Consolidated financial statements of

Boryszew Capital Group

for the period between 1 January and 31

December 2019

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(amounts expressed in PLN thousands unless specified otherwise)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01.2019 - 31.12. 2019	01.01.2018 -31.12. 2018
Continuing operations			
Revenues from sales	6	6 259 519	6 099 564
Prime cost of sale	7	5 708 194	5 454 714
Gross profit on sales		**551 325**	**644 850**
Selling costs		143 529	148 880
Administrative expenses		286 101	269 870
Other operating revenue	8	154 805	66 036
Other operating expenses	9	63 130	53 168
Profit/loss on impairment of trade receivables	9.1.	(3 072)	(9 365)
Operating income		**210 298**	**229 603**
Financial revenues	10	28 772	57 890
Financial expenses	11	88 044	98 986
Profit/loss on impairment of financial assets	18	4 984	(22)
Financial profit/loss		**(54 288)**	**(41 118)**
Write-offs due to impairment of Alchemia CG's fixed assets and related goodwill	15	(179 913)	
Share in profit of affiliates		780	14 567
Profit /Loss before tax		**(23 123)**	**203 052**
Income tax	12	73 657	58 535
Net profit/loss on continued activity		**(96 780)**	**144 517**
Net profit/loss on discontinued operations	25	**(1 965)**	**(3 673)**
Net profit/loss on continued activity and discontinued operations including attributable:		**(98 745)**	**140 844**
to shareholders of the parent		*(87 977)*	*71 350*
to non-controlling interests		*(10 768)*	*69 494*
Profit/loss/ Diluted earnings/loss per share		**(87 977)**	**71 350**
Weighted average number of shares		202 445 256	211 805 597
Earnings / Diluted earnings per share (PLN)		(0.43)	0.34

(amounts expressed in PLN thousands unless specified otherwise)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME cont.

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Net profit/loss	**(98 745)**	**140 844**
Earnings recognised in equity		
Earnings recognised in equity, to be transferred to income statement	**3 402**	**14 718**
Hedge accounting	7 300	(1 741)
Measurement of financial assets recognised in income statement		0
Exchange differences on translating foreign operations	(2 511)	16 987
Income tax expense (-provision/+asset)	*(1 387)*	*(528)*
Earnings recognised in equity, not to be transferred to income statement	**(2 863)**	**(353)**
Gains/losses on valuation of equity instruments	(2 235)	
Gains/losses on disposal of equity instruments		
Employee benefit capital reserve	(1 300)	(436)
Income tax	*672*	*83*
Total earnings recognised in equity	**539**	**14 365**
to shareholders of the parent	*539*	*16 587*
to non-controlling interests		*(2 222)*
Total comprehensive income, including attributable:	**(98 206)**	**155 209**
to shareholders of the parent	(87 438)	87 937
to non-controlling interests	*(10 768)*	*67 272*

(amounts expressed in PLN thousands unless specified otherwise)

CONSOLIDATED INCOME STATEMENT – DISCONTINUED OPERATIONS

Consolidated profit and loss account – discontinued operations	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Revenues from sales	2 069	2 061
Prime cost of sale	1 604	1 988
Gross profit (loss) from sales	**465**	**73**
Selling costs	21	79
Administrative expenses	2 627	695
Other operating revenue	9 531	5 237
Other operating expenses	9 303	8 106
Profit (loss) from operating activity	**(1 955)**	**(3 570)**
Financial revenues	54	24
Financial expenses	64	127
Financial profit/loss	**(10)**	**(103)**
Profit (loss) before income tax	**(1 965)**	**(3 673)**
Corporate income tax		
Net profit (loss) on discontinued operations	**(1 965)**	**(3 673)**
in the parent company	*(458)*	*(4 161)*
to non-controlling interests	*(1 507)*	*488*

Cash flow from discontinued operations	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Gross profit	(1 965)	(3 673)
Adjustments	1 340	(316)
Cash flows from operating activity	**(625)**	**(3 989)**
Cash flow from investment activities	71	4 396
Cash flow from financial activities	(2 728)	(1 000)
Net cash flows	**(3 282)**	**(593)**
Cash as at the beginning of the period	3 529	593
Cash flows from discontinued operations in the current period	(3 282)	3 529
Closing balance of cash	**247**	**3 529**

(amounts expressed in PLN thousands unless specified otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	As at 31.12.2019	As at 31.12.2018
Non-current assets			
Non-current assets	13	1 814 457	1 474 215
Investment property	14	159 189	150 906
Goodwill	15	23 464	23 464
Intangible assets	16	45 819	46 667
Right-of-use assets	17	368 849	-
Shares in affiliates	18	311	316 582
Financial assets	19	1 744	4 374
Long-term receivables	21	2 936	4 840
Deferred tax assets	12.3.	20 486	61 598
Other assets	23	27 308	21 593
Total fixed assets		**2 464 563**	**2 104 239**
Current assets			
Inventory	22	1 222 750	1 040 253
Trade receivables and other receivables	21	755 066	664 410
Short-term financial assets	19	33 048	195 545
Derivative financial instruments	20	22 881	23 907
Current tax assets	12.2.	15 335	5 627
Other assets	23	54 106	54 445
Cash and cash equivalents	24	219 641	137 667
Total current assets		**2 322 827**	**2 121 854**
Assets classified as held for sale	25	**982**	**10 664**
Total assets		**4 788 372**	**4 236 757**

(amounts expressed in PLN thousands unless specified otherwise)

LIABILITIES AND EQUITY	Note	As at 31.12.2019	As at 31.12.2018
Equity	26		
Share capital		248 906	248 906
Share premium		114 435	114 435
Own shares		(236 753)	(217 657)
Hedge accounting capital		14 326	4 797
Capital reserve on translating employee payables		(2 637)	(1 148)
Revaluation reserve		(21 817)	(13 142)
Exchange differences on translating foreign entities		(18 735)	(21 572)
Retained earnings		1 248 784	1 101 613
Total equity		**1 346 509**	**1 216 232**
Equity of non-controlling shareholders		**188 548**	**578 675**
Total equity	26	**1 535 057**	**1 794 907**
Liabilities and long-term provisions			
Bank credits, loans, bonds	27	606 204	441 206
Liabilities under lease of fixed assets	28	113 160	70 215
Liabilities related to right-of-use assets - lease agreement and SMA	28	148 400	
Payables on perpetual usufruct of investment land	29	58 339	57 077
Deferred tax provision	12.3. 19	125 644	99 330
Employee benefit provisions	30	28 626	22 140
Other provisions	31	31 387	46 071
Other long term equity and liabilities	33	49 111	11 520
Liabilities and long-term provisions - total		**1 160 871**	**747 559**
Short-term liabilities			
Bank credits, loans, bonds	27	883 573	742 793
Liabilities under lease of fixed assets	28	45 786	32 505
Liabilities related to right-of-use assets - lease agreement and SMA	28	8 687	
Payables on perpetual usufruct of investment land	29	257	250
Trade payables and other liabilities	33	981 596	746 431
Derivative financial instruments	19	5 024	5 170
Current tax liabilities	12	28 319	32 406
Employee benefit provisions	30	31 793	24 069
Other provisions	31	53 090	52 185
Other liabilities and equity	33	38 022	38 195
Liabilities and short-term provisions - total		**2 076 147**	**1 674 004**
Liabilities directly related to assets classified as held for sale	25	**16 297**	**20 287**
Total liabilities and provisions		**3 253 315**	**2 441 850**
Total equity and liabilities		**4 788 372**	**4 236 757**

(amounts expressed in PLN thousands unless specified otherwise)

CONSOLIDATED CASH FLOW STATEMENT

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Cash flows from operating activities		
Profit /Loss before tax	**(23 123)**	**203 052**
Adjustments for (+/-)	**478 540**	**11 982**
Amortisation/depreciation	203 344	148 908
Profit/loss on financial activity (including interest on financial liabilities)	30 656	35 918
Profit / loss on investment activities	118 542	(41 510)
Change in receivables	153 637	65 222
Change in inventories	105 328	(61 725)
Change in liabilities	(52 913)	(56 109)
Change in provisions and accruals as well as prepayments	(19 654)	3 204
Other items	(3 730)	(31 264)
Income tax paid	(56 670)	(50 662)
Net cash from operating activities	**455 417**	**215 034**
Cash flows from investment activities		
Profit on fixed assets disposal	66 873	21 424
Proceeds from disposal of shares		-
Proceeds from redemption of bonds by issuers	181 368	2 000
Proceeds from repayment of loans granted	1 988	
Other proceeds from investment activities	8 833	
Expenses on acquisition of fixed assets	(282 415)	(158 434)
Acquisition of shares and stocks in capital group entities	(460 271)	(35 844)
Long term borrowings granted	(175)	(175)
Expenditure on bonds	(55 000)	(116 100)
Net cash from investing activities	**(538 799)**	**(287 129)**
Cash flows from financial activities		
Incomes on credit and loan facilities	596 607	359 176
Loans received		-
Other inflows	99 760	-
Share buy-back expense	(4 516)	(47 090)
Dividends paid	(11 396)	
Loans repaid	(405 679)	(238 477)
Repayment of borrowings	(18 261)	(1 632)
Interest paid on loans, borrowings and leasing	(56 644)	(39 415)
Payment of liabilities under finance lease agreements	(51 252)	(47 467)
Other financial outflows		
Net cash from financing activities	**148 619**	**(14 905)**
Net change in cash	**65 237**	**(87 000)**
Translation reserve	(429)	8 547
Cash and cash equivalents in acquired entities	17 166	
Cash opening balance	137 667	216 120
Cash closing balance	**219 641**	**137 667**

(amounts expressed in PLN thousands unless specified otherwise)

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 01.01.2019	**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**
Valuation of hedge instruments				5 913					5 913		5 913
Valuation of employee benefits					(1 053)				(1 053)		(1 053)
Valuation of equity instruments						(1 810)			(1 810)		(1 810)
Currency translation differences (subsidiaries)							(2 511)		(2 511)		(2 511)
Profit/loss for 2019								(87 977)	(87 977)	(10 768)	(98 745)
Total comprehensive income for 2019	**-**	**-**	**-**	**5 913**	**(1 053)**	**(1 810)**	**(2 511)**	**(87 977)**	**(87 438)**	**-10 768**	**(98 206)**
Share buy-back			(4 516)						(4 516)		(4 516)
Dividend distribution									0	(11 396)	(11 396)
Change of capital group structure				3 616	(436)	(6 865)	5 348	235 148	236 811	(588 072)	(351 261)
Full consolidation of Alchemia Group			(14 580)						(14 580)	220 109	205 529
As at 31.12.2019	**248 906**	**114 435**	**(236 753)**	**14 326**	**(2 637)**	**(21 817)**	**(18 735)**	**1 248 784**	**1 346 509**	**188 548**	**1 535 057**

(amounts expressed in PLN thousands unless specified otherwise)

	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**

ADDITIONAL INFORMATION

1. BASIC DATA

Parent Company - Boryszew Spółka Akcyjna (joint stock company)

Boryszew Spółka Akcyjna (joint stock company)

Registered office: 00-807 Warszawa;

Registered with the National Court Register kept by 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 2019, the composition of the Supervisory Board was as follows:
Mr Janusz Siemieniec - 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 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.
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,
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 2019, the composition of the Management Board of Boryszew S.A. 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 Management Board, Director for Automotive Sector Development,

On 29 April 2019 Mr Cezary Pyszkowski resigned, as of the same day, from his function of a Member of the Management Board for Boryszew S.A. His resignation was submitted because he was appointed as the President of the Management Board for Boryszew Automotive Plastics Sp. z o.o. based in Toruń, a subsidiary of the parent company.
On 29 July 2019, Mr Aleksander Baryś, Member of the Management Board for the Company, resigned from his function as of 31 August 2019.

(amounts expressed in PLN thousands unless specified otherwise)

At the same time, the Supervisory Board of the Company, on 29 July 2019, decided to appoint, as of 1 September 2019 Mr Krzysztof Kołodziejczyk as Member of the Management Board, Chief Financial Officer for Boryszew S.A.

As at 31 January 2019, the composition of Boryszew S.A. Management Board was as follows:

Mr Piotr Lisiecki - President of the Management Board, CEO,
Mr Mikołaj Budzanowski – Member of the Management Board
Mr Krzysztof Kołodziejczyk - Member of the Management Board, Chief Financial Officer.

From 31 December 2019 to the date of submitting the report for publication, no changes took place in the composition of the Company's Management Board.

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**	
Head Office	Warsaw			Other
Elana Branch in Toruń	Toruń			Chemical products
Energy Branch in Toruń	Toruń			Other
Maflow Branch in Tychy	Tychy			Automotive
NPA Skawina Branch	Skawina			Metals
Boryszew ERG Branch	Sochaczew			Chemical products
Nylonbor Branch	Sochaczew			Chemical products
Elimer Sp. z o.o.	Sochaczew	52.44	Boryszew SA	Chemical products
Torlen Sp. z o.o. w likwidacji	Toruń	100	Boryszew SA	Company liquidated in Q3
Elana Pet Sp. z o.o.	Toruń	100	Boryszew SA	Chemical products
Elana Energetyka Sp. z o.o.	Toruń	100	Boryszew SA	Other
SPV Boryszew 3 Sp. z o.o.	Warsaw	100	Boryszew SA	Other
Maflow Polska Sp. z o.o.	Warsaw	100	Boryszew S.A.	Automotive
Maflow BRS s.r.l	Italy	100	Boryszew SA	Automotive
Maflow Spain Automotive S.L.U	Spain	100	Boryszew SA	Automotive
Maflow France Automotive S.A.	France	100	Boryszew SA	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
MAFMEX S.DE R.L.DE C.V	Mexico	100	Maflow Spain Automotive S.L.U., Maflow Sp. z o.o.	Automotive
Boryszew Automotive Plastics Sp. z o.o.	Toruń	100	Boryszew S.A.	Automotive
Boryszew Components Poland Sp. zo.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
ICOS GmbH	Germany	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Theysohn Kunstoff GmbH	Germany	100	ICOS GmbH	Automotive

(amounts expressed in PLN thousands unless specified otherwise)

Theysohn Formenbau GmbH	Germany	100	ICOS GmbH	Automotive
Boryszew Formenbau Deutschland GmbH	Germany	100	Boryszew Kunstofftechnik Deutschland GmbH	Automotive
Boryszew Kunstofftechnik Deutschland GmbH with Ymos branch	Germany	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew Oberflächetechnik GmbH	Germany	100	Boryszew Kunstofftechnik 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 Kunstolffechnik Deutschland GmbH	Automotive
Boryszew Tensho Poland Sp. z o.o.	Ostaszewo	100	Boryszew S.A.	Automotive
Impexmetal S.A.	Warsaw	100.00	Boryszew SA	Metals
Hutmen S.A.	Warsaw	100.00	Boryszew S.A, SPV 3 Boryszew, Impexmetal S.A.,Impex – invest	Metals
Walcownia Metali Dziedzice S.A.	Czechowice-Dziedzice	100.00	Hutmen S.A. , Impexmetal S.A., Boryszew S.A.	Metals
Huta Metali Nieżelaznych Szopienice S.A. – in liquidation	Katowice	61.77	Polski Cynk Sp. z o.o.	discontinued operations
ZM Silesia S.A.	Katowice	100.00	Impexmetal S.A.	Metals
Baterpol S.A.	Katowice	100.00	Polski Cynk Sp. z o.o.	Metals
Alchemia SA	Warsaw	66.00	Impexmetal SA, Eastside bis, Boryszew SA.	Metals
Huta Bankowa Sp. z o.o.	Dąbrowa Górnicza	66.00	Alchemia S.A	Metals
Laboratoria Badań Batory	Chorzów	66.00	Alchemia S.A	Metals
Polski Cynk Sp. z o.o.	Katowice	100.00	Impexmetal S.A., ZM Silesia S.A.	Metals
FŁT Polska Sp. z o.o.	Warsaw	100.00	Impexmetal S.A.	Metals
FLT & Metals Ltd.	Great Britain	100.00	Impexmetal S.A.	Metals
5.7. FLT USA L.L.C	the US	100.00	FŁT Polska Sp. z o.o.	Metals
FLT Bearings Ltd.	Great Britain	100.00	FLT France SAS	Metals
FLT France SAS	France	100.00	FŁT Polska Sp. z o.o.	Metals
FLT Wälzlager GmbH	Germany	100.00	FŁT Polska Sp. z o.o.	Metals
FLT & Metals s.r.l.	Italy	100.00	FŁT Polska Sp. z o.o.	Metals
FLT (Wuxi) Trading Co. Ltd.	China	100.00	FŁT Polska Sp. z o.o.	
SPV Lakme InvestmentSp. z o.o.	Warsaw	100.00	Impexmetal S.A.	Other
Impex – Invest Sp. z o.o.	Warsaw	100.00	Impexmetal S.A.	Other
Eastside Capital Investments Sp. z o.o.	Warsaw	100.00	Boryszew SA, Impexmetal S.A.	Other
Symonvit Ltd	Cyprus	100.00	Impexmetal S.A.	Metals
Baterpol Recycler Sp. z o.o.	Wrocław	100.00	Polski Cynk Sp. z o.o.	Metals
SPV Impexmetal Sp. z o.o.	Warsaw	100.00	Impexmetal SA, ZUO Sp. zo.o, BAP Sp. Zo.o.	Metals
Metal ZincSp. Z o.o.	Katowice	100.00	ZMSilesia SA	Metals
Remal Sp. z o.o.	Konin	80.90	repair services	Metals
EastsideBis Sp. z o.o.	Warsaw	100.00	Eastside Capital Investments Sp. z o.o.	Other
Zakład Utylizacji Odpadów Sp. z o.o. in Konin	Konin	59.97	Impexmetal S.A.	Metals

(amounts expressed in PLN thousands unless specified otherwise)

b) Details regarding subsidiaries which have a significant impact on minority shares

At the end of 2019 Boryszew Capital Group had the following non-controlling shares:

The data disclosed are amounts before elimination of transactions between the Group's entities and do not include data on discontinued operations in which non-controlling interests amount to PLN 3636 thousand

As at 31.12.2019	Alchemia SA	Huta Bankowa Sp. z o.o.	Laboratoria Badań Batory	Zakład Utylizacji Odpadów Sp. z o.o. in Konin	Remal Sp. z o.o.	Elimer
non-controlling interest in %	34%	34%	34%	40.0%	20%	47.56%
Fixed assets	225 614	212 300	6 892	26 721	2 051	30
Current assets	270 905	168 511	1 064	12 591	4 499	1 137
Long-term liabilities	33 388	70 534	32	5 045	384	54
Short-term liabilities	164 713	111 695	2 021	2 703	2 355	350
Net assets	**298 418**	**198 582**	**5 903**	**31 564**	**3 811**	**763**
Net assets attributable to non-controlling interests	**101 462**	**67 518**	**2 007**	**12 636**	**762**	**527**
Revenues from sales	680 797	376 754	5 314	24 407	13 843	3 183
Net profit	(36 304)	(953)	576	9 790	191	64
Other comprehensive income						
Comprehensive income attributable to non-controlling interests	**(12 238)**	**(1 127)**	**119**	**3 919**	**36**	**30**

In 2018 the subsidiaries of Impexmetal Capital Group, which held significant non-controlling interests were: Impexmetal S.A. and Hutmen S.A., ZM Silesia S.A., Baterpol S.A. FŁT Polska Sp. z o.o.

