

**BORYSZEW CAPITAL GROUP  
WARSAW, UL. JAGIELLOŃSKA 76**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE 2017 FINANCIAL YEAR**

**WITH  
AUDITOR'S REPORT**

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### **REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE 2017 FINANCIAL YEAR**

## AUDITOR'S REPORT

### To the General Shareholders' Meeting and Supervisory Board of the Boryszew Capital Group

#### Auditor's report on the annual consolidated financial statements

We have audited the attached annual consolidated financial statements of the Boryszew Capital Group (the "Capital Group") with Boryszew S.A. as the Parent (the "Parent"), comprising the consolidated statement of financial position prepared as at 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017 and notes comprising a summary of significant accounting policies and other explanatory information (the "consolidated financial statements").

#### *Responsibility of the Parent's manager and those charged with governance for the consolidated financial statements*

The Management Board of the Parent is responsible for the preparation of the consolidated financial statements and for their fair presentation in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and other applicable laws as well as the Parent's Articles of Association. The Management Board of the Parent is also responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act, the Management Board of the Parent and members of its Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2018, item 395, as amended), hereinafter referred to as the "Accounting Act".

#### *Auditor's responsibility*

Our responsibility was to express an opinion on whether the consolidated financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Capital Group in line with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations as well as the adopted accounting policies.

Our audit of the consolidated financial statements has been performed in accordance with:

- 1) the Act on statutory auditors, auditing companies and public oversight of 11 May 2017 (Journal of Laws of 2017, item 1089, as amended) ("Act on statutory auditors");

- 2) National Auditing Standards in the wording of the International Standards on Auditing adopted by resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015, as amended, in connection with resolution No. 2041/37a/2018 of 5 March 2018 on the national standards of professional practice.
- 3) Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) ("*Regulation No 537/2014*").

Those regulations require that we comply with ethical requirements and plan and perform the audit so as to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The objective of the audit is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the aforesaid standards will always detect a material misstatement when it exists. Misstatements, whether due to fraud or error, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, misinformation, or override of control and may involve any area of law and regulation, not just those directly affecting the consolidated financial statements.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parent's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of Parent, as well as evaluating the overall presentation of the consolidated financial statements.

The scope of the audit does not include an assurance regarding the future profitability of the Capital Group or the effectiveness of the Parent's Management Board in managing the Capital Group's affairs at present or in the future.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. This opinion is consistent with the additional report for the Audit Committee issued as of the date of this report.

### *Independence*

During the audit the key certified auditor and the audit firm remained independent of the entities from the Capital Group in accordance with the provisions of the Act on Statutory Auditors, Regulation No. 537/2014 and the code of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

To the best of our knowledge and belief, we represent that we have not provided non-audit services, which are prohibited under Article 136 of the Act on Statutory Auditors and Article 5.1 of Regulation No. 537/2014, to the entities from the Capital Group.

## *Appointment of the audit firm*

We were appointed to audit the consolidated financial statements of the Capital Group under a resolution of the Supervisory Board dated 5 May 2017. We have been auditing the consolidated financial statements of the Capital Group for an uninterrupted period beginning with the financial year ended 31 December 2009, that is for nine consecutive financial years.

## *The most significant risks*

During the audit we identified the following most significant risks of material misstatement, also due to fraud, and we designed audit procedures responsive to those risks. Where relevant, we have presented our key observations arising with respect to those risks so as to facilitate the understanding of the risks identified and the audit procedures performed by the auditor.

<b>Risk of material misstatement – description</b>	<b>Procedures performed by the auditor in response to identified risks and key observations arising with respect to those risks</b>
<b>Impairment of shares in associated entities</b>	
<p>The Capital Group holds considerable shares in unlisted entities, measured at cost accounting for impairment and shares in listed entities measured at fair value.</p> <p>Since the aggregate value of such shares in associated entities of the Boryszew Capital Group is in excess of PLN 280 million, we concluded that the accuracy of their measurement is a significant area of the audit.</p>	<p>In particular, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• understanding of the internal control environment as regards the design and implementation of the existing control mechanisms applied to the analysis of the impairment of shares;</li> <li>• an analysis of the methods applied by the Group to measure and record investments in associated entities;</li> <li>• a review of the accuracy of the measurement of shares in associated entities and verification of the accuracy of the impairment loss recognised on such shares;</li> <li>• verification of the accuracy and completeness of the disclosures in notes to the consolidated financial statements.</li> </ul>
<b>Estimated provisions for potential liabilities arising from disputes with tax authorities at selected companies of the Capital Group as well as related contingent liabilities</b>	
<p>The companies in the Capital Group are subject to control proceedings to determine the correctness of VAT settlements. The proceedings are at various stages of progress.</p> <p>Due to the decisions regarding VAT deductions issued by the tax authorities in the course of the tax inspection at the selected companies of the Capital Group and the risk that other transactions may be questioned, we concluded that the entire Capital Group is subject to an increased risk of negative consequences of the tax inspection.</p> <p>In view of the above, we see the area as one of the key audit issues.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• a review of the current stage of progress of the tax inspections carried out at the companies of the Boryszew Capital Group;</li> <li>• with the support of our internal tax experts (mainly VAT specialists), a review of the potential risk of unfavourable rulings being given in the disputes involving selected companies in the Boryszew Capital Group;</li> <li>• an analysis of the background and a review of the conclusions drawn by the tax authorities performed by our internal VAT experts;</li> </ul>

