



**Financial statements**

**Boryszew S.A.**

**for the period between 1 January and 31**

**December 2019**





(amounts expressed in PLN thousands unless specified otherwise)

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**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

**STATEMENT OF COMPREHENSIVE INCOME**

	note	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
Revenues from sales	6	1 382 688	1 540 902
Prime cost of sale	7	1 229 320	1 395 022
<b>Gross profit on sales</b>		<b>153 368</b>	<b>145 880</b>
Selling costs		26 709	29 178
Administrative expenses		71 678	76 554
Other operating revenue	8	38 535	29 017
Other operating expenses	9	12 120	17 089
Profit/loss on impairment of trade receivables	10	(50 483)	22 565
<b>Operating income</b>		<b>30 913</b>	<b>74 641</b>
Financial revenues	11	16 964	19 330
Financial expenses	12	40 277	43 889
Profit/loss on impairment of financial assets	13	(181 940)	189
<b>Financial profit/loss</b>		<b>(205 253)</b>	<b>(24 370)</b>
<b>Profit (loss) before income tax</b>		<b>(174 340)</b>	<b>50 271</b>
Income tax	14	(551)	5 551
<b>Net profit (loss)</b>		<b>(173 789)</b>	<b>44 720</b>
<b>Profit/loss/ Diluted earnings/loss per share</b>		<b>(173 789)</b>	<b>44 720</b>
Weighted average number of shares		220 785 774	225 969 005
Profit/loss/ Diluted earnings/loss per share (PLN)		(0.79)	0.20
<b>Net profit/loss</b>		<b>(173 789)</b>	<b>44 720</b>
<b>Earnings recognised in equity</b>			
<i>Earnings recognised in equity, to be transferred to income statement</i>		<b>388</b>	<b>497</b>
Hedge accounting		689	614
<i>Income tax expense (-provision/+asset)</i>		(301)	(117)
<i>Earnings recognised in equity, not to be transferred to income statement</i>		<b>(476)</b>	<b>7</b>
Gains/losses on valuation of equity instruments			
Employee benefit capital reserve		(588)	9
<i>Income tax</i>		112	(2)
<b>Total earnings recognised in equity</b>		<b>(88)</b>	<b>504</b>
<b>Total comprehensive income</b>		<b>(173 877)</b>	<b>45 224</b>



**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

**STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	Note	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Non-current assets</b>			
Non-current assets	15	230 313	272 723
Investment property	16	16 525	16 525
Intangible assets	17	31 350	33 115
Right-of-use assets	18	125 072	0
Shareholdings in subsidiary companies	19	405 366	463 522
Financial assets	20	60 116	382 320
Long-term receivables	23	33 380	33 705
Deferred tax assets	14	730	141
Other assets	24	7 754	5 485
<b>Total fixed assets</b>		<b>910 606</b>	<b>1 207 536</b>
<b>Current assets</b>			
Inventory	22	178 152	181 527
Trade receivables and other receivables	23	255 355	285 672
Short-term financial assets	20	236 555	136 243
Derivative financial instruments	20	8	579
Current tax assets	14	2 064	313
Other assets	24	17 809	17 827
Cash and cash equivalents	25	35 788	29 313
<b>Total current assets</b>		<b>725 731</b>	<b>651 474</b>
<b>Total assets</b>		<b>1 636 337</b>	<b>1 859 010</b>

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**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

