

Consolidated financial statements for
Boryszew Capital Group
for the period between 1 January and 31
December 2018





(amounts expressed in PLN thousands unless specified otherwise)

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Continuing operations			
Revenues from sales	6	6 099 564	6 290 336
Prime cost of sale	7	5 454 714	5 557 664
Gross profit on sales		644 850	732 672
Selling costs		148 880	141 265
Administrative expenses		269 870	262 261
Other operating revenue	8	66 036	96 385
Other operating expenses	9	53 168	85 996
Profit/loss on loss of trade receivables	9.1.	(9 365)	(4 090)
Operating income		229 603	335 445
Financial revenues	10	57 890	40 855
Financial expenses	11	98 986	133 500
Profit/loss on impairment of loans and bonds	18	(22)	-
Financial profit/loss		(41 118)	(92 645)
Share in profit of affiliates		14 567	2 699
Profit before taxation		203 052	245 499
Income tax	12	58 535	43 898
Net profit on continuing operations		144 517	201 601
Net profit/loss on discontinued operations		(3 673)	2 293
Net profit on continuing and discontinued operations, including attributable to:		140 844	203 894
<i>to shareholders of the parent</i>		<i>71 350</i>	<i>173 005</i>
<i>non-controlling interests</i>		<i>69 494</i>	<i>30 889</i>
Earnings / Diluted earnings per share		71 350	173 005
Weighted average number of shares		211 805 597	215 379 577
Earnings / Diluted earnings per share (PLN)		0.34	0.80



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME cont.

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Net profit	140 844	203 894
Earnings recognised in equity		
<i>Earnings recognised in equity, to be transferred to income statement</i>	14 718	(7 701)
Hedge accounting	(1 741)	16 168
Measurement of financial assets recognised in income statement	-	727
Exchange differences on translating foreign operations	16 987	(18 359)
<i>Income tax expense (-provision/+asset)</i>	(528)	(6 237)
<i>Earnings recognised in equity, not to be transferred to income statement</i>	(353)	(730)
Gains/losses on valuation of equity instruments	-	-
Employee benefit capital reserve	(436)	(901)
<i>Income tax</i>	83	171
Total earnings recognised in equity	14 365	(8 431)
<i>to shareholders of the parent</i>	16 587	(11 206)
<i>non-controlling interests</i>	(2 222)	2 775
Total comprehensive income, including attributable:	155 209	195 463
<i>to shareholders of the parent</i>	87 937	161 799
<i>non-controlling interests</i>	67 272	33 664



(amounts expressed in PLN thousands unless specified otherwise)

CONSOLIDATED INCOME STATEMENT – DISCONTINUED OPERATIONS

Consolidated profit and loss account – discontinued operations	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Revenues from sales	2 061	120
Prime cost of sale	1 988	132
Gross profit (loss) from sales	73	(12)
Selling costs	79	-
Administrative expenses	695	-
Other operating revenue	5 237	4 584
Other operating expenses	8 106	2 098
Profit (loss) from operating activity	(3 570)	2 474
Financial revenues	24	96
Financial expenses	127	277
Financial profit/loss	(103)	(181)
Profit (loss) before income tax	(3 673)	2 293
Corporate income tax	-	-
Net profit (loss) on discontinued operations	(3 673)	2 293
in the parent company	(4 161)	1 804
<i>non-controlling interests</i>	488	489
Earnings / Diluted earnings per share (PLN)	(0.02)	0.01

Cash flow from discontinued operations	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Gross profit	(3 673)	2 293
Adjustments	-316	-4 783
Cash flows from operating activity	(3 989)	(2 490)
Cash flow from investment activities	4 396	3 275
Cash flow from financial activities	(1 000)	(200)
Net cash flows	-593	585
Cash as at the beginning of the period	593	8
Cash flows from discontinued operations in the current period	3 529	
Closing balance of cash	3 529	593



(amounts expressed in PLN thousands unless specified otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	As at
		31.12.2018	31.12.2017
ASSETS	Note		
Non-current assets			
Non-current assets	13	1 474 215	1 405 068
Investment property	14	150 906	154 984
Goodwill	15	23 464	23 464
Intangible assets	16	46 667	39 896
Shares in affiliates	17	316 582	281 834
Financial assets	18	4 374	64 674
Long-term receivables	20	4 840	5 075
Deferred tax assets	12	61 598	68 842
Other assets	22	21 593	31 168
Total fixed assets		2 104 239	2 075 005
Current assets			
Inventory	21	1 040 253	978 528
Trade receivables and other receivables	20	664 410	729 397
Short-term financial assets	18	195 545	42 390
Derivative financial instruments	19	23 907	33 750
Current tax assets	12	5 627	1 198
Other assets	22	54 445	31 571
Cash and cash equivalents	23	137 667	216 120
Total current assets		2 121 854	2 032 954
Assets classified as held for sale	24	10 664	1 622
Total assets		4 236 757	4 109 581



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LIABILITIES AND EQUITY	Note	As at 31.12.2018	As at 31.12.2017
Equity			
Share capital		248 906	248 906
Share premium		114 435	114 435
Own shares		(217 657)	(170 567)
Hedge accounting capital		4 797	5 259
Capital reserve on translating employee payables		(1 148)	(775)
Revaluation reserve		(13 142)	(12 024)
Exchange differences on translating foreign entities		(21 572)	(39 569)
Retained earnings		1 101 613	985 803
Total equity		1 216 232	1 131 468
Equity of non-controlling shareholders		578 675	590 622
Total equity	26	1 794 907	1 722 090
Liabilities and long-term provisions			
Bank credits, loans, bonds	27	441 206	416 213
Lease liabilities	28	70 215	48 635
Payables on perpetual usufruct of investment land	29	57 077	60 902
Deferred tax provision	12 19	99 330	101 902
Employee benefit provisions	30	22 140	20 045
Other provisions	31	46 071	11 211
Other long term equity and liabilities	33	11 520	11 581
Liabilities and long-term provisions - total		747 559	670 489
Short-term liabilities			
Bank credits, loans, bonds	27	742 793	653 452
Lease liabilities	28	32 505	27 428
Payables on perpetual usufruct of investment land	29	250	67
Trade payables and other liabilities	33	746 431	827 608
Derivative financial instruments	19	5 170	25 250
Current tax liabilities	12	32 406	28 334
Employee benefit provisions	30	24 069	30 500
Other provisions	31	52 185	76 444
Other liabilities and equity	33	38 195	27 896
Liabilities and short-term provisions - total		1 674 004	1 696 979
Liabilities directly related to assets classified as held for sale	24	20 287	20 023
Total liabilities and provisions		2 441 850	2 387 491
Total equity and liabilities		4 236 757	4 109 581

CONSOLIDATED CASH FLOW STATEMENT

The attached notes constitute an integral part of these financial statements



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	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Cash flows from operating activities		
Profit before taxation	203 052	245 499
Adjustments for (+/-)	11 982	76 003
Amortisation/depreciation	148 908	133 766
Profit/loss on financial activity (including interest on financial liabilities)	35 918	36 484
Profit / loss on investment activities	(41 510)	(13 489)
Change in receivables	65 222	(54 800)
Change in inventories	(61 725)	(53 518)
Change in liabilities	(56 109)	(16 989)
Change in provisions and accruals as well as prepayments	3 204	100 417
Other items	(31 264)	(28 046)
Income tax paid	(50 662)	(27 822)
Net cash from operating activities	215 034	321 502
Cash flows from investment activities		
Profit on fixed assets disposal	21 424	26 266
Proceeds from disposal of shares	-	6 448
Proceeds from bond issue	2 000	
Expenses on acquisition of fixed assets	(158 434)	(192 829)
Acquisition of shares in capital group entities	(35 844)	(56 977)
Long term borrowings granted	(175)	(127)
Expenditure on bonds	(116 100)	(14 271)
Other capital expenditures	-	-
Net cash from investing activities	(287 129)	(231 490)
Cash flows from financial activities		
Incomes on credit and loan facilities	359 176	341 862
Proceeds from bond issue	-	
Share buy-back expense	(47 090)	(34 811)
Loans repaid	(238 477)	(252 398)
Repayment of borrowings	(1 632)	(1 696)
Interest paid on loans, bonds...	(39 415)	(36 484)
Payment of liabilities under finance lease agreements	(47 467)	(79 953)
Other financial outflows		(30 747)
Net cash from financing activities	(14 905)	(76 520)
Net change in cash	(87 000)	13 492
Translation reserve	8 547	(2 480)
Cash opening balance	216 120	205 108
Cash closing balance	137 667	216 120

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Cash flow from discontinued operations		
Gross profit	(3 673)	2 293
Adjustments	-316	-4 783

The attached notes constitute an integral part of these financial statements



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Cash flows from operating activity	(3 989)	(2 490)
Cash flow from investment activities	4 396	3 275
Cash flow from financial activities	(1 000)	(200)
Net cash flows	-593	585
Cash as at the beginning of the period	593	8
Cash flows from discontinued operations in the current period	3 529	
Closing balance of cash	3 529	593



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CONSOLIDATED STATEMENT ON CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Revaluation reserve	Exchange differences on recalculation of overseas controlled entities	Retained earnings	Capital of the controlling entity	Equity of non-controlling interest	Total equity
As at 01.01.2018	248 906	114 435	(170 567)	5 259	(775)	(12 024)	(39 569)	985 803	1 131 468	590 622	1 722 090
Adjustment due to application of IFRS 9								(346)	(346)		(346)
Valuation of hedge instruments				(947)					(947)	(463)	(1 410)
Valuation of employee benefits					(353)				(353)		(353)
Currency translation differences (subsidiaries)							17 887		17 887	(1 759)	16 128
Profit/loss for 2018								71 350	71 350	69 494	140 844
Comprehensive income for 2018	-	-	-	(947)	(353)	-	17 887	71 004	87 591	67 272	154 863
Share buy-back			(47 090)						(47 090)		(47 090)
Change of capital group structure				485	(20)	(1 118)	110	44 806	44 263	(79 219)	(34 956)
As at 31.12.2018	248 906	114 435	(217 657)	4 797	(1 148)	(13 142)	(21 572)	1 101 613	1 216 232	578 675	1 794 907



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	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Revaluation reserve	Exchange differences on recalculation of overseas controlled entities	Retained earnings	Equity of the parent company	Equity of non-controlling interests	Total equity
As at 01.01.2017	248 906	114 435	(135 756)	(2 348)	28	(12 374)	(21 788)	783 395	974 498	642 554	1 617 052
Valuation of hedge instruments				6 938					6 938	6 158	13 096
Valuation of assets available for sale						350			350	239	589
Valuation of employee benefits					(538)				(538)	(192)	(730)
Exchange differences on recalculation of controlled entities							(17 781)		(17 781)	(3 430)	(21 211)
Profit/loss for 2017								173 005	173 005	30 889	203 894
Comprehensive income for 2017	-	-	-	6 938	(538)	350	(17 781)	173 005	161 974	33 664	195 638
Share buy-back			(34 811)						(34 811)		(34 811)
Change of capital group structure				669	(265)			34 800	35 204	(82 263)	(47 059)
Share buy-back of subsidiaries								(5 397)	(5 397)	(3 333)	(8 730)
As at 12.31.2017	248 906	114 435	(170 567)	5 259	(775)	(12 024)	(39 569)	985 803	1 131 468	590 622	1 722 090

The attached notes constitute an integral part of these financial statements



ADDITIONAL INFORMATION

1. BASIC DATA

Parent company - Boryszew Spółka Akcyjna

Boryszew Spółka Akcyjna (joint stock company)

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

Registered with the National Court Register of the District Court for the capital city of Warsaw in Warsaw, 14th Commercial Division,

KRS number 0000063824

Statistical registration number (REGON) 750010992

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

The company has been established for an indefinite period of time.

Classification of the Company on the listing market

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

Company's business includes manufacturing, services and trade.

SUPERVISORY BOARD OF BORYSZEW S.A.

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

Mr Janusz Siemieniec - Chairman of the Supervisory Board,

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

Mr Mirosław Kutnik – Secretary of the Supervisory Board

Mr Jarosław Antosik - – Member of the Supervisory Board,

Mr Arkadiusz Krężel – Member of the Supervisory Board,

Ms Małgorzata Waldowska - Member of the Supervisory Board,

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

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

On 1 April 2019 the Company was informed that on 31 March 2019 Mr Janusz Siemieńca, Chairman of the Supervisory Board of the Company, filed a resignation from the position of the Member of the Supervisory Board, effective as of the same day.

Mr Janusz Siemieniec resigned due to exceeding by subsidiary of Boryszew S.A. (Impexmetal S.A.) the threshold of 50% of votes at the General Meeting of Alchemia S.A., pursuant to Article 387 of the Code of Commercial Companies (Mr Janusz Siemieniec is the Vice President of the Management Board for Alchemia S.A.)

On 8 April 2019 the Supervisory Board appointed Mr Arkadiusz Krężel as Chairman and Mr Janusz Wiśniewski as Vice Chairman of the Supervisory Board for Boryszew S.A.

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

Mr Arkadiusz Krężel – Chairman of the Supervisory Board

Mr Janusz Wiśniewski - Deputy Chairman of the Supervisory Board,



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Mr Mirosław Kutnik – Secretary of the Supervisory Board
Mr Jarosław Antosik – Member of the Supervisory Board,
Ms Małgorzata Waldowska - Member of the Supervisory Board.

MANAGEMENT BOARD OF BORYSZEW S.A.

As at 1 January 2018 the Company's Management Board was composed of the following persons:
Mr Jarosław Michniuk – President of the Management Board, Chief Executive Officer,
Mr Aleksander Baryś – Member of the Management Board, Finance Director,
Mr Mikołaj Budzanowski – Member of the Management Board
Mr Cezary Pyszkowski - Member of the Board, Director for Automotive Sector Development,
Mr Piotr Szeliga - Member of the Management Board, Director, Metals Segment.

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

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

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

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

As at 31 January 2018, the composition of the Management Board of the Company was as follows:
Mr Piotr Lisiecki - President of the Management Board, CEO,
Mr Aleksander Baryś – Member of the Management Board, CFO,
Mr Mikołaj Budzanowski – Member of the Management Board
Mr Cezary Pyszkowski - Member of the Board, Director for Automotive Sector Development,

COMPOSITION OF THE CAPITAL GROUP

a) Limited liability and joint stock companies included in the consolidated financial statements

Company name	Based in	share of the parent in share capital (%)	subsidiary of:	Business segment
Boryszew S.A. :	Warsaw		Parent Company	
<i>Head Office</i>	Warsaw			Other
<i>Elana Branch in Toruń</i>	Toruń			Chemical products
<i>Energy Branch in Toruń</i>	Toruń			Other
<i>Maflow Branch in Tychy</i>	Tychy			Automotive
<i>NPA Skawina Branch</i>	Skawina			Metals
<i>Boryszew ERG Branch</i>	Sochaczew			Chemical products
<i>Nylonbor Branch</i>	Sochaczew			Chemical products
Elimer Sp. z o.o.	Sochaczew	52.44	Boryszew S.A.	Chemical products

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Torlen Sp. z o.o.	Toruń	100	Boryszew S.A.	Chemical products
Elana Pet Sp. z o.o.	Toruń	100	Boryszew S.A.	Chemical products
Elana Energetyka Sp. z o.o.	Toruń	100	Boryszew S.A.	Other
SPV Boryszew 3 Sp. z o.o.	Warsaw	100	Boryszew S.A.	Other
SPV Boryszew 5 Sp. z o.o.	Warsaw	100	Boryszew S.A.	Inactive
Boryszew Components Poland Sp. z o.o.	Warsaw	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew HR Service Sp. z o.o.	Toruń	100	Boryszew SA	Automotive
Boryszew Commodities Sp. z o.o.	Warsaw	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew Automotive Plastics Sp. z o.o.	Toruń	100	Boryszew S.A.	Automotive
Maflow Polska Sp. z o.o.	Warsaw	100	Boryszew S.A.	Automotive
Maflow BRS s.r.l	Italy	100	Boryszew S.A.	Automotive
Maflow Spain Automotive S.L.U	Spain	100	Boryszew S.A.	Automotive
Maflow France Automotive S.A.	France	100	Boryszew S.A.	Automotive
Maflow do Brasil Ltda	Brazil	100	Maflow Sp. z o.o.	Automotive
Maflow Components Co. Ltd	China	100	Maflow Sp. z o.o.	Automotive
Maflow India Private Limited	India	100	Boryszew S.A.	Automotive
Boryszew Automotive Mexico S.DE R.L.DE C.V	Mexico	100	Maflow Spain Automotive S.L.U., Maflow Sp. z o.o.	Company has not commenced operations
MAFMEX S.DE R.L.DE C.V	Mexico	100	Maflow Spain Automotive S.L.U., Maflow Sp. z o.o.	Automotive
Theysohn Kunststoff GmbH	Germany	100	ICOS GmbH	Automotive
Theysohn Formenbau GmbH	Germany	100	ICOS GmbH	Automotive
Boryszew Formenbau Deutschland GmbH	Germany	100	Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Kunststofftechnik Deutschland GmbH	Germany	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew Oberflächetechnik GmbH	Germany	100	Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Deutschland GmbH	Germany	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
AKT Plastikarska Technologie	The Czech Republic	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew Plastic RUS Sp. z o.o.	Russia	100	Boryszew S.A., Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Tensho Poland Sp. z o.o.	Ostaszewo	100	Boryszew S.A.	Automotive
Impexmetal S.A.	Warsaw	65,88	Boryszew S.A.	Metals
Hutmen S.A.	Warsaw	77,64	Boryszew S.A, SPV 3 Boryszew, Impexmetal S.A., Impex – invest	Metals
Walcownia Metali Dziedzice S.A.	Czechowice-Dziedzice	74,92	Hutmen S.A. , Impexmetal S.A., Boryszew S.A.	Metals
Huta Metali Nieżelaznych Szopienice S.A. – in liquidation	Katowice	40,69	Polski Cynk Sp. z o.o.	discontinued operations
ZM Silesia S.A.	Katowice	65,88	Impexmetal S.A.	Metals
Baterpol S.A.	Katowice	65,88	Polski Cynk Sp. z o.o.	Metals
Polski Cynk Sp. z o.o.	Katowice	65,88	Impexmetal S.A., ZM Silesia S.A.	Metals
FLT Polska Sp. z o.o.	Warsaw	65,88	Impexmetal S.A.	Metals
FLT & Metals Ltd.	Great Britain	65,88	Impexmetal S.A.	Metals
FLT Bearings Ltd.	Great Britain	65,88	FLT France SAS	Metals

