

**REPORT ON THE ACTIVITY
OF THE SUPERVISORY BOARD
of Boryszew S.A.
with the seat in Warsaw
in 2013**



Warsaw, 9 May 2014

1. Information on the Supervisory Board's term.

According to § 12 passage 2 of the Company Statute the Supervisory Board's term is common for every member and lasts 3 years.

The above mentioned entry has been valid from 20 June 2012, i.e.. from the day of registration of the changes in the Company's Statute implemented by the resolution no. 20 of 28 May, 2012.

Till that time there has run such principle in the Company that the Supervisory Board's members have been appointed for individual terms and the term of the Supervisory Board's member lasts 5 years.

All the Supervisory Board's members, taking their functions in 2013, have been appointed for individual terms.

2. Composition, taken functions, changes in the composition of the Supervisory Board during its term.

During 2013 the composition of the Supervisory Board of Boryszew S.A. was as follows:

Mr. Sebastian Bogusławski – Chairman of the Supervisory Board,

Mr. Zygmunt Urbaniak – Deputy Chairman of the Supervisory Board,

Mr. Mirosław Kutnik – Secretary of the Supervisory Board,

Mr. Dariusz Jarosz – Member of the Supervisory Board,

Mr. Arkadiusz Krężel – Member of the Supervisory Board,

Mr. Tadeusz Pietka – Member of the Supervisory Board.

Changes in the Supervisory Board after 31 December 2013.

On 13 February 2014 Mr. Sebastian Bogusławski placed his resignation from taking a function in the Supervisory Board.

On 17 February 2014 Mr. Dariusz Jarosz placed his resignation from taking a function in the Supervisory Board.

On 17 February 2014 the Extraordinary General Meeting of Boryszew S.A. appointed to the Supervisory Board Mr. Janusz Siemieniec and Mr. Jan Bogolubow.

As at the preparation day of this report the Supervisory Board of the Company has acted in the following composition:

Mr. Janusz Siemieniec – Chairman of the Supervisory Board,

Mr. Zygmunt Urbaniak – Deputy Chairman of the Supervisory Board,

Mr. Mirosław Kutnik - Secretary of the Supervisory Board,

Mr. Jan Bogolubow – Member of the Supervisory Board,

Mr. Arkadiusz Krężel – Member of the Supervisory Board,

Mr. Tadeusz Pietka – Member of the Supervisory Board.

3. Information on numbers of meetings of the Supervisory Board and on numbers of passed resolution.

There were 5 meetings of the Supervisory Board in 2013 in the following dates:

- 25.02. (2 resolutions passed)
- 27.05. (15 resolutions passed)
- 26.07. (4 resolutions passed)
- 06.11. (2 resolutions passed)
- 18.12. (1 resolution passed)

on which the Supervisory Board passed totally 24 resolutions.

Additionally during 2013 the Supervisory Board have passed 24 resolutions between meetings under article 388 § 3 of the Commercial Companies Code, i.e. by means of media.

4. Core issues.

The Supervisory Board has run its activity basing on rules of the Commercial Companies Code, Statute of the Company, Supervisory Board's regulations as well as on other effected law rules. Supervisory Board has acted according to the principles of the corporate governance rules implemented in the Company.

Members of the Supervisory Board have performed their rights and duties personally on the Supervisory Board's meetings, which has acted collectively.

The Supervisory Board has dealt with issues connected with the Company according to its competence described in Commercial Companies Code and the Company's Statute as well as with the problems of a less importance but important for the image of the Company created by the Management Board.

The Supervisory Board, exercising the direct supervision on the activity of the Company have made the Management Board prepare studies and analyses required for the estimation of risks and undertaken actions in order to take proper resolutions.

On each of its meeting in 2013 the Supervisory Board was informed by the Management Board about the economical-financial results and the current activity of the Company and the companies of the Boryszew Capital Group.

The Members of the Supervisory Board carrying out the analysis of the economic and financial indicators as well as the Management Board's reports on executing of the 2013 budget for the Company and the Boryszew Capital Group, have systematically supervised the functioning of the Company and the companies of the Boryszew Capital Group pointing to the Management Board sections required particular attention and engagement.

