BORYSZEW

Consolidated Annual Report 2011

Polish company – Global scope

www.boryszew.com.pl

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YEAR 2011 Review

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- Key financial data

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The review of the most important events

- Boryszew Group, consistently following the policy adopted by the Management Board, in 2011 recorded an **increase at every level of the income statement.**

- **Net profit** of Boryszew Group amounted to **PLN 193 million** (including PLN 141 million of the parent company's profit).

- **Operating profit** increased by PLN 147 million and amounted to **PLN 247.3 million**.

- A significant change was recorded in the net interest debt of Boryszew. At the end of 2011 it amounted to PLN 745.7 million and was by PLN 112.9 million higher than in comparison to the balance at the end 2010. Despite increasing debt, **the net debt to EBITDA ratio was improved** and now it is 1.9 in comparison to 3.1 at the end of 2010. The level of debt at the end of 2011 was significantly affected by **an increase in capital by PLN 112.8 million** and a programme of purchase of own shares under which in 2011 shares were purchased for PLN 38.9 million.

- **Revenue** amounted to PLN 4.33 billion **(increase by 38%)**.

- The year 2011 also marks a period of further development of the Group, in particular in the automotive sector. **Increased activity in M&A market** – the key area for Boryszew – resulted in the acquisition of assets of the German AKT Group: AKT Czech Republic, WEDO Formenbau und Kunststoffverarbeitung GmbH (WEDO) and Theysohn Kunstoff GmbH and Theysohn Formenbau GmbH, and at the beginning of 2012 also assets of the German YMOS Group were acquired.

- **Continued development of Maflow Group** was emphasized by the incorporation of Maflow India Private Limited based in Pune Maharashtra, India in March 2012. The company intends to commence production in 2012/2013.

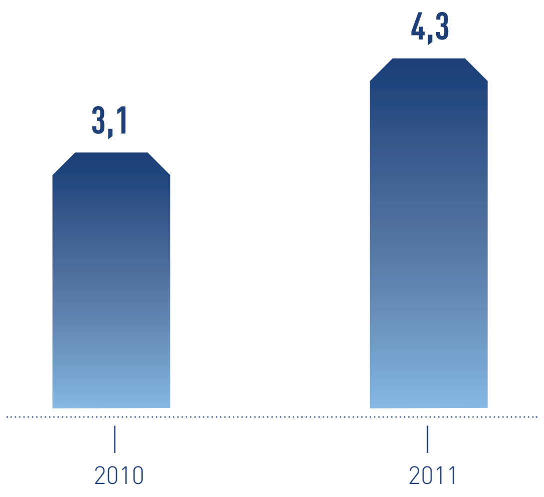
- In September **the company celebrated its 100th anniversary** evolving from an art silk factory in Sochaczew it used to be at the beginning of its existence into **an international production concern operating on 3 continents in 8 countries, providing employment to nearly 8 thousand workers.**

Key financial data

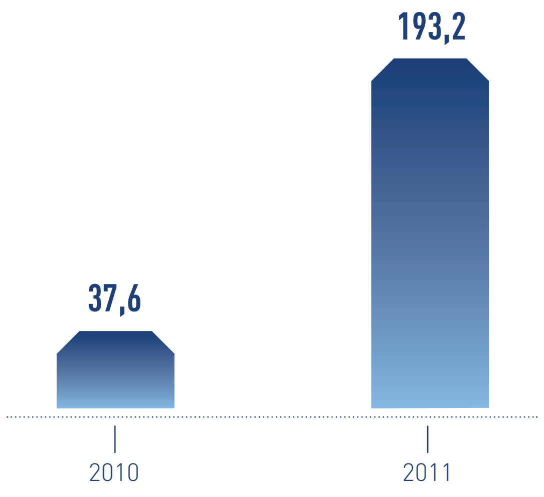
	2010	2011
Net profit	PLN 37,6 mln	PLN 193,2 mln
Operating profit	PLN 100,2 mln	PLN 247,3 mln
EBITDA	PLN 179,6 mln	PLN 345,6 mln
Revenue	PLN 3,1 bln	PLN 4,3 bln
Equity capital	PLN 990,4 mln	PLN 1,2 bln

Revenue by segments	2010	2011
Automotive	PLN 195,4 mln	PLN 942,3 mln
Non-ferrous metals	PLN 2 371,9 mln	PLN 3 089,7 mln
Chemicals and polymers	PLN 374,2 mln	PLN 394,7 mln
Other	PLN 113,2 mln	PLN 142,5 mln

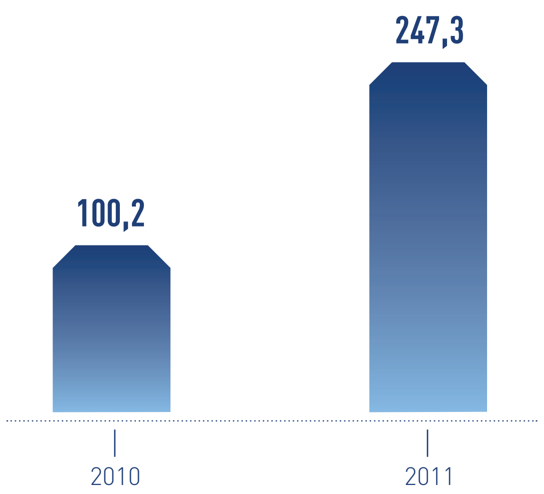
Revenue (PLN mln)



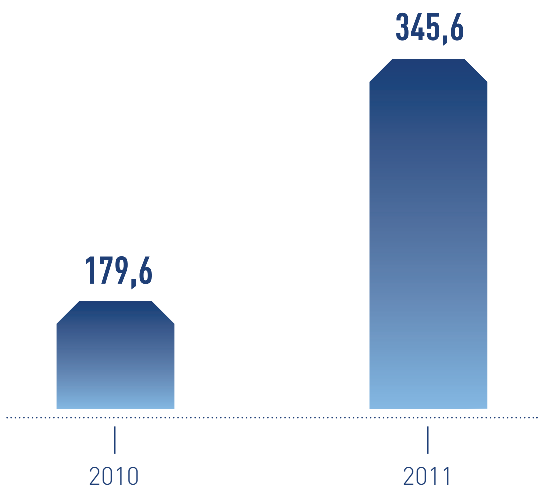
Net profit (PLN mln)



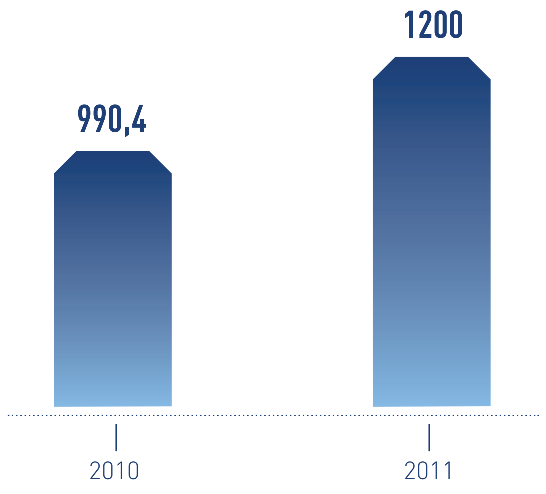
Operating profit (PLN mln)



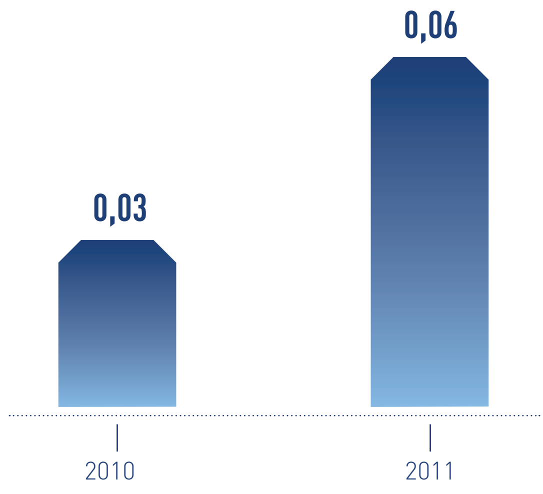
EBITDA (PLN mln)



Equity capital (PLN mln)

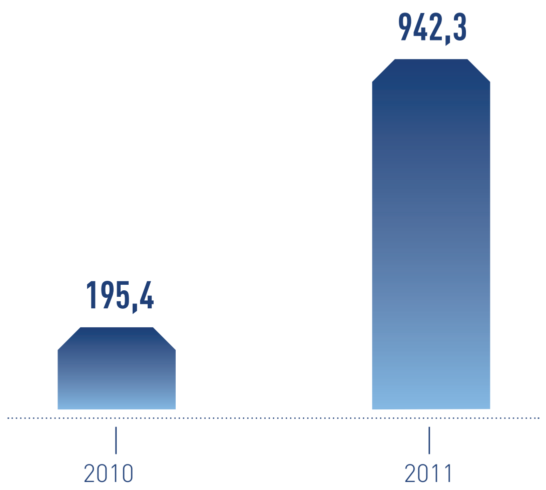


Earnings per share (PLN)

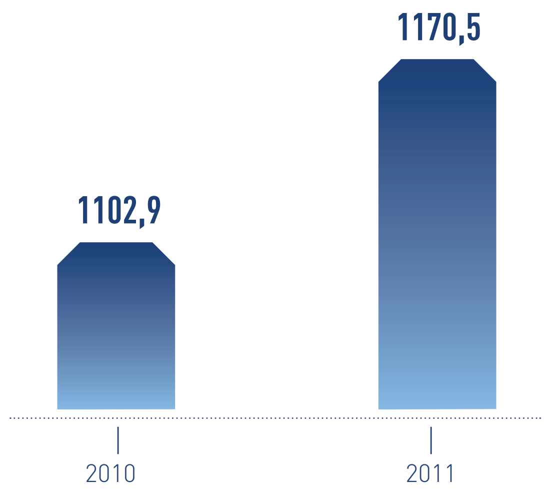


Revenue in respective segments:

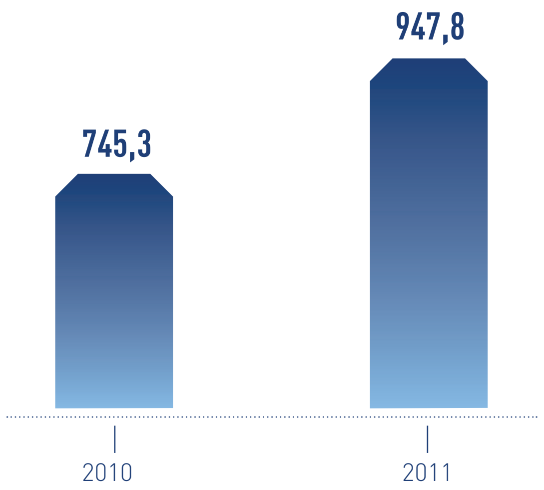
Automotive (PLN mln)



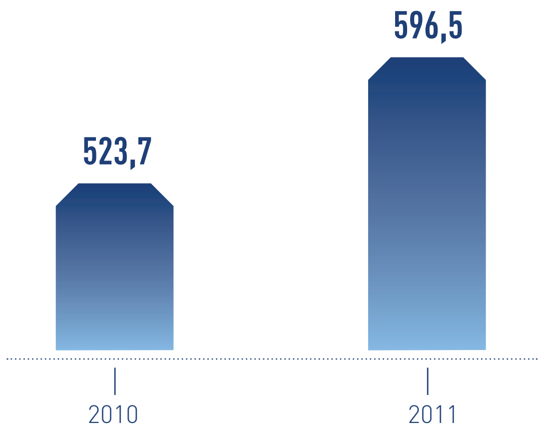
Aluminium (PLN mln)



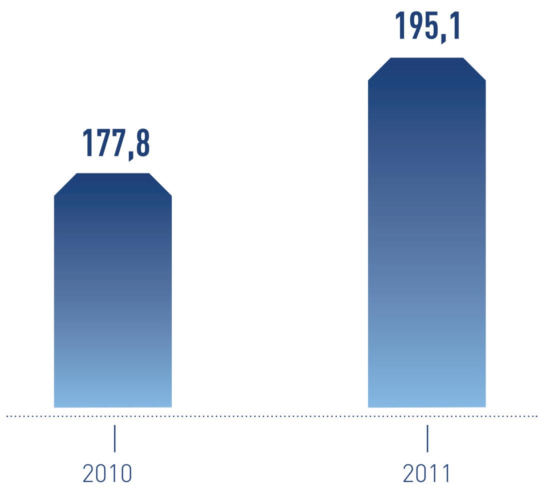
Copper (PLN mln)



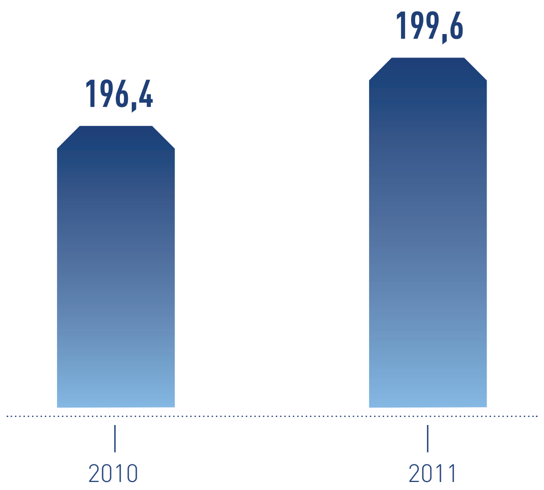
Zinc and lead (PLN mln)



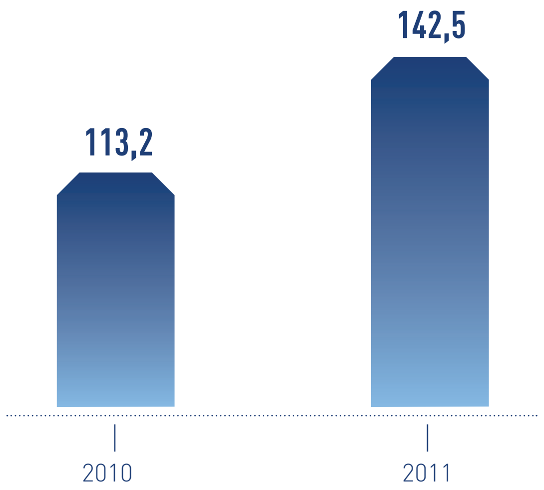
Chemicals and polymers (PLN mln)



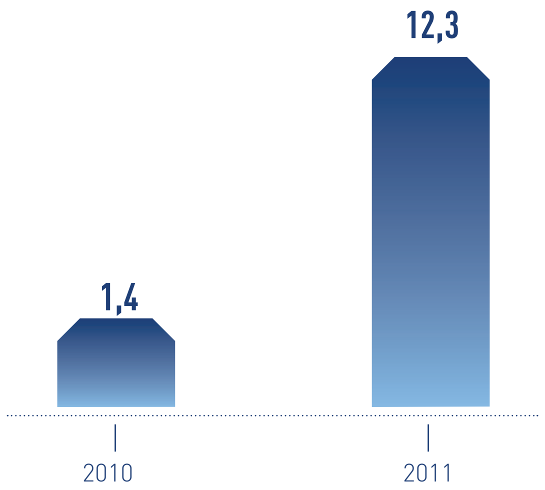
Other chemicals (PLN mln)



Other (PLN mln)



Activities of holding companies



Corporate Governance

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Letter of the President of the Management Board of Boryszew S.A..

Dear Stockholders,

I have a pleasure to submit you the report concerning the activity of Boryszew Group in 2011 when important events were interwoven by extraordinarily significant ones. The 100th anniversary, another successful issue of shares valued above PLN 110 mln, further acquisitions in the automotive sector, record financial performance – despite turbulence in global markets – provide reasons to be satisfied with many years' work and at the same time commit us to intensify our activities.

The 100th anniversary of the company celebrated in September perfectly illustrates the way of Boryszew to its great success. From a local manufacturer to an international concern emphasizing its global aspirations by subsequent spectacular acquisitions. Such aspirations should obviously result in achieving an objective that is most important to us – the Management Board of Boryszew – that is, continuing increase in the value for the Stockholders, which is best proven by the full realisation of the profit or loss forecast published in October. More than PLN 4.3 bln revenue, nearly 250 mln operating profit and 193 mln net profit provide excellent illustration of Boryszew as a multi-dimensional organisation that is effective in business.

Intensive development and acquisitions are impossible without a well-designed solid structure of assets. We reorganize the plants from Maflow Group, acquired in 2010, regaining the trust of its customers, receiving subsequent validations for our factories and, most importantly, successive long-term contracts enabling us to comfortably plan further expansion. Of course we are aware that we are only at the beginning of the road at the end of which the full potential of all assets held by the Group will be utilized. The experience gathered during the most important test for every business – the world economic crisis – enable us to see and make use of all the emerging development opportunities. I mean reasonable development with sound economic foundations.

We conquer new markets. We have started the construction of a factory in one of the best growing markets in the world – in India. I hope that the first batches of "Made in India" products will reach our clients at the end of this year, contributing to enhancement in our market standing in Asia as the leader in growth of car sales in the world with a potential that is difficult to overestimate.
Of course we have not forgotten about Europe. We are active participants of the most attractive acquisition processes. The acquisition of AKT and Theysohn groups specializing in the production of external and internal plastic automotive components was successful. Having acquired new assets we have not only entered a new, unusually progressive area of competence that will measurably generate annual revenue of approximately PLN 800 million but we have also increased our growth potential thanks to engagement of experienced engineering staff. Synergies and options offered by the incorporation of new businesses into the broad structure of the Group are also worth considering.

I wish to extend my sincere thanks to all Stockholders who, appreciating our vision of growth, in June actively participated in the issue of shares to increase our capital, as a result of which we obtained more than PLN 112 million for further growth. The trust of investors, manifested in the uniquely high turnover at the Warsaw Stock Exchange, enabled Boryszew to return to the stock-exchange elite – the most prestigious WIG20 index. I am convinced that the recently presented profit and loss forecast for 2012 gives all the present and future stockholders a clear idea about Boryszew's ability to generate results desired in the wide-range market.

In 2012 we will have to handle ambitious tasks. We will continue developing our competence in the automotive sector. The acquisitions of YMOS Group in the first quarter of 2012 illustrate our consistency in building an international concern. We carefully keep track of successive assets that could be significantly inscribed in our business strategy. We are also in the course of advanced negotiations with our global partners aiming to start the production of plastic (Boryszew Automotive Plastics) and rubber (Maflow) automotive components in Russia. This will be another meaningful step in our development.

I would like to thank all our employees and managers whose daily hard work contributed to such outstanding results. I am convinced that further involvement will bring the generally expected results, that is, improve the performance of Boryszew Group.

Małgorzata Iwanejko

President of the Management Board
Boryszew S.A.

Letter of the Chairman of the Supervisory Board of Boryszew S.A.

Dear Sirs and Madams,

I have a great pleasure to address you with a summary of the period that was exceptional for the whole Boryszew Group. 2011 was a record year for Boryszew in all possible aspects. The revenues and profits achieved by the company have never been so high in its 100 years' history. The company has never developed its core business areas so rapidly.

Boryszew, implementing the growth strategy in a new competence area – the automotive sector – in 2010 commenced a series of acquisitions the final effect of which is to be inclusion among the top hundred suppliers for that industry. The acquisitions of assets of Maflow Group in Poland, Italy, France, Spain, Brazil and China enabled us to complete the first major objective of our strategy – access to markets and customers (automotive concerns) and unique know-how. Subsequent acquisitions by Boryszew Group – Automotive Plastics in Germany and Czech Republic and Ymos acquired at the beginning of 2012 provided Boryszew with another stimulus to implement the most important objective of its strategy – the increase in value offered by the Group to its Stockholders.

Assets included in the automotive segment generated revenue of PLN 942.2 million and operating profit of PLN 32.7 million. Excellent conditions in the automotive market in BRIC countries and successive record-breaking sales of the key client of Boryszew – Volkswagen Group stimulated us to develop faster than anticipated by market analysts. However, we are aware that the key to further growth is the optimization of the structure of the existing assets and its adaptation to the present market challenge. Next year will be mostly devoted to these processes.

Other business areas continue to develop parallel to the automotive segment. Impexmetal Group, associating processors of non-ferrous metals and the only metal manufacturer in the Group – Baterpol company – recorded another very successful year. The attempts at reorganisation undertaken in previous years resulted in the formation of permanent foundations translated into a stable situation. The most serious challenge for Impexmetal will be to gain access to the stable base of resources, which will allow the Group to concentrate on further development of the products and customers portfolio.

The Supervisory Board, whose chair I am honoured to take, accepted the lines of development, presented by the Management Board, which will determine the Group's identity in the coming years. The plans and thorough analysis of investments in Russia, the new concept of development of land owned by Boryszew S.A. Elana Branch, utilization of real properties in Warsaw, Wrocław and Katowice, reorganisation of the existing assets and active search for the sources of raw materials for companies operating in the non-ferrous metals segment will determine the identity of Boryszew in the coming years. I am convinced that they will bring the assumed results noticeable both in the income statement and in the valuation of the Group's shares.

Using this opportunity I would like to thank all the Stockholders for their trust, manifested primarily by their participation in the recent increase in the capital of Boryszew upon the issue of G class shares. I also wish to thank all the employees of the Group whose contribution to results achieved in 2011 is beyond dispute.

Arkadiusz Krężel

Arkadiusz Krężel

Chairman of the Supervisory Board of Boryszew S.A.

Corporate Governance Statement

Hereby, the Management Board of Boryszew S.A. declares that as a company listed at the Warsaw Stock Exchange, according to Art. 29 of the Stock Exchange Rules, it is bound to apply the set of corporate governance standards included in the "Code of Best Practice for WSE Listed Companies" adopted by the WSE Supervisory Board on 4 July 2007, with subsequent amendments.

Corporate governance standards are available on the corporate governance website of the Warsaw Stock Exchange http://www.corp-gov.gpw.pl/.
In 2011 the company complied with the general corporate governance standards included in the "Code of Best Practice of WSE Listed Companies", except:

Recommendation No. I.1
Boryszew S.A. did not apply this rule in the part referring to on-line broadcasting of General Meetings over the Internet and recording the General Meeting and publish the recordings on the company website.

Rule No. II. 5
The names of candidate members of the Supervisory Board are usually submitted and presented during the General Meeting of the Company, which prevents the publishing of information about the candidates on the corporate website in advance.

Rule No. III.8
With regard to the fact that the Supervisory Board is composed of ten people separate committees were not appointed within the Board. The tasks of the committees referred to in Appendix No. I to the Recommendation of the European Commission (…), shall be handled directly by the Supervisory Board.

Stockholders

Last revised on 10.04.2012	No. of shares	% of capital	No. of votes	% of votes
Roman Krzysztof Karkosik	1 283 523 539	56,88%	1 283 523 539	56,88%
Bank Polskiej Spółdzielczości S.A.	132 759 274	5,88%	132 759 274	5,88%
Other stockholders	840 432 879	37,24%	840 432 879	37,24%
Total:	2 256 715 692	100,00%	2 256 715 692	100,00%

General Meeting

The General Meeting of Boryszew S.A. is the superior governing body of the company. It is convened as an ordinary or extraordinary meeting pursuant to the generally applicable regulations, Articles of Association and the Rules of the General Meeting. Corporate documents are available at the company's website.

The responsibilities of the General Meeting shall include, in particular:

- considering and approving the financial statements of the company and the report of the Management Board concerning the activities of the company in the previous financial year,
- acknowledgment of fulfilment of duties by the members of the company authorities,
- changes in the business area of the Company,
- increasing or reducing the share capital of the company,
- mergers, splits and transformations of the company,
- making all decisions concerning claims to remedy a loss caused upon the incorporation of the company or decisions concerning putting the company under administration or supervision,
- making decisions concerning the purchase and sale of real property, perpetual usufruct or interest in real property unless the articles of association stipulate otherwise,
- issue of convertible and pre-emptive bonds,
- purchase of own shares in the case referred to in art. 362 par. 1 sub 2 of the Commercial Companies Code and authorise their purchase in the case referred to in art. 362 par. 1 sub 8 of the Code of Commercial Companies,
- determining the use of supplementary and reserve capital,
- determining the principles of remunerating the members of the Supervisory Board,
- dissolving and winding up the company.

All works related to the organisation of the General Meetings of the Company are scheduled so as to ensure due fulfilment of obligations towards stockholders and enable them to execute their rights.

Amendments to the Articles of Association must be adopted by a resolution of the Management Board and recorded in the National Court Register.

The Supervisory Board has the right to convene an Ordinary General Meeting if the Management Board fails to convene such a meeting within the term stipulated in the Code of Commercial Companies and an Extraordinary General Meeting if it deems it necessary and if the Management Board fails to convene such a meeting within two weeks from the respective request of the Supervisory Board.

Any amendments to the Articles of Association shall be made by the General Meeting in compliance with the applicable law and in the way and mode provided for in the Code of Commercial Companies.

The Supervisory Board

The activities of the Supervisory Board are governed by the provisions of the Code of Commercial Companies, Articles of Association, Rules of the Supervisory Board and other applicable provisions of law.

The Supervisory Board operated in compliance with the corporate governance standards applicable to the company.

According to its rules, the Supervisory Board is composed of at least five members. Members of the Supervisory Board are appointed and recalled by the General Meeting.

Members of the Supervisory Board are appointed for individual terms of office, whereas the term of office of a single Member of the Management Board is 5 years. Reappointment of the member of the Supervisory Board is admissible for terms not exceeding five years each.

The Supervisory Board elects its Chairman, Deputy Chairman and Secretary out of its members.

The member of the Supervisory Board whose term of office expired during the term of office of the Board, shall be compulsorily replaced by the Supervisory Board with a new member. The appointment of the Members of the Supervisory Board during the term of office of the Supervisory Board must be approved by the next General Meeting. If any member of the Supervisory Board appointed during the term of office is not approved, the General Meeting shall appoint a new Member of the Board to replace the person whose appointment was not approved.

As at 01.01.2011, the composition of the Supervisory Board was as follows:

Chairman	**Mr Arkadiusz Krężel**
Secretary	**Mr Zygmunt Urbaniak**
Member	**Mr Dariusz Jarosz**
Member	**Mr Paweł Miller**
Member	**Mr Tadeusz Pietka**

On 31 March 2011 Mr Paweł Miller resigned from the function of the Member of the Supervisory Board.

On 31 March 2011, the Supervisory Board appointed Mr Mirosław Kutnik as a member of the Supervisory Board.

On 7 June 2011 the Ordinary General Meeting of Boryszew S.A., in Resolution No. 18/2011 approved the appointment of Mr Mirosław Kutnik postulated by the Supervisory Board on 31 March 2011, as a member of the Supervisory Board of Boryszew S.A. and reappointed Mr Arkadiusz Krężel for another term of 5 years

On 18 July 2011, the Supervisory Board appointed:

Mr Arkadiusz Krężel
– as the Chairman of the Supervisory Board

Mr Zygmunt Urbaniak
– as the Deputy Chairman of the Supervisory Board

Mr Mirosław Kutnik
– as the Secretary of the Supervisory Board

As at 31 December 2011, the composition of the Supervisory Board of Boryszew S.A. was as follows:

Chairman of the Board	**Mr Arkadiusz Krężel**
Deputy Chairman of the Board	**Mr Zygmunt Urbaniak**
Secretary of the Board	**Mr Mirosław Kutnik**
Member of the Board	**Mr Dariusz Jarosz**
Member of the Board	**Mr Tadeusz Pietka**

The Management Board

According to the Articles of Association of Boryszew S.A., the Management Board of the Company is composed of one to five people, including: the President, maximum two Deputy Presidents and members of the Management Board.

The term of office of the Management Board is five years and it is joint for all members of the Management Board. Reappointment of the member of the Management Board is admissible for terms not exceeding five years each.

The Management Board, under the chair of the President, takes care of corporate affairs and represents the company.

The Management Board is responsible for any issues that are not reserved by the legal regulations or by these Articles of Association as falling within the competence of the General Meeting or the Supervisory Board.

The declarations of will can be made and documents can be signed on behalf of the company independently by the President of the Management Board or jointly by two members of the Management Board or jointly by a member of the Management Board and a proxy.

The Management Board of the company works in compliance with its adopted rules. The said rules specify, among other things, which matters require a collective review and adoption of a resolution by the Management Board.

As at 1 January 2011, the composition of the Management Board of Boryszew S.A. was as follows:

President of the Management Board	**Mrs Małgorzata Iwanejko**
Deputy President of the Management Board	**Mr Robert Bednarski**

On 31 March 2011, the Supervisory Board appointed: Mr Kamil Dobies to act as the Deputy President of the Management Board and Mr Paweł Miller to act as a Member of the Management Board.

As at 31 December 2011, the composition of the Management Board of Boryszew S.A. was as follows:

President of the Management Board	**Mrs Małgorzata Iwanejko**
Deputy President of the Management Board	**Mr Robert Bednarski**
Deputy President of the Management Board	**Mr Kamil Dobies**
Member of the Management Board	**Mr Paweł Miller**

Audit systems/ risk factors

The activity of Boryszew is connected with exposure to market risk (including interest rate risk, currency risk and risk of change in prices of raw materials and products) as well as credit risk and risk to liquidity.

The fundamental task in the financial risk management process was identification, measurement, monitoring and limitation of fundamental sources of risk.

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 development of the company.

Development is the priority of the Management Board and the company wishes to allocate funds thereto building long-term value for stockholders through acquisitions and new projects. The Management Board takes all efforts to ensure the proper share of stable financing with share capital in the projects undertaken, which is evidenced by 3 rights issuances in 2010-2011. In 2011 alone the company obtained nearly 112 million zlotys this way.

With regard to its nature and size, the Group keeps ongoing monitoring of financial liquidity in the form of reports anticipating three weeks. The companies from the Capital Group have no arrears in servicing interest debt both in terms of repayment of the principal amount and interest.

Credit risk denotes danger that a contractor fails to fulfil its contractual obligations, thus exposing the lender to financial loss.

The company

3

The history of Boryszew S.A.

100 years in the market

The origins of the company date back to 1911 when in the suburbs of Brussels representatives of a Belgian and Polish consortium appeared before the notary Ernest Vuysteke in order to incorporate a company. The business areas were described as „manufacturing, trading in and selling artificial silk produced by methods protected and not protected by patents, as well as manufacturing, trading in and selling alcohol, esters and all kinds of chemicals". The company assumed the name of "Société Anonyme Belge des Soies Artificielles de Sokhatcheff", and its Polish name was "Belgijskie Towarzystwo Sochaczewskiej Fabryki Sztucznego Jedwabiu" (The Belgian Society of the Artificial Silk Factory in Sochaczew).

The factory commenced active operation and before the outbreak of the First World War it managed to produce 4,600 kg of yarn, which was equivalent to 64,000 roubles.

The war stopped the investment. However, despite the newly erected part of the building had been almost completely destroyed, the plant was not closed down. After the First World War the factory was reconstructed under the name of "Belgijska Spółka Akcyjna Zakłady Przemysłowe w Boryszewie" (Belgian Joint Stock Company Industrial Plant in Boryszew). It was oriented to production of gunpowder. In 1921 the factory started producing ethyl alcohol needed for the making of gunpowder. The interest of the Ministry of Military Affairs in Boryszew gave green light to the project of development of the plant and its conversion into the leading producer of this product.

At that time Boryszew extended its product range and in 1933 undertook the production of pharmaceuticals and cosmetics and in 1934 – dental cements. After the Second World War the factory was restored to operation and gradually changed its specialisation. It started producing, among other things, "Borygo" – a well-known automotive cooling agent. As the political system changed, the plant in Sochaczew was subjected to ownership transformations and became a joint stock company that on 20 May 1996 made its debut at the Warsaw Stock Exchange. In 1999 Boryszew established relations with the strategic investor – Roman Karkosik. The company was developing dynamically. Its growth was marked by successive acquisitions: Olawa Glass
Works, Elana Toruń and Impexmetal S.A. Thus, Boryszew Group was formed as one of the largest industrial groups in Poland.

Another milestone in the history of Boryszew Group was the acquisition of the assets of Maflow Group in Poland, Spain, France, Brazil, China and Italy. Boryszew Group became a multinational concern. The acquisitions of German groups AKT / Theysohn and Ymos in 2011 and 2012 emphasize the strong position of the Group among major suppliers for the automotive sector in Europe and in the world.

Currently Boryszew S. A. has its production plants in 8 countries on 3 continents and provides employment to nearly 8 thousand people.

Business strategy

Boryszew Capital Group:

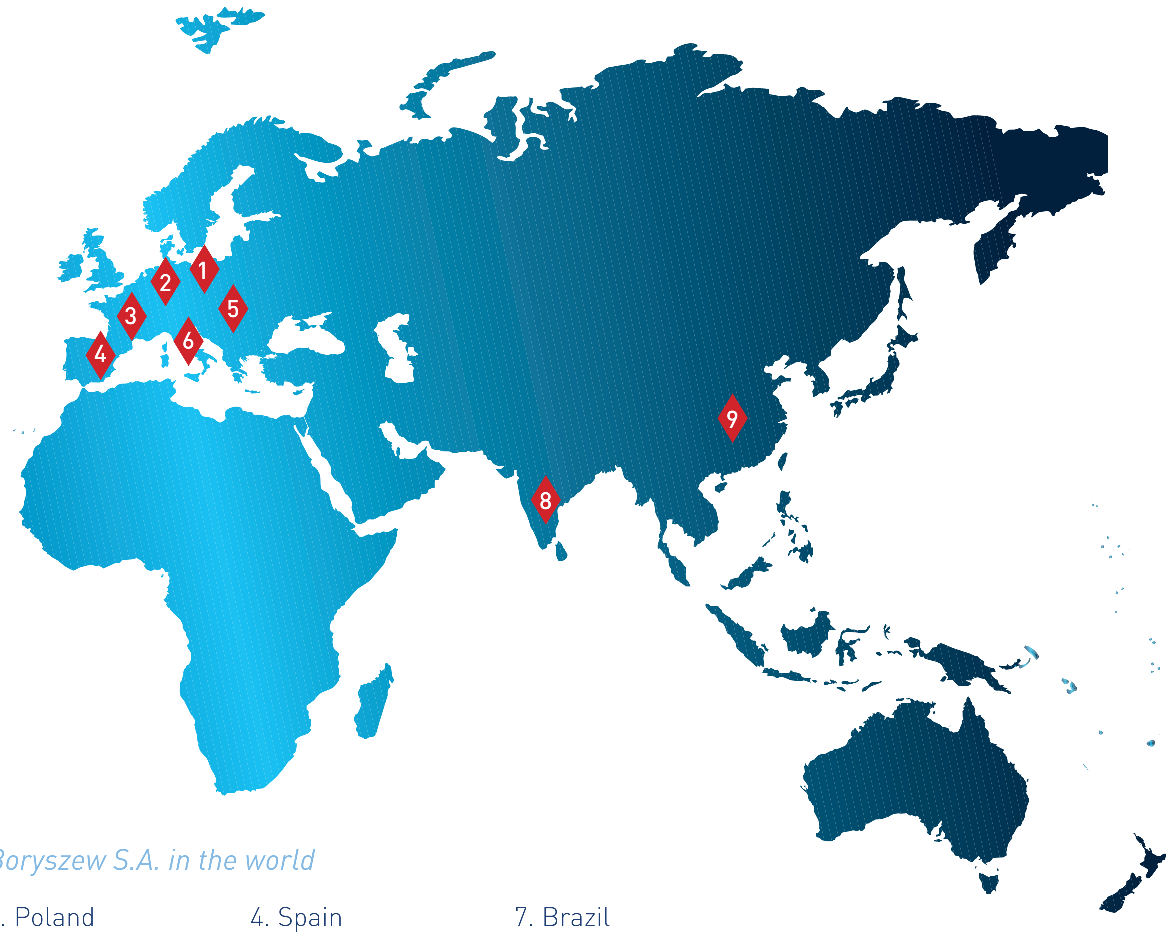
Multinational concern in automotive industry:

- 20 production plants
- 8 countries
- 3 continents
- nearly 8 000 employees

For the needs of the annual marketing report of Boryszew Group, to improve transparency and cognitive value, the companies forming part of the Group have been divided into the following segments / product divisions
:

- **Non-ferrous metals**
  - Aluminium
  - Copper
  - Zinc and lead
  - Bearings
- **Automotive**
- **Polymers, polyesters and other chemicals**
- **Other**

The financial statements, according to IFRS 8, identify 9 main business segments (Aluminium, Copper, Zinc and Lead, Bearings, Other chemicals, Polymers and polyesters, Automotive, Other and Activities of holding companies). It was assumed that each of the companies belongs to one operating segment only.



Boryszew S.A. in the world

1. Poland	4. Spain	7. Brazil
2. Germany	5. Czech Republic	8. India
3. France	6. Italy	9. China

Simplified organisation chart of Boryszew Group with aggregate share in respective entities as at 31.12.2011

Associates in Boryszew Capital Group

BORYSZEW S.A.

Maflow Group
- Boryszew S.A. Maflow Branch
- Maflow France Automotive s.a.s. 100%, France
- Maflow Spain Automotive s.l.u. 100%, Spain
- Maflow BRS s.r.j. 100%, Italy
  - Maflow do Brasil Ldta 100%, Brasil
  - Maflow Components Dailan 100%, China
- Maflow India Private Ltd. 100%, India

Boryszew Automotive Plastics Group
- Boryszew Automotive Plastics Spółka z o.o. (formerly: Centermedia)
- ICOS GmbH 100%, Germany
  - Theysohn Kunstoff GmbH 100%, Germany
  - Theysohn Formenbau GmbH 100%, Germany
- Boryszew Kunstofftechnik Deutschland (AKT) GmbH 100%, Germany
  - AKT Plastikarska Technologie Cechy spol. s.r.o. 100%, Czech Republic
- Boryszew Formenbau Deutschland GmbH (WEDO) 100%, Germany

Impexmetal Group
- Impexmetal S.A. 51%
- Huta Aluminium Konin
- ZM Silesia S.A. 93,81%
- Hutmen S.A. 65,23%
  - WM Dziedzice S.A. 99,37%
- FŁT Poland Spółka z o.o. 98,35%
- Polski Cynk Sp. z o.o. 100%
  - Baterpol S.A. 100%
- Other

Other
- Boryszew S.A. Elana Branch
- Boryszew ERG S.A. 100%
- NPA Skawina S.A. 100%
- Torlen Sp. z o.o. 100%
- Elana Energetyka Sp. z o.o. 100%
- Elana PET Sp. z o.o. 100%
- Other

Core business area

Maflow Grup:
automotive tubes

Boryszew Group Automotive Plastics:
plastic automotive components

Impexmetal Group:
- non-ferrous metals processing,
- battery recycling,
- sales of bearings,
- Other

- poliesters,
- chemicals,
- building materials,
- automotive fluids
- aluminium processing,
- Other

Strategy

The strategy of Boryszew Group is founded on activity resulting in continuous increase in the value of the Group for the existing and future stockholders. The implementation of the adopted strategy is based both on organic growth, supported by measures optimizing the existing resources and competences and on further acquisitions in the key business area of Boryszew – automotive industry.

The medium-term business strategy differs for various business segments and is based on the following assumptions:

Automotive:
- development in the best growing global markets:
  - Russia
  - India
  - China
- development of products based on the existing R&D structures
- optimization of the existing structures
- full integration with other assets of Boryszew Group

Non-ferrous metals
- development of product divisions generating the highest return
- release of the existing non-operating assets
- construction of access to the resources base
- acquisitions of raw materials companies

Polymers, polyesters
- development of product divisions generating the highest return
- release of the existing non-operating assets

Other chemicals
- development of product divisions generating the highest return
- release of the existing non-operating assets

The business model adopted by Boryszew Group is based on continuing organic growth based on the existing operating and non-operating assets. The transparent structure of the Group, divided into segments according to business areas, facilitates strategic and operational management of the business organism carrying out production activity on 3 continents.

In 2011, the implementation of the strategy resulted not only in record-breaking results but also in continued expansion in international markets. The agreements concerning the acquisition of German capital groups (AKT/ICOS – Theysohn), operating in the plastics processing industry and WEDO Formenbau und Kunststoffverarbeitung GmbH (WEDO) – a manufacturer of plastic parts moulds and moulding tools were executed. In March 2012 the Group signed an agreement to purchase the assets of YMOS Group of Germany – a leading European manufacturer of plastic, galvanised and chromium-plated components for the automotive sector.

Business areas

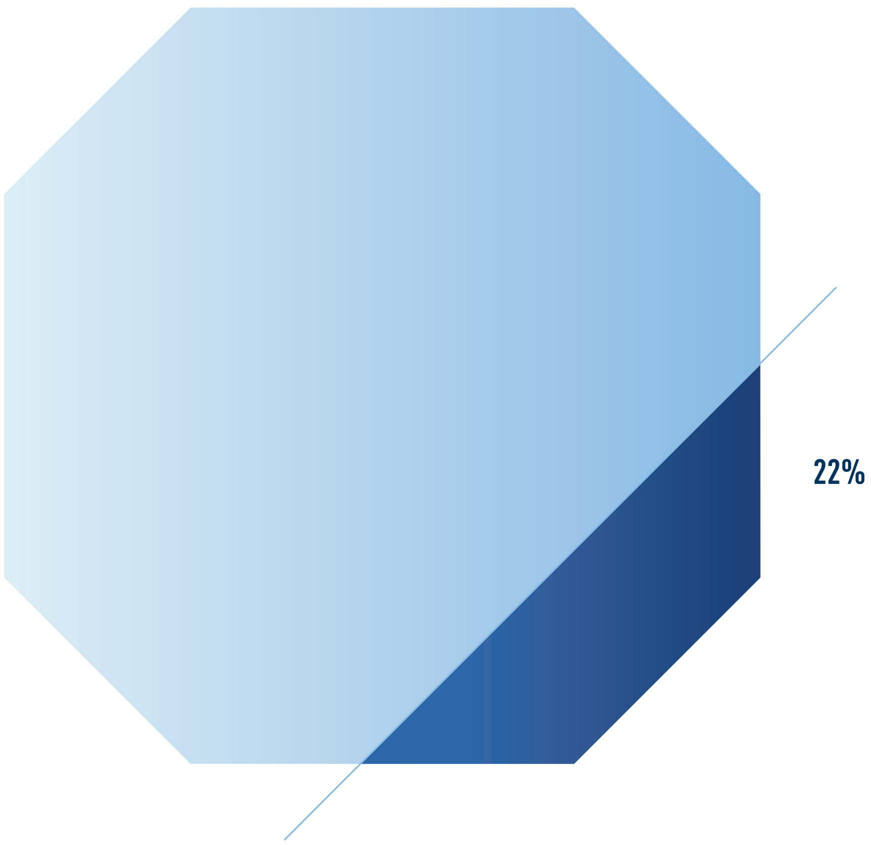
Automotive

Results of the segment

Revenue from sales

Revenue from sales generated by Boryszew Group amounting to PLN 4,332,124 thousand, including:

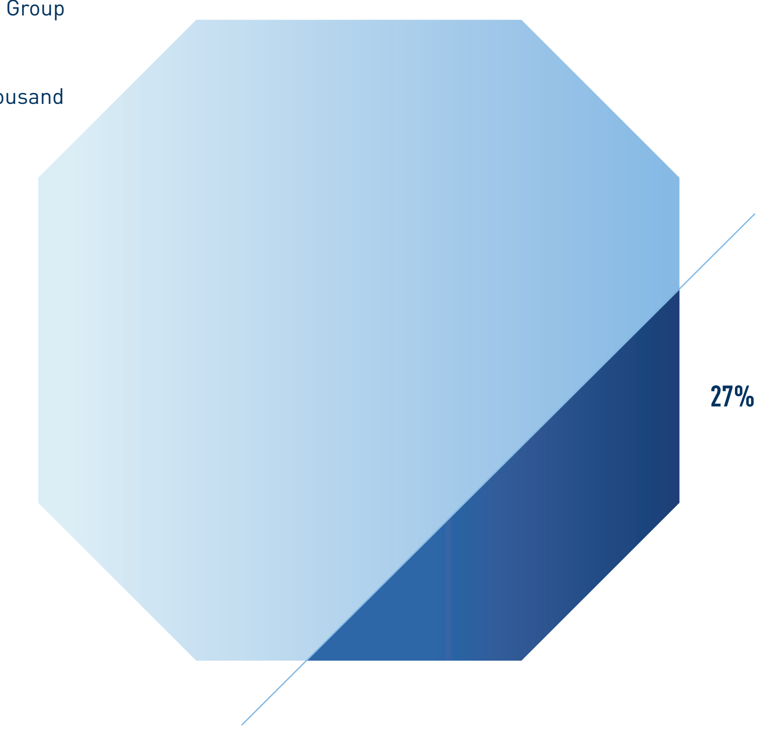
Automotive PLN 942,296 thousand



Profit/loss from sales

Profit/loss from sales in Boryszew Group PLN 466,045 thousand, including:

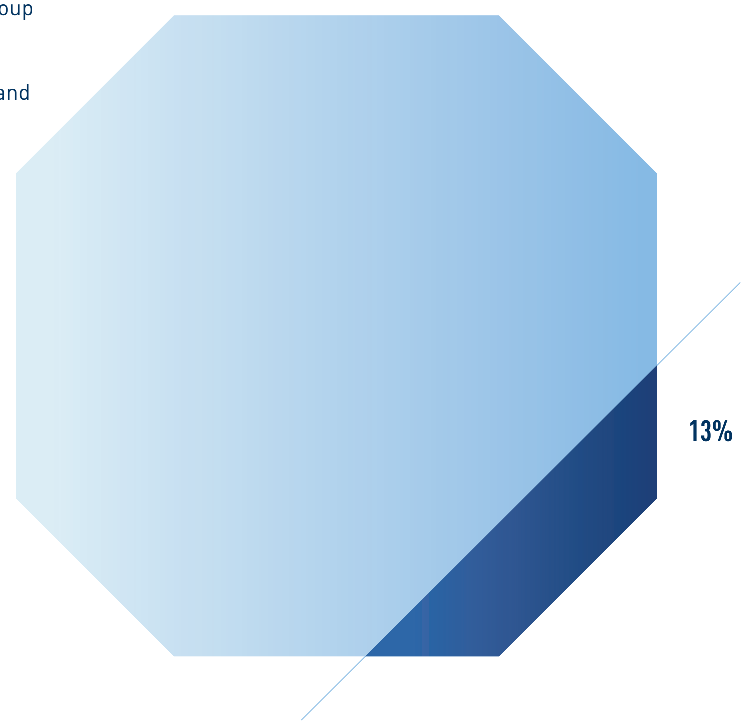
Automotive PLN 124,380 thousand



Operating profit

Operating profit/loss in Boryszew Group PLN 247,334 thousand, including

Automotive PLN 32,692 thousand



Companies forming part of the segment

- **Boryszew S.A. Oddział Maflow**
  - Maflow in Tychy, Poland
  - Maflow BRS, Italy
  - Maflow China, China
  - Maflow Spain, Spain
  - Maflow France Automotive, France
  - Maflow do Brazil, Brazil
  - Maflow India
- **ICOS GmbH**
  - Theysohn Kunstoff GmbH, Germany
  - Theysohn Formenbau GmbH, Germany
- **Boryszew Formenbau Deutschland GmbH**
- **Boryszew Kunstofftechnik Deutschland GmbH**
  - AKT Plastikarska, Czech Republic
    Technologie Cechy spol. s.r.o., Czech Republic
- **BRS YMOS GmbH. Germany**
- **BRS Oberflachetechnik GmbH, Germany**

From Q2 2012 Automotive segment was expanded by incorporating subsequent entities from the acquired assets of YMOS Group – a leading European manufacturer of plastic, galvanized, and chromium-plated components, including complete vehicle door opening systems.

