering structures	59 805	60 682
technical equipment and machines	189 151	191 160
vehicles	3 262	4 346
other tangible fixed assets	8 017	6 872
Advances for tangible fixed assets	3 185	499
Total property, plant and equipment	272 723	272 862

The company insures its entire non-current assets.

additional information

	As at 31.12.2018	As at 31.12.2017
Net value of tangible fixed assets, used under lease agreements	46 796	49 477
Amount of net non-current assets with the limited ownership right	67 414	77 522
Fixed assets provided as collateral to loan repayment	14 476	6 935
Insurance value of fixed assets (up to replacement value)	480 843	457 871



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	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	vehicles	Other tangible fixed assets	Total
Change in the balance of fixed assets in the period 01.01.2018 - 31.12. 2018						
Gross value of fixed assets at the beginning of the period	9 303	92 362	335 544	9 274	19 089	465 572
Additions - purchase, commissioning of assets construction (+)		2 829	15 729	265	2 224	21 047
Additions - under lease agreements (+)			16 017	519	432	16 968
Disposal (-)		(291)	(10 939)	(784)		(12 014)
Tangible fixed assets under construction (+/-)		(504)	(6 979)	37	33	(7 413)
Liquidation (-)			(5 225)	(228)	(975)	(6 428)
Other (+/-)		8	3 687	(20)		3 675
Gross value of fixed assets at the end of the period	9 303	94 404	347 834	9 063	20 803	481 407
Accumulated depreciation at the beginning of the period	-	28 474	140 070	4 738	12 021	185 303
Planned depreciation of own fixed assets (+)		2 938	18 197	205	1 338	22 678
Planned depreciation of leased fixed assets (+)			4 454	1 319	92	5 865
Decrease due to disposal (-)		(30)	(8 232)	(663)	(820)	(9 745)
Other (+/-)		6	(114)	(58)	(41)	(207)
Accumulated depreciation at the end of the period	0	31 388	154 375	5 541	12 590	203 894
Impairment write-offs at the beginning of the period	-	3 206	4 314	190	196	7 906
Other (+/-)		5	(6)	70	0	69
Impairment write-offs at the end of the period	0	3 211	4 308	260	196	7 975
Net fixed assets as at the end of period	9 303	59 805	189 151	3 262	8 017	269 538

	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	vehicles	Other tangible fixed assets	Total
Change in the balance of fixed assets in the period 01.01.2017 -31.12. 2017						
Gross value of fixed assets at the beginning of the period	9 303	95 646	301 991	6 883	16 844	430 667
Additions - purchase, commissioning of assets construction (+)		8 161	12 320	538	2 082	23 101
Additions - under lease agreements (+)			49 146	2 189	558	51 893
Disposal (-)		(118)	(2 542)	(189)		(2 849)
Tangible fixed assets under construction (+/-)		(6 758)	(24 273)		(42)	(31 073)
Liquidation (-)			(1 098)	(147)	(353)	(1 598)
Other (+/-)		(4 569)				(4 569)
Gross value of fixed assets at the end of the period	9 303	92 362	335 544	9 274	19 089	465 572
Accumulated depreciation at the beginning of the period	-	25 816	120 677	3 687	10 934	161 114
Planned depreciation of own fixed assets (+)		2 842	14 018	203	1 311	18 374
Planned depreciation of leased fixed assets (+)			7 338	1 110	43	8 491
Decrease due to disposal (-)		(37)	(1 537)	(204)	(121)	(1 899)
Other (+/-)		(147)	(426)	(58)	(146)	(777)
Accumulated depreciation at the end of the period	0	28 474	140 070	4 738	12 021	185 303
Impairment write-offs at the beginning of the period	-	4 413	4 513	266	291	9 483
Creating a write-down (+)			644	30	39	713
Reversal of impairment write-down (-)		(683)	(842)	(90)	(125)	(1 740)
Decrease due to disposal (-)		(82)				(82)
Other (+/-)		(442)	(1)	(16)	(9)	(468)
Impairment write-offs at the end of the period	0	3 206	4 314	190	196	7 906
Net fixed assets as at the end of period	9 303	60 682	191 160	4 346	6 872	272 363



(amounts expressed in PLN thousands unless specified otherwise)

16. INVESTMENT PROPERTY

	As at 31.12.2018	As at 31.12.2017
Investment real estate property at fair value		
Real estate property located in Toruń	16 525	16 525
Change	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Balance at the beginning of the period	16 525	144
Additions	0	16 525
reclassification from fixed assets		4
valuation to fair value (-)		315
		12
		210
Reductions (-)	0	(144)
sale (-)	0	(144)
Balance as at period end	16 525	16 525

After consultation with an expert, the Company recognised that the fair value of the property did not change in relation to the previous year.

Revenues from investment property (rental agreements)	798	314
Maintenance cost of investment property	219	67
	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Revenues from investment property (rental agreements)	798	314
Maintenance cost of investment property	219	67

17. INTANGIBLE ASSETS

	As at 31.12.2018	As at 31.12.2017
Intangible assets		
R&D expenses	3 989	5 553
Patents, licenses, software	18 293	14 726
Perpetual land usufruct right	1 776	1 821
Other intangible assets	9 057	4 756
Total	33 115	26 856



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Change in intangible assets in the period 01.01.2018 - 31.12. 2018	R&D expenses	Patents, concessions, licence, software	Perpetual land usufruct right	Other intangible assets	Total
Gross value at the beginning of the period	11 284	18 899	2 223	7 182	39 588
Additions (purchase)	230	5 340	3	5 256	10 829
Liquidation (-)	-	(38)	(4)	-	(42)
Introduced as in-kind contribution (-)	-	-	-	-	-
Other	-	-	(7)	(29)	(36)
Gross value of intangible assets at the end of the period	11 514	24 201	2 215	12 409	50 339
Accumulated depreciation at the beginning of the period	5 731	4 173	402	2 426	12 732
Scheduled depreciation of intangible assets	1 794	1 753	38	926	4 511
		-18	-1		
Accumulated depreciation at the end of the period	7 525	5 908	439	3 352	17 243
Impairment write-offs at the beginning of the period	-	-	-	-	-
impairment write-offs at the end of the period	-	-	-	-	-
Net value of intangible assets at the end of the period	3 989	18 293	1 776	9 057	33 115

Change in intangible assets in the period 01.01.2017 - 31.12. 2017	R&D expenses	Patents, concessions, licence, software	Perpetual land usufruct right	Other intangible assets	Total
Gross value at the beginning of the period	9 341	19 750	2 198	4 343	35 632
Additions (purchase)	1 943	180	-	4 551	6 674
Liquidation (-)	-	(1 031)	-	-	(1 031)
Introduced as in-kind contribution (-)	-	-	-	-	-
Other	-	-	25	(1 712)	(1 687)
Gross value of intangible assets at the end of the period	11 284	18 899	2 223	7 182	39 588
Accumulated depreciation at the beginning of the period	4 092	2 876	338	2 411	9 717
Scheduled depreciation of intangible assets	1 639	1 297	64	15	3 015
Accumulated depreciation at the end of the period	5 731	4 173	402	2 426	12 732
Impairment write-offs at the beginning of the period	-	-	-	-	-
impairment write-offs at the end of the period	-	-	-	-	-
Net value of intangible assets at the end of the period	5 553	14 726	1 821	4 756	26 856



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18. SHARES IN SUBSIDIARIES AND ASSOCIATES

Company name	As at 01.01.2018			acquisition	change		share of the parent in share capital (%)	As at 31.12.2018		
	share of the parent in share capital (%)	Value of shares	Impairment write-off		Net value	disposal (-)		change in the balance of revaluation write-offs	Value of shares	Impairment write-off
Direct subsidiaries:										
Elimer Sp. z o.o.	52.44	53		53			52.44	53	-	53
Torien Sp. z o.o.	100	15 808	2 555	13 253		13 253	100	15 808	15 808	0
Elana Pet Sp. z o.o.	100	4 707		4 707			100	4 707	-	4 707
Nylonbor Sp.zo.o.	100	50		50			100	50	-	50
Elana Energetyka Sp. z o.o.	100	1 500	1 500	-			100	1 500	1 500	-
SPV Boryszew 3 Sp. z o.o. Nowoczesne Produkty Aluminiowe Skawina	100	9 086		9 086			100	9 086	-	9 086
Boryszew Commodities Sp. z o.o.	-			-			-	-	-	-
SPV Boryszew 6 Sp. z o.o.	100	25		25			100	25	-	25
SPV Maflow (d.SP.V Boryszew 8) Sp. z o.o.	100	25		25			100	25	-	25
SPV Boryszew 9 Sp. z o.o.	100	25		25			100	25	-	25
Boryszew Automotive Plastics Sp. z o.o.	100	59 875	11 244	48 631			100	59 875	11 244	48 631
Boryszew Tensho Poland Sp. z o.o.	80	6 736		6 736	1 183		80	7 919	-	7 919
BOR Plastic RUS Sp.z o.o., Rosja	11	2 242		2 242			11	2 242	-	2 242
HR Service Sp.zo.o.Toruń	100	354		354			100	354	-	354
Maflow Polska Sp. z o.	100	5		5			100	5	-	5
Maflow BRS s.r.l	100	40		40			100	40	-	40
Maflow Spain Automotive S.L.U	100	6 080		6 080			100	6 080	-	6 080
Maflow France Automotive S.A.	100	3 951	3 951	-			100	3 951	3 951	-



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Maflow India	100	14 294		14 294			100	14 294	-	14 294
Eastside Bis Sp. z o.o.	65.02	58 668		58 668			65.02	58 668	-	58 668
Boryszew Energy Sp. z o.o.	100			-			100	-	-	-
Elana Ukraina Sp. z o.o.	90	338	338	-			90	338	338	-
Impexmetal S.A.	55.07	262 356		262 356	30 977		55.07	293 333	-	293 333
		446 110	19 463	426 647	32 160	- 13 253		478 395	32 841	445 554
Indirect subsidiaries										
Hutmen S.A.	10.38	14 101		14 101			10.38	14 101		14 101
Walcownia Metali Dziedzice S.A.	1.92	1 529	-	1 529			1.92	1 529	-	1 529
		15 630	-	15 630	0	-		15 630	-	15 630
Affiliated entities										
Zavod Mogiliev - Sp. z o.o. Belarus	30	1 091	1 091	-			30	1 091	1 091	-
Alchemia	0.25	2 503	343	2 160		(178)	0.25	2 503	165	2 338
	30	3 594	1 434	2 160	0	0	30	3 594	1 256	2 338
Total shares and stocks	30	465 334	20 897	444 437	32 160	0	30	497 619	34 097	463 522



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Company name	As at 01.01.2017				change			As at 31.12.2017			
	share of the parent in share capital (%)	Value of shares	Impairment write-off	Net value	acquisition	disposal (-)	change in the balance of revaluation write-offs	share of the parent in share capital (%)	Value of shares	Impairment write-off	Net value
Direct subsidiaries:											
Elimer Sp. z o.o.	52.44	53	-	53				52.44	53	-	53
Torlen Sp. z o.o.	100	15 808	2 555	13 253				100	15 808	2 555	13 253
Elana Pet Sp. z o.o.	100	4 707	-	4 707				100	4 707	-	4 707
Nylonbor Sp.zo.o.	-	-	-	-	50			100	50	-	50
Elana Energetyka Sp. z o.o.	100	1 500	1 500	-				100	1 500	1 500	-
SPV Boryszew 3 Sp. z o.o.	100	9 086	-	9 086				100	9 086	-	9 086
Nowoczesne Produkty Aluminiowe Skawina	100	17	-	17				100	17	-	17
Boryszew Commodities Sp. z o.o.	-	-	-	-				-	-	-	-
SPV Boryszew 6 Sp. z o.o.	100	25	-	25				100	25	-	25
SPV Maflow (d.SPV Boryszew 8) Sp. z o.o.	100	25	-	25				100	25	-	25
SPV Boryszew 9 Sp. z o.o.	100	25	-	25				100	25	-	25
Boryszew Automotive Plastics Sp. z o.o.	100	27 214	11 119	16 095	32 536			100	59 750	11 119	48 631
Boryszew Tensho Poland Sp. z o.o.	80	6 736	-	6 736				80	6 736	-	6 736
BOR Plastic RUS Sp.z o.o., Rosja	-	-	-	-	2 242			11	2 242	-	2 242
HR Service Sp.zo.o.Toruń	-	-	-	-	354			100	354	-	354
Maflow Polska Sp. z o.	100	5	-	5				100	5	-	5
Maflow BRS s.r.l	100	40	-	40				100	40	-	40
Maflow Spain Automotive S.L.U	100	6 080	-	6 080				100	6 080	-	6 080
Maflow France Automotive S.A.	100	3 951	3 951	-				100	3 951	3 951	-
Maflow India	100	14 294	-	14 294				100	14 294	-	14 294
Eastside Bis Sp. z o.o.	65.02	58 668	-	58 668				65.02	58 668	-	58 668