The most important issues, which have been dealt with by the Supervisory Board in 2013 have been as follows:

- participation in closing the year 2012: estimation of the financial report, report of the Management Board on the Company's activity, opinion to the motion of the Management Board on the distribution of net profit for 2012,
- activities for accepting the Management Board's report on Boryszew Capital Group's activity in 2012 and the consolidated financial report of the Capital Group in 2012,
- acceptance and review of the current realization of the Company budget in 2013 with particular focus on costs of the Company operations,
- choice of auditor to examine the financial report of the Company in 2013 and the consolidated financial report of the Boryszew Capital Group in 2013,
- expressing approval for disposal of fixed assets,
- become acquainted and estimation of functioning of Elana Branch, Maflow Branch and subsidiaries companies (especially restructuring companies from automotive sector), analysis of strong sides of them, risks for their functioning, periodical control of their economic-financial results.

5. Suspension made by Supervisory Board towards members of the Management Board in performance of their duties and delegate members of the Supervisory Board to execute as members of the Management Board.

The Supervisory Board of Boryszew S.A. with the seat in Warsaw has not executed the above mentioned activities in 2013.

6. Report on the Audit Committee's activity.

The Audit Committee has acted under the Supervisory Board in 2013 in the following composition: Mr. Zygmunt Urbaniak, Mr. Tadeusz Pietka and Mr. Dariusz Jarosz.

The Committee has taken an ancillary role for the Supervisory Board as far as preparation of reviews, opinions and other operations are concerned, aiming at taking decisions by the Supervisory Board. The Audit Committee supervises as far as financial reporting, system of the internal control, risks management as well as the internal and external audits are concerned.

Report on the Audit Committee's activity is an enclosure to this report.

7. Review of the financial report of the Capital Group and the Company for the period from 1 January 2013 till 31 December 2013 and the activity report in 2013.

Keys economic factors of the Capital Group:

In PLN m	2013	2012
Revenues on sale	4 836.3	4 881.2
products	4 129.5	4 338.2
goods and materials	706.7	543.0
Gross profit on sale	415.2	430.3
Profit on sale	94.9	117.2
EBITDA	198.2	243.9
Operating profit	88.3	134.3
Gross profit	40.1	99.1
Net profit on continued operations	34.3	83.9
Net profit on discontinued operations	20.7	-22.8
Total net profit	55.0	61.0

REVENUES ON SALE

In PLN m	2013	2012
Revenues on sale, including:	4 836.3	4 881.2
Automotive division	1 562.7	1 646.9
Aluminium division	1 003.8	1 092.0
Copper division	971.4	853.7
Zinc and lead division	586.7	542.4
Trade division and others	441.9	461.2
Chemical products division	373.8	388.0
Holdings operations	51.2	31.8
Intercompany adjustments	-155.3	-134.8
Foreign sale, as % of the total sale	65%	64%

The revenues level in 2013 has been influenced mainly by the following factors:

- economic situation on the automotive market,
- macroeconomic situation in euro zone and in Poland,
- drop in average prices of aluminium on the global markets,
- decrease in sales volume.

SALES VOLUMES

Boryszew Capital Group has reported, considering the parallel period of the previous year, higher level of sales volume (apart from longer winter time, having got a negative influence on demand in the large part of the Group's divisions). The increase of sale volume amounted to 1% to 273.9 thousand tonnes.

EBIT

The operational result (EBIT) in the most important divisions was as follows:

In PLN m	2013	2012
Profit (loss) from operational activity, including:	88.3	134.3
Aluminium division	49.6	50.3
Chemical products division	30.7	21.3
Copper division	17.9	8.8
Trade division and others	14.1	15.4
Holdings operations	6.7	19.3
Zinc and lead division	2.2	22.4
Automotive division	0.2	37.3
Intercompany adjustments	-33.2	-40.4

Drop in the operational results in the Capital Group in 2013 has been influenced mainly by the smaller scale of events of one-off character.