	Note	As at 31.12.2019	As at 31.12.2018
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
	26		
Share capital		248 906	248 906
Share premium		112 346	112 346
Own shares		(134 251)	(129 735)
Hedge accounting capital		(1 912)	(2 300)
Capital reserve on translating employee payables		(638)	(162)
Retained earnings		204 879	378 668
<b>Total equity</b>		<b>429 330</b>	<b>607 723</b>
<b>Liabilities and long-term provisions</b>			
Bank credits, loans, bonds	27	183 617	368 119
Liabilities under lease of fixed assets	28.1	23 516	30 066
Liabilities related to right-of-use assets - other assets	28.2	49 824	-
Payables on perpetual usufruct of investment land	28.3	1 942	1 951
Deferred tax provision	14	0	-
Employee benefit provisions	30	2 690	3 377
Other provisions	31	6 113	5 136
Other long term equity and liabilities	32	14 528	2 534
<b>Liabilities and long-term provisions - total</b>		<b>282 230</b>	<b>411 183</b>
<b>Short-term liabilities</b>			
Bank credits, loans, bonds	27	587 293	535 892
Liabilities under lease of fixed assets	28.1	21 912	8 033
Liabilities related to right-of-use assets - other assets	28.2	8 563	-
Payables on perpetual usufruct of investment land	28.3	9	9
Trade payables and other liabilities	29	293 806	280 773
Derivative financial instruments	20	851	66
Current tax liabilities	14	-	-
Employee benefit provisions	30	4 504	5 277
Other provisions	31	3 359	2 798
Other liabilities and equity	32	4 480	7 256
<b>Liabilities and short-term provisions - total</b>		<b>924 777</b>	<b>840 104</b>
<b>Total liabilities and provisions</b>		<b>1 207 007</b>	<b>1 251 287</b>
<b>Total equity and liabilities</b>		<b>1 636 337</b>	<b>1 859 010</b>
		-	-



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

(amounts expressed in PLN thousands unless specified otherwise)

## CASH FLOW STATEMENT

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
<b>Cash flows from operating activities</b>		
<b>Profit / loss before taxes</b>	<b>-174 340</b>	<b>50 271</b>
<b>Adjustments for (+/-)</b>	<b>266 387</b>	<b>(13 728)</b>
Amortisation/depreciation	43 295	33 047
Profit/loss on financial activity (including interest on financial liabilities)	23 630	14 816
Dividend	(7 964)	(8 004)
Profit / loss on investment activities	170 604	(12 925)
Change in receivables	30 444	(4 090)
Change in inventories	3 339	429
Change in liabilities	11 782	(31 536)
Change in provisions and accruals as well as prepayments	(6 100)	746
Other items	(223)	(5 708)
Income tax paid	(2 420)	(503)
<b>Net cash from operating activities</b>	<b>92 047</b>	<b>36 543</b>
<b>Cash flows from investment activities</b>		
Profit on fixed assets disposal	1 905	11 045
Proceeds from disposal of shares/dividends	360	-
Proceeds from redemption of bonds by issuers	182 732	2 000
Proceeds from repayment of loans granted	7 370	8 004
Other proceeds from investment activities	6 878	28 686
Expenses on acquisition of fixed assets	(26 701)	(28 403)
Acquisition of shares and stocks in capital group entities	(945)	(32 149)
Long term borrowings granted	(25 720)	(4 741)
Expenditure on bonds	(55 000)	(116 082)
Other capital expenditure	-	-
<b>Net cash from investing activities</b>	<b>90 879</b>	<b>(131 640)</b>
<b>Cash flows from financial activities</b>		
Incomes on credit and loan facilities	97 813	186 706
Loans received	46 500	70 841
Other inflows	20 501	110 000
Share buy-back expense	(4 516)	(45 406)
Loans repaid	(143 567)	(129 389)
Repayment of borrowings	(121 211)	(12 455)
Redemption of bonds	(25 000)	(43 000)
Interest paid on loans, borrowings and leasing	(25 720)	(24 254)
Payment of liabilities under finance lease agreements	(21 251)	(24 714)
Other financial outflows		
<b>Net cash from financing activities</b>	<b>(176 451)</b>	<b>88 329</b>
<b>Net change in cash</b>	<b>6 475</b>	<b>(6 768)</b>
Cash opening balance	29 313	36 081
<b>Cash closing balance</b>	<b>35 788</b>	<b>29 313</b>