BUSINESS STRATEGY

The medium-term operating strategy of companies forming part of the automotive segment is focused on the following items:

- development in the best growing global markets:
  - **Russia**
  - **India**
  - **China**
- development of products based on the existing R&D structures
- optimization of the existing structures
- full integration with other assets of Boryszew Group

Development in the best growing global markets

The 4-5% growth in the automotive market is possible thanks to the potential of Asian markets (with particular consideration for China and India), Russia and South American countries in which market saturation is far from European countries. Automotive concerns, identifying the most promising lines of growth develop production in BRIC countries. Thus, it is natural that along with the expansion of customers (automotive concerns) in new markets the suppliers of components develop their production base wishing to reduce the cost of transport and ensure appropriate quality and frequency of supplies to their clients. The strategy of Boryszew Group provides for close cooperation with the key clients (VW, PSA) and joint development in new markets. At present the options of commissioning the production of plastic elements for Volkswagen Group in Russia are being analysed. The decision on the launch of production in Russia will be made in 2012.

Development of products based on the existing R&D structures

The development of automotive assets of Boryszew Group is inseparably connected with the possibility of taking active part in processes aiming to improve innovativeness of production and introduce new engineering solutions in the work with clients. Research and development teams in all companies forming part of Boryszew Group are carrying out and will carry out intensive activity to ultimately enhance the competitive advantage of Boryszew in key business segments through preparation and launching the production of subsequent generations of products. In addition, research and development works are carried out in order to develop and implement solutions to enable closer cooperation between the companies of Boryszew Group and give up (if technical capacity so allows) the services of selected third party suppliers which would be ordered to companies forming the Group.

Optimization and full integration of the existing structures with other assets of Boryszew Group

Most assets acquired in 2010 and 2011 require far-reaching reorganisation with optimization and improvement of flexibility of the existing operating structures being the definite priority. Short-term strategy of Boryszew Group, employing reorganisation experience gained in 2008 – 2011, assumes that the structures of acquired companies and production plants will become more flexible. The optimization of structures will enable fast response to sudden fluctuations in the world's economic conditions, which is an obligatory prerequisite in the present instable market situation (in particular in euro zone).

Automotive – global market

The global automotive market in 2011 resumed its average annual growth at the rate of 4-5% and despite the growth is decelerated, the positive trend will continue in 2012. In emerging economies the demand for vehicles lost its momentum, which partly explains the forecasts of stable growth at the level of 5% in 2012.

In Europe in 2011 the sales of car successively dropped down. The automotive market was still below the crisis level, at least by 15%. With regard to the expiration of stimulation packages and savings introduced in most European countries, automotive industry can shrink by subsequent 3% to 5% in 2012.

In Japan which in 2011 was struck by an earthquake and tsunami, the level of improvement in the automotive sector was even lower than in Europe. The competitive advantage of Japan was additionally compromised by significant appreciation of Yen in relation to Euro. According to expectations, after a 15% decrease in growth Japan will experience a technical rebound (8%) in 2012.

The US market, overwhelmed by serious depression in 2008-2010, started rebounding thanks to the car exchange programme – it is expected that in 2012 it will increase by 8 to 10%.

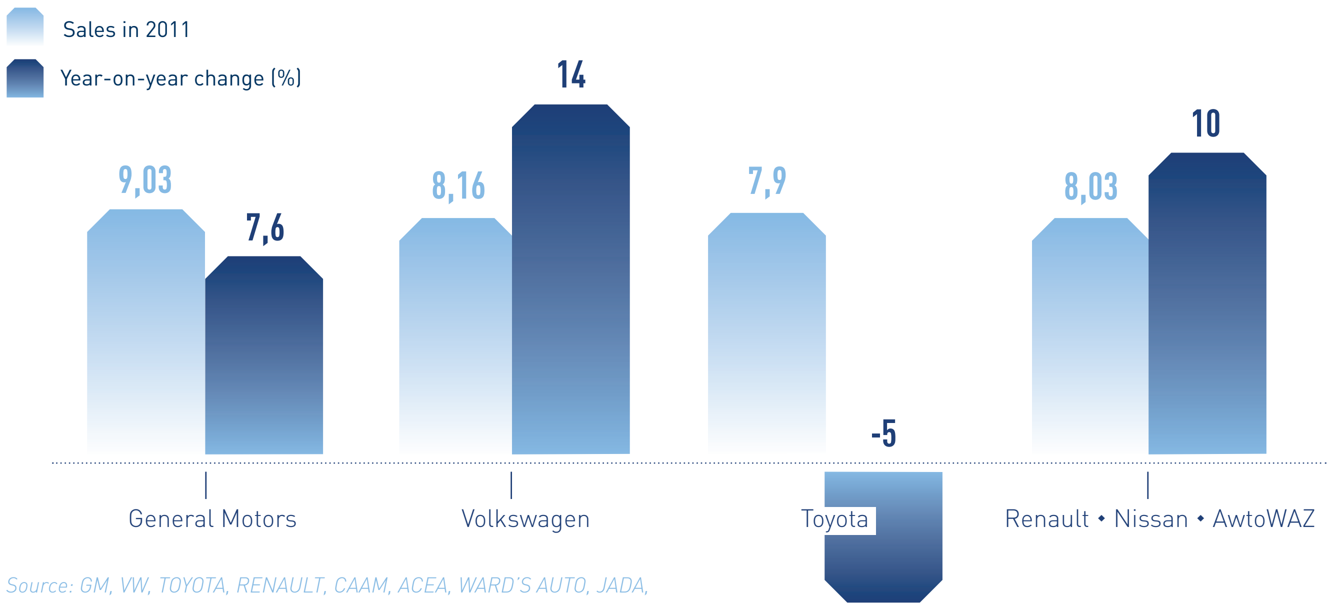
The Brazilian market also started to stabilize and it is expected to grow by 2% in 2012, with regard to increased prices of imported cars subject to high taxes and growing interest rates.

In 2011 Russian market implemented the car scrapping scheme. Russian sales increased by 40% year on year. For many concerns Russian market is one of the most important destinations and the fourth largest market after the USA, China and Germany.

After two fine years Chinese market has experienced a shake-out – the growth forecasts mention only 4-5%. However, this market has a huge potential – the vehicle ownership ratio in China (5%) corresponds only to one twelfth of the analogous ratio for Europe (60%).

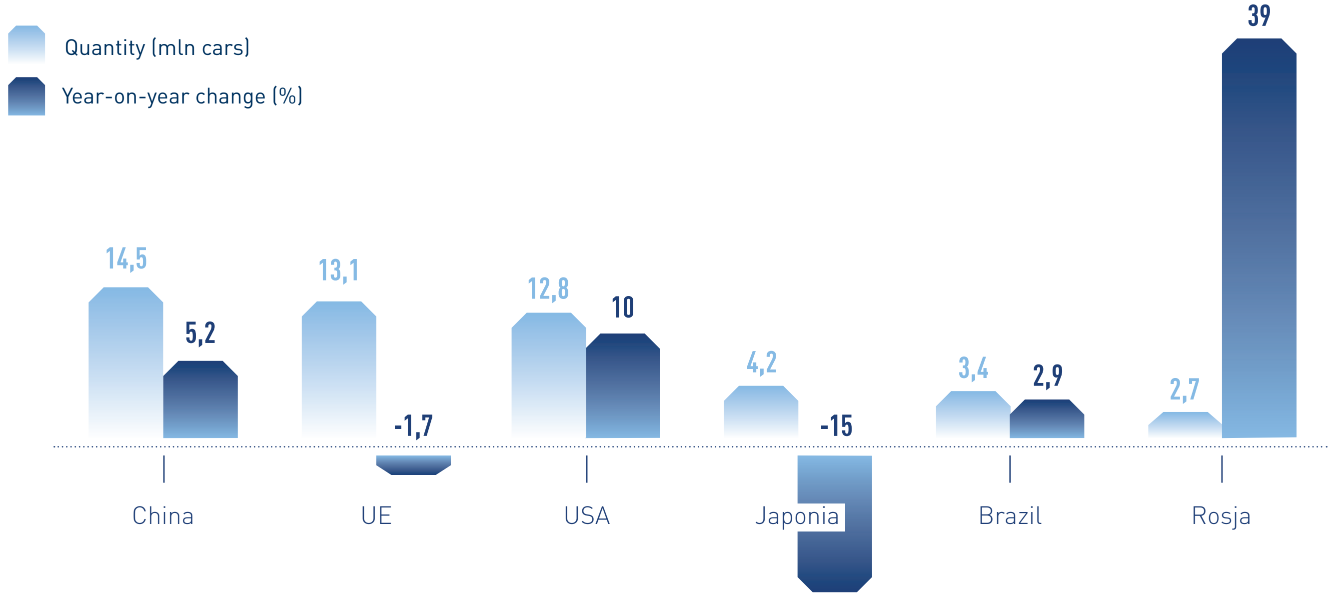
India experienced a slight slack in its increase in 2011. In 2012 the situation should stabilize in the face of material increase in interest rates and the fiasco of the idea of an ultra-cheap car. Nevertheless, India has retained its long-term growth potential.

The largest automotive concerns



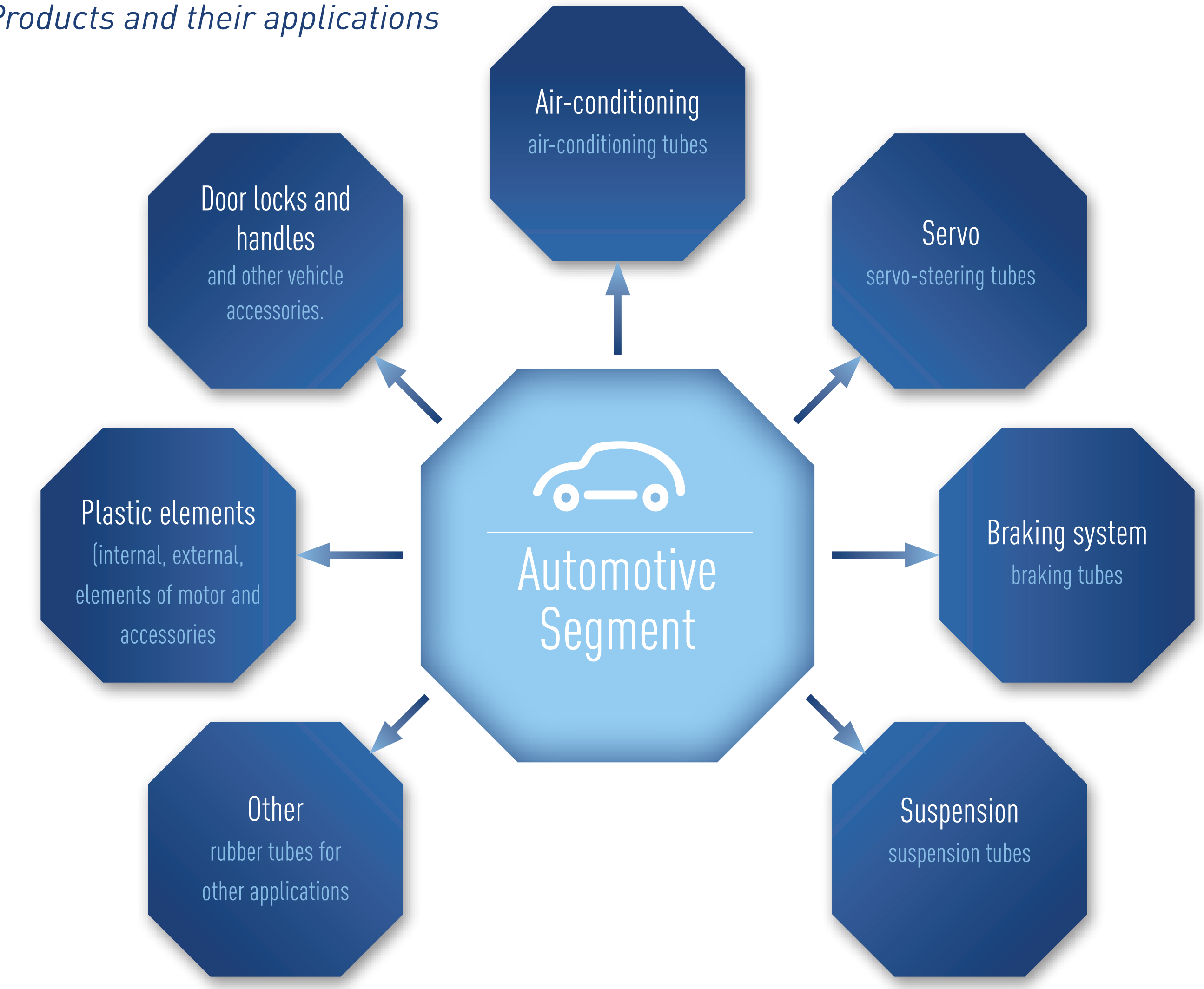
Source: GM, VW, TOYOTA, RENAULT, CAAM, ACEA, WARD'S AUTO, JADA, FANABRAVE, AEBCRU

Sales of passenger cars in 2011



Source: GM, VW, TOYOTA, RENAULT, CAAM, ACEA, WARD'S AUTO, JADA, FANABRAVE, AEBCRU

Products and their applications



Maflow Group

- Air-conditioning tubes
- Servo-steering tubes
- Braking tubes
- Active suspension tubes
- Rubber tubes for other applications

Boryszew Automotive Plastics Group

- Plastic vehicle accessories (internal, external, elements of motor and accessories)
- Injection moulds for the automotive sector

From Q2 2012 Automotive segment was expanded by incorporating subsequent entities from the acquired assets of YMOS Group – a leading European manufacturer of plastic, galvanized, and chromium-plated components, including complete vehicle door opening systems. The Group also manufactures components by means of metal alloy casting, e.g. car make emblems, door locks and handles and other vehicle accessories.

YMOS Group consists of:
BRS YMOS GmbH and BRS Oberflachetechnik GmbH.

Operations in 2011

The revenue in the automotive sector increased in 2011 (as compared to 2010) by more than 382%, reaching PLN 942.3 million (Maflow Group PLN 597.8 million; Boryszew Automotive Plastics PLN 334.6 million). Profit from operating activity in the segment amounted to PLN 32.7 million.

Maflow Group

In 2011 the activity of Boryszew S.A., Maflow Branch, was focusing on the reorganisation of the existing resources (with particular emphasis on Maflow do Brasil and Maflow China) and on the commencement of activities related to the establishment of a new branch of Maflow in India to start production at the end of 2012 and at the beginning of 2013. At the same time the group continued research to develop new product types – "LEF" (Low Emission Fitting) and IHX (Internal Heat Exchanger). Also, development works connected with the new method, so-called short bending, were completed. The method enables optimised placement of tubes in the motor compartment. In addition, a new induction soldering technology was validated at the plant in Tychy. All production plants of Maflow Group were awarded ISO-TS 16949:2009 certificates. At the same time, the plant in Tychy was granted "A" supplier status after an audit performed by one of the key customers (Audi). Close cooperation with customers and high rating of the production capacity (both in terms of quantity and quality) of Maflow plants contributed to the granting of the nomination for the supplier of air-conditioning system components for Skoda Auto a.s. in Mlada Boleslav (VW Group), for the needs of the new platform called MQB. The estimated value of the contract during its term (2012 – 2018) is EUR 64 million. Simultaneously, periodic drops in the number of orders (connected with deteriorated economic conditions in the European automotive market and reduced demand reported by French clients – PSA and Renault) were recorded by the plants in France, Spain and Chelmek 1 in Poland.

Boryszew Automotive Plastics Group

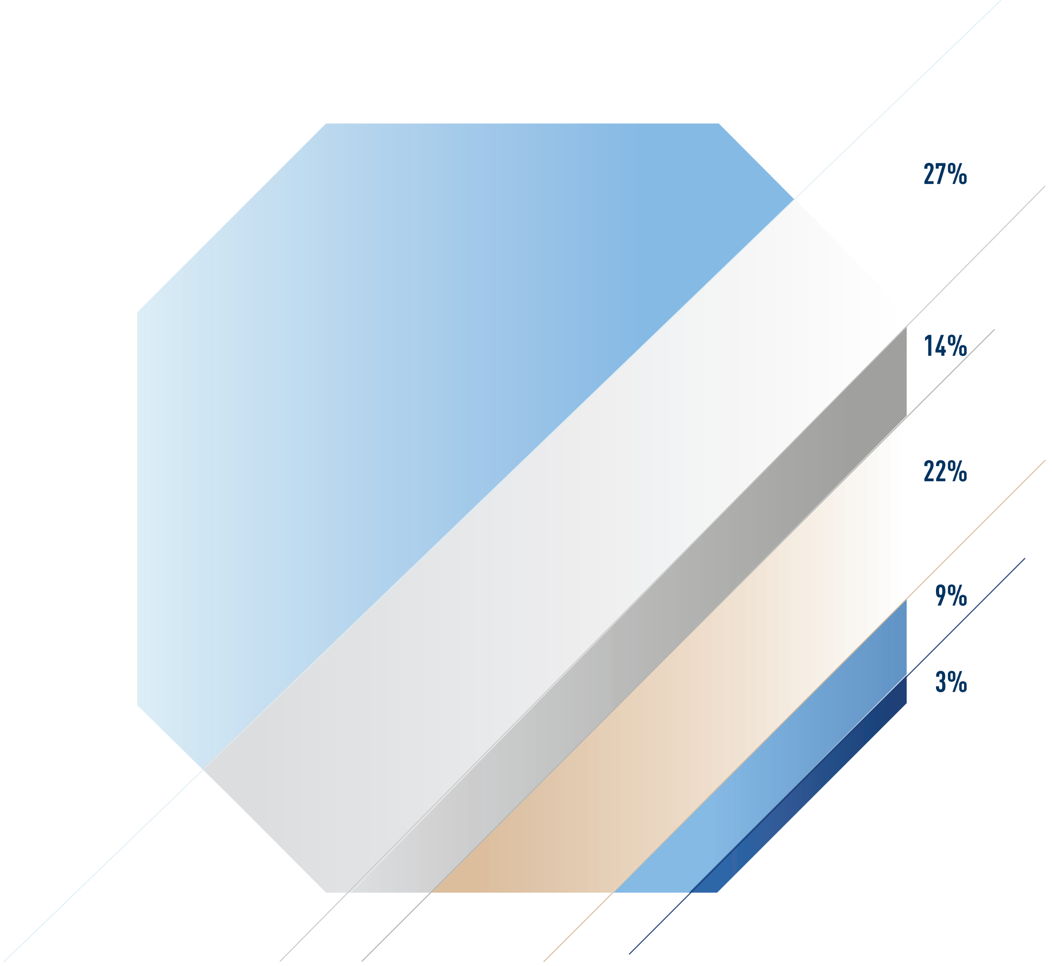
In 2011, the revenue of companies forming part of Boryszew Automotive Plastics Group amounted to PLN 344.6 million. In 2011 the activities of Boryszew Automotive Plastics focused on the integration of the newly acquired assets. The companies were acquired in the second half of 2011, therefore the effect of their results on the performance of Boryszew Capital Group referred to periods from 1 to 4 months in respective companies.

Non-ferrous metals

Results of the segment

Revenue from sales
PLN 4,332,124 thousand, including:

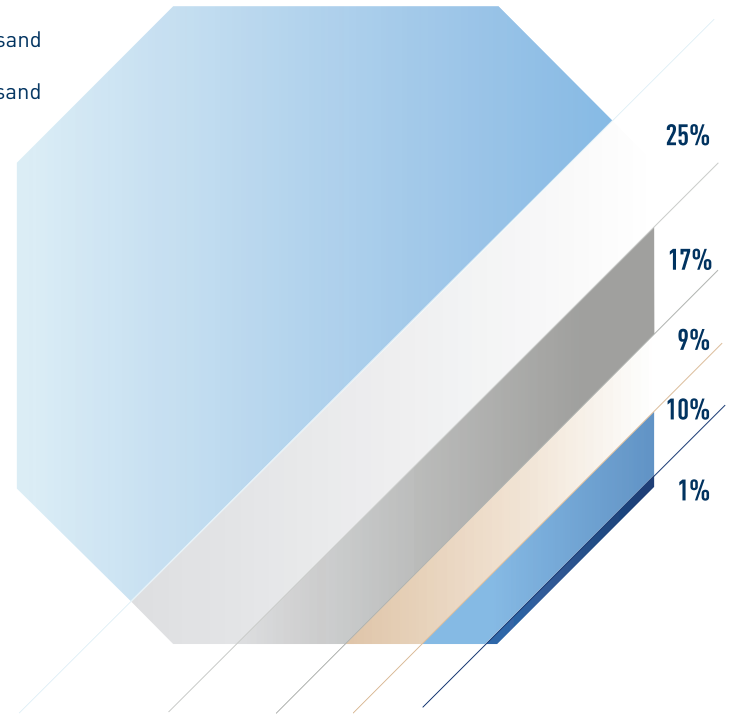
- Aluminium PLN 1,170,518 thousand
- Zinc and lead PLN 596,535 thousand
- Copper PLN 947,808 thousand
- Bearings PLN 374,963 thousand
- Other PLN 142,541 thousand



Profit/loss from sales

Profit from sales in Boryszew Group PLN 466,045 thousand, including:

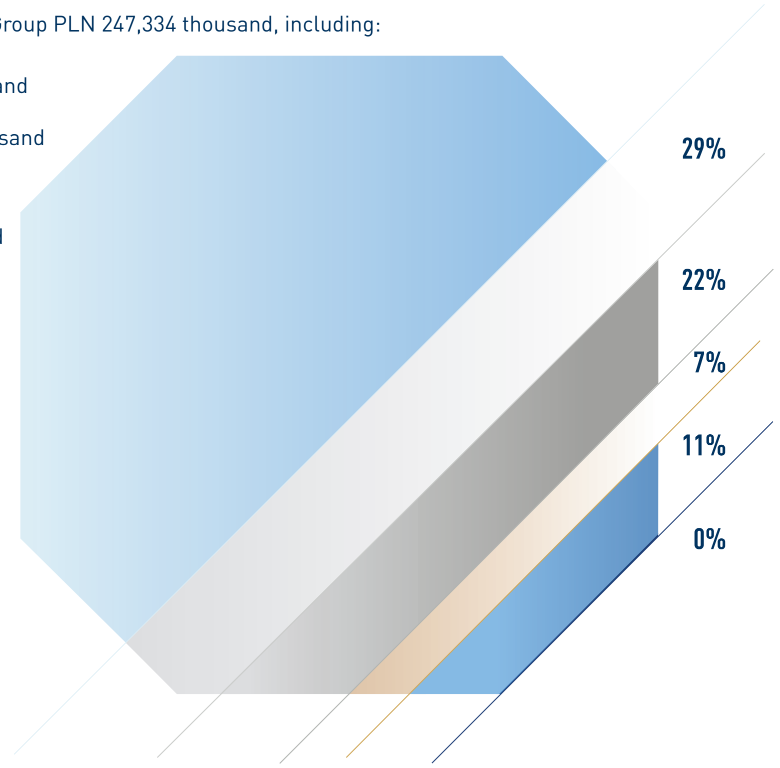
- Aluminium PLN 116,623 thousand
- Zinc and lead PLN 79,548 thousand
- Copper PLN 43,989 thousand
- Bearings PLN 45,449 thousand
- Other PLN 5,256 thousand



Operating profit

Operating profit/(loss) in Boryszew Group PLN 247,334 thousand, including:

- Aluminium PLN 70,974 thousand
- Zinc and lead PLN 55,459 thousand
- Copper PLN 16,507 thousand
- Bearings PLN 26,484 thousand
- Other PLN -382 thousand



Companies forming part of the segment

Aluminium	Impexmetal S.A. Warszawa NPA Skawina S.A. Skawina
Copper	Hutmen S.A. Warszawa Walcownia Metali Dziedzice S.A. Czechowice Dziedzice Huta Metali Nieżelaznych Szopienice S.A. (in liquidation) Katowice
Zinc and lead	Zakłady Metalurgiczne Silesia S.A. Katowice Baterpol S.A. Katowice Polski Cynk Sp. z o.o. Oława
Bearings	FŁT Poland Sp. z o.o. Warszawa

BUSINESS STRATEGY

The medium-term operating strategy of companies forming part of the non-ferrous segment is focused on the following items:

- development of product divisions generating the highest return
- release of the existing non-operating assets
- construction of access to the resources base
  – acquisitions of raw materials companies

Development of product divisions generating the highest return

Outstandingly strong competition from Asian countries and from Russia, combined with fast progress in technology and development of alternative, less expensive substitutes (e.g. installation pipes made from copper are set aside by plastic pipes) which can supersede the products manufactured by the companies of Boryszew Group force investments in technological facilities to enable more complicated production. Highly processed products not only facilitate efficient competition with substitutes but they also enable expansion of selling markets at the same time increasing the generated margins. A decision to increase the level of processing of the products offered in the content of all metal processors, adopted in the medium-term business strategy, is the only way of preventing the erosion of generated margins and at the same time finding new selling markets.

Release of the existing non-operating assets

Boryszew Group has nearly 300 ha of land that are not used for operations. The land and properties are situated in Warsaw (ul. Łucka), in Wrocław (ul. Grabiszyńska) and in Katowice. One of the strategic objectives of Boryszew is to release the existing operating assets. Ultimately the properties are to be sold to third parties (in Katowice, selected properties in Wrocław) or used for the purposes of development projects (Warsaw, Wrocław). The focus on the core activity in the lowest possible number of locations and the sale of assets not used for operations will significantly affect the Group's ability to implement other items in the growth strategy and in particular in construction of access to the base of raw materials.

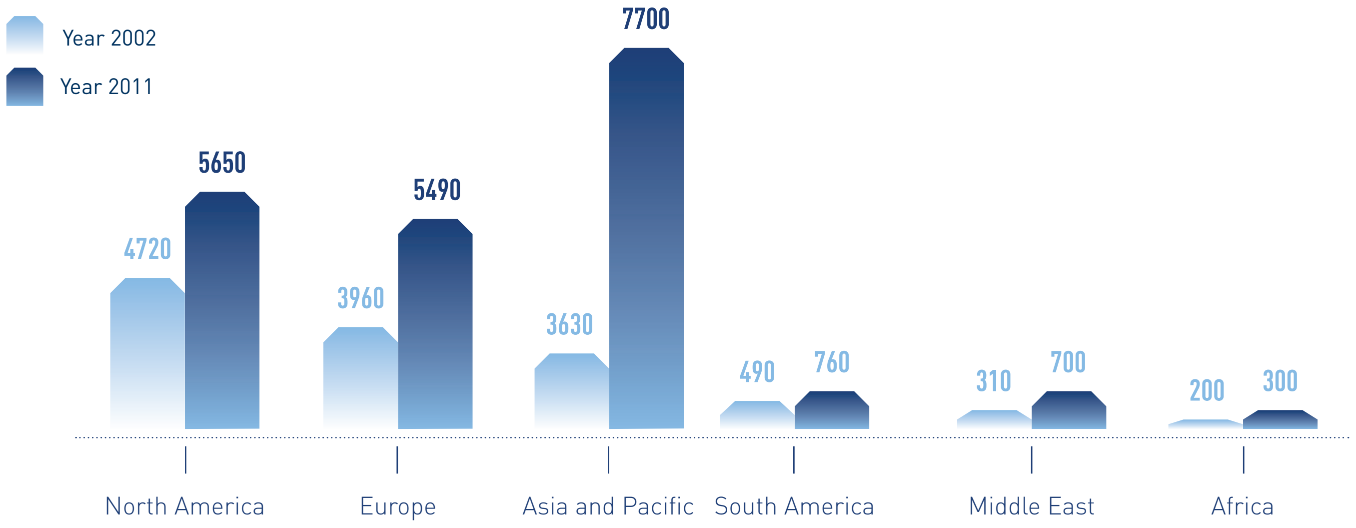
Construction of access to the resources base

Companies forming part of the non-ferrous metals segment operate in the market as metal processors (except Baterpol S.A. – the only metal manufacturer in the Group). Current and anticipated market situation will be beneficial to entities with direct access to the resource base. Low predictability of trends in metal prices (connected with the risk capital present in the London Metal Exchange and the breaking of the relationship between global demand and metal prices) forces processors willing to develop their business to search for direct access to the base of raw materials. Companies forming part of the non-ferrous metals segment (and particularly Impexmetal S.A.) in their medium-term growth strategy have inscribed investments that will ensure them undisturbed access to their own sources of raw materials regardless of temporary fluctuations in the economic conditions.

Aluminium – global market

Global demand in the market of rolled aluminium products is estimated at more than 20 million tonnes a year. Consumption of flats increases by approximately 5% a year, which results both from the development of global economy and increasing number of options for the application of rolled aluminium products. The highest rate of consumption and dynamics of growth is observed in Asian and Pacific countries. In the past decade, Asia and Pacific doubled the consumption of aluminium, mainly as a result of a rapid growth in the economy of China and India. The largest consumers of rolled products are North American and European countries consuming 5.5 million tonnes of FRP (flat rolled products) a year. The share of Impexmetal S.A. in the global FRP market is 0.4%. It provides a chance for expansion and at the same time makes it possible to preserve the current market relations and prices.

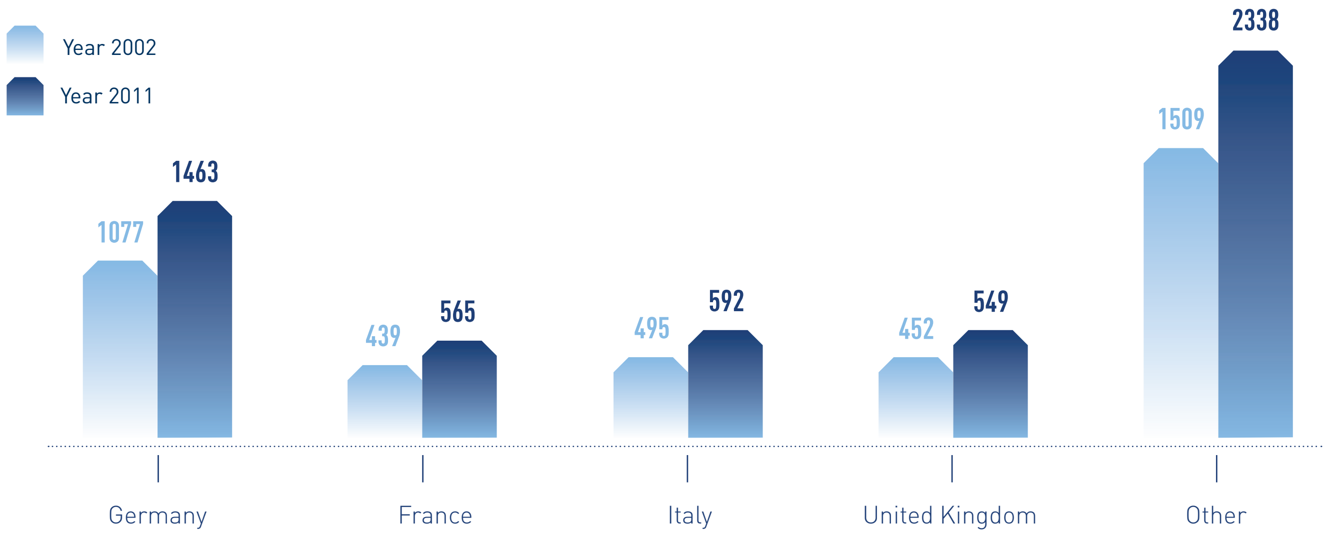
The global market of aluminium
FRP 2002 vs forecast 2011. In total 20.6 mln tonne



Source: CRU

The consumption in the European market, underlying the commercial strategy of the Aluminium Works in Konin, is estimated to approach 5.5 million tonnes in 2011. The largest consumer of aluminium in Europe is Germany. Its potential is ranked several times higher than that of France, Italy and United Kingdom. The geographical location of the plant in Konin and good road connections with the network of German motorways determine – taking into account such a large potential of this market – the competitive advantage of Impexmetal. At present the share of the Aluminium Works in Konin in the European FRP market is 1.5 %.

The European market of aluminium
FRP 2002 vs forecast 2011. In total 5.5 mln tonnes



Source: CRU

Products and their applications

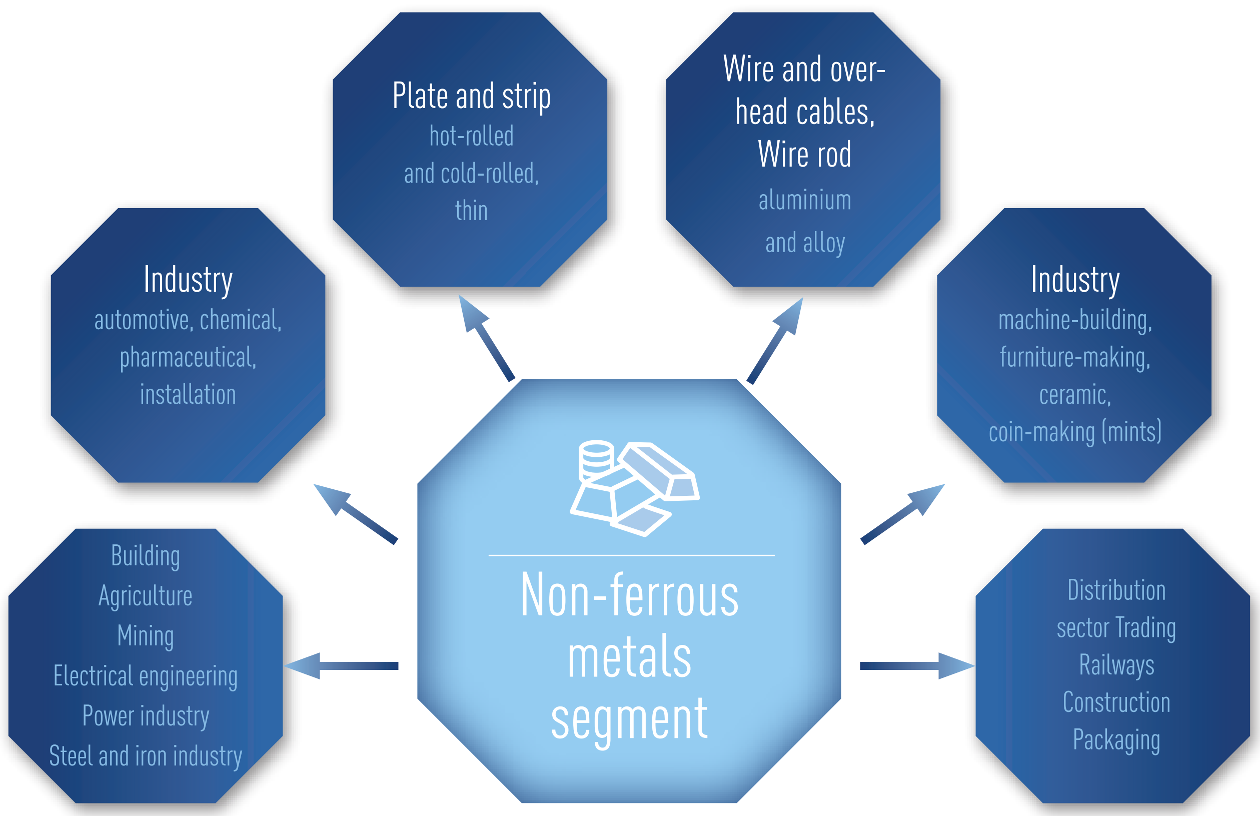
Impexmetal S.A.

- plate and strip (hot and cold rolled) – used in electrical engineering, chemical, automotive and building industry
- sheet and thin strip – used in the production of radiators, bottle caps, trays, window shutters and construction strips

NPA Skawina S.A.

- aluminium and alloy wire rod, semi-finished product for the manufacture of power cables
- wire and overhead cables

Products and their applications



Operations in 2011

Key information:

Impexmetal S.A.
In 2011 net sales of products, goods and materials amounted to PLN 931.4 million and were by PLN 23.3 million higher than the sales in the previous year. The increase in revenues, exceeding 3%, was primarily a result of increase in the average prices of metals in global markets and of the reinforcement of the position of Polish zloty in relation to euro. The improved effectiveness of performance and higher margins enabled the group to achieve operating profit higher by more than PLN 18 million and net profit of PLN 56.4 million.

The domestic market is of key importance to Impexmetal S.A.; and in particular to the Aluminium Works in Konin, which is the only manufacturer of rolled aluminium products in Poland and records the highest percentage of the most loyal end customers ensuring stable sales in the longer run. A predominant sales segment in the market in Poland is packaging industry (bottle caps and aluminium foil), followed by automotive industry, and in particular the manufacturers of vehicle radiators. The level of sales to clients in segments such as building, electrical engineering, machine building and household appliances is fixed. The largest industry to which the group provides its services in the domestic market are distributors.

Sales in the export market are considerably intermediated by distributors. It is mainly a result of a stronger standing of local manufacturers who have dominated supplies to end customers and of a strongly developed sales network of distributors.

German market is traditionally the largest export sale market and is followed by Czech Republic. It is a natural consequence of immediate neighbourhood of Poland. This allows the cut down on the cost of transport and translates into good prices. Traditionally, Huta Aluminium Konin has worked out a strong standing in Scandinavian markets, supplying its products to Denmark, Sweden and Finland.

Key customers

Top 3 customers in 2011	QTY [tonnes]
Valeo Autosystemy Sp. z o.o.	4 807,662
Alfun a.s. Czech Republic	3 887,996
Guala Closures DGS Poland S.A.	3 858,375

NPA Skawina
Skawina S.A. closed the financial year 2011 with net profit amounting to PLN 8,275 thousand (year-on-year increase by 170%). Its operating profit (EBIT) was PLN 12,629 thousand and profit from sales amounted to PLN 14,135 thousand. NPA Skawina – as one of the three companies making Boryszew Capital Group – increased its sales volume (1.9 thousand tonnes, i.e. 9% year on year). In the domestic market in 2011 the sales of wire rods and alloy rods increased. The increase was mostly a result of a contract signed with Tele-Fonika Kable. Wire rod customers were also small manufacturers of wire, rivets and other small aluminium products. In the group of processed products the sales of cables significantly increased in comparison to the level in 2010 (by 89%). 37% of the wire sales were lightning protector wires the production of which commenced in 2009. The cooperation with sellers and distributors of wires and cables and with the contractors of power systems has continued to develop.

In 2011 export products comprised: wire rods, aluminium and alloy wire and overhead cables. During the year relations were established with new customers in Russian, Finnish, Lithuanian, Latvian, Czech and Swedish market. The sale of processed goods and alloy rod is developed. It is characterized by higher return in comparison to sales of wire rods or aluminium rods. In comparison with 2010 a drop in sales of wire rod to foreign markets was recorded (by 38%). It was a result of strong competition from countries with lower manufacturing costs.

The sales of Skawdraw rod (commenced in 2009), designed for production of automotive tubes, were continued. This rod was sold in the market in Austria. One of the most important groups of products offered to clients is lightning protector wire (36%) and aluminium wire used in the automotive industry (60%) that were sold in Germany. The main group in the production and sale was aluminium conductors supplied to large cable factories in Europe.

Key customer

Top 3 customers in 2011	QTY [tonnes]
Tele – Fonika	6 302
Prysmian	3 079
Ludvinovo	1 184

Copper

Products and their applications:

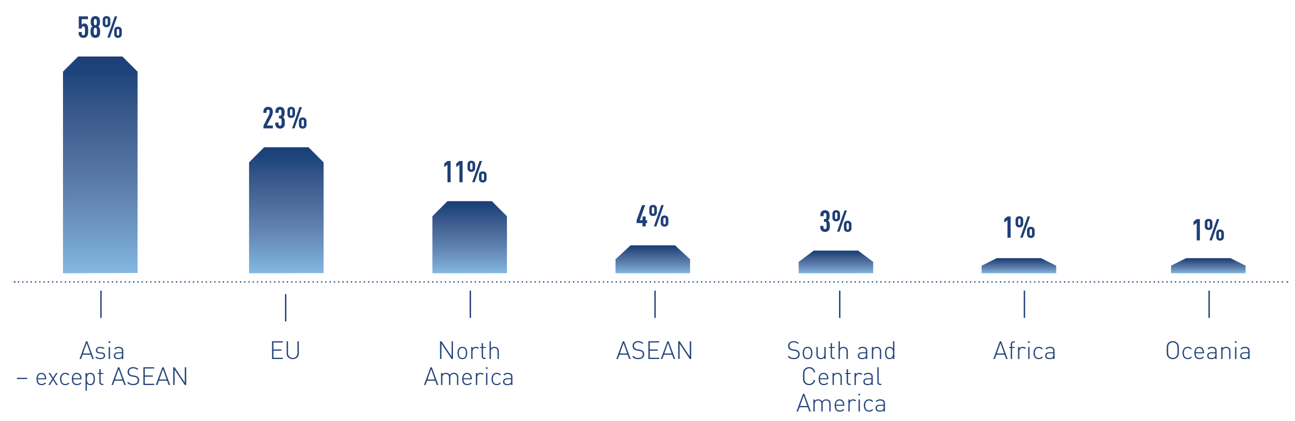
- rod and wire made from copper and copper alloys – for building, electronic and electrical engineering industry
- installation copper pipes – for building industry and general-purpose pipes
- pipes from copper alloys for power industry, shipbuilding and heat engineering industry
- brass and bronze strip – for building, electronic and electrical engineering industry
- blanks for coin-making industry

Copper – global market

According to ICSG, in 2012 the global copper consumption rate will increase to 20.4 million tonnes, which denotes an increase by 2.5% in comparison to the rate recorded in 2011. In 2011 the global mining output of copper amounted to 16,035 million tonnes and was similar to the output recorded in the previous year. Refined copper yield was 19.65 million tonnes, which corresponds to annual growth by 3.4%. In 2011, the global consumption of copper increased by 2.7% amounting to 19.89 million tonnes. Increased demand could be distinctively observed in China which in 2011 accounted for 43% of the global consumption of copper.

The second largest copper consumer market comprised European countries where 4.5 million tonnes of copper were consumed, which corresponds to 23% share in the global consumption.

Share in the global consumption of copper in 2011



Source: ICSG

Operations in 2011

Hutmen S.A.
In 2011 Hutmen's profit from sales amounted to PLN 3,589 thousand. In the previous year, in the analogous period it generated a loss of PLN -4,751 thousand. The factors having positive influence on the result include an increase in sales volume by 2% in relation to the volume recorded in 2010 and return on sales increased due to higher processing premium by 24%. The company recorded profit from other operations amounting to PLN 10,358 thousand. This result was mainly affected by sales on non-financial fixed assets.