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Boryszew Energy Sp. z o.o.	100	-	-	-				100	-	-	-
Elana Ukraina Sp. z o.o.	90	338	338	-				90	338	338	-
Impexmetal S.A.	50.7	229 917	-	229 917	32 439			55.07	262 356	-	262 356
		378 489	19 463	359 026	-	67 621	-	-	446 110	19 463	426 647
Indirect subsidiaries											
Hutmen S.A.	0.42	535	-	535	13 566			10.38	14 101		14 101
Walcownia Metali Dziedzice S.A.	1.92	1 529	-	1 529				1.92	1 529	-	1 529
		-	2 064	-	2 064	-	13 566	-	15 630	-	15 630
Affiliated entities											
Zawod Mogiliev - Sp. z o.o. Belarus	30	1 091	1 091	-				30	1 091	1 091	-
Alchemia		3854		3854		(1 351)	343	0.25	2 503	343	2 160
		4 945	1 091	3 854	0	(1 351)	343	30	3 594	1 434	2 160
Total shares and stocks		385 498	20 554	364 944	81 187	(1 351)	343	30	465 334	20 897	444 437

The shares of Impexmetal S.A. are provided as a security for repayment of loans described in Note 26.1.



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The Company recognised a revaluation write-down on shares in Torlen, which was put into liquidation.

As at 31 December 2018, impairment tests of all assets in subsidiaries were carried out. When testing assets at Boryszew Automotive Plastics Sp. z o. o. all companies from GAP BAP for which the above-mentioned company is the parent were included. The value of tested assets (shares, loans, bonds, trade receivables) amounted to PLN 482 million.

The analysis assumes valuation based on discounted future cash income (DCF) and capital asset pricing model (CAPM). The time horizon of the forecast was 5 years based on the 2019 budget and forecasts for the next 4 years. In order to calculate the weighted average cost of capital (WACC), publicly available data on risk-free interest rates, risk premium and beta coefficient were used. The accepted WACC test was calculated at the level of 7.1%.

As a result of the test, no evidence of impairment of assets (except for Torlen) was determined.

19. FINANCIAL ASSETS

Financial assets	As at 31.12.2018	As at 31.12.2017
Shares and stocks at fair value through profit or loss (held for trading)	-	25 068
Debt instruments (bonds) measured at amortised cost	144 915	29 161
Granted loans - measured at amortised cost	373 648	374 613
In total, including:	518 563	428 842
<i>Long-term financial assets</i>	382 320	388 685
<i>Short-term financial assets</i>	136 243	40 157

17.1. Financial assets - bonds purchased

	As at 31.12.2018	As at 31.12.2017
bonds acquired from subsidiaries	144 915	27 161
bonds acquired from non-affiliated entities	-	2 000
Total	144 915	29 161
bonds of maturity up to one year	129 364	11 060
bonds of maturity exceeding one year	15 551	18 101
Interest income on bonds	2 300	739

Statement of bonds subscribed for

	As at 31.12.2018	As at 31.12.2017
Chemicals Advisory & Trade	-	2 000
Unibax Sp. z o.o.	127 191	10 303
Valuation of credit risk	(18)	
Maflow India Private Ltd	14 951	15 101
Skotan S.A.	2 791	1 757
Total	144 915	29 161



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	As at 31.12.2018	As at 31.12.2017
17.2. Receivables on loans granted (including payable interest)		
Loans granted to subsidiaries	373 648	374 613
Loans granted to other entities	-	-
Loans of maturity up to one year	6 879	4 029
Loans of maturity up to one year	366 769	370 584
Interest income on loans granted	11 619	13 707

	As at 31.12.2018	As at 31.12.2017
Receivables from loans granted (with interest due) by borrowers		
Theysohn Kunststoff GmbH	274	266
Boryszew Kunststofftechnik Deutschland GmbH	110 844	106 779
Boryszew Automotive Plastics Sp.z o.o.	206 699	208 705
BRS YMOS GmbH	161	6 808
Boryszew SPV 3 Sp.zo.o.	-	-
Boryszew Formenbau GmbH	422	409
Boryszew Oberflächentechnik Deutschland GmbH	-	-
Boryszew Deutschland GmbH	490	476
Maflow BRS Srl	8 581	8 033
Maflow Sp. Z o.o.		
Mafmex Servicios S de.RL.de.C	39 138	37 332
Boryszew Energy Sp. z o.o.	-	-
Boryszew HR Service Sp. z o.o.	-	-
Elana Pet Sp. Z o.o.	4 038	-
Boryszew Commodities Sp. z o.o.		14
Polish Wind Holdings B.V.	1 796	1 740
Boryszew SPV 3 Sp.zo.o.	1 209	-
Elana Pet Sp. Z o.o.		4 029
Nylonbor Sp. Z o.o.		22
Write-off for credit risk	(4)	
Total	373 648	374 613

The table above includes net receivables recognised in the balance sheet, after revaluation write-downs of PLN 122 million.



(amounts expressed in PLN thousands unless specified otherwise)

20. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31.12.2018

	<u>assets</u>	<u>liabilities</u>
Cash flows hedging instruments	579	66
<i>Commodity swaps</i>	579	0
<i>Foreign exchange contracts</i>	-	66
Fair value hedges	0	0
<i>Interest rate swaps</i>	-	-
<i>Foreign exchange contracts</i>	-	-
<i>Commodity swaps</i>	-	-
Instruments held for trading	0	0
<i>Foreign exchange contracts</i>	-	-
<i>Commodity swaps</i>	-	-
	<hr/>	<hr/>
	579	66
<i>long-term part</i>	-	-
<i>short-term part</i>	-	66
positive net out	513	-

As at 31.12.2017

	<u>assets</u>	<u>liabilities</u>
Cash flows hedging instruments	0	4 530
<i>Commodity swaps</i>	-	2 282
<i>Foreign exchange contracts</i>	-	2 248
Fair value hedges	0	0
<i>Interest rate swaps</i>	-	-
<i>Foreign exchange contracts</i>	-	-
<i>Commodity swaps</i>	-	-
Instruments held for trading	0	0
<i>Foreign exchange contracts</i>	-	-
<i>Commodity swaps</i>	-	-
	<hr/>	<hr/>
	0	4 530
<i>long-term part</i>	-	-
<i>short-term part</i>	-	4 530
negative net out (-)	-	(4 530)



(amounts expressed in PLN thousands unless specified otherwise)

21. TRADE AND OTHER RECEIVABLES

	As at 31.12.2018	As at 31.12.2017
Trade receivables and other receivable		
Trade receivables from sale of products, goods and services	271 856	272 472
Budget receivables	10 878	12 268
Other debtors	36 643	37 641
Total trade and other receivables	319 377	322 381
<i>long-term</i>	33 705	32 693
<i>short-term</i>	285 672	289 688
Cumulative revaluation write-downs on receivables		
Write-downs of receivables from sales	83 231	87 232
Bad debt provision on other receivables	20 319	27 964
Total allowances	103 550	115 196
Gross accounts receivable	422 927	437 577
Impairment write-off for receivables	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Balance as at the beginning	87 232	75 885
Recognition of write-downs on overdue receivables (+)	6 854	14 356
Write – downs created together with receivable as uncollectible (-)	(412)	(2 785)
Write-downs derecognized from recovered receivables (-)	(19 883)	(224)
Valuation of expected losses	(344)	
Exchange differences	1 824	
Correction as of 01.01.2018	7 960	
Write-downs at the end of the period	83 231	87 232



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	As at 31.12.2018	As at 31.12.2017
Trade receivables aging		
Net accounts receivable with the remaining repayment period from the balance sheet date	143 741	156 054
up to 3 months	142 284	155 359
up to 6 months	1 324	413
up to 1 year	133	226
above 1 year	0	56
Overdue accounts receivable	128 115	116 418
up to 3 months	57 249	53 951
up to 6 months	26 061	16 751
up to 1 year	26 663	23 965
above 1 year	18 142	21 751
Total trade receivables	271 856	272 472

All restated receivables are related to affiliated companies (subsidiaries)

Cumulative impairment write-off for trade receivables

up to 3 months	4 714	17 485
up to 6 months	94	4 345
up to 1 year	151	8 596
above 1 year	78 272	56 806
Write-downs at the end of the period	83 231	87 232

The revaluation write-downs were recognised mainly on receivables from Maflow China and Maflow Brazil, which are subsidiaries. The company monitors the financial situation of these subsidiaries on an ongoing basis.

22. INVENTORIES

	As at 31.12.2018	As at 31.12.2017
Structure of inventories		
Materials and raw materials	79 824	79 978
Work in progress	17 108	19 829
Finished products	76 669	73 058
Traded goods	5 385	6 834
Total	178 986	179 699
Advances on supplies	2 541	2 257
Carrying value of inventories	181 527	181 956
	-	-
Impairments	24 453	13 063
Gross value of inventories	205 980	195 019



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	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Revaluation write-offs for inventories at the beginning of the period	13 063	12 373
Increase of impairments in the period	7 759	10 385
Reversal of write-downs in the period (-)	3 591	(9 721)
Fair value measurement of energy certificates (+/-)	40	26
Revaluation write-offs for inventories at the end of the period	24 453	13 063

Creation of impairments for inventories results from comparing the carrying value of inventories with their recoverable value by use or sale. Write-downs are also created for stocks that fall due in accordance with the accounting policy. A write-down is charged to particular period's costs. Reversal of write-downs occurs during cessation of the cause for creation and it is credited to the particular period's incomes.

23. OTHER ASSETS

Other assets	As at 31.12.2018	As at 31.12.2017
Prepayments - other than financial expenses	6 322	8 234
Quick savings (only automotive)	6 483	8 113
Capitalised costs of new projects	10 507	9 548
Total	23 312	25 895
<i>Long-term part</i>	5 485	15 002
<i>Short-term part</i>	17 827	10 893

24. CASH

Cash and cash equivalents	As at 31.12.2018	As at 31.12.2017
Cash in hand and at bank	29 287	36 081
Other	26	-
	29 313	36 081
Unused credits in current bank accounts	5 823	8 658



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25. EQUITY

Shareholders as at 31.12.2018	Number of shares	% of capital	Number of votes	% of votes
Roman Krzysztof Karkosik	156 832 020	65.35%	156 832 020	65.35%
including subsidiaries	154 144 622	64.23%	154 144 622	64.23%
Impexmetal S.A.	13 346 169	5.56%	13 346 169	5.56%
Boryszew S.A.	15 430 453	6.43%	15 430 453	6.43%
RKKK Investments Sp. z o.o.	119 998 000	50.00%	119 998 000	50.00%
Nationale - Nederlanden Open Pension Fund	14 773 261	6.16%	14 773 261	6.16%
Others	68 394 719	28.50%	68 394 719	28.50%
Total:	240 000 000	100.00%	240 000 000	100.00%

The Company holds no preferred shares. Each share carries one vote at the Shareholders' Meeting.

In accordance with IFRS 29, art. 24 items of equity (except retained earnings and capital from revaluation of assets) were calculated at the date of transition to IFRS i.e. 01.01.2004 using general price indices since their contribution or otherwise. The amount of the hyperinflationary revaluation increased the share capital and the issue premium while the value of the retained earnings was reduced.