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**

(amounts expressed in PLN thousands unless specified otherwise)

c) Companies not included in the consolidated financial statements

Company name	Based in	share of the parent in share capital (%)	Core activity
Boryszew S.A. companies			
Brick factory "Vostocznaya - Sp. z o.o. Belarus	Belarus	30	trade, production of secondary raw materials
Elana Ukraina Sp.z o.o.	Ukraine	90	trade, production of secondary raw materials
Boryszew Energy Sp. zo.o.	Toruń	100	dormant company
Boryszew Automotive Mexico S.DE R.L.DE C.V	Mexico	100	Maflow Spain Automotive S.L.U., Maflow Sp. z o.o.
SPV Boryszew 5 Sp. z o.o.	Warsaw	100	Boryszew SA
Brasco Inc	the US	100	dormant company
Hutnik Sp. z o.o.	Konin	94	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

Torlen Sp. Z o.o. in liquidation

Current year saw completion of the process of liquidation of Torlen Sp. z o.o. in Toruń. The Company was removed from the National Court Register on 20 May 2020.

Liquidation of S&I SA in liquidation

In December 2018 the process of liquidation of S&I S.A. based in Switzerland was completed. The decision on removing the company from the register was issued on 14 October 2019.

Acquisition of shares in Impexmetal S.A.

In 2019 Impexmetal S.A. acquired 64 400 000 own shares, accounting for 33.89% of its share capital and the total number of votes at the General Meeting of Impexmetal S.A. and Boryszew S.A. acquired 220 000 shares of Impexmetal S.A., accounting for 0.12% (rounded off), of the share capital and the total number of votes at the General Meeting of Impexmetal S.A.

As at the date of publication of the financial statements, Boryszew Capital Group holds 100.00% shares in Impexmetal S.A.

Acquisition of shares and control over Alchemia S.A.

The acquisition of Alchemia S.A. shares was carried out in stages, from 2013; ultimately the acquisition of shares that let to assumption of control over the company was carried out on 12 and 13 March 2019 by way of a tender offer announced by natural persons and legal entities related to Impexmetal S.A. The transaction included the purchase by Impexmetal S.A. 26 626 074 shares in Alchemia S.A., at PLN 4.80 per share, accounting for 13.31% of the share capital of the company. In Q1 2019 also E- Bis Sp. z o.o. (a subsidiary) acquired (through conversion

(amounts expressed in PLN thousands unless specified otherwise)

of bonds into shares on 11 January 2019) 9 995 000 shares in Alchemia S.A., accounting for 4.99% of the share capital of Alchemia S.A., at PLN 4.80 per share, which accounts for 5.00% share in the capital.
The total value of Alchemia S.A. shares acquired in January and March 2019 amounts to PLN 177 580 thousand.

Thus Boryszew Capital Group assumed control over Alchemia Capital Group of three group entities: Alchemia S.A., the parent company and 100% subsidiaries of Alchemia S.A. - Huta Bankowa Sp. z o.o. and Laboratoria Badań Batory Sp. z o.o.
As at the date of assuming control, 15 March 2019, shares in Alchemia Capital Group were held by companies:

	shares in %	book value of shares
Impexmetal S.A.	50.06%	407 694
Eastside-Bis Sp. Zo.o.	8.79%	72 566
Boryszew S.A.	0.29%	2 338
Total share of Boryszew Capital Group	**59.14%**	**482 598**

On 5 June 2019 Impexmetal S.A. acquired 2 618 926 shares of Alchemia S.A. at PLN 4.80 per share, for a total of PLN 12 570 844.80, which increased the share in the share capital of Alchemia S.A. by 1.51%, to 60.36% .

On 2 June 2019 Impexmetal S.A. acquired further 9 280 000 shares of Alchemia S.A. at PLN 4.80 per share, for a total of PLN 44 544 000.00, which increased Boryszew share in the share capital of Alchemia S.A. by 5.35%, to 66% (Impexmetal S.A. 56.92%; E-BIS Sp. z o.o. 8.79%, Boryszew S.A. 0.29%).

Preliminary settlement of the acquisition of control over Alchemia S.A.

Following the consolidation principles adopted with regard to Alchemia S.A., in its consolidated financial statements the Parent Company Boryszew S.A. presents shares in Alchemia S.A. as of the moment of obtaining significant influence in the adjusted acquisition price determined as the market (stock) value on that day. In subsequent periods, shares of the associated company were not subject to valuation, and the accumulated valuation was recognised in equity where it now remains. Subsequent increases in the shares held in Alchemia S.A. are recognized at cost.

As at 31 March 2019, the date adopted for consolidation purposes as the date of obtaining control, Boryszew CG holds 58.85% of shares in Alchemia S.A., whereas the effective interest was 53.13%.
As at 31.12.2019 Boryszew Capital Group hold 65.71% of shares of Alchemia S.A., whereas the effective share of Boryszew Capital Group is 59.99%.

The acquisition was recognised in accordance with IFRS 3 Business Combinations. As at 31 March 2019, the assets, liabilities and contingent liabilities assumed following the acquisition of Alchemia Capital Group were accounted for under an interim settlement, based on the book values considered the best available approximation of the fair value at the acquisition date.

The final settlement of the acquisition of Alchemia Capital Group is included these annual consolidated financial statements for 2019 - based on the valuation to fair by an independent expert. The valuation of the company's assets and liabilities was based on the adjusted net asset method, on the basis of the consolidated financial statements of the Company, appraisal reports of fixed assets of Alchemia Capital Group, drafted as at 31 March 2019 by independent appraisers as well as financial forecasts of the companies and other data.

Fair value of acquired assets and liabilities

Asset and liability items were reviewed to identify material impairment against the book value.

The review revealed no material assets and liabilities not yet disclosed in the statement of financial position.

Intangible assets, fixed assets and investment properties were recognised at their replacement value based on conclusions from the appraisal reports drafted by independent appraisers.

As a result of the revaluation to fair value, the assets of Alchemia Capital Group were increased by PLN 153 901 thousand gross, and the value of the deferred income tax liability was also increased by PLN 29 241 thousand, due to temporary differences resulting from the fair value measurement. The net asset value of Alchemia Capital Group, taking into consideration the valuation to fair value as at the date of acquisition, is PLN 636 385 thousand.

(amounts expressed in PLN thousands unless specified otherwise)

As per the requirements of IAS 36, impairment of revalued assets was assessed by determining their recoverable amount. The valuation to recoverable amount was made using the discounted cash flow method, based on financial forecasts presented by the Management Board of Alchemia S.A. The test was carried out based on consolidated cash flows, and its results were allocated to individual cash generating units as per of IAS 36.

Two cash generating units were established for Alchemia Capital Group:
- CGU ALC: Alchemia S.A. and Laboratoria Badań Batory Sp. z o.o. as well as
- CGU HB: Huta Bankowa Sp. z o.o.

Laboratoria Badań Batory Sp. z o.o. has been included in CGU ALC because approximately 80% of its revenues are generated by Alchemia S.A. and their share in the revenue structure of Alchemia Capital Group is negligible.

The results of the impairment test were allocated to relevant CGUs in proportion to sales revenues, which is the allocation key used by Boryszew Capital Group and Alchemia Capital Group.
The allocation key was determined based on revenues from sales of CGU ALC and CGU HB in 1Q 2019. The revenues from sales for Q1 2019 amounted to PLN 171 612 thousand and PLN 102,001 thousand respectively, hence the following allocation keys were used:
- 62.72% for CGU ALC and
- 37.28% for CGU HB.

The discounted cash flow test was conducted based on the following assumptions:
- financial forecasts, due to the specific nature of the steel industry, covering the period 2-4Q 2019 and the years 2020 - 2035,
- for the purpose of estimating the residual value, it was assumed that the growth rate after the period of long-term financial forecasts would be 2.5%,
- net cash flows were discounted using the weighted average cost of capital (WACC), at 8.51%.

The recoverable value of the Company's net assets estimated based on the discounted cash flow method was PLN 538 690 thousand as at the acquisition date. At the same time, the total value of net assets based on the revaluation to fair value was PLN 636 385 thousand. The difference between these amounts is the value of the net write-down due to economic consumption in the amount of PLN (97 695) thousand.

The summary of the results of revaluation to fair value and recoverable amount is presented in the table below:

Summary of the results of revaluation to fair value and recoverable amount of net assets of ALCHEMIA Capital Group as of the date of assuming control - 31.03.2019.

Consolidated net assets of Alchemia Capital Group before adjustments and write-offs	538 806
Adjustment to existing goodwill (per IFRS)	(27 081)
Consolidated net assets of Alchemia Capital Group adjusted for existing goodwill	**511 725**
Total gross revaluation of assets	153 901
Total deferred tax	(29 241)
Net assets of Alchemia Capital Group adjusted for existing goodwill after revaluation (before write-off)	**636 385**
Fair value of net assets resulting from impairment testing	549 684
Cost of disposal (2%)	10 994
Recoverable amount of net assets	**538 690**
(Net) difference between recoverable amount and fair value of net assets	**(97 695)**
(Gross) difference between recoverable amount and fair value of net assets	(120 611)
Adjustment of deferred tax	22 916
Final adjustment to gross carrying amount of net assets of Alchemia Capital Group	33 290
Deferred tax	(6 325)
Final adjustment to net carrying amount	**26 965**

(amounts expressed in PLN thousands unless specified otherwise)

The adjustment of the carrying value of net assets in the amount of PLN 33 290 thousand was fully charged to the value of fixed assets and the deferred income tax liability was adjusted by PLN (6 325) thousand.

The revenues of Alchemia Capital Group reported in the consolidated statement of comprehensive income in the period from the date of acquisition, 31 March 2019, to 31 December 2019, amounted to PLN 659 775 thousand; Alchemia Capital Group incurred a loss of PLN 24 136 thousand in this period.

If the Alchemia Capital Group had been included in consolidation as of 1 January 2019, the consolidated statement of comprehensive income would have shown revenues and profit higher by PLN 278 671 thousand and PLN 2 173 thousand respectively.

The table below is a summary of the valuation as at the date of acquisition of control to fair (replacement) value and recoverable value, be relevant categories of assets and liabilities, as well as the calculation of the acquired net assets of Alchemia Capital Group and their allocation to cash generating units: CGU ALC and CGU HB, at each stage of analysis.

Statement of the value of assets and liabilities as at the date of assuming control over Alchemia Capital Group - 31.03.2019.

Specification	Carrying value as at 31.03.2019	Value of revaluation adjustment	Fair value after revaluation	Revaluation value write-down	Adjustment to carrying value as at 31.03.2019	Carrying value adjusted
Non-current assets	**416 296**	**153 901**	**570 197**	**(120 611)**	**33 290**	**449 586**
Intangible assets	4 531	-	4 531	-	-	4 531
Goodwill	27 081	-	27 081	-	-	27 081
Tangible fixed assets	381 907	153 901	535 808	(120 611)	33 290	415 197
Investment property and other investments	349	-	349	-	-	349
Investments in affiliates	2 428	-	2 428	-	-	2 428
Current assets	**529 942**	**-**	**529 942**	**-**	**-**	**529 942**
Inventory	293 006	-	293 006	-	-	293 006
Trade and other receivables	186 155	-	186 155	-	-	186 155
Other short-term financial assets	28 567	-	28 567	-	-	28 567
Short-term prepayments and accruals	5 048	-	5 048	-	-	5 048
Cash and cash equivalents	17 166	-	17 166	-	-	17 166
Total assets	**946 238**	**153 901**	**1 100 139**	**(120 611)**	**33 290**	**979 528**
Provisions for liabilities	**15 125**	**-**	**15 125**	**-**	**-**	**15 125**
Provision for deferred income tax	**27 307**	**29 241**	**56 548**	**(22 916)**	**6 325**	**33 632**
Liabilities	**349 366**	**-**	**349 366**	**-**	**-**	**349 366**
Borrowings and loans	122 365	-	122 365	-	-	122 365
Other financial liabilities	7 257	-	7 257	-	-	7 257
Trade and other liabilities	219 744	-	219 744	-	-	219 744
Accruals	**15 634**	**-**	**15 634**	**-**	-	15 634
Total provisions and liabilities	**407 432**	**29 241**	**436 673**	**(22 916)**	**6 325**	**413 757**
Net assets	**538 806**	**124 660**	**663 466**	**(97 695)**	**26 965**	**565 771**
Adjustment for existing goodwill	(27 081)	-	(27 081)	-	-	(27 081)

(amounts expressed in PLN thousands unless specified otherwise)

Net assets adjusted for existing goodwill, of which:	**511 725**	**124 660**	**636 385**	**(97 695)**	**26 965**	**538 690**
- assigned to CGU ALC	**311 165**	**103 138**	**414 303**	**(76 433)**	**26 705**	**337 870**
- assigned to CGU HB	**200 560**	**21 522**	**222 082**	**(21 262)**	**260**	**200 820**

Purchase price and calculation of goodwill
As per with IFRS 3(37), the payment transferred in the transaction is recognised at fair value, calculated as the sum of fair values of assets established as at the as at the acquisition date, transferred by the acquiring entity, liabilities drawn by the acquiring entity towards the previous owners of the acquired entity and equity shares issued by the acquiring entity, valued as on the day of acquisition. Also, according to IFRS 3(41), in a business combination carried out in stages, the acquiring entity re-measures its previously held equity interests in the acquired entity at fair value as at the acquisition date and recognises any resulting gain or loss in profit or loss or other comprehensive income, as appropriate.

The value of the Company's block of shares held by Impexmetal Capital Group before the date of assuming control was measured at fair value as at the acquisition date. The calculation was based on the average half-yearly share price as at the acquisition date of PLN 4.64. The value of the Company's block of shares acquired when assuming control and on the eve of that date was valued based on the tender offer share price of PLN 4.80. Hence, the payment was calculated based on the following formula:

Payment = 75 445 000 x 4.64 PLN + 26 626 074 x 4.80 PLN

and amounted to PLN 477 870 thousand. Given that book value of the Company's shares held by Impexmetal Capital Group amounted to PLN 482 598 thousand, the difference is negligible. The book value was therefore considered to be fair value.

As a result of the revaluation to fair value of Alchemia S.A. shares held by Impexmetal S.A. before the business combination, other comprehensive income includes a loss of PLN 27 392 on asset revaluation.

The acquisition price of PLN 482 598 thousand allocated to relevant CGUs according to the sales revenue key described above is as follows:
- PLN 303 560 thousand to CGU ALC and
- PLN 179 038 thousand to CGU HB.

The non-controlling interests as at the date of acquisition were recognised using the proportional method, so their value corresponded to 41.15% of the net asset value (calculated as: 100% - 58.85%) and amounted to PLN 221 684 thousand, and by CGUs:
- PLN 139 042 thousand to CGU ALC and PLN 82 642 thousand to CGU HB

Goodwill as at the date of assuming control over Alchemia Capital Group was calculated as follows:

	CGU ALC	CGU HB	Total for Alchemia Capital Group
The payment made and the fair value of previously held shares of Alchemia S.A.	301 222	179 038	480 260
Non-controlling interests	139 042	82 642	221 684
Adjusted net assets	(337 870)	(200 820)	(538 690)
Goodwill	**102 395**	**60 860**	**163 254**

Goodwill recognised upon initial settlement of acquisition	220 272
Goodwill adjustment	(57 018)
Goodwill recognised upon final settlement of acquisition	**163 254**

The goodwill adjustment results from the final settlement of acquisition of Alchemia Capital Group and is primarily the result of the valuation and revaluation of assets by an independent expert and the final determination of the share in net assets.

Goodwill in the amount of PLN 163 254 thousand resulting from the acquisition is generated primarily due to the effects of operational synergies and economies of scale that will be brought about by the acquisition.

The goodwill shown above will not be amortised and any impairment loss will not be deductible for tax purposes.

Acquisitions of Alchemia S.A. shares made after the date of assuming control were settled according to IFRS 3 as capital transactions.

e) Litigations underway

Tax proceedings in the Capital Group companies

The company 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

Silesia S.A.

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. On 27 November the Company received a letter with information on the extension of the appeal proceedings until 29 May 2020

On 18 January 2017 the Company received a preliminary inspection report against which it appealed, and a decision to extend the inspection until 6 May 2020.

Hutmen

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. The appeal was recognised and the case was referred back to the Director of the Tax Administration Chamber in Wrocław for further consideration. By the day of publication, the Company has not received a new decision of the Authority.

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 October and December 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 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 Group 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. and the case was referred back to the Director of the Tax Administration Chamber for reconsideration. On 11.12.2019 Hutmen S.A. received a refund of the entire amount of the tax in question together with interest.By the day of publication, the Company has not received a new decision of the Authority.

In Hutmen S.A. - VAT audit proceedings for 2015, in progress.

Other significant pending VAT proceedings in the Capital Group companies

ZM SILESIA S.A. - VAT audit proceedings for 2013-2014, in progress,

SILESIA- On 29 August 2019 the company was delivered an authorisation to carry out a VAT tax inspection for the period between 1 January 2015 and 30 June 2015. Expected completion date -2 June 2020.

Baterpol S.A

On 3 October 2016, a VAT tax inspection began in Baterpol SA, based on Article 79 section 2 item 2 of the Act on freedom of economic activity. The inspection was concluded with a protocol (dated 26.10.2018), on the basis of which the Company recognised a provision in the results for 2018 . By the date of this report, the Company has not received a decision of the first instance authority.