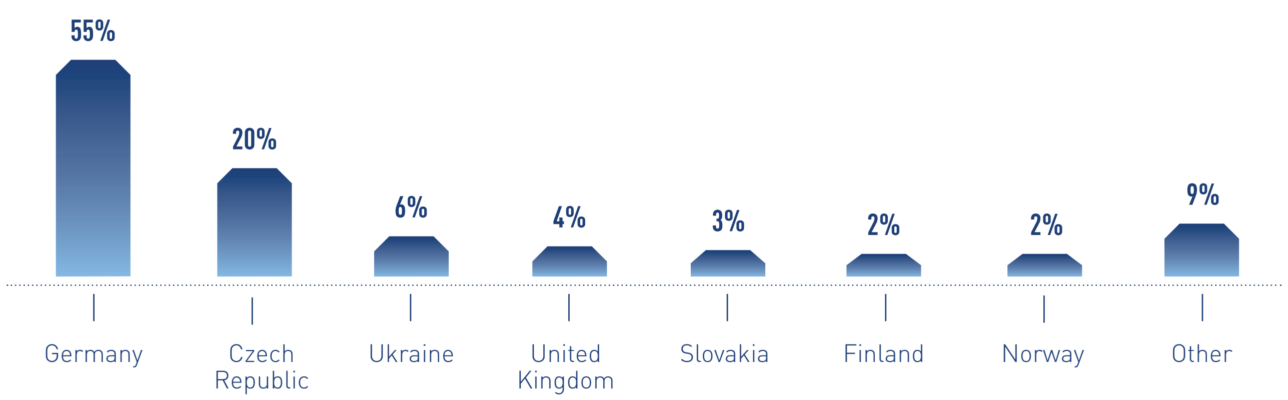
In 2011 in the domestic market 9,864 tonnes of products were sold, which corresponds to a 3.5% increase in the volume of sales as compared with the previous year. The value of products sold in the domestic market in 2011 amounted to PLN 268,734 thousand, which corresponds to a 17% increase as compared with 2010. In the domestic market copper pipes accounted for 61% of the value of Hutmen's domestic sales.

The second largest (in terms of value) product was casting alloys whose share (in the value of Hutmen's domestic sales) amounted to 27%. The share of other products was as follows: copper rods, flat bars and sections (9%); bronze rods and pipes (3%). Hutmen is the only Polish manufacturer of copper installation pipes, thus it has a significant share in the domestic market.

The sales of Hutmen's products in foreign markets were nearly completely directed to commercial companies intermediating in the world's buying and selling transactions. The largest export market for Hutmen is the European Union, where 91% of the products volume is sold. The most important foreign markets are Germany, which in 2011 accounted for 55% of the export sales value. In 2011 a high sales level of 20% was preserved for the Czech market.

Products sold in foreign markets in 2011 comprised mostly copper rods, flat bars and sections (68% of export sales value). The share of other products in foreign sales was as follows: copper pipes (12%), casting alloys (12%), bronze rods and pipes (8%). In 2011 export sales of Hutmen's products amounted to 5,654 tonnes and were comparable to the sales volume recorded in the previous year. The value of products sold in foreign markets in 2011 increased by 19% as compared with 2010.

Key customers:



Zinc and lead

In 2011 the average metal prices increased in comparison to the analogous period in previous year. The price of lead increased by 12% to 2,398 USD/T, and the price of zinc increased by 1% to 2,191 USD/T. The average annual growth was an effect of very good economic conditions in the metal and metal products market in Q1 2011. From Q2 2011, as a result of information about a new wave of global crisis, the prices dropped down.

The situation in the lead market in 2011 was characterized, among other things, by: solid demand, constraints on mining supply; deficit – forecasted in 2012 as 150 thousand tonnes; low level of inventory estimated for approximately 2 weeks of global consumption, which is likely to drop down more in 2012.

The demand for lead is closely related to the battery market which has recorded improvement in the USA, Europe and China. Long-term forecasts for lead are positive and in the subsequent five years' no serious problems in supply are anticipated.

In 2011 the supply of zinc was higher than the demand. Forecasts mention continued increase in prices and stocks of zinc in the coming years. The level of consumption is good and it increases by approx. 10% on an annual basis. Production has slightly dropped down but in turn mining yield has gone up. Australia – the world's third largest producer of concentrated zinc –accounts for nearly 12% of the global production. It is forecasted that in 2012 the zinc market will become balanced.

Products and their applications:

Baterpol S.A.
- refined lead and lead alloys – mainly for producers of batteries
- polypropylene for producers of plastic products
- crystalline sodium sulphate used in chemical, glass, papermaking and textile industry
- rolled and extruded products from lead and lead alloys

ZM Silesia S.A.
- Zinc and titanium plate
- Zinc wire and zinc and aluminium wire
- Zinc anodes
- Casting zinc alloys
- Zinc oxide
- Lead oxides
- Cadmium oxide

Oddział Huta Oława
- Zinc oxides are supplied for:
  – tyre-making industry and production of rubber components – approx. 75-80%
  – ceramic industry – approx. 10%
  – pharmaceutical industry – approx. 5-10%
  – feed components industry – approx. 5-10%
- Lead oxides:
  – for batteries, automotive batteries, stationary batteries – approx. 75%
  – crystal glass – approx. 25%

Key information:

Baterpol S.A.
Profit from sales in 2011 amounted to PLN 44,753 thousand, that is, PLN 10,183 thousand more than in the analogous period in the previous year. The analysis of income statement points to an approx. 48% increase in the profit from operating activities. Gross profit of PLN 44,166 thousand, realised in 2011, was 60% higher than in 2010. Net profit, in comparison to the previous year, increased by 82%. Along with the increase in net profit the company recorded an approx.. 4% increase in revenue from the sales of products, services and goods and materials, at the same time maintaining nearly identical level of costs related to operating activities. All major investment plans scheduled for 2011 have been completed. The final amount of investment expenditure incurred by the company in 2011 was PLN 3,989 thousand.

ZM Silesia S.A.
In 2011, ZM Silesia S.A. worked out gross profit of PLN 8,149 thousand and net profit of PLN 6,461 thousand. The closing balance of revenue from sales in 2011 was PLN 325,840 thousand, including PLN 146,615 thousand generated by Silesia.

The turnover of inventory and receivables was improved as it had been reduced from 50 to 34 days, and the turnover of trade receivables from 57 to 46 days. In the analysed period the turnover of current capital slightly increased from 60 days in 2010 to 62 days in 2011. Working capital increased by PLN 4,004 thousand.

In 2011 the quantity sold by ZM Silesia S.A. in Katowice was 12,665 tonnes and in comparison to 2010 it was increased by 2,403 tonnes, i.e. by 23%. The highest increase in sales was recorded for zinc and titanium plate, zinc wire and alloy wire. The year-on-year growth in the volume of sales of highly processed products (plate and wire) is worth noting.

ZM Silesia S.A. has an extensive base of customers. The only company that exceeded 10% of share in turnover is Palmer Bleche GmbH of Germany which reached 11% net sales amounting to PLN 12,787 thousand. Huta Oława Branch in 2011 sold mainly to Germany, France and Hungary and to customers in Poland. The sales were at a repeatable level. No effects of crisis were observed in Polish factories owned by Goodyear, Michelin, and Enersys. More than 10% of revenue was generated by supplies to:

- Enersys (Poland and Germany)
- Goodyear (Poland, France)
- Michelin (Poland)

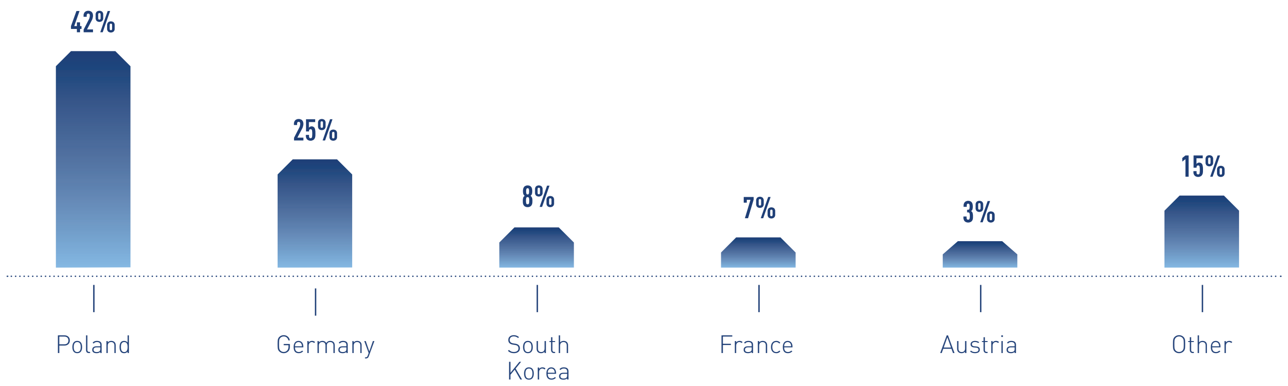
Major suppliers of raw materials for ZM Silesia S.A.:

- Glencore Int. AG
- IT TRADING, S.R.O.
- Baterpol S.A.

Huta Oława

The volume of sales by Huta Oława Branch was 23,881 tonnes and it was by 7% higher in comparison to 2010. Sales of zinc oxides amounted to 13,490 tonnes, lead oxides 10,363 tonnes and cadmium oxides 28 tonnes. In 2011 the demand for the products of Huta Oława Branch increased in connection with improved economic conditions in the automotive market. In Poland the share of zinc oxides is approx. 60%, and that of lead oxides – approx. 90%. In Europe these are 6% and 17%, respectively.

Key customers:
Share of the sales of ZM Silesia S.A. in the major selling markets in 2011 (by value)



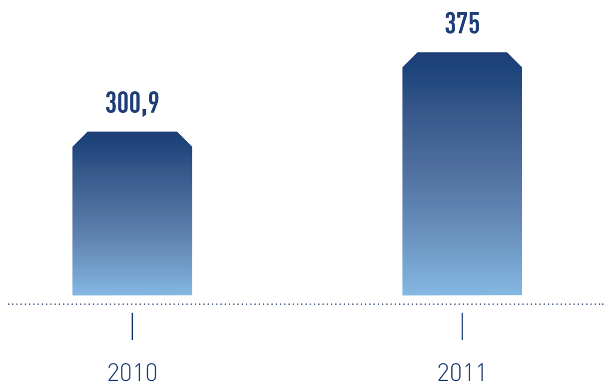
Bearings

Products and their applications:

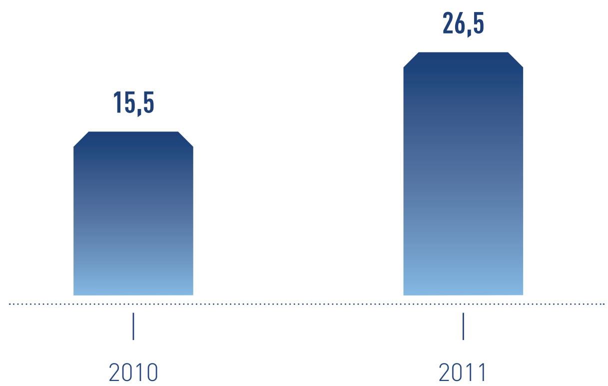
- ball bearings, radial contact ball bearings, cone bearings, wheel bearings, gearbox bearings, clutch bearings, main shaft and axle shaft bearings – automotive industry
- self-aligning ball bearings – agricultural industry
- ball bearings with reduced or particularly low level of vibrations – machine-building industry, and in particular electric motors
- barrel bearings and multi-row cylindrical roller bearings and cone bearings – for metal-forming industry and heavy industry, where high load transfer capability is required

2011 was a record-breaking year for FŁT Poland. An increase in net profit by PLN 16.1 million and an increase in gross profit from sales by PLN 13.5 million were recorded. Operating results were increased by 25%, results of respective units in comparison to results in 2010 increased by PLN 11.3 million and the operating profit by 71%. The key element affecting the company's performance is the level of sales margins and sales volume. In 2011 the priority was an increase in the sale of high-margin products.

Revenue (PLN mln)



EBIT (PLN mln)



Companies included in the Bearings segment are commercial companies and operate mainly in the European market (more than 80% of sales) and in the domestic market. The company sells bearings produced by FŁT Kraśnik, FAG/INA as well as bearings made in China. The company has a small share in the target markets. Its major competitors are distributors of bearings from Sweden (SKF), Asia and Central and Eastern Europe. The major part of sales, i.e. approx. 40% is sold as automotive components under existing contracts.

Chemicals

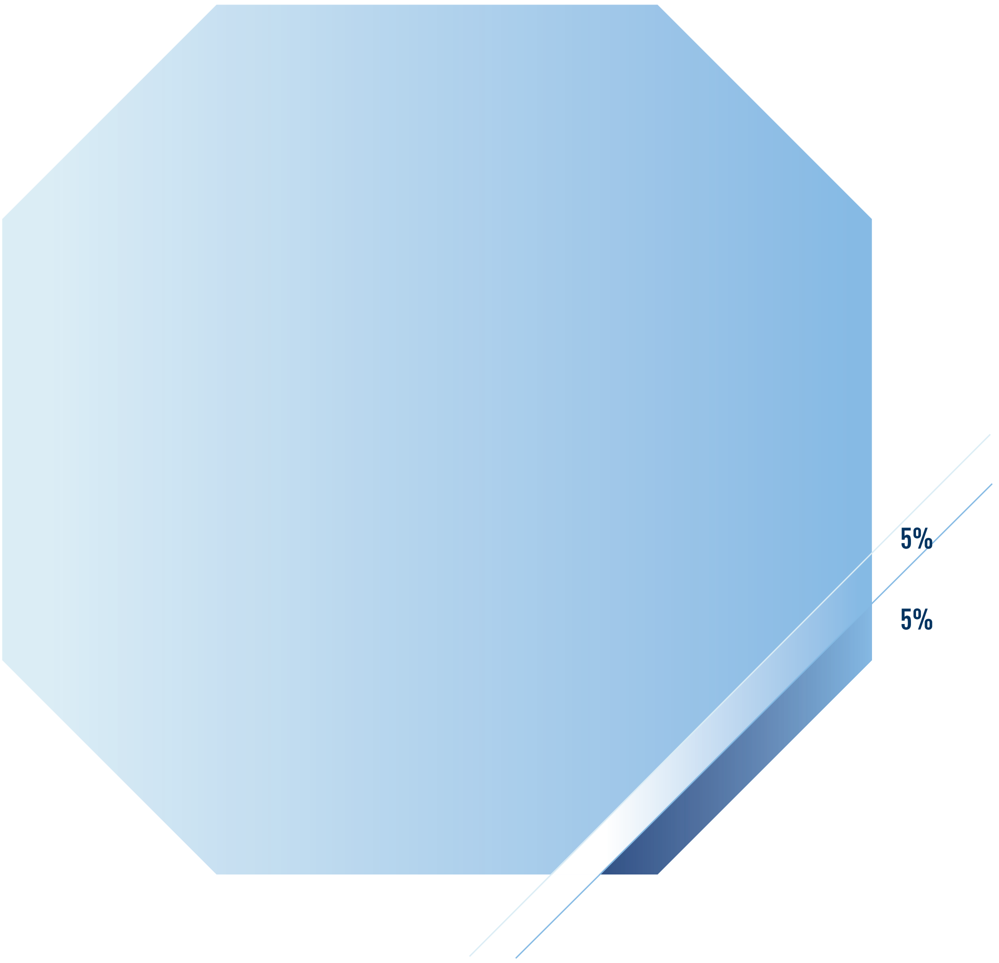
Business areas Polymers Polyesters Other chemicals.

Results of the segment

Revenue from sales

Revenue from sales generated by Boryszew Group amounting to PLN 4,332,124 thousand, including:

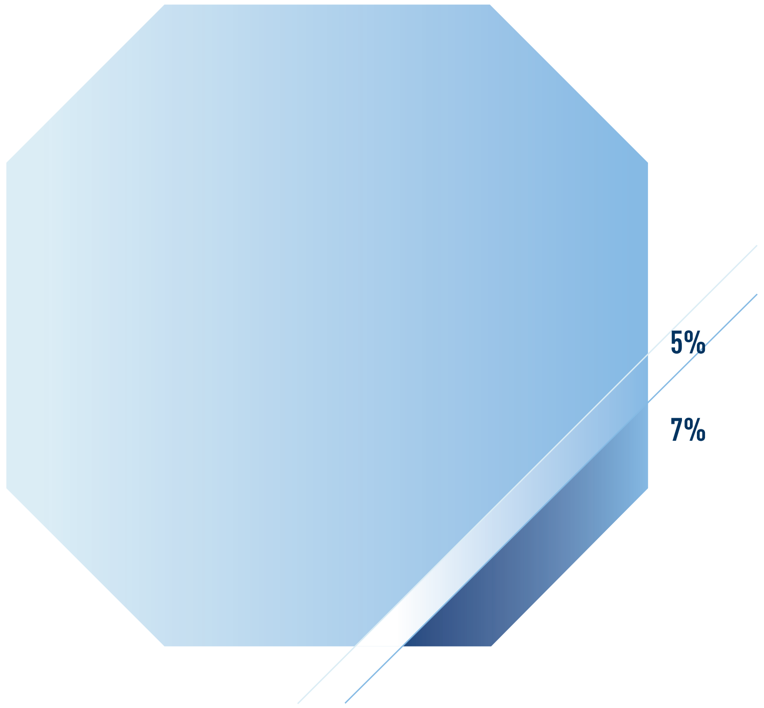
- Polymers, polyesters PLN 195,095 thousand
- Other chemicals PLN 199,600 thousand



Profit/loss from sales

Profit from sales in Boryszew Group PLN 466,045 thousand, including:

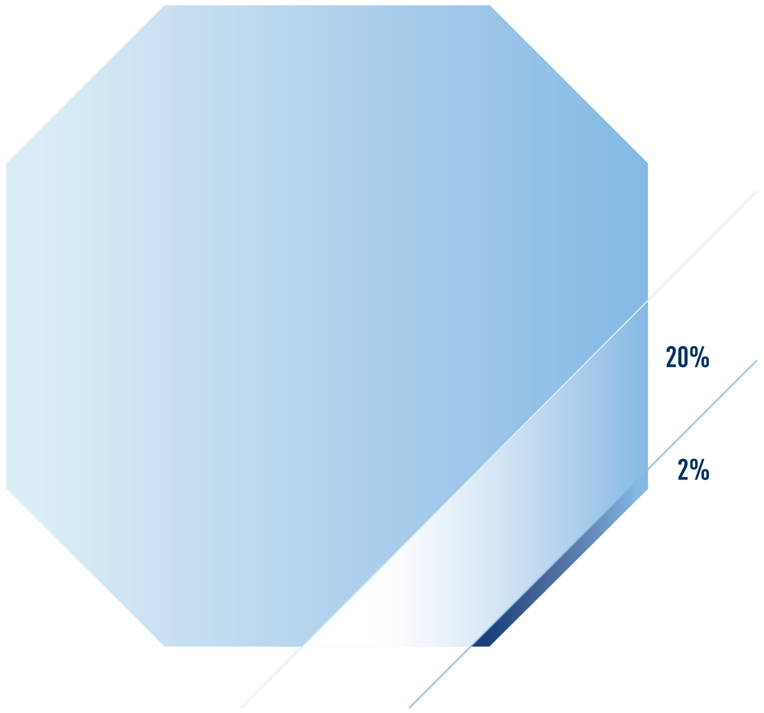
- Polymers, polyesters PLN 23,733 thousand
- Other chemicals PLN 34,515 thousand



Operating profit

Operating profit/(loss) in Boryszew Group PLN 247,334 thousand, including:

- Polymers, polyesters PLN 48,314 thousand
- Other chemicals PLN 4,652 thousand



Companies forming part of the segment

Polymers and polyesters	Boryszew S.A. oddział Elana Toruń Torlen Sp. z o.o. Elana Energetyka Sp. z o.o. Elana Pet Sp. z o.o.
Other chemicals	Boryszew ERG S.A. Nylonbor Sp. z o.o. Elimer Sp. z o.o.

BUSINESS STRATEGY

Products and their applications:

The medium-term operating strategy of companies forming part of the Polymers, Polyesters and Other Chemicals segment is focused on the following items:

- development of product divisions generating the highest return
- release of the existing non-operating assets

Polymers and polyesters

Elana Branch:

- staples – used mainly in textile, furniture-making and clothing industry
- PET bottle polymer – manufacture of packaging for the needs of food industry

Torlen Sp. z o.o.:

- continuous filaments (from 03.2009) – used mainly in textile, furniture-making and clothing industry

Elana Energetyka Sp. z o.o.:

- producer of energy media (primarily heat and electrical energy) for the needs of businesses located in the territory of Elana Branch

Elana Pet Sp. z o.o.:

- PET bottles recycling
- repair and maintenance services

Nylonbor Sp. z o.o.:

- construction polyamide

Elana Branch

In 2011 Elana Branch recorded PLN 6,112 thousand of profit from sales of its core products and services as compared with the projected PLN 1,572 thousand. Operating profit increased by 308% in comparison to the year 2012, whereas net profit at the end of the year amounted to PLN 34,778 thousand, mainly as a result of investment revaluation. 2011 was another year in which reorganisation activities commenced in 2008 was continued. The objectives included continued production of return-generating staples and the sale of unused production assets (machines and real property). In 2012 Elana Branch plans to implement reconstruction investments at the level of PLN 675 thousand.

Sales volumes in core product groups in 2010 and 2011 are presented in the table on page 49.

Sales volumes (tonnes):

Product	2010	2011	dynamic
Staples	12 922	12 054	93%
polymer	241	-	0%

2011 was another year in which ELANA Branch did not offer for sale bottle polymer of its own manufacture and its business focuses on A-PET processing services.

Torlen Sp. z o.o.

In 2011 the closing balance of the company's net profit was PLN 525 thousand. Net revenue from sales amounted to PLN 37,062 thousand. The company's rate of return was definitely improved along with its liquidity, effectiveness and debt ratios. All rates of return were positive with reference to 2010 despite continued very difficult situation in the textile industry.

Short-term strategy provides for maintaining the existing sales markets and expanding them gradually (if the technological capacity of our equipment so allows) to markets that ensure higher margin on the products sold.

Domestic market:

At present, the main products sold in the domestic market comprise POY for the manufacture of stretched or textured silk, TWY for technical applications and silk textured by knitting and ripping (KDK) for the manufacture of knitted fabric and curtains. The share in the market was reduced as a result of focusing the production on selected product groups only. Polyester yarn is sold to entities representing the curtain-making segment (HAFT, FAKO, WISAN), woven fabric (OPTEX) and technical products segment (CELLFAST, POLIX, Technitex and Technotex). However, it must be emphasized that the purchasing level is considerably lower than in previous years. It is mainly due to a decrease in customers' production and the availability of much less expensive yarn from China and Far East.

Export market:

Torlen exports mainly WWNS yarn, operating in a strongly competitive environment formed by Asian, German and Belarusian businesses and its business focuses on A-PET processing services.

The company also sells its products to markets within the European Community for textile and industrial applications. In connection with increased competitive activities of Asian and Turkish yarn manufacturers offering a wide range of products at low prices, it is extremely difficult to find new sales markets. Despite difficult situation, the sales of Torlen remain stable.

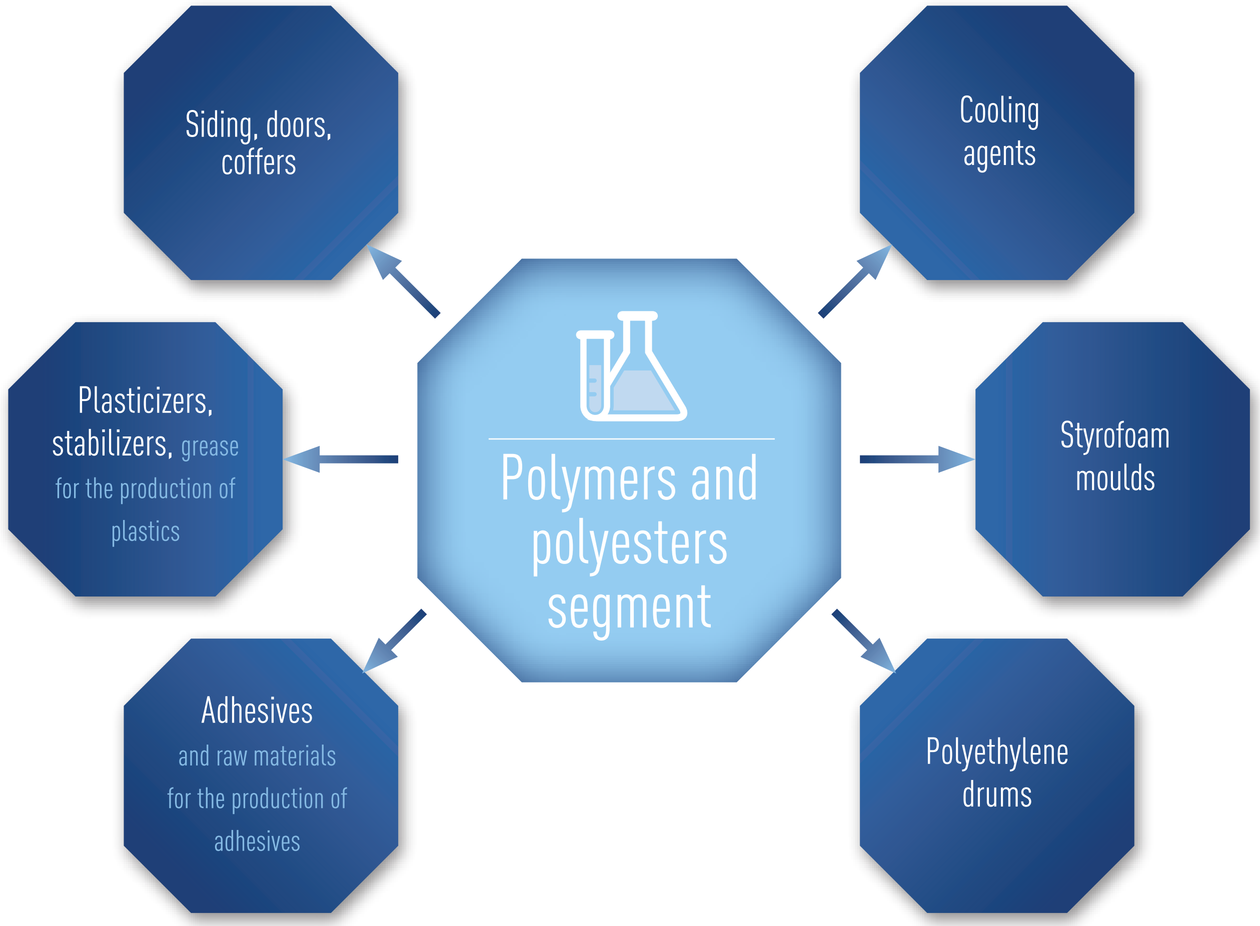
Elana Energetyka Sp. z o.o.

For Elana Energetyka thermal and electrical energy markets are ERO-controlled markets. With regard to the specificity of the company's operation, for the time being there is no direct competition, although the provisions of the amended Energy Law and the measures of the Energy Regulatory Office (ERO) force licensed transmission and distribution companies to provide access to customers connected to the power systems operated by these companies and to ensure freedom of choice of the electricity supplier. On 03.02.2012 the President of ERO granted the DSO title (Distribution System Operator) to the company. The operatorship will provide even wider access to the present customers of the company to other suppliers of electrical energy.

Elana Pet Sp. z o.o.

Elana Pet was one of several consolidated companies which in 2011 improved its individual operating result in comparison to 2010. The level of operating profit increased by PLN 4.3 million. In addition, the after-tax result was higher in comparison to the analogous period – an increase by PLN 5.6 million was recorded.

Products and their applications



Other chemicals

Results of the segment

Year 2011 for companies operating in Other Chemicals segment was a year in which their revenue increased by 2% and at the same time their operating profit considerably dropped down (53% year on year).

Key information

Boryszew ERG S.A:
In 2011 the macroeconomic environment was not very favourable for the company. It was a result of, among other things, unstable situation on the raw materials market related to high increase in prices over the year, increase and strong fluctuations in foreign exchange rates, intensification of financial crisis in Europe and continuing recession in building industry. The factors mentioned above had an adverse effect on export levels (particularly to Ukraine and EU), rates of return and turnover of receivables in days.

In 2011, revenue from sales of products, goods and services amounted to PLN 190,889 thousand.

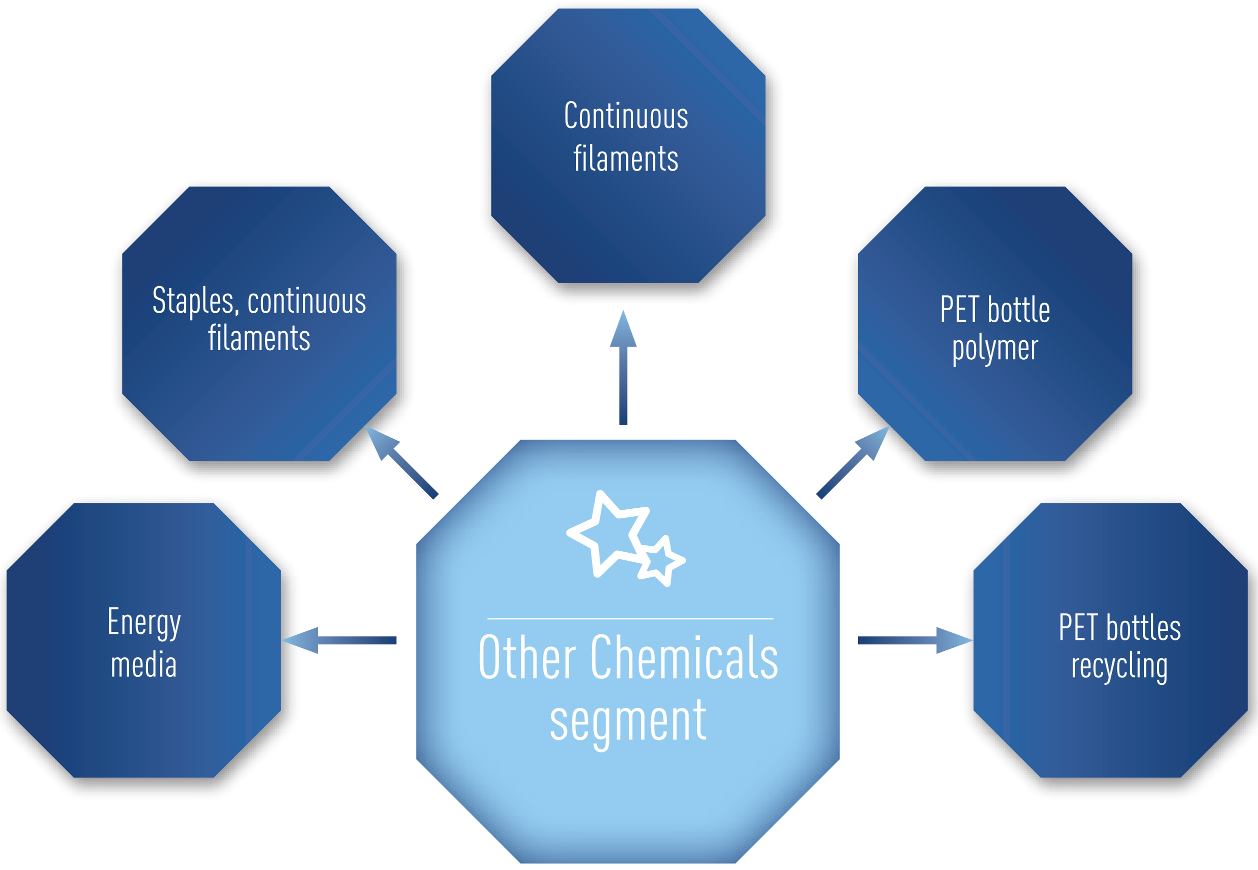
Adhesives and raw materials for the production of adhesives were product groups which recorded one of the top increases in comparison to 2010 – by 10%, reaching PLN 7,359 thousand.

On the other hand, the net result decreased by PLN 2,279 thousand and gross profit from sales dropped down by PLN 3,719 thousand. The company also made a significant investment in fixed assets. The total cost of this investment was PLN 2.6 million.

Boryszew ERG in 2011 continued research and development regarding new dispersion and polyacetate adhesive technologies and modification of the existing product manufacturing technologies. Also, R&D works were continued in the group of cooling and installation agents. 2011 was a year of particularly intense development works in the group of auxiliary chemicals used in the processing of PVC and products related to processing of other plastics.

Sales markets
Most sales take place in the domestic market. The export share in 2011 was 14.9%. Products sold in foreign markets mainly comprised plastics processing auxiliary agents and wall siding. In 2011 the most important direction of export was Ukraine where sales amounted to PLN 17,879 thousand, which corresponds to 9.4% share in total sales. Sales in EU countries amounted to PLN 8,272 thousand, i.e. 4.3% of total sales.

Products and their applications



Investments

Companies from the Capital Group finance their investments using their own funds (free cash, issue of shares) or third party resources (loans and borrowings, debt securities, leasing). Immediately before an investment is put into operation, it is evaluated by the company authorities.

Investment activities in Boryszew Group are double-sided.

Activities of holding companies include acquisitions of other entities in compliance with the provisions of the Group's growth strategy. This strategy defines the range of geographical expansion for new products and markets and the integration of the value chain within markets in which the Group operates, etc.

In the area of investments taken into consideration as at the date of the financial statements, Boryszew Group has a wide range of options related to financing of the adopted expansion both through successive issues of shares and the use of available third party funding.

Under their production activities the companies accomplish investment tasks aiming to maintain the ability of fixed assets to support ongoing contracts. Another group of investments comprises expenditure ensuring the maximum economic life of fixed assets in order to achieve additional return on the assets held. If new contracts are concluded (e.g. as a result of tender concerning long-term deliveries of components to car manufacturers), investments are implemented to enable these contracts to generate the maximum return at the same time maintaining superior quality of products and security of deliveries.

In the area of investment expenditure on maintaining or increasing production capacity, Boryszew Group aims to ensure financing with the term and parameters possibly most similar to the economic life of the production assets. In addition, in the reporting period a series of measures were taken to obtain EU grants for the financing of investments. This strategy will be continued in subsequent periods. In the opinion of the management of companies from Boryszew Group, no constraints in obtaining grants for the projected investments will occur in the nearest future.

At present the priority for most companies from the Group is the maximum use of the existing production capacity. Investments regarding production capacity refer only to Impexmetal S.A.

Employees

Human resources policy

The underlying element of the Group's HR policy is investing in development and satisfaction of employees. We are aware that our people are our most important and most valuable capital. Our success is determined by their potential. Their expertise and experience are key factors determining our success and market position.

The fundamental objective of our HR policy is to „create the best team" by selecting the best employees with varied traits and investing in their development.

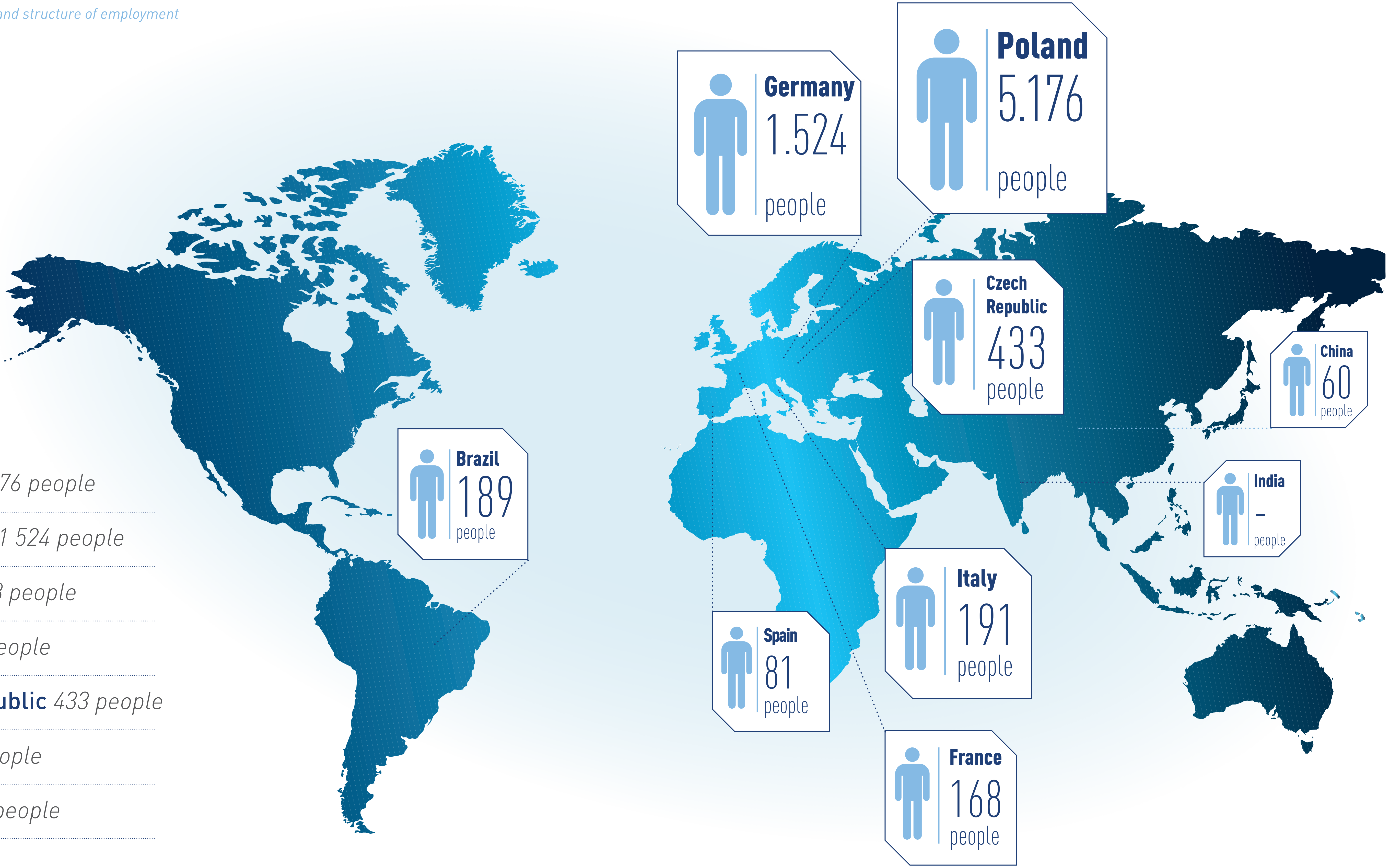
An essential element of our human resources policy is our openness to employees and to their needs. We facilitate their professional development, building their carrier paths, self-fulfilment and active participation in the life of Boryszew Group.

We aim at improving relations between the Employer and the Employees, bearing in mind that the understanding of problems faced by employees and of the strategy implemented by the management boards of respective companies is the key to building economic success.

We invest in our employees providing them with convenient working environment and facilitating access to new and improvement of existing skills. We believe that professional development is the key to success – both in personal and professional life.

Another important objective is to minimize the number of accidents at work. The Group complies with strict safety standards and regularly aims to reduce work environment factors affecting the health and safety of employees.

Number of employees and structure of employment



1 **Poland** *5 176 people*

2 **Germany** *1 524 people*

3 **France** *168 people*

4 **Spain** *81 people*

5 **Czech Republic** *433 people*

6 **Italy** *191 people*

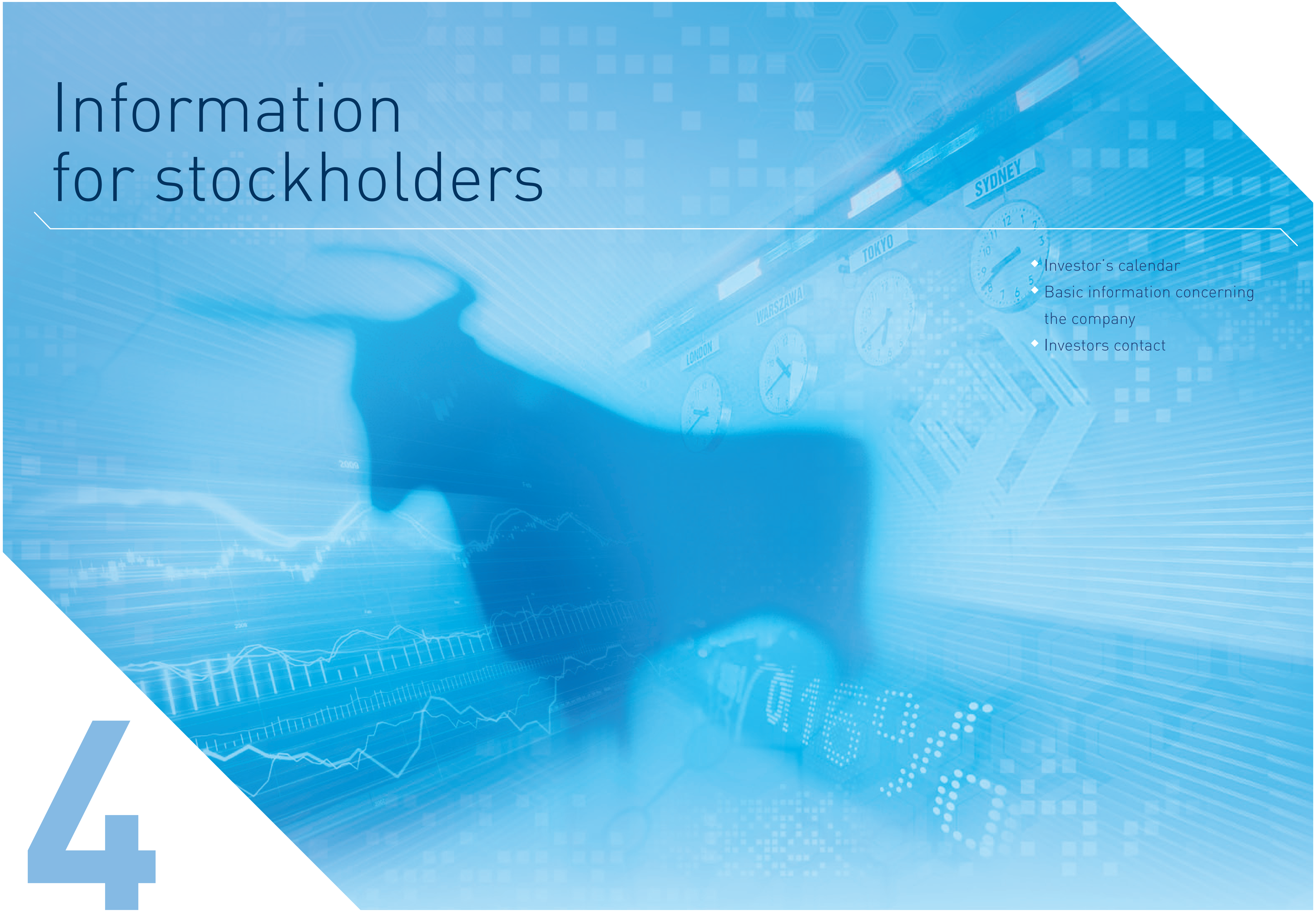
7 **Brazil** *189 people*

8 **India**

9 **China** *60 people*

Information for stockholders

- Investor's calendar
- Basic information concerning the company
- Investors contact



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Investor's calendar

2011

Date	Event
28 Feb	EGM Boryszew S.A.
13 Mar	Profit/loss forecast for Boryszew Group pertaining to 2011
28 Apr	Separate annual report 2010 Consolidated annual report 2010
15 May	Consolidated report Q1 2011
7 June	OGM Boryszew S.A.
22 July	Increase in share capital of Boryszew S.A. by PLN 112.8 mln
24, 30 Aug	24.08 Issue of G class shares 30.08 Interim consolidated report 2011
13, 27 Oct	13.10 EGM Boryszew S.A. 27.10 Adjusted profit/loss forecast for Boryszew Group pertaining to 2011
10 Nov	Consolidated report Q3 2011

2012

Date	Event
29 Feb	Consolidated report Q4 2011
15 Mar	Profit/loss forecast for Boryszew Group pertaining to 2012
27 Apr	Separate annual report 2011 Consolidated annual report 2011
15, 28 May	15.05 Consolidated report Q1 2012 28.05 OGM Boryszew S.A.
30 Aug	Interim consolidated report 2012
14 Nov	Consolidated report Q3 2012

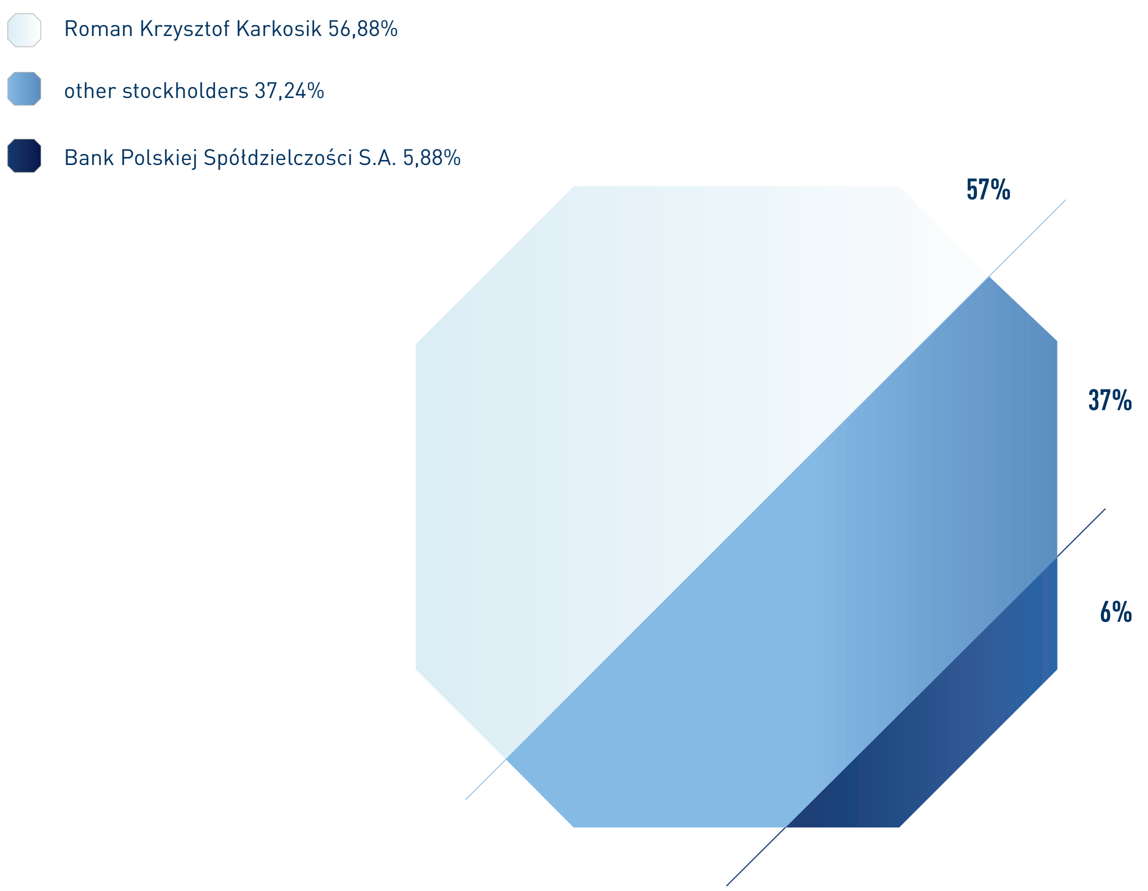
Basic information concerning the company

Date of WSE debut	**20.05.1996**
No. of shares	**2 256 715 692**
Capitalization as at 31.12.2011	**PLN 1 421.7 million**
Carrying value as at 31.12.2011	**PLN 1 201.9 million**

Stockholders:

Last revised on 10.04.2012	No. of shares	% of capital	No. of votes	% of votes
Roman Krzysztof Karkosik	1 283 523 539	56,88%	1 283 523 539	56,88%
Bank Polskiej Spółdzielczości S.A.	132 759 274	5,88%	132 759 274	5,88%
Other stockholders	840 432 879	37,24%	840 432 879	37,24%
Total:	**2 256 715 692**	**100,00%**	**2 256 715 692**	**100,00%**

Stockholders



Write-up

On 10 August 2011 the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, registered an increase in the company's share capital by issuance of 1,128,357,846 G class ordinary bearer shares.