	As at 31.12.2018	As at 31.12.2017
Change in equity		
Number of shares as at the balance sheet date	240 000 000	240 000 000
<i>number of own shares</i>	18 323 831	11 139 905
<i>number of shares entitled to dividend</i>	221 676 169	228 860 095
Share capital as at the beginning of the year, including:	248 906	248 906
Redemption of shares		
issue of new shares		
Share capital as at the end of the year	248 906	248 906
Share premium as at the beginning of the year	112 346	112 346
share premium in 2014		
Balance as at the end	112 346	112 346
Own shares (-)		
Balance as at the beginning of the year	(84 329)	(49 518)
share buy-back	(45 406)	(34 811)
Redemption of own shares		
Balance as at the end	(129 735)	(84 329)
Reserve capital - hedge accounting		
Balance as at the beginning	(2 797)	44
Recognised profit/loss	614	(3 507)
Income tax (+/-)	(117)	666
Balance as at the end	(2 300)	(2 797)
Restatement of employee benefits		
Balance as at the beginning of the year	(169)	77



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Valuation of liabilities against retirement benefits in the period (+/-)	9	(304)
income tax (+/-)	(2)	58
Balance as at the end	(162)	(169)
	-	
Retained earnings		
Balance as at the beginning of the year	340 396	255 892
Correction - implementation of IFRS 9	(6 448)	
Result of the current year	44 720	84 504
Balance as at the end	378 668	340 396
Total equity	607 723	614 353

26. BANK LOANS, BORROWINGS AND BONDS

	As at 31.12.2018	As at 31.12.2017
Liabilities due to borrowings, loans and bonds		
Bank loan facilities	542 720	494 549
Loans received	193 898	135 804
Bonds	167 393	100 393
In total, including:	904 011	730 746
<i>long-term liabilities</i>	368 119	230 096
<i>short-term liabilities</i>	535 892	500 650

	As at 31.12.2018	As at 31.12.2017
26. 1. Bank loan facilities		
Bank loans, of which	542 720	494 549
<i>Long-term loans</i>	199 506	166 804
<i>Short-term loans</i>	343 214	327 745
	-	-
unused lending limits	44 568	14 726

The amount of loan liability includes partial factoring with recourse: as at 31.12.2018 PLN 50 957 thousand, as at 31.12.2017 PLN 49 881 000 thousand.



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	2 018	2 017
Change in loan liabilities		
Nominal value of loans at the beginning of the year	494 549	371 556
new loans taken out (+)	186 706	173 259
repayment of loans (-)	(129 389)	(40 398)
unpaid interest at the end of the period recognised in the balance sheet (+)	-	(144)
impact of exchange rate differences (+/-)	(9 146)	(9 724)
Carrying amount of loans	542 720	494 549
	-	-
Interest expense accrued during the year recognised in profit or loss	14 227	13 398
Interest paid	14 705	13 542



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Change in liabilities due to loans and factoring in 2018

Loan details	Loan liabilities 31.12.2018	Loan liabilities 31.12.2017	Movement between periods	Date of loan repayment as per the agreement	interest rate (%)	Loan collateral
DNB Bank	10 700	8 510	2 190	31.08.2019	WIBOR + margin	joint mortgage, assignment of rights under insurance policy, pledge on machinery
ING Bank Śląski	15 351	13 932	1 419	30.06.2019	WIBOR + margin	pledge on materials, pledge on finished products, assignment of rights arising from trade contract, joint mortgage on real property, assignment of rights under insurance policy, lock on shares
ING Bank Śląski	0	4 037	(4 037)	30.06.2018	EURIBOR 1M + margin	registered pledge on materials, assignment of rights under insurance policies, registered pledge on claim from bank account, assignment of receivables under a factoring agreement
mBank		9 708	(9 708)	12.10.2018	WIBOR ON+margin	joint mortgage on property, assignment of rights under insurance policy for property
mBank	8 000	8 000	0	14.10.2020	WIBOR1M+ margin	joint mortgage on property, assignment of rights under insurance policy,
PKO BP	0	9 790	(9 790)	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	19 437	5 719	13 718	31.12.2021	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	40 850	27 443	13 407	31.12.2021	EURIBOR 1M + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
SANTANDER	29 974		29 974	31.05.2019	EURIBOR 1M + margin	Mortgage (Toruń) , pledge on shares
SANTANDER	9 083		9 083	01.04.2019	EURIBOR 1M + margin	Mortgage,(Tychy) pledge on inventories
SANTANDER	52 903		52 903			
DNB Bank	24 997	25 000	(3)	30.08.2019	WIBOR + margin	Registered pledge on shares, mortgages on real estate properties in Germany
ALIOR Bank	11 994	11 961	33	24.03.2020	WIBOR + margin	Authorisation to bank account, registered pledge on shares



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ING Bank Śląski	0	31 258	(31 258)	30.06.2018	EURIBOR + margin	Cap (ceiling) mortgage on real estate, register pledge on stocks, lock on shares, assignment of receivables under a factoring agreement
ING Bank Śląski	0	4 516	(4 516)	31.05.2021	WIBOR + margin	Capped mortgage on property plus assignment of rights under an insurance policy
BGK	47 429	59 195	(11 766)	31.12.2022	EURIBOR + margin	Mortgage on fixed assets, assignment of loan framework agreement, Pledge on bank accounts, pledge agreement on borrower's accounts, pledge agreement on shares
BGK	21 480		21 480	30.06.2021	EURIBOR + MARGIN	
Credit Agricole Bank Polska	19 111	20 855	(1 744)	19.12.2022	EURIBOR 3M + margin	Registered pledge on machines, assignment of rights under an insurance policy, registered pledge on stocks
ALIOR Bank	33 379	34 777	(1 398)	03.03.2019	EURIBOR + margin	Authorisation to access funds in bank account, registered pledge on shares
BZ WBK	0	29 994	(29 994)	31.05.2018	WIBOR + margin	Cap (ceiling) mortgage on perpetual usufruct of developed land and legal ownership of buildings and structures on real estate, lock, registered pledge on shares
SANTANDER	-362		(362)			
BZ WBK Faktor		-340	340	unspecified period of time	EURIBOR + margin	Own promissory note with promissory note declaration, Authorisation to bank account, lock on funds on bank account, registered pledge
ING Commercial Finance	-64	-168	104	07.05.2017	EURIBOR + margin	Own promissory note with promissory note declaration
mBank faktoring	23 584	24 664	(1 080)	31.05.2017	EURIBOR + margin	Own promissory note with promissory note declaration, assignment of funds on bank account
PKO FAKTORING	5 252	6 540	(1 288)	2019.07.25	EURIBOR 1M + margin	Blank promissory notes, Authorisation to bank accounts
HSBC	22 555	19 264	3 291	2018.08.23	EURIBOR 1M + margin	Authorisation to bank accounts
PKO BP	20 240	20 215	25	31.05.2019	WIBOR + margin	Assignment of receivables from insurance agreement, Registered pledge on stocks, cap contractual mortgage on real estate properties, Registered pledge on machines
Raiffeisen Bank	15 524	7 859	7 665	30.11.2019	WIBOR + margin	Authorisation to current bank account and other accounts, Blank promissory note with declaration, Assignment of existing and future receivables, Cap (ceiling) mortgage on developed land with assignment of right from insurance policy on that property.



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Raiffeisen Bank	4 413	3 268	1 145	04.03.2019	WIBOR + margin	Authorisation to current bank account and other accounts, Blank promissory note with declaration, Assignment of existing and future receivables, Cap (ceiling) mortgage on developed land with assignment of right from insurance policy on that property.
SANTANDER	4 614	0	4 614	31.05.2010	WIBOR + margin	
PKO BP	13 272	2 642	10 630	31.12.2019	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
HSBC Bank Polska	65 000	65 000	0	12.06.2020	WIBOR + margin	Mortgage, Registered pledge on shares
PKO BP	0	7 879	(7 879)	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	0	3 610	(3 610)	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	0	12 000	(12 000)	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	10 000		10 000	31.12.2019	WIBOR + margin	
DNB Bank	0	2 127	(2 127)	31.08.2018	WIBOR + margin	Registered pledge on shares mortgage on real estate in Germany
ALIOR Bank	14 000	14 000	0	24.05.2020	WIBOR + margin	Registered pledge on shares
DM PKO BP - deferred payment date for shares	0	816	(816)	03.01.2018		
<i>unpaid interest as at the balance sheet date</i>	-	478	(478)			
	542 720	494 549	48 171			



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Termination of credits or loans

In 2018 no loans granted to Boryszew S.A. terminated.

Information on breach of material provisions of credit or loan agreements

As at 31 December 2018 no overdue liabilities occurred due to borrowings and loans and no breach occurred of material provisions of borrowing and loan agreements.

A subsidiary of the Automotive segment (BAP Group) failed to deliver a financial indicator at the agreed level, and thus one of the terms and conditions of a loan agreement guaranteed by Boryszew S.A. (the value of liability under this agreement as at the balance sheet date - approximately EUR 12 million) was breached. The reason for the failure to achieve the agreed level of the indicator was primarily the deterioration of the operating results in the Automotive segment due to a drop in sales as a result of the introduction of the WLTP procedure. After the balance sheet date the company in breach started negotiations with the financing institution on the rules of further cooperation under the concluded loan agreement. The Parent Company defines the risk of failure to reach an agreement with a bank as low. If a liability has to be repaid, the loan will be settled using Group's available cash.

26.2. Loan liabilities

	As at 31.12.2018	As at 31.12.2017
Loans from related entities	175 257	115 281
Loans from other entities	18 641	20 523
Total loans, including:	193 898	135 804
Long-term loans	68 220	16 292
Short-term loans	125 678	119 512

Change in loan liabilities

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Nominal value of loans at the beginning of the year	135 740	126 547
new loans (+)	70 841	37 998
repayment of loans (-)	(12 455)	(27 682)
unpaid interest at the end of the period (+)	-	-
impact of exchange rate differences (+/-)	(228)	(1 059)
Carrying amount of loans	193 898	135 804
Interest expense accrued during the year recognised in profit or loss	4 151	3 603
Interest paid	4 151	3 603



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Summary of loans as at the end of 2018

Date of loan / Name of the lender	Loan liabilities 31.12.2018	Loan liabilities 31.12.2017	Movement between periods	Date of loan repayment as per the agreement	interest rate (%)	Loan collateral
Impexmetal S.A.	60 000		60 000	31.12.2020	3M WIBOR + margin	
IBM Poland	-	187	(187)	01.03.2019		surety by Boryszew S.A.
Impexmetal S.A.		42 500	(42 500)	31.12.2018	WIBOR + margin	
Impexmetal S.A.	90 256	0	90 256	31.12.2019	3M WIBOR + margin	
Impexmetal S.A.		24 256	(24 256)	31.12.2018	WIBOR + margin	
Impexmetal S.A.	20 000	20 000	-	31.12.2018	WIBOR + margin	
Impexmetal S.A.		10 000	(10 000)	31.12.2018	WIBOR + margin	
Impexmetal S.A.	5 000	5 000	-		WIBOR + margin	
Impexmetal S.A.		5 000	(5 000)	31.12.2018	WIBOR + margin	
Metal Zink		800	(800)	31.12.2017	WIBOR + margin	
mLeasing		14 998	(14 998)	30.06.2022		blank promissory note with promissory note declaration
Siemens	4 398	5 345	(947)	31.03.2023	EURIBOR + margin	blank promissory note with promissory note declaration
Boryszew SPV3 Sp. z o.o. Z o.o.		8 024	(8 024)			
mLeasing	2 341		2 341			
mLeasing	11 903		11 903	16.06.2022		
impact of exchange rate differences		-306	306			
	193 898	135 804	58 094			

26.3. Liabilities arising from issued bonds

As at
As at 31.12.2018 31.12.2017

Liabilities to related entities arising from issued bonds	167 393	100 393
Liabilities to other entities due to bonds issued	-	-
Total bonds, including:	167 393	100 393
Bonds - long-term	100 393	47 000
Bank bonds - short-term	67 000	53 393



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Change	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
The nominal value of bonds at the beginning of the year	100 393	88 401
issuing new bonds (+)	110 000	12 000
redemption of bonds	(43 000)	-
unpaid interest at the end of the period (+)		45
impact of exchange rate differences (+/-)	-	(53)
carrying amount of bonds	167 393	100 393
	-	-
Interest expense accrued during the year recognised in profit or loss	4 151	2 421
Interest paid	4 151	2 376