**Boryszew S.A.**  
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(amounts expressed in PLN thousands unless specified otherwise)

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Revaluation reserve	Retained earnings	Total equity
<b>As at 01.01.2019</b>	<b>248 906</b>	<b>112 346</b>	<b>(129 735)</b>	<b>(2 300)</b>	<b>(162)</b>	<b>0</b>	<b>378 668</b>	<b>607 723</b>
Valuation of hedge instruments				388				388
Valuation of employee benefits					(476)			(476)
Profit/loss for 2019							(173 789)	(173 789)
<b>Total comprehensive income for 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388</b>	<b>(476)</b>	<b>-</b>	<b>(173 789)</b>	<b>(173 877)</b>
Share buy-back			(4 516)					(4 516)
<b>As at 31.12.2019</b>	<b>248 906</b>	<b>112 346</b>	<b>(134 251)</b>	<b>(1 912)</b>	<b>(638)</b>	<b>0</b>	<b>204 879</b>	<b>429 330</b>

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	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Revaluation reserve	Retained earnings	Total equity
<b>As at 01.01.2018</b>	<b>248 906</b>	<b>112 346</b>	<b>(84 329)</b>	<b>(2 797)</b>	<b>(169)</b>	<b>0</b>	<b>340 396</b>	<b>614 353</b>
Adjustment due to application of IFRS 9							(6 448)	(6 448)
Valuation of hedge instruments				497				497
Valuation of employee benefits					7			7
Profit/loss for 2018							44 720	44 720
<b>Comprehensive income for 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>497</b>	<b>7</b>	<b>-</b>	<b>38 272</b>	<b>38 776</b>
Share buy-back			(45 406)					(45 406)
<b>As at 31.12.2018</b>	<b>248 906</b>	<b>112 346</b>	<b>(129 735)</b>	<b>(2 300)</b>	<b>(162)</b>	<b>0</b>	<b>378 668</b>	<b>607 723</b>



## **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2019**

### **1. GENERAL INFORMATION**

#### **1.1 Basic Company details**

##### **Boryszew Spółka Akcyjna (joint stock company)**

Registered office: 00-807 Warszawa; ul. Aleje Jerozolimskie 92.

Registered with the National Court Register of the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Department

KRS number 0000063824

Statistical registration number (REGON) 750010992

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

The company is 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.

This report contains cumulative data.

#### **SUPERVISORY BOARD OF BORYSZEW S.A.**

As at 1 January 2019, the composition of the Supervisory Board was as follows:

Mr Janusz Siemienieć - 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 Siemienieć, 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.



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 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.

## **1.2 Organisational structure of the Company**

In 2019, Boryszew S.A. operated in seven branches, preparing separate financial statements:

<b>Branch</b>	<b>Business segment</b>
Headquarters	Other
Elana Branch in Toruń	Chemical products
Energy Branch in Toruń	Other
ERG Branch in Sochaczew	Chemical products
Nylonbor Branch in Sochaczew	Chemical products
NPA Skawina Branch	Metals
Maflow Branch in Tychy	Automotive

## **1.3 Financial statements**

Financial statements were drafted in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union (EU).

In addition to the presented financial statements, the Company drafted consolidated financial statements of Boryszew Capital Group, for which Boryszew S.A. is the parent company. The presented financial statements are separate financial statements and serve primarily statutory purposes.

Financial statements are presented in PLN. PLN is the functional and reporting currency.

All values in the financial statements are presented in full thousands of PLN, unless stated otherwise.

The statements were prepared on a going concern basis. The Management Board confirms that no threat exists to the continuity of Company's operations. The covid19-related effects of the pandemic described in note 36 do not currently threaten the continuation of operations.

This report was approved for publication by a resolution of the Management Board on 25 April 2019 and presents the situation of Boryszew S.A. pursuant to the legal requirements for the period from 1 January 2018 to 31 December 2018, including any events which occurred by the date of approval of this report.