As a result of the above-mentioned registration the company capital was increased by PLN 112.8 mln.

After the registration of the above-mentioned issue of shares, the company's share capital amounts to PLN 225,671,569.20 and is divided into 2,256,715,692 shares with the face value of 10 groszy each, including 32,212,500 A class ordinary bearer shares, 910,278 B class ordinary bearer shares, 22,563,769 C class ordinary bearer shares, 7,000,000 D class ordinary bearer shares, 313,432,735 E class ordinary bearer shares, 752,238,564 F class ordinary bearer shares and 1,128,357,846 G class ordinary bearer shares. The total number of votes associated with all the shares issued is 2,256,715,692.

Purchase of treasury (own) shares

Opening of the own shares purchase scheme:
- 24 November 2011
- equity price as at the start of the scheme: PLN 0.72

Number of shares purchased under the scheme as at 30.12.2011:
- 55,080,953 shares corresponding to 2.441% votes at the General Meeting of the Company.

Average unit purchase price:
- PLN 0.72

Key ratios

Ratio	2011
EPS – Net profit (loss) / number of shares	0, 06
P/E – Price / net earnings per share	10,1
P/CE	1,421,7
ROA	7,1 %
ROE	16 %

Dividend

In 2011 the company did not declare or pay the dividend.

On 7 June 2011, the Ordinary General Meeting of Boryszew S.A. adopted a resolution under which the company's net profit for the financial year 2010, amounting to PLN 37,110 thousand (thirty seven million one hundred ten thousand zlotys), was allocated in whole to supplementary capital.

Profit/loss forecast

On 13.03.2011, the Management Board of Boryszew S.A. announced forecasted results for the year 2011 (adjusted on 27.10.2011), assuming that the following financial results would be achieved:

	Forecast 2011	Actual 2011	% completed
Revenue (PLN mln)	4 317	4 332	100%
EBITDA (PLN mln)	371	346	93%
EBIT (PLN mln)	262	247	94%
Net profit (PLN mln)	195	193	99%

Revenue – refers to continued activity
EBITDA – profit or loss from operating activities less depreciation/amortisation cost
EBIT – profit or loss from operating activities
EBIDTA, EBIT refer to continued activity
Data 2011 – data audited based on the report pertaining to year 2011

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PRODUCTS OF THE BORYSZEW GROUP

Segment	Products	Applications	Manufacturer
Aluminium	– Plate and strip (hot and cold rolled) – Sheet and thin strip	– Distribution sector – Automotive industry – Packaging – Building – Construction	Huta Aluminium Konin (production plant of Impexmetal S.A.)
	– Aluminium and alloy wire rod		NPA Skawina S.A.
Copper	– Copper tubes, including installation tubes – Copper rod from tellurium copper and bronze – Copper flat bars – Copper sections (shapes) – Casting alloys	– Installation industry – Machine industry – Metallurgy and iron and steel industry – Trading – Building – Power industry – Automotive industry	Hutmen S.A.
	– Brass tubes, including condenser tubes – Brass and aluminium sections – Brass wire, rods and sections – ECO alloy rods (lead-free or with low content of lead) – Coin blanks – Copper alloy strips	– Installation industry – Building – Automotive industry – Electrical engineering – Coin-making (mints)	Walcownia Metali Dziedzice S.A.
Automotive	– Air-conditioning tubes – Servo-steering tubes – Rubber tubes for other applications – Active suspension tubes – Braking tubes	Automotive industry	Maflow Branch in Tychy
	– Air-conditioning tubes – Servo-steering tubes – Braking tubes – Fuel lines – Oil lines		Maflow BRS s.r.l
	– Air-conditioning tubes		Maflow Spain Automotive S.L.U
	– Air-conditioning tubes – Servo-steering tubes – Dryers – Active suspension tubes		Maflow France Automotive SA

Segment	Products	Applications	Manufacturer
Automotive	– Air-conditioning tubes – Servo-steering tubes – Dryers		Maflow do Brasil Ltda
	– Air-conditioning tubes – Servo-steering tubes		Maflow Components Co. Ltd
	– The start of assembly of complete tubes is planned in 2012/2013		Maflow India
	– Plastic elements		– Theysohn Kunstoff GmbH – Boryszew Kunstofftechnik Deutschland GmbH – AKT Plastikarska Technologie Cechy spol. s.r.o.
	– Tool making		– Theysohn Formenbau GmbH – Boryszew Formenbau Deutschland GmbH
Zinc and lead	– Refined lead and alloys of lead with antimony, tin, selenium, calcium, silver – Rolled and extruded products from lead and lead alloys (plates and sheets, strips, anodes, pipes and tubes, wire, rods) – Polypropylene – Sodium sulphate	– Automotive industry – Chemical industry	Baterpol S.A.
	– Zinc and titanium sheet and strip – Zinc wire and zinc and aluminium wire – Trough systems – Zinc anodes – Casting alloys – Zinc and lead oxides – Red lead oxide – Zinc white	– Construction – Automotive industry – Electrical engineering – Furniture-making industry – Automotive industry – Chemical industry – Pharmaceutical industry – Ceramic industry – Feedstuff industry – Glass works	Zakłady Metalurgiczne Silesia S.A.
Bearings	– Bearings – Balls and needles	– Automotive industry – Agriculture – Mining – Power industry – Steel and iron industry – Railways	– FŁT Polska Sp. z o.o. as a distributor of products of renowned manufacturers, including: – Schaeffler Gruppe Industrie FAG/INA – Seeger Orbis – ZŁW Kraśnik – FLT Bearings Ltd. – FLT France SAS
Other chemicals	– Cooling agents – Siding, doors, coffers – Styrofoam moulds – Polyethylene drums – Adhesives and raw materials for the production of adhesives – Plasticizers, stabilizers, grease for the production of plastics	– Automotive industry – Building industry – Chemical industry – Packaging – Auxiliary agents	Boryszew ERG S.A.
	– Construction polyamide		Nylonbor Sp. z o.o.

Segment	Products	Applications	Manufacturer
Polymery i poliestry	– Staples, continuous filaments – PET bottle polymer	– Textile industry – Furniture-making industry – Clothing industry	Elana Branch in Toruń
	– Energy media (primarily heat and electrical energy) for the needs of businesses located in the territory of Elana Branch		Elana Energetyka Sp. z o.o.
	– Continuous filaments	– Textile industry – Furniture-making industry – Clothing industry	Torlen Sp. z o.o.
	– Recycling of PET bottles – repair and maintenance services	– Textile industry – Clothing industry	Elana Pet Sp. z o.o.
	– Construction polyamide		Nylonbor Sp. z o.o.
Other	Domestic and foreign subsidiaries – dealing with sales of products of the Capital Group and other goods		– FLT & Metals Ltd. – Metalexfrance S.A. – S & I S.A. – SPV Lakme Sp. z o.o. – Impex – Invest Sp. z o.o. – Eastside Capital Investments Sp. z o.o. – Symonvit Ltd
Activities of holding companies	– Headquarters in Warsaw – the subject of this activity is the management of the Capital Group (several dozen companies in Poland and abroad) and it is aimed at increasing the goodwill of the company and the Group in the long run. The company generates income from the sale of goods, services, dividends and interest. – Boryszew Automotive Plastics Spółka z o.o. (formerly: Centermedia) performing the holding function in AKT/Theysohn Group.		

Financial score

- Consolidated financial statements of Boryszew Capital Group from 1 January to 31 December 2011
- Opinion of an independent auditor

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CONTENTS

Consolidated financial statements of Boryszew Capital Group from 1 January to 31 December 2011

STATEMENT OF COMPREHENSIVE INCOME Continuing operations	note	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Sales of products		3 707 032	2 617 377
Sales of goods and materials		625 092	517 415
Total sales	6	4 332 124	3 134 792
Cost of products sold		3 282 995	2 355 363
Value of goods and materials sold		583 084	455 895
Total cost of sales	7	3 866 079	2 811 258
Gross profit (loss) from sales		466 045	323 534
Cost of sales		79 144	56 244
General and administrative expenses		216 229	146 926
Other operating income	8	106 132	83 073
Other operating costs	9	29 470	122 557
Net profit (loss) from sale of interests and shares in subsidiaries	10	0	19 293
Operating profit (loss)		247 334	100 173
Financial income	11	38 612	30 219
Financial costs	12	64 154	70 934
Profit/loss from financing activities		-25 542	-40 715
Profit (loss) before tax		221 792	59 458
Income tax	13	21 974	14 093
Operating profit (loss) from continuing operations		199 818	45 365
Discontinuing operations	4		
Profit (loss) before tax		-6 987	-8 073
Income tax		-319	-344
Operating profit/loss from discontinuing operations	4	-6 668	-7 729
Net profit/loss from continuing and discontinuing operations, including net/profit and loss due to:		193 150	37 636
owners of the controlling entity		141 254	5 149
non-controlling shareholders		51 896	32 487

STATEMENT OF COMPREHENSIVE INCOME	01.01.2011 -31.12.2011	01.01.2010 -31.12.2010
Net profit/loss	193 150	37 636
Other capitalised income		
Currency translation differences related to foreign operations	2 083	-3 298
Financial assets available for sale (interests and shares)	-51	112
Hedge accounting	-4 549	-3 769
Total income tax from other income (+/-)	874	695
Total other income after tax, including income due to:	-1 643	-6 260
owners of the controlling entity	-2 608	-3 584
non-controlling shareholders	965	-2 676
Total overall income, including income due to:	191 507	31 376
owners of the controlling entity	138 646	1 565
non-controlling shareholders	52 861	29 811
Earnings/loss per share		
Net earnings due to controlling entity (in kPLN)	141 254	5 149
Number of shares (units) with title to dividend	2 201 634 699	1 128 357 846
Earnings per share (PLN)	0,06	0,00
Weighted average number of shares	2 030 899 818	545 287 088
Diluted earnings/loss per share (PLN)	0,07	0,01

DISCONTINUING OPERATIONS	01.01.2011 -31.12.2011	01.01.2010 -31.12.2010
Sales of products	5 395	9 294
Sales of goods and materials	1 529	1 469
Total sales	6 924	10 763
Cost of products sold	4 429	8 279
Value of goods and materials sold	795	1 421
Cost of products, goods and materials sold	5 224	9 700
Gross profit (loss) from sales	1 700	1 063
Cost of sales	0	493
General and administrative expenses	472	1 630
Other operating income	12 143	21 817
Other operating costs	11 773	21 742
Operating profit (loss)	1 598	-985
Financial income	512	638
Financial costs	9 097	7 726
Profit/loss from financing activities	-8 585	-7 088
Profit (loss) before tax	-6 987	-8 073
Income tax	-319	-344
Operating profit (loss) from discontinuing operations including profit (loss) due to:	-6 668	-7 729
owners of the controlling entity	-1 600	-4 148
non-controlling shareholders	-5 068	-3 581
Operating profit/loss from discontinuing operations per share	-1 600	-4 148
Net profit/loss (kPLN)	2 201 634 699	1 128 357 846
Number of shares/interests (units)	0,00	0,00
Earnings/loss per share (PLN)		

STATEMENT OF FINANCIAL POSITION	note	As at 31.12.2011	As at 31.12.2010	As at 01.01.2010
ASSETS			converted data	converted data
Fixed assets				
Tangible fixed assets	13	998 398	910 377	815 409
Investment property	14	106 588	73 180	112 827
Goodwill	15	75 772	23 464	23 464
Intangible assets	16	23 846	18 912	20 298
Interests and shares in subsidiaries	17	22 748	16 778	24 034
Financial assets available for sale	18	7 915	4 470	529
Financial assets held to maturity	19	0	0	10 600
Deferred tax assets	13	49 582	37 321	46 191
Trade and other receivables	21	687	308	810
Other assets	25	3 937	99	21
Total fixed assets		1 289 473	1 084 909	1 054 183
Current assets				
Inventory	22	599 011	406 499	341 127
Trade and other receivables	21	680 425	588 206	441 462
Short-term financial assets available for sale	18	4 432	474	362
Short-term financial assets held to maturity	19	0	0	5 946
Derivative financial instruments	20	7 484	7 745	10 711
Current tax assets	13	5 091	1 269	1 710
Other assets	25	19 792	9 030	2 891
Cash and cash equivalents	24	88 007	82 052	51 476
Total current assets		1 404 242	1 095 275	855 685
Assets classified as held for sale	26	24 960	31 183	39 218
Total assets		2 718 675	2 211 367	1 949 086

STATEMENT OF FINANCIAL POSITION	note	As at 31.12.2011	As at 31.12.2010	As at 01.01.2010
LIABILITIES			converted data	converted data
Equity	**27**			
Share capital		234 807	121 972	15 404
Own (treasury) shares (stocks)		-38 927	0	0
Share premium		24 435	24 435	24 435
Hedge accounting reserve		-698	1 100	2 811
Assets revaluation reserve		610	651	560
Currency translation differences related to subsidiaries		2 560	3 329	5 293
Retained earnings, including:		470 404	362 805	350 984
Profit for the current year		141 254	5 149	39 745
Total equity		**693 191**	**514 292**	**399 487**
Non-controlling shareholders' equity		**508 706**	**476 157**	**437 933**
Total equity		**1 201 897**	**990 449**	**837 420**
Non-current liabilities				
Long-term bank loans and other borrowing payables	28	199 085	144 500	141 431
Deferred tax reserve	13	88 446	65 251	61 864
Provision for employee benefits	29	14 055	10 142	5 934
Other provisions	30	7 566	6 975	7 578
Other liabilities	31	9 641	6 874	8 310
Total non-current liabilities		**318 793**	**233 742**	**225 117**
Current liabilities				
Short-term bank loans and other borrowing payables	28	546 584	482 357	535 486
Trade and other payables	31	534 770	405 869	279 243
Derivative financial instruments	20	9 517	10 305	8 607
Current tax payables	13	3 216	710	0
Provision for employee benefits	29	10 167	5 900	5 043
Other provisions	30	41 194	36 925	10 381
Deferred income	32	1 386	1 243	1 287
Total current liabilities		**1 146 834**	**943 309**	**840 047**
Liabilities directly linked with assets classified as held for sale	**26**	**51 151**	**43 867**	**46 502**
Total payables		**1 516 778**	**1 220 918**	**1 111 666**
Total liabilities		**2 718 675**	**2 211 367**	**1 949 086**

STATEMENT OF CHANGES IN EQUITY	Share capital	Treasury (own) shares	Share premium	Hedge accounting	Revaluation reserve	Currency translation differences related to subsidiaries	Retained earnings	Controlling entity's equity	Non-controlling shareholders' equity	Total equity
As at 01.01.2011	121 972	0	24 435	1 100	651	3 329	362 805	514 292	476 157	990 449
Revaluation of hedging instruments				-1 798				-1 798	-1 887	-3 685
Change in fair value of assets available for sale					-41			-41		-41
Exchange adjustments						-769		-769	2 852	2 083
Net profit/ loss in 2011							141 254	141 254	51 896	193 150
Total overall income in 2011	**0**	**0**	**0**	**-1 798**	**-41**	**-769**	**141 254**	**138 646**	**52 861**	**191 507**
Receipts from issue of shares	112 835							112 835		112 835
Purchase of treasury shares		-38 927						-38 927		-38 927
Payment to shareholders by virtue of conversion of preference shares into equity shares							-674	-674		-674
costs related to issuance of shares							-707	-707		-707
Dividend payment								0	-19 819	-19 819
Buy-back of the shares of Impexmetal							-10 894	-10 894	-10 466	-21 360
Change in the structure of Impexmetal Group							-21 380	-21 380	9 973	-11 407
As at 31.12.2011	**234 807**	**-38 927**	**24 435**	**-698**	**610**	**2 560**	**470 404**	**693 191**	**508 706**	**1 201 897**

STATEMENT OF CHANGES IN EQUITY	Share capital	Treasury (own) shares	Share premium	Hedge accounting	Revaluation reserve	Currency translation differences related to subsidiaries	Retained earnings	Controlling entity's equity	Non-controlling shareholders' equity	Total equity
As at 01.01.2010	15 404	0	24 435	2 811	560	5 293	350 984	399 487	437 933	837 420
Revaluation of hedging instruments				-1 711				-1 711	-1 342	-3 053
Change in fair value of assets available for sale					91			91		91
Exchange adjustments						-1 964		-1 964	-1 334	-3 298
Net profit/ loss in 2010							5 149	5 149	32 487	37 636
Total overall income in 2010	**0**	**0**	**0**	**-1 711**	**91**	**-1 964**	**5 149**	**1 565**	**29 811**	**31 376**
receipts from issue of shares	106 568							106 568		106 568
Dividend payment								0	-51	-51
Sale of shares of Impexmetal not resulting in the loss of controlling position						-6 440	-6 440	54 205	47 765	
Change in the structure of equity of Impexmetal							13 112	13 112	-45 741	-32 629
As at 31.12.2010	**121 972**	**0**	**24 435**	**1 100**	**651**	**3 329**	**362 805**	**514 292**	**476 157**	**990 449**

CASH FLOW STATEMENT	01.01.2011 -31.12.2011	01.01.2010 -31.12.2010
Cash flow from operating activities		
Profit (loss) before tax	214 805	51 385
Adjustments (+/-)	-98 460	4 785
Depreciation and amortization	98 341	75 985
Unrealised earnings/ losses due to exchange adjustments related to currency translations	-58	-1 307
Interest on financial liabilities (loans, borrowings, bonds)	41 047	49 746
Profit / loss on financial assets (AFS, HTM, HFS)	1 795	0
Dividends due to share in profit	-608	-1 034
Profit / loss from investing activities	-50 891	-45 719
Change in receivables (except long-term borrowings)	-92 598	-144 057
Movements in inventories	-192 512	-66 162
Change in payables (except financial liabilities)	131 668	125 963
Movements in reserves and prepayments (excl. deferred tax)	4 604	3 375
Other items	-34 432	6 844
Income tax paid (reimbursed)	-4 816	1 151
Net cash flow from operating activities	116 345	56 170
Cash flow from investing activities		
Receipts	32 858	142 088
Receipts from disposal of intangible and tangible fixed assets and property	28 242	42 522
Receipts from the sale of interests and shares in entities forming the Capital Group	4 008	98 532
Dividend receipts	608	1 034
Expenditure	295 787	135 446
Purchase of intangible and tangible fixed assets and property	193 437	123 608
Acquisition of interests and shares in entities forming the Capital Group	21 359	8 732
Other investment expenses	36 011	3 106
Net cash flow from investing activities	-217 949	6 642
Cash flow from financing activities		
Receipts	372 790	236 516
Net receipts from the issue of shares (holdings) and other capital instruments, and capital contributions	112 835	106 568
Receipts from loans	250 314	127 520
Receipts from borrowings	7 088	0
Receipts from disposal of assets available for sale	888	0
Receipts from sale of assets held to maturity	0	2 428

CASH FLOW STATEMENT	01.01.2011 -31.12.2011	01.01.2010 -31.12.2010
Receipts from disposal of financial assets held for trading	381	0
Other financial receipts	1 284	0
Expenditure	266 958	267 353
Expenditure on the purchase of the shares of Boryszew and Impexmetal	64 068	25 620
Dividend expenditure and other disbursements to minority owners	20 955	773
Repayment of loans	120 590	168 811
repayment of borrowings	1 206	17 970
Interest paid on loans, borrowings, bonds	41 047	49 746
Financial lease contracts payable	16 794	3 757
Acquisition of financial assets held for trading	90	676
Other expenditure	2 208	0
Net cash flow from financing activities	105 832	-30 837
Net cash change	-4 228	31 975
Exchange adjustments due to currency translation at the end of the period	2 871	-242
Changes in cash balance	5 955	0
Cash at the beginning of the business year	82 052	51 476
Cash held by entities acquired/sold – OB	-1 225	-135
Changes in cash from discontinuing operations	81	-1 022
Cash at the end of the business year	88 007	82 052

ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

1. KEY PARTICULARS OF THE COMPANY

Boryszew Spółka Akcyjna

Registered office: 96-500 Sochaczew, ul. 15 Sierpnia 106
Registered with the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division,
KRS number 0000063824
business registration number (Regon) 750010992
tax identification number (NIP) 837-000-06-34
The company was established for an unspecified period of time.

Classification of the Company on the listed market

The shares of the Company are continuously listed on the main market of the Warsaw Stock Exchange in the chemical sector.

Objectives

The Company deals with manufacturing, services and trading activities.
In 2011 Boryszew S.A. operated through three branches keeping separate accounts:
Head Office – activities of holding companies
Elana Branch in Toruń – manufacturing polymers and polyestersMaflow Branch in Tychy – manufacturing automotive air-conditioning tubes and braking and servo steering tubes.

This report contains aggregate data..

THE SUPERVISORY BOARD OF BORYSZEW S.A.
Mr Arkadiusz Krężel – Chairman of the Supervisory Board
Mr Zygmunt Urbaniak – Secretary of the Supervisory Board
Mr Dariusz Jarosz – Member of the Supervisory Board
Mr Mirosław Kutnik – Member of the Supervisory Board
Mr Tadeusz Piętka – Member of the Supervisory Board

THE MANAGEMENT BOARD OF BORYSZEW S.A.
Ms Małgorzata Iwanejko – President of the Management Board
Mr Robert Bednarski – Vice-President of the Management Board
Mr Kamil Dobies – Vice-President of the Management Board
Mr Paweł Miller – Member of the Management Board

1.1. AREA OF BUSINESS

The Company deals with manufacturing, services and trading activities.

In 2011 Boryszew S.A. operated through three branches keeping separate accounts:
Head Office – activities of holding companies.
Elana Branch in Toruń – manufacturing polymers and polyesters
Maflow Branch in Tychy – manufacturing automotive air-conditioning tubes and braking and servo steering tubes

Activities of respective companies from Boryszew Capital Group included in the consolidated financial statements

- CenterMedia Sp. z o.o.
  – activities of holding companies.
- Maflow BRS S.r.l
  – manufacturing rubber and automotive parts
- Maflow Spain Automotive S.L.U
  – automotive parts
- Maflow France Automotive S.A.
  – automotive parts
- Maflow do Brasil Ltda
  – automotive parts
- Maflow Components Co. Ltd.
  – automotive parts
- ICOS GmbH
  – automotive parts
- Theysohn Kunstoff GmbH
  – automotive parts
- Theysohn Formenbau GmbH
  – automotive parts
- Boryszew Kunstofftechnik Deutschland GmbH
  – automotive parts
- AKT Plastikarska Technologie Cechy spol. s.r.o.
  – automotive parts
- Boryszew ERG in Sochaczew
  – Air-conditioning, cooling and solar system liquid "Ergolid"
  – Plastic processing modifiers
  – Packaging
  – Polyacetate-based adhesives and polyacetate emulsions
  – Building materials
- Elana PET
  – Recycling of plastic packaging
  – Mechanical and electrical services
- Elana Energetyka
  – Power distribution
- Nylonbor
  – Construction polyamide
- Nowoczesne Produkty Aluminiowe Skawina Sp. z o.o.
  – manufacturing products from aluminium and its alloys,
- Impexmetal S.A.
  – wholesale of metals and metal ores
  – production of primary aluminium
  – manufacturing products from aluminium and aluminium alloys,
- Huta Metali Nieżelaznych Szopienice S.A. in liquidation
  – manufacturing mill products from copper and its alloys,
- Walcownia Metali Dziedzice S.A.
  – manufacturing products from copper and brass,
- Hutmen S.A.
  – manufacturing semi-finished products from copper and its alloys,
- ZM Silesia S.A.
  – manufacturing zinc products,
- Baterpol Sp. z o.o.
  – purchasing, processing and selling scrap batteries and non-ferrous metal waste, manufacturing lead,
- FŁT Polska Sp. z o.o., FLT Bearings Ltd., FLT France SAS, FLT & Metals Ltd., Metalexfrance S.A., S & I S.A. (at present the company does not carry out operating activities)
  – commercial activities,
- Torlen Sp. zo.o.
  – manufacturing Torlen® (polyester silk)
- Polski Cynk Sp. z o.o.
  – commercial activities,
- SPV Lakme Sp. z o.o.
  – erecting buildings
- Impex – Invest Sp. z o.o.
  – activities of financial holding companies
- Eastside Capital Investments Sp. z o.o.
  – other financial service activities
- Symonvit Ltd
  – managing trademarks

1.2. CONSOLIDATED FINANCIAL STATEMENTS

Management Board's declaration concerning compliance with accounting principles
The Management Board of Boryszew S.A. consisting of Małgorzata Iwanejko, Robert Bednarski, Kamil Dobies and Paweł Miller declares that, to the best of their knowledge, the consolidated financial statements including the comparative figures have been prepared in compliance with the applicable accounting standards and that they are a true, fair and transparent presentation of the financial and economic standing as well as net profit/loss of Boryszew Capital Group. The Management Board unanimously certifies that the report concerning the activities of Boryszew Capital Group contains a true presentation of the development and achievements as well as the standing, including a description of fundamental risks and hazards.

Management Board's declaration concerning the appointment of an entity to audit financial statements
The Management Board of Boryszew S.A. declares that Deloitte Audyt Sp. z o.o., auditing the consolidated financial statements pertaining to the year 2011, was selected in an a lawful manner and that Deloitte Audyt Sp. z o.o. and the auditors performing the audit satisfied the conditions required to issue an impartial and autonomous opinion on the audited consolidated financial statements, as required by applicable regulations and professional standards.

On 31 May 2011, the Supervisory Board of Boryszew S.A. appointed Deloitte Audyt Sp. z o.o. having its registered office in Warsaw at Al. Jana Pawła II 19 as the auditor of the financial statements of Boryszew S.A. and Boryszew Capital Group pertaining to the period from 1 January 2011 to 31 December 2011.

Deloitte Audyt Sp. z o.o. is an entity authorised to audit financial statements, registered in the list of such entities maintained by the Polish National Council of Statutory Auditors under number 73.

Grounds for consolidation
The consolidated financial statements contain the financial statements of the controlling entity and the statements of entities controlled by the parent undertaking (or by subsidiaries of the parent undertaking) prepared as at the balance sheet date. Control occurs if the parent undertaking is capable of exerting influence on the financial and operational policy of its subsidiary in order to achieve benefits.

The following Companies are included in the consolidated financial statements:

Composition of Boryszew Capital Group as at 31.12.2011	Registered office	share in equity	share in voting	subsidiary of	Business area
Boryszew S.A.:	Sochaczew			parent undertaking	
Head Office	Warsaw				Activities of holding companies
Elana Branch in Toruń	Toruń				Polymers and polyesters
Maflow Branch in Tychy	Tychy				Automotive industry
Boryszew ERG S.A.	Sochaczew	100,00%	100,00%	Boryszew S.A.	Other chemicals
Nylonbor Sp. z o.o.	Sochaczew	100,00%	100,00%	Boryszew ERG	Other chemicals
Elimer Sp. z o.o.	Sochaczew	52,44%	52,44%	Boryszew ERG	Other chemicals
Torlen Sp. z o.o.	Toruń	100,00%	100,00%	Boryszew S.A.	Polymers and polyesters
Elana Pet Sp. z o.o.	Toruń	100,00%	100,00%	Boryszew S.A.	Polymers and polyesters
Elana Energetyka Sp. z o.o.	Toruń	100,00%	100,00%	Boryszew S.A.	Polymers and polyesters
NPA Skawina S.A.	Skawina	100,00%	100,00%	Boryszew S.A.	Aluminium

Composition of Boryszew Capital Group as at 31.12.2011	Registered office	share in equity	share in voting	subsidiary of	Business area
Boryszew Automotive Plastics (dawniej Centermedia)	Toruń	100,00%	100,00%	Boryszew S.A.	Other
Maflow BRS s.r.l	Italy	100,00%	100,00%	Boryszew S.A.	Automotive industry
Maflow Spain Automotive S.L.U	Hiszpania	100,00%	100,00%	Boryszew S.A.	Automotive industry
Maflow France Automotive S.A.	France	100,00%	100,00%	Boryszew S.A.	Automotive industry
Maflow do Brasil Ltda	Brazil	100,00%	100,00%	Maflow BRS s.r.l.	Automotive industry
Maflow Components Co. Ltd	China	100,00%	100,00%	Maflow BRS s.r.l.	Automotive industry
ICOS GmbH	Germany	100,00%	100,00%	Boryszew Automotive Plastics (dawniej Centermedia)	Automotive industry
Theysohn Kunstoff GmbH	Germany	100,00%	100,00%	ICOS GmbH	Automotive industry
Theysohn Formenbau GmbH	Germany	100,00%	100,00%	ICOS GmbH	Automotive industry
Boryszew Formenbau Deutschland GmbH	Germany	100,00%	100,00%	Boryszew Automotive Plastics (dawniej Centermedia)	Automotive industry
Boryszew Kunstofftechnik Deutschland GmbH	Germany	100,00%	100,00%	Boryszew Automotive Plastics (dawniej Centermedia)	Automotive industry
AKT Plastikarska Technologie Cechy spol. s.r.o.	Czech Republic	100,00%	100,00%	Boryszew Kunstofftechnik Deutschland GmbH	Automotive industry
Impexmetal S.A.	Warsaw	51,00%	51,00%	Boryszew S.A. Impexmetal S.A.	Aluminium
Hutmen S.A.	Wrocław	33,27%	33,27%	Impexmetal S.A. Impex – invest	Copper
Walcownia Metali Dziedzice S.A.	Czechowice-Dziedzice	58,78%	58,78%	Hutmen S.A. Boryszew S.A.	Copper
Huta Metali Nieżelaznych Szopienice S.A. – in liquidation	Katowice	31,50%	31,50%	Polski Cynk Sp. z o.o.	Copper
Zakłady Metalurgiczne Silesia S.A.	Katowice	51,18%	51,18%	Impexmetal S.A. Boryszew S.A.	Zinc and lead
Baterpol S.A.	Katowice	51,00%	51,00%	Polski Cynk Sp. z o.o.	Zinc and lead
Polski Cynk Sp. z o.o.	Katowice	51,00%	51,00%	Impexmetal S.A. ZM Silesia S.A.	Zinc and lead
FŁT Polska Sp. z o.o.	Warsaw	50,16%	50,16%	Impexmetal S.A.	Bearings
FLT & Metals Ltd.	United Kingdom	51,00%	51,00%	Impexmetal S.A.	Other
Metalexfrance S.A.	France	51,00%	51,00%	ZM Silesia S.A.	Other
S & I S.A.	Switzerland	51,00%	51,00%	Impexmetal S.A.	Other
FLT Bearings Ltd.	United Kingdom	51,00%	51,00%	FLT France SAS	Bearings
FLT France SAS	France	51,00%	51,00%	FŁT Polska Sp. z o.o.	Bearings
SPV Lakme Sp. z o.o.	Warsaw	51,00%	51,00%	Impexmetal S.A.	Other
Impex – Invest Sp. z o.o.	Warsaw	51,00%	51,00%	Impexmetal S.A.	Other
Eastside Capital Investments Sp. z o.o.	Warsaw	51,00%	51,00%	Impexmetal S.A.	Other
Symonvit Ltd	Cyprus	51,00%	51,00%	Impexmetal S.A.	Other

Non-consolidated companies:

Brassco Inc.	51,00%	out of operation
Przedsiębiorstwo Usługowo-Handlowe Hutnik Sp. z o.o.	48,00%	recreation, catering
Susmed Sp. z o.o.	51,00%	production, processing of lead and tin
Temer Sp. z o.o.	51,00%	repair services
FLT Wälzlager GmbH	51,00%	distribution of bearings
FLT & Metals s.r.l.	51,00%	distribution of bearings
FLT (Wuxi) Trading Co. Ltd.	51,00%	distribution of bearings
FLT Metal Ltd. – in liquidation	9,00%	out of operation
MBO-HUTMEN jv Sp. z o.o.	26,00%	out of operation
KATECH-HUTMEN Sp. z o.o. – in liquidation	26,00%	out of operation
Przedsiębiorstwo Remontowe REMAL Sp. z o.o.	25,00%	repair and production services
Przedsiębiorstwo Automatyzacji i Pomiarów ALTECH Sp. z o.o.	18,00%	services, automatic control systems, measurements
ZUO konin	31,00%	waste disposal
Surowce Hutmen Spółka Akcyjne Spółka komandytowa	51,00%	
TRANSSZOP Sp. z o.o.- w upadłości	20,00%	out of operation
Brest – Bor Sp. z o.o.	56,40%	out of operation
Altrans Sp. z o.o.	51,43%	out of operation
Maflow Indie	100,00%	automotive
Zavod Mogiliew – Sp. zo.o. Białoruś	50,00%	plastics manufacturing, recycling
Elana Ukraina Sp. z o.o.	90,00%	plastics manufacturing
InterFlota Sp. z o.o.	100,00%	car rental
ZUO konin	31,00%	waste disposal

The exclusion from consolidation was due to practical reasons and the simplification applied is not material from the point of view of the entire consolidated financial statements and the financial standing of the Group (pursuant to articles 29 and 30 of the Conceptual Framework for the Preparation and Presentation of Financial Statements).

Underlying principles of consolidation applied by the Group

- As at the balance sheet date, the composition and structure of the Capital Group is determined by the parent undertaking based on stock-taking at all levels of the Group.
- Associates that meet the conditions of consolidation are included in the consolidated financial statements until the date of assuming control, joint control or commencement of material influence.
- If necessary, the financial statements of subsidiaries are subject to adjustments in order to consolidate the accounting principles applied by the entity with the accounting principles applied by the parent undertaking.

Methods of consolidation – subsidiaries are included in the consolidated financial statements as described below:

- data of subsidiaries – full consolidation method in which the consolidated financial statements are drawn up by summing up respective items of their financial statements with the financial statements of the parent undertaking irrespective of the percentage share of the parent in subsidiaries and irrespective of exclusions from consolidation and consolidated adjustments,
- interest in associates – by equity method in which share expressed in acquisition prices are adjusted with regard to difference between the acquisition price and the value of the share in equity of such associates. This difference should be posted to the consolidated financial profit or loss and disclosed as a separate item of the consolidated balance sheet. This method is not used with regard to the fact that associates are not consolidated.

Consolidated adjustments:

- translation of financial statements of associates denominated in foreign currency,
- any transactions, revenues and costs between con-

solidated associates are excluded from consolidation.
- adjustment of profit or loss not realised by the Group, reported under the consolidated assets and resulting from sale of assets below their net carrying value,
- exclusion of any offsetting whatsoever,
- adjustment of dividends payable or paid by subsidiaries to their parent undertakings at all levels of the Group,
- exclusion of parent's interest in consolidated subsidiaries from the Group's equity and adjustment pertaining to the business year to the extent of minority contributions,
- net profit or loss of entities acquired or sold during the year is included in the consolidated financial statements respectively from/to the moment of their acquisition or sale.

As of the date of the assumption of control the assets and liabilities of the acquired entity are appraised at their fair value. The acquisition price exceeding the fair value of the acquired identifiable net assets of the entity is reported as the goodwill. If the acquisition price is lower than the fair value of the acquired identifiable net assets of the entity, the difference is reported in the profit and loss account in the period in which the acquisition occurred. Minority interest is disclosed at the relevant proportion of the fair value of assets and equity.

The consolidated financial statements have been drawn based on a calculation variant of the profit and loss account. The cash flow statement is drawn up by indirect methods.

1.3. CHANGES IN THE STRUCTURE OF THE CAPITAL GROUP

Consolidated entities

Acquisition of Theysohn Kunstoff GmbH and Theysohn Formenbau GmbH in Germany

On 20 July 2011, Centermedia Sp. z o.o., a 100% subsidiary of Boryszew S.A., signed an agreement for the purchase of 100% of shares in ICOS GmbH, totalling 2.1 MEUR ICOS is the 100% owner of Theysohn Kunstoff GmbH in Salzgitter and Theysohn Formenbau GmbH in Lagenhagen near Hannover. The condition precedent was a positive decision of the anti-trust office concerning the concentration.

On 8 September 2011 Boryszew SA made a declaration concerning its joint and several liability for the liabilities of its subsidiary Centermedia Spółka z o.o. following from the agreement for the purchase of 100% of shares in ICOS GmbH and relating to warranties granted by the Seller to ICOS GmbH or its subsidiaries.

Thus, the condition precedent of the agreement concluded on 20 July 2011 was satisifed and as of 8 September 2011 the ownership of the shares purchased was transferred to Centermedia Spółka z o.o.

ICOS is the 100% shareholder of Theysohn Kunstoff GmbH in Salzgitter and Theysohn Formenbau GmbH in Lagenhagen near Hannover.

Establishment of Boryszew Kunstofftechnik Deutschland GmbH

On 29 July 2011 a company under the name of Boryszew Kunststofftechnik Deutschland GmbH was registered by the court of registration in Düsseldorf. Boryszew Kunststofftechnik Deutschland GmbH is a 100% indirect subsidiary of Boryszew S.A. through CenterMEDIA Sp. z o.o. having its registered office in Toruń.

The company was incorporated in order to purchase:

- the assets of Altmärker Kunststoff – Technik GmbH in Gardenlegen, Germany
- and the shares in AKT Plastikarska Technologie Cechy spol. s.r.o. having its registered office in Jablonec nad Nisou, Czech Republic.

Purchasing of the assets of AKT GmbH

On 30 July 2011, Boryszew Kunststofftechnik Deutschland GmbH – a 100% indirect subsidiary of Boryszew S.A. (through CenterMEDIA Sp. z o.o.) – signed an agreement for the purchase of:

- the assets of Altmärker Kunststoff – Technik GmbH in Gardenlegen, Germany

and

- the shares in AKT Plastikarska Technologie Cechy spol. s.r.o. having its registered office in Jablonec nad Nisou, Czech Republic, totalling 6.7 MEUR.

The assets of Altmärker Kunststoff – Technik GmbH purchased include, among other assets:

- fixed assets,
- intangible assets, including intellectual property:
- selected agreements concerning operations, in force as at the date of the agreement,
- agreements with employees,
- contracts.

On 27 August 2011, the seller received the price for the assets and shares purchased in compliance with the provisions of the agreement, which, provided that other conditions precedent – including the approval from the Federal Cartel Office (Bundeskartellamt) and the discharge of the Czech company from the obligation to guarantee the financial liabilities of AKT in Germany by banks – are satisfied, caused its dispositive

effect in the form of the transfer of title to assets purchased to take place on 28 August 2011.

AKT is a supplier of plastic elements for cars (interior and exterior elements, elements of a motor and fittings) including Volkswagen, General Motors/Opel and BMW, whose sales in 2010 exceeded 140 MEUR. AKT has approximately 900 employees in Germany and approximately 400 employees in the Czech Republic.

Boryszew Formenbau Deutschland GmbH

On 21 October 2011, Centermedia Sp. z o.o., a subsidiary of Boryszew S.A., purchased 25,000 shares with the face value of EUR 1.00 each in ZETA fünfundsiebzigste VV GmbH in Düsseldorf. Simultaneously, on the same day the General Meeting of Shareholders of ZETA fünfundsiebzigste VV GmbH resolved to rename the company into Boryszew Formenbau Deutschland GmbH and to relocate its registered office to Doberschau. The company under a new business name was registered on 18 November 2011.

The company was acquired in order to purchase the assets of WEDO Formenbau und Kunststoffverarbeitung.

Wedo Formenbau Und Kunststoffverarbeitung (WEDO)

On 21 October 2011 the official receiver and Boryszew Formenbau Deutschland Gmbh concluded an agreement for the purchase of assets of WEDO, for approximately 2 MEUR. The condition precedent was a positive decision of the anti-trust office concerning the concentration.

On 30 November 2011, the seller received the price for the assets purchased, which, in compliance with the provisions of the agreement provided that other conditions precedent including the approval from the Federal Cartel Office (Bundeskartellamt), are satisfied, caused its dispositive effect in the form of the transfer of title to assets purchased to take place on 1 December 2011.

WEDO is a high-end boutique tool shop closely integrated with the enterprises forming AKT Group, providing construction, design, R&D and mould production services – both to AKT and to clients in and outside the automotive sector.

Settlement of accounts related to the acquisition of the above-mentioned businesses

The Management Board of the Parent Company declares that the accounts related to the acquisition of the enterprises and companies from the former AKT Capital Group and Theysohn Capital Group were not completely settled as of the date of the consolidated financial statements. Therefore, the Parent Company (controlling company), in compliance with the provisions of International Financial Reporting Standard No. 3, decided to recognise the settlement of units acquired based on interim values. All changes in the fair value of the acquired assets, liabilities and contingent liabilities, if any, can result in a change of recognised value of comparative data in the consolidated financial statements pertaining to the business year 2012.

The table below presents the value of assets and liabilities acquired and the purchase price paid for them.

	TOTAL	ICOS GmbH	Theysohn Kunstoff GmbH	Theysohn Formenbau GmbH	Boryszew Kunstolffechnik Deutschland GmbH (AKT)	AKT Plastikarska Technologie Cechy spol. s.r.o.	Boryszew FD (Wedo)
		Germa-ny	Germany	Germany	Germany	Czechy	Germany
Value of assets acquired	275 815	8 703	80 664	26 098	63 083	89 354	7 912
Value of liabilities acquired	297 231	7 908	111 317	29 646	72 026	67 590	8 745
net value of assets acquired	-21 416	796	-30 653	-3 548	-8 942	21 764	-833
purchase price	13 895	8 918	4 352	0	104	414	107
			udziały posiada ICOS				
GOODWILL recognised in costs after write-off	52 308	8 122	30 652	3 548	9 046	0	940
Profit from bargain purchase recognised in the statement of comprehensive income in revenues	21 349	0	0	0	0	21 349	0

As of the date of these consolidated financial statements, the Parent Company has not been fully informed on the net fair value of the acquired assets of the above-mentioned entities. The fair value determination process has not been completed yet. Therefore, in compliance with IFRS 3 "Business combinations", the Company settled the accounts related to the acquired assets and liabilities based on interim values. For the needs of this settlement the best estimates of the fair value of assets and liabilities available as at the date of these consolidated financial statements were adopted as the book value.
Changes interim values, if they prove significant, will be implemented after all risks related to the acquired assets are examined and all material assets are measured and adjustments, if any, are included in the financial statements pertaining to the year 2012 as if the book settlement of accounts related to the acquisition was completed as of the date of the acquisition.
The company performed an impairment test with regard to acquired businesses described in note 16 – Goodwill.