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FLT France SAS	France	65,88	FŁT Polska Sp. z o.o.	Metals
FLT Wälzlager GmbH	Germany	65,88	FŁT Polska Sp. z o.o.	Metals
FLT & Metals s.r.l.	Italy	65,88	FŁT Polska Sp. z o.o.	Metals
FLT (Wuxi) Trading Co. Ltd.	China	65,88	FŁT Polska Sp. z o.o.	
SPV Lakme InvestmentSp. z o.o.	Warsaw	61,29	Impexmetal S.A.	Other
Impex – Invest Sp. z o.o.	Warsaw	65,88	Impexmetal S.A.	Other
Eastside Capital Investments Sp. z o.o.	Warsaw	65,02	Boryszew S.A., Impexmetal S.A.	Other
Symonvit Ltd	Cyprus	65,88	Impexmetal S.A.	Metals
Baterpol Recycler Sp. z o.o.	Wrocław	65,88	Polski Cynk Sp. z o.o.	Metals
SPV Impexmetal Sp. z o.o.	Warsaw	65,87	Impexmetal SA, ZUO Sp. zo.o, BAP Sp. Z o.o.	Other
Metal ZincSp. Z o.o.	Katowice	65,88	ZM Silesia SA	Metals
Remal Sp. z o.o.	Konin	52,48	Impexmetal S.A.	Other
EastsideBis Sp. z o.o.	Warsaw	88,06	Eastside Capital Investments Sp. z o.o.	Other
Zakład Utylizacji Odpadów Sp. z o.o. in Konin	Konin	39,51	Impexmetal S.A.	Metals

b) Details about subsidiaries with significant NCIs

The subsidiaries of Impexmetal Capital Group, which hold significant non-controlling interests are: Impexmetal S.A. and Hutmen S.A., ZM Silesia S.A., Baterpol S.A. FŁT Polska Sp. z o.o.

Financial information of the above companies is presented below.

The data disclosed are amounts before elimination of transactions between the Group's entities.

2018	Impexmetal S.A.	Hutmen S.A.	ZM Silesia S.A.	Baterpol S.A.	FLT Polska Sp. z o.o.
non-controlling interest in %	34,12	34,47	34,12	34,12	34,12
Fixed assets	1 215 181	144 106	100 151	60 696	10 434
Current assets	459 537	155 756	129 359	79 021	72 075
Long-term liabilities	172 366	45 836	25 381	13 490	357
Short-term liabilities	259 316	51 798	94 928	43 258	45 537
Net assets	1 243 036	202 228	109 201	82 969	36 615
Net assets attributable to non-controlling interests	424 124	69 708	37 259	28 309	12 493
Revenues from sales	1 230 611	343 251	427 073	373 631	301 257
Net profit	141 608	74 790	(22 983)	17 772	18 874
Other comprehensive income	(56 309)	(341)	383	(2 270)	(73)
Comprehensive income attributable to non-controlling interests	29 104	25 663	(7 711)	5 289	6 415



Boryszew Capital Group
Notes to the consolidated financial statements
for the period between 1 January and 31 December 2018

(amounts expressed in PLN thousands unless specified otherwise)

2017	Impexmetal S.A.	Hutmen S.A.	ZM Silesia S.A.	Baterpol S.A.	FLT Polska Sp. z o.o.
non-controlling interest in %	38.18	25.02	38.18	38.18	39.20
Fixed assets	1 184 971	139 079	104 909	55 980	10 275
Current assets	403 240	148 680	135 200	126 776	58 283
Long-term liabilities	207 746	9 387	8 119	10 181	586
Short-term liabilities	228 097	139 640	100 116	89 327	35 207
Net assets	1 152 368	138 732	131 874	83 248	32 765
Net assets attributable to non-controlling interest	439 974	34 711	50 349	31 784	12 844
Revenues from sales	1 140 435	335 770	546 944	400 798	272 097
Net profit	73 884	(58 390)	(8 271)	16 212	15 043
Other comprehensive income	24 125	3 455	29	1 999	(78)
Comprehensive income attributable to non-controlling interests	37 420	(13 745)	(3 147)	6 953	5 866

c) Companies not included in the consolidated financial statements

Company name	Based in	share of the parent in share capital (%)	share in voting rights (%)	Core activity
Boryszew S.A. companies				
Brick factory "Vostocznaya - Sp. z o.o. Belarus	Belarus	30	30	trade, production of secondary raw materials
Elana Ukraina Sp.z o.o.	Ukraine	90	90	trade, production of secondary raw materials
Boryszew Energy Sp. z o.o.	Toruń	100	100	dormant company
Impexmetal S.A. companies				
Brasco Inc	USA	65	65	dormant company
Hutnik Sp. z o.o.	Konin	62	62	catering and recreational services

For practical reasons they were excluded from the consolidation and the applied simplification is not material to the total consolidated financial statements and the assessment of the financial standing of the Group (pursuant to articles 29 and 30 of Framework for the Preparation and Presentation of Financial Statements).



d) Changes in the Group structure

Acquisition of Impexmetal S.A. shares

In 2018 Boryszew S.A. acquired a total of 7 354 170 shares of Impexmetal S.A., which together with the shares already held make a total of 117 500 968 shares of Impexmetal S.A.

As at 31 December 2018 Boryszew Capital Group held 125 380 00 shares of Impexmetal S.A., which accounted for 65.89%

Acquisition of shares in Boryszew Tensho Poland Sp. z o.o.

On 18 June 2018 Boryszew S.A., acting under the Joint Venture Agreement concluded on 17 June 2014 between Sanko & Co., Ltd., Tensho Electric Industries Co., Ltd., and Boryszew S.A., acquired from Sanko & Co., Ltd. 23 256 shares in Boryszew Tensho Poland Spółka z o.o., based in Ostaszewo, accounting for 13.68% of the share capital and total number of votes at the General Meeting of Shareholders.

As at the day of preparing the financial statements, Boryszew S.A. holds 159 256 shares in Boryszew Tensho Poland Spółka z o.o., accounting 93.68% of the share capital and total number of votes at the General Meeting of Shareholders.

Merger of Boryszew Kunststofftechnik Deutschland GmbH and BRS YMOS GmbH

On 23 October 2018, BRS YMOS as the acquired company merged with BKD as the acquiring company, with effect from 1 January 2018. BRS YMOS was deleted from the register on 24 October 2018 and the merger was entered into the register of BKD on 30 October 2018. The head office of the company is in Gardelegen. BRS YMOS acts as a branch office based in Idar

Acquisition of shares in FŁT Polska Sp. z o. o. o.

Impexmetal S.A. acquired 17 shares in FŁT Polska Sp. z o.o. for the total amount of PLN 2 125 000.00. Currently Impexmetal S.A. holds 100% of shares of the company.

Incorporation of Aluminium Konin Spółka z o. o. o.

On 23 January 2018, Aluminium Konin Spółka z o. o. based in Konin was incorporated. The share capital of Aluminium Konin Spółka z o. o. amounts to PLN 100 000.00 and is divided into 100 shares with a value of PLN 1 000 each. The sole shareholder of Aluminium Konin Spółka z o. o. is Impexmetal S.A.

Removal of Surowce Hutmen S.A. Sp. komandytowa w likwidacji from the National Court Register

On 20 December 2017, the General Meeting of Shareholders of Surowce Hutmen S.A. Sp. komandytowa decided to open the liquidation of the company. On 6 April 2018 the company was removed from the National Court Register.

Acquisition of shares in Remal Sp. z o.o.

Impexmetal S.A. acquired 7 shares in Remal Sp. z o.o., accounting in total for 1.24% of the share capital. Currently Impexmetal S.A. holds 80.90% of shares in the company.

Sale of shares in MBO Hutmen Sp. z o. o.jv.

On 5 December 2018, an agreement was signed on the sale of 50% of shares in MBO-Hutmen Sp. z o.o. jv. held by Hutmen S.A. (the agreement came into force on 7 December 2018).

Liquidation of S&I SA in liquidation

In December 2018 the process of liquidation of S&I S.A. based in Switzerland was completed. As at the date of publication of the financial statements, no decision on removing the company from the register had been issued.



(amounts expressed in PLN thousands unless specified otherwise)

Changes in the Group structure after the balance sheet date

Acquisition of shares in Alchemia S.A.

EASTSIDE -BIS Sp. z o.o. acquired (through conversion of bonds into shares on 11 January 2019) 9 995 000 shares of Alchemia S.A., accounting for 4.99% (rounded off) of the share capital of Alchemia S.A. On 12 and 15 March 2019 Impexmetal S.A. acquired a total of 26 626 074 shares of Alchemia S.A., accounting for 13.31% (rounded) of the share capital of Alchemia S.A.

The total value of the acquired shares in Alchemia S.A. amounts to PLN 177 580 255.20.

As at the date of acquisition of control, the share of Boryszew Capital Group in Alchemia S.A. accounted for 51.29% of the share capital. Also, Alchemia S.A. held 26 550 000 treasury shares, which accounted for 13.28% of its share capital.

As at the date of publication of the financial statements, Boryszew Capital Group holds 59.14% shares in Alchemia S.A. (more information on the acquisition of Alchemia S.A. shares can be found in point 4 of the financial statements).

Until the date of publication of the financial statements, no other significant changes occurred in the structure of Boryszew Capital Group, except for the events indicated above.

Information on settlement of the share acquisition which resulted in control over Alchemia S.A. and its impact on the consolidated financial statements prepared after settlement of the acquisition transaction. As it was necessary to carry out valuation of the acquired assets as at the transaction date, the settlement of the transaction will be carried out as soon as complete data are prepared. Since such valuation is complicated as the entire Alchemia Capital Group will be included in it, a significant commitment on the part of Alchemia is required. Given that the date of acquisition of control took place on 15 March 2019, as at the date of preparation of the financial statements the Company has no access to the data specified in IFRS 3. The data will be prepared as soon as possible, on the date specified in the standard as the latest.

e) Litigations underway

Tax proceedings in the Capital Group companies

The Group operates in a sector which, due to its specific nature, is particularly exposed to VAT fraud by dishonest contractors. Group companies are subject to various stages of inspection and audit proceedings on the correctness of VAT settlements. Given the above, the Parent Company has taken steps to recognise the risks that could be estimated and are related to the ongoing proceedings.

Proceedings completed at first instance

1. On 12 March 2018, ZM SILESIA S.A. received a decision of the Head of the Customs and Tax Office (Office) in Opole dated 28 February 2018, determining the outstanding VAT liability for 2012 in the amount of PLN 28.9 million plus interest on tax arrears in the amount of PLN 15.5 million. According to the position of the Office, ZM SILESIA S.A. failed to exercise due diligence in verifying the tax reliability of some of its suppliers, who, as it turned out, failed pay the due VAT to the state budget. As a result, ZM SILESIA S.A. should not have reduced its output tax by the input tax shown on invoices issued by dishonest contractors. Due to its different assessment of the facts from that of the inspection bodies, the company appealed against the decision of the Office.
2. On 3 April 2018, HUTMEN S.A. received a decision of the Head of the Lower Silesian Customs and Tax Office (Urząd) in Wrocław dated 26 March 2018, determining the outstanding VAT liability of HUTMEN S.A. for Q4 2014 in the amount of PLN 3.04 million plus interest on tax arrears. As claimed by the Office, HUTMEN S.A. failed to observe due diligence in verifying the tax reliability of some of its contractors, and consequently had no right to apply the VAT rate of 0% for the intra-Community supply of goods. Due to its different assessment of the facts from that of the inspection bodies, Hutmen S.A. appealed with the Tax Chamber against the decision of the office.
3. On 10 September 2018 HUTMEN S.A. received a decision of the Tax Administration Chamber (Office) in Wrocław dated 4 September 2018 determining the outstanding VAT liability of HUTMEN S.A. for Q4 2012 in the amount of PLN 1.1 million plus interest on tax arrears. As claimed by the Office, HUTMEN S.A. failed to observe due diligence in verifying the tax reliability of some of its contractors, and as a consequence did not



(amounts expressed in PLN thousands unless specified otherwise)

have the right to deduct input VAT. Due to its different assessment of the facts from that of the inspection bodies, Hutmen S.A. appealed with the Provincial Administrative Court against the negative decision of the Tax Chamber. At the same time, the company paid a liability with due interest in the amount of PLN 1.7 million. On 13 March 2019 the Provincial Administrative Court issued a decision in favour of HUTMEN S.A.

4. Baterpol Recycler Sp. z o.o received a decision of the Head of the Lower Silesian Customs and Tax Office (Office) in Wrocław dated 8 June 2018, determining its outstanding VAT liability for the period March to June 2016, resulting in a negative impact on Company's financial result amounting to PLN 3.0 million. The decision is not valid and the Company has appealed against the decision within the statutory period. Due to its different assessment of the facts from that of the inspection bodies, the subsidiary appealed against the decision of the Office. On 12.07.2018, the Head of the Lower Silesian Customs and Tax Office in Wrocław referred the case to the Director of the Tax Administration Chamber in Wrocław for decision. The date of issuing the decision in the aforementioned case by the Director of the Tax Administration Chamber in Wrocław was set at 15.05.2019. Further to that, Baterpol Recycler Sp. z o. o. received a decision of the Head of the Lower Silesian Customs and Tax Office (Urząd) in Wrocław dated 30 November 2018 determining its outstanding VAT liability for the period July to September 2016, resulting in a negative impact on Company's financial result amounting to PLN 2.8 million. The decision is not valid and the Company has appealed against the decision within the statutory period.

Due to its different assessment of the facts from that of the inspection bodies, the subsidiary appealed against the decision of the Office. On 04.01.2019, the Head of the Lower Silesian Customs and Tax Office in Wrocław referred the case to the Director of the Tax Administration Chamber in Wrocław for decision. The date of issuing the decision in the aforementioned case by the Director of the Tax Administration Chamber in Wrocław was set at 10.05.2019. On 26.07.2018, the Head of the Lower Silesian Tax Office in Wrocław seized the bank accounts of Baterpol Recycler Sp. z o.o. for the total amount of PLN 2.1 million as a security for enforcement of Company's due VAT liabilities for March 2017 as well as July - December 2017.

Other significant pending VAT proceedings in the Capital Group companies

Apart from the inspection proceedings described above, the Capital Group companies are subject to audit proceedings which are at an initial stage (pending decisions). These proceedings may result in a negative stance of the authorities towards the Company, however this risk is difficult to estimate.

Proceedings in progress:

1. ZM SILESIA S.A. - VAT audit proceedings for 2013-2014, in progress,
2. Hutmen S.A. - VAT audit proceedings for 2015, in progress.
3. Baterpol S.A. received a VAT audit protocol - audited period: July 2013 - December 2015. Based on that protocol, the Company estimated the risk of questioning the deductible VAT to be PLN 3.2 million plus interest (as at 31.12.2018 - PLN 1.1 million). Audit by the First Silesian Tax Office in Sosnowiec. On 20 March 2019, the Head of the First Tax Office in Sosnowiec initiated tax proceedings in the case in question.
4. On 12 March this year, the Head of the Lower Silesian Tax Office in Wrocław sent Baterpol Recycler Sp. z o.o. a notice of initiation of an investigation by the Regional Prosecutor's Office in Katowice, on 1 April 2016, into a tax offence suspending the period of limitation of company's tax liabilities.

As at the date of publication of the consolidated financial statements, the audits were not completed with a decision.