Summary of changes due to issued bonds

Series and issue date of bonds	Liabilities due to issued bonds as at 31.12.2018	Liabilities due to issued bonds as at 31.12.2017	Movement between periods	Bond redemption date	interest rate (%)
A2 series registered bonds - Eastside Bis	17 000	17 000	0	30.06.2019	WIBOR + margin
Zakład Utylizacji Odpadów Sp. Z o.o.	25 000		25 000		
A1 series registered bonds - WM Dziedzice	9 000	15 000	-6 000	30.06.2019	WIBOR + margin
A7 series registered bonds - WM Dziedzice		16 000	-16 000	30.06.2018	WIBOR + margin
Torlen Sp. Z o.o.	2 000				
A29 series - HUTMEN	2 000		2 000		
A8 Series - METAL ZINC	1 000	11 000	-10 000	30.06.2019	WIBOR + margin
A9 series registered bonds - HTM	22 000	7 000	15 000	30.09.2018	WIBOR + margin
A10 series registered bonds - SPV IPX	50 000	8 000	42 000	31.12.2018	WIBOR + margin
A11 Series - SPV Lakme Investment obligatory registered bonds	2 000		2 000		WIBOR + margin
A12 series registered bonds - Eastside Bis	7 000	4 000	3 000	31.12.2020	WIBOR + margin
Eastside Capital Investment Sp. z o.o. Z o.o.	1 000				
A29 series - HUTMEN	14 000	14 000	0	31.12.2018	WIBOR + margin
A14 series registered bonds - S and I		1 000	-1 000	31.12.2018	WIBOR + margin
A15 series registered bonds - WM Dziedzice		1 000	-1 000	31.12.2018	WIBOR + margin
C1Series - POLISH CYNK	6 393	6 340	53	30.09.2018	EURIBOR + margin
C1Series - POLISH CYNK	9 000		9 000		
<i>Currency exchange rate differences</i>		53	-53		
	167 393	100 393	67 000		



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Change of liabilities due to bonds

Change	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
The nominal value of bonds at the beginning of the year	100 393	88 401
issuing new bonds (+)	110 000	12 000
redemption of bonds	(43 000)	-
unpaid interest at the end of the period (+)		45
impact of exchange rate differences (+/-)	-	(53)
carrying amount of bonds	167 393	100 393
Interest expense accrued during the year recognised in profit or loss	4 151	2 421
Interest paid	4 151	2 376

Conditions for credit agreements

Agreements signed with banks impose on the Company legal and financial liabilities (covenants), used for such transactions as a standard, including, inter alia:

- maintaining financial ratios at a specified level (calculated at the individual or consolidated level), the most frequent of which is the net debt to EBITDA ratio,
- performing cash-flows by specified bank accounts,
- limitations related to granting loans and sureties, as well as incurring investment expenditures,
- equal treatment of credit obligations.

27. LEASE LIABILITIES

Leasing liabilities	As at 31.12.2018	As at 31.12.2017
Liabilities due to lease, including:	38 099	45 071
<i>long-term lease</i>	30 066	28 977
<i>short-term lease</i>	8 033	16 094

The subject of the lease are machines and equipment in the Maflow Tychy and NPA Skawina branch as well as the vehicle fleet.



(amounts expressed in PLN thousands unless specified otherwise)

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Change in lease liabilities		
Liabilities due to leasing at the beginning of the year	45 071	95 401
new liabilities	16 968	22 066
repayment of capital lease instalments (-)	(24 714)	(69 478)
impact of exchange rate differences (+/-)	774	(2 918)
Carrying amount of lease liabilities	38 099	45 071

28. PAYABLES ON PERPETUAL USUFRUCT OF INVESTMENT LAND

	As at 31.12.2018	As at 31.12.2017
Discounted PMA liability due to investment property		
long-term liability	1 951	1 957
short term liability	9	67
Total	1 960	2 024

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Change in liabilities		
PMA liabilities - opening balance	2 024	61
WUG's liability due to investment property entered into the balance sheet		2 024
Repayment during the period (-)	(64)	(61)
Carrying amount of liabilities as at the end of period	1 960	2 024

29. TRADE PAYABLES AND OTHER LIABILITIES

	As at 31.12.2018	As at 31.12.2017
Trade payables and other liabilities		
Trade liabilities for supplies and services	239 968	279 384
Liabilities to state budget (except income tax)	14 473	16 675
Other liabilities	17 123	28 491
Payroll liabilities	9 209	10 709
Special funds	-	2 118
In total, including:	280 773	337 377
	-	-
<i>Liabilities towards related parties</i>	37 929	60 279
<i>Liabilities towards non-affiliated entities</i>	242 844	277 098



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Liabilities prior to the payment due date of specified maturity date:	197 690	233 396
up to 3 months	195 897	232 398
up to 6 months	1 793	-
up to 1 year	-	2
above 1 year	-	996
Overdue trade liabilities:	42 278	45 988
up to 3 months	29 496	30 115
up to 6 months	3 503	2 376
up to 1 year	5 806	3 097
above 1 year	3 473	10 400
Total trade liabilities:	239 968	279 384

30. PENSION AND SIMILAR EMPLOYEE BENEFITS LIABILITIES

Change in provisions for employee benefits

	Retirement severance pay	Disability severance pay	Death benefits	Provision for payment s in lieu of leaves not taken	Other provision s	Total
Provision for employee benefits						
As at 01.01.2018	1 724	311	1 536	5 464	2 827	11 862
Movement:	217	56	111	(1 071)	-2521	-3 208
<i>Interest expense</i>	37	11	50			98
<i>Current employment costs (+/-)</i>	210	56	142	(1 071)	-2 452	-3115
<i>Future employment costs (+/-)</i>	13	3	1	-	-	17
<i>Benefits paid (-)</i>	(132)	4	(3)	-	(69)	(200)
<i>Actuarial gains and losses - demographic changes (+/-)</i>	(39)	(21)	(43)	-	-	(103)
<i>Actuarial gains and losses - financial changes (+/-)</i>	128	3	(36)	-	-	95
As at 31.12.2018	1 941	367	1 647	4 393	306	8 654

	Retirement severance pay	Disability severance pay	Death benefits	Provision for payments in lieu of leaves not taken	Other provisions	Total
Provision for employee benefits						
As at 01.01.2017	984	279	1 537	5 695	2 084	10 579
Movement:	740	32	(1)	(231)	743	1 283
<i>Interest expense</i>	24	11	56			91
<i>Current employment costs (+/-)</i>	164	51	128	(231)	873	985
<i>Future employment costs (+/-)</i>	454	(34)	(267)	-	-	153
<i>Benefits paid (-)</i>	(132)	(13)	3	-	(130)	(272)
<i>Actuarial gains and losses - demographic changes (+/-)</i>	29	(20)	(55)	-	-	(46)
<i>Actuarial gains and losses - financial changes (+/-)</i>	201	37	134	-	-	372
As at 31.12.2017	1 724	311	1 536	5 464	2 827	11 862



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Calculations of provisions for employee benefits were carried out by an independent actuary and involved establishing current (discounted) value of retirement or similar benefit to which the employee became entitled as of the date of calculation, proportionally to the quotient of the employee's service period at the moment of calculation in relation to the service period at the date of payment of the benefit.

As at 31.12.2018 for the calculation of provisions for liabilities to employees, the following parameters and assumptions were adopted: the rate of mobility (rotation) of employees at the level of 1-5%, depending on age, the rate of return on investment at 3.3% and wage growth rate at 2.3%. In the previous year, the adopted actuarial valuation parameters were similar to those used in the current year, except for the interest rate of return on investment, which in the previous year was 3.7%. Using the last year's parameters in the current year differences are irrelevant

31. OTHER PROVISIONS

	As at 01.01.2018	recognition of provision (+)	provisions used during the year (-)	reversal of unnecessary provisions	As at 31.12.2018
Change in provisions 01.01.2018 - 31.12. 2018					
Provisions for liquidation of fixed assets	5 221		(85)		5 136
Provisions for warranty repairs,	2 349	40			2 389
Provision for customer claims	-	409			409
Total	7 570	449	(85)	-	7 934
<i>Short-term provisions</i>					2 798
<i>Long-term provisions</i>					5 136

	As at 01.01.2017	recognition of provision (+)	provisions used during the year (-)	reversal of unnecessary provisions	As at 31.12.2017
Change in provisions 01.01.2017 -31.12. 2017					
Provisions for liquidation of fixed assets	5 156	65			5 221
Provisions for warranty repairs,	1 694	665			2 349
Total	6 850	730	-	-	7 570
<i>Short-term provisions</i>					2 349
<i>Long-term provisions</i>					5 221

The provision for the liquidation of fixed assets concerns the costs of liquidation of fixed assets in NPA Skawina Branch after their use.

32. DEFERRED INCOME

	As at 31.12.2018	As at 31.12.2017
State subsidies	9 542	7 372
Other (deferred revenues)	248	33
In total, including:	9 790	7 405
<i>long-term</i>	2 534	2 851
<i>short-term</i>	7 256	4 554



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State subsidies

Subsidies, refund from the National Fund for the Rehabilitation of Disabled	3 045	3 354
Environment protection	46	48
Development and new technologies	6 451	3 970
Total	9 542	7 372

33. FINANCIAL INSTRUMENTS

Financial instruments list by balance sheet item and instrument category

Financial assets as at 31.12.2018

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Carrying value
Bonds	144 915			144 915
Trade receivables held for collection	263 338			263 338
Receivables intended for factoring		8 518		8 518
Derivative financial instruments			579	579
Loans granted	518 563			518 563
Other debtors		36 603		36 603
Cash and cash equivalents	29 313			29 313
Total	956 129	45 121	579	1 001 829

Financial assets as at 31.12.2017

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Carrying value
<i>converted data (note 2.)</i>				-
Shares and stocks (except for subsidiaries)		25 068		25 068
Trade receivables	266 170			266 170
Receivables intended for factoring		6 302		6 302
Bonds	29 161		-	29 161
Loans granted	374 613			374 613
Other debtors		36 541		36 541
Cash and cash equivalents	36 081			36 081
Total	706 025	67 911	0	773 936



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Financial liabilities as at 31.12.2018

	Financial liabilities measured at amortised cost	Derivatives used for hedges	Carrying value
Bank loans, factoring, borrowings	736 618		736 618
Bonds	167 393		167 393
Derivative financial instruments		66	-
Leasing liabilities	38 099		38 099
SMA liabilities	1 960		1 960
Trade and other liabilities	257 091		257 091
Total	- 1 201 161	-	1 201 161

Financial liabilities as at 31.12.2017

	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Derivatives used for hedges	Total
Bank loans, factoring, borrowings		630 353		630 353
<i>Debt securities</i>		100 393		100 393
Derivative financial instruments			4 530	-
Leasing liabilities		45 071		45 071
SMA liabilities		2 024		2 024
Trade and other liabilities		309 840		309 840
Total	-	1 087 681	-	1 087 681

34. BUSINESS RISKS

The fundamental task in the financial risk management process was identification, measurement, monitoring and limitation of primary sources of risk, which include:

market risk, including:

- credit risk.
- foreign exchange rate risk (change in PLN exchange rate to other currencies);
- interest rate risk (increase in interest rates),
- liquidity risk;



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Credit risk

Credit risk exists due to the balance of trade receivables, loans granted, bonds acquired, guarantees and sureties granted, cash and cash equivalents.

The Company manages credit risk and evaluates it for each new customer before offering standard delivery and payment terms and conditions. Credit risk is managed by setting credit limits for each customer. The utilisation of credit limits is subject to regular monitoring. The Company insures its receivables up to a limit.

Where corporate clients have an independent rating, this rating is used to determine their credit risk. Otherwise, where no such rating is available, the Company evaluates credit risk for a group of customers, separately for each operating segment, taking into consideration past experience and other factors.

In the Automotive segment Company's customers are subsidiaries and acknowledged global manufacturers of vehicles and their production components. In this case the credit POLICY on payment terms and limits is determined within the framework of general terms of cooperation. The company has the possibility of flexible payment management in this segment, inter alia thanks to cash discount instruments. Receivables from Automotive customers are not insured.

In the Metals and Chemical segment, the credit policy regarding the terms, limits and hedges for payments is regulated by a periodically verified order of the Company Management Board. The order applies to the terms of contracts with customers negotiated by these segments. When verifying new customers, the Company uses the opinions of leading rating companies and companies insuring trade receivables. Periodic receivables aging reports are the main tool for credit monitoring. Receivables in the Metals and Chemical segment are insured.