Transfer of the shares of Impexmetal S.A.
On 28 June 2011, Boryszew S.A. was notified about the transfer of 9,774,213 shares of Impexmetal S.A. for its benefit. The shares were transferred under a share transfer agreement concluded on 28 June 2011 between Boryszew S.A. and Boryszew ERG S.A. implementing the provisions of Resolution No. 11/2011 of the Supervisory Board of Boryszew ERG S.A. of 8 June 2011 and the provisions of agreements concluded between Boryszew S.A. and Boryszew ERG S.A. on 1 July 2010 under which Boryszew S.A. carrying out the "Purchase Option" agreed to buy back 9,774,213 shares of Impexmetal S.A.
On 27 December 2011, under a share sale agreement concluded on 22 December 2011, 843,032 shares of Impexmetal S.A. were transferred to Boryszew S.A.

Acquisition of shares in WM Dziedzice S.A. by Boryszew S.A.
On 1 September 2011 the Treasury of the Republic of Poland and Boryszew S.A. concluded an agreement for the disposal of 229,549 shares of Walcownia Metali "Dziedzice" S.A. (metal rolling plant) with the face value of PLN 4.00 each, corresponding to 8.11% of the share capital of the company.
As a result of the above-mentioned agreement Boryszew S.A. became the holder of 229,549 shares of Walcownia Metali "Dziedzice" S.A., corresponding to 8.11% of the share capital.

Acquisition of shares in ZM Silesia S.A. by Boryszew S.A.
On 29 November 2011, the Treasury of the Republic of Poland and Boryszew S.A. concluded an agreement for the disposal of 187,220 shares of ZM Silesia S.A. with the face value of PLN 10.00 each, corresponding to 3.34% of the share capital of the company.
As a result of the above-mentioned agreement Boryszew S.A. became the holder of 187,220 shares of ZM Silesia S.A., corresponding to 3.34% of the share capital.
On 21 March 2012, Agencja Rozwoju Przemysłu S.A. and Boryszew S.A. concluded an agreement for the disposal of 180,000 shares of ZM Silesia S.A. with the face value of PLN 10.00 each, corresponding to 3.21% of the share capital of the company.
As a result of the above-mentioned agreement, Boryszew S.A. became the holder of a total of 367,220 shares of ZM Silesia S.A., corresponding to 6.55% of the share capital.

Acquisition of shares in SPV Lakme Investment Sp. z o.o. by Impexmetal S.A.
On 11 February 2011 VCMF Holding & Management Limited of Nicosia, Cyprus and Impexmetal S.A. concluded an agreement concerning the acquisition of 500 shares corresponding to 100% of the share capital of SPV Lakme Investment Sp. z o.o. of Warsaw. Impexmetal S.A. Impexmetal S.A became the owner of those shares on 16 February 2011.

Establishment of Impex – Invest Sp. z o.o.
The Management Board of Impexmetal S.A. on 19 April 2011 established a new company Impex – invest Sp. z o.o. allocating 100% of shares to Impexmetal S.A.. The share capital of this company is PLN 15,890,000.00. All shares in the share capital of the company were covered by a contribution in kind in the form of 3,500,000 of shares in Hutmen S.A. The objective of Impex – invest Sp. z o.o. is the management of the financial assets of the company. The company was entered into the register of businesses of the National Court Register on 29 April 2011.

Acquisition of shares in Hutmen S.A. at Warsaw Stock Exchange S.A. by Impexmetal S.A.
In connection with the purchase of 695,159 shares corresponding to 2.72% of the share capital of Hutmen S.A. by Impexmetal S.A. at the Warsaw Stock Exchange (Giełda Papierów Wartościowych S.A.) in the period from 11 August 2011 to 13 October 2011, the share of Impexmetal S.A. in the general number of votes in Hutmen S.A. changed and it corresponds to 51.56% of the share capital of Hutmen S.A. (Impexmetal Capital Group holds 65.23% in total).
Acquisition of shares in WM Dziedzice S.A. by Hutmen S.A.
On 30 August 2011 Hutmen S.A. of Wrocław and Impexmetal S.A. concluded an agreement for the purchase of 59,460 shares corresponding to 2.10% of the share capital of WM Dziedzice S.A. of Czechowice – Dziedzice.

Acquisition of shares in Eastside Capital Investments Sp. z o.o. by Impexmetal S.A.
On 13 September 2011, Deloitte Doradztwo Podatkowe Sp. z o.o. of Warsaw and Impexmetal S.A. concluded an agreement for the purchase of 50 shares corresponding to 100% of the share capital of Eastside Capital Investments Sp. z o.o. of Warsaw.

Acquisition of shares in Metalexfrance S.A. by ZM Silesia S.A.
On 27 September 2011, ZM Silesia S.A. of Katowice and Impexmetal S.A. concluded an agreement for the purchase of 109,980 shares corresponding to 99.98% of the share capital of Metalexfrance S.A. of Paris.

Acquisition of shares in FLT Bearings Ltd. by FLT France SAS
On 22 November 2011, FŁT Polska Sp. z o.o. of Warsaw and FLT France SAS of Sartrouville concluded an agreement concerning the purchase of 450,001 shares corresponding to 100% of the share capital of FLT Bearings Ltd. of Brentford.

Acquisition of shares in HMN Szopienice S.A. in liquidation by Polski Cynk Sp. z o.o.
On 31 December 2011, Polski Cynk Sp. z o.o. purchased from „Surowce Hutmen Spółka Akcyjna" Spółka Komandytowa 15,322,245 shares corresponding to 61.77% of the share capital of Huta Metali Nieżelaznych Szopienice S.A. in liquidation (with its registered office in Katowice).

Acquisition of Symonvit Ltd by Impexmetal S.A.
On 12 December 2011, Impexmetal S.A. purchased from Plenux Limited and Paramac Limited 1,200 shares corresponding to 100% of the share capital of Symonvit Limited of Nicosia, Cyprus with the share capital amounting to EUR 1,200. On 30 December 2011, Impexmetal S.A. increased its participation in the above-mentioned company by subscribing to 612,464 newly issued shares with the face value of PLN 1 each. All the newly issued shares were covered by a contribution in kind in the form of "Impexmetal" and "Aluminium Konin" trademarks registered with the Patent Office of the Republic of Poland. An increase in the capital was recorded on 30 January 2012.

Increase in the capital of SPV Lakme Investment Sp. z o.o.
On 29 December 2011, Impexmetal S.A. increased its participation in SPV Lakme Investment Sp. z o.o. by subscribing to 7,350 newly issued shares with the face value of PLN 100 each, totalling 735 KPLN. All the newly issued shares were converted by a contribution in kind in the form of perpetual usufruct of plot no. 47 situated in Warsaw at ul. Łucka 7/9, covering an area of 5,727 m2 and the ownership of buildings erected on the said plot. An increase in the capital was recorded on 26 January 2012.
Non-consolidated companies
Incorporation of Maflow India
On 7 March 2011, a company under the name of Maflow India Private Limited having its registered office in Pune Maharashtra, India, was incorporated.
Maflow India company was formed in order to purchase, in compliance with the Term Sheet concluded with Sebros Auto Private Limited of India, the plant situated at B-5 Midc Mahalunge, Chakan Talegoan Road Pune 410501, India – in the area of Pune along with selected assets of the plant in Faridabad, including but not limited to:

- plot of land and a building with production equipment,
- inventory,
- intangible assets including primarily know-how and agreements with employees,
- selected assets from the plant in Faridabad.

The plant manufactures air-conditioning tubes for the Automotive sector which are supplied to motor vehicle manufacturers in India.
In October 2011 the company concluded the negotiations with Sebros Auto Private Limited of India and abandoned further negotiations concerning the purchase of a unit of an enterprise located in Pune for Maflow India.
The reason for the abandonment of negotiations were differences referring to the final shape of the transaction.
The disposal of shares in Beldom Sp. z o.o. by Boryszew S.A.
On 4 October 2011 Boryszew S.A. and Breco Sp. z o.o. concluded an agreement for the disposal of 14,050 shares in Beldom Sp. z o.o., corresponding to 50.00% of the share capital of the company.
Consideration of the bankruptcy petition and opening of the liquidation of PUH Hutnik Sp. z o.o.

On 4 March 2011, Przedsiębiorstwo Usługowo – Handlowe Hutnik Sp. z o.o. having its registered office in Konin filed a bankruptcy petition open to composition agreements with the District Court in Konin, 5th Commercial Division. On 31 August 2011 the Court dismissed the company's bankruptcy petition open to composition agreements. In the evaluation of the Court, the reason for the dismissal was the fact that the assets of the company were not sufficient to satisfy the costs of proceedings.

On 7 November 2011, PUH Hutnik Sp. z o.o. in Konin received a decision of the District Court Poznań – Nowe Miasto and Wilda in Poznań, 9th Commercial Division of the National Court Register (dated 24 October 2011) to enter the liquidation of Przedsiębiorstwo Usługowo – Handlowe Hutnik Sp. z o.o. in Konin and record the name under which the company operates, i.e. Przedsiębiorstwo Usługowo-Handlowe Hutnik Sp. z o.o. w likwidacji (in liquidation).

Deletion of Zakład Kadmu Kadm – Oława Sp. z o.o. w likwidacji (in liquidation) from the National Court Register
On 9 May 2011, Impexmetal S.A. was notified about the deletion of Zakład Kadmu Kadm – Oława Sp. z o.o in liquidation having its registered office in Oława from the National Court Register. The decision concerning the deletion of the Company from the National Court Register was issued by the District Court on 15 February 2011. Thus, the process of liquidation of the company Zakład Kadmu – Kadm – Oława Sp. z o.o. in liquidation having its registered office in Oława, in which ZM Silesia S.A. held shares corresponding to 81.81% of the share capital of Zakład Kadmu- Kadm – Oława Sp. z o.o. in liquidation, having its registered office in Oława, ended.

Opening of the liquidation of the limited liability company Temer Sp. z o.o.
On 16 May 2011 the Extraordinary General Meeting of Shareholders of Temer Sp. z o.o. resolved that further existence of Temer Sp. z o.o. is aimless. It also resolved to dissolve the company and open the liquidation proceedings as at the date of the said resolution. In connection with the opening of liquidation the operations of the plants in Wrocław and in Czechowice – Dziedzice were gradually put out. In Q3 2011 Temer Sp. z o.o. w likwidacji (in liquidation) commenced the process of sale of assets such as machinery and equipment and real property expected to end in Q1 2012.

Acquisition of shares in PUH Hutnik Sp. z o.o. by Impex-invest Sp. z o.o.
On 31 August 2011, Impex-invest Sp. z o.o. of Warsaw and Impexmetal S.A. concluded an agreement for the purchase of 3,761 shares corresponding to 94% of the share capital of PUH Hutnik Sp. z o.o. in Konin.

Joining Surowce Hutmen Spółka Akcyjna Spółka Komandytowa by Hutmen S.A. Baterpol S.A. and FŁT Polska Sp. z o.o.
On 4 November 2011, the company under the name of Surowce Hutmen Spółka Akcyjna Spółka Komandytowa having its registered office in Wrocław was joined by:
Hutmen S.A., as a general partner with a power of independent representation, non-cash contribution in the form of 15 322 245 shares corresponding to 61.77% of the share capital of Huta Metali Nieżelaznych Szopienice SA w likwidacji (in liquidation) having its registered office in Katowice. The value of the non-cash contribution was agreed as 10 KPLN, which corresponds to 1% of the share in contributions to the company's capital.

- Baterpol S.A., in its capacity as a limited partner, cash contribution of 595 KPLN corresponding to 59.5% of the share in contributions to the company's capital.
- FŁT Poska Sp. z o.o., in its capacity as a limited partner, cash contribution of 395 KPLN corresponding to 39.5% of the share in contributions to the company's capital.

2. IFRS PLATFORM

Declaration of compliance
These financial statements have been prepared in compliance with the International Financial Reporting Standards as adopted by the European Union, hereinafter referred to as "EU IFRS", applicable as at 1 January 2011.

Standards and interpretations applied for the first time in 2011
In the current year the companies forming the Group adopted new and revised standards and interpretations, as presented below, issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee and approved for application in the European Union ("EU"), applicable to the business area of the company with reference to annual reporting periods from 1 January 2011.

Amendments to IAS 24 "Related Party Disclosures" – Simplification of requirements regarding the disclosures of state-related parties and specification of definitions of related parties as approved by the EU on 19 July 2010 (applicable with reference to annual periods starting on 1 January 2011 or after this date),

Amendments to IAS 32 "Financial Instruments: Presentation" – classification of rights issues, as approved by the EU on 23 December 2009 (applicable with reference to annual periods starting on 1 February 2010 or after this date),

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – limited exemption of entities adopting IFRS for the first time from the obligation of disclose comparative data according to IFRS 7, as approved by the EU on 30 June 2010 (applicable with reference to annual periods starting on 1 July 2010 or after this date),

Amendments to various standards and interpretations "Improvements to IFRS (2010)" – amendments made under the annual procedure of improvement of IFRS, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13) mainly aiming to handle inconsistencies and eliminate ambiguity in terminology, approved on 18 February 2011 (applicable with reference to annual periods starting on 1 January 2011 or after this date – 1 July 2010 or 1 January 2011 – depending on the standard/interpretation).

Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – prepayments under the minimum funding requirements as approved by the EU on 19 July 2010 (applicable with reference to annual periods starting on 1 January 2011 or after this date),

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" as approved by the EU on 23 July 2010 (applicable with reference to annual periods starting on 1 July 2010 or after this date).
The above-mentioned standards, interpretations and amendments to standards had no material effect on the accounting policy of the entity or on the presentation of the financial statements.

Standards and interpretations published but not yet applicable
When preparing these consolidated financial statements, the following standards, amended standards and interpretations published and approved by the EU but not yet effective were not applied:

Amendments to IFRS 7 "Financial Instruments: Disclosures" – transfer of financial assets, as approved by the EU on 22 November 2011 (applicable with reference to annual periods starting on 1 July 2011 or after this date),

The entity chose not to use the option of early application of the above-mentioned standards, amended standards and interpretations. As estimated by the Company, the above-mentioned standards, interpretations and amended standards would have had no material effect on the financial statements if they had been adopted by the entity on the balance sheet date.

Standards and interpretations adopted by IASB but not yet approved by the EU
IFRS, as approved by the EU, show no material differences in comparison to the regulations adopted by the International Accounting Standards Board (IASB), except the below-mentioned standards, amended standards and interpretations which, as at the date of publication of these financial statements, were not yet approved for application:

IFRS 9 "Financial Instruments" (applicable with reference to annual periods starting on 1 January 2015 or after this date),

IFRS 10 "Consolidated Financial Statements" (applicable with reference to annual periods starting on 1 January 2013 or after this date),

IFRS 11 "Joint Arrangements" (applicable with reference to annual periods starting on 1 January 2013 or after this date),

IFRS 12 "Disclosure of Interests in Other Entities" (applicable with reference to annual periods starting on 1 January 2013 or after this date),

IFRS 13 "Fair Value Measurement" (applicable with reference to annual periods starting on 1 January 2013 or after this date),

IAS 27 (amended in 2011) "Separate Financial Statements" (applicable with reference to annual periods starting on 1 January 2013 or after this date),

IAS 28 (amended in 2011) "Investments in Associates and Joint Ventures" (applicable with reference to annual periods starting on 1 January 2013 or after this date),

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Severe Hyperinflation and elimination of fixed dates for companies adopting IFRS for the first time (applicable with reference to annual periods starting on 1 July 2011 or after this date),

Amendments to IFRS 7 "Financial Instruments: Disclosures" – offsetting financial assets and financial liabilities (applicable with reference to annual periods starting on 1 January 2013 or after this date),

Amendments to IFRS 9 "Financial Instruments" and to IFRS 7 "Financial Instruments: Disclosures" – compulsory effective date and interim regulations,

Amendments to IAS 1 "Presentation of Financial Statements" – presentation of components of other comprehensive income (applicable with reference to annual periods starting on 1 July 2012 or after this date),

Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (applicable with reference to annual periods starting on 1 January 2012 or after this date),

Amendments to IAS 19 "Employee Benefits" – amendments to accounting of post-employment benefits (applicable with reference to annual periods starting on 1 January 2013 or after this date),

Amendments to IAS 32 "Financial Instruments: Presentation" – offsetting financial assets and financial liabilities (applicable with reference to annual periods starting on 1 January 2014 or after this date),

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (applicable with reference to annual periods starting on 1 January 2013 or after this date),

As estimated by the Parent Company, the above-mentioned standards, interpretations and amended standards would have had no material effect on the financial statements if they had been adopted by the entity on the balance sheet date.

Concurrently, the regulations adopted by the EU do not include hedge accounting of financial assets or liabilities since related rules have not been approved by the EU.
As estimated by the Parent Company, the adoption of hedge accounting for financial assets or liabilities according to **IAS 39 "Financial Instruments: Recognition and Measurement"** would not have had a material effect on the financial statements if it had been approved by the EU as at the balance sheet date.

3. ADOPTED ACCOUNTING PRINCIPLES

The adopted accounting principles comply with the International Financial Reporting Standards to the extent set forth by the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards with subsequent amendments.

Adopted methods of measurement of assets and liabilities

Cost model or revaluation model
The Company reduces the carrying amount of an asset to its recoverable amount only when the recoverable amount is lower than the carrying amount. This reduction corresponds to an impairment loss. The impairment loss is immediately recognized in the profit and loss account unless a specific asset is carried at revaluated amount. All impairment losses relative to the revaluated asset are reported as revaluation decreases.

Revaluated amount
Following the initial recognition of an asset at cost, if it is possible to determine its fair value in a reliable manner, such an asset is recognised at revaluated amount corresponding to its fair value as at the date of revaluation less subsequent impairment losses.

Fair value
The Company determines fair value based on actual market data as an amount for which a specific asset could be exchanged and at which a liability could be settled under market conditions between the concerned and well-informed parties not related to each other.

Buying price or manufacturing cost of an asset
The buying price or manufacturing cost is the amount paid in cash or cash equivalents or fair value of other goods transferred due to the purchase of an asset upon its purchase or manufacturing. The buying price is an amount due to the seller without deductibles such as: VAT and excise tax, increased, in case of import, by public and legal charges and costs directly related to the purchase and adaptation of an asset for use or putting on the market, including the cost of transport, loading, unloading, storage or the cost of putting on the market, less rebates, discounts and other similar reduced and recovered amounts.

Tangible fixed assets
Tangible fixed assets initially recognised at cost are appraised according to the cost model and revaluation due to impairment.

In relation to fixed assets the value of which was determined as at the date of adopting IFRS, i.e. 01.01.2004 at fair value, the appraisal model applied after this date is based on the buying price or manufacturing cost and revaluation due to impairment.

Fixed assets owned or co-owned by the Company, acquired or self-manufactured, held in financial lease and fit for use as of the date of acceptance for use, with expected useful life exceeding one year, used by the Company for the needs related to its business operation or put into use under a rental, hire or lease contract shall be depreciated (amortized) The amortization shall be applicable to the buying price or manufacturing cost of a specific asset less the final value of such an asset. The final value of an asset is the amount which the Company could earn at present, according to expectations, taking into consideration the age condition of the asset at the end of its useful life (less the estimated cost of sale). Amortization starts in the month in which the asset is made available for use. Fixed assets will be depreciated (amortized) according to scheduled, regular distribution of their depreciable value over the estimated useful life of the specific asset. Amortization shall end in the month in which the asset was classified as held for sale (according to IFRS 5 Non-current assets held for sale and discontinued operations) or in the month in which the specific asset ceased to be recognized, whichever is earlier.

Rates of depreciation for respective groups of tangible fixed assets:

Land – Buildings, premises and civil engineering structures	2.5% – 50%
Plant, machinery and equipment	5% – 50%
Vehicles	10% – 33%
Other fixed assets	6% – 50%

Investment expenditure
Fixed assets under construction are appraised at cost less impairment losses. By the time the construction is completed and the assets are put into use they are reported in respective groups of fixed assets and will not be depreciated until they are put into use.

Perpetual land usufruct title acquired in the market
Expenditure on the acquisition of the right of perpetual usufruct of land are amortized by straight line methods over the period for which the right is granted. The average amortization rate applied to the right of perpetual usufruct of land is 1.1%-1.2%.

Intangible assets
An intangible asset is an identifiable non-cash asset in a non-tangible form, held by the entity for use or for putting in use against consideration. Intangibles acquired in a separate transaction shall be released at cost less accumulated depreciation and accumulated revaluation allowance.

The life of intangibles shall be estimated and defined as either limited or unlimited. Intangible assets with unlimited life shall not be amortized and shall be subject to annual impairment testing. Intangibles with unlimited life include concessions, licences and acquired trademarks which may be renewed without time limitations against small consideration and which the Company plans to renew provided they generate cashflow without time limitations. As at the balance sheet date the Company did not disclose such intangibles.

Intangibles with limited life shall be amortized over their useful life.

Amortization shall end in the month in which the asset was classified as held for sale (according to IFRS 5 Non-current assets held for sale and discontinued operations) or in the month in which the specific asset ceases to be recognized, whichever is earlier.

The life of an intangible asset shall not exceed 20 years from the moment when the asset is ready for use unless a longer term can be proven.
Rates of amortization applied to intangible assets:

Patents, licences, software	10% – 50%
Other intangibles	10% – 50%

Lease
Financial lease contracts generally transferring all risks and benefits relating to the subject of lease to the Company shall be recognized as at the effective date of lease at one of the following values: fair value of the leased fixed asset or actual value of the minimum lease fee. Lease fees shall be distributed among financial costs and reductions in lease payables (presented in the balance sheet as trade payables and other non-current and current liabilities) so that a fixed rate of interest is achieved for the balance for repayment.

If there is no certainty that the lessee is granted the title to assets prior to termination of the lease contract, the fixed assets released under lease contracts shall be amortized over the shorter of the two terms: estimated life of the fixed asset or term of lease.

If the lease contract ensures high likelihood that following the termination of the contract the subject of lease will become the property of the lessee who will continue to use it, such an asset shall be depreciated over its economic life.

Recognizing operational lease in the books of the lessee
In operational lease the costs of lease instalments, determined regularly and correctly in the manner reflecting the distribution of benefits derived by the user in time, shall be posted to net profit or loss in respective accounting periods.

Operational lease – special promotions
The lessor can offer promotions, e.g. discharge the lessee from lease fees at the initial stage of the contract. The lessee (lessor), based on straight line method shall recognize the total cost (benefit) of special promotions as reduction in revenue (expenses) from lease fees over the term of the contract unless another method is more convenient for illustrating benefits related to the subject of lease.

Investment property
Investment property is real property (land, building or part of the building or both) which the Company, in its capacity as the owner, or the lessee of financial lease considers the source of income from rent, including property under operational lease or holds with regard to increase in its value, or relatively for both reasons, whereas such property is not used for production and delivery of goods or provision of services or for administrative purposes or it is not held for sale by the entity under normal conditions.

The initial appraisal of investment property shall be carried out at cost.

Investment property under financial lease shall be recognized at the lower of the two values: fair value of the real property or actual (discounted) value of lease payments with simultaneous recognition of lease payable.

Following initial recognition, investment property shall be appraised by the Company at fair value and the difference in value, including both increase and decrease, shall be posted directly to profit or loss.

Fixed assets held for sale and discontinuing operations
The Company shall appraise a fixed asset (or a group of assets) as held for sale at the lower of its carrying value or fair value less cost of sales. It is assumed that the asset is held for sale if respective decisions of the management have been made and an active buyer searching programme has been put into operation, the price offered corresponds to its fair value and the sales should be completed within 12 months.
Assets held for sale shall be recorded at a fair value not exceeding the book value.

Goodwill

Goodwill is reported if as at the date of acquisition the cost of acquisition of the entity exceeds the fair value of identifiable assets and liabilities of a subsidiary, associate or joint venture as at the date of acquisition.

In case of a subsidiary goodwill shall be recognized as an asset and it shall be tested for impairment at least once a year. Impairment, if any, shall be recognized immediately in the profit and loss account, and it shall not be reversed in subsequent periods.

In case of an associate or joint venture goodwill shall be recognised in the balance sheet value of the investment and the impairment shall be measured with reference to the whole value of the investment.

When a subsidiary, associate or joint venture is sold, the respective portion of goodwill shall be taken into consideration when calculating profit or loss from sales.

Goodwill generated prior to the date of adoption of IFRS was reported in the accounting books at the value recognized according to the previously applied accounting principles and it was tested against impairment as at the date of adoption of IFRS.

The share in fair value of acquired net assets exceeding the cost of merger shall be recognized at full amount in net profit of loss as at the date of acquisition.

Impairment of tangible fixed assets and intangible assets

On each balance sheet day the Company reviews its net tangible fixed assets and intangibles in order to find any circumstances suggesting possible impairment. If no such circumstances are identified, the recoverable value of a specific asset shall be estimated in order to determine the potential impairment loss. If the asset does not generate cashflow which to a material extent is independent from cashflow generated by other assets, the analysis shall be performed for a group of cashflow generating assets to which the specific asset belongs.

For intangibles with unlimited life impairment test shall be carried out annually and in addition if there are circumstances pointing to potential impairment.

Recoverable value shall be determined as the higher of the two values: fair value less cost of sales or usable value. The latter corresponds to the actual value of estimated future cashflow the entity expects to generate by means of discounted assets using the discount rate taking into consideration the actual market value of money in time and risk attached to a specific asset.

If the recoverable value is lower than the carrying value of an asset (or cashflow generating unit) the carrying value of such an asset or unit shall be reduced to its recoverable value. Impairment loss shall be recognized immediately as the cost of the period.

If the impairment loss is afterwards reversed, the net value of an asset (or cashflow generating unit) shall be increased up to the new estimated recoverable value, however such value shall not exceed the carrying value of such an asset which would have been determined if impairment loss for the asset/cashflow generating unit was not recognized in previous years. The reversal of impairment loss shall be recognized in the profit and loss account.

Interests and shares in associates and subsidiaries

Investments in subsidiaries shall be measured at a purchase price.

Financial instruments
Financial instruments shall include any agreement or contract which will simultaneously generate a financial asset for one business entity and a financial liability or capital instrument for another business entity.
Financial assets

Financial assets shall include any assets in the form of cash, capital instrument issued by other entities as well as the right to receive cash or the right to exchange financial instruments with another entity on favourable terms based on a contract (agreement).

In terms of maturity financial assets shall be divided into:
non-current assets
current assets.

When the maturity of non-current financial assets held for sale is less than one year, the assets shall be reclassified into current investment.

The entity shall classify its assets under the following categories: assets recognized at fair value through profit or loss, loans and receivables and financial assets available for sale and held to maturity. The classification is based on the financial assets purchase criterion. The management board shall determine the classification of its financial assets upon initial recognition.

a) Financial assets reported at fair value through profit and loss account

This category includes financial assets held for sale. A financial asset shall be classified under this category if it was purchased primarily for sale in the short-time perspective. Derivative instruments are also classified as "assets held for sale" unless they are subject to hedge accounting. Assets from this category are classified under current assets.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments, not quoted in active market. They are classified as current assets. If their maturity exceeds 12 months from the balance sheet date, they shall be classified as fixed assets. Loans and receivables of the Company shall be classified under "Trade receivables and other receivables".

c) Financial assets available for sale
Financial assets available for sale are non-derivative financial instruments classified in this category or not elsewhere classified. They are classified under fixed assets unless the Management Board intends to dispose of them within 12 months from the balance sheet date.

d) Financial assets held to maturity
Financial assets held to maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity which the companies of the Group intend to and are able to hold to maturity.

Financial assets shall be recognized on the date of purchase and shall not be included in the financial statements as at the date of sale if the contract must be delivered by the time appointed by respective market and their initial value is measured at fair value increased by the cost of transaction except for assets classified under financial assets which are initially measured at fair value through profit and loss. The principles of subsequent measurements are dependent on the group into which respective assets were classified.

- financial assets held for sale and assets available for sale are measured at fair value.

Financial assets held for sale shall be measure at fair value and the resulting profit or loss shall be recorded in the profit and loss account. Net profit or loss recorded in the profit and loss account shall exclude dividends or interest generated by the financial asset.

Financial assets available for sale – profit and loss resulting from change in fair value shall be recognized directly in equity as reserve revaluation capital, except impairment losses, interest charged at effective interest rate as well as positive and negative exchange adjustments from measurement of cash at amortized cost, recognized directly in profit and loss account. If an investment is sold or any impairment is identified, the accumulated profit or loss previously recognized in reserve revaluation capital shall be included in the profit or loss of the specific reporting period. Dividends related to capital instruments available for sale shall be recognized by the Company in the profit and loss account until they are received.

- loans and receivables at amortized cost and effective interest rate
- investments held to maturity at amortized cost and effective interest rate
- investments in capital instruments unquoted in active market the fair value of which cannot be measured reliably at cost

Measurement at fair value is based on actual market data, taking the characteristics of the instrument into account.

Impairment of financial assets

Financial assets, apart from assets measured at fair value through the profit and loss account, shall be evaluated in terms of impairment on each balance sheet date. Financial assets are impaired if there are objective circumstances that events following initial recognition of an asset might have adversely affected estimated future cashflow related to such an asset. For financial assets recognized at amortized historical cost, impairment is a difference between the carying value and estimated discounted cashflow at original effective interest rate.

The carrying value of a financial asset shall be reduced directly by impairment loss. This impairment loss shall be recognised in costs in P&LA.

If in the subsequent period the impairment loss shall be reduced and such a reduction is objectively attributable to an event occurring after the impairment, the impairment loss shall be reversed through profit and loss to the extent corresponding to the reversal of carrying value as at the date of impairment not exceeding the amortized historical cost which would have been recognized if the impairment did not occur. It refers to all assets except capital instruments available for sale. For such instruments the increase in fair value following impairment shall be recognized directly in equity. In case of capital instruments measured at cost, the impairment loss can never be reversed.

Subsequent measurement of financial liabilities
Liabilities measured at fair value through profit and loss, e.g. derivative instruments, except short hedging instruments which shall be measured at fair value. The effect of measurement shall be accounted for through income statement. If fair value of such liabilities cannot be determined reliably, their initial value shall be retained.

Other financial liabilities (loans and borrowings, debt securities payable, trade payable) shall be measured at adjusted cost by means of effective interest rate.

Derivative instruments and hedge accounting
Changes in fair value of financial derivative instruments allocated to effective hedging of cashflow shall be recognized directly in equity. Changes in fair value of financial derivative instruments allocated to hedging of cashflow, other than effective hedging, shall be recognized in financial income or costs of the specific reporting period.

If the hedging of cashflow (related to future liabilities or planned transactions) is connected with recognition of an asset or liability in accounting books, then upon initial recognition of such an asset or liability earnings or losses related to financial instrument previously recognized in equity shall adjust the original value of the asset or liability. If the transaction hedging future cashflow is not connected with the emergence of an asset or liability, the deferred value in equity is recognized in the accounts in the period in which the settlement of the hedged item is recognized in the income statement.

When hedging the fair value, the value of hedged item shall be adjusted taking into account changes in fair value due to hedged risk recognized in the income statement. Profit and loss from the revaluation of a derivative instrument shall be recognised in the income statement.

Changes in fair value of derivative instruments other than hedging instruments shall be recognised in the income statement of the reporting period in which the revaluation occurred

The Group shall cease to apply hedge accounting if the hedging instrument expires, is sold, terminated or realised or it does not satisfy hedge accounting criteria. At this moment the accumulated earnings or losses related to the hedging instrument recognized in equity shall remain in equity until the hedged transaction is realised. If the transaction is not realised, the accumulated net profit or loss recognized in equity shall be transferred to the income statement pertaining to the specific period.

Derivative instruments embedded in other financial instruments of contracts other than financial instruments shall be regarded as separate derivative instruments if the nature of the embedded instrument and related risks are not strictly linked to the nature of the principal contract and related risks and if principal contracts are not measured at fair value the changes in which are recognized in the income statement.

Capital instrument
A capital instrument is any contract stating the right to residual share in the assets of an entity following the deduction of all liabilities.

If an entity acquires its own capital instruments, they shall be deducted from equity (equity shares). The acquisition, sale, issue and extinction of own capital instruments shall not cause recognition in net profit or loss and the amounts paid or received shall be recognised directly in equity.

Interest, dividends, profit and loss related to financial instrument or financial liability shall be recognized as income or costs in net profit or loss.
Amounts expended to holders of capital instruments which do not take into account benefits in income tax shall directly reduce equity. The costs of transaction on equity (except issues related to acquisitions) shall directly reduce equity.

Compound instruments
Financial instruments combining both capital liability and financial liability, e.g. convertible bonds.

They must be divided into capital and payable portion as below:

Measure the payable portion by means of discounted cashflow

Determine the capital portion as a difference between the value of compound instrument and payable portion.

If the holder of an instrument fails to use the option of conversion into shares, the capital portion shall be transferred to retained earnings. If the option of conversion is used the shares shall be issued and the capital portion of the compound instrument shall be accounted for in share capital or share premium.

The fair value of financial instruments traded in active market shall be the market price less costs related to transaction if such costs are material.

The market price of financial assets held by the Company and financial liabilities the Group intends to incur shall be the actual offer to buy, whereas the market price of financial assets the Group intends to acquire and of the financial liabilities incurred shall be the actual offer to sell.

Inventory
Inventory shall be measured at cost or at net realisable value, whichever is lower.

Materials and goods
Measured at cost not exceeding their net realisable value. The difference between higher buying price and lower net selling price shall be written off to the manufacturing cost. Redundant inventory and inventory that lost their commercial value shall be subject to revaluation expenses recognized under manufacturing cost.

Expenditure of goods and materials
With regard to fluctuations the buying prices of materials and goods during the business year, the expenditure of goods and materials shall be recorded according to "first in – first out" (FIFO) method.

Products and work in progress
Products shall be measured at cost including costs directly related to the specific product and reasonable portion of indirect manufacturing costs.

As at the balance sheet date the carrying value of products at recorded prices shall be aligned with the actual manufacturing cost, however, not exceeding the prices which can be obtained in the market.
Effects of revaluation allowances of finished goods and their reversal shall be recognized in cost of products sold.

Product expenditures
If the costs of manufacturing of products that are identical or are considered identical with regard to similar type and purpose are different, the final value of these assets, depending on the method of determining the value of expenditure for the specific type of products for sale or consumption is measured as below:

FIFO ("first in first out")
at average cost of manufacturing such products in compliance with the weighted average for the specific product.

Different methods of determining expenditure for inventories of different nature and purpose are allowed.

Work in progress shall be measured at direct manufacturing cost.

Write-downs of inventory
With reference to inventories with unreasonably slow turnover the Group creates impairment losses and writes them down to the profit and loss account. When writing down the inventories the Group takes into account the requirement that the carrying amount should not exceed net selling prices.

Cash and cash equivalents
Cash shall comprise cash in hand, cash at the banks and call deposits.

The expenditure of cash in foreign currency shall be determined at average weighted cost.

The Group considers cash equivalents to include: bank deposits, bonds, and treasury and commercial bills with maturity up to 3 months from the date of acquisition.

Prepayments and accruals
Prepaid costs and other prepayments and accruals and their financial effects shall be handled by the Group as follows:

- prepaid costs (recorded under trade receivables and other receivables) if they refer to future reporting periods;
- accruals (recorded under trade payable and other payables) up to the amount of liabilities likely to occur in the current reporting period in particular due to:
- performance of suppliers (contractors) to the Company where the amount of liabilities can be estimated in a reliable manner,
- required future performance to unknown parties associated with current operations the amount of which can be estimated despite the fact that the date of occurrence of the liability is not yet known, including in particular guarantee and warranty repairs for long-term use products sold.

Provisions, contingent liabilities and contingent assets
Provision is a liability with uncertain maturity or amount.
Contingent liability – a likely liability due to a past event, confirmed only upon the occurrence of one or several uncertain events in the future beyond the control of the Company or a liability that exists but is not recorded in the balance sheet since expenditure of cash resulting in economic benefits is not very likely or the amount of liability cannot be estimated in a reliable manner.

The Group creates provisions in the following circumstances:
– lawful or customary obligation resulting from future events
– likelihood of cash outflows
– possibility of reliable estimation

Provisions shall be measured at least on the balance sheet date at reliably estimated actual value. The Group shall discount the provision if the value of money in time has material effect on the amount of the provision.

Equity capitals
Equity capitals of the Company shall be measured at least on the balance sheet date at face value and shall be recorded in the accounting books according to types and rules defined by applicable legislation and by memorandum and articles of association. Pursuant to IAS 29 par. 24 equity components (apart from retained earnings and revaluation of assets) were translated as at the date of adoption of IAS, i.e. as at 01.01.2004 by means of general price increase indices from the date on which they were contributed or emerged otherwise. The amount resulting from hyperinflation revaluation increased share capital and share premium.

Government grants
Grants shall be divided into:
capital subsidies – for purchasing and financing fixed assets and intangible assets income/costs – financing of costs in the specified area.
Government grants, including non-cash grants reported at fair value, shall not be recognized unless there is sufficient certainty that the Group satisfied conditions related to grants and that grants shall be received.

Revenue from cost subsidies shall be disclosed in P&LA in parallel to costs this subsidy refers to. Costs and subsidy amount shall be recorded in the income statement separately.

Revenue from capital subsidies shall be reported as deferred income under „Government grants" and accounted for in parallel to depreciation of fixed assets or intangible assets financed from such subsidies.

Revenues
Revenues are receipts of economic benefits for the specific period due to activities of the Company resulting in an increase in equity other than increase due to shareholders' contributions.

Revenue from activities of the Company shall be recognized and presented according to IAS 18 "Revenue". Revenue shall be the fair value of received or due economic benefits from the sale of services or goods under core business activity of the Company, less VAT and rebates.

Sales of goods and products
The Group shall recognize revenue from sales if the following conditions are satisfied:

The Group transferred material risk and benefits due to the title to goods or products to the buyer. The Group ceased to be permanently involved in managing the goods or products sold insofar as such a function is performed in relation to goods or products owned by the Group or goods or products that are not under effective control of the Group.

The amount of revenues can be measured in a reliable manner.
It is likely that the Group will derive economic benefits from transactions.

Costs already incurred and to be incurred by the Company in connection with the transaction can be measured in a reliable manner.

Interest and dividends
Revenue generated as a result of the use of the Company's assets bearing interest and dividends by other entities shall be recognized by the Group insofar as:

it is likely that the Group will receive economic benefits and the amount of revenue can be measured in a reliable manner.

Interest shall be disclosed pro rata temporis taking the effective rate of return into account.

Dividends shall be recognized upon the determination of the shareholders' right to dividend from other revenues.

Substance over form
For each transaction the Group will analyze whether the specific transaction will bear economic effects expected for this type of transactions. This principle shall be applied to transactions such as sale, lease, consignment, sale of receivables with the right of recourse to the seller.

In order to disclose sales the following factors must be taken into consideration: transfer of material risks and benefits to the buyer, lack of options of control for the seller and high likelihood of receiving benefits.

Costs of borrowing
Costs of borrowing include interest and other costs incurred by the entity in connection with the borrowing of funds.
The costs of borrowing shall include:

Interest on loans and borrowings
Depreciation of discounts or premiums related to loans and borrowings
Depreciation of costs related to obtainment of loans and borrowings
Financial encumbrances due to financial lease

Exchange adjustments related to loans and borrowings in foreign currency in the portion related to measurement of interest. Costs of borrowing are costs of the period in which they were incurred except costs of borrowing directly attributable to adjusted assets. Costs of borrowing pertaining to the period over which the asset is adjusted shall increase the cost of manufacturing of fixed assets or investments in real property.

Employee benefits
Employee benefits include all forms of performance of the entity offered in exchange for employees' work. The work time of an employee shall absorb the full cost of work.

Holiday provision – employees of the Company shall be entitled to holiday according to terms and conditions determined in the labour code. The cost of holiday shall be recognized on accrual basis. The liability due to employee holidays shall be determined based on the difference between holiday entitlements actually used by the employees and the *pro rata temporis* holiday entitlements.

Superannuation reserve – in compliance with the labour code or collective bargaining agreements or in-house regulations. To estimate the amount of the reserve the following assumptions must be made:

– Final pay – ratio of increase in wages, promotions, pay grades
– Turnover frequency
– Endowment risk
– Rates of interest related to discounting
– Required estimates for a significant number of people

Superannuation reserves shall be determined on an annual basis by an independent actuary and actuarial differences shall be recognized in the profit and loss account under general and administration costs or costs of goods sold.

Provision for restructuring
Provisions for restructuring shall be recognized when the Group is certain that the outflows of cash related to restructuring is required and the amount of such outflows has been estimated by the Group in a reliable manner. The provisions include in particular severance payments for laid-off employees. The provision for restructuring shall be recognized only if the Group announced a detailed formal restructuring plan to all the parties concerned.

DEFERRED INCOME

Deferred income is reported subject to the principle of careful valuation and it includes the equivalent of funds received or due from customers by virtue of performance to follow in future reporting periods.

Effects of changes in foreign currency exchange rate
The functional and presentation currency for the Company shall be Polish zloty.

Measurement as at the date of transaction
Transactions in currency other than Polish zloty (PLN) shall be posted at the average exchange rate announced by the National Bank of Poland as at the date preceding the transaction. The Companies negotiate the buying or selling rate for the transaction with the bank.

Non-cash assets and liabilities measured at fair value and denominated in foreign exchange shall be measured at the average exchange rate of the National Bank of Poland applicable as at the date of determination of the fair value.

Measurement as at the balance sheet date
As at the balance sheet date, assets and liabilities denominated in foreign currency shall be translated at the average exchange rate of the National Bank of Poland, applicable thereat.

Cash items – according to the average exchange rate of the National Bank of Poland as at a specific date
Non-cash items measured at historical cost – according to the exchange rate as at the date of transaction
Non-cash items denominated in foreign currency measured at fair value according to the average exchange rate as at the date of determination of the fair value.

Disclosure of exchange adjustments
The Company shall record exchange adjustments due to realization or translation of cash items in P&LA at their net value (profit or loss from exchange adjustments).

If earnings and losses relating to non-cash items are reported in P&LA, the related exchange adjustments shall also be reported in P&LA.

If the Company recognizes earnings or losses relating to non-cash items directly in equity, exchange adjustments relating to such earnings and losses shall also be recognized directly in equity.

Selected financial data presented at the beginning of the report is presented in EUR pursuant to Art. 91 par. 1 of the Regulation of the Minister of Finance dated 19 February 2009 (J.L. No 33, item 259 of 2009).

Balance sheet items have been translated at the exchange rate applicable on the last day and profit and loss account items and cashflow items at the average rate for the period.

	Average exchange rate of EUR in the period	Exchange rate of EUR applicable on the last day of the period
1.01- 31.12.2011 r.	4,1401	4,4168
1.01- 31.12.2010 r.	4,0044	3,9603

Events after the balance sheet date
Events occurring after the balance sheet date that require adjustments – events providing evidence of specific balance as at the balance sheet date.

Events occurring after the balance sheet date that do not require adjustment indicate the balance after the balance sheet date. If they are significant, the Group shall disclose them in additional information indicating the nature of the event and its financial effect or stating that such an effect cannot be determined in a reliable manner or that it cannot be determined at all.

Every event disturbing the going concern principle is an event causing adjustments in accounting books and in the financial statements. The entity does not prepare financial statements on a going concern basis if after the balance sheet date the management of the Company decided to wind up the Company or to discontinue its business activity or if there is no reasonable alternative to winding up or discontinuation of activity.

Income tax
Book value vs. taxable value of assets and liabilities
The Group forms deferred tax reserves and discloses deferred tax assets in connection with interim differences between the book value of assets and liabilities and their taxable value and tax loss or tax allowance deductible in the future.

Deferred tax assets shall be determined by the Group at future amounts deductible from income tax, in connection with negative interim differences that in the future will cause a reduction in the taxable base determined according to the prudence principle.

Deferred tax reserve shall be formed by the Group at the amount of income tax payable in the future in connection with positive interim differences, that is, differences increasing the taxable base in the future.

The amount of both deferred tax reserve and deferred tax assets shall be determined by the Group taking into consideration income tax rates applicable in the year in which the tax obligation arose.

Special funds
The Group shall account for the company workers' benefit fund pursuant to the Act on the Company Workers' Benefit Fund dated 04.03.1994. Assets and liabilities related to this fund shall not be disclosed in the financial statements because they are not controlled by the Company.