Due to a risk of initiating further audits, which may potentially result in decisions determining tax liabilities of these companies, the Management Board of the Parent Company assessed the documentation on the ongoing proceedings and estimated the risks, rating them according to the probability of their occurrence:

- a) **probable risk** (high risk) - a high probability of negative tax consequences (negative consequences are more probable to occur than not),
- b) **possible risk** (medium risk) - risk of negative tax consequences, however, their occurrence or not is not equally probable,
- c) **potential risk** (low risk) - some risk of negative tax consequences, but this risk is less probable than probable.

The balance of provisions in the consolidated financial statements for the risk described above as at the balance sheet date amounts to PLN 73.2 million (high risk). Moreover, the Parent Company recognised the amount of PLN 38.9 million as a contingent liability (medium or low risk). The Management Board of the Parent Company estimated the provisions considering the probability of cash outflow from the Group and chose to leave such provisions out in cases where the probability of cash outflow is low.



(amounts expressed in PLN thousands unless specified otherwise)

The Management Board of the Parent Company cannot exclude that in the event of new circumstances, the estimation of risks described above may change.

Other important proceedings in the Group

HMN Szopienice S.A.

Settlements regarding legally finalised proceedings of HMN Szopienice S.A. in liquidation

The court proceedings of HMN Szopienice S.A. in liquidation against the State Treasury - the Minister of the State Treasury - for establishing the non-existence of the State Treasury's right to demand payment of PLN 10 342.9 thousand from the Company together with interest due as reimbursement of aid granted to the Company under the agreement of 6 March 2003, amended by Annex No. 1 of 28 December 2005, are described in previously published periodical reports. As a result, the Company was made obligated to return the granted public aid. The Company concluded an agreement with the State Treasury on repayment of the principal amount in instalments and on deferring the payment date of the amount of public aid due for repayment.

Under that agreement, from the date of its conclusion no interest on the principal amount is accrued and the date of final payment of interest is set at 31 December 2025. The main receivable will be repaid partly from the funds obtained from the sale of company's assets.

EASTSIDE - BIS SPÓŁKA Z O.O.

The company is subject to a customs and fiscal audit on the correctness of the corporate income tax settlement. On 9 March 2018, an audit for the period between 1 December 2015 and 30 November 2016 was initiated. By the date of publication of the financial statements, the company has not received the audit protocol.

EASTSIDE CAPITAL INVESTMENTS SPÓŁKA Z O.O.

The company is subject to a customs and fiscal audit on the correctness of the corporate income tax settlement. On 9 March 2018, an audit for the period between 1 December 2014 and 30 November 2016 was initiated. By the date of publication of the financial statements, the company has not received the audit protocol.

SPV LAKME INVESTMENT SPÓŁKA Z O.O.

The company is subject to a customs and fiscal audit on the correctness of the corporate income tax settlement. On 9 March 2018, an audit for the period between 1 January 2015 and 31 December 2015 was initiated and on 2 July 2018 - for the period between 1 January 2016 and 31 December 2016. By the date of publication of the financial statements, the company has not received the audit protocol.



2. PLATFORM OF APPLIED IFRS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021)



(amounts expressed in PLN thousands unless specified otherwise)

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

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

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

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

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

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

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

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

IFRS 16 "Leasing"

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

Impact of IFRS 16 on future consolidated financial statements

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

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

The value of rights to use assets and liabilities related to them is PLN 141 175. This amount will increase the value of fixed assets and lease liabilities.

3. ACCOUNTING PRINCIPLES APPLIED

Information included in this Report was prepared in accordance with the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws 2018.757 of 20.04.2018) and the International Accounting Standards as approved by the European Union (EU).

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

Accounting principles and calculation methods applied by the Group did not change during the period of these consolidated financial statements, with the exception of standards that became effective as of 1 January 2018. As of 1 January 2018, the requirements of the new IFRS 9 and IFRS 15 standards were applied using a modified



(amounts expressed in PLN thousands unless specified otherwise)

retrospective approach to their implementation. The Group chose not to restate the comparable data in accordance with the derogation in the standard. The presented information for comparable periods as at 31 December 2017 and for 12 months ended 31 December 2017 was prepared on the basis of IAS 39, IAS 18 and IAS 11.

The consolidated financial statements are based on historical cost concept, except for revaluation of some fixed assets and financial instruments

The consolidated financial statements include: consolidated income statement by function, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows.

Cash flows from operating activities are determined using the indirect method, cash flows from financing and investing activities - using the direct method.

Most significant accounting principles applied by the Group are presented below.

The functional currency of the Capital Group and the presentation currency of these financial statements is PLN.

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

The statements were prepared on a going concern basis. The Management Board confirms that no threat exists to the continuity of Group's operations, except for the spin-off planned to be discontinued

Consolidation principles

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. The control is executed, if the Group is able to direct the financial and operating policy of the entity in order to derive the economic benefits from its business activity.

Income and costs of the subsidiaries acquired or disposed during the year are recognized in the consolidated comprehensive income from the date of actual acquisition and to the date of effective disposal. The comprehensive income of the subsidiaries are attributed to the Company's owners and NCIs, event of such attribution results in the negative balance of NCIs.

If necessary, the financial statements of subsidiaries are adjusted in order to adjust their accounting policy to the Group's policy.

All intra-group transactions, mutual balances and income and costs of the intra-group transactions are totally excluded from consolidation.

As of the day of subsidiary acquisition, the assets as well as equity and liabilities of the acquired entity are measured at their fair value. The surplus of the purchase price over the fair value of identifiable acquired net assets of the relevant unit is disclosed in balance sheet assets as goodwill. If the purchase price is lower than the fair value of identifiable acquired net assets of the relevant unit, the difference is disclosed as profit in the profit and loss account for the period during which the purchase took place. The share of NCIs is recognized at the appropriate proportion of the fair value and equity.

Income statement by function was applied in the preparation of the consolidated financial statements.

Cash flow statement is prepared using the indirect method

Principles and methods of valuating assets and liabilities

Model based on purchase price or production cost plus revaluation

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

Revaluation model

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



Fair value

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

Purchase price or production cost of an asset item

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

Tangible assets

After the initial recognition at purchase price or production cost, the components of tangible fixed assets are measured by a valuation model based on purchase price or production cost and the revaluation for impairment loss.

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

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

Depreciation rates applied for individual groups of tangible fixed assets:

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

Investment outlays

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

The right for perpetual usufruct of land acquired on the market

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

Intangible assets

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



(amounts expressed in PLN thousands unless specified otherwise)

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

Limited life assets are amortised over their life.

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

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

Depreciation rates applied for intangible fixed assets:

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

Leasing

Financial leasing agreements where the Company retains substantially all the risks and rewards of ownership of the leased item are recognised, as at the date of leasing commencement, at the lower of: fair value of leased asset or current value of minimum lease payments.

Leasing fees are divided into financial costs and decrease of the liability balance against leasing (represented in the balance sheet as trade payables and other long term and short term liabilities) - so as to obtain a fixed interest rate on the outstanding liability amount.

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

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

Investment property

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

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

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

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

Impairment loss for tangible and intangible fixed assets.

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

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

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



(amounts expressed in PLN thousands unless specified otherwise)

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

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

Shares in associates and subsidiaries

Investments in subsidiaries are measured at acquisition cost.

Financial instruments

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



Financial assets

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

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

- long-term,
- short-term.

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

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

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

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

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

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

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

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

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

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

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

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

Financial asset impairment loss

On 01.01.2018 the Group replaced its principles of recognition of credit losses based on incurred loss with, as per IFRS 9 Financial Instruments, the concept of expected credit loss resulting in recognition of impairment losses on assets from the moment of their initial recognition. Impairment requirements for financial assets relate in particular to financial assets measured at amortised cost and measured at fair value through other comprehensive income.

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

- trade receivables,
- loans granted

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

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

Derivative instruments

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

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

- fair value hedge of recognised assets or liabilities or probable future liabilities (fair value hedge);



(amounts expressed in PLN thousands unless specified otherwise)

- hedge of specific risk associated with recognised liabilities or highly probable planned transactions (cash flow hedge).

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

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

Embedded derivatives

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

Hedge accounting

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

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

Cash flow hedge

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

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

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

Fair value hedge

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

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



(amounts expressed in PLN thousands unless specified otherwise)

Inventories

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

Goods and materials

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

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

Goods and materials issue methodology

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

Products and work in progress

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

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

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

Product issue methodology

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

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

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

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

Inventory impairment write-offs

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

Cash and cash equivalents

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

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

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

Accruals

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

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



(amounts expressed in PLN thousands unless specified otherwise)

Provisions, contingent liabilities and contingent assets

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

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

The Group recognises provisions, if:

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

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

Shareholders' equity

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

State subsidies

Subsidies are divided into:

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

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

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

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

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

Revenues

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

Interest and dividends

The Group recognises revenues occurring as the result of interest and dividend generating Company's assets being used by other entities as long as it is likely that the Group will generate economic benefits and the amount of revenues can be reliably estimated.

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

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



Principle of substance over form

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

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

Costs of external financing

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

Costs of external financing include:

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

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

Employee benefits

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

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

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

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

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

Restructuring provision

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

Accrued income

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

Impact of foreign exchange rate changes

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

Valuation as at transaction date

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



(amounts expressed in PLN thousands unless specified otherwise)

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

Valuation as at balance sheet date

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

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

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

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

Disclosure of exchange rate differences

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

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

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

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

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

	average EUR exchange rate during the period	EUR exchange rate as at the last day of the period
1.01- 31.12..2018	4.2669	4.3000
1.01- 31.12.2017	4.2447	4.1709

Estimates of the Management Board

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

The main accounting estimates and the assumptions adopted refer to:

- estimated useful life of the asset - the subject matter of the estimation is to determine the estimated useful life, which may be shortened or extended in use. The end value and amortisation/depreciation methods are verified by the Group once per fiscal year. The verification includes among others: economic useful life, end value of asset, expected method of consuming the economic benefits from an intangible asset, expected physical wear and tear estimated on the basis of the present average useful life, reflecting the speed of physical wear and tear and intensity of use etc., technical or market obsolescence, legal and other limitations to the use of the asset, expected use of the asset estimated under the expected production capacity or production size and other circumstances effecting the useful life of assets.
- Impairment losses- are made if there are any external or internal indications of no possible recovery of the carrying amount of the non-current assets. If the carrying amount assets exceeds the recoverable amount of the asset , the value of asset is lowered to the recoverable amount by the appropriate impairment and recognition of the costs in the income statement.



(amounts expressed in PLN thousands unless specified otherwise)

- allowances of current assets (inventories and receivables), for inventories the allowance is estimated on the basis of the difference between net realizable amount and expected amount of future cash-flows. On the other hand estimate of accounts receivable write-off is the difference between the carrying value of given asset item and the current value of future cash flows discounted at the effective interest rate.
- employee benefits and provisions for retirement benefits and similar- the current amount of benefits and provisions depend on many factors determined by actuarial methods. The assumptions adopted to establish the net amount (income) for the retirement benefit include the discount rate. Any and all changes of such assumptions shall affect the amount of the retirement liabilities. The Group determines relevant discount rate at the end of each year. It is the interest rate applied to determine the present value of the estimated future outflows of cash assessed as necessary to meet the liabilities.
- provisions for expected liabilities due to the business activities- they are established in the amount representing the best estimate of the expenditure required to settle the present obligation or substantiation of the future obligation at the end of the reporting period.
- impairment tests of fixed assets and goodwill - impairment tests are carried out on the basis of five-year discounted forecast cash flows consistent with the approved plans of the Management Board. The discount rate is calculated based on WACC. The model uses the CAPM valuation model and the industry average beta value to calculate the cost of equity.

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

Events after the balance sheet date

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

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

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

Income tax

Net book and tax value of assets and liabilities

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

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

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

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



(amounts expressed in PLN thousands unless specified otherwise)

Special funds

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

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

Events after the balance sheet date

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

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

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

Assets held for sale and discontinuation of operations

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

Changes in the applied accounting principles covering:

Financial instruments - IFRS 9

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

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

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

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

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

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

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

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

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

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

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



(amounts expressed in PLN thousands unless specified otherwise)

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

	IAS 39			IFRS 9			Impact of changes		
	Depreciation and amortisation cost	Fair value settled through other comprehensive income	Assets available for sale	Fair value settled through profit and loss	Depreciation and amortisation cost	Fair value settled through profit and loss	Fair value settled through other comprehensive income	Total	Increase/decrease
01.01.2018									
<i>Trade receivables</i>	638 807				632 505	6 302		638 807	
<i>Write-down on receivables</i>					(428)			(428)	(428)
Trade receivables post revaluation	638 807				632 077	6 302		638 379	(428)
Other debtors	40 302					40 302		40 302	
Loans granted	1 820				1 820			1 820	
Bonds purchased	76 278				76 278			76 278	
Derivative financial instruments		24 459		3 547		3 547	24 459	28 006	
Shares and stock			8	25 068		25 068	8	25 076	
Cash	216 120				216 120			216 120	
	973 327	24 459	8	28 615	926 295	75 219	24 467	1 025 981	(428)

Revenues from contracts with customers - IFRS 15

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

Impact of IFRS 15 on the consolidated financial statements

Following the assessment of the provisions in the standard and the provisions in commercial agreements, the Group chose not to identify any provisions in commercial agreements or contracts that would require recognition as at the effective date of this standard. The Company identified and recognised no additional adjustments to revenues, liabilities or assets. Licences, guarantees referred to in this standard, sales with the right of return, sales contract with suspended delivery, or repurchase agreement are not common in the Company's sector. Neither are non-refundable fees paid in advance. Certain trade agreements provide only for sales bonuses depending on the amount of sales, and these bonuses are recognised on an ongoing basis through an adjustment to sales revenues. In most contracts, the moment of transfer of control to the customer takes place after the delivery, or accounting for transport services, where the Company arranges the transport. In these circumstances IFRS 15 requires a supply to be treated as a single benefit and recognised as income on a one-off basis at a specific point in time. The Group estimates the probability of bonuses or customers and provides for their value at the end of each reporting month as an adjustment of sales revenue. Due to unsettled bonus adjustments, the Group decreased revenues.



3.1. Conversion of financial data

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

Impact of IFRS 9 introduction on equity

Adjustment of revaluation write-offs for assets measured at amortised cost	Retained earnings	Total equity
Trade receivables	(428)	(428)
Deferred tax adjustment (deferred tax asset)	82	82
Total	(346)	(346)

4. DECLARATIONS OF THE MANAGEMENT BOARD

Statement by the Management Board on compliance of accounting principles

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

REPRESENTATION OF THE MANAGEMENT BOARD ON THE SELECTION OF FINANCIAL STATEMENTS

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

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

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

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

The Management Board for Boryszew S.A. represents that BDO PL Spółka z ograniczoną odpowiedzialnością sp. k., which audited the financial statements for 2018, was selected in accordance with the provisions of law and that



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(amounts expressed in PLN thousands unless specified otherwise)

BDO PL and its statutory auditors performing this audit met the conditions to issue an impartial and independent opinion on the audit of the financial statements in accordance with applicable regulations and professional standards.

Statement regarding the report on non-financial data

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



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5. OPERATING SEGMENTS (continuing operations)

01.01.2018 -31.12. 2018 - Continuing operations	Chemical products	Automotive	Metals	Other	Total	exclusions between segments	Total
Revenues from sales	291 695	1 899 432	3 682 654	310 914	6 184 695	(85 131)	6 099 564
Segment costs of sales	252 231	1 680 443	3 314 816	287 573	5 535 063	(80 349)	5 454 714
Result on sales within segment	39 464	218 989	367 838	23 341	649 632	(4 782)	644 850
General, administrative and sales expenses	33 716	210 205	165 300	18 601	427 822	(9 072)	418 750
Other operating profit/loss	2 323	(5 310)	5 346	32 441	34 800	(31 297)	3 503
Segment profit/loss	8 071	3 474	207 884	37 181	256 610	(27 007)	229 603
Amortisation/depreciation	6 581	69 479	68 997	3 851	148 908		148 908
EBITDA *)	14 652	72 953	276 881	41 032	405 518	(27 007)	378 511
Segment assets	244 276	1 360 267	2 757 181	934 827	5 296 551	(1 070 458)	4 226 093
Segment liabilities	92 598	1 570 936	1 045 070	697 541	3 406 145	(984 582)	2 421 563

01.01.2017 -31.12. 2017 - Continuing operations	Chemical products	Automotive	Metals	Other	Total	exclusions between segments	Total
Revenues from sales	283 161	2 053 569	3 743 537	254 367	6 334 634	(44 298)	6 290 336
Segment costs of sales	237 525	1 738 084	3 389 335	230 999	5 595 943	(38 279)	5 557 664
Result on sales within segment	45 636	315 485	354 202	23 368	738 691	(6 019)	732 672
General, administrative and sales expenses	33 359	191 445	166 285	25 995	417 084	(13 558)	403 526
Other operating profit/loss	6 172	1 086	13 499	(6 851)	13 906	(7 607)	6 299
Segment profit/loss	18 449	125 126	201 416	(9 478)	335 513	(68)	335 445
Amortisation/depreciation	6 054	60 932	65 063	1 717	133 766		133 766
EBITDA *)	24 503	186 058	266 479	(7 761)	469 279		469 211
Segment assets	243 917	1 265 829	2 692 961	849 631	5 052 338	(944 379)	4 107 959
Segment liabilities	77 301	1 479 591	1 094 893	597 498	3 249 283	(881 815)	2 367 468

The attached notes constitute an integral part of these financial statements



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Boryszew Capital Group is one of Poland's largest capital groups. It includes several dozen entities with their registered offices located on three continents, which operate primarily in the following sectors: automotive, metal-forming and chemicals. As per IFRS 8, the following four operating segments have been identified

- Metals
- Automotive,
- Chemical products
- Other.