On 22.10.2018, the Silesian Provincial Inspector of Environmental Protection in Katowice initiated an administrative procedure on imposing an administrative fine on the Company for collecting waste on the Company's premises in violation of the permit. By the date of this report, the authority has not issued a relevant decision.

Baterpol Recycler Sp. z o.o. - currently pending tax proceedings:

1. At present, the Company is subject a new VAT inspection for the period III-VI 2016 carried out by the Head of the Lower Silesian Customs and Fiscal Office in Wrocław, whose deadline has been extended to 27.05.2020.
   The reason for reopening the inspection proceedings is the decision of the Tax Administration Chamber in Wrocław of 27.01.2020 repealing in full the decision of the Head of the Lower Silesian Customs and Fiscal Office in Wrocław of 08.06.2018 concerning VAT for the period III-VI 2016 and referring the case for re-examination by the first instance authority.

Other proceedings:

1. On 12 March 2019 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.

The balance of provisions in the consolidated financial statements for the risk described above as at the balance sheet date amounts to PLN 55.6 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 leave such provisions out in cases where the probability of cash outflow is low.
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

Completed income tax proceedings

EASTSIDE - BIS SPÓŁKA Z O.O.
On 9 March 2018, an audit for the period between 1 December 2015 and 30 November 2016 was initiated. In 2019, the Company received a protocol in which no irregularities were found

EASTSIDE CAPITAL INVESTMENTS SPÓŁKA Z O.O.
On 9 March 2018, an audit for the period between 1 December 2014 and 30 November 2016 was initiated.
In 2019, the Company received a protocol in which no irregularities were found

SPV LAKME INVESTMENT SPÓŁKA Z O.O.
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.
In 2019, the Company received a protocol in which no irregularities were found

Court litigations

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 principal amount will be repaid in part with cash generated from revenues from sales of Company's non-current assets.

f) Other material events

On 27 November 2019 Boryszew S.A. as well as SPV Boryszew 3 Sp. z o.o. ("SPV Boryszew 3") and Impexmetal Holding Sp. z o.o. ("Impexmetal Holding"), as the sellers ("Sellers"), concluded with Gränges AB with its registered office in Stockholm (Sweden), as the buyer ("Buyer"), a preliminary conditional agreement on the sale of shares ("Agreement") of Impexmetal S.A. with its registered office in Warsaw ("Company") ("Transaction").

Under the Agreement, the Sellers agreed to sell 190 000 000 shares in the Company accounting for 100.00% of Company's share capital as at the date of concluding the Agreement, carrying 100.00% of votes at Company's general meeting of shareholders:
- The Issuer agreed to sell 117 720 968 shares of the Company accounting for 61.96% of Company's share capital as at the date of concluding the Agreement, carrying 61.96% of votes at the General Meeting of the Company;
- SPV Boryszew 3 agreed to sell 7 279 032 shares in the Company, accounting for 3.83% of Company's share capital as at the date of concluding the Agreement, carrying 3.83% of votes at the General Meeting of the Company; and
- Impexmetal Holding agreed to sell 65 000 000 shares of the Company accounting for 34.21% of Company's share capital as at the date of concluding the Agreement, carrying 34.21% of votes at the General Meeting of the Company;

The agreement was concluded subject to the fulfilment of conditions precedent specified therein, including but not limited to: (i) the condition to divide the Company by separating the assets to Impexmetal Holding, so that Company's assets include production activities conducted by the Company so far; and (ii) the condition to obtain a consent of relevant antitrust authorities to execute the Transaction. The price for Company's shares sold under the Transaction will be calculated in accordance with the mechanism specified in the Agreement, whereby the calculation of the share sale price will involve a standard adjustment of Company's enterprise value, agreed by the parties to the Agreement at PLN 938 000 000.00, by the value of net debt, net working capital, prepaid capital expenditures and other adjustments resulting from the terms of the Transaction. The determined value of Company's enterprise may be subject to changes depending on the EBITDA result achieved in the period between 1 April 2019 and 31 March 2020. Other terms and conditions of the Agreement do not differ against agreements of this type.

Because the preliminary conditional agreement signed by Boryszew S.A. is not final and the conditions and date of the transaction have not been established, the assets being the subject of the agreement have not been transferred as the assets held for sale

2. PLATFORM OF APPLIED IFRS

Amendments to existing standards applied for the first time in the financial statements for 2019

The effect of application of new accounting standards and changes in accounting policy

Accounting principles (policy) applied when drafting these financial statements for the fiscal year ended on 31 June 2019 are consistent with those applied when drafting annual financial statements for the fiscal year ended on 31 December 2018, except for changes described below. The same principles were applied to the current period and the comparable period.

Changes resulting from changes in IFRS

The following new or amended standards and interpretations issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee have been in force since the beginning of the financial year.

- **IFRS 16 *Leasing***

The new standard was published on 13 January 2016 and applies to annual periods beginning on or after 1 January 2019 and can be applied to annual periods before 1 January 2019 (as long as IFRS 15 is also applied at the same time). The standard supersedes the existing lease regulations (including IAS 17) and radically changes the approach to lease agreements of different nature, imposing a requirement on lessees to disclose, in their balance sheets, assets and liabilities under lease agreements, regardless of the type of these agreements.

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.

Effects of applied accounting principles for IFRS 16

IFRS 16 establishes new accounting standards for reporting leases. As at 1 January 2019, the Company identified two new categories of lease agreements:

- long-term property lease agreements: factory halls, storage facilities, offices,
- perpetual usufruct of land;

In the previous period, it was a lease of machinery, technical equipment, cars and a liability for perpetual usufruct of land disclosed in assets as investment property.

The presentation of lease agreements in the statement of financial position depends mainly on: - the scope of agreements classified as leasing, - the lease period adopted for relevant types of agreements, which requires significant estimates to be made by the Management Board of the Company. The Management Board verifies adopted estimates on the basis of change of factors taken into account during their preparation, new information or established market practice.

The lease period covers the irrevocable period of the agreement, together with the periods for which the lease may be extended, if it can be assumed with sufficient certainty that the Company will exercise this right and the periods for which the lease may be terminated, if it can be assumed with sufficient certainty that the Company will not exercise this right.

The lease term was also determined taking into consideration the legal and customary regulations in force in the Polish legal environment, as well as the specific nature of Group's agreements. In particular, for agreements concluded for an indefinite period of time, the Company accepts the notice period as an irrevocable lease term. For lease agreements concluded for an indefinite period of time, most of the notice periods are shorter than 12 months and for these agreements the Company applied an exemption from recognition of short-term leases. Consequently, such contracts are treated as short-term contracts and are not measured or presented in the statement of financial position.

In case of limited property rights in buildings in which the Company has a telecommunication infrastructure, the lease term was set as the average life of buildings in the Group. The use of any option of early termination of the agreement has not been assessed as probable as at 1 January 2019. Agreements in which the use of the extension option was assessed as probable, have an immaterial impact on the valuation of lease liabilities.

The impact of the application of IFRS 16 on the Group concerns mainly the Group as a lessee and results in:

a) recognition of all lease agreements as per a single model where the statement of financial position includes the right-of-use asset associated with the leased asset in correspondence with the lease liability;
b) recognition of depreciation on the right-of-use asset and interest costs on the lease liability, instead of recognition of operating costs;
c) accelerated recognition of costs related to lease agreements, resulting in particular from the interest component.

As at 1 January 2019, the Company applied the "modified retrospective method", without restating comparative data. The implementation of the standard had no impact on equity as at 1 January 2019, because the Company chose to measure the right-of-use asset at the value equal to the liability for leasing.

(amounts expressed in PLN thousands unless specified otherwise)

The Company chose to apply the exception under IFRS 16 point C.10. (c), whereby the requirements described in (a) to (c) above for leases for which the lease term expires within 12 months from the date of the first application may not be followed.

As a result of applying IFRS 16, certain changes were made to the presentation in the consolidated financial statements, which affected the comparative data.

All leased fixed assets at the end of the previous year were transferred from "Property, plant and equipment" to “Right-of-use assets".

Impact of IFRS 16 on the financial result

Impact on pre-tax result

annual fees recognised before 01.01.2019 in service costs	**15 048**
amortisation and depreciation	12 531
interest	1 569
	948
annual fees recognised before 01.01.2019 in taxes and charges	**3 860**
amortisation and depreciation	1 260
interest	1 720
	880

Balance sheet changes resulting from the introduction of IFRS 16 are presented in the following notes:

Impact on assets - notes 13, 17
Impact on liabilities - note 28

- **IFRIC 23 Uncertainty over income tax treatments**

The new interpretation was published on 7 June 2017 and applies to annual periods beginning on or after 1 January 2019. The objective of the interpretation is to explain treatment of income tax in financial statements where the existing tax regulations may leave room for interpretation and differences of opinion between the enterprise and tax authorities.

- **Amendment to IFRS 9: Prepayment features with negative compensation**

The amendment to IFRS 9 was published on 12 October 2017 and applies to annual periods beginning on or after 1 January 2019. Its objective is to explain principles for financial assets that can be repaid earlier under contractual terms and, formally, may not satisfy the 'only principal and interest payment' test, which would preclude their measurement at amortised cost or in fair value through other comprehensive income.

- **Amendment to IAS 28: Long-term shares in associates and joint ventures**

The amendment to IAS 28 was published on 12 October 2017 and applies to annual periods beginning on or after 1 January 2019. Its objective is to provide guidance on the measurement principles for interests in associates and joint ventures that are not accounted for using the equity method.

- **Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2015-2017)**

On 12 December 2017, following the review of IFRS, minor amendments were introduced to the following standards:

- IFRS 3 *Business Combinations*, to provide clarification that an entity is to remeasure its interest in a joint operation when it obtains control,

- IFRS 11 *Joint Arrangements* to provide clarification that an entity needs not remeasure its interest in a joint operation when it obtains joint control,

- IAS 12 *Income Taxes*, indicating that any tax consequences of dividends should be accounted for in the same way,

- IAS 23 *Borrowing Costs* to clarify that borrowings should also be classified as a general financing source when they were originally intended to finance emerging assets, once the assets are ready for use according to their intended purpose (use or sale).

They apply to annual periods beginning on or after 1 January 2019.

- **Amendments to IAS 19: Plan amendment curtailment or settlement**

The amendments to IAS 19 were published on 7 February 2018 and apply to annual periods beginning on or after 1 January 2019. These amendments concern the manner of remeasurement of defined benefit plans in the event that they are changed. The amendments to the standard imply that, in the case of a plan remeasurement of the net asset/liability, the revised assumptions should be applied to determine current plan cost and interest cost for the periods following the amendment to the plan. So far, IAS 19 was not quite clear about this point.

Changes introduced independently by the Group

The Company made no presentation adjustment to the comparative data as at 31 December 2018.

Non-compulsory standards (New standards and interpretations)

The Company did not chose to early implement, in these financial statements, published standards or interpretations before their effective date.

The following standards and interpretations have been issued by the International Accounting Standards Committee or the International Financial Reporting Interpretations Committee, but have not yet come into effect:

- **IFRS 14 Regulatory Deferral Accounts**

The new standard was published on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. This new standard is provisional, introduced for the period of IASB's ongoing work on regulating the settlement of transactions under price regulation conditions. Standard. The standard introduces principles for recognising assets and liabilities arising from transactions at regulated prices when an enterprise decides to introduce IFRS.

The Company will start applying the new standard on the date set by the European Union as the effective date of this standard, or later. Due to the provisional nature of the standard, the European Commission did not chose to initiate the formal procedure for endorsement of the standard but to wait for the final version of the standard.

- **IFRS 17 Insurance Contracts**

The new standard was published on 18 May 2017 and applies to annual periods beginning on or after 1 January 2021. Earlier application is permitted (but subject to simultaneous application of IFRS 9 and IFRS 15). The standard supersedes the existing regulations concerning insurance contracts (IFRS 4).

The Company will start applying the new standard as of the date on which it becomes effective.

- **Amendments to IFRS 10 and IAS 28: Sale or in-kind contribution of assets between an investor and its associated entity or joint venture**

The amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016 (the effective date is currently deferred without indication of the initial date). The amendments clarify the accounting treatment of transactions in which a parent company loses control over a subsidiary other than a "business" as defined in IFRS 3 "Business Combinations" by selling all or part of its shares in that subsidiary to an associated company or joint venture, consolidated for using the equity method.

The Company will start applying amendments to the standard on the date set by the European Union as the effective date of this standard, or later. Currently, the European Commission has decided to postpone the formal procedure for endorsement of the revised standards.

- **Amendment to IFRS 3 Business Combinations**

The amendment to IFRS 3 was published on 22 October 2018 and applies to annual periods beginning on or after 1 January 2020.

The purpose of the amendment was to clarify the definition of a *business* and to distinguish more easily between acquisitions of "businesses" and groups of assets for the purposes of merger accounting.

The Company will start applying the modified standard as of the date on which it becomes effective.

- **Amendments to IAS 1 and IAS 8: Definition of the term 'material'**

Amendments to IAS 1 and IAS 8 were published on 31 October 2018 and apply to annual periods beginning on or after 1 January 2020.

The purpose of these amendments was to clarify the definition of "materiality" and to facilitate its application in practice.

The Company will start applying the modified standard as of the date on which it becomes effective.

As estimated by the parent company, the aforementioned standards, interpretations and amendments to standards, unless described above, would not have a material impact on the consolidated financial statement if adopted by the Group at the balance sheet date.

IFRS, as approved by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, interpretations and amendments to these standards and interpretations, that were not effective in EU states as at the date of publication of these financial statements:

- IFRS 14 *Regulatory Deferral Accounts* published on 30 January 2014 (adoption by EU states suspended),
- IFRS 17 *Insurance Contracts*, published on 18 May 2017,
- Amendments to IFRS 10 and IAS 28: *Sale or contribution of assets between an investor and its associated entity or joint venture* published on 11 September 2014 (suspended process of acceptance for use by EU countries),
- Amendment to IFRS 3 *Business Combinations* published on 22 October 2018,
- Amendments to IAS 1 and IAS 8: *Definition of the term "material*" published on 31 October 2018.

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.

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. The covid19-related effects of the pandemic described in note 39 do not currently threaten the continuation of operations.

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 parent company. The control is executed, if the parent company 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 the asset is the amount, which according to the forecast the company 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.

(amounts expressed in PLN thousands unless specified otherwise)

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.

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 company plans to renew them and it is expected that they will generate cash flow without any time restrictions. At the balance sheet day, the company 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 (till end of 2018), 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.

Leasing as of 1 January 2019

All leases are accounted for through the recognition of an asset under the right-of-use asset and a lease liability, except for:

- leases on low-value assets;
- lease agreements covering a lease term of 12 months or less.

The lease obligations are measured at the present value of lease payments to the lessor over the lease term, where the discount rate is based on the interest rate of the lease, unless (as is usually the case) it is not readily determinable, in which case the company's/group's incremental rate of interest at the inception of the lease is used. Variable lease payments are included in the valuation of the lease liability only if they are based on an index or rate. In such cases, the initial measurement of the lease liability assumes that the variable element will remain the same throughout the lease term. Other variable lease payments are charged to costs in the period to which they relate.

On initial recognition, the carrying amount of the lease liability also includes:

- the amounts expected to be paid under the guaranteed residual value;
- the exercise price of the call option granted to the company, as long as it is reasonably assured that the company will exercise the option;
- any penalties for termination of the lease if the lease term is estimated on the assumption that the termination option can be exercised.

The right-of-use assets are initially measured at the amount of the lease liability, less any lease incentives received, and increased by:

- lease payments made at or before inception of the lease;
- initial direct costs incurred; and
- the amount of recognised provision in case the Company has a contractual obligation to dismantle, remove or retrofit the leased asset (destruct the leased asset).

After the initial measurement, lease liabilities increase due to interest charged at a fixed rate on the unpaid balance and decrease as a result of lease payments. Right-of-use assets are depreciated on a straight-line basis over the remaining lease term, or over the remaining economic life of the asset if, in rare cases, it is estimated to be shorter than the lease term.

When the Company/Group revises its estimate of the term of any lease (because, for instance, it reassessed the probability of exercising the renewal or termination option), it adjusts the carrying amount of the lease liability to reflect the payments to be made up to the end of the revised lease term, which are discounted at the same discount rate that was applied at the inception of the lease. The carrying amount of the lease liability is changed in a similar manner when the variable component of future lease payments based on an index or interest rate is modified. In both cases, the carrying amount of the right-of-use asset is adjusted accordingly and the adjusted carrying amount is depreciated over the remaining (modified) lease term.

If the Company renegotiates the terms of the lease agreement with the lessor, the accounting treatment depends on the modification made:

- if the modification involves an additional lease of one or more asset items for an amount commensurate with the unit price of the additional use rights acquired, the modification is accounted for as a separate lease in accordance with the above policy,
- in all other cases where renegotiations broaden the scope of the lease (either by extending its term or by adding one or more assets), the lease liability is remeasured at the discount rate on the date on which the modification becomes effective and the right-of-use asset is adjusted for the same amount,
- if renegotiations involve a reduction in the scope of the lease, then both the carrying amount of the lease liability and the carrying amount of the right-of-use asset are reduced in the same proportion to reflect partial or full termination of the lease and the resulting difference is recognised in profit or loss. The lease liability is then further adjusted to ensure that its carrying amount reflects the renegotiated payments over the renegotiated lease term, where the adjusted lease payments are discounted using the discount rate as at the date the change becomes effective. The right-of-use asset is adjusted by the same amount.

For agreements that both give the company/group the right to use a specific asset and require the lessor to provide services to the company/group, the Company/group has chosen to recognise the entire agreement as a lease - no amount of lease (contractual) fees are not assigned to, or separately accounted for, any services provided by the supplier under the agreement.

Leaseback

A leaseback takes place when the Company (seller-lessee) transfers an asset to another entity (buyer-lessor) and leases that asset back. If the transfer of an asset meets the requirements of IFRS 15 for recognition as a sale of such an asset, the seller-lessee identifies the asset under a leaseback in proportion to the former carrying amount of the right-of-use asset retained by the seller-lessee

Investment property

Investment property is a property (land, building or a part of building or both), which the Company, 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 valuated by the Company according to fair value and fixed 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.

On each balance date, the Company reviews 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.
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.

Investment property
Investment property is a property (land, building or a part of building or both), which the Company, 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 valuated by the Company according to fair value and fixed 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.

On each balance date, the Company reviews 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.
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 Company 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 instruments

The Group classifies financial assets into 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.