The company also grants long-term loans to subsidiaries or includes bonds issued by subsidiaries. In the case of uncertain repayment, the Company periodically makes write-downs updating the value of a loan or bond.

Cumulative impairment losses on receivables

Impairment write-off for receivables

	<u>As at 31.12.2018</u>	<u>As at 31.12.2017</u>
doubtful debt allowance on trade receivables	83 231	87 232
doubtful debt allowance on loans	122 545	120 981
doubtful debt allowance on other receivables	20 319	27 964
Total	226 095	236 177

71% of the write-downs of trade receivables are receivables from subsidiaries (Maflow China and Brazil)

For other items - 100% are write-downs on receivables from related companies (companies of Maflow and BAP Group).

In order to estimate the expected loan losses, the Company has identified the following groups of customers:

- External customers for the automotive segment
- Customers - entities related to the Boryszew Group for the automotive segment
- Customers for chemicals segment
- Customers for metal segment

The calculations are based on historical data starting from 2010. Historically, the percentage ratio of losses incurred on account of write-downs to the sales amount was calculated separately for each customer group and then the expected loss for the balance of receivables as at the balance sheet date was calculated

For loans, bonds and sureties, Company's debt ratings and Moody's data were used

Interest rate risk

There is a risk that future cash flows related to a financial instrument will be subject to fluctuations due to changes in the interest rates. The Company's exposure to interest rate risk is mainly caused by the fact that the business operations are financed with the use of variable coupon interest debt. The profile of the interest rate risk in the Company is characterized by adverse impact of increased interest rates on the level of cost of interest.



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Changes in interest rates affect the volume of future cash flows associated with assets and liabilities.

Due to lower variability of interest rates and to their current relatively low level, the risk of changes in interest rates does not constitute the main risk from the point of view of its impact on the volume of companies' cash flows.

The Company has identified and monitors the interest rate risk, however, in the opinion of the Management Board the risk of interest rates changes does not constitute the main risk from the perspective of its influence on the volume of cash flows and on profit/loss.

Sensitivity analysis

	As at As at 31.12.2018	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
Interest-bearing (variable %) financial assets	518 563	2 593	(2 593)
Loans granted	373 648	1 868	(1 868)
Debt instruments other	144 915	725	(725)
		-	-
Interest-bearing (variable %) financial liabilities	944 070	(4 720)	4 720
Loans	491 763	(2 459)	2 459
Factoring	50 957	(255)	255
Borrowings	193 898	(969)	969
Debt instruments financial leasing	167 393	(837)	837
Other	38 099	(190)	190
	1 960	(10)	10
Impact on future profit/loss before tax		(2 127)	2 127
Impact on future net profit/loss		(1 723)	1 723

	As at 31.12.2017	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
Interest-bearing (variable %) financial assets	403 774	2 019	(2 019)
Loans granted	374 613	1 873	(1 873)
Debt instruments other	29 161	146	(146)
		-	-
Interest-bearing (variable %) financial liabilities	777 841	(3 888)	3 888
Loans	444 668	(2 223)	2 223
Factoring	49 881	(249)	249
Borrowings	135 804	(679)	679
Debt instruments financial leasing	100 393	(502)	502
Other	45 071	(225)	225
	2 024	(10)	10
Impact on future profit/loss before tax		(1 869)	1 869
Impact on future net profit/loss		(1 514)	1 514

All significant items of the Company's interest debt and granted loans are based on variable interest rates (1M WIBOR, 3M WIBOR, 1M EURIBOR). Therefore, the fair value of financial assets and liabilities is not exposed to changing rates of interest. However, changes in interest rates affect the volume of future cash flows associated with assets and liabilities.



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The above table illustrates the sensitivity of the Company's results to interest rate changes. The discussed impact on results refers to the time span of subsequent 12 months (assuming that the amount of interest-bearing assets and liabilities remains unchanged).

Foreign exchange rate risk

Foreign exchange rate risk arises primarily from the fact that approximately 55% of the Company's revenue is from sales to European Union countries and other European countries and the contracts are concluded in EUR. The company granted the Group entities with loans in EUR for their operating activities. The change (decrease) in the EUR exchange rate may have a substantial impact on sales revenues and foreign exchange differences on the receivables valuation. In 2018, the company was not involved in currency options or any other speculative derivative instruments. The Company does not hedge its currency risk by entering into long-term transaction hedging foreign exchange risk, the Company does not exclude the conclusion of such currency contracts in the future.

Analysis of sensitivity to risk of foreign exchange rates changes 2018

Currency	Exchange rate as at 31.12.2018 (PLN)	5% exrate change (PLN)
EUR	4.3000	0.2150
USD	3.7597	0.1880

	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
Receivables and payables in EUR			
trade and other receivables	54 117	11 635	(11 635)
borrowings	85 214	18 321	(18 321)
bonds	-	-	-
other liabilities	18 498	(3 977)	3 977
borrowings and loans	69 267	(14 892)	14 892
bonds	1 500	(323)	323
leasing	5 007	(1 077)	1 077
Result		9 687	(9 687)
Receivables and payables in USD			
trade receivables	5 113	961	(961)
other liabilities	10 129	(1 904)	1 904
loans, borrowings, leasing	-	-	-
Result		(943)	943



(amounts expressed in PLN thousands unless specified otherwise)

Analysis of sensitivity to risk of foreign exchange rates changes 2017

Sensitivity analysis was prepared on the assumption of changes in exchange rates, as shown below

Currency	Exchange rate as at 31.12.2017 (PLN)	5% exrate change (PLN)
EUR	4.1709	0.2085
USD	3.4813	0.1741

	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
Receivables and payables in EUR			
trade and other receivables	48 456	10 103	(10 103)
borrowings	87 430	18 229	(18 229)
bonds	0	0	0
other liabilities	32 830	(6 845)	6 845
borrowings and loans	58 220	(12 139)	12 139
bonds	1 500	(313)	313
leasing	5 583	(1 164)	1 164
Result		7 871	(7 871)
Receivables and payables in USD			
trade receivables	2 451	427	(427)
other liabilities	7 082	(1 233)	1 233
loans, borrowings, leasing	0	0	0
Result		(806)	806

Capital management

The policy of the Management Board focuses on maintaining a solid capital standing in order to retain the trust of investors, lenders and the market and ensure future economic growth of the Company. Growth is the absolute priority for the Management Board and it is for this purpose that the Company first and foremost seeks to allocate funds, thus building long-term value for shareholders through acquisitions and new projects.

Net debt to equity ratio

	<u>As at 31.12.2018</u>	<u>As at 31.12.2017</u>
Loan, lease, borrowings debt	944 070	777 841
Cash and cash equivalents	(29 313)	(36 081)
Net debt	914 757	741 760
Equity	607 723	614 353
Net debt to equity	150.5%	120.7%



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Debt ratio	As at 31.12.2018	As at 31.12.2017
Liabilities	1 251 287	1 147 520
Assets	1 859 010	1 761 873
Debt rate	66%	64%

Liquidity risk

Liquidity risk is the risk of difficulties in meeting the obligations of the Company related to financial liabilities, settled by the expenditure of cash or other financial assets. Company's liquidity management is about ensuring, as far as possible, that the Company always enjoys sufficient liquidity to settle the required commitments, both in normal and crisis situation, without exposure to unacceptable loss or undermining the Company's reputation. The Company has secured cash payable on demand in the amount, which is sufficient to cover the expected operating expenses, including the handling of loan liabilities

Liquidity ratios	As at 31.12.2018	As at 31.12.2017
current ratio	0.79	0.65
quick ratio	0.58	0.45
current ratio III	0.04	0.04

Plans for financing Boryszew S.A.

As at 31.12.2018 net working capital was negative and amounted to PLN -262.586 thousand. In order to improve the Company's liquidity in 2018, actions were undertaken which will be continued in the next period and which include:

The Management Board pursues actions to change the debt structure, which involve:

- refinancing a part of the short-term debt for credits, loans and/or long-term bonds,
- the use of leasing in the financing activities in order to finance investment expenditures.

The company, running its holding business, owns Impexmetal SA shares of a fair value of PLN 475 844, which may be sold in part without causing any loss of control in this Company.

The Company has no arrears in payments of its financial liabilities and interest.

Management Board believes that the current financial situation and the actions justify preparation of financial statements on the going concern basis and there is no need to change the valuation of assets and liabilities that would have been necessary if the Company was not able to its business in the same or similar scope.



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Analysis of contractual maturity dates of undiscounted cash flows due to financial liabilities as at 31.12.2018.

	1-3 m-cy	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	100 489	96 129	139 044	190 422	16 636	0	542 720	542 720
Maturities of borrowings	26 186	7 093	92 462	65 450	2 707	0	193 898	193 898
Maturity of liabilities on issued bonds	14 000	1 000	61 000	91 393	0	0	167 393	167 393
Maturities of leasing liabilities	1 292	2 593	5 248	18 689	12 311	249	40 382	38 099
Maturity of PMA fees	67	0	0	134	134	4 355	4 690	1 960
payment of trade liabilities and other items	240 253		15 422	1 036			256 711	257 091
Total	382 287	106 815	313 176	367 124	31 788	4 604	1 205 794	1 201 161

Analysis of contractual maturity dates of undiscounted cash flows due to financial liabilities as at 31.12.2017

	1-3 m-cy	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	63 682	77 758	179 940	148 592	24 577	0	494 549	494 549
Maturities of borrowings	2 276	1 080	116 581	8 718	7 136	13	135 804	135 804
Maturity of liabilities on issued bonds	0	15 000	32 000	53 393	0	0	100 393	100 393
Maturities of leasing liabilities	4 982	5 791	5 871	20 950	8 845	1 654	48 093	45 071
Maturity of PMA fees	67	0	0	134	134	4 355	4 690	2 024
payment of trade liabilities and other items	280 521			996			281 517	311 958
Total	351 528	99 629	334 392	232 783	40 692	6 022	1 065 046	1 089 799



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Fair value

Valuation techniques and basic inputs that are used for the measurement of fair value

Level 1	Listed shares	Shares listed at Warsaw Stock Exchange were valued based on the closing price on the date of the reporting period end.
Level 2	Derivative commodity financial instruments - commodity swaps	The fair value of commodity transactions is calculated based on the prices of contracts for the timely distribution of individual metals as at valuation date and the exchange rates. Data for the valuation obtained from Reuters.
	Derivative currency financial instruments - currency forwards	The fair value of the foreign currency term symmetrical transactions was determined based on the model for the valuation of forward contracts which uses NBP rates as at the valuation date and term interest rates for individual currencies.

In the reporting period as well as in the comparable period, no shift of instruments between level 1 and 2 occurred.
In the reporting period as well as in the comparable period, level 3 instruments were not reclassified to level 1 and 2.

Fair value of financial assets and liabilities valued at fair value on the on-going basis

	Fair value as at		Hierarchy of fair value
	As at 31.12.2018	As at 31.12.2017	
Financial assets			
Listed shares	2 338	2 160	Level 1
Derivative financial instruments	579	0	Level 2
Financial obligations			
Derivative financial instruments	66	4 530	Level 2

Impexmetal S.A. shares, a subsidiary, listed at WSE, are valued at acquisition price.

Fair value of shares as at 31.12.2018 was 367 778, as at 31.12.2017 - PLN 475 834 thousand (carrying value at the purchase price is PLN 293 333 thousand (as at 31.12.2017 -PLN 262 356 thousand).

Fair value of financial assets and liabilities of the Group not valued at fair value on the on-going basis (but fair value disclosures are required)

	Fair value as at		Hierarchy of fair value
	As at 31.12.2018	As at 31.12.2017	
Financial assets			
Shares held for trading	-	25 068	Level 3
Bonds	144 915	29 161	Level 3
Borrowings	373 648	374 613	Level 3
Trade and other receivables	305 601	306 265	Level 3
Investment property	16 525	16 525	Level 3
Cash and cash equivalents	29 313	36 081	Level 1



(amounts expressed in PLN thousands unless specified otherwise)

Financial obligations

Borrowings and loans and lease	934 077	759 723	Level 2
Trade liabilities	257 091	309 993	Level 3
SMA liabilities	1 960	2 024	Level 2

Insurance of the Company's property and risks

Boryszew S.A. and subsidiaries had insurance policies for 2017 within the framework of general agreements concluded by the Parent Company with several insurance companies for the entire Boryszew Group.