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

Automotive	Boryszew S.A. Branch Maflow, Maflow Spain Automotive S.L.U., Maflow France Automotive S.A.S., Maflow BRS s.r.l., Maflow Components Dalian Co. Ltd., Maflow do Brasil Ltda., Maflow Automotive Mexico S.de. RI. De.C, MAFMEX S.DE R.L.DE C.V., Maflow Polska Sp. z o.o., Maflow India Private Limited, Boryszew Automotive Plastics Sp. z o.o., Theysohn Kunststoff GmbH, Theysohn Formenbau GmbH, Boryszew Kunststofftechnik Deutschland GmbH, AKT Plastikarska Technologie Cechy spol. s.r.o., Boryszew Formenbau Deutschland GmbH, BRS YMOS GmbH, Boryszew Oberflächentechnik Deutschland GmbH, Boryszew Plastik Rus, Boryszew Tensho Poland Sp. z o.o., ICOS GmbH, Boryszew Deutschland GmbH, Boryszew Commodities Sp. z o.o., Boryszew HR Service Sp. z o.o., Boryszew Components Poland Sp. z o.o.
Metals	Impexmetal S.A., Hutmen S.A., WM Dziedzice S.A., ZM SILESIA S.A., Baterpol S.A., Polski Cynk Sp. z o.o., Boryszew S.A Branch NPA Skawina, Baterpol Recycler Sp. z o.o., Metal Zinc Sp. z o.o., Surowce Hutmen S.A. Sp. komandytowa, SPV Impexmetal Spółka z o.o., FŁT Polska Sp. z o.o., FLT Bearings Ltd., FLT France S.A.S., FLT & Metals s.r.l., FLT Wälzlager GmbH, FLT (Wuxi) Trading Co. Ltd., FLT Metals Ltd.; Zakład Utylizacji Odpadów Sp. z o.o., Symonvit Ltd. in liquidation, Remal Sp. z o.o.
Chemical products	Torlen Sp. z o.o., Elana Pet Sp. z o.o., Boryszew S.A. Branch Elana, Boryszew S.A. Branch Boryszew ERG, Boryszew S.A. Branch Nylonbor, Elimer Sp. z o.o.
Other	Boryszew S.A. – HQ, Boryszew S.A., Boryszew S.A. Oddział Energy, Eastside – Bis Sp. z o.o., SPV Lakme Investment Sp. z o.o., Impex – invest Sp. z o.o., Eastside Capital Investments Sp. z o.o., Elana Energetyka Sp. z o.o., S&I S.A. w likwidacji, SPV Boryszew 3 Sp. z o.o.,



(amounts expressed in PLN thousands unless specified otherwise)

6. REVENUES FROM SALE

Revenues from sale	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Revenues from sales of products	5 344 338	5 558 458
REVENUES FROM SALES OF SERVICES	87 178	87 215
Revenues from sales of goods and materials	668 048	644 663
Total (revenues from continuing operations)	6 099 564	6 290 336

- -

Revenues from sale by destination market

Sales revenues by geographical areas	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Continuing operations		
Domestic sales	2 176 458	2 247 740
Sales to EU countries	3 429 388	3 563 669
Sales to other European countries	184 730	195 175
Export outside Europe	308 988	283 752
Total (revenues from continuing operations)	6 099 564	6 290 336

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Share of EU member states in intra-Community sales:	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Germany	41%	42%
The Czech Republic	15%	13%
France	5%	7%
Slovakia	4%	3%
Italy	7%	6%



(amounts expressed in PLN thousands unless specified otherwise)

7. OPERATING EXPENSES

Costs of operating activities by type	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Amortisation/depreciation	148 908	133 766
Consumption of materials and energy	3 697 779	3 870 163
External services	409 171	411 735
Taxes and charges	41 161	39 841
Costs of employee benefits, including:	850 248	847 294
<i>costs of remuneration</i>	715 442	706 619
<i>costs of social insurance</i>	108 889	113 508
<i>other employee benefits</i>	25 917	27 167
Other expenses	113 944	90 440
Value of sold goods and materials	658 331	604 948
Total expenses by type	5 919 542	5 998 187
Movements in products (+/-)	(13 988)	(57 226)
Capitalised costs by type (-) consumption for own needs	(15 288)	2 314
Impairment write-offs on inventories in COGS	(16 802)	17 915
	5 873 464	5 961 190
Selling costs	(148 880)	(141 265)
General and administrative costs (-)	(269 870)	(262 261)
Cost of sales	5 454 714	5 557 664
	-	-

8. OTHER OPERATING REVENUES

Other operating revenues	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Profit on sale of fixed assets and investment property	19 172	12 317
Valuation of assets, including	6 375	36 751
<i>reversal of write-downs on trade and other receivables</i>		
<i>reversal of revaluation write-downs on inventories</i>	5 565	3 501
<i>reversal of revaluation write-downs on fixed assets</i>	719	1 469
Reversal of unnecessary provisions	4 417	6 500
Other income, of which:	24 087	32 546
<i>revenues from compensations</i>	4 808	6 842
<i>write-off of liabilities</i>	939	10 396
<i>white certificates received</i>	314	1 801
<i>inclusion of companies in consolidation</i>	5 479	5 479
<i>write-down of provisions for liabilities</i>	-	-
<i>other</i>	12 547	8 028
Subsidies	11 985	8 271
Total	66 036	96 385
	-	-



(amounts expressed in PLN thousands unless specified otherwise)

9. OTHER OPERATING EXPENSES

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Other operating expenses		
Loss on sale of fixed assets	2 068	1 954
Revaluation write-downs on non-financial assets, including:	11 447	4 253
<i>inventory impairment write-offs</i>	10 634	3 551
<i>revaluation write-offs of property, plant and equipment as well as intangible assets</i>	760	702
Provisions, including	14 433	54 738
<i>provisions for disputed claims</i>	865	1 186
<i>provisions for complaints and guarantees</i>	8 742	1 766
<i>provisions for liquidation of fixed assets</i>	0	400
<i>provisions for loss-making contracts</i>	4 826	1 581
<i>provision for VAT claims</i>		49 805
Other expenses, including:	25 220	25 051
<i>cancellation and write-off of receivables</i>	2 800	1 661
<i>compensations and penalties paid</i>	4 266	3 199
<i>write-down of assets in new projects</i>		16 202
<i>other expenses</i>	18 154	3 989
Total	53 168	85 996

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
9.1. Revaluation of trade and other receivables		
Revaluation write-downs on trade receivables	(6 679)	(15 809)
Reversal of write-downs on trade receivables	2 539	9 877
Revaluation write-downs on other receivables	(5 226)	(8)
Reversal of revaluation write-downs on other receivables	1	1 850
Revaluation result	(9 365)	(4 090)

10. FINANCIAL REVENUES

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Financial revenues		
FX gains	14 721	-
Profit on derivative financial instruments	7 607	26 145
Discount	-	780
Measurement of financial liabilities/assets at amortised cost and other	5 137	2 250
Measurement of other liabilities (WUG)	3 316	5 029
Interest income	6 330	5 273
Reversal of revaluation write-downs on shares in associates	20 181	-
Other financial revenues	598	1 378
Total	57 890	40 855



(amounts expressed in PLN thousands unless specified otherwise)

11. FINANCIAL EXPENSES

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Financial expenses		
Interest expense	43 293	56 974
Revaluation of shares in associates	-	30 633
Loss on derivative financial instruments	6 992	31 935
Negative exchange rate differences	39 252	-
Discount	2 157	2 041
Other financial costs	7 292	11 917
Total	98 986	133 500
	-	-
Interest expense		
Interest on loans	33 241	29 956
Interests on loans	1 005	969
Interest on lease	3 510	5 559
Interest on treasury liabilities	-	16 307
Interest on trade liabilities and other interest	5 537	4 183
Total	43 293	56 974

12. INCOME TAX

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
12.1. Income tax		
Current tax	52 429	46 626
Deferred tax	6 106	(2 728)
Total tax	58 535	43 898
Effective tax rate	28.83%	17.88%
Weighted average tax rate	24.00%	24.00%

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
12.2. Current corporate income tax		
Gross profit (loss)	203 052	245 499
Permanent differences increasing the tax base	(52 619)	(21 065)
Temporary differences in the tax base	(5 771)	(6 466)
Tax exempt income due to business activity in Special Economic Zones (-)	(13 878)	(38 443)
Other increases/decreases in the tax base	1 133	0
Deductions from income due to tax losses	(4 654)	(57 866)
Income tax base	127 263	121 659
Current tax	52 429	46 626

Current tax was reduced by PLN 1883 thousand due to Boryszew S.A. CIT adjustment from previous years



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The Group recognised no asset for loss in the amount of 32 520

12.3. Deferred tax

	As at 31.12.2018	As at 31.12.2017
Deferred tax provision	139 854	132 032
Deferred tax asset	102 122	98 972
Deferred tax balance	37 732	30 130

Change in deferred income tax asset	As at 01.01.2018	Foreign exchange differences arising from conversion	change recognized in the current year	<i>tax recognized in the financial result</i>	<i>tax recognized in other comprehensive income</i>	As at 31.12.2018
Deferred income tax asset on provisions for employee benefits	3 803	133	683	600	83	4 619
Deferred income tax assets on other provisions	3 577		(543)	(543)		3 034
Impairment write-offs on assets	20 377		(2 940)	(2 940)		17 437
Valuation of derivative instruments	3 117		(2 970)	(3 301)	331	147
Unrealised negative currency exchange differences	9 635		780	1 667	(887)	10 415
Amortisation/depreciation	21 367	1 225	(2 654)	(2 654)		19 938
Deferred income tax asset on loss at the beginning of the year	21 338	520	7 721	7 721		29 579
Deferred income tax asset on SEZ taxation	7 000		(3 746)	(3 746)		3 254
Other deferred income tax assets	8 758		4 941	4 941		13 699
Total	98 972	1 878	1 272	1 745	(473)	102 122

Change in deferred income tax provisions	0	Foreign exchange differences arising from conversion	change recognized in the current year	<i>tax recognized in the financial result</i>	<i>tax recognized in other comprehensive income</i>	As at 31.12.2018
Valuation of Assets	39 609		847	847		40 456
Balance sheet valuation of derivative instruments	3 201		(1 328)	(1 299)	(29)	1 873
Unrealised currency exchange rate differences	1 814		712	712		2 526
Fixed assets depreciation	70 370		7 028	7 028		77 398
Other deferred income tax provisions	17 038		563	563		17 601
Total	132 032	0	7 822	7 851	(29)	139 854



(amounts expressed in PLN thousands unless specified otherwise)

13. NON-CURRENT ASSETS

Tangible fixed assets (by type groups)	As at 31.12.2018	As at 31.12.2017
Fixed assets by type:	1 444 943	1 388 093
land	35 739	36 063
buildings, premises, civil and water engineering structures	476 248	461 015
technical equipment and machines	875 449	833 636
vehicles	17 946	18 383
other tangible fixed assets	39 561	38 996
Advances for tangible fixed assets	29 272	16 975
Total property, plant and equipment	1 474 215	1 405 068

Additional information	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Capitalised cost of borrowing	478	592
Commissioning of fixed assets under lease agreements during the current year	75 214	32 697
Value of fixed assets to which the Group has limited title of ownership	210 649	258 706
Fixed assets provided as collateral to loan repayment	472 275	521 333

Ownership structure of fixed assets	As at 31.12.2018	As at 31.12.2017
Branches	1 234 294	1 129 387
Used under tenancy, rent or agreements, including:	210 649	258 706
Land	194	2 779
Buildings, premises, civil and water engineering structures	46 430	73 770
Technical equipment and machines	149 806	162 641
Vehicles	6 452	8 324
Other tangible fixed assets	7 767	11 192
Total fixed assets	1 444 943	1 388 093



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	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets	Total
Change in the balance of fixed assets in the period 01.01.2018 -31.12. 2018						
Gross value of fixed assets at the beginning of the period	35 580	707 395	1 798 056	45 892	121 913	2 708 836
Additions - purchase, commissioning of assets construction) (+)	0	30 813	163 286	4 873	10 323	209 295
Disposal (-)	(619)	(5 058)	(26 852)	(1 159)	(312)	(34 000)
Tangible fixed assets under construction (+/-)	-	12 657	1 571	242	19	14 489
Liquidation (-)	-	(424)	(4 934)	(559)	(1 894)	(7 811)
Reclassification to assets held for sale (-)	-	(15)	(492)	(24)	-	(531)
Other (+/-)	(318)	0	77	(405)	1 205	559
Impact of exchange rate differences (+/-)	613	128	508	2	492	1 743
Gross value of fixed assets at the end of the period	35 256	745 496	1 931 220	48 862	131 746	2 892 580
Accumulated depreciation at the beginning of the period	(621)	215 011	899 255	26 895	79 749	1 220 289
Planned depreciation of own fixed assets (+)	-	22 568	95 277	3 103	10 514	131 462
Planned depreciation of leased fixed assets (+)	-	43	7 964	1 790	118	9 915
Decrease due to disposal (-)	-	(329)	(15 000)	(1 109)	(1 328)	(17 766)
Decrease due to reclassification to assets held for sale (-)	-	2	(155)	(87)	(9)	(249)
Impact of exchange rate differences (+/-)	-	660	3 421	12	745	4 838
Other (+/-)	-	(190)	0	(340)	(770)	(1 300)
Accumulated depreciation at the end of the period	(621)	237 765	990 762	30 264	89 019	1 347 189
Impairment write-offs at the beginning of the period	138	31 369	65 165	614	3 168	100 454
Write-down provision recognized in the profit/loss for the current period (-)	-	108	40	1	1	150
Reversal of write-downs recognized in the profit/loss for the current period (-)	-	0	(305)	(33)	(3)	(341)
Decrease due to disposal (-)	-	0	(957)	-	0	(957)
Other (+/-)	-	5	1 125	70	0	1 200
Impact of exchange rate differences (+/-)	-	1	(59)	0	-	(58)
impairment write-offs at the end of the period	138	31 483	65 009	652	3 166	100 448
Net fixed assets as at the end of period	35 739	476 248	875 449	17 946	39 561	1 444 943



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	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets	Total
Change in the balance of fixed assets in the period 01.01.2017 -31.12. 2017						
Gross value of fixed assets at the beginning of the period	36 565	580 973	1 661 075	40 050	109 540	2 428 203
Additions - purchase, leasing, commissioning of assets construction) (+)	343	82 090	171 291	6 962	13 914	274 600
Disposal (-)	(225)	(756)	(3 897)	(637)	(81)	(5 596)
Tangible fixed assets under construction (+/-)	-	51 079	(6 287)	-	508	45 300
Liquidation (-)	-	(131)	(11 318)	(690)	(1 248)	(13 387)
Other (+/-)	11	717	13 633	422	2 178	16 961
Impact of exchange rate differences (+/-)	(1 114)	(6 577)	(26 441)	(215)	(2 898)	(37 245)
Gross value of fixed assets at the end of the period	35 580	707 395	1 798 056	45 892	121 913	2 708 836
Accumulated depreciation at the beginning of the period	(621)	193 515	811 808	23 561	71 898	1 100 161
Planned depreciation of own fixed assets (+)	-	18 079	86 504	2 634	9 162	116 379
Planned depreciation of leased fixed assets (+)	-	113	9 973	1 464	64	11 614
Decrease due to disposal (-)	-	(84)	(5 884)	(835)	(1 017)	(7 820)
Impact of exchange rate differences (+/-)	-	(2 171)	(12 131)	(120)	(1 787)	(16 209)
Other (+/-)	-	5 559	8 985	191	1 429	16 164
Accumulated depreciation at the end of the period	(621)	215 011	899 255	26 895	79 749	1 220 289
Impairment write-offs at the beginning of the period	138	32 547	65 358	771	2 030	100 844
Write-down provision recognized in the profit/loss for the current period (-)	-	-	948	30	40	1 018
Reversal of write-downs recognized in the profit/loss for the current period (-)	-	(687)	(1 665)	(90)	(180)	(2 622)
Decrease due to disposal (-)	-	(82)	(80)	-	(41)	(203)
Other (+/-)	-	(409)	553	(88)	1 319	1 375
Impact of exchange rate differences (+/-)	-	-	51	(9)	-	42
impairment write-offs at the end of the period	138	31 369	65 165	614	3 168	100 454
Net fixed assets as at the end of period	36 063	461 015	833 636	18 383	38 996	1 388 093



(amounts expressed in PLN thousands unless specified otherwise)

14. INVESTMENT PROPERTY

	As at 31.12.2018	As at 31.12.2017
Balance at the beginning of the period	154 984	111 879
Additions	10 862	57 334
disclosure of land in perpetual usufruct	-	47 190
activation of later investment outlays	-	(6 965)
valuation to fair value (+/-)	10 862	12 538
reclassification (from fixed assets, inventories)	-	4 315
other	-	256
Reductions (-)	(14 940)	(14 229)
sale (-)	(3 363)	(9 989)
valuation to fair value (-)	(574)	-
reclassification to fixed assets	(11 003)	(4 240)
Balance as at period end	150 906	154 984

	As at 31.12.2018	As at 31.12.2017
Investment real estate property at fair value		
Eastside Bis real property in Toruń	103 024	107 102
Property of Boryszew S.A. in Toruń	16 525	16 525
WM Dziedzice SA real property	18 276	18 276
ZM Silesia SA real property	8 019	8 019
Hotel Central and Klub Hutnik in Konin	5 062	5 062
Total	150 906	154 984

- -

Real estate in Toruń is used as a collateral for repayment of loans

	01.01.2018 - 31.12. 2018	01.01.2017 -31.12. 2017
Revenues from investment property (disposals, lease)	9 874	14 412
Maintenance cost of investment property	9 027	9 506

In 2018, rental income was reduced by revenue generated within the Group.