The Group classifies financial liabilities into 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.

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);
- 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.

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

Goods and materials
They are valuated at the purchase price not higher that 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 as well as 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.

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 Group 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 Group 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.

(amounts expressed in PLN thousands unless specified otherwise)

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.

Non-monetary assets and liabilities are measured at fair value and denominated in foreign currency, are valuated 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 section 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 in the period	EURO exchange rate as at the last day of period
1.01- 31.12..2019	4.3018	4.2585
1.01- 31.12..2018	4.2669	4.3000

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 recognised 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.
- 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.

Special funds

The contributions to the Company Social Benefits Fund are calculated in accordance 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.

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

3.1. Conversion of financial data

The Group did not restate comparable data in 2019.

4. DECLARATIONS OF THE MANAGEMENT BOARD

Statement by the Management Board on compliance of accounting principles

Management Board of the Parent Company: Piotr Lisiecki, Krzysztof Kołodziejczyk, Mikołaj Budzanowski 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

The Management Board for Boryszew S.A. represents that BDO Spółka z ograniczoną odpowiedzialnością sp. k. based in Warsaw, which reviewed the consolidated financial statements for the first six months of 2019, was selected in accordance with the provisions of law and that BDO Spółka z ograniczoną odpowiedzialnością sp. k. and its statutory auditors performing this review met the conditions to issue an impartial and independent opinion on the review of consolidated financial statements in accordance with applicable regulations and professional standards.

On 28 June 2018 the Supervisory Board of Boryszew S.A., acting under § 15 point 1 of the Articles of Association of Boryszew S.A. appointed, by the resolution No. 37, BDO Spółka z ograniczoną odpowiedzialnością sp. k. with its seat in Warsaw to:

a) 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,
b) 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.

BDO Spółka z ograniczoną odpowiedzialnością sp. k. based in Warsaw is entered in the list of entities authorised to audit financial statements under the number 3355, maintained by the National Council of Statutory Auditors.

The Company did not use the services of the above-mentioned auditor, involving the audit and review of financial statements.
The Supervisory Board chose the auditor pursuant to its powers stipulated in the Company's Articles of Association, recommendation of the Audit Committee and applicable legal provisions in force (pursuant to Art. 66 item 4 of the Accounting Act) as well as according to internal policies and procedures.

The Management Board for Boryszew S.A. represents that BDO Spółka z ograniczoną odpowiedzialnością sp. k., which audited the financial statements for 2019, was selected in accordance with the provisions of law and that 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, Krzysztof Kołodziejczyk, Mikołaj Budzanowski represent that the Company 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 stand alone 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.

(amounts expressed in PLN thousands unless specified otherwise)

5. OPERATING SEGMENTS (continuing operations)

Continuing operations 01.01.2019 -31.03.03. 2019	Chemical products	Automotive	Metals	Other	Total	exclusions between segments	Total
Revenues from sales	252 800	1 777 146	4 020 475	336 515	6 386 936	(127 417)	6 259 519
Segment costs of sales	218 452	1 617 821	3 679 366	308 334	5 823 973	(115 779)	5 708 194
Result on sales within segment	**34 348**	**159 325**	**341 109**	**28 181**	**562 963**	**(11 638)**	**551 325**
General, administrative and sales expenses	31 825	187 312	202 692	20 226	442 055	(12 425)	429 630
Other operating profit/loss	2 614	(1 157)	83 036	5 467	89 960	(1 357)	88 603
Segment profit/loss	**5 137**	**(29 144)**	**221 453**	**13 422**	**210 868**	**(570)**	**210 298**
Amortisation/depreciation	7 333	90 809	104 327	5 768	208 237	(4 893)	203 344
EBITDA *)	*12 470*	*61 665*	*325 780*	*19 190*	**419 105**	**(5 463)**	**413 642**
Segment assets	280 162	1 445 607	4 517 437	1 632 023	7 875 229	(3 087 839)	4 787 390
Segment liabilities	138 239	1 754 301	1 728 469	565 514	4 186 523	(949 505)	3 237 018

Continuing operations 01.01.2018 -31.03.03. 2018	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

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. Oddział 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. Rl. 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 Kunstoff GmbH, Theysohn Formenbau GmbH, Boryszew Kunstofftechnik Deutschland GmbH, AKT Plastikarska Technologie Cechy spol. s.r.o., Boryszew Formenbau Deutschland 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 NPA Skawina branch, Baterpol Recycler Sp. z o.o., Metal Zinc Sp. z o.o., 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. w likwidacji, Remal Sp. z o.o. ,Alchemia SA, Huta Bankowa Sp. z o.o., Laboratoria Badań Batory,
Chemical products	Elana Pet Sp. z o.o., Boryszew S.A. Elana branch, Boryszew S.A. Boryszew ERG branch, Boryszew S.A. Nylonbor branch, Elimer Sp. z o.o.
Other	Boryszew S.A. - Headquarters, Boryszew S.A., Boryszew S.A. Energy Branch, 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., SPV Boryszew 3 Sp. z o.o.,

(amounts expressed in PLN thousands unless specified otherwise)

6. REVENUES FROM SALE

Revenues from sale	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Revenues from sales of products	5 423 692	5 244 284
REVENUES FROM SALES OF SERVICES	90 015	87 178
Revenues from sales of goods and materials	559 832	668 048
Revenue from long-term construction contracts	185 980	100 054
Total (revenues from continuing operations)	**6 259 519**	**6 099 564**

Revenues from sale by destination market

Sales revenues by geographical areas	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Continuing operations		
Domestic sales	2 204 618	2 176 458
Sales to EU countries	3 465 872	3 429 388
Sales to other European countries	221 885	184 730
Export outside Europe	367 144	308 988
Total (revenues from continuing operations)	**6 259 519**	**6 099 564**
	-	-

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Share of EU member states in intra-Community sales:		
Germany	36%	41%
The Czech Republic	15%	15%
France	6%	5%
Slovakia	3%	4%
Italy	6%	7%
Spain	5%	5%
Great Britain	9%	4%

(amounts expressed in PLN thousands unless specified otherwise)

7. OPERATING EXPENSES

Costs of operating activities by type	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Amortisation/depreciation	203 320	148 908
Consumption of materials and energy	4 065 890	3 697 779
External services	399 717	409 171
Taxes and charges	41 869	41 161
Costs of employee benefits, including:	**921 801**	**850 248**
costs of remuneration	760 608	715 442
costs of social insurance	132 269	108 889
other employee benefits	28 924	25 917
Other expenses	54 860	113 944
Value of sold goods and materials	503 657	658 331
Total expenses by type	**6 191 114**	**5 919 542**
Movements in products (+/-)	-8 223	(13 988)
Capitalised costs by type (-) consumption for own needs	(45 201)	(15 288)
Impairment write-offs on inventories in COGS	134	(16 802)
	6 137 824	**5 873 464**
Selling costs	(143 529)	(148 880)
General and administrative costs (-)	(286 101)	(269 870)
Cost of sales	**5 708 194**	**5 454 714**

8. OTHER OPERATING REVENUES

Other operating revenues	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Profit on sale of fixed assets and investment property	51 529	19 172
Valuation of assets, including	17 269	6 375
fair value revaluation of investment real properties	*10 118*	*91*
reversal of write-downs on trade and other receivables		
reversal of revaluation write-downs on inventories	*6 041*	*5 565*
reversal of revaluation write-downs on fixed assets	964	719
Reversal of unnecessary provisions	25 720	4 417
Other income, of which:	41 708	24 087
revenues from compensations	*7 978*	*4 808*
write-off of liabilities	*736*	*939*
white certificates received	*9 764*	*314*
inclusion of companies in consolidation		*5 479*
write-down of provisions for liabilities		-
other	*23 230*	*12 547*
Subsidies	18 579	11 985
Total	**154 805**	**66 036**

(amounts expressed in PLN thousands unless specified otherwise)

9. OTHER OPERATING EXPENSES

Other operating expenses	01.01.2019 -31.12. 2019	01.01.2018 -31.12. 2018
Loss on sale of fixed assets	**7 311**	**2 068**
Revaluation write-downs on non-financial assets, including:	**21 700**	**11 447**
inventory impairment write-offs	*11 561*	*10 634*
impairment write-offs on property, plant and equipment	*9 491*	*760*
other	*648*	
Provisions, including	**8 649**	**14 433**
provisions for disputed claims	*108*	*865*
provisions for complaints and guarantees	*388*	*8 742*
Provision for waste disposal	*1 772*	*0*
provisions for loss-making contracts	*4 354*	*4 826*
provision for tax claims	*2 027*	
Other expenses, including:	**25 470**	**25 220**
cancellation and write-off of receivables	*2 139*	*2 800*
compensations and penalties paid	*3 764*	*4 266*
R&D expenses	*4 403*	-
other expenses	*15 164*	*18 154*
Total	**63 130**	**53 168**

9.1. Revaluation of trade and other receivables	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Revaluation write-downs on trade receivables	(10 470)	(6 679)
Reversal of write-downs on trade receivables	7 715	2 539
Revaluation write-downs on other receivables	(572)	(5 226)
Reversal of revaluation write-downs on other receivables	255	1
Revaluation result	**(3 072)**	**(9 365)**

10. FINANCIAL REVENUES

Financial revenues	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Interest income	5 712	6 330
Profit on sales of financial assets	2	598
Measurement of financial assets		20 181
Other financial revenues	23 058	30 781
Total	**28 772**	**57 890**

(amounts expressed in PLN thousands unless specified otherwise)

11. FINANCIAL EXPENSES

Financial expenses	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Interest expense	61 468	43 293
Loss on derivative financial instruments	6 634	6 992
Negative exchange rate differences	9 617	39 252
Discount	1 653	2 157
Other financial costs	8 672	7 292
Total	**88 044**	**98 986**
Interest expense		
Interest on loans	45 319	33 241
Interests on loans	811	1 005
Interest on lease	10 514	3 510
Interest on treasury liabilities	2 009	-
Interest on trade liabilities and other interest	2 815	5 537
Total	**61 468**	**43 293**

Revaluation of loans and bonds	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Valuation of loans, bonds	4 984	(22)

12. INCOME TAX

12.1. Income tax	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Current tax	39 495	52 429
Deferred tax	34 162	6 106
Total tax	**73 657**	**58 535**
Effective tax rate	-318.5%	28.83%
Weighted average tax rate	24.00%	24.00%

12.2. Current corporate income tax	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Gross profit (loss)	**(23 123)**	**203 052**
Permanent differences increasing the tax base	194 265	(52 619)
Temporary differences in the tax base	180 043	(5 771)
Tax exempt income due to business activity in Special Economic Zones (-)	(26 897)	(13 878)
Other increases/decreases in the tax base	(4 825)	1 133
Deductions from income due to tax losses	(9 974)	(4 654)
Income tax base	**309 489**	**127 263**
Current tax	**39 495**	**52 429**

(amounts expressed in PLN thousands unless specified otherwise)

12.3. Deferred tax

	As at 31.12.2019	As at 31.12.2018
Deferred tax provision	211 848	139 854
Deferred tax asset	106 690	102 122
Deferred tax balance	**105 158**	**37 732**

Change in deferred income tax asset	**As at 01.01.2019**	*assets of acquired entities*	*foreign exchange gains/losses*	*tax recognized in the financial result*	*tax recognized in other comprehensive income*	**As at 31.12.2019**
Tax on provisions for employee benefits (balance sheet... item...	**4 619**	**2 401**		*221*	*672*	**7 913**
Deferred tax on other provisions	**3 034**	**719**		*834*		**4 587**
Impairment write-offs on assets (fixed assets, intangible assets, shares, trade receivables, inventories)	**17 437**	**2 619**		*10 266*		**30 322**
Valuation of derivative instruments	**147**	**182**		*5 374*	(2 146)	**3 557**
Unrealised negative currency exchange differences	**10 415**	**56**		*491*		**10 962**
Depreciation (difference between depreciation for tax and balance sheet purposes)	**19 938**	**144**		*10 844*		**30 926**
Asset for the tax loss	**29 579**	**1 990**	(178)	(17 454)		**13 937**
Deferred income tax asset on SEZ taxation	**3 254**	**0**		(3 254)		**0**
Other deferred income tax assets	**13 699**	**715**	**73**	(10 001)		**4 486**
Total	**102 122**	**8 826**	(105)	(2 679)	(1 474)	**106 690**

The Group wrote down assets for tax losses in BAP Capital Group German companies in the amount of 18 699 .

Change in deferred income tax provisions	**As at 01.01.2019**	*provisions of acquired entities*	*provisions of liquidated entities*	*tax recognized in the financial result*	*tax recognized in other comprehensive income*	**As at 31.12.2019**
Valuation of Assets	**40 456**	**6 325**		*7 510*		**54 291**
Balance sheet valuation of derivative instruments	**1 873**			*5 220*	(2 189)	**4 904**
Unrealised currency exchange rate differences	**2 526**	**562**		*1 349*		**4 437**
Fixed assets depreciation	**77 398**	**35 034**		*12 907*		**125 339**
Other deferred income tax provisions	**17 601**	**779**		*4 497*		**22 877**
Total	**139 854**	**42 700**	**0**	**31 483**	(2 189)	**211 848**

(amounts expressed in PLN thousands unless specified otherwise)

13. NON-CURRENT ASSETS

Tangible fixed assets (by type groups)	As at 31.12.2019	As at 31.12.2018
Fixed assets by type:	**1 681 177**	**1 444 943**
land	*35 758*	*35 739*
buildings, premises, civil and water engineering structures	*618 834*	*476 248*
technical equipment and machines	*973 984*	*875 449*
vehicles	*11 454*	*17 946*
other tangible fixed assets	*41 147*	*39 561*
Advances for tangible fixed assets	***133 280***	***29 272***
Total property, plant and equipment	**1 814 457**	**1 474 215**

Advances for the purchase of fixed assets in the amount of PLN 95 403 thousand relate to Impexmetal investments.

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%.

The project implementation will involve two basic investment tasks:

1. Expansion of the Foundry Department - increase in production capacity to 200 000 tons of ingots.
2. Expansion of the Rolling Mill Division - increase in production capacity to 135 000 tonnes of rolled products.

The total anticipated investment outlays under the programme amount to approximately PLN 428 million.

The remaining amount of advances is mainly investments in Huta Bankowa

Huta Bankowa sp. z o.o. implements projects concluded within the National Centre for Research and Development.

In 2019 project "Unique forged and rolled special-purpose steel ring with advanced, designed cross-section and adjustable operating properties", obtained a grant of: PLN 10 million, total expenditures for fixed assets on this account amounted to: PLN 26.5 million

In 2019 project “Designed rolling of large size long bars with non furnace treatment - new technology for the production of quality long rolled bars made of alloy steel with designed properties for the engineering industry" obtained a grant of: PLN 1.85 million, and in 2019, total expenditures for fixed assets on that account amounted to PLN 4.3 million

In 2019, Saws No. 1 and No. 2 were transferred to this project, with a total value of PLN 19.7 million.

Project “Automated line for quality control and examination of for rings and rims with intelligent system for identification and measurement of internal defects using the PA method, form measurements by means of 3D measurement heads and the SMART-HARD mechanical properties measurement station” - grant in 2019 of PLN 344 thousand, total expenditure on fixed assets on this account in 2019 amounted to PLN 65 thousand

additional information	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Capitalised cost of borrowing	687	478
New fixed assets during the year under lease agreements	0	75 214
Amount of net non-current assets with the limited ownership right	65 336	210 649
Fixed assets provided as collateral to loan repayment	420 029	472 275
Compensation form third parties on impairment losses	301	

(amounts expressed in PLN thousands unless specified otherwise)

In the previous year, leased fixed assets were recognised as assets to which entities have limited ownership title

Change in the balance of fixed assets in the period 01.01.2019 -31.12. 2019	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	vehicles	Other tangible fixed assets	Total
Gross value of fixed assets at the beginning of the period	**35 256**	**745 496**	**1 931 220**	**48 862**	**131 746**	**2 892 580**
Transfer on 01.01.2019 of fixed assets under lease PdWA	(22 528)	-15 727	(142 744)	(9 037)	(3 650)	(193 686)
Increase - due to acquisition (+)	55	36 379	170 520	1 303	8 795	217 052
fixed assets redeemed after lease end	0	0	0	3	0	3
Integration of the Alchemia Group in consolidation	22 648	194 121	521 238	3 473	9 859	751 339
Disposal (-)	(114)	(5 637)	(12 792)	(522)	1 002	(18 063)
Tangible fixed assets under construction (+/-)	0	10 504	18 715	(49)	(285)	28 885
Liquidation (-)	0	(872)	(16 531)	(1 740)	(855)	(19 998)
Reclassification to assets held for sale (-)	0	0	(3 754)	0	0	(3 754)
Sale of fixed assets to lessor- lease-back (-)	0	0	(71 240)	0	0	(71 240)
Other (+/-)	(12)	3 383	(12 458)	669	5 106	(3 312)
Impact of exchange rate differences (+/-)		1 214	(450)	(140)		624
Gross value of fixed assets at the end of the period	**35 305**	**968 861**	**2 381 724**	**42 822**	**151 718**	**3 580 430**
Accumulated depreciation at the beginning of the period	-621	237 765	990 762	30 264	89 019	**1 347 189**
Transfer of YTD depreciation on fixed assets to PdWA as at 01.01.2019	0	-3 592	(26 935)	(3 589)	(375)	(34 491)
Integration of the Alchemia Group in consolidation	0	56 647	311 874	2 160	5 568	376 249
Planned depreciation of own fixed assets (+)	30	28 557	122 326	3 112	10 014	164 039
Decrease due to disposal (-)	0	(1 698)	(14 398)	(1 513)	(1 071)	(18 680)
Decrease due to reclassification to assets held for sale (-)	0	(113)	(3 691)	(137)	(3)	(3 944)
Reduction due to sale of fixed assets to lessor- lease-back (-)	0	0	(48 614)	0	0	(48 614)
Other (+/-)	0	862	(10 678)	434	4 268	(5 114)
Accumulated depreciation at the end of the period	-591	**318 428**	**1 320 646**	**30 731**	**107 420**	**1 776 634**
Impairment write-offs at the beginning of the period	138	31 483	65 009	652	3 166	**100 448**
Integration of the Alchemia Group in consolidation			7			7
Write-down provision recognized in the profit/loss for the current period (-)		228	28 783	0	0	29 011
Reversal of write-downs recognized in the profit/loss for the current period (-)		(4)	(7 308)	0	(2)	(7 314)
Decrease due to disposal (-)		(108)	(81)	(15)	(13)	(217)
Other (+/-)		0	684	0	0	684
Impairment write-offs at the end of the period	138	**31 599**	**87 094**	**637**	**3 151**	**122 619**
Net fixed assets as at the end of period	**35 758**	**618 834**	**973 984**	**11 454**	**41 147**	**1 681 177**

(amounts expressed in PLN thousands unless specified otherwise)

Change in the balance of fixed assets in the period 01.01.2018 -31.12. 2018	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	Vehicles	Other tangible fixed assets	**Total**
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**

On 31 December 2019 Group's entire assets were tested for impairment (due to capitalization lower than its equity). The result of the test gave no grounds to revaluation write-off on Group's assets.
The test for permanent impairment of assets was performed based on five-year discounted projected cash flows. Cash flows were discounted in each test period at a weighted average cost of capital of 7.7%.
The test also assumed a 5% increase in the value of flows after the forecast period.
The test was based on the forecast of EBITDA, income tax and changes in working capital at the level of the capital group companies, including consolidation exclusions. The forecast period is 5 years.
The assumption for investment expenditure was that expenditure on the replacement of assets is equal to depreciation. Other investment expenditures were estimated based on forecasts and development plans of relevant companies. Discounted cash flows were adjusted by the value of net debt of Boryszew Group.