The financial statements are based on historical cost concept, except for certain fixed assets and financial instruments which are measured at revalued amounts or fair values at the end of each reporting period in accordance with the accounting policy set out below.

Historical cost is determined on the basis of the fair value of the payments made. Fair value is the price that can be obtained by selling the asset or paid to transfer a liability in an arm's length transaction in the principal (or most advantageous) market as at the measurement date and under current market conditions, regardless of whether the price is directly observable or estimated using another valuation technique.

## **1.4 Conversion of financial data**

In 2019 the Company did not restate comparative data

## **1.5 Statement by the Management Board on compliance of accounting principles**

The Management Board for Boryszew S.A.: 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 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 S.A. 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.



## **1.6 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 audited the financial statements for 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 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.

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 in accordance with its powers stipulated in the Company's Articles of Association and in accordance with applicable legal provisions in force (as per Article 66 item 4 of the Accounting Act) and based on internal policies and procedures.

## **1.7. Statement regarding the report on non-financial data**

The Management Board for Boryszew S.A.: 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](http://www.boryszew.com).

## **1.8. Dividend**

The Company's Management Board recommends that the net loss for 2019 in the amount of PLN 173 789 000 be covered by future profits.

## **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.



(amounts expressed in PLN thousands unless specified otherwise)

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.

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



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

(amounts expressed in PLN thousands unless specified otherwise)

**Impact on pre-tax result**

Rent - annual fees recognised before 01.01.2019 in service costs	9 624
amortisation and depreciation	8 626
financial costs (interest and exchange rate differences)	1 267
	<b>(269)</b>

Annual SMA fees - recognised before 01.01.2019 in taxes and charges	<b>517</b>
amortisation and depreciation	253
financial expenses	477
	<b>(213)</b>

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

Impact on assets in note 15, note 17, note 18 ,  
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 Company**

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,



(amounts expressed in PLN thousands unless specified otherwise)

- 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**

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.

In preparing these financial statements, the Company made no changes to any previously applied accounting principles.

#### **▪ 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.

#### **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 that recoverable value is lower than the balance sheet value of the asset. 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



(amounts expressed in PLN thousands unless specified otherwise)

for use. Amortisation of fixed assets is made on the basis of planned, systematic spread of the depreciable value over estimated life of the specific asset item. Amortisation ends in the month, in which the asset was classified as held for sale (in accordance with IFRS 5 Fixed Assets held for sale and discontinued operation) or in the month in which the asset is no longer disclosed, taking into consideration the earlier of these dates.

Depreciation rates applied for individual groups of tangible fixed assets:

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

#### **Investment outlays**

Fixed assets under construction are recognised at the price of purchase or cost of manufacturing less impairment write-offs.

Until completion of construction and handing over for use they are recognised in individual groups of fixed assets and are not amortised until handed over for use.

#### **The right for perpetual usufruct of land acquired on the market**

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

#### **Intangible assets**

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

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 has been classified as held for sale (in accordance with IFRS 5 Fixed Assets held for sale and discontinued operation) or in the month in which an asset is no longer recognised, 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;



(amounts expressed in PLN thousands unless specified otherwise)

- 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 (deconstruct 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 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.

The Company is a lessee of office space, which is partly leased to other related companies. Due to insignificant value, revenues from lease are recognised as revenues from lease services and not subleasing. In 2019, it was PLN 36 thousand

### **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. Leaseback is one of the ways of financing in the Company.



### **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 valued 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.

For all financial assets in subsidiaries, the Company carries out an impairment test. Should an indication be determined that they may be impaired, an impairment loss is recognised in costs

### **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 Company as financial assets at amortised cost:

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

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

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

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

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

#### **Financial asset impairment loss**

On 01.01.2018 the Company 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. 1 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 Company 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 Company 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 Company 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 section 7.2.21 of IFRS 9, the Company 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 company defines certain derivative instruments 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.

