

**BORYSZEW S.A.**  
**WARSAW, UL. JAGIELLOŃSKA 76**

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

**WITH**  
**AUDITOR'S REPORT**

**TABLE OF CONTENTS**

**AUDITOR'S REPORT**

**FINANCIAL STATEMENTS FOR THE 2017 FINANCIAL YEAR**

1. Statement of financial position
2. Statement of comprehensive income
3. Statement of changes in equity
4. Statement of cash flows
5. Notes comprising a summary of significant accounting policies and other explanatory information

**REPORT ON THE ACTIVITIES OF THE COMPANY FOR THE 2017 FINANCIAL YEAR**

## AUDITOR'S REPORT

### To the Shareholders and Supervisory Board of Boryszew S.A.

#### Auditor's report

We have audited the attached annual financial statements of Boryszew S.A. with its registered office in Warsaw, ul. Jagiellońska 76 (the "Company"), comprising the statement of financial position prepared as at 31 December 2017, statement of comprehensive income, statement of changes in equity, 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 "financial statements").

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

The Management Board of the Company is responsible for the preparation of the financial statements based on properly kept accounting records 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 entity's Articles of Association. The Management Board of the Company is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Under the Accounting Act, the Management Board of the Company and members of its Supervisory Board are obliged to ensure that the 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 financial statements give a true and fair view of the financial and economic position as well as the financial performance of the entity 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 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 to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The objective of the audit is to obtain reasonable assurance about whether the financial statements as a whole have been prepared based on properly kept accounting records and 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 these 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 financial statements.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management Board of the Company, as well as evaluating the overall presentation of the financial statements.

The scope of the audit does not include an assurance regarding the future profitability of the audited entity or the effectiveness of the Company's Management Board in managing the entity's affairs at present and in 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 audited entity 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.

## *Appointment of the audit firm*

We were appointed to audit the financial statements of the entity under a resolution of the Supervisory Board dated 5 May 2017. We have been auditing the financial statements of the entity 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 applied by the auditor in response to the identified risk and key observations made on specific types of risk</b>
<b>Impairment of financial assets in controlled and associated entities</b>	
<p>Interest in controlled and associated entities account for a large share of the value of assets disclosed in the statement of financial position and considering that the recoverable amount of such assets is calculated on the basis of a number of assumptions and estimates, we concluded that potential impairment of investments in controlled and associated entities is a significant area of the audit.</p>	<p>During the audit we documented our understanding of the measures adopted by the management to ensure appropriate internal control, including evaluation of the design and implementation of the key controls over the indications of impairment and recoverable amount tests.</p> <p>Our procedures included also:</p> <ul style="list-style-type: none"> <li>• an analysis of the impairment policies with regard to the value of investments in controlled and associated entities;</li> <li>• a review of the judgements and assumptions made by the Company and the accounting and technical accuracy of resulting estimates of the recoverable amount;</li> <li>• a review of the correctness and completeness of disclosures in the financial statements of the Company.</li> </ul>
<b>Impairment of trade receivables and originated loans in subsidiaries</b>	
<p>As at the end of the reporting period, the Company disclosed substantial trade receivables and loans given to subsidiaries. Due to the materiality of the Company's aggregate investments in subsidiaries, we concluded that evaluation of the impairment of the assets is a significant area of the audit.</p>	<p>During the audit we documented our understanding of the measures adopted by the management to ensure appropriate internal control, including evaluation of the design and implementation of the key controls over the indications of impairment and impairment tests on trade receivables and loans to subsidiaries.</p> <p>Our procedures included also:</p> <ul style="list-style-type: none"> <li>• ageing analysis of trade receivables and verification of payments after the end of the reporting period;</li> </ul>

	<ul style="list-style-type: none"><li>• confirmation of the trade receivables and originated loans with the subsidiaries;</li><li>• review of the submitted analysis of the financial position of subsidiaries in terms of their ability to pay their liabilities;</li><li>• verification of the accuracy and completeness of the disclosures in notes to the financial statements.</li></ul>
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## *Opinion*

In our opinion, the attached annual financial statements:

- give a true and fair view of the economic and financial position of the entity 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 International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and the adopted accounting policies;
- have been prepared based on accounting records kept properly in compliance with the requirements of Section 2 of the Accounting Act;
- 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 entity's Articles of Association.

## **Report on other legal and regulatory requirements**

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

Our opinion on the financial statements does not include an opinion on the report on the activities.

The Management Board of the Company and members of the Supervisory Board are responsible for the preparation of the report on the activities in line with the provisions of law.

Under the Act on Statutory Auditors, we are obliged to express an opinion on whether or not the report on the activities has been prepared in conformity with the law and is consistent with underlying information disclosed in the attached financial statements. Moreover, it is our responsibility to declare whether or not we have detected any material misstatement in the report on the activities based on our knowledge of the entity and its business environment obtained in the course of the audit, 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 financial statements. Furthermore, we represent that based on our knowledge of the entity and its business environment obtained in the course of the audit of the financial statements, we believe that the report on the activities is free from material misstatement.

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

It is the responsibility of the Management Board of the Company and of the members of the Supervisory Board to prepare a statement of compliance with corporate governance principles in accordance with the applicable laws.

In relation to the audit of the 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 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 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 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 entity 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.

In accordance with the requirements set out in the Act on Statutory Auditors, we would like to point out that the Company's report on the activities 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 Company 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.

#### *Other information, including information about compliance with the law*

##### *Energy law requirements — regulatory financial information*

The regulatory financial information contained in Note 38 and presenting items of the statement of financial position and of the statement of comprehensive income prepared separately for each type of business activity related to trading in, distribution and generation of power, as well as the basis of its preparation, including the principles of allocation of assets, liabilities, revenue and expenses to each such activity, was prepared by the Management Board of the Company to comply with the requirements of Article 44 of the Energy Law of 10 April 1997 (Journal of Laws of 2012 item 1059 as amended — hereinafter: the "Energy Law") (hereinafter: the "law"), including with respect

to ensuring the equal treatment of customers and eliminating cross subsidization across the said activities.

The scope of the regulatory financial information has been defined by the law. The scope of our audit did not include examination of the sufficiency of the information required under the law considering the purpose of its preparation, in particular with respect to ensuring equal treatment of customers and eliminating cross subsidization across the said activities.

In our opinion, the regulatory financial information was prepared, in all material respects, in line with the basis of preparation, as presented in Note 38, and it satisfies the requirements of Article 44.2 of the law.

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