(amounts expressed in PLN thousands unless specified otherwise)

14. INVESTMENT PROPERTY

Change	As at 31.12.2019	As at 31.12.2018
Balance at the beginning of the period	**150 906**	**154 984**
Additions	**12 090**	**10 862**
disclosure of land in perpetual usufruct	1 520	
Properties of Alchemia Capital Group	360	
valuation to fair value (+/-)	10 100	10 862
reclassification (from fixed assets, inventories)	110	
Reductions (-)	**(3 807)**	**(14 940)**
sale (-)	(3 159)	(3 363)
valuation to fair value (-)	(648)	(574)
reclassified to fixed assets	0	(11 003)
Balance as at period end	**159 189**	**150 906**

Investment real estate property at fair value	As at 31.12.2019	As at 31.12.2018
Eastside Bis real property in Toruń	100 018	103 024
Property of Boryszew S.A. in Toruń	16 525	16 525
WM Dziedzice SA real property	18 922	18 276
ZM Silesia SA real property	8 019	8 019
Properties of Alchemia	146	
Properties of Huta Bankowa	200	
Hotel Central and Klub Hutnik in Konin	15 359	5 062
Total	**159 189**	**150 906**

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

	As at 31.12.2019	As at 31.12.2018
Revenues from investment property (rental agreements)	10 070	9 874
Maintenance cost of investment property	8 807	9 027

Some of the investment properties included in the books of Eastside bis are used by Boryszew Capital Group companies. For the purposes of consolidation, these investments were recognised as fixed assets (PLN 61 248 thousand). Revenues from the lease of these properties were eliminated in the consolidation process (PLN 8 370 thousand)

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. The last valuation of investment properties in Eastside bis was carried out as at 31.12.2018 by an independent expert. The market value of the real property is determined by revenue approach, using the investment method, using 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). According to the Management Board, no evidence of impairment exists as at the balance sheet date. The price of the properties sold in the current year did not differ from their book values.

(amounts expressed in PLN thousands unless specified otherwise)

15. GOODWILL

Accumulated goodwill arisen as a result:	As at 31.12.2019	As at 31.12.2018
Combination of Impexmetal S.A. with Huta Konin	2 122	2 122
Baterpol S.A.	6 418	6 418
Acquisition of the Alchemia Capital Group	0	
ZM Silesia S.A.	14 924	14 924
Total	**23 464**	**23 464**
	-	

Changes in goodwill	As at 31.12.2019	As at 31.12.2018
Goodwill at the beginning of the period	**23 464**	**23 464**
Increase due to acquisition (subsidiary)	163 254	
Write-down on goodwill (-)	(163 254)	
Decrease in goodwill after disposal of a subsidiary (-)	0	
Goodwill at the end of the period	**23 464**	**23 464**
	-	-

At the end of 2019 the Group conducted goodwill impairment tests.

Goodwill was allocated to the groups of CGUs, including CGUs for:

- Impexmetal S.A. - fixed assets of Zakład Huta Aluminium Konin
- Baterpol S.A. – company's fixed assets
- ZM Silesia – Zakład Huta Oława
- Alchemia Capital Group - CGU ALC, operations of Alchemia S.A. and Laboratoria Badań Batory Sp. z o.o. and
- GK Alchemia - CGU HB, operations of Huta Bankowa Sp. z o.o.

Following the impairment tests carried out at the end of 2019 for goodwill of Impexmetal S.A., Baterpol S.A. and ZM Silesia S.A. it was determined that no goodwill write-offs. Companies perform well in their market segments The tests were carried out based on five-year discounted projected cash flows, in accordance with the approved plans of the 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 2020, then 5.91%) (in 2018 - 5.32% and 5.91% respectively), for ZM Silesia S.A. – 7.9% (in 2018 - 9.9%), for Baterpol S.A. – 7.9% (in 2018 - 9.9%), the EUR/PLN exchange rates in all models was 4.38 and (in 2018 - 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.

In 2019 Boryszew Group assumed control over Alchemia S.A. Capital Group following the acquisition of a controlling stake in Alchemia S.A. (Alchemia Capital Group). The resulting goodwill amounted to PLN 163 254 thousand as at the acquisition date and was allocated to two separate cash-generating units (CGU):

- CGU ALC, operations of Alchemia S.A. and Laboratoria Badań Batory Sp. z o.o., in the amount of PLN 102 395 thousand and
- CGU HB, operations of Huta Bankowa Sp. z o.o. in the amount of PLN 60 860.

The acquisition settlement and the calculation of the above values were presented in the note on the acquisition settlement of Alchemia S.A.

As at 31.12.2019, goodwill of Alchemia Capital Group was tested for impairment, which was carried out at discounted projected cash flows of Alchemia Capital Group. The test used:

- financial forecasts, covering, due to the specific nature of the steel industry, a ten-year period,
- a discount rate of 7.1% of the weighted average cost of capital (WACC),
- a risk-free rate of 2.1% (based on 10-year treasury bonds),
- cost of equity (CAMP) in the range between 8% and 11%,

(amounts expressed in PLN thousands unless specified otherwise)

- an increase in the value of cash flows after the forecast period at the level of 1.0%.

Based on this assessment an impairment of net assets in the amount of PLN 179 913 thousand was recognised and allocated to cash-generating units according to the sales revenue allocation key (adopted for allocation of the purchase price):
- CGU ALC - PLN 112 842 thousand and
- CGU HB - PLN 67 071.

Following the above, an impairment loss was recognised for the entire goodwill of Alchemia Capital Group in the total amount of PLN 163 254 thousand and for tangible fixed assets in the amount of PLN 16 659 thousand.

Loss on assumption of control of Alchemia Capital Group	
Write-down on goodwill (-)	163 254
Impairment write-off on tangible fixed assets	16 659
Total loss recognised in the consolidated statement of comprehensive income	**179 913**

16. INTANGIBLE ASSETS

Intangible assets	**As at 31.12.2019**	**As at 31.12.2018**
R&D expenses	9 429	11 232
Patents, licenses, software	23 972	21 815
Perpetual land usufruct right	0	6 399
Other intangible assets	12 410	7 213
Advances for intangible assets	8	8
Total	**45 819**	**46 667**

Change in intangible assets in the period 01.01.2019 -31.12. 2019	R&D expenses	Patents, concessions, licence, software	Perpetual land usufruct right	Other intangible assets	Total
Gross value at the beginning of the period	**37 083**	**46 223**	**8 314**	**15 702**	**107 322**
Additions (acquisition) (+)	2 346	6 140	0	5 109	**13 595**
Disposal (-)	0	(3 214)		(22)	(3 236)
Liquidation (-)	0	(318)	0	(4)	(322)
Net result Alchemia Capital Group	235	4 439	0	2 889	**7 563**
Transfer as of 01.01.2019 of leased patents to the right-of-use assets to note 24.2. (-)	(1 747)	0	(8 311)	0	(10 058)
Impact of exchange rate differences (+/-)	(25)	1 893	0	20	**1 888**
Gross value of intangible assets at the end of the period	**37 892**	**55 163**	**3**	**23 694**	**116 752**
Accumulated depreciation at the beginning of the period	**25 851**	**24 374**	**1 710**	**8 489**	**60 424**
Planned depreciation of intangible assets (+)	2 377	3 285	0	1 396	**7 058**
Decrease due to disposal (-)	0	(424)	0	(26)	(450)
Net result Alchemia Capital Group	235	1 903	0	1 425	**3 563**
Transfer as of 01.01.2019 of leased patents to the right-of-use assets to note 24.2. (-)	0	0	(1 707)	0	(1 707)
Accumulated depreciation at the end of the period	**28 463**	**31 157**	**3**	**11 284**	**70 907**
Impairment write-offs at the beginning of the period	**0**	**34**	**205**	**0**	**239**
Decrease due to disposal (-)	0	0	(205)	0	(205)
impairment write-offs at the end of the period	**0**	**34**	**0**	**0**	**34**
Net value of intangible assets at the end of the period	**9 429**	**23 972**	**0**	**12 410**	**45 811**

(amounts expressed in PLN thousands unless specified otherwise)

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**

(amounts expressed in PLN thousands unless specified otherwise)

17. RIGHT-OF-USE ASSETS

	Buildings and structures under lease	*Technical equipment, plant and machinery under lease*	*Motor vehicles under lease*	*Other tangible fixed assets under lease*	*Land - SMA*	*The Lease Agreement*	*Total*
Gross value of right-of-use assets - beginning of the period		-	-	-	-	-	-
Transfer on 01.01.2019 of leased fixed assets	15 726	144 527	9 859	3 729	39 909		213 750
Implementation of IFRS 16					93 412	68 782	162 194
Acceptance for use under new lease agreements signed during the current year (+)		37 006	6 872	1 876		3 445	49 199
Disposal of assets		954			(6 401)		(5 447)
Transfer from own fixed assets under leaseback		23 843	-	-		-	23 843
Reduction du to end of lease term (-)		(4 373)	(789)	-	(1 094)	-	(6 256)
Impact of exchange rate differences (+/-)			- 8	-		-	(8)
Gross value of fixed assets at the end of the period	**15 726**	**201 957**	**15 934**	**5 605**	**125 826**	**72 227**	**437 275**
Accumulated depreciation of leased assets - beginning of the period		-	-	-		-	-
Transfer to 01.01.2019 of the depreciation of leased fixed assets	3 592	28 252	3 305	375	1 085		36 609
Depreciation of own fixed assets (+)	651	12 663	3 545	555	1 260	12 531	31 205
Reduction due to end of lease (-)/disposal		(365)	(518)	-	(103)	-	(986)
Impact of exchange rate differences (+/-)		2	(4)	-		-	(2)
Accumulated depreciation at the end of the period	**4 243**	**40 552**	**6 328**	**930**	**2 242**	**12 531**	**66 826**
Impairment write-offs at the beginning of the period		-	-	-	205	-	205
Transfer to 01.01.2019 of existing write-offs of leased fixed assets		51	287	-		-	338
Write-down provision recognized in the profit/loss for the current period (-)		802	-	-	255	-	1 057
impairment write-offs at the end of the period	**0**	**853**	**287**	**0**	**460**	**0**	**1 600**
Net value of right-of-use assets - end of the period	**11 483**	**160 552**	**9 319**	**4 675**	**123 124**	**59 696**	**368 849**

(amounts expressed in PLN thousands unless specified otherwise)

The above list includes PdUA related to the acquisition of Alchemia Capital Group

Right-to-use assets acquired from Alchemia Capital Group	*Buildings and structures under lease*	*Technical equipment, plant and machinery under lease*	*Motor vehicles under lease*	*Other tangible fixed assets under lease*	*Land - SMA*	total
Initial value	3 445	1 087	498	2 660	22 432	**30 122**
Depreciation to date	718	160	178	240		**1 296**

Impact on pre-tax result

annual fees recognised before 01.01.2019 in service costs	**15 048**
amortisation and depreciation	12 531
interest	1 569
	948
annual fees recognised before 01.01.2019 in taxes and charges	**3 860**
amortisation and depreciation	1 260
interest	1 720
	880

18. SHARES IN AFFILIATES

	As at 31.12.2019	As at 31.12.2018
Carrying amount of investments in associates - beginning of the year	337 137	**337 137**
Acquisition of shares during the year (+)		-
Derecognition due to assumption of control	(337 137)	-
Value at cost at year-end	**0**	**337 137**
Cumulative valuation of associates acquired within Alchemia Capital Group	351	
Valuation during the year	(40)	
Cumulative valuation		(32 052)
Share in profit		11 497
Carrying amount of investments in associates	**311**	**316 582**

19. FINANCIAL ASSETS

Financial assets	***As at 31.12.2019***	***As at 31.12.2018***
Shares at fair value through other comprehensive income	*3*	*1 819*
Shares at fair value through profit and loss	*78*	*77*
Debt instruments - bonds	*34 529*	*196 028*
Loans granted	*182*	*1 995*
	34 792	***199 919***
Long-term assets	*1 744*	*4 374*
Short-term assets	*33 048*	*195 545*

(amounts expressed in PLN thousands unless specified otherwise)

Bonds	*As at 31.12.2019*	*As at 31.12.2018*
Unibax Sp. z o.o.	*24 554*	*187 035*
Impairments	*(18)*	*(18)*
	24 536	***187 017***
Skotan S.A.	*9 912*	*9 011*
other	*81*	
	34 529	***196 028***

Unibax bonds are currently unsecured.
Skotan Bonds secured on the assets of the issuer.

Borrowings	**As at 31.12.2019**	**As at 31.12.2018**
Polish Wind Holdings B.V.		1 882
Write-offs recognised in the result		(4)
Other	182	117
	182	**1 995**
	-	-

Change in financial assets between 01.01.2019 and 31.12.2019	**Bonds**	**Borrowings**
Carrying amount - beginning of the period	**196 028**	**1 995**
Reduction in assets - bought-in / repaid during the year (-)	(179 118)	(1 988)
Acquired bonds / loans granted in current year (+)	55 000	175
Interest on bonds recognised in P&L in current year (+)	2 250	
Interest received	(3 712)	
Write-offs on bonds + interest recognised in P&L in current year (-)	(13)	
Alchemia Capital Group bonds	13 874	
conversion of Unibax bonds into Alchemia shares	(49 775)	
Exchange rate differences recognised in P&L in current year (income+/cost -)	(5)	
Carrying amount of bonds - end of the period	**34 529**	**182**

(amounts expressed in PLN thousands unless specified otherwise)

20. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31.12.2019	assets	liabilities
Cash flows hedging instruments	**19 373**	**4 116**
Commodity swaps	*4 421*	*1 665*
Foreign exchange contracts	*14 952*	*2 451*
Fair value hedges	**2 314**	**863**
Interest rate swaps	*0*	*340*
Foreign exchange contracts	*913*	*6*
Commodity swaps	*1 401*	*517*
Instruments held for trading	**1 194**	**45**
Foreign exchange contracts	*305*	*31*
Commodity swaps	*889*	*14*
	22 881	**5 024**
balance	**17 857**	

As at 31.12.2018	assets	liabilities
Cash flows hedging instruments	**19 499**	**1 829**
Commodity swaps	*9 975*	*1 211*
Foreign exchange contracts	*9 524*	*618*
Fair value hedges	**1 871**	**932**
Interest rate swaps	*0*	*286*
Foreign exchange contracts	*403*	*176*
Commodity swaps	*1 468*	*470*
Instruments held for trading	**2 537**	**2 409**
Foreign exchange contracts	*94*	*0*
Commodity swaps	*2 443*	*2 409*
	23 907	**5 170**
balance	**18 737**	

Presentation of derivative instruments in the income statement	As at 31.12.2019	As at 31.12.2018
Income statement items		
Revenues from sale	**980**	**11 220**
Manufacturing cost of products sold	**(24 871)**	**(23 880)**
Financial income, including:	**23 281**	**25 122**
profit on trading in derivatives	878	7 607
exchange rate differences - correction by the effective portion	22 403	17 515
Financial expenses, including:	**11 605**	**20 583**
loss on trading in derivatives	(279)	7 729
exchange rate differences - correction by the effective portion	11 884	12 854

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 income or expense.

(amounts expressed in PLN thousands unless specified otherwise)

Changes in the fair value of derivatives for fair value hedging 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 income statement 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.