Investment real property is real property treated as a source of incomes in the form of rent or/ and held in books due to expected value increase. The components of the investment lands in the perpetual usufruct right buildings located in the above mentioned locations.

Profits and loss on the change of investment real property fair value are recognized in the income statement in the period in which they occurred. Valuation of investment properties was carried out by an independent expert. The market value of the real property is determined by revenue approach, using the investment method, using



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simple capitalization method assuming the stable net operating income in the long prospectus and the comparative method was applied using the method of adjusted average price (estimation of the market value at the average prices of the similar real properties at the moment of appraisal).

15. GOODWILL

	As at 31.12.2018	As at 31.12.2017
Accumulated goodwill arisen as a result:		
Combination of Impexmetal S.A. with Huta Konin	2 122	2 122
Baterpol S.A.	6 418	6 418
ZM Silesia S.A.	14 924	14 924
Total	23 464	23 464

The impairment testing conducted at the end of 2018 did not reveal the necessity of making write-downs of goodwill. Companies perform well in their market segments

Goodwill impairment testing was conducted as at 31 December 2018 and were based on five-year discounted forecasted cash flows. Cash flows assumed for the testing are consistent with the plans approved by Management Boards of Impexmetal S.A., ZM Silesia S.A. And Baterpol S.A.

The following WACC discount rates were used in the models: for goodwill generated in Impexmetal S.A. a rate of 5.91% p.a. for 2019, then 5.91% (in 2017 - 7.87% and 8.45% respectively), for ZM Silesia S.A. – 9.9% (in 2017 - 8.69%), for Baterpol S.A. – 9.9% (in 2017 - 6.5%), the EUR/PLN exchange rates in all models was 4.3 and (in 2017 - 4.30).

Since the cash flow forecast was carried out for the period covered by the planning of the Parent Company Management Board and Management Boards of individual companies did not specify the growth rate for extrapolation of cash flow projections. The tests did not reveal goodwill impairment.

The Group carried out a sensitivity analysis to change of key assumptions used to determine the recoverable value of fixed assets. Assuming exchange rate fluctuations in EUR/PLN of +/- 10%, USD/PLN of +/- 5% and the weighted average cost of capital (WACC) of +/- 20%, with other factors unchanged, test showed no impairment of fixed assets and goodwill assigned to them.

The Management Board of the Parent Entity believes that in case of justified and possible changes in the main assumptions under which the recoverable amount was determined, the total balance sheet value of each of this entity would not exceed its total recoverable amount.



(amounts expressed in PLN thousands unless specified otherwise)

16. INTANGIBLE ASSETS

Intangible assets	As at 31.12.2018	As at 31.12.2017
R&D expenses	11 232	11 683
Patents, licenses, software	21 815	18 489
Perpetual land usufruct right	6 399	6 773
Other intangible assets	7 213	2 943
Advances for intangible assets	8	8
Total	46 667	39 896

Change in intangible assets in the period 01.01.2018 -31.12. 2018	R&D expenses	Patents, concessions, licence, software	Perpetual land usufruct right	Other intangible assets	Total
Gross value at the beginning of the period	34 907	39 799	8 600	14 006	97 312
Additions (acquisition) (+)	2 197	6 397	3	1 606	10 203
Disposal (-)	-	(13)	(288)	0	(301)
Liquidation (-)	-	(107)	(4)	0	(111)
Other (+/-)	-	0	3	5	8
Impact of exchange rate differences (+/-)	- 21	147	-	85	211
Gross value of intangible assets at the end of the period	37 083	46 223	8 314	15 702	107 322
Accumulated depreciation at the beginning of the period	23 224	21 310	1 619	6 723	52 876
Planned depreciation of intangible assets (+)	2 627	3 048	136	1 724	7 535
Decrease due to disposal (-)	-	(36)	(45)	-	(81)
Impact of exchange rate differences (+/-)	-	52	-	61	113
Other (+/-)	-	0	0	-19	(19)
Accumulated depreciation at the end of the period	25 851	24 374	1 710	8 489	60 424
Impairment write-offs at the beginning of the period	-	-	208	-	208
Creation of impairment write-off	-	34	-	-	34
Reversal of impairment write-down (-)	-	-	(3)	-	(3)
impairment write-offs at the end of the period	-	34	205	-	239
Net value of intangible assets at the end of the period	11 232	21 815	6 399	7 213	46 659



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	R&D expenses	Patents, concessions, licence, software	Perpetual land usufruct right	Other intangible assets	Total
Change in intangible assets in the period 01.01.2017 -31.12. 2017					
Gross value at the beginning of the period	32 692	39 566	8 813	10 937	92 008
Additions (acquisition) (+)	2 215	2 106	0	1 864	6 185
Disposal (-)	-	(158)	(27)	(3)	(188)
Liquidation (-)	-	(1 444)	(9)	(4)	(1 457)
Other (+/-)	-	296	(177)	(2 974)	(2 855)
Impact of exchange rate differences (+/-)	-	(567)	-	(172)	(739)
Gross value of intangible assets at the end of the period	34 907	39 799	8 600	9 648	92 954
Accumulated depreciation at the beginning of the period	20 648	20 035	1 471	6 201	48 355
Planned depreciation of intangible assets (+)	2 576	2 482	166	549	5 773
Decrease due to disposal (-)	-	(200)	(6)	-	(206)
Impact of exchange rate differences (+/-)	-	(411)	-	(113)	(524)
Other (+/-)	-	(596)	(12)	68	(540)
Accumulated depreciation at the end of the period	23 224	21 310	1 619	6 705	52 858
Impairment write-offs at the beginning of the period	-	-	211	-	211
Reversal of impairment write-down (-)	-	-	(3)	-	(3)
impairment write-offs at the end of the period	-	-	208	-	208
Net value of intangible assets at the end of the period	11 683	18 489	6 773	2 943	39 888

17. SHARES IN AFFILIATES

The Group holds shares in Alchemia S.A., which are accounted for using the equity method.

	As at 31.12.2018	As at 31.12.2017
Value at cost at the beginning of the year	337 137	335 007
Acquisition of shares during the year (+)	-	2 130
Disposal of shares during the year (-)	-	-
Value at cost at year-end	337 137	337 137
Accumulated valuation at year-end (+/-)	(32 052)	(55 303)
Cumulative share in the financial result of associates	11 497	(3 070)
Carrying amount of investments in associates	316 582	281 834

The above shares are used as collateral for repayment of loans and borrowings



(amounts expressed in PLN thousands unless specified otherwise)

Abbreviated financial information on associated entities as at 31.12.2018

	Alchemia SA	Alchemia Capital Group
Liabilities	240 139	364 423
Receivables	133 546	162 616
Assets	775 471	900 937
Total	904 555	1 142 934
Net profit	15 418	40 140

18. FINANCIAL ASSETS

Financial assets	As at 31.12.2018	As at 31.12.2017
Shares at fair value through other comprehensive income	1 819	8
Shares at fair value through profit and loss	77	1 890
Shares at fair value held for trading	-	25 068
Debt instruments (bonds)	196 028	78 278
Loans granted	1 995	1 820
In total, including:	199 919	107 064
<i>Long-term financial assets</i>	<i>4 374</i>	<i>64 674</i>
<i>Short-term financial assets</i>	<i>195 545</i>	<i>42 390</i>

Shares held for trading are shares in Polish Wind. The Group acquired these shares for resale. The sale transaction was concluded in February 2018.

Bonds	As at 31.12.2018	As at 31.12.2017
Chemicals Advisory & Trade		2 000
Unibax Sp. z o.o.	187 035	74 521
Write-downs recognised in profit or loss	(18)	
Skotan S.A.	9 011	1 757
	196 028	78 278



(amounts expressed in PLN thousands unless specified otherwise)

Receivables from loans granted (with interest due) by borrowers

	As at 31.12.2018	As at 31.12.2017
Polish Wind Holdings B.V.	1 882	1 741
Write-downs recognised in profit or loss	(4)	
Other	117	79
Total	1 995	1 820

19. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31.12.2018

	assets	liabilities
Cash flows hedging instruments	19 499	1 829
<i>Commodity swaps</i>	9 975	1 211
<i>Foreign exchange contracts</i>	9 524	618
Fair value hedges	1 871	932
<i>Interest rate swaps</i>	-	286
<i>Foreign exchange contracts</i>	403	176
<i>Commodity swaps</i>	1 468	470
Instruments held for trading	2 537	2 409
<i>Foreign exchange contracts</i>	94	-
<i>Commodity swaps</i>	2 443	2 409
	23 907	5 170
balance	18 737	

As at 31.12.2017

	assets	liabilities
Cash flows hedging instruments	28 006	15 239
<i>Commodity swaps</i>	2 827	6 671
<i>Foreign exchange contracts</i>	25 179	8 568
Fair value hedges	2 197	6 480
<i>Interest rate swaps</i>	-	-
<i>Foreign exchange contracts</i>	1 906	13
<i>Commodity swaps</i>	291	6 467
Instruments held for trading	3 547	3 531
<i>Foreign exchange contracts</i>	20	-
<i>Commodity swaps</i>	3 527	3 531
Total	33 750	25 250
balance	8 500	



(amounts expressed in PLN thousands unless specified otherwise)

Changes in the fair value of derivatives for cash flow hedging in such part in which they operate as effective hedge are recognized in equity while in such part in which they do not operate as effective hedge are recognized as financial income or expenses of the reporting period. At the moment of realisation and recognition in the income statement of the hedged item, the effective part of the hedge corrects its value, e.g. sales revenues or costs of production. The amount representing the ineffective part of the hedge is recognized as financial revenues or expenses.

Changes in the fair value of derivatives selected to hedge the fair value in such part in which they operate as effective hedge are recognised in the profit and loss account with an offset against valuation of the hedged item, while in such part in which they do not operate as effective hedge are recognized as financial income or expenses of the reporting period. At the moment of realisation and recognition in the profit and loss account of the hedged item, the effective part of the hedge corrects its value in the same position. The amount representing the ineffective part of the hedge is recognized as financial income or expense.

Commercial instruments are instruments designed for hedging against specific risks that do not feature formally established hedging relationships. Effects of changes in their fair value are recognised in the income statement and disclosed in financial income and expenses.

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Presentation of derivative instruments in the income statement		
Income statement items		
Revenues from sale	11 220	1 886
Manufacturing cost of products sold	(23 880)	(13 751)
Other operating expenses	-	-
Financial income, including:	25 122	48 504
<i>profit on trading in derivatives</i>	7 607	26 145
<i>ineffective portion of cash flow hedges (positive value)</i>	-	-
<i>exchange rate differences - correction by the effective portion</i>	17 515	22 359
Financial expenses, including:	20 583	48 095
<i>loss on trading in derivatives</i>	7 729	31 935
<i>ineffective portion of cash flow hedges (negative value)</i>	-	-
<i>exchange rate differences - correction by the effective portion</i>	12 854	16 160
Impact on profit/loss	39 639	16 046

20. TRADE AND OTHER RECEIVABLES

	As at 31.12.2018	As at 31.12.2017
Trade receivables and other receivable		
Trade receivables from sale of products, goods and services	573 699	638 807
Receivables from sale of fixed assets and intangible assets	40	1 100
Budget receivables	42 002	54 263
Other debtors	53 509	40 302
Trade receivables and other receivables	669 250	734 472
<i>long-term</i>	4 840	5 075
<i>short-term</i>	664 410	729 397
Receivables securing loan repayments	108 499	109 508
Receivables pledged as security for other liabilities	3 836	7 359



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Cumulative revaluation write-downs on receivables

Write-downs of receivables from sales	49 100	46 373
Bad debt provision on other receivables	13 856	13 463
Total allowances	62 956	59 836

Gross accounts receivable	732 206	794 308
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Impairment write-off for receivables

	01.01.2017 - 31.12. 2017	01.01.2017 -31.12. 2017
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Balance as at the beginning	46 373	56 801
Creation of provision (+)	6 679	15 809
Write – downs created together with receivable as uncollectible (-)	(2 458)	(13 660)
Write-downs derecognized from recovered receivables (-)	(1 456)	(1 244)
Reversal of write-downs on accounts receivable (-)	(1 121)	(9 877)
exchange rate differences brought forward (+/-)	1 083	(1 456)
Write-downs at the end of the period	49 100	46 373

Trade receivables aging

Net accounts receivable with the remaining repayment period from the balance sheet date

	As at 31.12.2018	As at 31.12.2017
Net accounts receivable with the remaining repayment period from the balance sheet date	467 865	508 302
up to 3 months	426 357	478 446
up to 6 months	34 039	25 860
up to 1 year	2 060	800
above 1 year	5 409	3 196
Overdue accounts receivable	105 834	130 505
up to 3 months	95 836	93 131
up to 6 months	3 216	13 333
up to 1 year	947	15 168
above 1 year	5 835	8 873
Total trade receivables	573 699	638 807

Cumulative impairment write-off for trade receivables

	As at 31.12.2018	As at 31.12.2017
up to 3 months	4 845	382
up to 6 months	212	1 088
up to 1 year	14 506	2 292
above 1 year	29 537	42 611
Write-downs at the end of the period	49 100	46 373



(amounts expressed in PLN thousands unless specified otherwise)

21. INVENTORIES

Structure of inventories	As at 31.12.2018	As at 31.12.2017
Materials and raw materials	358 796	365 049
Work in progress	249 025	218 788
Finished products	346 769	307 534
Traded goods	66 687	58 305
Energy certificates	333	1 019
Total	1 021 610	950 695
Advances on supplies	18 643	27 833
Carrying value of inventories	1 040 253	978 528
Impairments	31 323	31 837
Gross value of inventories	1 071 576	1 010 365

Change impairment write-off for inventories	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Revaluation write-offs for inventories at the beginning of the period	31 837	27 576
Increase of impairments in the period	10 634	15 902
Reversal of write-downs in the period (-)	(5 565)	(10 983)
Fair value measurement of energy certificates (+/-)	40	26
exchange rate differences brought forward (+/ -)	170	(684)
Other decrease of write-downs in the period (written down with inventories) (-)	(5 793)	
Revaluation write-offs for inventories at the end of the period	31 323	31 837
Impairment write-offs in manufacturing cost	0	1 368
Impairment write-offs in other operating expenses	5 069	3 551

22. OTHER ASSETS

Accrued costs	As at 31.12.2018	As at 31.12.2017
Prepayments - other than financial expenses	22 177	18 666
Prepayments - financial expenses	247	229
Quick savings (only automotive)	11 897	16 683
Capitalised costs of new projects	41 717	27 161
Total	76 038	62 739
<i>Long-term part</i>	21 593	31 168
<i>Short-term part</i>	54 445	31 571



(amounts expressed in PLN thousands unless specified otherwise)

Quick savings concern the fees which automotive branch providers are required to pay to their customers (OEM). These fees occur at the time of conclusion of a contract for production of parts (granting nominations) and are charged against standard prices of supplied products. The amount of these charges reflects the savings that result from cooperation in production of the same or similar products using the same technologies and procedures as well as the exchange of technical knowledge and experience. Therefore, it is assumed that the Supplier obtains specific cost savings that would have otherwise been necessary to expand manufacturing process and to achieve the target process efficiency. These fees are depreciated in the period of life of a given project.

Automotive development projects refer to expenditures incurred by Maflow and BAP groups production facilities in the process of technical documentation development and thereafter the implementation tests of new products. These expenditures are depreciated in the period of life of a given project.