The Group shall form the Company Fund for the Disabled pursuant to the Regulation of the Minister of Labour and Social Policy dated 31 December 1998 concerning the Company Fund for the Disabled (Dz. U. (OJ) of 1999 No. 3, item 22) and internal regulations based on the said Regulation, by means of funds obtained from tax allowances and charges which shall be disclosed at face value.

3.1 Changes in data presented in these statements as compared with data published in the financial statements pertaining to years 2010 and 2009

STATEMENT OF COMPREHENSIVE INCOME	From 01.01.2010 to 31.12.2010	adjustment of acquisition of Maflow Group	adjustment of amortisation of assets written off in Maflow Group	From 01.01.2010 to 31.12.2010
Continuing operations	unadjusted			adjusted
Sales of products	2 617 377			2 617 377
Sales of goods and materials	517 415			517 415
Total sales	**3 134 792**	**0**	**0**	**3 134 792**
Cost of products sold	2 358 814		-3 451	2 355 363
Value of goods and materials sold	455 895			455 895
Total cost of sales	**2 814 709**	**0**	**-3 451**	**2 811 258**
Gross profit (loss) from sales	**320 083**	**0**	**3 451**	**323 534**
Cost of sales	56 244			56 244
General and administrative expenses	146 926			146 926
Other operating income (1)	133 054	-49 981		83 073
Other operating costs (2)	81 194	41 363		122 557
Profit/loss from sale of subsidiaries	19 293			19 293
Operating profit (loss)	**188 066**	**-91 344**	**3 451**	**100 173**
Financial income	30 219			30 219
Financial costs	70 934			70 934
Profit/loss from financing activities	-40 715	0	0	-40 715
Profit (loss) before tax	**147 351**	**-91 344**	**3 451**	**59 458**
Income tax	13 251		842	14 093
Operating profit (loss) from continuing operations	**134 100**	**-91 344**	**2 609**	**45 365**
Discontinuing operations				
Profit (loss) before tax	**-8 073**			**-8 073**
Income tax	-344			-344
Operating profit/loss from discontinuing operations	**-7 729**	**0**	**0**	**-7 729**
Net profit/loss from continuing operations and discontinuing operations including net profit/loss due to:	**126 371**	**-91 344**	**2 609**	**37 636**
owners of the controlling entity	93 884	-91 344	2 609	5 149
non-controlling shareholders	32 487			32 487

STATEMENT OF FINANCIAL POSITION	As at 31.12.2010	adjustment of acquisition of Maflow Group	adjustment of amortisation of assets written off in Maflow Group	Adjusted minority interests	As at 31.12.2010
	unadjusted				adjusted
ASSETS					
Fixed assets					
Tangible fixed assets (3)	902 978	7 399			910 377
Investment property	73 180				73 180
Goodwill	23 464				23 464
Intangible assets (4)	98 968	-83 507	3 451		18 912
Interests and shares in subsidiaries	16 778				16 778
Financial assets available for sale	4 470				4 470
Deferred tax assets	37 321				37 321
Trade and other receivables	308				308
Other assets	99				99
Total fixed assets	**1 157 566**	**-76 108**	**3 451**	**0**	**1 084 909**
Current assets					
Inventory	407 289	-790			406 499
Trade and other receivables	585 598	2 608			588 206
Short-term financial assets available for sale	474				474
Derivative financial instruments	7 745				7 745
Current tax assets	1 269				1 269
Other assets	9 030				9 030
Cash and cash equivalents	82 052				82 052
Total current assets	**1 093 457**	**1 818**	**0**	**0**	**1 095 275**
Assets classified as held for sale	**89 437**			**-58 254**	**31 183**
Total assets	**2 340 460**	**-74 290**	**3 451**	**-58 254**	**2 211 367**

LIABILITIES	As at 31.12.2010	adjustment of acquisition of Maflow Group	adjustment of amortisation of assets written off in Maflow Group	Adjusted minority interests	As at 31.12.2010
	unadjusted				adjusted
Equity					
Share capital	121 972				121 972
Share premium	24 435				24 435
Hedge accounting reserve	1 100				1 100
Assets revaluation reserve	651				651
Currency translation differences related to subsidiaries	3 329				3 329
Retained earnings, including:	469 981	-91 344	2 609	-18 441	362 805
Profit for the current year	93 884	-91 344	2 609		5 149
Total equity	**621 468**	**-91 344**	**2 609**	**-18 441**	**514 292**
Non-controlling shareholders' equity	515 970			**-39 813**	**476 157**
Total equity	**1 137 438**	**-91 344**	**2 609**	**-58 254**	**990 449**
Non-current liabilities					
Long-term bank loans and other borrowing payables	144 500				144 500
Derivative financial instruments	0				0
Deferred tax reserve (4)	77 101	-12 692	842		65 251
Provision for employee benefits	6 700	3 442			10 142
Other provisions	6 975				6 975
Other liabilities	6 874				6 874
Total non-current liabilities	**242 150**	**-9 250**	**842**	**0**	**233 742**
Current liabilities					
Short-term bank loans and other borrowing payables	474 282	8 075			482 357
Trade and other payables	405 869				405 869
Derivative financial instruments	10 305				10 305
Current tax payables	710				710
Provision for employee benefits	5 900				5 900
Other provisions	18 696	18 229			36 925
Deferred income	1 243				1 243
Total current liabilities	**917 005**	**26 304**	**0**	**0**	**943 309**
Liabilities directly linked with assets classified as held for sale	43 867				43 867
					0
Total payables	**1 203 022**	**17 054**	**842**	**0**	**1 220 918**
Total liabilities	**2 340 460**	**-74 290**	**3 451**	**-58 254**	**2 211 367**

Final settlement of accounts related to the acquisition of companies from Maflow Group

The book settlement of accounts related to the acquisition of undertakings and shares in Maflow Group companies has not been completed by the end of the reporting period pertaining to the year 2010 and in accordance with provisions of IFRS 3 „Business combinations", the accounts were recognized based on interim item values, due to the lack of comprehensive knowledge about fair value of acquired net assets.

Description of basic assumptions of the settlement of accounts pertaining to 2010 acquisition based on interim values, and of factors affecting fair value of ultimately recognized net assets, is given below.

Intangibles

In 2010, in Maflow, Italy, assets presented in the consolidated financial statements for the year 2010 identified and recognized interim values of intangibles in the form of core technology and customer relations.

Identification and appraisal of intangibles relating to customer relations and core technology was based on the report of KPMG Advisory S.p.A. having its registered office in Milan, pursuant to the agreement dated 7 February 2011. The appraisal was based on the following assumptions prepared in the provisional manner by the Management Board of Boryszew S.A.

The appraisal included:
1. Intangibles relating to customer relations:
   a) Customer relations – identified and covered by the appraisal, refer to customer relations (global car producers) existing as at the acquisition of Maflow Group

2. Intangibles relating to core technology:
   a) Core technology – identified competences of Maflow subject to collective appraisal; technology is protected by law (patents).

Major assumptions regarding the appraisal:

Customer relations
- Income-based appraisal
- level of sales assumed by the management of Maflow Group
- EBIT assumed according to forecasts of the management of Maflow Group for the years 2011-2014
- useful life of an asset amounting to 10 years including the period of gradual expiration.
- averaged tax rate estimated based on tax rates applicable in the countries in which Maflow Group operates
- discount rate based on the average weighted cost of capital taking into account for each country in which Maflow Group operates: risk-free rate, market risk premium, Beta, cost of borrowings, additional premium for additional risk relating to acquisition of an undertaking in bankruptcy.

Major assumptions regarding the appraisal:

Core technology
- Appraisal based on Relief from Royalty
- level of sales assumed by the management of Maflow Group for the years 2011-2014
- technology ageing term – gradual ageing of technology from 2014
- useful life of an asset – 10 years
- average royalty rate evaluated based on comparable market transactions (9 entities from Automotive industry),
- averaged tax rate estimated based on tax rates applicable in the countries in which Maflow Group operates
- discount rate based on the average weighted cost of capital taking into account for each country in which Maflow Group operates: risk-free rate, market risk premium, Beta, cost of borrowings, additional premium for additional risk (including but not limited to risk relating to acquisition of an undertaking in bankruptcy).

Value appraisals obtained in accordance with the aforementioned assumptions, were deemed interim by the Management Board of Boryszew S.A. and their settlement was not completed as at the date of the consolidated financial statement for the financial year 2010, in accordance with Section 45 of IFRS 3 "Business combinations".

In the period for settling the accounts related to acquisition of Maflow Group, the Management Board of Boryszew S.A. gained new, previously unknown information, which resulted in changing earlier interim assumptions and led to changes in the previously presented interim appraisals and values. With regard to core technology appraised based on Relief from Royalty, upon identification and verification of the previously assumed market attractiveness, appraisal of this item was changed. With regard to customer relations, margins applied to income-based appraisal based on conducted comparative analyses and consequently obtained new, more precise appraisal of enforceable margins, have led to adjustment of this item as well. The remaining assumptions, including forecasted sales, portfolio of contracts, have not been subject to considerable changes in relation to interim appraisals conducted for interim settlement of accounts related to acquisition of Maflow Group.

Additional impairment testing related to assets of Maflow Group as at the acquisition date and as at 31 December 2010, resulted in a write-down of intangible assets of Maflow Italy in the full amount.

Moreover, due to a depreciation deduction related to customer relations and core technology in 2010 as a result of a write-down recognized at the final settlement of Maflow acquisition, depreciation of 3,451 was reversed together with a deferred tax of 842.

Other assets and liabilities

The Parent failed to prepare an appraisal of fair value of the acquired assets to the interim settlement, adopting book values or the acquisition price as the best, as at the date of the consolidated financial statement for the year 2010, approximation of fair value. In the course of 2011, essential appraisals were performed and all identifiable assets and liabilities were fully recognized. Consequently, in accordance with provisions of IFRS 3 "Business combinations", interim values adopted in the consolidated financial statement for the year 2010 were adjusted.

On 24 March 2011, an agreement finalizing transfer of ownership of Maflow France SA plant under bankruptcy to the benefit of Maflow France Automotive S.A.S., a wholly owned subsidiary of Boryszew S.A., was signed.

Subject matter of the agreement was assignment of the lease agreement regarding real property acquired together with all assets of Maflow France. Assets and liabilities related with this transaction were recognized according to fair values in the final settlement of accounts related to Maflow Group acquisition.

In the remaining companies, appraisal with fair values and impairment tests resulted in decreasing value of assets in relation to interim recognition from the year 2010 and recognized in the consolidated financial statement for this year. With regard to liabilities, comprehensive identification and appraisal of all titles was conducted, which resulted in considerable growth of the overall value of liabilities as at the acquisition date. In particular, increased value of liabilities in relation to the interim recognition referred to commercial liabilities, provisions for employee benefits and other provisions for satisfaction of claims and guarantee repairs.

Summary of the final settlement of accounts related to Maflow Group acquisition

Data included in the balance sheet as at 31 December 2010 as well as performance data for the period from 1 January to 31 December 2010 presented in this report as comparative data, include all adjustments to interim values recognized to date resulting from completion of the interim settlement. According to the final settlement, company goodwill amounted to 57,843 thousand. Impairment test drawn up on the basis of mid-term forecasts showed the need of goodwill write-down as at the acquisition date. The write-down covered total revenue for the year 2010.

1) adjustment of other operating income by 49,981:

In 2010, the Group recorded negative goodwill amounting to 98,137 as a result of acquisition of:
- Maflow undertaking, Tychy – 32,886
- Maflow undertaking, Italy – 62,625
- Maflow company, China – 2,626

As a result of the final settlement of accounts related to the acquisition of Maflow Group, negative goodwill amounted to 48,156:
- Maflow undertaking, Tychy – 32,886
- Maflow undertaking, France – 15,270

Acquisition of Maflow Tychy, a branch of Boryszew S.A., was finally accounted for and recognized in financial statements for the financial year 2010.

As a result of the final settlement of accounts related to acquisition of Maflow Group, negative goodwill was not recognized either in Maflow Italy or in Maflow China.

2) adjustment of other operating costs by 41,363:
In 2010, the Group recorded goodwill of 16,480 as a result of acquisition of:
– Maflow, Brazil – 16,480

A single goodwill write-down was made and recognized in other operating costs for the year 2010

According to the final settlement, goodwill of all companies amounted to 57,843, of which:
- Maflow, Brazil – 49,078
- Maflow, China – 8,765

A single goodwill write-down was made and recognized in other operating costs – note no. 10.

	TOTAL	Maflow Brazil Acquisition of shares	Maflow China Acquisition of shares	Maflow Spain Acquisition of the undertaking	Maflow France Acquisition of the undertaking	Maflow Italy Acquisition of the undertaking
Interim settlement						
Total assets	**170 947**	22 333	19 355	6 080	8 406	114 773
Total payables	**59 163**	38 417	16 333	0	4 413	0
Net assets	**111 784**	-16 084	3 022	6 080	3 993	114 773
Acquisition price	**42 801**	396	396	6 080	3 993	31 936
Goodwill recognised in costs after write-off	**16 480**	16 480				
Profit from bargain purchase recognised in the statement of comprehensive income in revenues	**65 251**	0	2 626	0	0	62 625
Final settlement						
Fair value of assets acquired	**96 657**	10 221	5 477	6 080	42 944	31 935
Fair value of liabilities acquired	**96 429**	58 903	13 845	0	23 681	0
net value of assets acquired	**228**	-48 682	-8 368	6 080	19 263	31 935
Acquisition price	**42 801**	396	397	6 080	3 993	31 935
GOODWILL recognised in costs after write-off	**57 843**	49 078	8 765	0	0	0
Profit from bargain purchase recognised in the statement of comprehensive income in revenues	**15 270**	0	0	0	15 270	0
data according to the FS as at 31.12.2010 (effect on the statement of comprehensive income)	**48 771**	-16 480	2 626			62 625
adjustments	**-91 344**	-32 598	-11 391		15 270	-62 625
adjusted data as at 31.12.2010 (effect on the statement of comprehensive income)	**-42 572**	-49 078	-8 765		15 270	

The effect of the above-described interim changes in the value of assets and liabilities on the consolidated financial statements for the year 2010 caused a loss of 9 686.

Final settlement of Maflow Branch in Tychy in 2010	32 886
Settlement of accounts of foreign companies	-42 572
Goodwill recognised in costs	**-9 686**

Adjustments due to material errors in previous years

STATEMENT OF FINANCIAL POSITION	As at 01.01.2010		As at 01.01.2010
	przed korektą		po korekcie
Total fixed assets	1 054 183	0	1 054 183
Total current assets	855 685	0	855 685
Assets classified as held for sale	97 472	-58 254	39 218
Total assets	**2 007 340**	**-58 254**	**1 949 086**
Total equity	417 928	-18 441	399 487
Non-controlling shareholders' equity	477 746	-39 813	437 933
Total equity	895 674	-58 254	837 420
Total non-current liabilities	225 117	0	225 117
Total current liabilities	840 047	0	840 047
Liabilities directly linked with assets classified as held for sale	46 502		46 502
Total payables	1 111 666	0	1 111 666
Total liabilities	**2 007 340**	**-58 254**	**1 949 086**

As at 31 December 2011, comparative data in the consolidated statements of financial standing and consolidated statements of changes in equity for the current and comparable period were adjusted. The adjustment was introduced as a result of a material error in previous reporting periods resulting from failure to include reliable information reasonably expected to had been received and recognized in the process of drawing up statements for the year 2009. Non-included information pertains to costs of dismantling the remaining construction elements after demolition of civil structures in HMN Szopienice S.A. under liquidation and land remediation, which considerably affected the value of this real property. The adjustment was introduced as at 31 December 2009 and contributed to decrease in the value of assets held for sale pertaining to discontinuing operations by 34,280 kPLN and secondarily affected the results for the previous years. The adjustment was estimated based on calculations made by an independent entity, and it was presented in this consolidated financial statement as at 1 January 2010 and as at 31 December 2010.

Financial statements for the year 2009 also included an adjustment of assets held for sale, which was caused by non- recognition of effects of negotiated contractual terms regarding sales of a part of assets pertaining to discontinuing operations. Information concerning contractual terms was available as at the date of the financial statements drawn up for the present year. In 2009, the company was actively involved in searching for a buyer of its assets. In the initial months of 2010, contractual terms regarding sales of a part of assets comprising machines and equipment of a complete production line were successfully negotiated and accepted. In accordance with contractual provisions, by the time of successful disassembly and removal of all asset elements covered by the contract, all machines and equipment are recorded in the assets register of HMN Szopienice S.A. in liquidation. Due to faulty non-recognition, in the financial statement of HMN Szopienice S.A. in liquidation, of a write-down on machines and equipment in the price which could be obtained in accordance with the negotiated terms and conditions, and thus also in the consolidated financial statement for the year 2009, the Management Board of the Parent decided to determine asset price by adjusting results recorded in the previous years. The adjustment consists in decreasing the volume of assets held for sale pertaining to discontinuing operations and it secondarily affects results for the previous years; in 2009, by 23,974 kPLN. Consequently, introduced changes lead to decreasing the volume of assets held for sale on the assets side and retained earnings, as well as the capital allocated to non-controlling shares in liabilities of the consolidated financial statement as at 1 January 2010 and 31 December 2010.

The abovementioned adjustments decreased the volume of assets held for sale related to discontinuing operations by 58,254 kPLN and secondarily decreased results for previous years by the amount allocated to Boryszew – 18,441,000 kPLN and capital due to minor shareholders by 39,813 kPLN.

4. FUNDAMENTAL ACCOUNTING JUDGMENTS AND ELEMENTS OF ESTIMATION OF UNCERTAINTY

In order to prepare the financial statements according to IFRS, the Management Board is required to make professional judgments, estimates and assumptions having effect on the adopted accounting principles and presented values of assets, liabilities, revenues and costs. Estimates and related assumptions are based on historical experience and other factors regarded as reasonable in specific circumstances and their results provide grounds for professional judgment of the carrying value of assets and liabilities not following directly from other sources. Actual results may differ from adopted estimates.

The estimates, including the underlying assumptions, shall be verified on a current basis. The change in estimates shall be reported in the period in which the verification occurred if it refers exclusively to such a period or both in the current period and future periods if the change refers to them to an equal extent.

The estimates mainly refer to:

- useful lives of fixed assets and intangible assets
- amounts of revaluation write-downs of fixed assets and value of discounted cashflow used for impairment testing,
- amounts of revaluation write-downs from inventory and receivables,
- amounts of provisions for employee benefits and future liabilities due to pending litigation and restructuring costs.

5. OPERATIONS BY SEGMENTS

Continuing operations

01.01.2011 – 31.12.2011	Activities of holding companies	Polymers, polyesters	Automotive	Other chemicals	Aluminium	Zinc and lead	Copper	Bearings	Other	Total segments	Consolidation eliminations	Total
Revenue from sales	12 330	195 095	942 296	199 600	1 170 518	596 535	947 808	374 963	142 541	4 581 686	-249 562	4 332 124
Cost of sales per segment	10 189	171 362	817 916	165 085	1 053 895	516 987	903 819	329 514	137 285	4 106 052	-239 973	3 866 079
Profit/loss from sales per segment	2 141	23 733	124 380	34 515	116 623	79 548	43 989	45 449	5 256	475 634	-9 589	466 045
General and administrative costs and cost of sales	8 115	25 950	117 243	33 375	45 549	24 118	36 603	17 490	5 619	314 062	-18 689	295 373
Profit/loss from other operating activities	44 775	50 531	25 555	3 512	-100	29	9 121	-1 475	-19	131 929	-55 267	76 662
Operating profit/loss per segment	38 801	48 314	32 692	4 652	70 974	55 459	16 507	26 484	-382	293 501	-46 167	247 334
Assets per segment	378 226	188 868	727 536	249 835	975 053	343 015	482 223	107 696	625	3 453 077	-759 362	2 693 715
Liabilities per segment	271 524	151 465	786 575	60 089	349 176	143 845	249 689	56 006	9 524	2 077 893	-612 266	1 465 627
Depreciation and amortization	54	4 970	24 347	6 597	37 217	15 665	9 036	313	142	98 341		98 341

01.01.2010 -31.12.2010	Activities of holding companies	Polymers, polyesters	Automotive	Other chemicals	Aluminium	Zinc and lead	Copper	Bearings	Other	Total segments	Consolidation eliminations	Total
Revenue from sales	1 445	177 795	195 362	196 432	1 102 873	523 690	745 262	300 938	113 182	3 356 979	-222 187	3 134 792
Cost of sales per segment	872	158 038	156 482	157 382	997 550	462 638	713 128	269 906	106 683	3 022 679	-211 421	2 811 258
Profit/loss from sales per segment	573	19 757	38 880	39 050	105 323	61 052	32 134	31 032	6 499	334 300	-10 766	323 534
General and administrative costs and cost of sales	9 306	29 072	22 643	34 225	45 416	21 243	33 571	15 480	6 600	217 556	-14 386	203 170
Profit/loss from other operating activities	3 930	-13 859	-5 906	5 034	-5 618	4 329	-1 123	-95	-352	-13 660	-6 531	-20 191
Operating profit/loss per segment	-4 803	-23 174	10 331	9 859	54 289	44 138	-2 560	15 457	-453	103 084	-2 911	100 173
Assets per segment	469 706	160 246	282 566	241 926	892 811	325 822	521 962	93 341	53 426	3 041 806	-861 622	2 180 184
Liabilities per segment	163 433	168 853	264 281	65 421	356 756	132 484	251 896	60 118	30	1 463 272	-286 221	1 177 051
Depreciation and amortization	106	5 610	2 816	6 877	34 743	16 058	9 543	202	30	75 985		75 985

6. REVENUE FROM SALES

REVENUE FROM SALES	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Net sales of products	3 650 758	2 575 191
Net sales of services	61 669	51 480
Net sales of goods and materials	626 621	518 884
Total revenue from sales, including:	4 339 048	3 145 555
Continuing operations	4 332 124	3 134 792
discontinuing operations	6 924	10 763
Revenue from sales by geographic territory – continuing operations	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Domestic sales	1 776 747	1 539 617
Sales to EU countries	2 157 732	1 333 103
Sales to other European countries	223 413	141 728
Sales outside Europe	174 232	120 344
Total revenue from sales	4 332 124	3 134 792

7. OPERATING EXPENSES

OPERATING EXPENSES	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
1. Expenses by type:	3 653 600	2 612 902
Depreciation and amortization	97 980	75 985
Consumption of materials and energy	2 859 181	2 133 408
Third party services, including:	182 732	125 587
cost of operating lease	634	268
Taxes and charges	36 637	36 298
Cost of employee benefits, including:	387 213	225 547
payroll	310 063	179 737
social insurance	68 798	39 290
employee benefits connected with restructuring	142	1 037
pensions	504	556
post-employment benefits	57	223
other benefits	7 649	4 704
Other costs	89 857	16 077
2. Value of goods and materials sold	583 879	457 316
3. Write offs from inventories recognized in cost of goods sold	-145	716
4. Valuation of derivative instruments recognized in cost of goods sold	3 277	-5 763
5. Reserves (formed/reversed) recognized in cost of goods sold	-1 741	3 148
6. Own work capitalised	-16 539	-12 510
7. Cost of sales and general and administrative cost (-)	-295 845	-205 293
8. Products movements	-55 183	-29 558
Cost of products, goods and materials sold	3 871 303	2 820 958
Continuing operations	3 866 079	2 811 258
discontinuing operations	5 224	9 700

8. OTHER OPERATING INCOME

OTHER OPERATING INCOME	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Profit from sales of assets: fixed assets	8 643	26 426
Profit from revaluation of assets	58 158	51 212
Reversal of redundant reserves	15 272	9 781
Dividends	608	1 034
Subsidies	9 179	7 548
Other income	26 415	8 889
	118 275	**104 890**
Continuing operations	106 132	83 073
discontinuing operations	12 143	21 817

Profit from sales of fixed assets:	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
profit from sales of fixed assets	1 263	11 021
profit from sales of intangibles (including CO2 emission rights)	0	12 387
profit from sales of investment property	7 380	3 018
	8 643	**26 426**

Profit from revaluation of assets	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Valuation of the right of perpetual usufruct of land up to fair value	7 876	0
negative goodwill (result of the combination of new entities)	21 349	(*) 48 156
reversal of impairment losses on fixed assets	1 858	3 056
valuation of investment property up to fair value	27 075	0
	58 158	**51 212**

** As a result of the final settlement of accounts related to the acquisition of Maflow Group, the negative goodwill amounted to 48,156:*
– Maflow Branch in Tychy – 32 886
– Maflow Branch in France – 15 270

Reversal of redundant reserves:	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
reversal of redundant provision for restructuring costs	141	409
reversal of redundant provision for liquidation of fixed assets	2	15
reversal of redundant provisions for reclamation of land	2 673	4 336
reversal of redundant provisions for litigation	2 267	217
reversal of other redundant reserves and provisions	10 189	4 804
	15 272	**9 781**

Other income	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
recovered trade receivables previously written off	98	0
indemnification received	1 823	1 727
revenue from trademarks and licences	147	368
redeemed payables, written off	274	1 686
Other	(*) 24 073	5 108
	26 415	**8 889**

** the amount of 24,073 includes:*
– income from the sale of rights to CO2 emissions – 16 079
– stocktaking surplus – 2 724

Dividends and other share-based income received from:	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Zavod Mogilev	0	125
Zakład Utylizacji Odpadów	608	908
Unimor Sp. z o.o.	0	1
	608	**1 034**

9. OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Loss from revaluation of assets	9 540	116 834
Formation of reserves	5 658	4 114
Other costs	26 045	23 351
	41 243	**144 299**
continuing operations	29 470	122 557
discontinuing operations	11 773	21 742

Loss from revaluation of assets, including:	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
goodwill write-off	195	(*) 57 843
loss from revaluation of fixed assets	0	34 660
loss from revaluation of investment property	0	6 931
loss from revaluation of trade receivables and other receivables	6 174	12 036
loss from revaluation of inventories not recognized in cost of goods sold	2 513	4 397
loss from revaluation of other assets	658	967
	9 540	**116 834**

** As a result of the final settlement of accounts related to the acquisition of Maflow, goodwill was written off in the following companies:*
– Maflow in Brazil – 49 078
– Maflow in China – 8 765

Formation of reserves and provisions:	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
provision for restructuring costs	618	0
provision for fixed assets liquidation	3	0
provisions for reclamation of land	0	750
provisions for litigation	12	248
formation of other reserves and provisions	5 025	3 116
	5 658	**4 114**

Other costs	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
indemnification and fines paid	1 147	1 229
cost of claims not covered by the provision	508	154
redemption of receivables	44	1 774
costs related to maintenance of investment property	1 629	442
costs related to liquidation of fixed assets	590	1 814
other	(*) 22 127	17 938
	26 045	**23 351**

** the amount 22,127 includes, among other costs:*
– costs of liquidation of the assets and disposal of waste at HMN Szopienice S.A. in liquidation – 10 592
– cost of liquidation of inventory at Impexmetal S.A. – 1 6018

10. PROFIT/LOSS FROM THE SALE OF SUBSIDIARIES

PROFIT/LOSS FROM THE SALE OF SUBSIDIARIES	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Profit/loss from the sale of subsidiaries	0	19 293

Sale of shares in subsidiaries in 2010	Matizol	FLT Metall	SM DOM	Total
Assets sold	25 430	13 008	7 253	45 691
Liabilities	9 442	4 775		14 217
Net assets	15 988	8 233	7 253	31 474
Revenue from sale	18 500	15 824	16 443	50 767
Profit/loss from the sale of shares in subsidiaries	2 512	7 591	9 190	19 293

11. FINANCIAL INCOME

Financial income	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Interest received	14 253	12 205
Profit from revaluation of financial assets	83	3 832
Profit from sale of financial assets	869	0
Other financial income	23 919	14 820
	39 124	30 857
Continuing operations	38 612	30 219
discontinuing operations	512	638

Interest received	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
On loans granted	6 803	5 969
On bonds	297	2
On other debt securities	0	374
On trade receivables	4 813	5 126
Other interest	2 340	734
	14 253	12 205

Earnings from revaluation of financial assets	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
loans granted	0	25
interest and shares held for trading	0	3 790
assets held to maturity	83	17
	83	3 832

Profit from sale of financial assets	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Profit from sale of interests and shares available for sale	488	0
Profit from sale of interests and shares held for trading	381	0
Profit from sale of assets held to maturity	0	0
	869	0

Other financial income	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
FX earnings	6 581	0
Profit from derivative financial instruments	9 922	13 866
Other financial income	7 416	954
	23 919	14 820

12. FINANCIAL COSTS

Financial costs	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Interest paid	49 859	49 746
Losses from revaluation of financial assets	23	0
Losses from sale of financial assets	87	26
Other financial costs	23 282	28 888
	73 251	78 660
Continuing operations	64 154	70 934
discontinuing operations	9 097	7 726

Interest paid	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
On loans	28 004	33 037
On borrowings	7 225	6 997
On debt securities issued	0	0
On lease	1 782	2 224
On factoring	5 818	3 320
On other payables (including trade payables)	7 030	4 168
	49 859	49 746

Losses from revaluation of financial assets	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
interests and shares held for sale	23	0
	23	0

Losses from sale of financial assets	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
debts	87	0
assets classified as assets available for sale	0	10
assets held to maturity	0	16
	87	26

Other financial costs	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
FX losses	0	2 959
losses from derivative financial instruments	15 782	15 486
other financial costs	7 500	10 443
	23 282	28 888

13. INCOME TAX

Income tax	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
Profit (loss) from continuing operations	221 792	59 458
Profit (loss) from discontinuing operations	-6 987	-8 073
Gross profit (loss)	**214 805**	**51 385**
taxes recognized in P&LA, including:	**21 655**	**13 749**
current tax	7 129	15 331
deferred tax	14 526	-1 582
Effective rate of interest	**10,1%**	**26,8%**
tax due to continuing operations	21 974	14 093
tax due to discontinuing operations	-319	-344

DEFERRED TAX	As at 31.12.2011	As at 31.12.2010
Deferred tax assets	69 896	61 177
Deferred tax reserve	108 760	89 107
assets offsetting reserves	20 314	23 856
The statements report:	As at 31.12.2011	As at 31.12.2010
Deferred tax assets	49 582	37 321
Deferred tax reserve	88 446	65 251

Movements in deferred tax assets in 2011	Unpaid employee benefits	Formation of reserves	Assets impairment losses	balance-sheet valuation of derivative instruments	balance sheet valuation of assets	balance sheet valuation of liabilities	unrealised negative exchange adjustments	depreciation of fixed assets and amortization of intangibles	tax loss	dividend tax	other	Total
as at the beginning of the period	2 653	2 685	6 105	687	8 135	16	832	5 075	31 571	2 044	1 374	
recognised in net profit/loss	2 653	2 685	8 086	453	8 135	16	832	5 075	31 571	2 044	1 374	62 924
recognised directly in equity	0	0	-1 981	234	0	0	0	0	0	0	0	-1 747
write-ups	**304**	**974**	**3 021**	**1 134**	**389**	**644**	**765**	**16**	**8 492**	**0**	**3 359**	**19 098**
recognised in net profit/loss	304	974	3 021	0	389	644	765	16	8 492	0	3 359	17 964
recognised directly in equity	0	0	0	1 134	0	0	0	0	0	0	0	1 134
write-downs	**515**	**1 020**	**1 492**	**382**	**527**	**56**	**1 155**	**1 969**	**2 760**	**0**	**503**	**10 379**
recognised in net profit/loss	515	1 020	1 492	183	527	56	1 155	1 969	2 760	0	503	10 180
recognised directly in equity	0	0	0	199	0	0	0	0	0	0	0	199
as at the end of the period	**2 442**	**2 639**	**7 634**	**1 439**	**7 997**	**604**	**442**	**3 122**	**37 303**	**2 044**	**4 230**	**69 896**
recognised in net profit/loss	2 442	2 639	9 615	270	7 997	604	442	3 122	37 303	2 044	4 230	70 708
recognised in equity	0	0	-1 981	1 169	0	0	0	0	0	0	0	-812

Movements in deferred tax assets in 2010	Unpaid employee benefits	Formation of reserves	Assets impairment losses	balance-sheet valuation of derivative instruments	balance sheet valuation of assets	balance sheet valuation of liabilities	unrealised negative exchange adjustments	depreciation of fixed assets and amortization of intangibles	tax loss	dividend tax	other	Total
as at the beginning of the period	1 584	3 167	7 527	926	7 279	0	1 068	438	29 974	2 044	3 319	57 326
recognised in net profit/loss	1 584	3 167	7 527	730	7 279	0	1 068	438	29 974	2 044	3 319	57 130
recognised directly in equity	0	0	0	196	0	0	0	0	0	0	0	196
write-ups	**1 604**	**1 122**	**3 264**	**211**	**1 215**	**56**	**745**	**4 948**	**5 789**	**0**	**546**	**19 500**
odniesionej na wynik finansowy	1 604	1 122	3 264	86	1 215	56	745	4 948	5 789	0	546	19 375
odniesionej bezpośrednio na kapitał własny	0	0	0	125	0	0	0	0	0	0	0	125
write-downs	**535**	**1 604**	**4 686**	**450**	**359**	**40**	**981**	**311**	**4 192**	**0**	**2 491**	**15 649**
odniesionej na wynik finansowy	535	1 604	2 705	363	359	40	981	311	4 192	0	2 491	13 581
odniesionej bezpośrednio na kapitał własny	0	0	1 981	87	0	0	0	0	0	0	0	2 068
as at the end of the period	**2 653**	**2 685**	**6 105**	**687**	**8 135**	**16**	**832**	**5 075**	**31 571**	**2 044**	**1 374**	**61 177**
recognised in net profit/loss	2 653	2 685	8 086	453	8 135	16	832	5 075	31 571	2 044	1 374	62 924
recognised in equity	0	0	-1 981	234	0	0	0	0	0	0	0	-1 747

Movements in deferred tax reserve in 2011	Balance-sheet valuation of derivative instruments	Balance sheet valuation of assets	Unrealized positive exchange adjustments	Depreciation of fixed assets	Other	Total
as at the beginning of the period	1 205	18 556	820	64 671	3 855	89 107
recognised in net profit/loss	141	19 235	820	60 063	3 855	84 114
recognised directly in equity	1 064	-679	0	4 608	0	4 993
write-ups	438	7 289	4 727	2 435	13 837	28 726
recognised in net profit/loss	118	7 217	4 727	2 435	13 837	28 334
recognised directly in equity	320	72	0	0	0	392
write-downs	994	1 512	1 158	5 165	244	9 073
recognised in net profit/loss	5	1 160	1 158	5 165	244	7 732
recognised directly in equity	989	352	0	0	0	1 341
as at the end of the period	649	24 333	4 389	61 941	17 448	108 760
recognised in net profit/loss	254	25 292	4 389	57 333	17 448	104 716
recognised in equity	395	-959	0	4 608	0	4 044

Movements in deferred tax reserve in 2010	Balance-sheet valuation of derivative instruments	Balance sheet valuation of assets	Unrealized positive exchange adjustments	Depreciation of fixed assets	Other	Total
as at the beginning of the period	1 922	12 334	515	54 532	3 696	72 999
recognised in net profit/loss	192	12 143	515	49 924	3 696	66 470
recognised directly in equity	1 730	191	0	4 608	0	6 529
write-ups	469	8 208	687	10 827	1 689	21 880
recognised in net profit/loss	34	7 907	687	10 827	1 689	21 144
recognised directly in equity	435	301	0	0	0	736
write-downs	1 186	1 986	382	688	1 530	5 772
recognised in net profit/loss	85	815	382	688	1 530	3 500
recognised directly in equity	1 101	1 171	0	0	0	2 272
as at the end of the period	1 205	18 556	820	64 671	3 855	89 107
recognised in net profit/loss	141	19 235	820	60 063	3 855	84 114
recognised in equity	1 064	-679	0	4 608	0	4 993

14. TANGIBLE FIXED ASSETS

Tangible fixed assets (according to groups of types)	As at 31.12.2011	As at 31.12.2010
Fixed assets:	994 821	908 549
land	29 979	18 946
buildings, premises and civil engineering structures	283 141	232 536
plant, machinery and equipment	652 267	632 706
vehicles	9 436	6 181
other fixed assets	19 998	18 180
Advances on fixed assets	3 577	1 828
Total tangible fixed assets	998 398	910 377

Loans and borrowings released in the period	0	2 032
Fixed assets under construction	18 801	11 078
Expenditure on fixed assets incurred in the period	42 189	124 697
Planned expenditure on fixed assets under construction	30 915	50 948
fixed assets used under lease contracts	21 401	15 938
Net fixed assets with limited rights	703	484
Net fixed assets securing payment of liabilities	323 581	452 183
Contractual liabilities incurred in connection with the acquisition of fixed assets	242	413
Indemnification received from third parties due to impairment	74	157
Actuarial value of fixed assets	745 900	1 858 875

Fixed assets reported in the balance sheet (ownership structure)	As at 31.12.2011	As at 31.12.2010
Own fixed assets	973 420	892 611
Used under rental, hire or lease contracts, including:	21 401	15 938
Land	0	0
buildings, premises and civil engineering structures	1162	42
plant, machinery and equipment	18983	14103
vehicles	434	1679
other fixed assets	822	114
Total balance sheet fixed assets	994 821	908 549

Movements in fixed assets in 2011	Land	Buildings	Plant and equipment	Vehicles	Other	Total
gross fixed assets at the beginning of the 2011 period	19 084	354 510	1 090 457	21 716	48 398	1 534 165
write-ups	11 042	72 491	131 632	5 730	13 309	234 204
acquisition	965	7 747	45 147	1 904	2 911	58 674
fixed assets from acquisitions, mergers	9 026	61 120	59 676	3 814	9 617	143 253
movement between groups	0	1 900	871	2	233	3 006
exchange adjustments in the OB	901	76	38	10	197	1 222
other assets (including assets under construction)	150	1 648	25 900	0	351	28 049
write-downs	9	9 515	62 278	2 043	1 349	75 194
sale	9	6 152	25 275	921	172	32 529
liquidation	0	2 878	12 971	1 104	496	17 449
contribution in kind	0	0	3	0	0	3
reclassification as fixed assets held for sale	0	0	0	0	24	24
movement between groups	0	0	-12	0	0	-12
exchange adjustments in the OB	0	0	0	1	5	6
other assets (including assets under construction)	0	485	24 041	17	652	25 195
gross fixed assets at the end of the period	30 117	417 486	1 159 811	25 403	60 358	1 693 175
amortization at the beginning of the period	0	71 703	331 955	14 700	27 013	445 371
scheduled depreciation of fixed assets	0	12 268	71 997	2 288	5 178	91 731
amortization of fixed assets from acquisitions, mergers	0	8 718	233	0	-7	8 944
sale	0	0	-3 436	-638	-152	-4 226
liquidation	0	-3 187	-11 886	-1 064	-383	-16 520
contribution in kind	0	0	-3	0	0	-3
movement between groups (+/-)	0	9	0	0	7	16
exchange adjustments in the OB (+/-)	0	5	36	7	144	192
other (+/-)	0	-14	-6	-16	5 407	5 371
amortisation at the end of the period	0	89 502	388 890	15 277	37 207	530 876
impairment losses at the beginning of the period	138	50 271	125 796	835	3 205	180 245
increase of impairment losses	0	0	0	0	3	3
creation of impairment losses	0	0	0	0	3	3
decrease of impairment losses	0	5 428	7 142	145	55	12 770
reversal of impairment losses	0	244	296	0	27	567
sale	0	0	383	0	0	383
liquidation	0	5 181	6 463	145	28	11 817
exchange adjustments in the OB	0	3	0	0	0	3
impairment losses at the end of the period	138	44 843	118 654	690	3 153	167 478
Gross fixed assets at the end of the 2011 period	29 979	283 141	652 267	9 436	19 998	994 821

Movements in fixed assets in 2011	Land	Buildings	Plant and equipment	Vehicles	Other	Total
gross fixed assets at the beginning of the 2010 period	2 010	324 916	936 184	24 252	42 405	1 329 767
write-ups	17 095	49 851	203 673	1 261	8 481	280 361
acquisition	17 995	22 632	84 783	693	5 018	131 121
fixed assets from acquisitions, mergers	0	26 758	54 490	134	2 421	83 803
contribution in kind	0	0	0	62	0	62
movement between groups	0	158	55 856	134	693	56 841
exchange adjustments in the OB	-900	0	9	0	61	-830
other assets (including assets under construction)	0	303	8 535	238	288	9 364
write-downs	21	20 257	49 400	3 797	2 488	75 963
sale	0	21	8 610	485	331	9 447
liquidation	0	13 345	25 455	2 835	1 575	43 210
reclassification as fixed assets held for sale	21	6 837	9 843	457	497	17 655
movement between groups	0	0	259	0	0	259
exchange adjustments in the OB	0	2	10	19	81	112
other assets (including assets under construction)	0	52	5 223	1	4	5 280
gross fixed assets at the end of the period	19 084	354 510	1 090 457	21 716	48 398	1 534 165
amortization at the beginning of the period	0	68 781	276 997	14 797	24 565	385 140
scheduled depreciation of fixed assets	0	9 842	59 876	2 645	3 107	75 470
amortization of fixed assets from acquisitions, mergers	0	54	4 203	74	1 222	5 553
sale	0	-3 081	-7 412	-232	-286	-11 011
liquidation	0	-2 123	-12 957	-2 085	-1 502	-18 667
reclassification as fixed assets held for sale	0	-1 770	-3 651	-436	-395	-6 252
movement between groups (+/-)	0	0	14 941	60	311	15 312
exchange adjustments in the OB (+/-)	0	0	0	-19	-19	-38
other (+/-)	0	0	-42	-104	10	-136
amortisation at the end of the period	0	71 703	331 955	14 700	27 013	445 371
impairment losses at the beginning of the period	138	56 134	69 116	1 490	2 407	129 285
increase of impairment losses	0	2 102	62 516	148	965	65 731
creation of impairment losses	0	2 102	27 508	83	90	29 783
fixed assets from acquisitions, mergers	0	0	25 961	62	853	26 876
movement between groups	0	0	9 047	3	22	9 072
decrease of impairment losses	0	7 965	5 836	803	167	14 771
reversal of impairment losses	0	14	46	177	108	345
sale	0	0	959	6	0	965
liquidation	0	7 951	4 831	620	59	13 461
impairment losses at the end of the period	138	50 271	125 796	835	3 205	180 245
Gross fixed assets at the end of the 2010 period	18 946	232 536	632 706	6 181	18 180	908 549

15. INVESTMENT (REAL) PROPERTY

Investment (REAL) property	As at 31.12.2011	As at 31.12.2010
As at the beginning of the period	73 180	112 827
Write ups	35 524	455
disclosure of land subject to perpetual usufruct	7 876	0
revaluation up to fair value	27 075	0
reclassification (from fixed assets, inventory)	0	455
other (disclosure)	573	0
Write downs	2 116	40 102
sale	2 116	0
revaluation up to fair value	0	7 469
reclassification as assets held for sale	0	32 633
Closing balance	106 588	73 180
Investment property securing payment of liabilities	1 800	1 800
Investment property securing loan agreements	0	54 053
Revenue from sale of property	5 200	1 912
Revenue from investment property (rental agreements)	204	17 343
Receipts from property securing loan agreements	342	0

Investment property is owned by Elana Branch in Toruń and by Impexmetal

16. Goodwill

Goodwill	As at 31.12.2011	As at 31.12.2010
Goodwill at the beginning of the period	23 464	23 464
Increase due to purchase	52 503	57 843
goodwill write-off	195	57 843
Accumulated goodwill at the end of the period, including goodwill formed as a result of:	75 772	23 464
merger of Impexmetal with the aluminium works in Konin	2 122	2 122
acquisition of Baterpol	6 418	6 418
acquisition of Silesia	14 924	14 924
ICOS GERMANY	8 122	0
Theysohn Kunstoff GERMANY	30 652	0
Theysohn Formenbau GERMANY	3 548	0
Boryszew Kunststofftechnik GERMANY	9 046	0
Boryszew Formenbau GERMANY (Wedo)	940	0
details of goodwill:	75 772	23 464

The goodwill of the company increased as a result of acquisition of new businesses in teh automotive sector in Germany.
– Theysohn Kunstoff GERMANY
– Theysohn Formenbau GERMANY
– Boryszew Kunststofftechnik GERMANY
– Boryszew Formenbau GERMANY (Wedo)

The Parent Company settled the accounts related to the acquisition based on interim values and as a result it recognised total goodwill of - 52 308 kPLN in assets. The Parent Company performed a goodwill impairment test.

The goodwill impairment test was based on DCF method, separately for each company from Centermedia Group (Boryszew Automotive Plastics – B.A.P.). The budget period tested is 2011-2016.
Cash flow in this period was estimated according to long-term sales forecasts prepared in the budgeting process in 2011.