Expected dates for cash flows from derivatives

Commodity derivatives as at 12.31.2019

currency	<1 month	1-3 months	3-12 months	1-3 years	total
USD	555	629	607		1 791
EUR	2 355	68	245	56	2 724
Total	**2 910**	**697**	**852**	**56**	**4 515**

Commodity derivatives as at 12.31.2019

currency	<1 month	1-3 months	3-12 months	1-3 years	total
USD	(526)	(978)	(288)	(278)	(2 070)
EUR	3 867	5 447	4 890	1 548	15 752
Total	**3 341**	**4 469**	**4 602**	**1 270**	**13 682**

21. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivable	**As at 31.12.2019**	**As at 31.12.2018**
Trade receivables from sale of products, goods and services	644 037	573 699
Valuation of credit risk	(95)	-
Receivables from sale of fixed assets and intangible assets	93	40
Budget receivables	83 462	42 002
Other debtors	30 505	53 509
Trade receivables and other receivables	**758 002**	**669 250**
long-term	*2 936*	*4 840*
short-term	*755 066*	*664 410*
Receivables securing loan repayments	96 212	108 499

(amounts expressed in PLN thousands unless specified otherwise)

Cumulative revaluation write-downs on receivables		
Write-offs on overdue trade receivables	75 161	49 100
Write-offs on other receivables (except trade receivables)	34 856	13 856
Total allowances	**110 017**	**62 956**
Gross accounts receivable	**868 019**	**732 206**

Write-offs on trade receivables (trade receivables only)	**01.01.2019 - 31.12. 2019**	**01.01.2018 - 31.12. 2018**
Balance as at the beginning	**49 100**	**46 373**
Write-offs - Alchemia Capital Group	25 414	
Write-offs on overdue receivables (+)	10 470	6 679
Removal of write-off together with the receivable as irrecoverable/overdue (-) (out of P&L)	(1 361)	(2 458)
Write-downs derecognized from recovered receivables (-)	(391)	(1 456)
Reversal of write-offs on overdue receivables (-)	(7 715)	(1 121)
exchange rate differences brought forward (+/-)	(356)	1 083
Write-offs according to IFRS 9 - credit risk (-)	0	
Write-downs at the end of the period	**75 161**	**49 100**

Trade receivables aging	**As at 31.12.2019**	**As at 31.12.2018**
net accounts receivable with the remaining repayment period from the balance sheet date	**523 797**	**467 865**
up to 3 months	492 313	426 357
up to 6 months	31 484	34 039
up to 1 year	0	2 060
above 1 year	0	5 409
overdue accounts receivable	**120 240**	**105 834**
up to 3 months	109 501	95 836
up to 6 months	2 244	3 216
up to 1 year	948	947
above 1 year	7 547	5 835
total trade receivables	**644 037**	**573 699**

cumulative impairment write-off for trade receivables		
up to 3 months	4 533	4 845
up to 6 months	5 655	212
up to 1 year	3 573	14 506
above 1 year	61 400	29 537
Write-downs at the end of the period	**75 161**	**49 100**

(amounts expressed in PLN thousands unless specified otherwise)

22. INVENTORIES

Structure of inventories	As at 31.12.2019	As at 31.12.2018
Materials and raw materials	412 422	358 796
Work in progress	288 868	249 025
Finished products	431 776	346 769
Traded goods	61 548	66 687
Energy certificates	4 386	333
Total	**1 199 000**	**1 021 610**
Advances on supplies	23 750	18 643
Carrying value of inventories	**1 222 750**	**1 040 253**
Impairments	41 160	31 323
Gross value of inventories	**1 263 910**	**1 071 576**

Revaluation write-offs for inventories at the beginning of the period	**31 323**	**31 837**
Write-offs - Alchemia Capital Group	4 914	
Increase of impairments in the period	11 561	10 634
Reversal of write-downs in the period (-)	(6 041)	(5 565)
Fair value measurement of energy certificates (+/-)	(81)	40
exchange rate differences brought forward (+/ -)	0	170
Other decrease of write-downs in the period (written down with inventories) (-)	(516)	(5 793)
Revaluation write-offs for inventories at the end of the period	**41 160**	**31 323**
Impairment write-offs in manufacturing cost	599	
Impairment write-offs in other operating expenses	5 520	5 069

23. OTHER ASSETS

Accrued costs	As at 31.12.2019	As at 31.12.2018
Prepayments - other than financial expenses	17 249	22 177
Prepayments - financial expenses	595	247
Quick savings (only automotive)	14 467	11 897
Capitalised costs of new projects	49 103	41 717
Total	**81 414**	**76 038**
Long-term part	*27 308*	*21 593*
Short-term part	*54 106*	*54 445*

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.

(amounts expressed in PLN thousands unless specified otherwise)

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.

24. CASH

Cash and cash equivalents	As at 31.12.2019	As at 31.12.2018
Cash in hand and at bank	208 192	128 559
Other (deposits)	11 449	9 108
Total	**219 641**	**137 667**

25. 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 in liquidation. In 2018 these companies were: HMN Szopienice S.A. in liquidation Torlen Sp. z o.o. in liquidation. In 2019 the process of liquidation of Torlen, which was removed from the National Court Register on 20 May 20120, was completed.

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.

Assets held for sale from discontinued operations	As at 31.12.2019	As at 31.12.2018
Non-current assets	459	530
Intangible assets	0	9
Financial assets	14	14
Inventory	0	1 381
Trade receivables and other receivable	262	5 144
Other assets	0	57
Cash and cash equivalents	247	3 529
Total assets	**982**	**10 664**

Liabilities related to fixed assets held for sale (discontinued operations)		
Loans and borrowings, debt securities		
Trade and other liabilities	16 080	18 808
Provisions for income tax	16	16
Employee benefit provisions	0	1 232
Other provisions	201	231
Total liabilities	**16 297**	**20 287**

(amounts expressed in PLN thousands unless specified otherwise)

26. EQUITY

Share capital structure

The table below presents Shareholders holding more than 5% of the share capital and of the total number of votes as at 31.12.2019 and the date of submitting the report for publication:

Shareholders	Number of shares	% of capital	Number of votes	% of votes
Roman Krzysztof Karkosik (*)	156 832 020	65.346%	156 832 020	65.346%
including subsidiaries:	154 144 622	64.227%	154 144 622	64.227%
Impexmetal S.A.	13 346 169	5.561%	13 346 169	5.561%
Boryszew S.A.(**)	19 283 831	8.03%	19 283 831	8.03%
RKKK Investments Sp. z o.o.	119 998 000	49.999%	119 998 000	49.999%
Nationale - Nederlanden Otwarty Fundusz Emerytalny	14 773 261	6.156%	14 773 261	6.156%
Others	68 394 719	28.498%	68 394 719	28.498%
Total:	**240 000 000**	**100.00%**	**240 000 000**	**100.000%**

(*) Mr Roman Krzysztof Karkosik with subsidiaries (as per notification of 1 October 2018).

(**) As per the notification of Boryszew S.A. of 18 March 2019

The Company is not aware of any agreements other than those disclosed in point 30 under which changes might occur in future in the proportions of shares held by the existing Shareholders.
The Company did not issue any securities that would confer any special controlling rights on any of its shareholders. All shares are equal, each share entitles to one vote at the General Meeting.

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

Own shares

In 2019 Boryszew S.A. acquired in total 960 000 its own shares, making a total of 19 283 831 own shares together with the shares already held, which accounted for 8.0349 % votes during the General Meeting of Boryszew S.A.

As at 31 December 2019 Boryszew Capital Group held 38 00 000 shares of Boryszew S.A., accounting for 15.8333% of total votes at the General Meeting of Boryszew S.A., including:

- Boryszew S.A. : 19 283 831 own (treasury) shares, accounting for 8.0349% share in the share capital and total votes during the General Assembly of Boryszew S.A.,
- Impexmetal S.A.: 13 346 169 shares, accounting for 5.5609% of share in the share capital and overall number of votes at the General Meeting of Boryszew S.A.,
- Alchemia S.A.: 3 200 000 shares, accounting for 1.3333% share in the share capital and total votes during the General Assembly of Boryszew S.A.,
- SPV Boryszew 3 Sp. z o.o. 2 165 000 shares, accounting for 0.902% share in share capital and votes during General Assembly of Impexmetal S.A.,
- Polski Cynk Sp. z o.o. 5 000 shares, accounting for 0.002% share in the share capital and votes during the General Assembly of Boryszew S.A.,

As at the day of publication of the financial statements the shareholding of Boryszew S.A. by the Capital Group has not changed

(amounts expressed in PLN thousands unless specified otherwise)

Change in equity	As at 31.12.2019	As at 31.12.2018
Number of shares as at the balance sheet date	**240 000 000**	**240 000 000**
number of own shares	*38 000 000*	*32 483 831*
number of shares entitled to dividend	*202 000 000*	*207 516 169*
Share capital at the beginning of the year, including:	**248 906**	**248 906**
Paid-up capital	*240 000*	*240 000*
*Revaluation *)*	*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	**(217 657)**	**(170 567)**
share buy-back	(4 516)	(47 090)
shares of Boryszew SA held by Alchemia	(14 580)	
Redemption of own shares		
Balance as at the end	**(236 753)**	**(217 657)**
Reserve capital - hedge accounting		
Balance as at the beginning	**4 797**	**5 259**
Profit/loss for the current period	5 913	(1 169)
Income tax (+/-)		222
Change due to change in Capital Group structure	3 616	485
Balance as at the end	**14 326**	**4 797**
Share revaluation reserve		
Balance as at the beginning of the year	**(13 142)**	**(12 024)**
Increase/decrease	(1 810)	(1 118)
Change due to change in Capital Group structure	(6 865)	
Income tax (+/-)		-
Balance as at the end	**(21 817)**	**(13 142)**
Restatement of employee benefits		
Balance as at the beginning	**(1 148)**	**(775)**
Profit/loss for the current period	(1 053)	(436)
Income tax (+/-)		83
Change due to change in Capital Group structure	(436)	(20)
Balance as at the end	**(2 637)**	**(1 148)**
Exchange differences on recalculation of overseas controlled entities		
Balance as at the beginning	**(21 572)**	**(39 569)**
Profit/loss for the current period	(2 511)	17 887
Change due to change in Capital Group structure	5 348	110
Balance as at the end	**(18 735)**	**(21 572)**

(amounts expressed in PLN thousands unless specified otherwise)

Retained earnings		
Balance as at the beginning of the year	**1 101 613**	**985 803**
Correction-implementation of IFRS 9		(346)
Result of the current year	(87 977)	71 350
	0	
Change due to change in Capital Group structure	235 148	44 806
Balance as at the end	**1 248 784**	**1 101 613**
Total equity of the parent company	**1 346 509**	**1 216 232**
Equity of non-controlling interests		
Balance as at the beginning	**578 675**	**590 622**
Result of the current year	(10 768)	69 494
Dividend distribution	(11 396)	(2 222)
Change due to change in Capital Group structure	(367 963)	(79 219)
Balance as at the end	**188 548**	**578 675**
	-	-
Total equity	**1 535 057**	**1 794 907**

*) 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.

27. BANK CREDITS, LOANS

External financing liabilities	As at 31.12.2019	As at 31.12.2018
Bank loan facilities	1 472 617	1 161 306
Loans received	17 160	22 693
Bonds	0	0
Total loans, including:	**1 489 777**	**1 183 999**
Long-term liabilities	*606 204*	*441 206*
Short-term liabilities	*883 573*	*742 793*

27.1. Bank loan facilities	As at 31.12.2019	As at 31.12.2018
Investment bank loans	258 505	318 712
Working capital facility	879 207	572 719
Revolving loans (including unpaid interest)	285 875	200 121
Factoring	49 030	69 754
Total loans, including:	**1 472 617**	**1 161 306**
Bank loans - long-term	*594 721*	*423 047*
Bank loans - short-term	*877 896*	*738 259*

(amounts expressed in PLN thousands unless specified otherwise)

Interest expense		
interest expense in P&L	38 945	33 241
interest expense (fixed assets)	291	198
total interest expenses	**39 236**	**33 439**

Change in loan liabilities	**01.01.2019 - 31.12. 2019**	**As at 31.12.2018**
nominal value of loans at the beginning of the year	**1 161 306**	**1 045 340**
proceeds (CF) from new loans received (+)	596 607	359 176
repayment (CF) of loans (-)	(405 679)	(238 477)
interest payment, which was included in the balance brought forward (-)	(547)	
unpaid interest at the end of the period recognised in the balance sheet (+)	557	
	0	
total cash change	**190 938**	**120 699**
non-cash changes		
impact of exchange rate differences (+/-)	(1 992)	(4 836)
unpaid interest at the end of the period recognised in the balance sheet (+)	0	103
loans Alchemia Capital Group	122 365	
sum of non-cash changes	**120 373**	**(4 733)**
carrying amount of loans	**1 472 617**	**1 161 306**

As at the end of 2019 the free credit limits (applicable to overdraft facilities and revolving working capital loans) amounted to PLN 181 382 thousand (as at the end of 2018 - PLN 272 638 thousand)

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.

(amounts expressed in PLN thousands unless specified otherwise)

Loan details	Loan liabilities 31.12.2019	Loan liabilities 31.12.2018	Movement between periods
ALIOR Bank	11 994	11 994	*0*
ALIOR Bank	36 919	33 379	*3 540*
ALIOR Bank	14 000	14 000	*0*
BGK	35 228	47 429	(12 201)
BGK	21 274	21 480	(206)
BNP Paribas	12 840	15 524	(2 684)
BNP Paribas	3 686	4 413	(727)
Credit Agricole Bank Polska	14 195	19 111	(4 916)
DNB Bank	5 100	10 700	(5 600)
DNB Bank	24 865	24 997	(132)
HSBC FRANCE Branch in Poland	4 301	22 555	(18 254)
HSBC FRANCE Branch in Poland	56 875	65 000	(8 125)
ING Bank Śląski	12 041	15 351	(3 310)
ING Commercial Finance		-64	*64*
mBank	4 161		*4 161*
mBank	8 000	8 000	*0*
mBank faktoring	18 745	23 584	(4 839)
PKO BP	25 034	19 437	5 597
PKO BP	36 879	40 850	(3 971)
PKO BP	16 677	20 240	(3 563)
PKO BP	17 685	13 272	4 413
PKO BP	10 000	10 000	0
PKO FAKTORING	8 493	5 252	3 241
Santander		4 614	(4 614)
Santander	34 965	29 974	4 991
Santander		9 083	(9 083)
Santander	60 997	52 903	8 094
Santander		-362	362
unpaid interest as at the balance sheet date	*34*	4	*30*
Loans of Boryszew SA - total	**494 988**	**542 720**	**(47 732)**
HSBC	3 333	1 379	1 954
mBank	28 110	32 682	(4 572)
Banque Populaire	1 695	1 973	(278)
BBVA credit	138	462	(324)
BBVA credit	28	248	(220)
Bankinter	1 691	1 818	(127)
Liberbank	532	1 561	(1 029)
La Caixa	3 036	3 694	(658)
B.Popular/B.Santander	2 176	2 236	(60)
Liberbank	1 823	2 301	(478)
La Caixa	1 043	1 918	(875)
BBVA	3 045	0	3 045
B.Popular/B.Santander	1 158	1 509	(351)
Liberbank	298	649	(351)
BK	0	366	(366)
INTESA	106	151	(45)
INTESA	362	365	(3)
HSBC	21 224		21 224

(amounts expressed in PLN thousands unless specified otherwise)

DNB	16 421	10 832	5 589
Commerzbank	20 437	21 285	(848)
DNB	0	21 539	(21 539)
DNB	12 796	11 146	1 650
Hewlett-Packard	0	34	(34)
VW Bank Braunschweig	0	8	(8)
DNB	17 664		17 664
UniCredit Bank	1 863	2 207	(344)
UniCredit Bank	0	596	(596)
UniCredit Bank	16 045	6 621	9 424
ČSOB	3 067	2 655	412
ČSOB	2 813	2 227	586
ČSOB	0	220	(220)
ČSOB	276	362	(86)
ČSOB	1 349	1 765	(416)
ČSOB	3 883	6 964	(3 081)
DNB Bank Polska S.A.	4 821		4 821
BGK	25 270	30 620	(5 350)
BGK	21 292	21 500	(208)
Alfa Bank	1 394		1 394
Alfa Bank	104		104
Alfa Bank	1 946		1 946
Alfa Bank	715		715
Alfa Bank	148		148
Alfa Bank	233		233
HSBC Bank Polska S.A.	8 750	10 000	(1 250)
DNB Bank Polska S.A.	5 781	6 877	(1 096)
mBank	62	1 107	(1 045)
Bank BNP Paribas	592	5 326	(4 734)
Bank Pekao S.A.	1 896	2 174	(278)
DNB Bank Polska	907	2 901	(1 994)
Banco Desio	732	1 312	(580)
Bnl	852	860	(8)
Bnl	4 041	5 173	(1 132)
BGŻ BNP PARIBAS	37 153		37 153
BGŻ BNP PARIBAS	16 817		16 817
Credit Agricole Bank Polska S.A.	0		0
Alior Bank S.A.	26 277		26 277
PKO BP S.A.	26 492		26 492
ING BSK S.A	3 361		3 361
PKO BP	3 510	3 525	(15)
PKO BP	3 631	3 358	273
PKO BP	40 000	40 000	0
Pekao S.A.	4 860	4 385	475
Pekao S.A.	18 603	8 183	10 420
Pekao S.A.	10	1 189	(1 179)
BANK MILLENNIUM	9 588	14 228	(4 640)
BANK MILLENNIUM	7 566	3 722	3 844
BANK MILLENNIUM	0	231	(231)
Alior Bank	953	1 842	(889)
Credit Agricole	5 321	6 480	(1 159)
Credit Agricole	2 414	4 106	(1 692)
BGK	4 947	6 638	(1 691)

(amounts expressed in PLN thousands unless specified otherwise)

BGK	4 497	3 043	1 454
BGK	24 000	24 000	0
BGK	14 905	15 050	(145)
BGK	42 013	57 291	(15 278)
HSBC	270 000	0	270 000
BANK MILLENNIUM	14	6	8
BANK MILLENNIUM	55	57	(2)
Coface	31	33	(2)
Credit Agricole Bank Polska S.A	17 164	21 756	(4 592)
BOŚ S.A	1 383	2 208	(825)
PKO BP S.A.	17 086	13 391	3 695
ALIOR BANK SA	5 802	24 680	(18 878)
Millennium SA	9 511	9 889	(378)
PKO BP SA	26 649	29 825	(3 176)
Creditte Agricolle	17 100	21 011	(3 911)
PEKAO SA	17 968	13 246	4 722
ALIOR BANK SA	23	8	15
MILLENIUM SA	26 459	14 666	11 793
PKO BP S.A.	4 482	8 168	(3 686)
BANK MILLENNIUM	14 186	21 227	(7 041)
BNP PARIBAS	6 850	11 521	(4 671)
Loans of subordinate companies - total	**977 629**	**618 586**	**359 043**
Total Boryszew Capital Group	**1 472 617**	**1 161 306**	**311 311**

Expected cash flows from loans received	**As at 31.12.2019**	**As at 31.12.2018**
up to 3 months	331 991	178 101
up to 6 months	178 391	170 733
up to 1 year	265 814	325 426
between 1 year and 3 years	559 894	395 394
from 3 years to 5 years	87 580	77 512
over 5 years	48 947	14 140
Total CF	**1 472 617**	**1 161 306**

Information on breach of material provisions of credit or loan agreements

As at 31 December 2019 no overdue liabilities occurred due to borrowings and loans and no breach occurred of material provisions of borrowing and loan agreements.

Two subsidiaries of the Automotive Segment (BAP Group) failed to reach the established level of the financial ratio, leading to a breach of one of the terms of the loan agreement for joint credit limit, guaranteed by Boryszew S.A. (the value of liabilities under this agreement as of the balance sheet date is about EUR 14 million). 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 guarantor 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. The above loans are recognised as short-term.

In addition, at the Company's request submitted after the balance sheet date with regard to all loan agreements with two other banks, one of these Banks waived the condition on the gross debt to EBITDA ratio, and the other Bank waived the condition on the modified net debt to EBITDA ratio. In the case of both Banks, the relevant ratios are tested as at the balance sheet date after the publication date, and the Banks' approvals for their waiver were granted before the publication date.