The insurance cover was contracted for:

- Boryszew Group property
- profit lost due to all risks
- machine damage
- loss of profit due to damage to machinery and equipment
- electronic equipment
- business activity and property owner's civil liability insurance
- liability of members of the governing bodies of a limited liability or joint stock company.

Boryszew S.A. and its subsidiaries also signed, depending on the needs, insurance contracts for insurance such as transport cargo insurance, motor insurance, compulsory third party insurance for bookkeeping services and tax advisory services and insurance of trade receivables.

35. SIGNIFICANT EVENTS IN ISSUER'S ACTIVITY

Proposed distribution of profit for 2018

The Management Board of the Company recommends to retain the 2018 profit with the Company to be allocated to supplementary capital.

Information on the analysis of strategic options of Boryszew S.A.

On 10 January 2018 Boryszew S.A. (the "Company") received information from the financial advisor cooperating with the Company on an initial interest by a potential investor in significant assets of Boryszew Capital Group in the automotive and aluminium processing sectors.

Therefore, the Management Board for Boryszew S.A. decided on the same day to take into consideration, when reviewing strategic options, the scenario of possible sale of assets in the above sectors and to begin preliminary discussions on the conditions, scope and procedure for conducting a potential transaction.

On 16 April 2018 the Management Board for Boryszew S.A. decided to close the process of possible sale of Boryszew Capital Group assets from automotive and aluminium processing sectors to a potential investor.

On 9 November 2018, the Management Board for Boryszew S.A. decided to review potential strategic options supporting further development of Boryszew Capital Group business (the "Group"). When reviewing the strategic options, the Management Board intends to assess market conditions and forms of possible cooperation. At this stage, the Management Board will consider various strategic options, including, but not limited to, an investor to support Group development, entering into a strategic alliance, changing the Group's structure or concluding another transaction. The review of strategic options is aimed at selecting the most suitable way of achieving the Group's long-term business objectives.



Information on potential sales opportunities of a subsidiary

On 18 January 2018 the Company signed a Letter of Intent with Krezus S.A. based in Toruń on the acquisition by Krezus S.A. of 100% of shares in Walcownia Metali Dziedzice S.A. based in Czechowice-Dziedzice. Under the Letter of intent, the parties committed themselves to endeavour to sale of 100% of the shares in the Disposed Company to the Investor, whereas Boryszew S.A., which is one of the three shareholders of WM Dziedzice S.A., agreed to undertake actions for accession of the remaining shareholders, that is Impexmetal S.A. (holding 26.78% of shares) and Hutmen S.A. (holding 71.30% of shares) to a potential sale transaction. The Letter of Intent expired on 31 December 2018 as the structure, content and financing of a potential sale transaction was not arranged.

As on the day of preparing this Report, Boryszew S.A. does not conduct any negotiations with other entities concerning the sale the Subsidiary.

BORYSZEW S.A. NOWOCZESNE PRODUKTY ALUMINIOWE SKAWINA BRANCH

Due to implementation, by Modern Aluminium Products Department at Skawina, of project called "The development of the innovative technology of rods production from highly resilient aluminium alloys of 2xxx, 5xxx, and 7xxx series" No. POIR.01.01.02-00-0044/15, co-financed under the Operational Programme Smart Growth 2014-2020, Boryszew S.A. concluded, on 10 April 2018 the following agreements:

- for the delivery of a casting and rolling unit (line for continuous casting and rolling of high-strength aluminium alloys) amounting to EUR 5 430 000 (agreement signed with Continuus – Properzi S.p.A),
- with mLeasing Sp. z o.o. based in Warsaw and Continuus – Properzi S.p.A. for delivery of refining and filtration stations as well as melting and preparation stations for the aluminium chemical composition, amounting to EUR 3 270 000 (agreement signed with mLeasing Sp. z o.o. based in Warsaw and Continuus – Properzi S.p.A.).

36. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Conclusion of an agreement on a tender offer for the sale of Alchemia S.A. shares

On 10 January 2019 Boryszew S.A. together with Mr Roman Karkosik, Ms Grażyna Karkosik, Impexmetal S.A. based in Warsaw and Eastside-Bis Sp. z o.o. based in Warsaw (the "Parties") concluded a shareholders' agreement of Alchemia S.A. concerning, among other things, determination of the rights and obligations of the Parties concerning the ownership of Alchemia shares and determination of the rules of cooperation between the Parties, in particular on the rules for acquisition of Alchemia shares and voting in concert during general meetings of Alchemia. Under this Agreement the Parties committed to act jointly in order to announce a tender offer for the sale of all Alchemia shares other than shares held by the Parties. In the event of failure to reach 90% of the total number of votes at the General Meeting of Alchemia under the tender offer announced as described in the previous sentence, the Parties will consider announcing a tender offer for the sale of all Alchemia shares under Article 91 section 6 of the Act on public offering and terms of introducing financial instruments to organised trading and on public companies. The agreement was concluded for a definite period of time, until share dematerialisation is abolished.

Invitation for subscription for shares of Alchemia S.A.

On 11 January 2019 Boryszew S.A. together with Mr Roman Karkosik, Ms Grażyna Karkosik, Impexmetal S.A. based in Warsaw and Eastside-Bis Sp. z o.o. based in Warsaw, acting jointly as the Inviting party (the "Inviting party") announced through Santander Bank Polska S.A. an invitation to subscribe for the sale of 29 245 000 shares of Alchemia, that is for the sale of all Alchemia shares traded on the stock exchange which are not held by the Inviting Party. Inviting Party's intention was to acquire 100% of the share capital/total number of votes at the General Meeting of Shareholders of Alchemia (the "Invitation"). The entity acquiring the shares was Impexmetal S.A. based in Warsaw. The Invitation was announced under Article 74 section 2 of the Act on Public Offering as the Inviting party exceeded the threshold of 66% of the total number of votes at the General Meeting of Alchemia. The purchase price of shares in the Invitation was set at PLN 4.80 per share, which corresponds to the criteria set forth in Article 79 of the Act on Public Offering.

On 5 March 2019 Impexmetal S.A. received information from Santander Bank Polska S.A. that as a result of the invitation for the sale of shares of Alchemia S.A. based in Warsaw announced on 11 January 2019, the subscriptions received covered a total of 23 436 074 shares at PLN 4.80 per one share.



(amounts expressed in PLN thousands unless specified otherwise)

As a result of this transaction, the direct and indirect share of Boryszew in the share capital and the total number of votes at the General Meeting of Alchemia changed by more than 1% and Boryszew indirectly exceeded the 50% threshold in the share capital and the total number of votes at the General Meeting of Alchemia, hence Boryszew (together with its subsidiary Impexmetal S.A. and Eastside-Bis Sp. z o.o.) gained control over Alchemia and, consequently, was able to exercise control over Alchemia's own shares held by Alchemia. The transaction was settled on 15 March 2019.

After the settlement of the transaction referred to above, Boryszew held jointly, directly and indirectly through its subsidiaries Impexmetal S.A., Alchemia S.A. and Eastside-Bis Sp. z o.o., 129 121 074 Alchemia shares, accounting for 64.56%, rounded, of the share capital and carrying 129 121 074 votes at the General Meeting of Alchemia, which accounts for 64.56% of the total number of votes at the General Meeting of Alchemia, including:

- Boryszew - 500 000 shares in Alchemia, carrying 500 000 votes at the General Meeting of Alchemia, which accounts for 0.25% of the share capital and the total number of votes at the General Meeting of Alchemia;
- Impexmetal - 86 826,074 shares in Alchemia, carrying 86 826 074 votes at the General Meeting of Alchemia, which accounts for 43.41% of the share capital and the total number of votes at the General Meeting of Alchemia;
- Alchemia - 26 550 000 Alchemia's own shares carrying 26 550 000 votes at the General Meeting, which accounts for 13.28% of the share capital and the total number of votes at the General Meeting of Alchemia.
- Eastside-Bis Sp. z o.o. - 15 245 000 Alchemia shares, carrying 15 245 000 votes at the General Meeting of Alchemia, which accounts for 7.62%, rounded, of the share capital and the total vote at the Alchemia General Meeting.

As at the day of publication of the report Boryszew S.A. holds directly and indirectly through its subsidiaries, Impexmetal S.A., Alchemia S.A. and Eastside-Bis Sp. z o.o., 129 121 074 shares in Alchemia, accounting for 64.56% (rounded off) of Alchemia share capital and representing 129 121 074 votes at the General Meeting of Alchemia, which accounts for 64.56% (rounded) of the total number of votes at the General Meeting of Alchemia.

37. CONTINGENT LIABILITIES

	As at 31.12.2018	As at 31.12.2017
Contingent liabilities:	549 607	574 672
Guarantees and sureties for repayment of financial liabilities granted to subsidiaries and jointly-controlled companies	549 607	574 672

Status of current sureties as at 31.12.2018

Entity for which guarantee or surety was issued	Issue date of guarantee or surety	Subject of liability	Value of guarantee	Expiry date of guarantee
			PLN	
Torlen Sp. z o.o.	24.07.2017	Surety regarding trade liabilities, granted to Polytrade GmbH	6 450 000	31.07.2020
	11.12.2017	Surety regarding trade liabilities, granted to MB Barter & Trading SA	2 150 000	31.12.2020
Boryszew Kunststofftechnik	31.01.2013	Guarantee granted to Commerzbank	21 500 000	indefinite validity



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Deutschland GmbH	23.07.2013	Guarantee granted to GE Capital Bank AG	4 267 204	30.08.2021
	12.03.2014	Guarantee granted to Hewlett-Packard International Plc.	1 279 250	28.02.2019
	06.06.2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 279 250	31.05.2019
	25.09.2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 151 325	31.05.2019
	22.01.2015	Guarantee granted to Hewlett-Packard International Bank Plc.	430 000	31.08.2019
	24.07.2017	Guarantee granted to ALD AutoLeasing D GmbH	860 000	30.06.2022
	23.11.2017	Guarantee granted to DNB Bank Polska SA	32 250 000	28.03.2019
	07.08.2017	Guarantee granted to Deutsche Leasing International GmbH	6 020 000	indefinite validity
	08.06.2018	Guarantee granted to Deutsche Leasing International GmbH	2 580 000	08.06.2023
	19.07.2018	Guarantee granted to DNB Bank Polska SA	41 280 000	29.01.2020
Theysohn Formenbau GmbH	06.09.2017	Guarantee granted to akf Leasing GmbH	10 059 674	31.08.2023
Boryszew Oberflächentechnik Deutschland GmbH	26.01.2016	Guarantee granted to Bank Gospodarstwa Krajowego	54 674 500	31.12.2026
Boryszew Plastic RUS	11.07.2013	Guarantee granted to ZAO Hewlett-Packard AO	751 940	indefinite validity
	27.08.2013	Guarantee granted to RB Leasing Ltd.	1 933 280	15.06.2019
	29.01.2013	Guarantee granted to Deutsche Leasing Vostok ZAO	36 491 725	07.10.2019
	08.04.2013	Guarantee granted to Deutsche Leasing Vostok ZAO	1 138 568	07.10.2019
	30.04.2014	Guarantee granted to ZAO Hewlett-Packard AO	375 970	indefinite validity
	13.02.2017	Guarantee granted to Volvo Group Trucks Operations	21 500 000	indefinite validity
BRS YMOS GmbH	27.05.2015	Guarantee granted to Würth Leasing GmbH & Co. KG	1 332 192	30.11.2020
	15.03.2016	Guarantee granted to Würth Leasing GmbH	1 526 079	15.03.2022
Boryszew Tensho Poland Sp. z o.o.	13.06.2016	Guarantee granted to HSBC Bank Polska S.A.	10 000 000	11.09.2021
	14.03.2017	Guarantee granted to SPV Impexmetal Sp.z o. o for payment of financial liabilities	41 000 000	indefinite validity
	24.10.2017	Aval of lease agreement for mLeasing	772 385	15.04.2021