#### **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.



### **Hedge accounting**

The Company defines specific hedges of foreign exchange risk and market risk that cover derivatives, embedded derivatives and other instruments as fair value hedges, cash flows hedges.<sup>1</sup> 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 Company 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 company discontinues the hedge accounting practice 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 recognised in equity is immediately transferred to the income statement for relevant period.

**The market price** of financial assets held by the Company and financial liabilities that the Company intends to take out, is the current purchase offer placed on market while the market price of financial assets, which the Company 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 valued at the purchase price not higher than their net realisable value.

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

### **Goods and materials issue methodology**

Due to the fact that the purchase prices of materials and goods fluctuate throughout the fiscal year, issue of materials and materials are recorded according to the "first in - first out" (FIFO) method and at 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 Company accounts for impairment write-offs recognised in the profit and loss account for all inventories being unjustifiably obsolete.

The Company takes into account the requirement that the carrying value cannot exceed net sales prices.



(amounts expressed in PLN thousands unless specified otherwise)

### **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 Company as cash.

### **Accruals**

The Company 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 Company 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 Company 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. Pursuant to IAS 29 par. 24 the components of owners' equity except retained earnings and any revaluation surplus are restated on the date of IAS transition, i.e. 01.01.2014 by applying a general price index from the dates the components were contributed or otherwise arose. 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 Company 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 Company recognises revenue on a one-off basis when the promised good or service is delivered to the customer. The company concludes no contracts on services provided over time. As per IFRS 15, revenue is recognised at the amount of remuneration that, as expected by the Company, is payable in exchange for the promised goods or services delivered to the customer, less any expected discounts, customer returns and similar deductions, and any applicable value added tax. The Company 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



(amounts expressed in PLN thousands unless specified otherwise)

transaction prices do not include variable elements. The Company does not recognise assets or liabilities under agreements. The company bears no significant costs of concluding contracts.

#### **Interest and dividends**

The Company 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 Company 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 Company evaluates 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 profit and loss account in the Administration costs or Cost of Goods Sold. All the actuarial profits and losses relating to demographic changes and discount rate changes are recognised directly in other comprehensive income.

#### **Restructuring provision**

Restructuring provision is recognised when the Company 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 Company 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 valued according to the average exchange rate set by the National Bank of Poland on the date of setting the fair value.

### **Valuation as at balance sheet date**

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

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

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

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

### **Disclosure of exchange rate differences**

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

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

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

The selected financial data in the initial part of the report were presented in EUR according to § 91 para. 1 of the Minister of Finance Regulation of 19 February 2009 (Journal of Laws 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.

	<b>average EUR exchange rate during the period</b>	<b>EUR exchange rate the last day of the period</b>
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 Company 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



(amounts expressed in PLN thousands unless specified otherwise)

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 Company 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, the Company discloses them in the additional information, giving the nature of the event and its financial effect or stating that the determination of such an effect is impossible or unreliable.

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 Company 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 Company 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 Company 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 Company according to income tax rates applied during the year, in which the tax obligation arose.

#### **Special funds**

The contributions to the Company's 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.

The Company's Fund for Rehabilitation of the Disabled is accounted for by Company in accordance with the Ordinance of the Minister of Labour and Social Policy of 31 December 1998 on the Company's Fund for



(amounts expressed in PLN thousands unless specified otherwise)

Rehabilitation of the Disabled (Journal of Laws of 1999 No. 3, item 22) and internal rules drafted pursuant to this Ordinance. with funds raised under tax exemptions and fees; the fund is recognised in nominal value.

#### **Events after the balance sheet date**

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

Non-adjusting events after the balance sheet date- those that are indicative of conditions that arose after the balance sheet date. If they are significant, the Company discloses them in the additional information, giving the nature of the event and its financial effect or stating that the determination of such an effect is impossible or unreliable.

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 company recognised a non-current assets 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

#### **Financial instruments - IFRS 9**

As of 1 January 2018 Company classifies financial assets in the following categories:

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

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

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

The Company 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.