23. CASH

	As at	As at
	As at 31.12.2018	31.12.2017
Cash and cash equivalents	137 667	216 120
Cash in hand and at bank	128 559	216 120
Other	9 108	-

24. DISCONTINUED OPERATIONS AS WELL AS ASSETS AND LIABILITIES AVAILABLE FOR SALE

The assets and liabilities associated with assets held for sale concern discontinued operations, i.e. the assets and liabilities of the subsidiary HMN Szopienice SA w likwidacji as well as Torlen Sp. z o.o. w likwidacji.

Below are the individual items of fixed and current assets as well as liabilities and provisions for commitments statement of cash flows shown in the separate financial statements of HMN Szopienice SA in liquidation as well as Torlen Sp. z o.o. w likwidacji. The initial part of these consolidated financial statements includes the income statement from discontinued operations as well as statement of cash flows.

	As at	As at
	31.12.2018	31.12.2017
Assets held for sale from discontinued operations		
Assets held for sale from discontinued operations	10 664	1 622
Liabilities related to discontinued operations	20 287	20 023

	As at	As at
	31.12.2018	31.12.2017
Assets held for sale from discontinued operations		
Non-current assets	530	489
Intangible assets	9	-
Financial assets	14	14
Inventory	1 381	-
Trade receivables and other receivable	5 144	526
Other assets	57	-
Cash and cash equivalents	3 529	593
Total assets	10 664	1 622

Liabilities related to discontinued operations

Loans and borrowings, debt securities



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Trade and other liabilities	18 808	19 467
Provisions for income tax	16	289
Employee benefit provisions	1 232	0
Other provisions	231	267
Total liabilities	20 287	20 023

25. EQUITY

Share capital structure

Shareholders as at 31.12.2018	Number of shares	% of capital	Number of votes	% of votes
Roman Krzysztof Karkosik	156 832 020	65,35%	156 832 020	65,35%
including subsidiaries	154 144 622	64,23%	154 144 622	64,23%
Impexmetal S.A.	13 346 169	5,56%	13 346 169	5,56%
Boryszew S.A.	15 430 453	6,43%	15 430 453	6,43%
RKKK Investments Sp. z o.o.	119 998 000	50,00%	119 998 000	50,00%
Nationale - Nederlanden Open Pension Fund	14 773 261	6,16%	14 773 261	6,16%
Others	68 394 719	28,50%	68 394 719	28,50%
Total:	240 000 000	100,00%	240 000 000	100,00%

The Parent Company does not hold any preference shares. Each share carries one vote at the Shareholders' Meeting.

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Change in equity		
Number of shares as at the balance sheet date	240 000 000	240 000 000
<i>number of own shares</i>	32 483 831	11 139 905
<i>number of shares entitled to dividend</i>	207 516 169	228 860 095
Share capital at the beginning of the year, including:	248 906	248 906
<i>Paid-up capital</i>	240 000	240 000
<i>Revaluation *)</i>	8 906	8 906
Share capital as at the end of the year	248 906	248 906
Share premium as at the beginning of the year	114 435	114 435
change	-	-
Balance as at the end	114 435	114 435
Own shares (-)		
Balance as at the beginning of the year	(170 567)	(135 756)
share buy-back	(47 090)	(34 811)
Redemption of own shares		
Balance as at the end	(217 657)	(170 567)
Reserve capital - hedge accounting		
Balance as at the beginning	5 259	(2 348)

The attached notes constitute an integral part of these financial statements



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Profit/loss for the current period	(1 169)	8 565
Income tax (+/-)	222	(1 627)
Change due to change in Capital Group structure	485	669
Balance as at the end	4 797	5 259
Share revaluation reserve		
Balance as at the beginning of the year	(12 024)	(12 374)
Increase/decrease	(1 118)	432
Income tax (+/-)	-	(82)
Balance as at the end	(13 142)	(12 024)
Restatement of employee benefits		
Balance as at the beginning	(775)	28
Profit/loss for the current period	(436)	(664)
Income tax (+/-)	83	126
Change due to change in Capital Group structure	(20)	-265
Balance as at the end	(1 148)	(775)
Exchange differences on recalculation of overseas controlled entities		
Balance as at the beginning	(39 569)	(21 788)
Profit/loss for the current period	17 887	(20 808)
Income tax (+/-)	0	3 027
Change due to change in Capital Group structure	110	
Balance as at the end	(21 572)	(39 569)
Retained earnings		
Balance as at the beginning of the year	985 803	783 395
Correction - implementation of IFRS 9	(346)	
Result of the current year	71 350	173 005
Change due to change in Capital Group structure	44 806	29 403
Balance as at the end	1 101 613	985 803
Total equity of the parent company	1 216 232	1 131 468
Equity of non-controlling interests		
Balance as at the beginning	590 622	642 554
Result of the current year	69 494	30 889
Other gains/losses recognised in equity	(2 222)	2 775
Change due to change in Capital Group structure	(79 219)	(85 596)
Balance as at the end	578 675	590 622
Total equity	1 794 907	1 722 090

*) As per IAS 29 section 24 items of equity (except retained earnings and capital from revaluation of assets) were calculated at the date of transition to IFRS that is 01.01.2004 using general price indices since their contribution or otherwise. The amount of the hyperinflationary revaluation increased the share capital and the issue premium while the value of the retained earnings was reduced.



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26. BANK LOANS, BORROWINGS

External financing liabilities	As at 31.12.2018	As at 31.12.2017
Bank loan facilities	1 161 306	1 045 340
Loans received	22 693	24 325
Total loans, including:	1 183 999	1 069 665
<i>Bank loans - long-term</i>	441 206	416 213
<i>Bank loans - short-term</i>	742 793	653 452
	-	-

26.1. Bank loans (including unpaid interest)	As at 31.12.2018	As at 31.12.2017
Investment bank loans	318 712	340 220
Working capital facility	572 719	449 423
Revolving loans (including unpaid interest)	200 121	183 837
Factoring	69 754	71 860
Total loans, including:	1 161 306	1 045 340
<i>Bank loans - long-term</i>	423 047	396 461
<i>Bank loans - short-term</i>	738 259	648 879
	-	-

Interest expenses paid	33 439	30 739
interest expense recognised in profit or loss	33 241	29 956
Interest expense capitalised (fixed assets)	198	783

Change in loan liabilities	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Nominal value of loans at the beginning of the year	1 045 340	980 071
new loans taken out (+)	359 176	341 862
repayment of loans (-)	(238 477)	(252 398)
unpaid interest at the end of the period (+)	103	1 039
impact of exchange rate differences (+/-)	(4 836)	(25 234)
Carrying amount of loans at the end of the year	1 161 306	1 045 340
	-	-

Free credit limits (applicable to overdraft facilities and revolving working capital loans) at the year-end amounted to PLN 272 638 thousand



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All loans are secured. Loan collaterals include:

- investment real estate
- tangible fixed assets
- stocks: Boryszew S.A. (own and in subsidiaries), Impexmetal S.A. and Alchemia S.A,
- inventories,
- receivables from customers,
- bills of exchange;
- assignment of rights under insurance policies,
- guarantees issued by Capital Group companies.

Loan details	Loan liabilities 31.12.2018	Loan liabilities 31.12.2017	Movement between periods	Date of loan repayment as per the agreement
Lenders:				
ALIOR Bank	8	22	-14	30.09.2019
ALIOR Bank	1 842	460	1 382	31.12.2019
ALIOR Bank	11 994	11 961	33	24.03.2020
ALIOR Bank	14 000	14 000	0	24.05.2020
ALIOR Bank	24 680	3 007	21 673	31.07.2019
ALIOR Bank	33 379	34 777	-1 398	03.03.2019
Banco Desio c/anticipo export	0	1 356	-1356	31.12.2018
Banco Popular	1 510	1 789	-279	19.04.2023
Banco Popular	2 475	4 266	-1791	31.12.2019
Bank Gospodarstwa Krajowego	3 043	1 061	1 982	31.05.2019.
Bank Gospodarstwa Krajowego	6 638	448	6 190	31.05.2019
Bank Gospodarstwa Krajowego	15 050	14 598	452	31.05.2021
Bank Gospodarstwa Krajowego	21 480	0	21 480	30.06.2021
Bank Gospodarstwa Krajowego	21 500	0	21 500	31.12.2020
Bank Gospodarstwa Krajowego	24 000	24 005	-5	31.05.2021
Bank Gospodarstwa Krajowego	30 620	34 652	-4 032	31.12.2024
Bank Gospodarstwa Krajowego	47 429	59 195	-11 766	31.12.2022
Bank Gospodarstwa Krajowego	57 291	74 013	-16 722	30.09.2022
Bank Handlowy	0	4 674	-4 674	02.08.2018
Bank Handlowy	0	17 913	-17913	02.08.2018
Bank IFIS	499	1 297	-798	31.12.2019
Bank Intesa	0	542	-542	30.03.2022
Bank Millennium	0	12	-12	19.10.2019
Bank Millennium	0	46	-46	19.10.2019
Bank Millennium	0	1 629	-1 629	12.02.2020
Bank Millennium	3 722	916	2806	19.10.2019
Bank Millennium	9 889	0	9 889	26.02.2019
Bank Millennium	14 228	39 450	-25222	19.10.2019
Bank Millennium	14 666	0	14666	28.02.2019
Bank Millennium	20 267	37 805	-17 538	28.02.2019
Bank Ochrony Środowiska	2 208	0	2 208	20.03.2019
Bankinter	367	774	-407	20.10.2020
Bankinter	1 820	1 480	340	30.11.2019
Banque Populaire	1 819	1 960	-141	31.12.2026
BBVA	245	2 198	-1953	16.09.2020
BBVA	466	1 250	-784	02.03.2020

The attached notes constitute an integral part of these financial statements



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BBVA	1 919			unspecified period of time
BNP Paribas Polska S.A.	4 413	3 268	1 145	04.01.2019
BNP Paribas Polska S.A.	5 327	1 538	3 789	30.11.2019
BNP Paribas Polska S.A.	11 469		11 469	28.02.2019
BNP Paribas Polska S.A.	15 524	7 859	7 665	30.01.2019
Coface Poland		28	-28	open-ended
Commerzbank	21 285	7 478	13 807	open-ended
Credit Agricole	4 106	5 732	-1 626	28.02.2019
Credit Agricole	6 480	1 469	5 011	28.02.2019
Credit Agricole	21 011	23 608	-2 597	28.02.2019
Credit Agricole	21 757	18 743	3 014	28.02.2019
Credit Agricole Bank Polska	19 111	20 855	-1 744	19.12.2022
DM PKO BP - deferred payment date for shares		816	-816	03.01.2018
DNB Bank	0	2 127	-2 127	31.08.2019
DNB Bank	2 901	1 212	1 689	30.08.2019
DNB Bank	5 716			30.08.2019
DNB Bank	6 877			30.08.2019'
DNB Bank	10 700	8 510	2 190	30.08.2019
DNB Bank	10 832	0	10 832	31.08.2019
DNB Bank	11 146	0	11 146	31.08.2019
DNB Bank	21 539	0	21 539	31.01.2019
DNB Bank	24 997	25 000	-3	31.08.2019
GE Capital Bank AG	0	530	-530	30.09.2018
Hewlett-Packard	34	405	-371	31.05.2019
HSBC Bank Polska	1 323	191	1 132	05.11.2020
HSBC Bank Polska	10 000	10 000	0	12.06.2021
HSBC Bank Polska	15 000	15 000	0	12.06.2021
HSBC Bank Polska	22 547	19 264	3 283	31.12.2019
HSBC Bank Polska	50 000	50 000	0	12.06.2021
ING Bank Śląski	0	4 516	-4 516	31.05.2021
ING Bank Śląski	0	13 932	-13 932	30.06.2018
ING Bank Śląski	0	31 258	-31 258	30.06.2018
ING Bank Śląski	15 351	4 037	11 314	30.06.2019
ING Commercial Finance	-64	-168	104	unspecified period of time
La Caixa	3 695	4 554	-859	30.11.2022
Liberbank	651	967	-316	20.11.2020
Liberbank	1 564	2 904	-1 340	31.12.2019
LIBERBANK	2 304			unspecified period of time
mBank	0	1 200	-1 200	30.06.2018
mBank	1 045	9 708	-8 663	02.08.2019
mBank	1 107			27.08.2019
mBank	8 000	8 000	0	14.10.2020
mBank	32 682	35 870	-3 188	30.04.2024
mBank faktoring	23 584	24 664	-1 080	unspecified period of time
<i>unpaid interest as at the balance sheet date</i>		478	-478	
Pekao	1 189		1 189	30.06.2019
Pekao	2 174	2 216	-42	30.06.2019

The attached notes constitute an integral part of these financial statements



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Pekao	4 384	2 389	1995	30.06.2019
Pekao	8 184	6 745	1 439	30.06.2019
Pekao	13 246	18 798	-5 552	30.06.2019
PKO BP	8 727	12 963	-4 236	19.02.2019
PKO BP	29 826	19 196	10630	31.05.2019
PKO BP	0	3 610	-3 610	31.12.2018
PKO BP	0	5 719	-5 719	31.12.2018
PKO BP	0	7 879	-7 879	31.12.2018
PKO BP	0	9 790	-9 790	31.12.2018
PKO BP	3 358	349	3 009	31.01.2019
PKO BP	3 525	749	2 776	31.01.2019
PKO BP	10 000	2 642	7 358	31.12.2019
PKO BP	13 273	12 000	1 273	31.12.2021
PKO BP	13 391	18 042	-4 651	31.05.2019
PKO BP	19 437	0	19 437	31.12.2019
PKO BP	20 240	20 215	25	31.05.2019
PKO BP	40 000	40 000	0	31.01.2020
PKO BP	40 850	27 443	13 407	31.12.2021
PKO FAKTORING	5 252	6 540	-1 288	25.07.2019
Santander Bank	-362	-340	-22	unspecified period of time
Santander Bank	0	0	0	31.05.2019
Santander Bank	0	22 760	-22 760	31.05.2019
Santander Bank	230	72	158	31.05.2019
Santander Bank	4 614	0	4 614	31.05.2019
Santander Bank	29 974	29 994	-20	31.05.2019
Santander Bank	61 986	0	61 986	27.06.2019
Société Générale	0	1 022	-1 022	14.06.2018
UniCredit	22 008	12 216	9 792	30.09.2020
Unicredit Factoring	0	5 193	-5193	open-ended
VW Bank Braunschweig	0	29	-29	15.03.2019
Exchange differences	2 732		2732	
Total loans	1 161 306	1 045 340	115 966	

	As at 31.12.2018	As at 31.12.2017
Forecast undiscounted cash flows on account of loans taken		
up to 3 months	178 101	86 800
up to 6 months	170 733	155 955
up to 1 year	325 426	377 147
between 1 year and 3 years	395 394	307 576
from 3 years to 5 years	77 512	110 422
over 5 years	14 140	7 440
Total	1 161 306	1 045 340

Termination of credits or loans

In 2018, no loans or borrowings granted to Boryszew Capital Group companies of the were terminated.



(amounts expressed in PLN thousands unless specified otherwise)

Information on breach of material provisions of credit or loan agreements

In the reporting period and until the date of preparation of these financial statements, no breach of covenants relating to loan agreements occurred at the Parent Company level.

A subsidiary of the Automotive segment (BAP Group) experienced a situation occurred where the financial indicator was not attained at the agreed level, and thus one of the terms and conditions of a loan agreement guaranteed by Boryszew S.A. (the value of liability under this agreement as at the balance sheet date - approximately EUR 12 million) was breached. The reason for the failure to achieve the agreed level of the indicator was primarily the deterioration of the operating results in the Automotive segment due to a drop in sales as a result of the introduction of the WLTP procedure. After the balance sheet date the company in breach started negotiations with the financing institution on the rules of further cooperation under the concluded loan agreement. The Parent Company defines the risk of failure to reach an agreement with a bank as low. If a liability has to be repaid, the loan will be settled using Group's available cash.

As at the date of drafting of these financial statements, this circumstance has no impact on the financial agreements of the Parent Company or other subsidiaries of the Capital Group.