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	24.10.2017	Aval of lease agreement for mLeasing	6 449 654	15.11.2020
	6.12.2017	Guarantee granted to PGE Obrót S.A.	1 800 000	indefinite validity
	19.07.2018	Guarantee granted to DNB Bank Polska SA	10 320 000	29.01.2020
	22.10.2018	Bill of exchange guarantee for SGB Leasing Sp. z o.o.	357 100	30.09.2025
Maflow BRS s.r.l.	26.04.2016	Guarantee granted to Banka IFIS	3 225 000	open-ended
	01.01.2017	Guarantee granted to CORDTECH INTERNATIONAL SAS	1 290 000	31.12.2018
	01.01.2017	Guarantee granted to Mehler Engineered Products GmbH for repayment of commercial debts	1 720 000	31.12.2018
	16.05.2017	Guarantee granted to Cover	430 000	31.12.2018
Maflow France Automotive S.A.S.	07.07.2016	Guarantee granted to Natixs Lease	1 621 100	07.07.2021
Boryszew Commodities	12.12.2017	Guarantee granted to Borealis AG for commercial liabilities	1 075 000	31.12.2019
	23.07.2018	Bill of exchange guarantee against a loan agreement for mBank S.A.	70 950 000	01.02.2019
BAP Group companies - customers of Volkswagen AG	16.12.2016	Volkswagen AG	86 000 000	open-ended
Impexmetal S.A.	1.02.2017	Guarantee granted to the Marshal Office of Wielkopolskie province	5 814 361	31.12.2018
Alchemia S.A.	01.10.2018	Guarantee granted to Arcelormittal Poland S.A.	21 500 000	31.12.2019
Eastside-Bis	01.09.2017	The Provincial Funds for Environmental Protection and Water Management in Toruń	3 801 471	open-ended
Boryszew HR Service Sp. z o.o.	30.08.2016	Bill of exchange guarantee against a loan to mBank	2 000 000	27.08.2019
Elana Energetyka	01.12.2015	PGE Obrót S.A.	3 000 000	open-ended
ZM Silesia S.A.	26.09.2018	Surety granted to PKO BP S.A.	10 800 000	28.02.2022
	26.10.2018	Guarantee granted to BGŻ BNP Paribas S.A.	14 400 000	31.12.2020
Total guarantees and sureties granted by Boryszew SA			549 607 027	



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Status of current sureties as at 31.12.2017

Entity for which guarantee or surety was issued	Issue date of guarantee or surety	Number of guaranteed contract/agreement	Subject of liability	Value of guarantee	Expiry date of guarantee
				EUR PLN	
Torlen Sp. z o.o.	24.07.2017	Guarantee 11/2017	Surety regarding liabilities, granted to Polytrade GmbH	6 256	31.07.2020
	11.12.2017	Guarantee 25/2017	Surety regarding liabilities, granted to MB Barter & Trading SA	2 085	31.12.2020
Boryszew Kunststofftechnik Deutschland GmbH	06.09.2012	Guarantee 20/2012	Guarantee granted to Deutsche Leasing International GmbH	3 712	02.05.2018
	31.01.2013	Guarantee 4/2013	Guarantee granted to Commerzbank	20 855	indefinite validity
	20.04.2013	Guarantee 12/2013	Guarantee granted to Hewlett-Packard International Plc.	626	30.04.2018
	23.07.2013	Guarantee 18/2013	Guarantee issued as security for loans granted by GE Capital Bank AG	4 139	30.08.2021
	24.07.2017	Guarantee 10/2017	Guarantee issued as security for repayment to ALD AutoLeasing D GmbH	834	30.06.2022
	11.12.2013	Guarantee 38/2013	Guarantee granted to Hewlett-Packard International Plc.	1 241	28.02.2018
	12.03.2014	Guarantee 4/2014	Guarantee granted to Hewlett-Packard International Plc.	1 241	28.02.2019
	06.06.2014	Guarantee 12/2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 241	31.05.2019
	25.09.2014	Guarantee 16/2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 117	31.05.2019
	22.01.2015	Guarantee 2/2015	Guarantee granted to Hewlett-Packard International Bank Plc.	417	31.08.2019
	23.11.2017	Guarantee /2017	Guarantee issued as security for loan granted by DNB Bank Polska SA	95 722	28.03.2018
	23.11.2017	Guarantee /2017	Guarantee issued as security for loan granted by DNB Bank Polska SA	31 282	31.01.2019
07.08.2017	Guarantee 12/2017	Guarantee granted to Deutsche Leasing International GmbH	5 839	indefinite validity	
Theysohn Formenbau GmbH	06.09.2017	Guarantee 13 and 14 /2017	Guarantee granted to akf Leasing GmbH	9 758	31.08.2023
Boryszew Oberflächentechnik Deutschland GmbH	26.01.2016	Guarantee 1/2016	Guarantee issued as security for loans granted by Bank Gospodarstwa Krajowego	91 084	31.12.2026
	27.03.2017	Guarantee 5/2017	Helag Electronic GmbH	834	31.12.2017
Boryszew Plastic RUS	11.07.2013	Guarantee 17/2013	Guarantee granted to ZAO Hewlett-Packard AO	696	indefinite validity
	27.08.2013	Guarantee 20/2013	Guarantee granted to RB Leasing Ltd.	1 875	15.06.2019
	29.01.2013	Guarantee 3/2013	Guarantee granted to Deutsche Leasing Vostok ZAO	35 396	07.10.2019
	08.04.2013	Guarantee 8/2013	Guarantee granted to Deutsche Leasing Vostok ZAO	1 104	07.10.2019



Borszew S.A.
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	30.04.2014	Guarantee 7/2014	Guarantee granted to ZAO Hewlett-Packard AO	348	indefinite validity
	13.02.2017	Guarantee 3/2017	Guarantee granted to Volvo Group Trucks Operations	20 855	indefinite validity
BRS YMOS GmbH	27.05.2015	Guarantee 17/2015	Guarantee granted to Wurth Leasing GmbH & Co. KG	1 292	30.11.2020
	15.03.2016	Guarantee 12/2016	Wurth Leasing GmbH	1 480	15.03.2022
Borszew Tensho Poland Sp. z o.o.	06.12.2017	Guarantee 24/2017	Guarantee granted to PGE Obrót S.A.	1 800	indefinite validity
	14.03.2017	Guarantee /2017	Guarantee granted to SPV Impexmetal Sp.z o. o for payment of financial liabilities	41 000	indefinite validity
	24.10.2017		Aval of lease agreement for mLeasing	749	15.04.2021
	24.10.2017		Aval of lease agreement for mLeasing	6 256	15.11.2020
	13.06.2016		Guarantee granted as collateral for a credit granted by HSBC Bank Polska	10 000	12.09.2020
Maflow BRS s.r.l.	01.01.2017	Letter of Comfort	Guarantee granted to Evercompounds S.p.A.	4 171	31.12.2017
	01.01.2017	Letter of Comfort	Guarantee granted to Arkema	417	31.12.2017
	01.01.2017	Letter of Comfort	Guarantee granted to CORDTECH INTERNATIONAL SAS	1 251	31.12.2018
	01.01.2017	Letter of Comfort	Guarantee granted to Mehler Engineered Products GmbH	1 668	31.12.2018
	01.01.2017	Letter of Comfort	Guarantee granted to Softer Spa	1 043	31.12.2017
	26.04.2016	Guarantee 16/2016	Banka IFIS	3 128	open-ended
	16.05.2017	Letter of Comfort	Guarantee granted to Cover	417	31.12.2018
Maflow France Automotive S.A.S.	07.07.2016	Letter of Comfort	Guarantee against a Leasing agreement in favour of Natixx Lease	1 572	07.07.2021
Borszew Commodities	12.12.2017	Guarantee 23/2016	Borealis AG	1 043	31.12.2018
	08.02.2016	Guarantee 7/2016	BSB Recycling GmbH	10 427	31.12.2017
	19.12.2016	Guarantee 29/2016	Trinseo Europe GmbH	1 668	31.12.2017
	19.12.2016	Guarantee 28/2016	WMK Plastics GmbH	834	31.12.2017
	30.05.2016	Guarantee 20/2016	Guarantee granted to Basell Sales and Marketing Company B.V.	6 256	31.12.2017
	24.04.2017	Guarantee 6/2017	Guarantee granted to Sabic Sales Europe B.V., Sabic Innovative Plastics B.V.	2 085	01.05.2018
BAP Group companies - customers of Volkswagen AG	16.12.2016	Guarantee 31/2016	Volkswagen AG	83 418	open-ended
Elana Energetyka	01.12.2015	Guarantee 26/2015	PGE Obrót S.A.	3 000	open-ended
Impexmetal S.A.	01.02.2017	Guarantee 1/2017	Marshal Office of Wielkopolskie province	5 814	31.12.2018
Alchemia S.A.	01.10.2017	Guarantee 22/2017	Arcelormittal Poland S.A.	37 538	30.09.2018



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Eastside-Bis	01.09.2017	Guarantee No. 15/2017	The Provincial Funds for Environmental Protection and Water Management in Toruń	3 284	open-ended
	11.07.2017		Aval for credit granted by mBank	4 500	29.06.2018
Total guarantees and sureties granted by Boryszew SA				574 672	

The Company estimated its credit risk associated with the guarantees granted and recognised a provision for potential claims in the amount of PLN 182 thousand.

38. TRANSACTIONS WITH AFFILIATED ENTITIES AND BENEFITS FOR KEY PERSONNEL

Transactions between subsidiaries mainly include commercial transactions concluded between companies of the Capital Group with regard to sale or purchase of traded goods and products of typical, conventional nature for the Group's operations.

	Subsidiaries	Associates	Personally related entities
Transactions in the period 01.01.2018 to 31.12.2018			
Revenues from sales (of products, services, goods)	192 512	56 965	2 123
Interest income	11 749		1 958
Dividends received	8 004		
Purchases (of materials, goods, services)	102 870		
Interest expense	0		
Receivables and payables as at 31.12.2018			
Trade receivables	120 033	3 210	760
Bonds purchased	14 951		129 982
Loans granted	325 708		1 796
Other receivables (advances, deposits)	33 705		356
Trade liabilities	36 824	1 105	0
Loans received	175 257		
Issued bonds	167 393		

Commercial transactions between subsidiaries regarding the sale or purchase of goods and services are concluded on market conditions.

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Remuneration of Management Board and Supervisory Board		
Remuneration of Management Board members	2 773	4 603
Remuneration of Supervisory Board members	411	377



Boryszew S.A.
Notes to the financial statements
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(amounts expressed in PLN thousands unless specified otherwise)

Members of the Management Board and the Supervisory Board were not granted any loans or paid no advances

39. EMPLOYMENT

	As at 31.12.2018	As at 31.12.2017
Employment structure (in full-time equivalents)		
Blue-collar workers	2 544	2 605
White-collar workers	674	686
Total	3 218	3 291



Boryszew S.A.
Notes to the financial statements
for the period between 1 January and 31 December 2018

(amounts expressed in PLN thousands unless specified otherwise)

40. REPORT DRAFTED AS PER ARTICLE 44 OF THE ENERGY LAW ACT FOR THE PERIOD BETWEEN 01.01.2018 AND 31.12.2018

Statement of comprehensive income for the period between 01.01.2018 and 31.12.2018.

	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	Total activity under the Energy Law	<i>Other business</i>	Total
Revenues from sales	17 842	148 473	2 879	88 257	257 451	1 283 451	1 540 902
Prime cost of sale	17 628	141 691	3 206	87 538	250 063	1 144 959	1 395 022
Profit on sale	214	6 782	(327)	719	7 388	138 492	145 880
Selling and management costs	153	2 379	363	769	3 664	102 068	105 732
Other operating profit/loss	0	(227)	0	0	(227)	12 155	11 928
Financial revenues	0	20	0	29	49	19 281	19 330
Financial expenses	0	0	0	0	0	43 889	43 889
Profit (loss) before income tax	61	4 196	(690)	(21)	3 546	23 971	27 517
Income tax	12	797	(131)	(4)	674	4 877	5 551
Net profit/loss	49	3 399	(559)	(17)	2 872	19 094	21 966
Net profit/loss	49	3 399	(559)	(17)	2 872	19 094	21 966
Other income recognised in equity					0	504	504
Total comprehensive income	49	3 399	(559)	(17)	2 872	19 598	22 470



Boryszew S.A.
Notes to the financial statements
for the period between 1 January and 31 December 2018

(amounts expressed in PLN thousands unless specified otherwise)

Statement of comprehensive income for the period between 01.01.2016 and 31.12.2017.