As of 1 January 2018 Company classifies financial liabilities in the following categories:

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

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

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

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

### **FINANCIAL STATEMENTS**

#### **1. Statement of comprehensive income**

**The profit/loss on sales** is the difference between the sum of due revenues from the sale of products, services and goods, including rebates, discounts and other increases and decreases, excluding value added tax and the value of goods sold at purchase prices and manufacturing costs of products and services sold, and all sales and general and administrative costs incurred during the current period.

**Other income** include dividends received, redundant provisions redeemed, compensations received and reversals of impairment write-offs on assets and profits on the sales of non-current assets (fixed assets, intangible assets, investment properties and shares in subsidiaries)

**Other costs** - mainly created provisions, compensation penalties paid, revaluation write-offs of assets and losses on the sale of non-current assets (fixed assets, intangible assets, investment properties and shares in subsidiaries), subsidies to the capital of subsidiaries

**Financial revenues** - interest received, the result on the sales of receivables, profits on derivative instruments, profits on exchange rates and revaluation gains and sales of financial assets

**Cost of financing** - interest paid, loss on receivables sales, loss on derivatives, foreign exchange losses, loss on revaluation and sales of financial assets

**Income tax** - statutory encumbrances of profit/loss due to income tax (including income tax provisions).



(amounts expressed in PLN thousands unless specified otherwise)

**2. Other income recognized directly in equity** - income from revaluation of assets available for sales reduced by tax and profits/losses on revaluation of employee benefit provisions

### **Statement of financial position**

In the statement of financial position, the Company recognizes the state of assets and liabilities as at the last day of the current and previous reporting period.

The value of particular groups of assets recognized in the balance sheet assets results from their net book value adjusted by depreciation, the effects of revaluation and write-offs revaluating the value of assets due impairment loss. Financial assets and liabilities are recognized in the report as net amount if the Company has an unconditional right to the compensation of assets and liabilities of a given type and intends to settle them on a net basis or simultaneously spend a financial asset and settle a financial liability.

### **Other financial statements applicable to the Company**

- Statement of changes in equity
- Cash flow statement
- Additional information in the form of additional explanatory notes
- Declaration on non-financial information
- Report in accordance with the provisions of Article 44 of the Energy Law Act

**Statement of changes in equity** includes information about changes in individual components of equity for the current and previous reporting period.

**Statement of cash flows** is prepared by the Company using the indirect method. It includes all cash inflows and outflows from operating, investing and financing activities, excluding inflows and outflow resulting from the purchase or sale of cash, for the current and previous periods.

**Notes to the financial statement** contain significant data and explanations necessary to ensure that the financial statements present reliably and clearly the property and financial situation as well as the financial result and the yield of the Company.

### **Report on Company's activities**

Along with the semi-annual and annual financial statements, the Company prepares a report of the management board for the period. The management board report on the company's activities is not a part of the financial statement.

This report includes material information on the Company's property and financial condition, including an assessment of the achieved results and an indication of risk factors and a description of risks.

## **4. BASIC ACCOUNTING JUDGMENTS AND THE BASIS FOR ESTIMATING UNCERTAINTY**

### **Basic accounting judgments and the basis for estimating uncertainty**

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 Company 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.



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

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- 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 Company 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.

## 5. OPERATING SEGMENTS

Branch	Business segment
Headquarters	Other
Elana Branch in Toruń	Chemical products
Energy Branch in Toruń	Other
ERG Branch in Sochaczew	Chemical products
Nylonbor Branch in Sochaczew	Chemical products
NPA Skawina Branch	Metals
Maflow Branch in Tychy	Automotive