25.2. Loan liabilities

	As at 31.12.2018	As at 31.12.2017
Loans taken from related parties	-	-
Loans taken from other entities	22 693	24 325
Total loans, including:	22 693	24 325
<i>Long-term loans</i>	0	19 752
<i>Bank loans - short-term</i>	22 693	4 573
	-	-
interest expense recognised in profit or loss	1 005	969
Change in loan liabilities	01.01.2018 - 31.12. 2018	01.01.2017 -31.12. 2017
Carrying value of loans at the beginning of the year	24 325	8 307
new loans (+)		17 707
repayment of loans (-)	(1 632)	(1 696)
unpaid interest liabilities at the end of the period (+)		7
Carrying amount of loans	22 693	24 325
Expected undiscounted cash flows from borrowings		
up to 3 months	7 578	993
up to 6 months	1 093	992
up to 1 year	2 206	4 259
between 1 year and 3 years	9 109	13 123
from 3 years to 5 years	2 707	3 480
over 5 years	0	1 478
Total	22 693	24 325



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Statement of received loans as at 31.12.2018

Date of loan / Name of the lender	Loan liabilities 31.12.2018	Loan liabilities 31.12.2017	Movement between periods	Date of loan repayment as per the agreement
Government Grant		455	-111	open-ended
NFEP&WM Katowice		276	-108	15.02.2019
IBM Poland	26	181	-155	01.03.2019
mLeasing	11 878	14 997	-3 119	30.06.2022
Siemens	4 398	5 339	-941	31.03.2023
mLeasing	2 341	0	2 341	15.04.2024
NFEP&WM Toruń	3 801	2 710	2 710	30.09.2028
NFEP&WM Katowice	249	360	-111	15.03.2021
unpaid interest		7	-86	
Total	22 693	24 325	420	

27. LEASE LIABILITIES

Leasing liabilities	As at 31.12.2018	As at 31.12.2017
Long-term lease	70 215	48 635
Short-term lease	32 505	27 428
Total lease liabilities	102 720	76 063

- -

Interest-bearing lease costs paid and recognised in profit or loss 3 510 5 559

The leased assets include mainly machinery and equipment in Boryszew branches, as well as metal and automotive companies and passenger cars in all Group's companies.

Gross finance lease liabilities - (capital + interest according to the schedule):	As at 31.12.2018	As at 31.12.2017
up to 3 months	8 598	9 332
up to 6 months	8 547	8 350
up to 1 year	16 121	12 247
between 1 year and 3 years	43 506	27 963
from 3 years to 5 years	27 436	15 384
over 5 years	4 992	8 479
Total undiscounted lease payments until the end of the lease term	109 200	81 755
future interest payments (-)	(6 480)	(5 692)
Carrying amount of lease liabilities	102 720	76 063



(amounts expressed in PLN thousands unless specified otherwise)

	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Change in the balance of lease liabilities		
Balance brought forward of lease liabilities	76 063	128 832
new liabilities	75 214	32 697
repayment of capital lease instalments (-)	(47 467)	(79 953)
impact of exchange rate differences (+/-)	(1 090)	(5 513)
Carrying amount of lease liabilities	102 720	76 063

28. PAYABLES ON PERPETUAL USUFRUCT OF INVESTMENT LAND

	As at 31.12.2018	As at 31.12.2017
Discounted PMA liability due to investment property		
long-term liability	57 077	60 902
short term liability	250	67
Total	57 327	60 969

The liabilities relate to real estate and land in perpetual usufruct, which are disclosed in the balance sheet and are located in Toruń

Change	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
PMA liabilities - opening balance	60 969	40 631
PMA recognition of new investment property (+)		27 504
repayment during the period (-)	(326)	(2 075)
decrease in liabilities due to disposal of investment property (-)	-	(61)
balance sheet valuation of liabilities (+/-)	(3 316)	(5 030)
carrying amount of liabilities as at the end of period	57 327	60 969



(amounts expressed in PLN thousands unless specified otherwise)

29. PENSION AND OTHER EMPLOYEE BENEFITS LIABILITIES

	As at	As at
	31.12.2018	31.12.2017
Employee benefit provisions		
Provisions for benefits - as per actuarial valuation	24 301	21 197
Provision for payments in lieu of leaves not taken	14 173	18 543
Provisions for bonuses and other benefits	7 735	10 805
In total, including:	46 209	50 545
<i>long-term provisions</i>	22 140	20 045
<i>short-term provisions</i>	24 069	30 500

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

As at 31.12.2018 for the calculation of provisions for liabilities to employees, the following parameters and assumptions were adopted: the rate of mobility (rotation) of employees at the level of 1-5%, depending on age, the rate of return on investment at 2.8% and wage growth rate at 2.3%. In the previous year, the adopted actuarial valuation parameters were similar to those used in the current year, except for the interest rate of return on investment, which in the previous year was 3.3%.



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Provision for employee benefits

As at 01.01.2018

Movement:

Interest expense

Current employment costs (+/-)

Future employment costs (+/-)

Benefits paid (-)

Actuarial gains and losses - demographic changes (+/-)

Actuarial gains and losses - financial changes (+/-)

As at 31.12.2018

	Retirement severance pay	Disability severance pay	Death benefits	Long- service benefits	Provision for payments in lieu of leaves not taken	Bonuses and other benefits	Total
As at 01.01.2018	12 828	585	1 854	5 930	18 543	10 805	50 545
Movement:	1 454	67	128	1 455	-4 370	-3 070	-4 336
<i>Interest expense</i>	155	13	51	4	162		385
<i>Current employment costs (+/-)</i>	1 133	83	163	1 624	1 118	5 072	9 193
<i>Future employment costs (+/-)</i>	285	(4)	1	0	(1 644)	(54)	(1 416)
<i>Benefits paid (-)</i>	(698)	3	-3	(267)	(4 006)	(8 088)	(13 059)
<i>Actuarial gains and losses - demographic changes (+/-)</i>	-32	(21)	(43)	91			(5)
<i>Actuarial gains and losses - financial changes (+/-)</i>	611	(7)	-41	3	-	-	566
As at 31.12.2018	14 282	652	1 982	7 385	14 173	7 735	46 209

Provision for employee benefits

As at 01.01.2017

Movement:

Interest expense

Current employment costs (+/-)

Future employment costs (+/-)

Benefits paid (-)

Actuarial gains and losses - demographic changes (+/-)

Actuarial gains and losses - financial changes (+/-)

As at 31.12.2017

	Retirement severance pay	Disability severance pay	Death benefits	Long- service benefits	Provision for payments in lieu of leaves not taken	Bonuses and other benefits	Total
As at 01.01.2017	10 455	558	1 873	5 817	16 430	11 780	46 913
Movement:	2 373	27	-19	113	2 113	-975	3 632
<i>Interest expense</i>	158	16	63	116	272	-	625
<i>Current employment costs (+/-)</i>	627	78	156	1 359	7 419	8 206	17 845
<i>Future employment costs (+/-)</i>	1 391	(74)	(323)	(48)	(409)	(16)	521
<i>Benefits paid (-)</i>	(649)	(15)	3	(1 459)	(4 710)	(8 956)	(15 786)
<i>Actuarial gains and losses - demographic changes (+/-)</i>	325	(18)	(57)	137	(459)	(209)	(281)
<i>Actuarial gains and losses - financial changes (+/-)</i>	521	40	139	8	-	-	708
As at 31.12.2017	12 828	585	1 854	5 930	18 543	10 805	50 545



(amounts expressed in PLN thousands unless specified otherwise)

30. OTHER PROVISIONS

	As at	As at
	31.12.2018	31.12.2017
Other provisions		
Provisions for restructuring costs		
Provisions for liquidation of fixed assets	5 819	5 904
Provisions for waste disposal and land reclamation	3 357	2 855
Provisions for non-execution of contracts	85	83
Provisions for court proceedings	1 824	2 542
Provisions for warranty repairs, complaints	9 946	6 381
Provision for tax and other risks	73 707	65 042
Provisions for loss-making contracts (onerous contracts)	3 518	4 848
Total other provisions	98 256	87 655
<i>long-term provisions</i>	46 071	11 211
<i>short-term provisions</i>	52 185	76 444



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Change in provisions 01.01.2018 -31.12. 2018

	As at 01.01.2018	recognition of provision (+)	provisions used during the year (-)	reversal of unused provision (-)	foreign exchange gains/losses on translation (+/-)	As at 31.12.2018
Provisions for liquidation of fixed assets	5 904	1	(86)			5 819
Provisions for waste disposal and land reclamation	2 855	619	(117)			3 357
Provisions for non-execution of contracts	83	14	6	(16)	(2)	85
Provisions for court proceedings	2 542	970	(1 338)	(251)	(99)	1 824
Provisions for warranty repairs, complaints	6 381	3 687	(500)	(173)	551	9 946
Provision for tax risks and fiscal claims	65 042	10 363	(1 698)	-	-	73 707
Provisions for loss-making contracts (onerous contracts)	4 848	2 681	(2 421)	(1 879)	289	3 518
Total	87 655	18 335	(6 154)	(2 319)	739	98 256

Change in provisions 01.01.2017 - 31.12. 2017

	As at 01.01.2017	recognition of provision (+)	provisions used during the year (-)	reversal of unused provision (-)	foreign exchange gains/losses on translation (+/-)	As at 31 December 2017
Provisions for liquidation of fixed assets	5 839	71	(6)			5 904
Provisions for waste disposal and land reclamation	-	2 916	(61)			2 855
Provisions for non-execution of contracts	777	67	(777)		16	83
Provisions for court proceedings	5 437	683	(1 535)	(1 536)	(507)	2 542
Provisions for warranty repairs, complaints	9 718	3 936	(1 432)	(5 568)	(273)	6 381
Provisions for state budget claims	-	65 042				65 042
Provisions for loss-making contracts (onerous contracts)	9 015	4 881	(1 315)	(7 023)	(710)	4 848
Total	30 786	77 596	(5 126)	(14 127)	(1 474)	87 655

The attached notes constitute an integral part of these financial statements



(amounts expressed in PLN thousands unless specified otherwise)

31. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities	As at 31.12.2018	As at 31.12.2017
Trade liabilities due to purchase of materials, services and goods	598 273	644 030
Trade liabilities accrued on account of purchase of materials, services and goods	27 901	21 725
Penalty and indemnity obligations	0	0
Liabilities due to purchase of fixed assets and intangible assets	10 434	7 026
Liabilities due to purchase of shares and stocks	268	7 567
Liabilities to state budget (excluding income tax)	47 503	51 470
Other liabilities	27 306	56 586
Payroll liabilities	34 296	36 678
Special funds	450	2 526
In total, including:	746 431	827 608
<i>long-term liabilities</i>	0	0
<i>short-term liabilities</i>	746 431	827 608

32. OTHER LIABILITIES AND EQUITY

Other equity and liabilities	As at As at 31.12.2018	As at 31.12.2017
State subsidies	35 735	32 175
Other (deferred revenues)	13 980	7 302
Total	49 715	39 477
<i>long-term</i>	11 520	11 581
<i>short-term</i>	38 195	27 896
State subsidies		
Subsidies, refund from the National Fund for the Rehabilitation of Disabled	3 045	3 354
Environment protection	591	979
Development and new technologies	14 021	6 779
Investment bonus	227	419
Subsidy for investment in BOD	16 478	16 308
Contingent waiver of loans	1 373	4 336
Total	35 735	32 175



(amounts expressed in PLN thousands unless specified otherwise)

33. FINANCIAL INSTRUMENTS

Financial assets per the balance sheet

As at 31.12.2018

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets measured through other income	Carrying value
Shares and stock		77	1 819	1 896
Trade receivables	565 221	8 518		573 739
Derivative financial instruments		4 408	19 499	23 907
Loans granted	1 995			1 995
Bonds	196 028			196 028
Other debtors	53 509			53 509
Cash	137 667			137 667
Total	954 420	13 003	21 318	988 741

As at 31.12.2017

	Loans and receivables	Financial assets measured at fair value through profit or loss	Derivatives used for hedges	Financial assets measured through other income	Carrying value
Shares				8	8
Shares held for trading		25 068			25 068
Trade and other receivables	638 807				638 807
Derivative financial instruments		3 547	24 459		28 006
Loans granted	1 820				1 820
Bonds	78 278				78 278
Other debtors	40 302				40 302
Cash	216 120				216 120
Total	975 327	28 615	24 459	8	1 028 409



(amounts expressed in PLN thousands unless specified otherwise)

Financial liabilities per the balance sheet

Financial liabilities per the balance sheet

	Financial liabilities measured at fair value through profit or loss	Liabilities measured at amortised cost	Derivatives used for hedges	Carrying value
As at 31.12.2018				
Bank loans, factoring, borrowings		1 183 999		1 183 999
Derivative financial instruments	2 409		2 761	5 170
Leasing liabilities		102 720		
SMA liabilities		57 327		
Trade and other liabilities		664 182		664 182
Total	2 409	2 008 228	2 761	1 853 351

	Financial liabilities measured at fair value through profit or loss	Liabilities measured at amortised cost	Derivatives used for hedges	Carrying value
As at 31.12.2017				
Bank loans, factoring, borrowings		1 069 665		1 069 665
Derivative financial instruments	3 531		21 719	25 250
Leasing liabilities		76 063		76 063
SMA liabilities		60 969		60 969
Trade and other liabilities		736 934		736 934
Total	3 531	1 943 631	21 719	1 968 881



(amounts expressed in PLN thousands unless specified otherwise)

34. BUSINESS RISKS

The activities of Boryszew generate 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 liquidity risk.

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

market risks, including, but not limited to:

- foreign exchange rate risk (change in the exchange rate of PLN to other currencies),
- interest rate risk (increase in interest rates),
- risk of change in prices of primary raw materials and products,
- risks related to the stability of debt and financial flows,
- liquidity risk,
- credit risk.
- risk of volatility of legal regulations

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 growth of the Company. Growth is the absolute priority for the Management Board and it is for this purpose that the Group first and foremost seeks to allocate funds, thus building long-term value for shareholders through acquisitions and new projects. The Management Board strives to ensure the proper proportion of stable financing with equity of undertaken projects.

Net debt to equity ratio	As at 31.12.2018	As at 31.12.2017
Loan, lease, borrowings debt	1 344 046	1 206 697
Cash and cash equivalents	(137 667)	(216 120)
Net debt	1 206 379	990 577
Equity	1 794 907	1 722 090
Net debt to equity	67,2%	57,5%
Debt ratio	As at 31.12.2018	As at 31.12.2017
Liabilities	2 441 850	2 387 491
Assets	4 236 757	4 109 581
Debt rate	56,6%	58,1%
Liquidity ratios	As at 31.12.2018	As at 31.12.2017
current ratio	1.74	1.72
quick ratio	0.78	0.74
current ratio III	0.09	0.14



(amounts expressed in PLN thousands unless specified otherwise)

Credit risk is understood as the risk of a counterparty failing to fulfil its contractual obligations, thus exposing the lender to financial loss.

From the perspective of Boryszew Group, credit risk is associated with:

- trade receivables from customers (described in note 20)
- own loans granted (described in note 18)
- guarantees and sureties granted (described in note 35)
- cash and bank deposits.

	<u>As at 31.12.2018</u>	<u>As at 31.12.2017</u>
Cumulative revaluation write-downs on receivables		
doubtful debt allowance on trade receivables	49 100	46 373
revaluation write-offs of loan receivables	4	
revaluation write-offs of bond receivables	18	
risk related to granting guarantees	182	
doubtful debt allowance on other receivables	13 856	13 463
Total	63 160	59 836

Boryszew Group is exposed to credit risk associated with credit-worthiness of customers being parties to transactions of sale of products and traded goods. The risk is limited by application of internal procedures for setting credit limits of customers and managing trade receivables. Of crucial importance in crediting activities is evaluation of credit-worthiness of customers and adequate collateral provided by the borrower, which enables reduction of losses in case of customer's failure to repay the debt. The customer's credit risk is assessed prior to conclusion of contract and then again, periodically, on subsequent deliveries of goods according to procedures in force. Companies monitor the working capital cycle on an on-going basis as well as aim to reduce the collection period of receivables and at the same time to extend the terms for repayment of liabilities.

Credit risk associated with cash on banks accounts and bank deposits is low since Boryszew Group enters into transactions with reputable banks having high ratings and stable market standing.

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

- External customers for the automotive segment
- Customers for chemicals segment
- Customers for metal segment

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

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

Liquidity risk

Boryszew Group is exposed to liquidity risk due to high, although decreasing, proportion of short-term third party financing (overdraft facilities and working capital facilities) in the Group's financing structure. Currently, the Group has secured its access to third-party financing and has no difficulty in obtaining new loans or renewing the existing ones. Potential risk may exist in the event of significant deterioration of results of Group's companies or large scale disturbances in financial markets.



(amounts expressed in PLN thousands unless specified otherwise)

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

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	178 101	170 733	325 426	395 394	77 512	14 140	1 161 306	1 161 306
Maturities of borrowings	7 578	1 093	2 206	9 109	2 707	0	22 693	22 693
Maturities of leasing liabilities	8 598	8 547	16 121	43 506	27 436	4 992	109 200	102 720
Maturity of PMA fees	250	0	0	4 064	4 111	132 127	140 552	57 327
payment of trade liabilities and other items								
Total	194 527	180 373	343 753	452 073	111 766	151 259	1 433 751	1 344 046

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

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	86 800	155 955	377 147	307 576	110 422	7 440	1 045 340	1 045 340
Maturities of borrowings	993	992	4 259	13 123	3 480	1 478	24 325	24 325
Maturities of leasing liabilities	9 332	8 350	12 247	27 963	15 384	8 479	81 755	76 063
Maturity of PMA fees	1 985	0	0	4 064	4 111	132 174	142 334	60 969
payment of trade liabilities and other items	761 285	18 479	876	46 968			827 608	827 608
Total	860 395	183 776	394 529	399 694	133 397	149 571	2 121 362	2 034 305

Amounts of undiscounted cash flows include the amounts of future interest expenses

Foreign exchange rate change risk

Currency risk is an inherent risk of trade business denominated in foreign currency. Sources of currency risk to which companies of Boryszew Group were exposed in 2017 included: transactions of raw materials purchase, transactions of product sales, loans and borrowings incurred and cash denominated in foreign currencies. Adverse changes in exchange rates may lead to decrease in the financial results of Boryszew Group. For the purposes of this analysis, the data concerning companies for which the functional currencies are: EUR, USD.