2013 operational results in the particular divisions was influenced by:

- lower results in the **Aluminium Division** – minor drop in results was caused by decrease of results in NPA Skawina Branch Office, which was almost in 100% balanced by the increase of results in Zakład Huta Aluminium Konin. Drop in results in NPA Skawina Branch Office was caused by lower by 23 % sales volume. The main reason was the lack of sale to the American market in 2012 in connection with strikes in the American concern Alcan Rio Tinto. In Zakład Huta Aluminium Konin the growth of results was caused mainly by change of production mix on the products of the higher margin.
- higher results in the **Chemical Products Division** – improvement of results is mainly influenced by the higher result on sale of equity in Elana Branch Office as well as the realization of contracts for army in Nylonbor Branch Office. The results have been partly leveled by lower by PLN 5.7 m level of result on sale of rights to CO2 emission.
- higher results in the **Copper Division** – growth of the operational results has appeared in both companies of the division (WM Dziedzice S.A. and Hutmen S.A.). In WM Dziedzice S.A. the growth of the operational results has been mainly caused by the record sales volumes (the highest growth of 24% in the whole Impexmetal Capital Group). Hutmen S.A. has noted higher result on sale, mainly due to the higher margins for the basic product – installations tubes.
- lower results in the **Trade Division and Others** – mainly due to the decrease by 4% of the sale receivables, which is a result of a difficult situation in the automotive sector.
- lower results in the **Holdings Operations** – mainly due to the lower level of dividends.
- lower results in the **Zinc and Lead Division** – main company of the division – ZM Silesia S.A. has noted the improvement of the operational result. The decrease has concerned only Baterpol S.A. and has been caused by the higher costs of the basic raw material – battery scrap. But it has been partly decreased by the higher sales volume.

- lower results in the **Automotive Division** – drop in results has been caused mainly by the smaller sale and the smaller scale of events of one-off character. The lower sale has been connected with the lower demand in the European automotive sector as well as with the lower sale as far as the contract price reductions and the cycle of contracts are concern. In 2013 the old contracts have gradually expired and have not been proportionally replaced by the new ones, particularly in the plastics elements. This process is due to the lack of signing new contracts, which took place when companies had been under the procedure of bankruptcy before the taking over by Boryszew. The improvement of this situation connected with the above mentioned revenues decrease in case of Maflow Group has been yet noticed. We await the improvement of situation in BAP Group companies in mid – 2015. Additionally in 2012 in this Division three substantial one-off events took place with the positive financial result amounting to PLN 31.1 m, which concerned amortization of receivables, dissolution guaranteed provisions and recognition of result on the taking over of assets of YMOS Group.

Balance of revenues/financial costs has amounted to PLN (48,2) m and has been lower by PLN 13 m, which is an effect of lower by PLN 0.5 m negative influence of valuation of the assets value and lower by PLN 2.4 m negative balance on the foreign exchanges differences.

Net result on the continued operations has amounted to PLN 34.3 m and has been lower by PLN 49.6 m.

After taking into account the net result on the discontinued operations in the amount of PLN 20.7 m, 2013 net result has amounted to PLN 55.0 m. It has been by PLN 6.1 m lower from the result achieved in 2012.

Keys economic factors of Boryszew SA:

In PLN m	2013	2012
Revenues on sale	945.7	1 018.7
products	834.0	958.2
goods and materials	111.7	60.5
Gross profit on sale	135.6	145.4
Profit on sale	51.8	52.7
EBITDA	82.7	68.8
Operational profit	61.4	48.7
Gross profit	5.5	31.8
Net profit on continued operations	-1.0	22.8
Net profit on discontinued operations	-0.2	-0.4
Total net profit	-1.2	22.4

SALES VOLUMES

In 2013 Boryszew S.A. has noted lower level of sales volume by 9%, i.e. 7.3 thousand. tonnes. The main influence on the lower sales volume has the lower sale in NPA Skawina Branch Office and in Elana Branch Office.