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

	Chemical products	Automotive	Metals	Other	Total	exclusions between segments	Total
<b>01.01.2019 -31.12. 2019</b>							
Revenues from sales	227 647	573 787	300 075	293 073	1 394 582	(11 894)	1 382 688
Segment costs of sales	194 867	489 830	280 587	272 862	1 238 146	(8 826)	1 229 320
<b>Result on sales within segment</b>	<b>32 780</b>	<b>83 957</b>	<b>19 488</b>	<b>20 211</b>	<b>156 436</b>	<b>(3 068)</b>	<b>153 368</b>
General, administrative and sales expenses	29 601	39 881	16 355	15 778	101 615	(3 228)	98 387
Other operating profit/loss	2 303	-49 399	4 048	19 161	-23 887	(181)	-24 068
<b>Segment profit/loss</b>	<b>5 482</b>	<b>-5 323</b>	<b>7 181</b>	<b>23 594</b>	<b>30 934</b>	<b>(21)</b>	<b>30 913</b>
Amortisation/depreciation	5 410	30 346	6 205	1 332	43 293	2	43 295
EBITDA *)	10 892	25 023	13 386	24 926	74 227	(19)	74 208
Segment assets	217 877	646 955	168 051	764 554	1 797 437	(161 100)	1 636 337
Segment liabilities	94 858	652 622	127 001	493 626	1 368 107	(161 100)	1 207 007
<b>01.01.2018 -31.12. 2018</b>							
Revenues from sales	240 886	642 406	399 657	257 953	1 540 902		1 540 902
Segment costs of sales	206 275	564 342	377 990	246 415	1 395 022		1 395 022
<b>Result on sales within segment</b>	<b>34 611</b>	<b>78 064</b>	<b>21 667</b>	<b>11 538</b>	<b>145 880</b>	<b>0</b>	<b>145 880</b>
General, administrative and sales expenses	29 404	48 172	14 966	13 192	105 734	(2)	105 732
Other operating profit/loss	630	12 795	-1 977	23 045	34 493		34 493
<b>Segment profit/loss</b>	<b>5 837</b>	<b>42 687</b>	<b>4 724</b>	<b>21 391</b>	<b>74 639</b>	<b>2</b>	<b>74 641</b>
Amortisation/depreciation	5 520	21 406	5 647	474	33 047		33 047
EBITDA *)	11 357	64 093	10 371	21 865	107 686	2	107 688
Segment assets	208 535	591 860	169 715	1 032 432	2 002 542	(143 532)	1 859 010
Segment liabilities	73 234	654 476	103 559	563 550	1 394 819	(143 532)	1 251 287



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## 6. REVENUES FROM SALE

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
<b>Sales revenues by geographical areas</b>		
<b>Continuing operations</b>		
Domestic sales	603 377	640 522
Sales to EU countries	667 526	793 117
Sales to other European countries	32 269	33 396
Export outside Europe	79 516	73 867
<b>Total (revenues from continuing operations)</b>	<b>1 382 688</b>	<b>1 540 902</b>

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
<b>Share of EU member states in intra-Community sales:</b>		
Germany	24%	24%
The Czech Republic	8%	12%
France	6%	5%
Slovakia	6%	5%
Sweden	15%	11%
Spain	8%	7%
Great Britain	10%	12%

## 7. OPERATING EXPENSES

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
<b>Costs of operating activities by type</b>		
Amortisation/depreciation	43 295	33 047
Consumption of materials and energy	636 375	808 779
External services	96 582	135 744
Taxes and charges	7 214	9 725
Costs of employee benefits, including:	<b>199 708</b>	<b>207 864</b>
<i>costs of remuneration</i>	158 354	163 809
<i>costs of social insurance</i>	29 982	31 910
<i>other employee benefits</i>	11 372	12 145
Other expenses	7 862	11 450
Value of sold goods and materials	327 895	309 318
<b>Total expenses by type</b>	<b>1 318 931</b>	<b>1 515 927</b>
Movements in products (+/-)	12 773	(15 716)
Capitalised costs by type (-) consumption for own needs	(3 997)	543
Impairment write-offs on inventories in COGS	0	
<b>Costs by type:</b>	<b>1 327 707</b>	<b>1 500 754</b>
Selling costs	(26 709)	(29 178)
General and administrative costs (-)	(71 678)	(76 554)
<b>Cost of sales</b>	<b>1 229 320</b>	<b>1 395 022</b>