Revenue from sales comprises:

- revenue from sales of plastic components (both under contracts taken over during the process of acquisitions of enterprises and companies, as well as future contracts B.A.P. Group hopes to be granted in future tenders. With regard to the history of long-term cooperation with renowned manufacturers in the automotive sector and a limited number of authorised suppliers in this sector, it is very likely that such contracts will be granted.
- revenue from sales of injection moulds used to produce plastic components

The assumed operating expenses and other expenses (including expenditure on the renewal of the fleet of machinery) adopted under the DCF model are based on:

- current levels of costs and expenses for each of the companies forming BAP Group. Current cost levels were determined based on historic data obtained in Due Diligence process and actual costs incurred during the first months of operation under the control of Boryszew Group.

EBIT for respective companies was afterwards forecasted taking into account the cost optimisation programme, consolidation of group functions and the maximum utilisation of production capacity through shifting production between plants. In addition, for the needs of businesses currently subcontracting their production a special programme was developed under which the orders placed with subcontractors can be transferred to the group's businesses having spare production capacity.

For the purposes of testing, the resulting EBIT was then adjusted downward observing the prudence principle. It was assumed that EBIT (R.O.S.) in 2016 will reach an average market value in the automotive sector in Europe. EBIT in 2012-2015 was calculated on the assumption of gradual increase in return on sales aiming to reach the target level in 2016. The cash flow calculated as above was afterwards discounted with the weighted average cost of capital (WACC). The value of discounted cash flow for each of the companies exceeds goodwill recognised in the balance sheets of these entities. The total value of discounted cash flow for the whole B.A.P. Group considerably exceeds the total goodwill of the company recognised in the consolidated balance sheet of B.A.P. Group.

As at 31 December 2011 other companies were also covered by goodwill impairment tests based on five-year discounted forecasted cash flow. Cash flow adopted for the purposes of the test complies with the approved plans of the Management Boards of Impexmetal S.A., Silesia S.A. and Baterpol S.A. The following discount rates were used for the models: WACC: for goodwill generated at Impexmetal S.A. 10.3% per annum and at Silesia S.A. and Baterpol S.A. 10.5%, and in all models EUR and USD exchange rates were 4.20 and 3.10 respectively.

17. INTANGIBLE ASSETS

INTANGIBLE ASSETS	As at 31.12.2011	As at 31.12.2010
Costs of development works completed	2 002	4 190
Patents, licences, software	3 207	1 844
Perpetual land usufruct title	8 282	9 175
Other intangible assets	10 023	3 703
	23 514	18 912
Advances to intangible assets	332	0
	23 846	18 912
Expenditure on development incurred in the period	1 743	844
Planned expenditure on intangible assets	313	0
Revenue from intangible assets	3 231	18
Net value of intangible assets sold	750	39
Net intangible assets with limited title	0	0
Intangible assets securing payment of liabilities	2 466	0

Movements in intangible assets in 2011	Costs of development works completed	Patents, concessions, licences, software	Perpetual land usufruct title	Other intangible assets	Total
value of intangible assets at the beginning of the period	16 713	14 385	10 281	10 394	51 773
write-ups	**390**	**2 909**	**0**	**8 633**	**11 932**
acquisition	143	967	0	375	1 485
cost of development works from acquisitions, mergers	0	1 605	0	1 104	2 709
movement between groups	0	93	0	3 264	3 357
exchange adjustments in the OB	0	244	0	21	265
other	247	0	0	3 869	4 116
write-downs	**0**	**156**	**825**	**86**	**1 067**
sale	0	1	819	0	820
liquidation	0	155	6	0	161
movement between groups	0	0	0	-31	-31
exchange adjustments in the OB	0	0	0	2	2
other	0	0	0	115	115
gross amount at the end of the period	**17 103**	**17 138**	**9 456**	**18 941**	**62 638**
amortization at the beginning of the period	**12 523**	**12 541**	**878**	**4 318**	**30 260**
scheduled depreciation of intangible assets	2 578	1 324	141	2 206	6 249
sales (-)	0	0	-69	0	-69
liquidation (-)	0	-155	-1	0	-156
movement between groups (+/-)	0	31	0	0	31
exchange adjustments in the OB (+/-)	0	191	0	21	212
other (+/-)	0	-1	0	0	-1
amortisation at the end of the period	**15 101**	**13 931**	**949**	**6 545**	**36 526**
impairment losses at the beginning of the period	**0**	**0**	**228**	**2 373**	**2 601**
increase of impairment losses	**0**	**0**	**0**	**0**	**0**
decrease of impairment losses	**0**	**0**	**3**	**0**	**3**
reversal of impairment losses	0	0	3	0	3
impairment losses at the end of the period	**0**	**0**	**225**	**2 373**	**2 598**
Net intangible assets at the end of the period	**2 002**	**3 207**	**8 282**	**10 023**	**23 514**

Movements in intangible assets in 2010	Costs of development works completed	Patents, concessions, licences, software	Perpetual land usufruct title	Other intangible assets	Total
intangible assets at the beginning of the period	16 090	13 541	10 652	5 492	45 775
write-ups	**623**	**1 438**	**0**	**4 912**	**6 973**
acquisition	623	572	0	2 277	3 472
cost of development works from acquisitions, mergers	0	860	0	2 522	3 382
exchange adjustments in the OB	0	6	0	14	20
other	0	0	0	99	99
write-downs	**0**	**594**	**371**	**10**	**975**
sale	0	0	39	10	49
liquidation	0	4	0	0	4
reclassification as intangible assets held for sale	0	523	332	0	855
movement between groups	0	55	0	0	55
exchange adjustments in the OB	0	11	0	0	11
other	0	1	0	0	1
gross amount at the end of the period	**16 713**	**14 385**	**10 281**	**10 394**	**51 773**
amortization at the beginning of the period	**10 210**	**11 264**	**770**	**2 996**	**25 240**
scheduled depreciation of intangible assets	2 313	1 016	144	493	3 966
amortization of intangible assets from mergers	0	849	0	0	849
sales (-)	0	0	-3	0	-3
liquidation (-)	0	-4	0	0	-4
reclassification as intangible assets held for sale (-)	0	-523	-33	0	-556
movement between groups (+/-)	0	-55	0	0	-55
exchange adjustments in the OB (+/-)	0	-6	0	14	8
other (+/-)	0	0	0	815	815
amortisation at the end of the period	**12 523**	**12 541**	**878**	**4 318**	**30 260**

Movements in intangible assets in 2010	Costs of development works completed	Patents, concessions, licences, software	Perpetual land usufruct title	Other intangible assets	Total
impairment losses at the beginning of the period	0	0	237	0	237
increase of impairment losses	0	0	0	2 373	2 373
intangible assets from acquisitions, mergers	0	0	0	2 373	2 373
decrease of impairment losses	0	0	9	0	9
reversal of impairment losses	0	0	9	0	9
impairment losses at the end of the period	0	0	228	2 373	2 601
Net intangible assets at the end of the period	4 190	1 844	9 175	3 703	18 912

18. INTERESTS AND SHARES IN SUBSIDIARIES AND OTHER ENTITIES

Interests and shares as at 31.12.2011	Shares and interests at cost	Impairment losses	Balance sheet value of shares and interests
Brassco Inc.	754	754	0
Przedsiębiorstwo Usługowo-Handlowe Hutnik Sp. z o.o.	1 881	1 881	0
Susmed Sp. z o.o.	2 240		2 240
Temer Sp. z o.o.,	4 599	791	3 808
FLT Wälzlager GmbH	1 908		1 908
FLT & Metals s.r.l.	1 425		1 425
FLT (Wuxi) Trading Co. Ltd.	944	944	0
FLT Metal Ltd. in liquidation	79	79	0
MBO-HUTMEN jv Sp. z o.o.	430		430
KATECH-HUTMEN Sp. z o.o.- in liquidation	7	7	0
Przedsiębiorstwo Remontowe REMAL Sp. z o.o.	160		160
Przedsiębiorstwo Automatyzacji i Pomiarów ALTECH Sp. z o.o.	29		29
ZUO konin	8 600	2 911	5 689
Surowce Hutmen Spółka Akcyjne Spółka komandytowa	1000		1 000
Zavod Mogiliew - Sp. zo.o. Belarus	1 091		1 091
Elana Ukraina Sp.z o.o.	338	338	0
InterFlota Sp. z o.o.	250	250	0
Maflow India	4 968		4 968
Brest - Bor in liquidation	256	256	0
Altrans Sp.z o.o. in liquidation	11	11	0
	30 970	8 222	22 748

Interests and shares as at 31.12.2010	Shares and interests at cost	Impairment losses	Balance sheet value of shares and interests
Brassco Inc.	754	754	0
Przedsiębiorstwo Usługowo-Handlowe Hutnik Sp. z o.o.	1 881	1 881	0
Susmed Sp. z o.o.	2 240		2 240
Temer Sp. z o.o.,	4 599	791	3 808
FLT Wälzlager GmbH	1 908		1 908
FLT & Metals s.r.l.	1 425		1 425
FLT (Wuxi) Trading Co. Ltd.	944	944	0
FLT Metal Ltd. in liquidation	79	79	0
MBO-HUTMEN jv Sp. z o.o.	430		430
KATECH-HUTMEN Sp. z o.o.- in liquidation	7	7	0
Przedsiębiorstwo Remontowe REMAL Sp. z o.o.	127		127
Przedsiębiorstwo ODMECH Sp. z o.o.	30		30
Przedsiębiorstwo Automatyzacji i Pomiarów ALTECH Sp. z o.o.	29		29
ZUO konin	8 600	2 910	5 690
Zavod Mogiliew - Sp. zo.o. Belarus	1 091		1 091
Elana Ukraina Sp.z o.o.	338	338	0
InterFlota Sp. z o.o.	250	250	0
Brest - Bor in liquidation	256	256	0
Altrans Sp.z o.o. in liquidation	11	11	0
	24 999	8 221	16 778

19. FINANCIAL ASSETS AVAILABLE FOR SALE

Long-term assets available for sale	As at 31.12.2011	As at 31.12.2010
Interests and shares	7 510	4 470
	7 510	4 470

Short-term assets available for sale	As at 31.12.2011	As at 31.12.2010
Interests and shares (Skotan)	428	474
Bonds and other debt securities	4 004	0
	4 432	474
Total assets available for sale	11 942	4 944

20. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments As at 31.12.2011	assets	liabilities
Instruments held for sale	29	49
currency instruments	0	23
commodity instruments	29	26
Cashflow hedging instruments	5 679	7 928
price hedging instruments	2 533	4 968
interest rate swaps	0	0
exchange rate hedging instruments	3 146	2 960
Fair value hedging instruments	1 776	1 540
price hedging instruments	795	558
interest rate swaps	0	0
exchange rate hedging instruments	981	982
	7 484	9 517
long-term	0	0
short-term	7 484	9 517
positive (+) / negative (-) measurement	-2 033	

Derivative financial instruments As at 31.12.2010	assets	liabilities
Instruments held for trading	4	169
currency instruments	0	32
commodity instruments	4	137
Cashflow hedging instruments	6 584	4 499
price hedging instruments	4 958	4 307
exchange rate hedging instruments	1 626	192
Fair value hedging instruments	1 157	5 637
price hedging instruments	680	5 320
exchange rate hedging instruments	477	317
	7 745	10 305
positive (+) / negative (-) measurement	-2 560	

Recognition of derivative instruments in the profit and loss account

Profit and loss account item	As at 31.12.2011	As at 31.12.2010
Revenue from sales	-5 844	4 106
Cost of products sold	-496	-6 865
Other operating costs	0	0
Financial income, including:	19 766	20 870
- earnings from turnover of derivative instruments	13 866	13 866
- ineffective cash flow hedges (positive amount),	42	30
- exchange adjustments – effective hedges	5 858	6 974
Financial costs, including:	14 008	18 930
- loss from turnover of derivative instruments	15 486	15 486
- ineffective cash flow hedges (negative amount)	904	3 189
- exchange adjustments – effective hedges	-2 382	255

Estimated dates of cashflow realization

Derivative commodity instruments	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Currency							
USD (+/-)	32	102	-579	81	0	0	-364
EUR (+/-)	-205	-484	-348	-3	0	0	-1 040
Total	-173	-382	-927	78	0	0	-1 404

Derivative currency instruments	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Currency							
USD (+/-)	-973	365	1 471	0	0	0	863
EUR (+/-)	475	10	-1 144	0	0	0	-659
Total	-498	375	327	0	0	0	204

Derivative commodity instruments	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Currency							
USD (+/-)	-5 342	-3 372	-107	0	0	0	-8 821
EUR (+/-)	1 140	2 284	1 048	0	0	0	4 472
other	12	55	160				227
Total	-4 202	-1 088	941	0	0	0	-4 122

Derivative currency instruments	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Currency							
USD (+/-)	-306	367	0	0	0	0	61
EUR (+/-)	335	502	664	0	0	0	1 501
Total	29	869	664	0	0	0	1 562

21. TRADE RECEIVABLES AND OTHER RECEIVABLES

TRADE RECEIVABLES AND OTHER RECEIVABLES	As at 31.12.2011	As at 31.12.2010
trade receivables	602 668	499 614
loans granted	137	29
budget receivable (except income tax)	45 766	74 783
other receivables	32 512	14 088
receivables under litigation	29	0
Total trade receivables and other receivables	**681 112**	**588 514**
non-current	687	308
current	680 425	588 206
Impairment losses on receivables		
impairment losses on trade receivables (including discount)	38 243	33 641
impairment losses on borrowings	1 303	18
impairment losses on other receivables	11 302	12 328
impairment losses on receivables under litigation	2 732	2 697
Total impairment losses	**53 580**	**48 684**
Gross receivables	**734 692**	**637 198**
Receivables securing repayment of loans	149 463	127 066
Receivables securing repayment of other liabilities	0	0

Trade receivables according to maturity	As at 31.12.2011	As at 31.12.2010
(net) receivables with the maturity after the balance sheet date	**496 409**	**418 883**
a) up to 1 month	315 016	231 877
b) more than 1 month up to 3 months	172 849	179 822
c) more than 3 months up to 6 months	7 082	6 962
d) more than 6 months up to 1 year	1 462	222
overdue receivables	**106 259**	**80 731**
a) up to 1 month	78 702	70 808
b) more than 1 month up to 3 months	18 564	7 863
c) more than 3 months up to 6 months	4 662	2 060
d) more than 6 months up to 1 year	4 331	
total trade receivables	**602 668**	**499 614**
impairment losses on trade receivables		
b) more than 1 month up to 3 months	6 413	4 513
c) more than 3 months up to 1 year	8 719	5 389
e) more than 1 year	23 111	31 448
	38 243	**41 350**

Impairment losses on trade receivables and other receivables – at risk of impairment	As at 31.12.2011	As at 31.12.2010
As at the beginning of the period	48 684	41 137
Creation of write-offs	11 352	26 474
Bad debts written off	890	9 281
Derecognised write-offs from recovered debt	2 084	4 881
Reversal of impairment losses on trade receivables and other receivables	5 178	3 739
Other increase in write-offs	1 696	278
Other decrease in write-offs	0	1 304
Write-offs at the end of the period	**53 580**	**48 684**

22. INVENTORY

Structure of inventory	As at 31.12.2011	As at 31.12.2010
Raw materials	232 794	171 116
Semi-finished products and work in progress	159 176	108 360
Finished goods	152 432	97 958
Merchandise	45 655	26 559
Advances to suppliers	8 954	2 506
Carrying amount of inventory	**599 011**	**406 499**
Impairment losses	28 311	24 118
Gross value of inventory	**627 322**	**430 617**

23. CASH

Cash and cash equivalents	As at 31.12.2011	As at 31.12.2010
cash in hand and at the banks and call deposits	85 381	79 919
short-term bank deposits (up to 3 months from purchase)	2 626	2 133
bonds, treasury and commercial bills (up to 3 months from purchase)	0	0
	88 007	**82 052**
Cash flow from discontinuing operations	1 281	1 022
Cash at limited disposal	11 831	14 788

24. OTHER ASSETS

OTHER ASSETS	As at 31.12.2011	As at 31.12.2010
Prepaid costs	17 407	8 828
Other assets	6 322	301
Total	23 729	9 129
Non-current	3 937	99
Current	19 792	9 030

25. DISCONTINUING ACTIVITIES AND ASSETS AND LIABILITIES HELD FOR SALE

ASSETS held for sale linked to discontinuing operations	As at 31.12.2011	As at 31.12.2010
Tangible fixed assets	22 060	25 714
Financial assets available for sale	14	14
Inventory	245	1 505
Trade and other receivables	1 360	2 928
Cash and cash equivalents	1 281	1 022
Total assets	24 960	31 183

LIABILITIES linked to fixed assets for sale (discontinuing operations)	As at 31.12.2011	As at 31.12.2010
Trade payables and other payables	18 701	0
Provisions for income tax	9 126	9 445
Provision for employee benefits	14	14
Other provisions	22 691	25 913
Other liabilities	0	8 215
Deferred income	619	280
Total liabilities	51 151	43 867

26. CAPITALS

Share capital	As at 31.12.2011	As at 31.12.2010
Number of shares/stocks	2 256 715 692	1 128 357 846
Face value (PLN)	0,1	0,1
Share capital	225 671	112 836
revaluation according to hyperinflation index	9 136	9 136
Revaluated share capital	234 807	121 972
Treasury (own) shares	-38 927	0
Share premium	24 435	24 435

Pursuant to IAS 29 par. 24 equity components (apart from retained earnings and revaluation of assets) were translated as at the date of adoption of IAS, i.e. as at 01.01.2004 by means of general price increase indices from the date on which they were contributed or otherwise emerged. The amount due to hyperinflation revaluation increased the share capital by 9,136 kPLN and the share premium by 895 kPLN and retained earnings decreased by 10,031 kPLN.

The capital was increased due to issuance of 1,128,357,846 G series equity bearer shares with the face value of PLN 0.10 each.

Structure of share capital

Stockholders	Liczba akcji	% kapitału	Liczba głosów	% głosów
Roman Krzysztof Karkosik	1 240 273 539	54,96%	1 240 273 539	54,96%
Others	1 016 442 153	45,04%	1 016 442 153	45,04%
Total:	2 256 715 692	100,00%	2 256 715 692	100,00%
Treasury (own) shares	55 080 953	2,44%	55 080 953	2,44%

Stockholders holding more than 5% of the share capital and of the total number of votes as at the date of approval of the report for publication:

Last revised on 10.04.2012	Liczba akcji	% kapitału	Liczba głosów	% głosów
Roman Krzysztof Karkosik	1 283 523 539	56,88%	1 283 523 539	56,88%
Bank Polskiej Spółdzielczości S.A.	132 759 274	5,88%	132 759 274	5,88%
Others	840 432 879	37,24%	840 432 879	37,24%
Total:	2 256 715 692	100,00%	2 256 715 692	100,00%
Treasury (own) shares	56 715 692	2,51%	56 715 692	2,51%

Currency translation differences related to offshore units	As at 31.12.2011	As at 31.12.2010
Opening balance	3 329	5 293
Adjustment in 2011	-769	-1 964
Closing balance	2 560	3 329

Hedge accounting reserve	As at 31.12.2011	As at 31.12.2010
As at the beginning of the period	1 358	3 470
income tax at the beginning of the period (+/-)	258	659
Net capital at the beginning of the period	1 100	2 811
profit/loss on cash flow hedging instruments (+/-)	-2 220	-2 112
income tax (+/-)	-422	-401
Closing balance	-862	1 358
income tax (+/-)	-164	258
Net capital at the end of the period	-698	1 100

Assets revaluation reserve	As at 31.12.2011	As at 31.12.2010
Revaluation reserve – assets available for sale		
opening balance	154	154
income tax (+/-)	29	29
Net capital at the beginning of the period	266	125
revaluation recognised in the period (+/-)	-51	112
income tax (+/-)	-10	21
carried to profit and loss from sales	0	0
income tax (+/-)	0	0
Closing balance	215	266
income tax (+/-)	40	50
Net capital at the end of the period	175	216
Other assets revaluation reserve		
opening balance	538	538
income tax (+/-)	103	103
Net capital at the beginning of the period	435	435
Closing balance	538	538
income tax (+/-)	103	103
Net capital at the end of the period	435	435
Assets revaluation reserve	610	651

27. BANK LOANS AND OTHER BORROWING PAYABLES

Borrowings	As at 31.12.2011	As at 31.12.2010
Bank loans	682 514	580 711
Borrowings	6 446	7 652
Lease payable	56 709	38 494
Total, including:	745 669	626 857
non-current payables	199 085	144 500
current payables	546 584	482 357

Bank loans	As at 31.12.2011	As at 31.12.2010
Investment bank loans	46 326	48 116
Revolving facility	276 753	231 528
Overdraft facilities	310 760	245 163
Factoring	48 675	55 904
Total loans, including:	682 514	580 711
Long-term bank loans	148 108	113 202
Short-term bank loans	534 406	467 509
interest on loans paid	28 004	33 037
effective interest	4,43%	5,49%

List of loans in companies forming Boryszew Capital Group as at 31.12.2011

Name of bank – lender	Amount of loan (according to loan agre-ement), in KPLN	Principal amount payable as at the balance sheet date, in kPLN	Loan maturity (according to loan agreement, annex) yyyy-mm-dd	Interest rate	Security (description, specification, value)
PKO BANK POLSKI S.A.	34 110	32 886	31.12.2012	WIBOR 1M + margin	Registered pledge on fixed assets. Collateral mortgage; Transfer of cash claims under insurance contracts
PKO BANK POLSKI S.A.	23 724	23 707	31.12.2013	WIBOR 1M + margin	bank account authorization, registered pledge on fixed assets, collateral mortgages including assignment of rights under insurance policy
Kredyt Bank S.A.	30 918	28 470	01.11.2012	Libor O/N+margin	Collateral mortgage; Lock-up of shares of Impexmetal S.A.
DnB Nord Bank SA	30 000	30 000	31.12.2013	WIBOR 1M + margin	Registered pledge of the shares of Impexmetal S.A.
ALIOR BANK S.A.,	12 000	12 000	01.12.2012	WIBOR 1M + margin	Authorization to current account and other accounts of the Borrower with the Bank; Lock-up of shares of Impexmetal S.A.
ING BANK ŚLĄSKI S.A	30 000	23 930	31.07.2015	Euribor 1M + margin	collateral mortgage on real property
ING BANK ŚLĄSKI S.A	30 000	20 495	30.09.2012	Euribor 1M + margin	lock-up of shares of Impexmetal, collateral mortgage on real property, registered pledge on inventory
ALIOR BANK S.A.,	27 958	27 689	01.09.2012	WIBOR 1M + margin	lock-up of shares of Impexmetal S.A., authorization to current account and other accounts of the Borrower with the Bank
PKO BANK POLSKI S.A.	25 000	18 858	25.02.2012	WIBOR 1M + margin	Registered pledge on inventory; Pledge on fixed assets; Collateral mortgage
Raiffeisen Bank Polska S.A.	7 500	6 432	05.10.2012	WIBOR 1M + margin	Authorization to current account and other accounts of the Borrower with the Bank. Blank bill of exchange including bill of exchange declaration; Collateral mortgage including assignment of rights under insurance policy
Bankinter	5 300	1 559	unspecified	Euribor 1M + margin	factoring
La Caixa	4 417	0	unspecified	Euribor 3M + margin	factoring
MERCANTIL BANK	733	733	31.12.2012	Selic+margin	N/A
Socété Générale	13 250	12 428	14.06.2018	4.20%	Mortgage
Mittelständische Beteiligungsgesellschaft	2 208	1 382	31.12.2013	Euribor 1M + margin	
Mittelständische Beteiligungsgesellschaft	2 208	596	25.01.2012	Euribor 1M + margin	
HypoVereinsbank	3 268	1 749	30.09.2015	Euribor 1M + margin	Mortgage; guarantee
HypoVereinsbank	3 533	3 092	30.06.2015	Euribor 1M + margin	Collateral agreement
HypoVereinsbank	4 417	4 417	30.06.2015	Euribor 1M + margin	Mortgage; guarantee
HypoVereinsbank	1 988	2 270	30.06.2015	Euribor 1M + margin	Collateral agreement
Deutsche Bank	5 300	4 638	30.06.2015	Euribor 1M + margin	Collateral agreement
Deutsche Bank	4 417	4 417	30.06.2015	Euribor 1M + margin	Collateral agreement
Deutsche Bank	1 325	583	unspecified	Euribor 1M + margin	Mortgage; guarantee
Commerzbank	4 417	4 417	30.06.2015	Euribor 1M + margin	Collateral pool agreement
HypoVereinsbank	50	207	30.06.2015	Euribor 1M + margin	Mortgage; guarantee
Deutsche Bank	1 000	1 970	unspecified	Euribor 1M + margin	Agreement; guarantee
Loan of AKT Czech Republic		16 826		Pribor + margin	
PKO BANK POLSKI S.A.	18 000	18 000	19.03.2013	WIBOR 1M + margin	collateral mortgage,
DnB Nord Bank SA	3 000	2 496	20.04.2013	Euribor 1M + margin	pledge on machinery
ING BANK ŚLĄSKI S.A	12 000	11 980	31.08.2012	WIBOR 1M + margin	registered pledge on machinery, assignment of claims under commercial agreement, registered pledge on rights under bank account agreement
ING BANK ŚLĄSKI S.A	6 625	6 590	31.08.2012	Euribor 1M + margin	assignment of rights under insurance agreement, pledge on materials and goods
BANK PEKAO S.A.	35 000	27 871	30.06.2012	Wibor 1M / Euribor 1M / Libor 1M + margin	bank account authorization, registered pledge on the inventory including the assignment of insurance policy rights, transfer of receivables, collateral mortgages, pledge on fixed assets including assignment of insurance policy rights
PKO BANK POLSKI S.A.	25 000	0 602	30.11.2012	Wibor 1M+marża	registered pledge on fixed assets including assignment of insurance policy rights, transfer of fixed assets, contractual clause allowing deduction of claims from bank accounts, collateral mortgages
	5 000	4 396	26.06.2012	Wibor 1M+marża	
Raiffeisen Bank Polska S.A.	50 000	44 555	31.05.2013	Wibor 1M / Euribor 1M / Libor 1M + margin	blank bill of exchange, transfer of fixed assets including assignment of rights under insurance policy, transfer of receivables, bank accounts authorization, collateral mortgage
BGŻ S.A.	35 000	35 167	31.01.2013	WIBOR 1M + margin	Authorization to the current bank account, registered pledge on fixed assets including assignment of rights under insurance policy, collective collateral mortgage on real property in Konin, registered pledge on WIP inventory such as sheet and aluminium strip including assignment of rights under insurance policy
BANK MILLENNIUM S.A.	10 000	9 899	04.10.2012	WIBOR 1M + margin	transfer of fixed assets including assignment of rights under insurance policy, authorization to current account
BANK ZACHODNI WBK S.A.	15 000	1 149	27.05.2012	WIBOR 1M + margin	Current account authorization, registered pledge on a fixed asset and on inventory including assignment of rights under insurance policy
BANK MILLENNIUM S.A. - faktoring	36 000	30 273	29.09.2012	Euribor 1M + margin	Factoring – transfer of receivables
BANK PEKAO S.A.		2 812	31.03.2012	WIBOR 1M + margin	Registered pledge on inventory including assignment of rights under insurance policy, registered pledge on fixed assets including assignment of rights under insurance policy, warranty, collateral mortgage including assignment of rights under insurance policy, transfer of receivables, registered pledge on shares in TEMER Sp. z o.o.
Bank Ochrony Środowiska S.A.	5 000	4 577	04.10.2012	WIBOR 1M + margin	Mortgage; bank account authorisation, voluntary statement of execution, blank bill of exchange
Bank Ochrony Środowiska S.A.	5 000	0	30.10.2012	WIBOR 1M + margin	bank account authorisation, voluntary statement of execution, blank bill of exchange
Coface Poland Factoring Sp.z o.o.	22 000	11 954	bezterminowo	WIBOR 1M + margin	Mortgage, registered pledge, blank bill of exchange
Bank Ochrony Środowiska S.A.	6 000	353	30.09.2012	WIBOR 1M + margin	Blank bill of exchange
Alior Bank SA	11 000	9 487	29.12.2012	WIBOR 1M + margin	Warranty, registered pledge on inventory and on fixed assets, transfer of receivables

Name of bank – lender	Amount of loan (according to loan agre-ement), in KPLN	Principal amount payable as at the balance sheet date, in kPLN	Loan maturity (according to loan agreement, annex) yyyy-mm-dd	Interest rate	Security (description, specification, value)
Raiffeisen Bank Polska S.A.	15 000	14 707	29.06.2012	WIBOR 1M + margin	Warranty, transfer of receivables
BZ WBK SA	10 000	9 819	25.05.2012	WIBOR 1M + margin	Warranty, mortgage
BZ WBK SA	28 000	28 000	28.12.2012	WIBOR 1M + margin	Warranty, mortgage
DnB Nord Bank SA	12 000	11 732	31.12.2012	WIBOR 1M + margin	Warranty, mortgage, transfer of receivables
Recourse factoring		3 851		WIBOR 1M + margin	
PKO BANK POLSKI S.A.	26 000	23 318	19.09.2012	WIBOR 1M + margin	Registered pledge on inventory and fixed assets, transfer of claims under insurance agreement, mortgage, bank account authorisation
PKO BANK POLSKI S.A.	4 417	0	19.09.2012	Euribor 1M + margin	Registered pledge on inventory and fixed assets, transfer of claims under insurance agreement, mortgage, bank account authorisation
Raiffeisen Bank Polska S.A.	15 000	5 799	27.07.2012	Wibor 1M / Euribor 1M / Libor 1M + margin	Transfer of trade receivables, mortgage, Pre-approved mortgage
PKO BANK POLSKI S.A.	10 750	8 500	31.07.2013	WIBOR 1M + margin	Pre-approved mortgage
PKO BANK POLSKI S.A.	10 000	6 500	31.10.2013	WIBOR 1M + margin	Pre-approved mortgage
Crédit du Nord	500	685	15.01.2012	Euribor + margin	-
BOŚ S.A. / WFOŚiGW	10 303	6 240	30.06.2014	preferential rate based on bill rediscount rate	blank bill of exchange, bank enforcement title
BANK MILLENNIUM S.A	7 000	6 798	22.09.2012	WIBOR 1M + margin	registered pledge on fixed assets including assignment of rights under insurance agreement
ALIOR BANK S.A.	5 500	2 241	27.07.2012	WIBOR 1M + margin	registered pledge on inventory
Raiffeisen Bank Polska S.A.	15 000	14 484	27.11.2012	WIBOR 1M + margin	Collateral mortgage; transfer of receivables; bank accounts authorisation
PKO BANK POLSKI S.A.	22 000	21 928	31.12.2011	WIBOR 1M + margin	registered pledge on fixed assets; clause allowing claims to be deducted from the current account; transfer of cash liabilities under insurance policy
Raiffeisen Bank Polska S.A.	12 000	0	31.01.2013	WIBOR 1M + margin	Statement of execution
Total		682 514			

Borrowings as at 31.12.2011

Name of lender	Amount of borrowing (according to borrowing agreement), in KPLN	Principal amount payable as at the balance sheet date, in kPLN	Maturity	Interest rate	Collateral
WFOŚ I GW	801	400	15.06.2013	preferential rate based on bill rediscount rate	mortgage, assignment of rights under insurance agreement, statement of execution
WFOŚ I GW	3500	3375	30.09.2018	preferential rate based on bill rediscount rate	mortgage, assignment of rights under insurance agreement, statement of execution
WFOŚ I GW	468	273	30.09.2013	preferential rate based on bill rediscount rate	mortgage, assignment of rights under insurance agreement, statement of execution
Government Grant		1749	31.07.2026	-	-
REL IBIS	883	649	30.09.2014	Euribor + margin	2 blank bills of exchange, warranty
Total		6 446			

Lease payable	As at 31.12.2011	As at 31.12.2010
Lease instalment maturity dates		
1 – 12 months	4 981	4 319
1 – 3 years	9 747	2 778
3 – 5 years	4 126	2 622
> 5 years	85 512	95 959
Total	104 366	105 678
interest portion of future lease instalments	47 657	67 184
Balance sheet valuation of liabilities	56 709	38 494

OTHER SOURCES OF BORROWINGS	As at 31.12.2011	As at 31.12.2010
Borrowings payable	6 446	7 652
Lease payable	56 709	38 494
Total, including:	63 155	46 146
non-current payables	50 977	31 298
current payables	12 178	14 848

28. PENSION PAYABLES AND SIMILAR LIABILITIES

Long-term provisions

Movements in long-term provisions for pensions and similar benefits 2011	service anniversary awards	superannuation	Total
as at the beginning of the period	615	9 527	10 142
write-ups	149	4428	4 577
establishment of the provision	109	554	663
reclassification	40	3 874	3 914
write-downs	16	648	664
utilization	16	46	62
reversal of redundant reserves	0	441	441
reclassification	0	161	161
as at the end of the period	748	13 307	14 055

Rezerwy długoterminowe

Movements in long-term provisions for pensions and similar benefits 2010	service anniversary awards	superannuation	Total
as at the beginning of the period	733	5 201	5 934
write-ups	4	4891	4 895
reserves of acquired entities	0	3 468	3 468
establishment of the provision	4	1 405	1 409
reclassification	0	18	18
write-downs	122	565	687
reserves of sold entities	89	169	258
utilization	12	267	279
reclassification	21	129	150
as at the end of the period	615	9 527	10 142

Short-term provisions

Movements in short-term provisions for retirement pension and similar benefits in 2011	unused leave	service anniversary awards	superannuation	Total
as at the beginning of the period	4 904	143	853	5 900
write-ups	24 634	221	5 059	29 914
reserves of acquired entities	66	0	4 363	4 429
establishment of the provision	24 565	207	535	25 307
reclassification	3	14	161	178
write-downs	25 287	70	290	25 647
utilization	24 826	30	238	25 094
reversal of redundant reserves	461	0	47	508
reclassification	0	40	5	45
as at the end of the period	4 251	294	5 622	10 167
as at the end of the period				

Movements in short-term provisions for pensions and similar benefits 2010	unused leave	service anniversary awards	superannuation	Total
as at the beginning of the period	2 859	1 415	769	5 043
write-ups	11 213	32	299	11 544
reserves of acquired entities	657	0	29	686
establishment of the provision	10 477	11	187	10 675
reclassification	79	21	83	183
write-downs	9 168	1 304	215	10 687
reserves of sold entities	9	34	4	47
utilization	445	824	161	1 430
reversal of redundant reserves	8 714	446	32	9 192
reclassification	0	0	18	18
as at the end of the period	4 904	143	853	5 900

29. OTHER LONG-TERM AND SHORT-TERM PROVISIONS

Movements in other long-term provisions 2011	costs of liquidation of tangible fixed assets	redevelopment of land and disposal of post-production waste	other provisions	Total
as at the beginning of the period	6 080	459	436	6 975
write-ups	8	0	994	1 002
reserves of acquired entities	0	0	994	994
establishment of the provision	8	0	0	8
write-downs	2	0	409	411
utilization	2	0	0	2
reclassification	0	0	409	409
as at the end of the period	6 086	459	1 021	7 566

Movements in other long-term provisions 2010	costs of liquidation of tangible fixed assets	redevelopment of land and disposal of post-production waste	other provisions	Total
as at the beginning of the period	6 197	0	1 381	7 578
write-ups	0	459	20	479
establishment of the provision	0	459	20	479
write-downs	117	0	965	1 082
utilization	117	0	0	117
reclassification	0	0	965	965
as at the end of the period	6 080	459	436	6 975

Movements in other short-term provisions 2011	restructuring costs	costs of liquidation of tangible fixed assets	redevelopment of land and disposal of post-production waste	pending litigation	other provisions	Total
as at the beginning of the period	0	6 446	367	0	30 112	36 925
write-ups	0	685	19	124	20 804	21 632
reserves of acquired entities	0	0	0	0	6 062	6 062
establishment of the provision	0	618	19	124	12 528	13 289
reclassification	0	67	0	0	2 214	2 281
write-downs	0	0	95	0	17 268	17 363
utilization	0	0	95	0	15 654	15 749
reversal	0	0	0	0	1 614	1 614
as at the end of the period	0	7 131	291	124	33 648	41 194

Movements in other short-term provisions 2010	restructuring costs	costs of liquidation of tangible fixed assets	redevelopment of land and disposal of post-production waste	pending litigation	other provisions	Total
as at the beginning of the period	0	1 995	1 006	0	7 380	10 381
write-ups	0	6 446	5 303	152	37 206	49 107
reserves of acquired entities	0	0	0	0	19 809	19 809
establishment of the provision	0	6 446	904	0	15 500	22 850
reclassification	0	0	4 399	152	1 897	6 448
write-downs	0	1 995	5 942	152	14 474	22 563
utilization	0	13	1 942	152	12 705	14 812
reversal	0	1 982	4 000	0	1 206	7 188
reserves of sold entities	0	0	0	0	499	499
reclassification	0	0	0	0	64	64
as at the end of the period	0	6 446	367	0	30 112	36 925

30. TRADE PAYABLES AND OTHER PAYABLES

	As at 31.12.2011	As at 31.12.2010
trade payable	384 381	318 041
accrued payables (reserves – accruals)	15 521	7 656
advances to suppliers received	30 145	3 492
tax, customs duty, insurance and other benefits payable (except income tax)	43 225	31 442
payroll payable	27 930	12 094
other liabilities (including contingent liabilities related to business acquisitions)	27 070	15 056
government grants	8 925	9 415
special funds	7 214	15 547
Total, including:	544 411	412 743
non-current payables	9 641	6 874
non-current payables	534 770	405 869

Government grants	As at 31.12.2011	As at 31.12.2010
Grants, refunds from the National Fund for the Rehabilitation of Disabled Persons	4 283	570
Environmental protection	571	3 026
Development and new technologies	819	896
Conditional amortisation of the loan	2 174	4 923
Other	1 078	0
Total, including:	8 925	9 415
long-term	6 286	6 802
short-term	2 639	2 613
Special funds	As at 31.12.2011	As at 31.12.2010
Company Fund for the Disabled	7 214	15 547

31. DEFERRED INCOME

	As at 31.12.2011	As at 31.12.2010
Invoiced sales realised in the future	1 386	1 243
CO2 emission rights		0
Total	1 386	1 243

32. Financial instruments

Financial assets according to the balance sheet as at 31.12.2011	Borrowings and receivables	Financial assets measured at fair value through profit and loss	Derivative hedging instruments	Financial assets available for sale	Financial assets held to maturity	Total
Shares and stocks available for sale	0	0	0	11 942	0	11 942
Derivative financial instruments	0	29	7 455	0	0	7 484
Trade and other receivables	681 112	0	0	0	0	681 112
Cash and cash equivalents	88 007	0	0	0	0	88 007
Total	769 119	29	7 455	11 942	0	788 545

Financial assets according to the balance sheet as at 31.12.2010	Borrowings and receivables	Financial assets measured at fair value through profit and loss	Derivative hedging instruments	Financial assets available for sale	Financial assets held to maturity	Total
Shares and stocks available for sale	0	0	0	4 944	0	4 944
Derivative financial instruments	0	4	7 741	0	0	7 745
Trade and other receivables	588 514	0	0	0	0	588 514
Cash and cash equivalents	82 052	0	0	0	0	82 052
Total	670 566	4	7 741	4 944	0	683 255

Financial liabilities as at 31.12.2011	Financial liabilities measured at fair value through profit and loss	Derivative hedging instruments	Other financial liabilities	Total
Bank loans	0	0	682 514	682 514
Other non-current liabilities due to Borrowings	0	0	63 155	63 155
Derivative financial instruments	49	9 468	0	9 517
Trade and other payables	0	0	544 411	544 411
Total	49	9 468	1 290 080	1 299 597

Financial liabilities as at 31.12.2010	Financial liabilities measured at fair value through profit and loss	Derivative hedging instruments	Other financial liabilities	Total
Bank loans	0	0	580 711	580 711
Other non-current liabilities due to Borrowings	0	0	46 146	46 146
Derivative financial instruments	169	10 136	0	10 305
Trade and other payables	0	0	412 743	412 743
Total	169	10 136	1 039 600	1 049 905

33. BUSINESS RISK

The activity of Boryszew is connected with exposure to market risk (including interest rate risk, currency risk and risk of change in prices of raw materials and products) as well as credit risk and risk to liquidity.

The fundamental task in the financial risk management process was identification, measurement, monitoring and limitation of fundamental sources of risk including:
market risk, including:
currency risk (change of exchange rate of PLN to other currencies);

- risk of interest rate (increase in interest rates);
- risk of change in prices of basic raw materials and products;

and risks related to stability of debt and cash flow:

- liquidity risk;
- credit risk.

Capital management, liquidity risk and credit risk
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 development of the Company. Development is the priority of the Management Board and the Company wishes to allocate funds thereto building long-term value for shareholders through acquisitions and new projects. The Management Board takes all efforts to ensure the proper share of stable financing with share capital in the projects undertaken, which is evidence by 3 rights issuances in 2010-2011. In 2011 alone the company obtained nearly 112 million zlotys this way.

Boryszew Group is exposed to risk related to maintaining liquidity with regard to high share of short-term third party financing (overdraft facilities and revolving credits) in the Group's financing structure. Currently, the Group has access to third party financing and has no problem obtaining new loans or renew the existing ones. Potential risk exists in case of significant deterioration of results of the Group's companies or large scale disturbances in financial markets.

With regard to its nature and size, the Group keeps ongoing monitoring of financial liquidity in the form of reports anticipating three weeks. The companies from the Capital Group have no arrears in servicing interest debt both in terms of repayment of the principal amount and interest.

Credit risk is the hazard that a contractor fails to fulfil his contractual obligations, thus exposing the lender to financial loss.
From the point of view of Boryszew Group, credit risk is connected with:

- trade receivables from contractors,
- loans granted,
- guarantees and warranties granted,
- cash and bank deposits.

Amounts of write-offs due to losses, if any, related to credit risk as at 31 December 2011:

- impairment losses on trade receivables 38 234 kPLN
- impairment losses on other receivables 11 302 kPLN
- impairment losses on loans granted 1 303 kPLN
- receivables under litigation 2 732 kPLN

Boryszew Group is exposed to credit risk related to credit worthiness of clients involved in transactions of sale of products and goods. The risk is limited by internal procedures for determining credit limits for customers and managing trade receivables. The evaluation of credit worthiness of customers and adequate security provided by the borrower, enabling a reduction in losses in case of failure to repay the debt, is of crucial importance. The customer's credit risk is evaluated prior to the agreement and from time to time on subsequent deliveries of goods according to procedures in force. Companies monitor the working capital cycle on an ongoing basis and aim to shorten the terms of payment and at the same time to extend the term for the repayment of liabilities.

Credit risk related to cash in banks and bank deposits is low since Boryszew Group enters into transactions with banks characterised by high ratings and stable market standing.

Net debt to equity ratio	As at 31.12.2011	As at 31.12.2010
Debt	745 669	626 857
Cash and cash equivalents	-88 007	-82 052
Net debt	657 662	544 805
Equity	1 201 897	990 449
Net debt to equity	54,7%	55,0%

	As at 31.12.2011	As at 31.12.2010
Liabilities	1 516 778	1 220 918
Assets	2 718 675	2 211 367
Debt rate	56%	55%

liquidity ratios	As at 31.12.2011	As at 31.12.2010
quick ratio	1,22	1,16
acid test ratio	0,70	0,73
current ratio	0,08	0,09

Analysis of contractual maturity dates of non-discounted cashflow due to financial liabilities as at 31.12.2011

	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
investment loans, revolving credits	6 216	30 498	410 169	182 858	35 136	0	664 877	633 839
factoring	24 201	9 024	4 909	12 992	0	0	51 126	48 675
repayment of borrowings	196	608	2 388	1 825	1 087	902	7 006	6 446
repayment of financial lease instalments	210	940	3 831	9 747	4 126	85 512	104 366	56 709
Total	30 823	41 070	421 297	207 422	40 349	86 414	827 375	745 669

Analysis of contractual maturity dates of non-discounted cashflow due to financial liabilities as at 31.12.2010

	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
investment loans, revolving credits	16 528	39 710	317 270	163 440	10 640	0	547 588	521 707
factoring	25 660	32 215	1 212	0	0	0	59 087	59 004
repayment of borrowings	11	127	3 831	1 791	1 075	1 414	8 249	7 881
repayment of financial lease instalments	372	727	3 220	2 778	2 622	95 959	105 678	30 190
Total	42 571	72 779	325 533	168 009	14 337	97 373	720 602	618 782

Foreign currency exchange rate risk

Currency risk is an inevitable element of business activity denominated in foreign currency. With regard to the nature of import and export operations carried out, Boryszew Group is exposed to currency risk related to the considerable dominance of export activities over import activities. The sources of currency risk to which companies from Boryszew Group were exposed in 2011 included: raw materials purchase, product sales, loans and borrowings incurred and cash denominated in foreign currency. Unfavourable changes in exchange rates can contribute to the deterioration of the financial results of Boryszew Group.

For the purposes of the analysis, the data of companies for which the functional currency is: EUR, USD, GBP, or CHF.