	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	Total activity under the Energy Law	<i>Other business</i>	Total
Revenues from sales	14 718	104 247	1 718	86 447	207 130	1 305 778	1 512 908
Prime cost of sale	14 549	98 125	1 975	85 236	199 885	1 130 633	1 330 518
Profit on sale	169	6 122	(257)	1 211	7 245	175 145	182 390
Selling and management costs	216	1 497	61	1 268	3 042	104 816	107 858
Other operating profit/loss	1	6	0	5	12	25 498	25 510
Financial revenues	0	255	0	0	255	29 452	29 707
Financial expenses	10	71	0	80	161	45 656	45 817
Profit (loss) before income tax	(56)	4 815	(318)	(132)	4 309	79 623	83 932
Income tax	(11)	915	(60)	(25)	819	(3 500)	(2 681)
Net profit/loss	(45)	3 900	(258)	(107)	3 490	83 123	86 613
Net profit/loss	(45)	3 900	(258)	(107)	3 490	83 123	86 613
Other income recognised in equity					0	(3 087)	(3 087)
Total comprehensive income	(45)	3 900	(258)	(107)	3 490	80 036	83 526

Statement of financial position as at 31.12.2018

ASSETS as at 31.12.2018	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	Total activity under the Energy Law	<i>Other business</i>	Total
Non-current assets							
Non-current assets	346	2 257	154	0	2 757	286 491	289 248
Intangible assets	130	154	0	0	284	32 831	33 115
Other non-current assets	0	389	-154	0	235	884 938	885 173
Total fixed assets	476	2 800	0	0	3 276	1 204 260	1 207 536
Current assets					0		
Trade receivables and other receivables	3 046	26 124	209	9 527	38 906	383 009	421 915
Other assets	1 001	8 519	174	4 939	14 633	214 926	229 559
Total current assets	4 047	34 643	383	14 466	53 539	597 935	651 474
Assets classified as held for sale					0	0	0
Total assets	4 523	37 443	383	14 466	56 815	1 802 195	1 859 010



Boryszew S.A.
Notes to the financial statements
for the period between 1 January and 31 December 2018

(amounts expressed in PLN thousands unless specified otherwise)

LIABILITIES as at 31.12.2018	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	Total activity under the Energy Law	Other business	Total
Equity							
Share capital					0	248 906	248 906
Retained earnings and other equity	-529	15 769	-1 754	3 549	17 035	297 062	314 097
Current year's profit	49	3 399	-559	-17	2 872	41 848	44 720
Total equity	-480	19 168	-2 313	3 532	19 907	587 816	607 723
Long-term liabilities					0	411 183	411 183
Short-term liabilities					0	0	0
Trade payables and other liabilities	12 215	3 396	630	28 600	44 841	789 986	834 827
Employee benefit provisions					0	5 277	5 277
Total short-term liabilities	12 215	3 396	630	28 600	44 841	795 263	840 104
Total liabilities	12 215	3 396	630	28 600	44 841	1 206 446	1 251 287
Total equity and liabilities	11 735	22 564	-1 683	32 132	64 748	1 794 262	1 859 010

Statement of financial position as at 31.12.2017

ASSETS as at 31.12.2017	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	Total activity under the Energy Law	Other business	Total
Non-current assets							
Non-current assets	327	13	2 003	208	2 551	286 836	289 387
Intangible assets	86	72	124	8	290	26 964	27 254
Other non-current assets	0	363	0	0	363	885 987	886 350
Total fixed assets	413	448	2 127	216	3 204	1 199 787	1 202 991
Current assets					0		
Trade receivables and other receivables	1 771	12 093	115	9 299	23 278	305 549	328 827
Other assets	855	6 539	0	5 152	12 546	221 582	234 128
Total current assets	2 626	18 632	115	14 451	35 824	527 131	562 955
Assets classified as held for sale					0	0	0
Total assets	3 039	19 080	2 242	14 667	39 028	1 726 918	1 765 946



Boryszew S.A.
Notes to the financial statements
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(amounts expressed in PLN thousands unless specified otherwise)

LIABILITIES as at 31.12.2017	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	Total activity under the Energy Law	<i>Other business</i>	Total
Equity							
Share capital					0	248 906	248 906
Retained earnings and other equity	-484	11 869	-1 312	3 475	13 548	267 395	280 943
Current year's profit	-45	3 900	-258	-107	3 490	83 123	86 613
Total equity	-529	15 769	-1 570	3 368	17 038	599 424	616 462
Long-term liabilities							
					0	278 523	278 523
Short-term liabilities							
					0	0	0
Trade payables and other liabilities	1 098	10 386	123	27 510	39 117	823 018	862 135
Employee benefit provisions					0	8 826	8 826
Total short-term liabilities	1 098	10 386	123	27 510	39 117	831 844	870 961
Total liabilities	1 098	10 386	123	27 510	39 117	1 110 367	1 149 484
Total equity and liabilities	569	26 155	-1 447	30 878	56 155	1 709 791	1 765 946

ADDITIONAL INFORMATION

1.1 Basic Company details

Boryszew Spółka Akcyjna (joint stock company)

Concessionaire number: DKN 807

Concession type: DEE, OEE, DPG, OPG

Activities covered by the energy law are carried out in the following branches:

Branches of Boryszew SA:	2018	2017
Energy Branch in Toruń	DPG,OPG, OEE	DPG,OPG, OEE
Boryszew ERG Branch in Sochaczew	DEE, OEE	DEE, OEE
NPA Skawina Branch	DEE, OEE,DPG,OPG	DEE, OEE,DPG,OPG

This report contains cumulative data.



(amounts expressed in PLN thousands unless specified otherwise)

Financial statements

Financial statements are presented in PLN. PLN is the functional and reporting currency. All values in the financial statements are presented in full thousands of PLN, unless stated otherwise.

1. Statement by the Management Board on compliance of accounting principles

The Management Board for Boryszew S.A.: Piotr Lisiecki, Aleksander Baryś, Mikołaj Budzanowski and Cezary Pyszkowski represent that to the best of their knowledge the financial statement and comparative data have been compiled in accordance with Article 44 of the Energy Law Act.

2. ACCOUNTING PRINCIPLES APPLIED

The report was prepared based on the separate financial statements presented by Boryszew SA, prepared in accordance with International Financial Reporting Standards in the scope determined by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards with amendments.

In preparing these financial statements, the Company made no changes to any previously applied accounting principles.

The statement of comprehensive income was prepared in accordance with Article 44 section 1 of the Energy Law Act. The company keeps accounting records in a way that allows a separate calculation of variable costs and revenues for individual types of activities. If fixed costs relate to several types of activity, they are assigned according to the percentage share of sales revenues from a given activity in the total sales revenues referred to in the energy law.

Bearing in mind that it is also required to divide items of the statement of financial position, the same accounting principles apply to the balance sheet items.

The structure of the prepared financial statements is based on the following general classification:

- **Licensed operations regulated by Energy Law** - gainful activity consisting in the sales and distribution of electricity and gas fuels
- **other activity** - activities in the following segments: automotive, chemical products, aluminium products, holding activities

In the licensed activity, the following have been specified:

- Electricity with segments:
 - Distribution
 - Turnover
- Gas fuels with segments:
 - Distribution
 - Turnover



(amounts expressed in PLN thousands unless specified otherwise)

Statement of comprehensive income

2.1. Licensed operations regulated by Energy Law

Total revenues from the distribution and trading of electricity and gas fuels have been determined by the use of a direct method and they result from invoices issued for the sale and distribution of electricity and gas fuels.

Variable costs for the electricity and gas fuels trading segment are directly related to invoices for the purchase of electricity and gas purchased for resale.

Fixed costs are the result of the cost allocation related to the maintenance of infrastructure for the distribution of electricity and gas fuels as well as the management and sales costs. Management and sales costs assigned to licensed activities are allocated to individual segments according to the percentage share of sales revenues for individual segments in the total sales revenues referred to in the energy law.

Financial revenues include interest received from customers and costs include the interest paid to suppliers as well as expenditure on the purchase of stock certificates

Total income from licensed activities for 2018 and 2017 in relevant segments amounted to:

	2018	2017
Distribution of gaseous fuels	49	(45)
Trade in gaseous fuels	3 399	3 900
Supply of electricity	(559)	(442)
Electricity trading	(17)	74

2.2. Other activities (other than regulated by the Energy Law)

The items of revenues and costs on other activities constitute all revenues and costs of Boryszew SA not assigned to activities covered by the Energy Law, i.e. operating in the following segments: automotive, chemical products, aluminium products, holding activities.

Total comprehensive income from other activities in 2018 amounted to 19 598

The items shown in the Total column comprise the sum of individual items of the licensed activity described in paragraph 2.1, covered by Energy Law, and activities not covered by the Energy Law described in item 2.2.

Statement of financial position

2.3. Licensed operations regulated by Energy Law

- Distribution and trading in electricity

Property, plant and equipment for the distribution business are the sum of the carrying value of property, plant and equipment as at 31 December 2018 allocated to electricity distribution in the financial and accounting system. This is mainly the infrastructure used for the transmission of electricity. Fixed assets are not used in the trading segment, and were not separated for this part of the statement.



(amounts expressed in PLN thousands unless specified otherwise)

Intangible assets include software appropriated based on the percentage share of revenues from electricity distribution/trading in total revenue.

Trade and other receivables for the distribution and trade in electricity business are actual amounts resulting from sales invoices issued and not paid as at 31 December 2018 and receivables due to the excess of input VAT over output VAT.

The Company does not recognise any inventories for distribution and trade in electricity.

Equity for distribution and trading activities represents only the net profit for 2013 - 2018 resulting from the statement of comprehensive income for relevant segment of activities. Other equity items were shown as operations outside of the scope of energy law.

Long-term liabilities include provisions for employee benefits of employees in the electricity distribution segment. Trade and other liabilities are outstanding suppliers' invoices for electricity purchase and distribution as well as the surplus of output VAT over input VAT and also excise tax liabilities. Liabilities do not include the portion of liabilities that relates to purchase for own needs.

- Distribution and trade in gaseous fuels

Property, plant and equipment for the distribution business are the sum of the carrying value of property, plant and equipment as at 31 December 2018 allocated to gaseous fuels distribution in the financial and accounting system. This is mainly the infrastructure used for gas transmission. Fixed assets are not used in the trading segment, and were not separated for this part of the statement.

Intangible assets include software appropriated based on the percentage share of revenues from gas distribution/trading in total revenue.

Trade and other receivables for the distribution and trade in gas business are actual amounts resulting from sales invoices issued and not paid as at 31 December 2018 and receivables due to the excess of input VAT over output VAT. The Company does not recognise any inventories for distribution and trade in gas.

Equity capital (fund) for distribution and trading activities is only the net profit for 2013-2018 resulting from the statement of comprehensive income for the given segment of activity. Other equity items were shown as operations outside of the scope of energy law.

Short-term trade and other liabilities are outstanding suppliers' invoices for gas purchase and distribution as well as the surplus of output VAT over input VAT and also excise tax liabilities. Liabilities do not include the portion of liabilities that relates to purchase of gas for own needs.

2.4. Activities other than regulated by the Energy Law

Balance sheet items from activities other than regulated by the Energy Law are all items resulting from the financial statement of Boryszew S.A. and associated with activities in the following segments: Automotive, Chemistry, Metals, Other.

2.5. Total

The items shown in the Total column are the sum of relevant items of the licensed activity regulated by the Energy Law, and activities in the following segments: Automotive, Chemistry, Metals, Other.



(amounts expressed in PLN thousands unless specified otherwise)

41. APPROVAL OF THE FINANCIAL STATEMENTS

This report was approved for publication by a resolution of the Management Board on 25 April 2019 and presents the situation of the Company pursuant to the legal requirements for the period between 1 January 2018 and 31 December 2018, including any events which occurred by the date of approval of this report for publication.

The report will be submitted for approval by the Supervisory Board and the General Meeting of Shareholders, which, in accordance with Polish law, may reject the report and request changes to be made.

Piotr Lisiecki - President of the Management Board

Aleksander Baryś - Member of the Management Board

Mikołaj Budzanowski - Member of the Management Board

Cezary Pyszkowski - Member of the Management Board

Chief Accountant - Elżbieta Słaboń