(amounts expressed in PLN thousands unless specified otherwise)

27.2. Loan liabilities	**As at 31.12.2019**	**As at 31.12.2018**
Loans from related entities	0	0
Loans from other entities	17 160	22 693
Total loans, including:	**17 160**	**22 693**
Long-term loans	*11 483*	
Short-term loans	*5 677*	*22 693*

interest expenses on loans		
interest expense in P&L	**811**	**1 005**

Change in loans	**01.01.2019 - 31.12. 2019**	**As at 31.12.2018**
nominal value of loans at the beginning of the year	22 693	24 325
repayments (CF) of loans (-)	(18 261)	(1 632)
total cash change	**(18 261)**	**(1 632)**
compensations (-)	(467)	
other non-cash changes (+/-)	13 195	
sum of non-cash changes	**12 728**	**0**
carrying amount of loans	**17 160**	**22 693**

Expected cash flows from borrowings		
up to 3 months	1 610	7 578
up to 6 months	1 115	1 093
up to 1 year	3 371	2 206
between 1 year and 3 years	9 411	9 109
from 3 years to 5 years	1 653	2 707
Total CF	**17 160**	**22 693**

(amounts expressed in PLN thousands unless specified otherwise)

Statement of received loans as at 31.12.2019

Name of the lender	Loan liabilities 31.12.2019	Loan liabilities 31.12.2018	Movement between periods	Date of loan repayment as per the agreement
mLeasing	5 433	2 341	3 092	15.04.2024
mLeasing	8 482	11 904	(3 422)	16.06.2022
Siemens	3 245	4 398	(1 153)	31.03.2023
NFEP&WM Toruń	0	3 801	(3 801)	30.09.2028
NFEP&WM Katowice		249	(249)	15.03.2021
	17 160	**22 693**	**(5 533)**	

28. LEASE LIABILITIES

Change in the balance of lease liabilities	*Leasing of fixed assets*	*Land - SMA*	*The Lease Agreement*	*Total*
Balance brought forward of lease liabilities	102 720			102 720
Liabilities - implementation of IFRS 16		79 335	68 018	147 353
Liabilities included in consolidation Alchemia Capital Group	5 579	23 785		29 364
new discounted lease liabilities (+)	95 798		2 458	98 256
repayment of capital lease instalments (-)	(42 254)	(299)	(8 448)	(51 001)
interest payment, which was included in the balance brought forward (-)	(489)			(489)
Revaluation of lease liabilities	(196)	(7 202)		(7 398)
impact of exchange rate differences (+/-)	-2 212		(204)	(2 416)
disposal during the year	-	(356)		(356)
Carrying amount of lease liabilities	**158 946**	**95 263**	**61 824**	**316 033**

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.

Non-discounted liabilities on gross financial leasing of fixed assets	**As at 31.12.2019**	**As at 31.12.2018**
up to 3 months	12 091	8 598
payable 4 to 6 months	13 219	8 547
above 7 month and up to 12 months	25 533	16 121
between 1 year and 3 years	77 192	43 506
from 3 years to 5 years	35 402	27 436
over 5 years	3 875	4 992
Total undiscounted lease payments until the end of the lease term	**167 312**	**109 200**
future interest payments (-)	(8 366)	(6 480)
Carrying amount of lease liabilities	**158 946**	**102 720**

Lease interest costs recognised in profit or loss of current period	3 535	3 510

(amounts expressed in PLN thousands unless specified otherwise)

Non-discounted liabilities due to SMA	As at 31.12.2019	As at 31.12.2018
annual SMA fee	3 860	
between 1 year and 3 years	7 733	
from 3 years to 5 years	7 733	
over 5 years - up to 10 years	19 331	
over 10 years - up to 20 years	38 662	
over 20 years	178 613	
Total	**255 932**	**0**
future interest payments (-)	(160 669)	
Carrying amount of SMA liabilities	**95 263**	**0**

SAM leasing interest costs recognised in current year's result 3 690

Change in leasing liability - lease agreements	As at 31.12.2019	As at 31.12.2018
Balance brought forward of lease liabilities	**0**	
Recognition in the balance sheet as at 01.01.2019 (IFRS 16)	68 018	
new lease liabilities (+)	2 458	
repayment of capital lease instalments (-)	(8 448)	
impact of exchange rate differences (+/-)	(204)	
Carrying amount of lease liabilities	**61 824**	**0**

Gross undiscounted finance lease liabilities - (capital + interest according to the schedule):	As at 31.12.2019	As at 31.12.2018
monthly undiscounted rent under the agreement	1 254	
rent payable within 2 to 6 months	5 965	
above 7 month and up to 12 months	7 527	
between 1 year and 3 years	23 892	
from 3 years to 5 years	21 566	
over 5 years	8 875	
Total undiscounted lease payments until the end of the lease term	**67 825**	**0**
future interest payments (-)	(6 001)	0
Carrying amount of lease liabilities	**61 824**	**0**

Lease interest costs recognised in profit or loss of current period 1 569

29. PAYABLES ON PERPETUAL USUFRUCT OF INVESTMENT LAND

Liability to SMA - investment property	As at 31.12.2019	As at 31.12.2018
Liability		
long-term liabilities	58 339	57 077
short-term liabilities	257	250
Total liabilities	**58 596**	**57 327**
Lease interest costs recognised in profit or loss of current period	**1 720**	**1 659**

(amounts expressed in PLN thousands unless specified otherwise)

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

Change in liabilities	01.01.2019 -31.12.2019	01.01.2018 -31.12.2018
Liabilities - beginning of the year	**57 327**	60 969
recognition in the balance sheet under IFRS 16	431	
new liabilities (+)	0	
repayment of capital instalments (-)	(251)	(326)
decrease in liabilities due to disposal of investment property (-)	0	
Revaluation of lease liabilities (such as due to changes in interest rates, changes in lease term (+/-)	1 089	(3 316)
impact of exchange rate differences (+/-)	0	
Carrying amount of lease liabilities	**58 596**	**57 327**

30. PENSION AND OTHER EMPLOYEE BENEFITS LIABILITIES

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 31.12.2019 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 2.0% and wage growth rate at 2.50%.

(amounts expressed in PLN thousands unless specified otherwise)

Provision for employee benefits	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 01.01.2019	**14 282**	**652**	**1 982**	**7 385**	**14 173**	**7 735**	**46 209**
Provisions of companies included in consolidation	**2 652**	**112**	**0**	**3 947**	**3 399**	**1 512**	**11 622**
Movement:	**2 077**	**318**	**(1 253)**	**340**	**2 810**	**(1 704)**	**2 588**
Interest expense	173	42	46	3	0	0	**264**
Current employment costs (+/-)	844	250	191	(44)	2 949	4 964	**9 154**
Future employment costs (+/-)	505	(4)	(1 654)	134	2 752	(13)	**1 720**
Benefits paid (-)	(732)	(111)	(12)	259	(2 891)	(6 655)	**(10 142)**
Actuarial gains and losses - demographic changes (+/-)	(27)	(32)	(22)	0	0	0	**(81)**
Actuarial gains and losses - financial changes (+/-)	1 314	173	198	(12)	0	0	**1 673**
As at 31.12.2019	**19 011**	**1 082**	**729**	**11 672**	**20 382**	**7 543**	**60 419**

Provision for employee benefits	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**
Interest expense	155	13	51	4	162		**385**
Current employment costs (+/-)	1 133	83	163	1 624	1 118	5 072	**9 193**
Future employment costs (+/-)	285	(4)	1	0	(1 644)	(54)	**(1 416)**
Benefits paid (-)	(698)	3	-3	(267)	(4 006)	(8 088)	**(13 059)**
Actuarial gains and losses - demographic changes (+/-)	-32	(21)	(43)	91			**(5)**
Actuarial gains and losses - financial changes (+/-)	611	(7)	-41	3	-	-	**566**
As at 31.12.2018	**14 282**	**652**	**1 982**	**7 385**	**14 173**	**7 735**	**46 209**

(amounts expressed in PLN thousands unless specified otherwise)

31. OTHER PROVISIONS

Change in provisions 01.01.2019 -31.12. 2019	As at 01.01.2019	*foreign exchange gains/losses*	recognition of provision (+)	provisions used during the year (-)	reversal of unused provision (-)	Provisions of acquired companies	As at 31.12.2019
Provisions for liquidation of fixed assets	5 819		6	(21)	0	0	**5 804**
Provisions for waste disposal and land reclamation	3 357		2 425	-136	0	0	**5 646**
Provisions for non-execution of contracts	85	(1)	2 817	(901)	(337)	1 307	**2 970**
Provisions for court proceedings	1 824	(26)	339	(671)	(1 543)	1 300	**1 223**
Provisions for warranty repairs, complaints	9 946	(33)	3 070	(605)	(4 466)		**7 912**
Provision for tax risks and fiscal claims	73 707		2 635	(73)	(20 254)		**56 015**
Provisions for loss-making contracts (onerous contracts)	3 518	(37)	4 542	(3 116)	0		**4 907**
Total	**98 256**	**(97)**	**15 834**	**(5 523)**	**(26 600)**	**2 607**	**84 477**

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**

(amounts expressed in PLN thousands unless specified otherwise)

32. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities	**As at 31.12.2019**	**As at 31.12.2018**
Trade liabilities due to purchase of materials, services and goods	798 635	598 273
Trade liabilities accrued on account of purchase of materials, services and goods	25 395	27 901
Liabilities due to purchase of fixed assets, intangible assets and organised part of an enterprise	31 168	10 434
Liabilities due to purchase of shares and stocks	253	268
Liabilities to state budget (except income tax)	59 937	47 503
Other liabilities (except for deposits, advance payments listed above)	26 703	27 306
Payroll liabilities	39 356	34 296
Special funds	386	450
In total, including:	**981 833**	**746 431**
long-term liabilities	*26*	*0*
short-term liabilities	*981 596*	*746 431*

33. OTHER LIABILITIES AND EQUITY

Other equity and liabilities	**As at 31.12.2019**	**As at 31.12.2018**
State subsidies	50 309	35 735
Other (deferred revenues)	36 824	13 980
	87 133	**49 715**
long-term	*49 111*	*11 520*
short-term	*38 022*	*38 195*

(amounts expressed in PLN thousands unless specified otherwise)

34. FINANCIAL INSTRUMENTS

Financial assets per the balance sheet

Financial assets as per the balance sheet at 31.12.2019

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Carrying value
Bonds	34 529			34 529
Trade receivables held for collection	605 064			605 064
Receivables intended for factoring		38 973		38 973
Derivative financial instruments		3 508	19 373	22 881
Loans granted	182			182
Other debtors	30 503			30 503
Cash and cash equivalents	219 641			219 641
Total	**889 919**	**42 481**	**19 373**	**951 773**

	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**

(amounts expressed in PLN thousands unless specified otherwise)

Financial liabilities per the balance sheet

Financial liabilities as at 31.12.2019

	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortised cost	Derivatives used for hedges	Carrying value
Bank loans, factoring, borrowings		1 489 777		1 489 777
Bonds		0		0
Derivative financial instruments		908	4 116	5 024
Leasing liabilities		220 770		220 770
SMA liabilities		153 859		153 859
Trade and other liabilities		855 198		855 198
Total	**-**	**2 720 512**	**4 116**	**2 724 628**

As at 31.12.2018	Financial liabilities measured at fair value through profit or loss	Liabilities measured at amortised cost	Derivatives used for hedges	Carrying value
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**

35. 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

(amounts expressed in PLN thousands unless specified otherwise)

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 31.12.2019	As at 31.12.2018
Debt due to loans, borrowings, lease of fixed assets (without SMA and lease agreements)	1 648 723	1 344 046
Cash and cash equivalents	(219 641)	(137 667)
Net debt	**1 429 082**	**1 206 379**
Equity	**1 535 057**	**1 794 907**
Net debt to equity	93.1%	67.2%

Debt ratio	As at 31.12.2019	As at 31.12.2018
Liabilities	3 253 315	2 441 850
Assets	4 788 372	4 236 757
Debt rate	66.9%	56.6%

Liquidity ratios	As at 31.12.2019	As at 31.12.2018
current ratio	1.21	1.74
quick ratio	0.57	0.78
current ratio III	0.11	0.09

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.

(amounts expressed in PLN thousands unless specified otherwise)

Cumulative impairment losses on receivables	As at 31.12.2019	As at 31.12.2018
doubtful debt allowance on trade receivables	75 161	49 100
revaluation write-offs of loan receivables	4	4
revaluation write-offs of bond receivables	18	18
risk related to granting guarantees	992	182
doubtful debt allowance on other receivables	34 856	13 856
Total	**111 031**	**63 160**

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.

Analysis of contractual maturity dates of undiscounted cash flows due to financial liabilities as at 31.12.2019.

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	331 991	178 391	265 814	559 894	87 580	48 947	1 472 617	**1 472 617**
Maturities of borrowings	1 610	1 115	3 371	9 411	1 653		17 160	**17 160**
Maturity of liabilities on issued bonds	0	0	0	0			0	**0**
Maturities of leasing liabilities	12 091	13 219	25 533	77 192	35 402	3 875	167 312	**158 946**
Maturities of liabilities of leased rental services	1 254	5 965	7 527	23 892	21 566	8 875	69 079	**61 824**
Maturity of PMA fees	3 860			7 733	7 733	236 606	255 932	**95 263**

(amounts expressed in PLN thousands unless specified otherwise)

Maturity of SMA fees - investment properties	164			329	329	7 346	8 168	**58 596**
payment of trade liabilities and other items	877 723	4 341	8 336	8 926			899 326	**855 198**
Total	**1 228 693**	**203 031**	**310 581**	**687 377**	**154 263**	**305 649**	**2 889 594**	**2 719 604**

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							0	
Total	194 527	180 373	343 753	452 073	111 766	151 259	1 433 751	1 344 046

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 2019 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.

Currency	Exchange rate as at 31.12.2019 (PLN)	5% exrate change (PLN)
EUR	4.2585	0.2129
USD	3.7977	0.1899

(amounts expressed in PLN thousands unless specified otherwise)

Analysis of sensitivity to risk of foreign exchange rates changes 2019

Receivables and payables in EUR	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
trade and other receivables	31 132	6 628	(6 628)
borrowings	0	0	0
bonds	500	106	(106)
other liabilities	0	0	0
borrowings and loans	403 039	(85 807)	85 807
bonds	0	0	0
leasing	68 543	(14 593)	14 593
Result		**(93 666)**	**93 666**
Receivables and payables in USD			
trade receivables	102 611	19 486	(19 486)
other liabilities	0	0	0
loans, borrowings, leasing	-	-	-
Result		**19 486**	**(19 486)**

Sensitivity analysis to changes in exchange rates in 2018

Currency	Exchange rate as at 31.12.2018 (PLN)	5% exrate change (PLN)
EUR	4.3000	0.2150
USD	3.7597	0.1880

Receivables and payables in EUR	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
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**

(amounts expressed in PLN thousands unless specified otherwise)

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) The risk exists at: Boryszew S.A. branch NPA, 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.

Planned dates of cash flows associated with derivatives

Commodity derivatives as at 12.31.2019

currency	<1 month	1-3 months	3-12 months	1-3 years	total
USD	555	629	607		1 791
EUR	2 355	68	245	56	2 724
Total	**2 910**	**697**	**852**	**56**	**4 515**

(amounts expressed in PLN thousands unless specified otherwise)

Commodity derivatives as at 12.31.2019

currency	<1 month	1-3 months	3-12 months	1-3 years	total
USD	(526)	(978)	(288)	(278)	(2 070)
EUR	3 867	5 447	4 890	1 548	15 752
Total	**3 341**	**4 469**	**4 602**	**1 270**	**13 682**

Commodity derivatives as at 12.31.2018

currency	<1 month	1-3 months	3-12 months	1-3 years	total
USD	926	221	(32)	13	1 128
EUR	2 369	7 211	(1 491)	0	8 089
Total	**3 295**	**7 432**	(1 523)	**13**	**9 217**

Commodity derivatives as at 12.31.2018

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

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 31.12.2019 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.

Derivatives as at 31/12/2019		**increase / decline in listed prices**	**impact on profit/loss**	**impact on equity**
USD/PLN foreign exchange contracts	(2 256)	+ 7.5%	2 198	7 549
		- 7.5%	(2 198)	(7 549)
EUR/PLN foreign exchange contracts	13 849	+ 5.0%	(1 675)	(32 248)
		-5.0%	1 675	32 248
Commodity contracts - Aluminium	(593)	+15%	-	(3 921)
		-15%	-	3 921
Total impact on financial result and equity before tax		**Increase in listed prices**	**523**	**(28 620)**
		Decline in listed prices	**(523)**	**28 620**

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.

(amounts expressed in PLN thousands unless specified otherwise)

Derivatives as at 31/12/2018		**increase / decline in listed prices**	**impact on profit/loss**	**impact on equity**
USD/PLN foreign exchange forward contracts	(432)	+ 10.0%	2 919	7 530
		- 10.0%	(2 919)	(7 530)
EUR/PLN forward contracts	9 280	+ 5.0%	(671)	(25 617)
		-5.0%	671	25 617
Commodity futures - Aluminium	8 169	+20%	-	(2 118)
		-20%	-	2 118
Total impact on financial result and equity before tax		**Increase in listed prices**	**2 248**	**(20 205)**
		Decline in listed prices	**(2 248)**	**20 205**

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.

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 31.12.2019	Interest rate increase	Interest rate decrease
		by 0.5 p.p.	by 0.5 p.p.
Interest-bearing (variable %) financial assets	**34 711**	**174**	**(174)**
Loans granted	182	*1*	*(1)*
Debt instruments	34 529	*173*	*(173)*
other			
		-	-
Interest-bearing (variable %) financial liabilities	**1 648 723**	**(8 244)**	**8 244**
Loans	1 423 587	(7 118)	7 118
Factoring	49 030	(245)	245
Borrowings	17 160	(86)	86
Debt instruments	0	0	0
Financial leasing of fixed assets	158 946	(795)	795

	As at	Interest rate increase	Interest rate decrease
	31.12.2018	by 0.5 p.p.	by 0.5 p.p.
Interest-bearing (variable %) financial assets	**198 023**	**990**	**(990)**
Loans granted	1 995	10	(10)
Debt instruments	196 028	980	(980)
other			

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	0	0	0
financial leasing	102 720	(514)	514
Other	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**

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.