	<ul style="list-style-type: none"><li>• critical evaluation of the assumptions and estimates made by the companies in the Capital Group, considering the probability of unfavourable decisions being given in the control proceedings and dismissal of appeals against the decisions already given by the tax authorities;</li><li>• a review of the accuracy of the Capital Group's calculation of the provision (including potential interest to the state budget) and evaluation whether the Group took into account all known facts and conditions;</li><li>• a review of the accuracy and completeness of disclosures in the consolidated financial statements regarding provisions, description of the current stage of progress of disputes involving individual companies in the Capital Group as well as disclosures of relevant contingent liabilities.</li></ul>
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## *Opinion*

In our opinion, the attached annual consolidated financial statements:

- give a true and fair view of the economic and financial position of the Capital Group as at 31 December 2017 and its financial performance for the financial year from 1 January 2017 to 31 December 2017 in accordance with the applicable International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and the adopted accounting policies;
- comply, as regards their form and content, with the applicable provisions of law, including the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014, item 133, as amended) as well as the Parent's Articles of Association.

## Report on other legal and regulatory requirements

### *Opinion on the report on the activities*

We do not express an opinion on the report on the activities of the Capital Group.

It is the responsibility of the Management Board of the Parent to prepare the report on the activities of the Capital Group in conformity with the Accounting Act and other applicable laws. Moreover, the Management Board of the Parent and members of the Supervisory Board are obliged to ensure that the report on the activities of the Capital Group meets the requirements of the Accounting Act.

Under the Act on Statutory Auditors, we are obliged to express an opinion on whether or not the report on the activities of the Capital Group has been prepared in conformity with the law and is consistent with underlying information disclosed in the attached consolidated financial statements. Moreover, it is our responsibility to declare whether or not we have detected any material misstatement in the report on the activities of the Capital Group based on our knowledge of the Capital Group and its business environment obtained in the course of the audit of the consolidated financial statements, in addition to describing each such material misstatement.

In our opinion, the report on the activities has been prepared in conformity with the law and is consistent with underlying information disclosed in the attached consolidated financial statements. Moreover, based on our knowledge of the Capital Group and its business environment obtained in the course of the audit of the consolidated financial statements, we declare that we have not detected any material misstatement in the report on the activities of the Capital Group.

### *Opinion on the statement of compliance with corporate governance principles*

It is the responsibility of the Management Board of the Parent to prepare a statement of compliance with corporate governance principles in accordance with the applicable laws. Moreover it is the responsibility of the Management Board of the Parent and the members of the Supervisory Board to ensure that the statement of compliance with corporate governance principles meets the requirements set out in relevant provisions of law.

In relation to the audit of the consolidated financial statements, the Act on Statutory Auditors requires that we express an opinion on whether or not an issuer obliged to submit a statement of compliance with corporate governance principles that constitutes a separate part of the report on the activities of the Capital Group has included in the aforesaid statement such information as is required by the law and — with respect to specific information referred to in the law or regulations — conclude whether or not it complies with the applicable laws and is consistent with underlying information disclosed in the annual consolidated financial statements.

In our opinion, the statement of compliance with corporate governance principles contains information required by par. 91.5.4 (a), (b), (g), (j), (k) and (l) of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014, item 133, as amended) (the "Ordinance"). *The information specified in par. 91.5.4 (c)-(f), (h) and (i) of the Ordinance, as contained in the statement of compliance with corporate governance principles, complies with the applicable laws and is consistent with underlying information disclosed in the annual consolidated financial statements.*

### *Information concerning the preparation of a non-financial information statement*

In accordance with the requirements set out in the Act on Statutory Auditors, we would like to point out that the Parent has prepared a non-financial statement, as referred to in Article 49b.1 of the Accounting Act, which constitutes a separate part of the report on the activities of the Capital Group.

In accordance with the requirements set out in the Act on Statutory Auditors, we would like to point out that the Parent's report on the activities of the Capital Group includes information about the preparation of a separate non-financial report, as referred to in Article 49b.9 of the Accounting Act and that the Parent has prepared such a report.

We have not performed any assurance services relating to and we are not providing any assurance on the separate non-financial report.

On behalf of Deloitte Audyt spółka z ograniczoną odpowiedzialnością Sp.k. (until 18 March 2018 operating under the name: Deloitte Polska spółka z ograniczoną odpowiedzialnością sp. k.) — entity entered under number 73 on the list of audit firms kept by the National Council of Statutory Auditors:



Piotr Świętochowski  
Key certified auditor  
No. 90039

Warsaw, 26 April 2018