Data of such companies translated into the functional currency of the CG have no material impact on the net profit/loss but only on sales and margin realised.

currency	Exchange rate as at 31.12.2011 (PLN)	change -5% (PLN)
EUR	4,42	0,44
USD	2,96	0,30
GBP	4,59	0,46
CHF	3,16	0,16

Analysis of sensitivity to the risk of change in foreign currency exchange rates	Value	Increase in exchange rate 5%	Decrease in exchange rate 5%
Revenue from sales in foreign currency			
EUR	424 564	93 404	-93 404
USD	156 045	26 528	-26 528
GPP	4 668	1 214	-1 214
CHF	16 990	3 058	-3 058
		124 204	**-124 204**
Receipts from assets in foreign currency			
EUR	92 729	20 493	-20 493
USD	13 260	2 267	-2 267
GPP	834	220	-220
CHF	34	6	-6
		22 986	-22 986
Expenditure (costs) in foreign currency			
EUR	426 246	-94 200	94 200
USD	301 547	-51 565	51 565
		-145 765	145 765

Analysis of sensitivity to the risk of change in foreign currency exchange rates	Value	Increase in exchange rate 5%	Decrease in exchange rate 5%
Expenditure on repayment of liabilities in foreign currency			
EUR	172 376	-38 095	38 095
USD	13 653	-2 335	2 335
GPP	250	-66	66
CHF	10	-2	2
		-40 498	40 498
effect on profit/loss		-39 073	39 073
Effect on net profit/loss		**-31 649**	**31 649**

Effect of change in principal currencies on profit and loss	Increase in exchange rate	Decrease in exchange rate
	5%	5%
EUR	-18398	18398
USD	-25105	25105
GPP	1368	-1368
CHF	3062	-3062
	-39 073	39 073

Analysis of sensitivity to prices of metal – derivative instruments

The following analysis is applicable exclusively to direct subsidiaries of Impexmetal operating in metal industry. The effect of changes in the exchange rates and LME metal prices on the results and equities of Companies of the Impexmetal Group due to application of derivative instruments is presented in the table below:

increase (+) / decrease (-) in prices		effect on profit/loss kPLN	effect on equity kPLN
USD/PLN	+20%	(3 899)	75
	-20%	3 899	(75)
EUR/PLN	+10%	(5 735)	(4 700)
	-10%	5 735	4 700
METAL- Aluminium	+25%	(129)	7 463

increase (+) / decrease (-) in prices		effect on profit/loss kPLN	effect on equity kPLN
	-25%	129	(7 463)
METAL - Ołów	+40%	(412)	(1 175)
	-40%	412	1 175
METAL - Cynk	+35%	586	1 058
	-35%	(586)	(1 058)
METAL - Copper	+40%	3 375	23 517
	-40%	(3 375)	(23 517)
METAL - Nikiel	+35%	-	1 743
	-35%	-	(1 743)

Interest rate risk

There is a risk that future cashflow related to a financial instrument shall be subject to fluctuations with regard to changes in the rates of interest. The Company's exposure to interest rate risk is mainly due to the fact that the business operation is financed by means of variable interest debt. The profile of the interest rate risk in the Company is characterized by unfavourable effects of increased interest rates on the level of cost of interest.
Changes in the rate of interest affect the volume of future cashflow related to assets and liabilities.
With regard to lower variability of interest rates and their current low level, the risk of changing interest rates shall not be considered an underlying risk from the point of view of its effect on the volume of cash flows of the companies. The Company has identified and monitored the interest rate risk, however, in the opinion of the Management Board it is not the underlying risk from the point of view of its effect on the volume of cash flows and on the profit/loss.

Sensitivity analysis
All significant items of interest debt of the Company are based on variable interest rates (1M WIBOR, 3M WIBOR). Therefore, the fair value of financial assets and liabilities shall not be exposed to changing rates of interest. However, changes in the rate of interest affect the volume of future cash flows related to assets and liabilities.

Analysis of sensitivity to the risk of changing rates of interest according to the balance of interest-bearing receivables and payables as at 31.12.2011

The table below illustrates sensitivity of the Company's profit/loss to changing rates of interest. The presented effect on profit/loss refers to the time span of subsequent 12 months (assuming that the amount of interest-bearing assets and liabilities remains unchanged).

	Sensitivity to interest rate risk		
	As at 31.12.2010	Increase by 1,0 p.p.	Decrease by 1,0 p.p.
Interest-bearing (variable %) financial assets	**4 141**	**41**	**-41**
Loans granted	137	1	-1
Debenture instruments	4 004	40	-40
Oprocentowane (% zmienne) liabilities finansowe	**745 669**	**7 456**	**-7 456**
Interest-bearing (variable %) financial liabilities	633 839	6 338	-6 338
Loans	48 675	487	-487
Factoring	6 446	64	-64
Borrowings	56 709	567	-567
Financial lease		**-7 415**	**7 415**
Effect on future profit/loss before tax		**-6 006**	**6 006**
Effect on future net profit/loss			

	Sensitivity to interest rate risk		
	As at 31.12.2010	Increase by 1,0 p.p.	Decrease by 1,0 p.p.
Interest-bearing (variable %) financial liabilities	**618 782**	**6 188**	**-6 188**
Loans	521 707	5 217	-5 217
Factoring	59 004	590	-590
Borrowings	7 881	79	-79
Financial lease	30 190	302	-302
Effect on future profit/loss before tax		**-6 188**	**6 188**
Effect on future net profit/loss		**-5 012**	**5 012**

INSURANCE AGREEMENTS:

In 2011 Boryszew Group concluded the following insurance agreements:

- professional indemnity insurance – insurance sum for Boryszew Capital Group – PLN 50,000,000
- professional indemnity and used property insurance – insurance sum for each of the companies insured PLN 2,000,000
- insurance of liability for members of authorities of a limited company – insurance sum for Boryszew Capital Group PLN 60,000,000
- property insurance – insurance sum for BORYSZEW S.A. – PLN 368,890,606 (including Elana Branch 132,083,495 PLN and Maflow Branch 236,798,111)

Total insurance sum for companies of BORYSZEW Capital Group – PLN 3,212,432,971 (including MAFLOW Group PLN 881,144,990) including: profit loss insurance covering all risks – insurance sum for Companies of the Group – PLN 656,659,727 (including MAFLOW Group PLN 246,812,011).

34. Contingent liabilities

Off-balance sheet liabilities	As at 31.12.2011	As at 31.12.2010
Contingent liabilities, including:	92 553	72 659
guarantees and warranties granted with regard to payment of trade liabilities	29 151	42 345
contentious issues with Carlson Private Equity (*)	16 104	0
other	47 298	30 314

* The Regional Court in Łódź received a petition from Carlson Private Equity claiming for payment of damages amounting to EUR 3,646,459.50 (the issue is connected with KUAG). The first trial will be held on 26.04.2012. As of this date Boryszew is not able to evaluate the risk of positive settlement for Carlson Private Equity.

entity to which the warranty was granted		amount of warranty	validity of warranty
Unibax Sp.z o.o.	Warranty concerning the payment of cash liabilities under the agreement concluded between Unibax and ING Lease Polska Sp. Z o.o.	252	31.12.2011
	Warranty concerning the payment of cash liabilities under the agreement concluded between Unibax and ING Lease Polska Sp. Z o.o.	611	30.06.2012
	Warranty concerning the payment of cash liabilities under the agreement concluded between Unibax and ING Lease Polska Sp. Z o.o.	76	30.06.2013
	Warranty concerning the payment of cash liabilities under the agreement concluded between Unibax and ING Lease Polska Sp. Z o.o.	8 125	28.02.2015
Tele-Fonika Kable S.A		19 000	unspecified
payments due to the right of perpetual usufruct of land		14 494	
public support and grants		22 837	
contentious issues with Carlson Private Equity		16 104	
other		11 054	
		92 553	

35. TRANSACTIONS WITH RELATED PARTIES AND KEY PERSONNEL BENEFITS

Transactions between related parties mainly include commercial transactions concluded between companies from the Capital Group with regard to sale or purchase of goods and products of typical, conventional nature for the Group.

NON-COMMERCIAL TRANSACTIONS

LICENSE AGREEMENTS

In 2011, Boryszew S.A. concluded a license agreement with its Subsidiaries. On terms and conditions set out in the aforementioned agreement, the Licensor granted the Licensee a non-exclusive licence to use "B Boryszew" figurative trademark for purposes related to business activity of the Licensee. Contractual parties agreed that license fees in respect of the transfer of rights to use the Trademark shall amount to 0.20% of the Licensee's annual net revenue from sales to entities not included in the Boryszew Group.

ACQUISITION OF BONDS ISSUED BY BORYSZEW S.A.

Boryszew ERG S.A.

On 28 June 2011, Boryszew ERG S.A., a subsidiary of Boryszew S.A., purchased 15 B bearer bonds of nominal value of PLN 1,000,000 each, under 3-year Bonds Issue Programme of Boryszew S.A. The bonds were purchased at the Issue Price for the total amount of PLN 15,000,000. The interest on the bonds was determined on an arm's length.

Bond redemption date: 28 February 2013

Elana – PET Sp. z o.o.

On 14 December 2011, Elana – PET Sp. z o.o., a subsidiary of Boryszew S.A., purchased 3 C bearer shares of nominal value of PLN 1,000,000 each, under 3-year Bonds Issue Programme by Boryszew S.A. The bonds were purchased at the Issue Price for the total amount of PLN 3,000,000. The interest on the bonds was determined on an arm's length.

Bond redemption date: 13 September 2012

Impexmetal S.A.

On 28 February 2011, Impexmetal S.A., a subsidiary of Boryszew S.A., in accordance with Share Acquisition Proposal, purchased 38 A bearer shares of nominal value of PLN 1,000,000 each, issued by Boryszew S.A. on 28 February 2011 under 3-year Bearer Bonds Issue Programme. The bonds were purchased at the Issue Price for the total amount of PLN 38,000,000.

The interest on the bonds was determined on an arm's length.

Bond redemption date: 30 September 2012

Under 2-Year Bearer Bond Issue Programme of Boryszew S.A., Impexmetal S.A. purchased the following bonds:

- on 13 September 2011, one AA bearer bond of nominal value of EUR 500,000, at the Issue Price for the amount of EUR 500,000;
- on 14 September 2011, two AB bearer bonds of nominal value of EUR 500,000 each, at the Issue Price for the amount of EUR 1,000,000;
- on 30 September 2011, one AC bearer bond of nominal value of EUR 500,000, at the Issue Price for the amount of EUR 500,000;
- on 7 October 2011, one AD bearer bond of nominal value of EUR 500,000, at the Issue Price for the amount of EUR 500,000;

The interest on the bonds was determined on an arm's length.

Bond redemption date: 13 September 2012

ACQUISITION OF BONDS ISSUED BY IMPEXMETAL S.A.

On 13 July 2011, Polski Cynk Sp. z o.o., a subsidiary of Impexmetal S.A., purchased, in accordance with bond acquisition proposal and Bond Issue Term Sheet, 43 B bearer bonds of face value of PLN 500,000 each, issued on 13 July 2011 by Impexmetal S.A. The bonds were purchased at the Issue Price for the total amount of PLN 21,500,000 (twenty-one million five hundred thousand zlotys). The interest on the bonds was determined on an arm's length. Bond redemption date: 30 June 2012

WM Dziedzice S.A.

On 2 February 2011, WM Dziedzice S.A. and KARO BHZ Sp. z o.o. with its registered office in Toruń entered into an agreement. The agreement sets out terms and conditions of non-ferrous scrap metal deliveries by KARO BHZ Sp. z o.o. Prices for particular scrap metal batches were determined as the product of the price of cathode copper (average from official LME Copper Grade A Settlements in the agreed pricing period) and average US dollar exchange rate announced by the National Bank of Poland in the pricing period and a coefficient fixed by the contractual parties. Estimated net contract value, according to current prices, is 250 MPLN. The agreement was concluded for a specified period of time from 1 March 2011 to 31 December 2011.

Boryszew S.A.
On 8 March 2011, Boryszew S.A. and ZM Silesia S.A. with its registered office in Katowice concluded an agreement setting out terms of collaboration between the companies with respect to deliveries of refined lead in 2011. The agreement governs deliveries by ZM Silesia S.A. of up to 350 MT of refined Pb 970R lead per month. Delivery settlements used average monthly lead LME settlements (of at least 99.97% Pb) from the quotation period agreed by the Parties as the basis for calculation. Value of the agreement, according to current prices, was 11.4 MPLN.

Conclusion of an offsetting agreement with Impexmetal S.A.
On 14 July 2011, Boryszew S.A. and Impexmetal S.A. signed an Offsetting Agreement under which the companies offset their mutual obligations as at 15 July 2011, i.e.:

- On 15 July 2011, Boryszew S.A. purchased from Impexmetal S.A., for redemption and cancellation purposes, 1,010 BORYS29_300512 bonds issued by Boryszew S.A. for PLN 10,078.90 each, to be redeemed on 30 May 2012. Amount due by Boryszew S.A. to Impexmetal S.A. in respect of this transaction was PLN 10,179,689.
- amount due by Impexmetal S.A. to Boryszew S.A. in respect of a dividend payment, pursuant to Resolution No. 16 of the Ordinary Shareholders' Meeting of Impexmetal S.A. of 6 June 2011, was PLN 10,100,000
- the outstanding amount of PLN 79,689 in respect of the compensation, was transferred to the bank account indicated by Impexmetal S.A.

WM Dziedzice S.A.
On 21 December 2011, Impexmetal S.A. signed an annex to a loan agreement providing for a loan of 5 MPLN granted to WM Dziedzice S.A. on 6 November 2008, under which the deadline for repayment was postponed to 31 December 2012.

ZM Silesia S.A.
On 9 January 2012, ZM Silesia S.A. granted a loan of EUR 900.000 to Metalexfrance S.A. allocated for financing of a strategic phosphorite trading contract, with the deadline for repayment on 30 June 2012. The contract provides for increasing the loan amount up to EUR 1,200,000.

Transactions with related parties in 2011	Revenues from sales, interest	Purchase, cost of interest	Dividends	Trade receivables	Trade payables	Loans granted
Transactions with subsidiaries of the Capital Group	197 138	19 808	600	23 655	1 097	0
Transactions with associates	2 424	14 338	0	150	2 383	0
Transactions with related parties	6 748	2 400	0	1 054	137	33
Transactions with stockholders	0	12 535	0	11 734	0	0
	206 310	49 081	600	36 593	3 617	33

Business transactions between related parties relating to sale or purchase of goods and services are concluded on an arm's length basis.

Remuneration for the Management Board and the Supervisory Board	As at 31.12.2011	As at 31.12.2010
Remuneration for the Management Board:		
Małgorzata Iwanejko	596	585
Kamil Dobies	406	0
Robert Bednarski	396	180
Paweł Miller	315	0
Total remuneration for the Management Board	1 713	765
Remuneration for members of the Supervisory Board.		
Roman Karkosik	0	40
Arkadiusz Krężel	385	419
Paweł Miller	17	126
Tadeusz Piętka	102	99
Zygmunt Urbaniak	290	249
Mirosław Kutnik	49	0
Dariusz Jarosz	66	0
Total remuneration for the Supervisory Board	909	933

36. EMPLOYMENT

Average number of full-time employees according to occupational groups in 2011:

Structure of employment (full-time employees)	31.12.2011	31.12.2010
Blue-collar workers	5 982	4 173
White-collar workers	1 795	1 381
Parental leaves	45	103
Total	7 822	5 657

37. SIGNIFICANT EVENTS RELATED TO THE CAPITAL GROUP

Implementation of the Programme of purchase of the treasury shares of Boryszew S.A.
Implementing the treasury shares purchase programme adopted in resolution no. 4 of the Extraordinary General Meeting of Boryszew S.A. of 13 October 2011 concerning the authorisation of the Management Board of the Company to purchase the treasury shares of Boryszew S.A., from the date of commencement of the treasury shares purchase programme the Company has purchased in total 56,715,692 shares going with 56,715,692 votes, which corresponds to 2.513 % of the votes at the General Meeting of the Company.

IMPEXMETAL S.A.

Implementation of the Programme of purchase of the treasury shares of Impexmetal S.A.
Implementing the treasury shares purchase programme adopted by the Extraordinary General Meeting of Impexmetal S.A. in resolution no. 8 on 15 November 2010, through the Brokerage House IDM S.A. of Krakow, from 31 August 2011 until the date of publication of this report Impexmetal S.A. purchased 6 000 000 shares going with 6 000 000 votes corresponding to 3% of votes at the General Meeting of the Company in package transactions at the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

Remuneration for the entity authorised to audit financial statements

On 31 May 2011, the Supervisory Board of Boryszew S.A. chose Deloitte Audyt Sp. z o.o. having its registered office in Warsaw at Al. Jana Pawła II 19 to audit financial statements of Boryszew S.A. and Boryszew Capital Group for the period from 1 January 2011 to 31 December 2011. Deloitte Audyt Sp. z o.o. is an entity authorised to audit financial statements, registered in the list of such entities maintained by the Polish National Council of Statutory Auditors under number 73.
The agreement with Deloitte Audyt Sp. z o.o. was concluded for the period of audit of financial statements pertaining to the year 2011. The company used the services of the above-mentioned auditor to the extent of audit and review of financial statements pertaining to years 2006 – 2007 and 2009 – 2010.
The Supervisory Board chose the auditor according to its powers determined under the Articles of Association and legal provisions currently in force (pursuant to Art. 66 par. 4 of the Accounting Act).

Gross remuneration for the entity authorised to audit financial statements, paid or due for:	period ending on 31.12.2011	period ending on 31.12.2010
Audit of the annual financial statements	228	228
Other certification services, including review of financial statements	98	98
Other services	-	-
Total	326	326

MATERIAL AGREEMENTS AND CONTRACTS

Boryszew Maflow Branch as a supplier for the new Volkswagen platform (MQB)
On 26 October 2011 the Company was informed that Boryszew S.A. Maflow Branch in Tychy was finally nominated by Skoda Auto a.s. based in Mlada Boleslav (VW Group) as a supplier of the air conditioning system components for the new platform known as MQB.
The production start date is planned for March 2012 and completion for 2018.
The contract value for this period is estimated at 64 MEUR.
The framework agreement concluded with the VW Group provides for the possibility of calculating significant penalties related to the quality and timeliness of deliveries.
The Issuer estimates the total value of contracts with the Volkswagen Group concluded in the last 12 months by the Boryszew Group to be approx. 112 MEUR.

IMPEXMETAL S.A
Conclusion of a significant agreement with Rusal Marketing GmbH
On 22 February 2011 the Company concluded a significant agreement with Rusal Marketing GmbH based in Switzerland, for the supply of aluminium blocks for the Huta Aluminium Konin Plant in 2011.
The estimated agreement value, depending on the use of the quantity option, is approx. between 171 MPLN and 219 MPLN, and has been calculated based on the current aluminium price quotations on the London Metal Exchange and the current exchange rates.

Conclusion of an annex to the cooperation agreement with Valeo Thermal Systems
On 13 October 2011 the Company received annex 1 signed by the other party, to an agreement with Valeo Thermal Systems concluded for the years 2011-2012, pursuant to which the scope of cooperation between the parties was increased and modified and cooperation was prolonged until 31 December 2014. Impexmetal S.A. supplies Valeo with aluminium strips used in the production of car heat exchangers. The estimated value of the agreement during its term will be approx. 339 MPLN.

WM Dziedzice S.A.
Conclusion of an agreement with Schwermetall Halbzeugwerk GmbH & CO.KG based in Stolberg, Germany
On 8 August 2011 WM „Dziedzice" S.A. received an agreement signed by the other party, concluded with Schwermetall Halbzeugwerk GmbH &CO.KG based in Stolberg, Germany. The subject matter of the agreement in question is delivery by Schwermetall Halbzeugwerk GmbH &CO. KG of tapes for the production of coin blanks. The estimated quantity of tapes being the subject matter of this agreement from August until the end of December 2011 will be 970 tons. The price for individual batches of tapes was established as the product of the price of processing specified in the agreement, subsidies for metal and individual alloy components relevant for a given alloy, priced for individual shipment lots from the agreed period according to the Cash Seller and Settlement quotations on the London Metal Exchange and the official exchange rate of EUR/USD according to the ECB from the period convergent with the pricing period. The estimated value of the agreement in 2011 according to the current copper prices is: PLN 26 400 thousand net for deliveries of the estimated quantities of 970 tons. The agreement was concluded for an indefinite period of time, starting from 1 August 2011, for the deliveries of approx. 2 to 3 thousand tons of tapes a year, with a 12-month notice period falling not earlier than 31 December 2013 for the deliveries taking place until the end of 2014.

Conclusion of an agreement with Mennica Polska S.A.
On 30 November 2011 the Management Board of Walcownia Metali "Dziedzice" S.A. signed an agreement dated 28 October 2011 concluded between Mennica Polska S.A. based in Warsaw and Walcownia Metali "Dziedzice" S.A. based in Czechowice-Dziedzice. The subject matter of the agreement is delivery, between December 2011 and December 2012, of coin blanks manufactured by Walcownia Metali Dziedzice S.A. to Mennica Polska S.A. The total value of coin blanks being the subject matter of the agreement is PLN 39,597,185.64.

OTHER EVENTS

IMPEXMETAL S.A.
Establishing of a registered pledge.
- On 10 January 2011 the Company received a decision of the District Court for the Capital City of Warsaw in Warsaw, 11th Economic Division of the Register of Pledges, regarding entry of a registered pledge made on 4 January 2011. The subject matter of the pledge are the movables of Impexmetal S.A. – inventories of work in progress, that is aluminium sheets and strips amounting to PLN 15,000,000.00. The pledge was established to the highest collateral amount of PLN 15,000,000.00 as collateral for the claims of Bank Gospodarki Żywnościowej S.A. on account of a revolving loan granted to Impexmetal S.A. based on an agreement dated 14 December 2009

with further amendments. The loan maturity date is 12 December 2011.

- On 17 June 2011 the Company received a decision of the District Court for the Capital City of Warsaw in Warsaw, 11th Economic Division of the Register of Pledges, regarding registration of a pledge on a fixed asset owned by Impexmetal S.A. to the highest collateral amount of PLN 22,500,000.00. The pledge was established for Bank Zachodni WBK S.A. in order to secure loan repayment, according to the agreement for a multi-purpose credit line dated 27 May 2011.
- On 4 July 2011 the Company received a decision of the District Court for the Capital City of Warsaw in Warsaw, 11th Economic Division of the Register of Pledges, regarding registration of a pledge on inventories of work in progress being aluminium and alloy rolls owned by Impexmetal S.A. to the highest collateral amount of PLN 9,000,000.00. The pledge was established for Bank Zachodni WBK S.A. in order to secure loan repayment, according to the agreement for a multi-purpose credit line dated 27 May 2011.
- On 9 January 2012 Impexmetal S.A. received a decision of the District Court for the Capital City of Warsaw in Warsaw, 11th Economic Division of the Register of Pledges, regarding registration of a pledge on a fixed asset (machine) owned by Impexmetal S.A. to the highest collateral amount of PLN 4,444,232.80. The pledge was established for Bank BGŻ S.A. in order to secure loan repayment, according to the agreement for a revolving loan dated 14 December 2009. The loan maturity date is 31 January 2013.

HMN Szopienice S.A in liquidation

On 9 February 2011 a verdict of the Court of Appeal was published, regarding a petition filed by the Company against the State Treasury to establish the right of the State Treasury – the Minister of State Treasury to demand that the Company pay PLN 10,342,871.00 gross of due interest on account of return of state aid, and a counterclaim, pursuant to which the Court dismissed the Company's appeal against the verdict of the Regional Court in Katowice of 2 September 2010 to return the above-mentioned amount to the State Treasury and adjudged that the Company reimburses the State Treasury for the costs of the appellate procedure. The verdict is legally valid.
As a consequence of the above, by way of a letter dated this 22 July the Company Liquidator put forward a formal request to the State Treasury – the Minister of the State Treasury to postpone the deadline for the payment of the principal amount on account of return of state aid granted to the Company until 1 June 2012, and to remit 60% of the interest on this amount. In connection with the request submitted by the Company, according to the applicable procedure a special committee was appointed at the Ministry of State Treasury to process the request in question.

Sales of the liquidated assets

The verdict announced on 1 February 2010 in the law suit against the State Treasury, which was in the Company's favour, allowed to start the process of selling the liquidated assets being machinery and equipment, as well as buildings, structures and land. At this time, the Company was selling its assets through a public auction and by way of sole-source sales pursuant to the resolutions adopted by the General Meeting.
As a result of such selling, in Q 1-4 2011 the Company earned 17.8 MPLN. The total income from selling the liquidated assets from the beginning of the selling process amounted to 35.8 MPLN. The Company used these funds to reduce its financial liabilities towards Hutmen S.A. and liabilities towards Hutmen S.A. on account of take-over of a loan granted by Pekao S.A., towards Impexmetal S.A. and statutory liabilities.

SITUATION AT HUTMEN CAPITAL GROUP, A SUBSIDIARY TO IMPEXMETAL

The most important entities in the Hutmen Capital Group are Hutmen S.A. and WM Dziedzice S.A. When considering the issue of a going concern of the Capital Group as a whole, in particular we should consider plans related to the operation of individual companies. An essential aspect is also the ability of the Group as a whole to settle its liabilities.

Hutmen S.A.

In 2011, the financial result of Hutmen S.A. reached 15,671 kPLN. The result was higher by 13,401 kPLN compared to the corresponding period in the previous year. A significant improvement was recorded in basic operations (increased sales by 8,048 kPLN). Increased return on sales results from a higher processing bonus obtained. Sales of manufactured goods amounted to 15,518 tons and were higher compared to 2010 by 323 tons (2%). Increased profit/loss on other operations by 9,492 kPLN compared to 2010 was caused by sales of property, plant and equipment.
Due to its environmental impact, difficulty for the surroundings and high operating costs, the location of Hutmen S.A., a smelting and processing plant, in Wrocław at ul. Grabiszyńska is unfavourable. This location (close to the city centre) includes rights of perpetual usufruct of land of significant market value, which is not disclosed in the balance sheet assets. The intention of the Management Board of Hutmen S.A. is to sell this land or implement there a project for a platform of pro-ecological initiatives combining service facilities (commercial, scientific and hotel facilities) and residential buildings, which may earn a profit which considerably exceeds the profit on the Company's production and commercial activities.

Therefore, gradual liquidation of production in the existing location and other use the land are taken into consideration. To this end, it is necessary to change the entry in the area development plan. In 2008 the Company undertook to initiate the process which is still continued (in 2010 another, slightly modified, motion was submitted), however so far the Company's efforts have not had the expected effects for reasons beyond the Company's control. Despite that, the Management Board took action aimed at winning partners to selected investment tasks whose performance does not collide with the existing provisions regarding use of the land. In particular, hotels plus commercial and service facilities were included among such investment tasks. Relevant proposals of the Management Board aroused interest of prospective investors, however due to the preliminary nature of the talks it is difficult to define the potential effects of these investments.

Success factors for the implementation of the land development project are first of all:

- Land reclassification in the area development plan (under way) – it seems that the date of changing the entry in the area development plan initially estimated for 2 years, is not certain.
- Finding partners for joint implementation of investment projects or interested in purchasing the land for their own investments – it will depend on the economic situation and the land price. Consequently, finding such a contractor will depend on the economic situation and the land price. Consequently, it is the most important factor which has impact on the plausibility and profitability of the undertaking.
- Arrangements with the trade unions – based on the already formulated postulates it turns out that the essence of the dispute will be the amount of gratuities and the scope of protective measures. Such expenditure will consequently affect project profitability.

In addition, the profitability of the development project will also be affected by the possibility of levying a tax by gmina authorities on the change in the land value after changing the entry in the area development plan.

The Parent's Management Board informed of the possibility of limiting the going concern of Hutmen S.A. to the time resulting from the expiry date of an integrated permit to pursue business in the current scope and location.

The Company's going concern may be limited to five years, in line with the expiry date of an integrated permit to pursue business in the current scope and location. After that period the production equipment would be moved to a new location and the land would be sold for the purposes of implementing the development project. In the opinion of the Management Board of Hutmen S.A., the activities described above will ensure the going concern of Hutmen S.A. not significantly changed in the foreseeable future.

The Parent's Management Board believes that the undertakings described above eliminate the need for reclassification and revaluation of the assets and liabilities, which would be necessary if the company was not able to continue its operations not changed significantly.

WM Dziedzice S.A.

WM Dziedzice S.A. closed the financial year 2011 with a net loss amounting to PLN 6,840 thousand, and its profit on sales amounted to PLN 4,098 thousand. EBIDTA for 2011 amounted to PLN 8,818 thousand and was higher by 1.2 MPLN compared to the previous year.
To a significant extent, the net loss was the effect of single events related to the liquidation of part of the assets, charging to costs of the research work and fixed assets under construction, plus high financial costs.
The priority issue for the Management Board of WM Dziedzice S.A. is to ensure and maintain the positive profitability both in operations and in net profit/loss. To do that, action has been taken to reduce material and standing costs of manufacturing the goods, and to ensure stable terms and conditions for deliveries of raw materials.

The Management Board of WM Dziedzice S.A. plans to achieve permanent profitability through improving the quality of products, output, increasing the quantity of high-margin products, mostly leaded brass tubes and tubes for heat exchangers, so-called condenser tubes. Apart from modernisation and purchasing of the equipment, the Company is proceeding with the improvement

of output and productivity. The main task is to standardise products, which is aimed at stabilising the ownership of our products, improving machinability and reducing the manufacturing costs also through the targeted reduction of zinc content in brass by approx. 1%.
In 2012 the Company plans to earn net profit amounting to 4.1 MPLN, with the 0.8% profitability. Reaching the planned financial profit will be possible owing to the initiatives undertaken in the operations, keeping at the same time the financial stability.

Pending court proceedings at HMN Szopienice S.A. in liquidation

1. Details of the procedure regarding a petition filed by the Company against the State Treasury to confirm nullity of the resolutions of the Extraordinary General Meeting (EGM) of the Company dated 30 November 2009 on increasing the Company share capital

On 31 January 2011 the Regional Court in Katowice announced a verdict regarding a petition filed by the State Treasury against HMN Szopienice S.A. in liquidation to confirm nullity, alternatively revoke the resolutions of the EGM of the Company dated 30 November 2009 on increasing the Company share capital from PLN 2,976,503.76 to PLN 4,576,703.76 by way of issue of 13,335,000 shares with the face value of PLN 0.12 per share, pursuant to which: a. as regards the plaintiff's demand to confirm the nullity of the resolutions, the Court dismissed the petition as groundless and adjudged that the plaintiff reimburses the sued Company for the legal representation costs, b. as regards the plaintiff's demand to revoke the resolutions, the Court revoked resolution no. 3 on increasing the Company share capital and resolution no. 4 on changes in the Company's Articles of Association as being in conflict with the good practice, against the Company interests and aimed at being detrimental to the shareholder, and adjudged that the sued Company reimburses the plaintiff for the legal representation costs plus ordered charging the sued Company with the court fees (as regards the demand to revoke resolutions no. 1 and 2 respectively on the appointment of the Chairman of the Meeting and adopting the agenda, the petition was dismissed).

On 15 March 2012 a verdict was announced of the Court of Appeal, 1st Civil Division, regarding the case in question, according to which the Court of Appeal dismissed the Company's appeal against the verdict of the Regional Court and adjudged that the Company reimburses the State Treasury for the costs of the appellate procedure. The verdict is legally valid.

2. Details of the procedure regarding a petition filed by the Company against the State Treasury - the Minister of State Treasury, to establish non-existence of the State Treasury right to demand that the Company pay 10,342.9 kPLN on account of return of financial aid provided to the Company pursuant to the agreement dated 6 March 2003 and amended with annex no. 1 dated 28 December 2005.

On 9 February 2011 the Court of Appeal in Katowice dismissed the appeal against the verdict of the Regional Court in Katowice, 2nd Civil Division, dated 2 September 2010, regarding a petition filed by HMN Szopienice S.A. in liquidation against the State Treasury and adjudged that the counter defendant pay to the counter plaintiff the amount of 10,343 kPLN with the statutory interest as of 6 March 2003 on account of return of the state aid. On 29 April 2011 HMN Szopienice S.A. in liquidation filed a cassation appeal against the verdict of the Court of Appeal to the Supreme Court. According to an independent legal opinion, it is more probable that the appeal will be accepted rather than rejected. That being so, no provision in this respect was established at HMN Szopienice S.A. in liquidation and such risk is presented in this report under contingent liabilities. On 6 May 2011 HMN Szopienice S.A. in liquidation received a call for payment for the benefit of the State Treasury –the Minister of State Treasury, within 14 days, of the amount of PLN 20,752,828.40 on account of return of the state aid provided to the Company as adjudged in the verdict of the Regional Court in Katowice, 2nd Civil Division, of 2 September 2010, file no.: II C 35/09.

In the opinion of the Management Board of Impexmetal S.A., it is more probable that the appeal will be accepted rather than rejected. The Group recognised this risk as a contingent liability and consequently a relevant provision was not established.

38. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

CHANGES IN THE GROUP STRUCTURE

Acquisition of shares in ZM Silesia S.A. by Boryszew S.A.
On 21 March 2012 Agencja Rozwoju Przemysłu S.A. and Boryszew S.A. concluded an agreement for the sales of 180,000 shares of ZM Silesia S.A. with the face value of PLN 10.00 per share, corresponding to 3.21% of the share capital.
As a result of the above-mentioned agreements, Boryszew S.A. became the holder of a total of 367,220 shares of ZM Silesia S.A. corresponding to 6.55% of the share capital.

Registration of Boryszew Oberflächentechnik Deutschland GmbH
On 10 January 2012 a company under the name Boryszew Oberflächentechnik Deutschland GmbH based in Gardelegen was registered, with the share capital amounting to EUR 5,000.00.

Boryszew Automotive Plastics Sp. z o.o.
On 25 January 2012 the Extraordinary General Meeting of Shareholders of CenterMedia Spółka z o.o. based in Toruń adopted a resolution pursuant to which the name of CenterMedia Spółka z o.o. was changed into Boryszew Automotive Plastics Sp. z o.o. On 20 March 2012 the District Court in Toruń, 7th Economic Division of the National Court Register, decided to register the new name of the Company, i.e. Boryszew Automotive Plastics Sp. z o.o.

BRS YMOS GmbH
On 12 March 2012 Centermedia Sp. z o.o., a subsidiary to Boryszew S.A., purchased 25,000 shares with the face value of EUR 1.00 per share in ZETA sibenundsiebzigste VV GmbH based in Düsseldorf. On the same day the General Meeting of Shareholders of ZETA sibenundsiebzigste VV GmbH resolved to rename the company into BRS YMOS GmbH and to relocate its registered office to Idar – Oberstein.

Purchasing of the assets of the German YMOS Group
On 13 March 2012 the official receiver of the companies forming the YMOS Group (Seller) and the subsidiaries to Boryszew S.A. (Buyer) signed an agreement for the purchase of the assets of the following German companies: YMOS GmbH, YMOS Ubrig GmbH and YMOS Prenzlau GmbH. The purchased assets included e.g. movables and current assets, immovables, intangible assets, enterprise goodwill and the rights resulting from selected agreements concluded with contractors (clients and suppliers). The total purchase price of the afore-mentioned assets was 9.9 MEUR.

The condition precedent for the agreement to come into force was the consent of the Committee of Creditors of the YMOS Group. Agreement completion depended on payment of the purchase price and consent of individual creditors of the companies forming the YMOS Group, who were entitled to material collateral on the assets of the companies forming the YMOS Group. The Sellers were entitled to withdraw from the agreement in the event of objection of individual creditors with material collateral on the assets of the companies forming the YMOS Group made by 16 March 2012, and the Buyer was entitled to withdraw from the agreement in the event of failure to free the real estate purchased from the encumbrances and failure to produce any permits and certificates required for the agreement to become legally valid and effective. Due to meeting all conditions precedent for the agreement and a positive decision of the German Federal Cartel Office (Bundeskasrtellamt) regarding the purchase of the assets referred to above, the disposition being the transfer of ownership of the purchased assets to the Boryszew Group took effect on 25 March 2012 at 0:00, while the transfer of the property in formal and legal terms will take place after the new owners are entered in the land and mortgage registers.

The YMOS Group is a leading European manufacturer of plastic, galvanised and chromium-plated components for the automotive sector, including complete car opening sets. In addition, it manufactures components using the technique of alloy casting, e.g. car emblems, locks and handles and other car fittings.

The purchased assets will increase the share of the automotive branch in the income of the whole Boryszew Group up to 40%.

EVENTS RELATED TO THE GROUP OPERATION

Conclusion of significant contracts with the Volkswagen Group
On 14 February 2012 Boryszew was informed by the German YMOS Group of the sales volume forecasted for the years 2012-1015. According to the information, the forecasted value of contracts with the Volkswagen Group in this period will reach approx. 190 MEUR.
The YMOS Group is a supplier of plastic, zinc, galvanised and chromium-plated components for the automotive

sector, including complete car opening sets. Framework agreements concluded with the VW Group provide for the possibility of calculating significant penalties related to the quality and timeliness of deliveries.
On 13 March 2012 a subsidiary to Boryszew S.A. concluded an agreement regarding the purchase of assets of the German companies YMOS GmbH, YMOS Ubrig GmbH and YMOS Prenzlau GmbH (with production plants in Idar-Oberstain and Prenzlau), and the disposition being the transfer of ownership of the purchased assets took effect on 25 March 2012 at 0:00.

Impexmetal S.A.

Entry in the register of pledges
On 9 January 2012 Impexmetal S.A. received a decision of the District Court for the Capital City of Warsaw in Warsaw, 11th Economic Division of the Register of Pledges, regarding registration of a pledge on a fixed asset (machine) owned by Impexmetal S.A. to the highest collateral amount of PLN 4,444,232.80. The pledge was established for Bank BGŻ S.A. in order to secure loan repayment, according to the agreement for a revolving loan dated 14 December 2009. The loan maturity date is 31 January 2013.

Resignation of a Board Member
On 1 February 2012 Mr Jerzy Popławski resigned from the position of a Member of the Management Board of Impexmetal S.A.
As at the date of this report, the Management Board is composed of one person.

Hutmen S.A.
Conclusion of significant agreements for supplies of raw materials for production purposes

On 13 January 2012 the Company concluded an agreement with KGHM Polska Miedź S.A. based in Lubin. The agreement was concluded for a specified period of time from 01.01.2012 to 31.12.2012. The estimated value of the agreement, according to the current copper prices, amounts to 268,736 kPLN net for base quantity supplies and 340,118 kPLN net for the supplies including the Buyer's option.

On 2 February 2012 the Company concluded an agreement with Aurubis AG based in Hamburg. The agreement was concluded for a specified period of time from 01.01.2012 to 31.12.2012. The estimated value of the agreement, according to the current copper prices, amounts to 68 MPLN.

WM Dziedzice S.A.

Adopting a resolution on increasing the share capital
On 25 January 2012 the Extraordinary General Meeting of Shareholders adopted a resolution on increasing the company share capital by PLN 4,717,288 by way of issue of 1,179,322 E series ordinary registered shares with the face value of PLN 4 per share, excluding the subscription right of the existing shareholders and addressing the new issue to a shareholder of Hutmen S.A. under a private subscription. E series shares in the increased capital will be acquired for a non-cash contribution being a contribution in kind of 5,080 shares in Temer Spółka z o.o. in liquidation, amounting to PLN 4,717,288.

ZM Silesia S.A.

Granting a loan to Metalexfrance
On 9 January 2012 ZM Silesia S.A. granted a loan to Metalexfrance S.A. amounting to 900 kEUR to finance a strategic contract regarding trading in phosphorites, with the maturity date on 30 June 2012. The agreement provides for the possibility of increasing the loan amount to 1,200 kEUR.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements of Boryszew Capital Group, pertaining to the year 2011, was approved for publication in a resolution of the Management Board on 27 April 2012 and present the standing of the Group according to the requirements of the law for the period from 1 January 2011 until 31 December 2011, taking into consideration events occurring before the date of approval of these statements for publication.

The Management Board of Boryszew S.A.:

Małgorzata Iwanejko
President of the Management Board

Robert Bednarski
Vice-President of the Management Board

Kamil Dobies
Vice-President
of the Management Board

Paweł Miller
Member of the Management Board

Elżbieta Słaboń
Chief Accountant

OPINION OF AN INDEPENDENT AUDITOR

To the Stockholders and the Supervisory Board of Boryszew Capital Group
We have audited the attached consolidated financial statements of Boryszew Capital Group with Boryszew S.A. having its registered office in Sochaczew at ul. 15 Sierpnia 106 being the parent company (controlling entity), comprising the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the financial year from 1 January 2011 to 31 December 2011 and additional information including information concerning accounting principles adopted and other explanatory notes.

The Management Board of the Parent Company is responsible for preparing the consolidated financial statements and the report concerning the activity of the Capital Group in conformity with applicable regulations.
The Management Board and members of the Supervisory Board of the Parent Company are required to ensure that the consolidated financial statements and the report concerning the activity of the Capital Group comply with the requirements set forth in the Accounting Act of 29 September 1994 (Dz. U. (JL) of 2009 No. 152, item 1223, with subsequent amendments), hereinafter referred to as the "Accounting Act".
Our responsibility was to audit the consolidated financial statements and express an opinion on whether these statements were in all material respects compliant with the accounting principles (policy) adopted by the Capital Group and whether, in all material respects, they provided a fair, true and transparent presentation of the economic and financial standing as well as the profit/loss of the Capital Group.

We have planned and performed the audit of the financial statements in compliance with the provisions of:
- Chapter 7 of the Accounting Act,
- national financial auditing standards issued by the Polish National Council of Statutory Auditors.

We have planned and performed the audit so as to provide us with sufficient evidence to give reasonable assurance, allowing us to express an opinion on the consolidated financial statements. In particular, the audit included an assessment of whether the accounting principles (policy) applied by the Parent Company and its subsidiaries were appropriate and were applied correctly, an examination – mostly on a test basis – of underlying records relevant to the amounts and disclosures in the consolidated statements, as well as an overall evaluation of the presentation of the consolidated financial statements. We believe that the audit has provided a sufficient basis for expressing a credible opinion.
In our opinion, the audited consolidated financial statements in all material respects:
- give a true and fair view of all material information in terms of evaluation of the financial and economic standing of the Capital Group as at 31 December 2011, as well as in terms of its profit/loss generated in the period from 1 January 2011 to 31 December 2011,

- were prepared in compliance with the International Accounting Standards, International Financial Reporting Standards and related interpretations announced as regulations of the European Commission, and to the extent not regulated by these Standards – in compliance with the requirements of the Accounting Act and related executive regulations,
- complies with legal provisions applicable to the Capital Group and affecting the contents of the consolidated financial statements.

Raising no objections and reservations as to the fair and true presentation of the audited consolidated financial statements, we wish to note the following:

- section 1.3 of the additional information and explanatory notes to the consolidated financial statements in which the Management Board of the Parent Company declared that the accounts related to the acquisition of the enterprises and companies from the former AKT Capital Group and Theysohn Capital Group were not completely settled as of the date of the consolidated financial statements. Therefore, the Parent Company (controlling company), in compliance with the provisions of International Financial Reporting Standard No. 3, decided to recognise the settlement of units acquired based on interim values. All changes in the fair value of the acquired assets, liabilities and contingent liabilities, if any, can result in a change of recognised value of comparative data in the consolidated financial statements pertaining to the business year 2012.
- additional explanatory note no. 3.1 to the consolidated financial statements titled "Changes in data presented in these statements as compared with data published in the financial statements pertaining to years 2010 and 2009" in subsection "Final settlement of accounts related to the acquisition of companies from Maflow Group" in which the Management Board of the Parent Company informed on the completed process of acquisition of the Maflow Group companies. Interim value adjustments presented in the consolidated financial statements pertaining to the year 2010 were recognised retrospectively in compliance with the provisions of the International Financial Reporting Standard No. 3. It means that comparative data currently presented in the consolidated financial statements differ from data presented in the approved consolidated financial statements drawn up as at 31 December 2010.",
- additional explanatory note no. 3.1 to the consolidated financial statements titled "Changes in data presented in these statements as compared with data published in the financial statements pertaining to years 2010 and 2009" in subsection "Adjustments due to material errors in previous years" in which the Management Board of the Parent Company presented the reason for adjustment and described errors made during the preparation of the consolidated statements of Hutmen Capital Group and explained the effect of the errors on the presented consolidated financial statements of Boryszew Capital Group pertaining to previous periods.",
- additional explanatory note no. 37 to the consolidated financial statements "Significant events related to the Capital Group" subsection "Situation in Hutmen Capital Group – a subsidiary of Impexmetal", in which the Management Board of the Parent Company informed about the option to limit the continuation of activity of Hutmen S.A. to the end date of the integrated business permit in the current extent and location.

The report concerning the activity of the Capital Group for the financial year 2011 is complete in terms of Art. 49, par. 2 of the Accounting Act and the Regulation of the Minister of Finance of 19 February 2009 concerning current and interim reporting by issuers of securities and the terms and conditions of harmonisation of the information required under regulations applicable in non-member states, and the information included in the report, deriving from the audited consolidated financial statements, comply with information included in the statements.

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