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 measured 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

(amounts expressed in PLN thousands unless specified otherwise)

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 As at 31.12.2019	As at 31.12.2018	Fair value hierarchy
Financial assets			
Listed shares		1 819	Level 1
Derivative financial instruments	22 881	23 907	Level 2
Financial obligations			
Derivative financial instruments	5 024	5 170	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 As at 31.12.2019	As at 31.12.2018	Fair value hierarchy
Financial assets			
Shares and stock		77	Level 3
Bonds	34 529	196 028	Level 3
Borrowings	182	1 995	Level 3
Trade and other receivables	674 540	669 250	Level 3
Investment property	159 189	150 906	Level 3
Cash and cash equivalents	219 641	137 667	Level 1
Financial obligations			
Borrowings and loans	1 489 777	1 183 999	Level 2
Leasing	220 770	102 720	
Trade liabilities	855 198	636 876	Level 3
SMA liabilities	153 859	57 327	Level 2
	1 951		

Insurance of risks

Boryszew S.A. and subsidiaries had insurance policies for 2019 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 owners 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).

(amounts expressed in PLN thousands unless specified otherwise)

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.

36. OFF-BALANCE-SHEET LIABILITIES

Entity for which guarantee or surety was issued	Subject of liability	Value of guarantee PLN	Expiry date of guarantee
Boryszew Plastic RUS	Guarantee granted to Volvo Group Trucks Operations	21 292 500	indefinite validity
Mafmex S. de R.L. de C.V.	Guarantee granted to Volkswagen Group of America	5 696 550	15.01.2021
BAP Group companies - customers of Volkswagen AG	Guarantee granted to Volkswagen AG	85 170 000	indefinite validity
Veolia Industry Polska Sp. z o.o. (formerly Eastside-Bis Sp. z o.o.)	Guarantee granted to the Provincial Fund for Environmental Protection and Water Management in Toruń	3 283 600	indefinite validity
Total		**115 442 650**	

Contingent liabilities	As at 31.12.2019	As at 31.12.2018
Sureties granted for commercial contracts	115 443	129 000
Total	**115 443**	**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 992 thousand.

37. TRANSACTIONS WITH AFFILIATED ENTITIES AND BENEFITS FOR KEY PERSONNEL

Transactions between subsidiaries mainly include commercial transactions concluded between Capital Group companies and personally related entities excluded from consolidation; these transactions are sale or purchase of traded goods and products of typical, conventional nature for the Group's operations. Transactions between consolidated companies were eliminated in the consolidation process.
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.

Transactions with personally related entities	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Revenues		
Revenues from sales (of products, services, goods)	2 177	2 801
Revenue from sale of assets (fixed assets, intangible assets, shares)	0	
Other revenues (waiver of liabilities)	405	
Interest income	2 802	4 402
Dividends received	0	
Purchase/cost		
Purchases (of materials, goods, services)	10 356	14 975
Share acquisition	94 319	
Other transactions (cost of waived receivables)	32	
Interest expense	0	
Purchase of financial assets		

Receivables /gross without write-offs	As at 31.12.2019	As at 31.12.2018
Trade receivables	369	796
Loans granted	0	
Bonds purchased	34 516	196 014
Other receivables (advances, deposits)	691	1 541
Liabilities		
Trade liabilities	929	217
Liabilities arising from loans and borrowings	0	
Liabilities arising from issued bonds	0	
Other liabilities (advances, deposits)	1 825	

	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	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Remuneration of Supervisory Board members	713	411
Remuneration of Management Board members	2 139	2 773

38. EMPLOYMENT

Employment	As at 31.12.2019	As at 31.12.2018
Employment structure (in full-time equivalents)		
Blue-collar workers	8 770	7 125
White-collar workers	2 384	2 395
Total	**11 154**	**9 520**

39. SIGNIFICANT EVENTS

Significant events regarding activities of the Group are disclosed in the Statement of the Management Board on Capital Group activities.

40. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Arrangement of essential prerequisites for granting financing to the Company and its subsidiaries

On 12 March 2020, the Company and the consortium of: HSBC France Branch in Poland and Santander Bank Polska S.A. ("Consortium Organisers") agreed the Termsheet for granting financing to the Company and its subsidiaries ("Capital Group") in the form of a loan and the conclusion with the Consortium Organisers, on 12 March 2020, an agreement on mandate letter of a consortium of institutions (which will also include the Consortium Organisers) which will grant financing to the Company in accordance with the terms and conditions provided for in the Termsheet ("Consortium").

The Termsheet regulates the rules of providing financing to the Group companies in the form of a loan up to approximately PLN 1.7 billion within 3 years of the date of concluding a binding loan agreement with the Consortium ("Loan") with the possibility of extending the financing period to 5 years.

The Termsheet does not create financial obligations for the Company. As a result of the initiated negotiations, a Loan Agreement will be concluded with the Consortium, and providing the Loan available to the Company will require the fulfilment of conditions precedent, such as establishment of appropriate collateral, standard in this type of loan agreements.

According to the Termsheet, the provisions of the Loan Agreement on Company's obligations, possible sanctions or the option of its termination or withdrawal by the Consortium will not deviate from the conditions commonly applied in such agreements.

The Company intends to use the funds obtained under the Loan to: refinance the Capital Group's current debt and to finance the Company and the Capital Group companies on an ongoing basis.

Signing of the merger plan between Boryszew S.A. with its seat in Warsaw and SPV Boryszew 3 Spółka z o.o. with its seat in Warsaw and first notification of the Shareholders on the intention of merger

Entities to be merged:

Acquiring company:

Boryszew S.A. based in Warsaw, 00-807 Warsaw, Jerozolimskie av. No. 92, entered into the National Court Register - Register of Entrepreneurs, of the District Court for the Capital City of Warsaw, 12th Department of the National Court Register under KRS number 00000063824, Tax Identification Number (NIP) 837-000-06-34, REGON 750010992, share capital of PLN 240 000 000.00, fully paid-up.

Acquired Company:

SPV Boryszew 3 Spółka z o.o. based in Warsaw, 00-807 Warsaw, Jerozolimskie av. No. 92, entered into the National Court Register - Register of Entrepreneurs, of the District Court for the Capital City of Warsaw, 12th Department of the National Court Register under KRS number 0000478298, Tax Identification Number (NIP) 5272705349, REGON 146889003, share capital of PLN 41 105 000.00, fully paid-up.

The merger of the Issuer with the Acquired Company will take place based on the following rules:

1. Merger under the procedure of art. 492 § 1 item 1 of the Commercial Companies Code (hereinafter referred to as CCC) - transfer of all assets of the Acquired Companies to the Issuer, by universal succession.
2. Merger without increasing the share capital or amending the Articles of Association of the Acquiring Company.
3. No special benefits expected as the result of the merger for the members of the governing bodies of the merging Companies or other persons participating in the merger, referred to in CCC Article 499 § 1 item 6.
4. No special rights referred to in CCC Article 499 § 1 item 5 as the result of the merger.
5. Under CCC Article 516 § 6 in conj. with CCC Article 516 § 5, the Merger Plan needs not be examined by an auditor for its correctness and reliability and neither an opinion needs be prepared by an auditor, also the Management Boards of the merging Companies needs not prepare a written report justifying the merger, its legal basis and business justification as well as the share exchange ratio referred to in CCC Article 499 § 1.2.
6. As the Issuer is a public company, then according to CCC Article 516 § 1, the merger will require resolutions on the merger to be adopted by the General Assembly of the Acquiring Company and the General Assembly of Shareholders of the Acquired Company, referred to in CCC Article 506 CCC, approving the merger and the Merger Plan.

Explanation and purpose of taking of the decision on the intention to merge:

The planned merger aims at simplification of the organisational structure of Boryszew Capital Group. The Management Board of Boryszew S.A., ensuring the increase of the Company's value, undertakes actions aimed at simplifying the structure of Boryszew Capital Group and increasing the transparency of the management process.

In the Management Board's assessment, further simplification of the structure would improve efficiency of management of Boryszew Group's policy and activities and of the management of resources at the Group's possession. Carrying out internal consolidation of Boryszew Capital Group will result in improved profitability, reduced costs of general management as well as financial costs.

Given the above, the Management Board of the Company, acting under Article 504 § 1 and § 2 of the Commercial Companies Code (CCC), submits the first notification to the Company's Shareholders about the planned merger with SPV Boryszew 3 Spółka z o.o.
The merger will be carried out under the provisions of Art. 492 § 1 item 1) of the Commercial Companies Code - transfer of all the assets of the Acquired Company to the Acquiring Company by universal succession (merger by acquisition). As a result of the merger, the Acquiring Company - as per the provisions of CCC Article 494 § 1 - will enter into all rights and obligations of the Acquired Company as of the merger date. Given that all shares in the share capital of the Acquired Company are held by the Acquiring Company, under CCC Article 515 § 1, the merger will be carried out without increasing the share capital of the Acquiring Company.

The Management Board of the Company announces, acting under CCC Article 500 § 21, that the merger plan will be available to the public on the websites of both Companies: www.boryszew.com and www.spvboryszew3.com.pl continuously as of 14 May 2020 until the end of the General Meeting of the Company on which resolution on the merger will be adopted, and is also published in the ESPI System as a schedule to this current report Shareholders of Company may, as of 14 May 2020 until the date of adopting a resolution on the merger by the General Meeting of the Company, review the documents referred to in CCC Article 505 § 1, on business days between 9:00 a.m. and 4:00 p.m., at the Management Board Office of the Company at Jerozolimskie av. No. 92, 00-807 Warsaw.

The date of the Extraordinary General Meeting, the agenda of which will provide for the adoption of a resolution on the merger of the Issuer with the Acquired Company, will be announced by the Issuer in a separate current report in accordance with the applicable law.

Impact of the COVID-19 pandemic on the operations of Boryszew Group

On 11 March 2020 the World Health Organisation assessed that the Covid-19 epidemic can be considered a pandemic. As a result of the spread of the virus, many sectors of the economy have been forced to reduce or stop their operations, resulting in reduced demand, disruption of supply chains, increased unemployment as well as a number of economic and social problems. Potential impact of covid19 on financial results of Boryszew Group at the date of preparation of this report cannot be easily predicted. The companies monitor the situation at home and abroad on an ongoing basis.

Due to dynamically changing circumstances, government regulations and legal situation, at the moment of drafting the financial statements it is not possible to accurately estimate the impact of the pandemic on the operational and financial situation in upcoming reporting periods. Individual companies and the Group's Headquarters verify macroeconomic information on an ongoing basis as well as information obtained by the control and analysis departments during their operations, to forecast, on this basis, the impact of the pandemic on separate and consolidated results.

Boryszew Group undertakes actions to minimise the effects of the pandemic. Due to their diversified business profile, concentrated in 4 main segments, individual entities are exposed to COVID-19 to varying degrees. The initiatives undertaken consider the nature of the sector concerned and the impact of the pandemic on specific sector. Individual companies keep track of the market environment and react to changing circumstances in order to adapt their operations to changing demand. Programmes were implemented to adjust costs to the changing environment in the Group.

The following companies either suspended their operations completely or significantly reduced their production:

- Baterpol - the Lead Refining Division and the Battery Scrap Processing Plant stopped their production between 12.05.2020 and 17.05.2020. Similar shutdowns are planned for June and July this year,
- ZM Silesia Oława Branch introduced significant production limitations as of 3 April 2020,
- all Maflow Group companies suspended temporarily their production,
- the situation in the automotive industry also forced the BAP Group to stop production.

The companies use shielding programs introduced in Poland (such as guarantees from the Liquidity Guarantee Fund of Bank Gospodarstwa Krajowego and programs of the Polish Development Fund) and in other countries where Boryszew Group has its operations.

Due to diversified business profile of Boryszew Group and different level of risk, the impact of COVID-19 is presented by segments.

AUTOMOTIVE SEGMENT

Unfavourable business conditions caused by the pandemic and the resulting restrictions will soon be one of the factors significantly modelling each sector of the Branch and the Maflow Group companies. For air-conditioning ducts, due to production shutdowns by customers and uncertain situation of the industry, sales are expected to be lower by about 30% against the volumes budgeted for 2020. An exception to the above are rubber products, where sales remained at the budgeted level and no major deviations are expected in upcoming quarters of 2020. Along with the change of trends, demand and geography of car sales, Maflow Group will carry out an organised monitoring of business activities of its customers and competitors, a review of the global automotive market and local markets, and will also assess its own potential, supporting business decisions in the new reality.

Boryszew Automotive Plastics Group (BAP Group) has noticed reduced orders from its main customers against the original budget assumptions. As a result of a shutdown of automotive production facilities in Europe in the second half of March, production companies of BAP Group reduced their production. From the end of May production has been gradually resumed - a process which depends on orders from major customers. The situation is being monitored on an ongoing basis in order to adjust the current production needs to customer's requirements. BAP Group companies are ready to launch full scale production, their capacity utilisation in the upcoming quarters of 2020 will depend on the launch of production by customers in different countries. In order to counteract the decline in sales, since the second half of March BAP Group companies have been implementing cost saving programmes, partly financed by the governments of the countries where the production facilities are located.

The level of orders in BAP Group against the budget, during the covid19 pandemic in Europe: over 60% in March, approximately 10% in April, estimated 50%-60% in May. Due to the dynamic market situation, the final impact of the covid19 pandemic on the automotive sector, including BAP Group companies, cannot be predicted as at the date of drafting the financial statements.

METAL SEGMENT

Impexmetal S.A. expects a decrease in sales in Q2 and a rebound in Q3 and Q4. April saw a 40% decrease in gross profit on sales compared to March. Due to the covid19 pandemic, all automotive customers, accounting for 30% of company's sales, announced shutdowns or a very significant drop in production.Other industries also report shutdowns or reductions in demand. However, the scale is much smaller than in the automotive industry.The caps market is not affected by the current restrictions, customers receive contract quantities. Impexmetal S.A. also has clients in Italy and Spain, where most of the plants were closed in April by law.An important problem is the information from suppliers on the reduction of the limit or complete suspension of deliveries until further notice.

As far as investments are concerned, despite the pandemic, the Company recommends the planned implementation of investment tasks already commenced.

Sales of Boryszew S.A., NPA Skawina Branch were not significantly, adversely affected by covid19 until May 2020; sale revenues exceed the level for the same period of last year. At the same time, however, due to dynamic changes in the environment, NPA Skawina is unable to predict the impact of the epidemic on results in the second half of 2020.

Given the extent and scale of the pandemic at a level similar to April, Hutmen S.A. estimates a change in the forecast figures in Q2 2020 compared to the budget: sales revenues - decrease by 6%.

Baterpol S.A.'s operations will be affected by the COVID-19 pandemic as of Q2 2020. In April and May, the Company recorded some 50% drop in sales volume. Due to the current situation, customers are unable to estimate the volumes in the upcoming months.

CHEMICAL PRODUCTS SEGMENT

Elana Pet Sp. z o.o. and Elana Branch recorded a decline in revenue from sales by about 60% between January and April 2020. The company expects that the coming months will bring a systematic reconstruction of sales volumes to reach the level of about 80% of the planned sales revenues at the end of the year.

Boryszew S.A., Boryszew ERG Branch launched in March 2020 production and sale of ERG CleanSkin disinfectant fluid, therefore the expected turnover in this segment will increase by 30% in Q2 2020. Other divisions expect sales reduced by 40% in this period. In Q3 and Q4 2020 the level of sales will depend on the scale of the pandemic, and if the threat is reduced, the demand for disinfectants, due to the maintenance of epidemiological safety requirements, will remain high. It is expected that other divisions, following mitigation of the negative economic impact of COVID-19, will see a gradual increase in production and sales in the second half of 2020, to pre-pandemic levels.

OTHER ACTIVITIES SEGMENT
Elana Energetyka Sp. z o.o. suffered no sales decline in Q1 2020. However, given the current situation (customer downtime), the decrease in revenue in April was about 40%.It is difficult to determine the value of revenue in the subsequent months of operations due to the fact that the Company's sales are seasonal.
Boryszew S.A., Boryszew Energy Branch, due to the structure of contracts with related companies as well as with third party customers (acquisition price plus margin formula), forecasts a neutral impact of covid19 on EBITDA. EBITDA may be lowered in case of significant deviations from the assumed natural gas consumption volumes at Boryszew Energy Branch Customers. So far Contractors have notified no planned significant contract drops.
The Management Board of Eastside Bis Sp. z o.o. carried out an in-depth assessment of the expenses to be originally incurred in Q2 2020 (as per the budget as well as repair and investment plans), limiting them to the minimum necessary. Currently, due to COVID-19, some expenses have been deferred to future periods. The Company forecasts no significant decrease in revenues.

Therefore, Boryszew S.A. Capital Group forecasts for 2020:

1. Negative impact of the economic slowdown caused by the COVID-19 pandemic on the operations of the Companies in Q2 2020 and a decrease in revenue of approximately 20% compared to plans. The decrease will be mainly suffered by the automotive segment (decrease in revenue at approximately 30 - 40% against the budget).
2. It is expected that in Q3 2020 revenues will reach a level of at least 80% of the budgets.

Due to the diversified profile of Boryszew S.A. Capital Group, individual companies are differently exposed to the effects of economic slowdown. At the level of the entire Group, the drop in sales will result in a decrease of EBITDA by approximately 40% in Q2 2020, against the budget. The decrease of EBITDA in further quarter of 2020 is estimated at 30 - 40%. It is important, for the above forecasts, to consider the high level of possible deviations due to the inability to accurately estimate the scale of the pandemic and its economic and social impact in future periods. Having operations in several segments helps diversify the risk and reduce the impact on Boryszew Group result of areas particularly exposed to the risk.

40. STATEMENT BY THE MANAGEMENT BOARD

The report presents the situation of Boryszew Capital Group for the period between 1 January 2019 and 31 December 2019, in accordance with legal requirements, taking into consideration the events that occurred until the date of preparing this report.
The financial statements were prepared on a going concern basis.

The financial statements were approved for publication on 28 April 2020.

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

Management Board of Boryszew S.A.:

Piotr Lisiecki - President of the Management Board ……………………………………………

Mikołaj Budzanowski – Member of the Management Board ……………………………………………

Krzysztof Kołodziejczyk – Member of the Management Board ……………………………………………

Chief Accountant - Elżbieta Słaboń ……………………………………………