Operational result (EBIT), in the most important divisions was as follows:

In PLN m	2013	2012
Result on the operational activity, including:	61.4	48.7
Automotive division	1.7	1.3
Chemical products division	33.6	25.8
Aluminium Division	14.2	17.3
Holdings operations	23.3	14.1
Other divisions and adjustments	-11.5	-9.6

2013 operational results in the particular divisions was influenced by:

- higher results in the **Automotive Division** – higher results have been caused, among others, by lower by PLN 0.8 m level of allowance for trade receivables in Maflow Group and the policy of costs optimization – lower by PLN 1.2 m general and administrative costs. The above mentioned positive effects have been levelled by the lower result on sale, which was connected mainly with lower revenues. The lower sale has been connected with the lower demand in the European automotive sector as well as with the lower sale as far as the contract price reductions and the cycle of contracts are concern. In 2013 the old contracts have gradually expired and have not been proportionally replaced by the new ones. This process is due to the lack of signing new contracts, which took place when companies had been under the procedure of bankruptcy before the taking over by Boryszew.
- lower results in the **Aluminium Division** – connected mainly with lower over 40 % sale volume of the highest margin products - aerial aluminium conductors.
- higher results in the **Chemical Products Division** – improvement of results is mainly influenced by the higher result on sale of equity in Elana Branch Office as well as the realization of contracts for army in Nylonbor Branch Office.
- higher results in the **Holdings Operations** – growth of the operational results has been noted as a result of higher gross sale results connected mainly with transactions with the companies of BAP Group, including, among others, sale of appliances, guarantees payment for management.

Balance of revenues/financial costs has amounted to PLN (55.9) m and has been lower by PLN 39.0 m from the previous year. The drop in balance on the financial operations has been connected mainly with:

- PLN (36,2) m – creation of allowance for loans in Maflow Group (transaction in Boryszew Group with no effect on the consolidated results)
- PLN (22,1) m – lack of sale of AKT's receivables in 2012 Balance of revenues/financial costs has amounted to PLN (48,2) m and has been lower by PLN 13 m
- PLN +21,7 m – higher positive balance of foreign exchange differences and derivatives.

Net result on the continued and discontinued operations in 2013 has amounted to PLN (1.2) m and has been lower by PLN 23.6 m from the 2012 profit.

Report's review

Acting on behalf of art. 382 § 3 and 395 § 2 of the Commercial companies code and the Principle no. III.1.1) of the Code of Best Practice for WSE Listed Companies, the Supervisory Board has affirmatively reviewed:

1. Financial report of Boryszew S.A. for the period from 1 January 2013 till 31 December 2013, including:

- The statement of financial position prepared as at 31 December 2013, which shows total assets and total equity and liabilities of PLN 1,184,229 thousand,
- statement of comprehensive income for the period from 1 January 2013 to 31 December 2013, which shows a net loss of PLN 1,200 thousand and the total comprehensive income of PLN (-) 1,497 thousand,
- statement of changes in equity for the period from 1 January 2013 to 31 December 2013 which shows a decrease in equity of PLN 1,497 thousand,
- statement of cash flows for the period from 1 January 2013 to 31 December 2013, which shows an increase in net cash of PLN 12,914 thousand,
- additional information on adopted accounting policy and other explanations.

The report on the Company's activity in 2013The Supervisory Board, after reading the opinion and report of auditor as well as after detailed examination of the above mentioned documents states that the report presents reliable and clear information for estimation of the assets and financial situation of the Company as well as its financial result for the financial year from 1 January 2013 till 31 December 2013. The financial report is in accordance both with books of accounts and documents and actual position of the Company as at 31 December 2013.