(amounts expressed in PLN thousands unless specified otherwise)

Sensitivity analysis to changes in exchange rates in 2018

Currency	Exchange rate as at 31.12.2018 (PLN)	5% exchange rate change (PLN)			
'000	4.3000	0.2150			
USD	3.7597	0.1880			
			Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
Receivables and payables in EUR					
trade and other receivables			94 399	20 296	(20 296)
trade and other liabilities			86 823	(18 667)	18 667
borrowings and loans			85 474	(18 377)	18 377
bonds			0	0	0
leasing			14 612	(3 142)	3 142
Result				(19 890)	19 890
Receivables and payables in USD					
trade receivables			8 691	1 634	(1 634)
other liabilities			22 459	(4 222)	4 222
loans, borrowings, leasing			505	(95)	95
Result				(2 683)	2 683

Sensitivity analysis to changes in exchange rates in 2018

Currency	Exchange rate as at 31.12.2017 (PLN)	5% exchange rate change (PLN)			
'000	4.1709	0.2085			
USD	3.4813	0.1741			
			Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
Receivables and payables in EUR					
trade and other receivables			63 482	13 236	(13 236)
trade and other liabilities			69 780	(14 549)	14 549
borrowings and loans			71 902	(14 992)	14 992
bonds			0	0	0
leasing			13 643	(2 845)	2 845
Result				(19 150)	19 150
Receivables and payables in USD					

The attached notes constitute an integral part of these financial statements



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trade receivables	4 567	795	(795)
other liabilities	26 657	(4 641)	4 641
loans, borrowings, leasing	359	(63)	63
Result		(3 909)	3 909

Market risk - metal prices and currency exchange rates

The main risks arising from the specific activities of the Group are risks associated with the price of metals on the London Metal Exchange (LME) as well as currency exchange rate changes.

Description of exposure

The exposure that has so far been identified at Impexmetal Group defines, as a rule, two types of risks:

- risk of changes in metal prices,
- risk of changes in foreign exchange rates

Metals in case of which price changes have an impact on Group's results include: copper, aluminium, lead, zinc, tin, nickel and, to a lesser extent, silver.

Risk of changes in metal prices exists at the operational level while risk of changes in currency exchange rates occurs at the strategic / fundamental / and operational level.

Operational risk in terms metal prices was identified at: Baterpol S.A NPA branch, Impexmetal S.A., Baterpol S.A., Hutmen S.A., Walcowania Metali Dziedzice S.A, Zakłady Metalurgiczne Silesia S.A., and is associated with future revenue and cash flows, which have already been contracted, in other words - with securing the fair value of the contract.

Strategic risk involving currencies is associated with throughput bonus (USD/PLN and EUR/PLN) This risk exists in case of: Boryszew S.A. NPA branch, Impexmetal S.A., Baterpol S.A., Hutmen S.A., Walcowania Metali Dziedzice S.A., Zakłady Metalurgiczne Silesia S.A.

In case of currency operational risk, the risk source is mainly the operating metal, so to obtain the full effect of hedging it is also necessary to determine the currency exposure. In addition, there is still operational risk from the time the fixed price for sale or purchase is determined (for instance a sales invoice issued) until the moment of making or receiving the payment.

Strategic and operational risk in individual companies is closely related to their business activities. In case of metal the companies determine the so-called net exposure i.e. the sale based on the LME listed prices is set-off by cost items, which are also based on the same base, the difference is the net exposure that is hedged. In case of operational risk, it arises mainly as a result of the mismatch between bases for purchase of raw materials and sales of products. Strategic exposure to currencies associated with the achieved output bonus is calculated by multiplying the output bonus by the sales of finished products.

Due to the fact that companies in Impexmetal Group are mainly financed by debt with variable interest coupon, companies are exposed to changes in interest rates. The profile of the interest rate risk in Companies is characterized by adverse impact of increased interest rates on the level of cost of interest. Due to lower impact of interest rates on costs and revenues of the Companies, the risk of changes in interest rates does not constitute the basic risk from the point of view of its effect on the volume of companies' cash flows.

This risk, similarly to metal price risk and exchange rate risk is subject to an on-going monitoring.



(amounts expressed in PLN thousands unless specified otherwise)

Planned dates of cash flows associated with derivatives

Commodity derivatives as at 12.31.2018

currency	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	total
USD	926	221	(32)	13	-	-	1 128
'000	2 369	7 211	(1 491)	-	-	-	8 089
Total	3 295	7 432	(1 523)	13	-	-	9 217

Commodity derivatives as at 12.31.2017

currency	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	total
USD	(1 407)	(1 526)	(450)	-	-	-	(3 383)
'000	(53)	(3 565)	(483)	(259)	-	-	(4 360)
Total	(1 460)	(5 091)	(933)	(259)	-	-	(7 743)

Commodity derivatives as at 12.31.2018

currency	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	total
USD	262	(244)	(375)	(82)	-	-	(439)
'000	881	4 013	3 878	960	-	-	9 732
Total	1 143	3 769	3 503	878	-	-	9 293

Commodity derivatives as at 12.31.2017

currency	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	>5 years	total
USD	(557)	(1 964)	(1 139)	(1 636)	-	-	(5 296)
'000	3 725	8 738	6 010	7 600	-	-	26 073
Total	3 168	6 774	4 871	5 964	-	-	20 777



(amounts expressed in PLN thousands unless specified otherwise)

Analysis of sensitivity of derivatives to the change in foreign exchange rates and metal prices

Analysis of sensitivity of financial derivatives recognised in the statement on financial situation as at 31.12.2018 to the change in metal prices and in EUR/PLN exchange rates as well as impact of these changes on the financial result and equity.

Derivative instruments	31/12/2018			31/12/2017		
	increase (+) / decline (-) in listed prices	impact on financial profit/loss in PLN thousand	impact on equity in PLN thousand	increase (+) / decline (-) in listed prices	impact on financial profit/loss in PLN thousand	impact on equity in PLN thousand
USD/PLN	+10.0%	2 268	7 087	+10.0%	1 299	6 899
	-10.0%	(2 268)	(7 087)	-10.0%	(1 299)	(6 899)
EUR/PLN	+ 5%	(4 729)	(31 615)	+ 5%	(7 260)	(33 699)
	- 5, %	4 729	31 615	- 5, %	7 260	33 699
METAL- Aluminium	+20%	-	(2 118)	+15%	-	(4 251)
	-20%	-	2 118	-15%	-	4 251
Metal - Lead	+25%	(674)	(5 652)	+25%	(521)	(16 828)
	-25%	674	5 652	-25%	521	16 828
Metal - Zinc	+25%	(8 302)	(1 835)	+20%	(7 813)	1 966
	-25%	8 302	1 835	-20%	7 813	(1 966)
Metal - Copper	+20%	(4 632)	1 587	+20%	(22 428)	4 787
	-20%	4 632	(1 587)	-20%	22 428	(4 787)
Metal - Zinc	+20%	717	-	+15%	-	-
	-20%	(717)	-	-15%	-	-
Metal - Silver	+20%	(222)	-	+20%	(198)	-
	-20%	222	-	-20%	198	-
Total impact on financial result and equity before tax	Increase in listed prices	(15 574)	(32 546)		(36 921)	(41 126)
	Decline in listed prices	15 574	32 546		36 921	41 126

Interest rate risk

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

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

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

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



(amounts expressed in PLN thousands unless specified otherwise)

Analysis of sensitivity to interest rate changes

The table above illustrates sensitivity of the Group's results to changing rates of interest. The discussed impact on results refers to the time span of subsequent 12 months, assuming that the amount of interest-bearing assets and liabilities will not change.

	As at 31.12.2018	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
Interest-bearing (variable %) financial assets	198 023	990	(990)
Loans granted	1 995	10	(10)
Debt instruments other	196 028	980	(980)
Interest-bearing (variable %) financial liabilities	1 344 046	(6 721)	6 721
Loans	1 091 552	(5 458)	5 458
Factoring	69 754	(349)	349
Borrowings	22 693	(113)	113
Debt instruments financial leasing	0	0	0
Other	102 720	(514)	514
	57 327	(287)	287
Impact on future profit/loss before tax		(5 731)	5 731
Impact on future net profit/loss		(4 642)	4 642

	As at 31.12.2017	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
Interest-bearing (variable %) financial assets	80 098	400	(400)
Loans granted	1 820	9	(9)
Debt instruments other	78 278	391	(391)
Interest-bearing (variable %) financial liabilities	1 206 697	(6 033)	6 033
Loans	973 480	(4 867)	4 867
Factoring	71 860	(359)	359
Borrowings	24 325	(122)	122
Debt instruments financial leasing	-	-	-
Other	76 063	(380)	380
	60 969	(305)	305
Impact on future profit/loss before tax		(5 633)	5 633
Impact on future net profit/loss		(4 563)	4 563

Risk of volatility of legal regulations, in particular those governing Group's operations

In addition, tax regulations in Poland are highly volatile. Any potential changes in the taxation of business activities, whether with respect to income tax, value added tax or other taxes, may adversely affect Group's operations and results.

The Group is also exposed to the risk associated with changes in the interpretation of tax law regulations issued by tax authorities, affecting its operating activity and financial results.



(amounts expressed in PLN thousands unless specified otherwise)

Fair value

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

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

In the reporting period as well as in the comparable period, no shift of instruments between level 1 and 2 occurred.

In the reporting period as well as in the comparable period, level 3 instruments were not reclassified to level 1 and 2

Fair value of financial assets and liabilities

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2018	As at 31.12.2017	
Financial assets			
Listed shares	1 819	8	Level 1
Derivative financial instruments	23 907	33 750	Level 2
Financial obligations			
Derivative financial instruments	5 170	25 250	Level 2

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2018	As at 31.12.2017	
Financial assets			
Not listed shares	77	1 890	Level 3
Shares held for trading	0	25 068	Level 3
Bonds	196 028	78 278	Level 3
Borrowings	1 995	1 820	Level 3
Trade receivables	669 250	734 472	Level 3
Investment property	150 906	154 984	Level 3
Cash and cash equivalents	137 667	216 120	Level 3



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Financial obligations

Loans and borrowings	1 183 999	1 069 665	Level 3
Leasing	102 720	76 063	Level 3
Trade liabilities	636 876	680 348	Level 3
SMA liabilities	57 327	60 969	Level 3

Insurance of risks

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

- Boryszew Group property
- profit lost due to all risks
- machine damage
- loss of profit due to damage to machinery and equipment
- electronic equipment
- business activity and property owner's civil liability insurance
- liability of the members of corporation bodies - basic insurance policy and excess policies (used upon exhaustion of the basic sum insured, regardless of whether the sum insured is exhausted at one or multiple events).

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

35. OFF-BALANCE-SHEET LIABILITIES

Guarantees and sureties

	As at 31.12.2018	As at 31.12.2017
Guarantees and sureties for repayment of financial liabilities granted to subsidiaries and jointly-controlled companies	129 000	142 218
Liabilities due to tax risks (described on page 18)	38 915	37 904

Entity for which guarantee or surety was issued	Issue date of guarantee or surety	Number of guaranteed contract/agreement	Subject of liability	Value of guarantee	Expiry date of guarantee
				PLN '000	
Boryszew Plastic RUS	13.02.2017	Guarantee 3/2017	Guarantee granted to Volvo Group Trucks Operations	21 500	indefinite validity
BAP Group companies - customers of Volkswagen AG	16.12.2016	Guarantee 31/2016	Volkswagen AG	86 000	open-ended
Alchemia S.A.	02.10.2017	Guarantee 22/2017	Arcelormittal Poland S.A.	21 500	31.12.2019
				129 000	

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



(amounts expressed in PLN thousands unless specified otherwise)

36. TRANSACTIONS WITH AFFILIATED ENTITIES AND BENEFITS FOR KEY PERSONNEL

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

Listed below are transactions associated with securities in Boryszew Capital Group. These transactions were concluded on the basis of standard liquidity management mechanisms at the Group used for balancing of funds for the purpose of financing the operations of individual Group companies.

	Associates	Personally related entities
Transactions in the period 01.01.2018 to 31.12.2018		
Revenues from sales (of products, services, goods)	57 618	2 801
Interest income		4 042
Purchases (of materials, goods, services)	692	14 975
Receivables and payables as at 31.12.2018		
Trade receivables	3 286	796
Bonds purchased		196 014
Other receivables (advances, deposits)		1 541
Trade liabilities	1 105	217
Remuneration of Management Board and Supervisory Board		
	01.01.2018 - 31.12. 2018	01.01.2017 - 31.12. 2017
Remuneration of Management Board members	2 773	4 615
Remuneration of Supervisory Board members	411	580

37. EMPLOYMENT

	As at 31.12.2018	As at 31.12.2017
Employment structure		
Blue-collar workers	7 125	7 663
White-collar workers	2 395	2 472
Total	9 520	10 135



38. SIGNIFICANT EVENTS

All significant events regarding activities of the Group are disclosed in the report of the Management Board on Boryszew Capital Group activities.

39. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

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

Invitation for subscription for shares of Alchemia S.A.

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

Acquisition of Alchemia S.A. shares under the Invitation was financed with a loan of PLN 124 million, granted by HSBC Bank PLC of London, guaranteed by Boryszew S.A.

On 5 March 2019 Impexmetal S.A. was notified by Santander Bank Polska S.A. that as a result of the invitation of 11 January 2019 announced by Impexmetal S.A., together with: Mr Roman Karkosik, Ms Grażyna Karkosik, Boryszew S.A. based in Warsaw and Eastside-Bis Sp. z o.o. based in Warsaw, the tender offer for the sale of shares in Alchemia S.A. the subscriptions received covered a total of 23 436 074 shares at PLN 4.80 per one share. The invitation was settled on 12 March 2019.

Following the acquisition of shares, Impexmetal S.A. held in total, directly and indirectly through Eastside-Bis Sp. z o.o., 98 881 074 shares in Alchemia S.A., accounting for 49.44% of the share capital and representing 98 881 074 votes during Alchemia S.A. General Meeting, including directly 83 636 074 shares in Alchemia S.A., accounting for 41.82% of the share capital and representing 83 636 074 votes at Alchemia S.A. General Meeting, and indirectly, through Eastside-Bis Sp. z o.o. based in Warsaw, 15 245 000 shares in Alchemia S.A., accounting for 7.62% and representing 15 245 000 votes at Alchemia S.A. General Meeting



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On March 13, 2019 Impexmetal S.A. acquired 3 190 000 shares of Alchemia S.A., which indirectly resulted in exceeding the 50% threshold in the share capital and the total number of votes at the General Meeting of Alchemia S.A., thus giving Impexmetal S.A. control over Alchemia S.A.

As at the day of publication of the report Impexmetal S.A. holds directly and indirectly through its subsidiaries, Eastside-Bis Sp. z o.o. and Alchemia, 128 621 074 shares in Alchemia, accounting for 64.31% of Alchemia's share capital and representing 128 621 074 votes at the General Meeting of Alchemia, which constitutes 64.31% (rounded) of the total number of votes at the General Meeting of Alchemia.

Decision on support for new investments

Following the decision on support No. 2/2019 issued for Impexmetal S.A. on 31 January 2019 by the Manager of the Łódź Special Economic Zone under the provisions of Article 10 section 1 and 2 of the Act of 10 May 2018 on support for new investments, on 25 February 2019 Impexmetal signed an agreement with the Łódź Special Economic Zone for provision of services resulting from the aforementioned decision. As part of the new investment, Impexmetal intends to increase its existing production capacity by setting up a modern melting and casting centre with associated facilities, installation of heat treatment furnaces and final treatment facilities. The expected eligible costs of the new investment amount to PLN 276 174 thousand. The maximum amount of eligible costs under the decision on support is PLN 359 026 thousand, set as the minimum amount of expenditure plus 30%.



40. STATEMENT BY THE MANAGEMENT BOARD OF

The report presents the situation of Boryszew Capital Group for the period between 1 January 2018 and 31 December 2018, in accordance with legal requirements, taking into consideration the events that occurred until the date of preparing this report.

The report was approved for publication on 25 April 2019.

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

Management Board of Boryszew S.A.:

Piotr Lisiecki - President of the Management Board

Aleksander Baryś - Member of the Management Board

Mikołaj Budzanowski - Member of the Management Board

Cezary Pyszkowski - Member of the Management Board

Chief Accountant - Elżbieta Słaboń