Acting on behalf of art. 382 § 3 and 395 § 2 of the Commercial companies code and the Principle no. III.1.1) of the Code of Best Practice for WSE Listed Companies, the Supervisory Board has affirmatively reviewed:

1. the Consolidated Financial Report of the Boryszew Capital Group for the period from 1 January 2013 till 31 December 2013, including:
 - consolidated statement of financial situation prepared as at 31 December 2013 showing the total of assets as well as equity and liabilities of PLN 2 921 196 thousand, consolidated statement of comprehensive income for the period between 1 January 2013 and 31 December 2013 showing a net profit of PLN 54 952 thousand as well as total comprehensive income of PLN 69 399 thousand,,
 - statement of changes in consolidated equity for the period between 1 January 2013 and 31 December 2013, showing an increase in equity by PLN 27 995 thousand,
 - consolidated cash flow statement for the period between 1 January 2013 and 31 December 2013, showing an increase in cash by PLN 15 431 thousand,
 - additional information on adopted accounting policy and other explanations.
2. The report on Capital Group's activity in 2013The Supervisory Board, after reading the opinion and report of auditor as well as after detailed examination of the above mentioned documents states that the report presents reliable and clear information for estimation of the assets and financial situation of the Boryszew Capital Group as well as its financial result for the financial year from 1 January 2013 till 31 December 2013. The financial report is in accordance both with books of accounts and documents and actual position of the Boryszew Capital Group as at 31 December 2013.

8. Estimation of the Management Board's motion on covering the loss

The Supervisory Board has given the affirmatively opinion on the Management Board's motion to cover the net loss for 2013. The Supervisory Board has recommended to cover the 2013 net loss in the amount of PLN 1,200 thousand from disclosed capital.

9. Estimation od the internal control system and the risks management implementing in the Company

The activity of Boryszew S.A. is strictly connected with endangering the market risk (including interests risk, currency risk and risk of changing the raw materials and products' prices) as well as credit risk and liquidity risk.

The basic task in the financial risk management process was: identification, measurement, monitoring and limitation of the basic sources of risk, to which the market risk is included:

- exchange change risk (change of PLN rate/other currencies);
- interests risk (increase of interests rate);
- liquidity risk;
- credit risk

According to the Supervisory Board the Management Board of the Company has been currently monitoring the real and forecast risks level and the activities taken by the Management Board have supported stability and the development of the economic operations of the Company.



The Supervisory Board acting on behalf of Principle no. III.1.1) of the Code of Best Practice for WSE Listed Companies, has affirmatively estimated the financial situation of the Company. The Company has noted in the period from 1 January 2013 till 31 December 2013 the economic-financial results, reported in detail in the report and opinion of auditor. This is the reason why the Supervisory Board forbears from their reviewed in detail.

10. Information on the Supervisory Board's decisions on choice of auditor, orders for opinions, etc.

According to § 12 passage 10 of the Company's Statute the Supervisory Board on 17 July 2013 by the resolution no 28/2013 made a choice of auditor – the company Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with the seat in Warsaw, which made a financial review of the 2013 financial report and the 2013 consolidated financial report.

The Audit Committee of the Supervisory Board participated in the meetings with the auditor when working over the 2013 financial report of the Company and the 2013 consolidated financial report of the Capital Group.

During the financial year the Supervisory Board has not ordered any legal opinions in connection with its supervising role in the Company.

11. Estimation of the Supervisory Board's duties and the motion to the General Meeting

The Supervisory Board of Boryszew S.A. with the seat in Warsaw is of opinion that its duties have performed according to all legal requirements and its work has contributed to increase of the goodwill and the trust of shareholders.

The Supervisory Board has placed to the General Meeting the report on its activity and has placed a motion to discharge the following Board's members from fulfilment of their duties:

- ***Sebastian Bogusławski – Chairman of the Supervisory Board, for the period from 01.01.2013 till 31.12.2013***
- ***Zygmunt Urbaniak – Deputy Chairman of the Supervisory Board, for the period from 01.01.2013 till 31.12.2013***
- ***Mirosław Kutnik – Secretary of the Supervisory Board, for the period from 01.01.2013 till 31.12.2013***
- ***Dariusz Jarosz – Member of the Supervisory Board, for the period from 01.01.2013 till 31.12.2013***
- ***Arkadiusz Krężel – Member of the Supervisory Board, for the period from 01.01.2013 till 31.12.2013***
- ***Tadeusz Pietka – Member of the Supervisory Board, for the period from 01.01.2013 till 31.12.2013***

Signature of the Supervisory Board's Chairman:

Mr. Janusz Siemieniec – Supervisory Board's Chairman _____