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## **8. OTHER OPERATING REVENUES**

	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
<b>Other operating revenues</b>		
Profit from sale of non-current assets	15 967	8 312
Reversal of write-offs on non-financial assets	3 357	3 591
Reversal of unnecessary provisions	27	84
Other revenue	5 606	5 832
Dividends and other revenue from capital investments	7 964	8 004
Subsidies	5 614	3 194
<b>Total</b>	<b>38 535</b>	<b>29 017</b>

## **9. OTHER OPERATING EXPENSES**

	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
<b>Other operating expenses</b>		
Loss on sale of fixed assets	324	164
Write-offs on non-financial assets	3 717	7 759
Creation of provisions	689	1 347
Other expenses	7 390	7 819
<b>Total</b>	<b>12 120</b>	<b>17 089</b>

## **10. REVALUATION OF TRADE AND OTHER RECEIVABLES**

	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
<b>Revaluation of trade and other receivables</b>		
<b>Write-downs on trade receivables</b>		
Recognition of write-downs on overdue receivables (-)	(53 359)	(6 854)
Reversal of write-downs - recovery of receivables (+)	2 876	19 883
Valuation of expected credit losses recognised in profit or loss for the current year	-	344
<b>Total revaluation of trade receivables recognised in profit or loss</b>	<b>(50 483)</b>	<b>13 373</b>
<b>Bad debt provision on other receivables</b>		
Reversal of write-downs - recovery of receivables (+)	-	9 192
<b>Total revaluation of receivables recognised in profit or loss</b>	<b>(50 483)</b>	<b>22 565</b>

In the current year the Company wrote off trade receivables from related entities in the amount of PLN 52 623 thousand. These are mainly receivables from Maflow Servicios Mexico, Maflow Brazil, Maflow China



**Boryszew S.A.**  
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## 11. FINANCIAL REVENUES

<b>Financial revenues</b>	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
Interest income, including:	14 437	14 431
Interests on loans	12 002	11 619
Interest on bonds	1 936	2 300
Other interest	499	512
Exchange differences	2 234	4 534
Discount	26	93
Other	267	272
<b>Total</b>	<b>16 964</b>	<b>19 330</b>

## 12. FINANCIAL EXPENSES

<b>Financial expenses</b>	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
Interest expense, including:	<b>29 413</b>	<b>26 836</b>
Interest on loans	12 821	12 056
Interest on factoring	1 849	2 171
Interest on borrowings	5 186	4 151
Interest from issued bonds	3 966	3 932
Interest on lease	2 845	1 944
Interest on other liabilities	2 746	2 582
Write-offs on other shares and stocks	0	13 254
Loss on sales of financial assets		117
Other financial expenses, including:	10 864	3 682
Exchange differences	6 429	-
Loss on derivative financial instruments		-
Other	4 435	2 159
<b>Total</b>	<b>40 277</b>	<b>43 889</b>

## 13. MEASUREMENT OF FINANCIAL ASSETS

<b>Measurement of financial assets</b>	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2019 - 31.12. 2019</b>
Loan revaluation write-offs in BAP Group	(122 711)	(4)
Write-offs of shares	(59 146)	
Reversal of revaluation write-offs (repayment of written-off loans)		211
Valuation of credit risk of bonds	(83)	(18)
<b>Total impact on profit/loss</b>	<b>(181 940)</b>	<b>189</b>



**Boryszew S.A.**  
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As at the end of 2019, the Company carried out impairment tests on assets involved in BG BAP.

The test resulted in a write-off of EUR 42.7 million. Therefore the Company wrote off shares in BAP Group described in note 19 and the loans granted described in note 20

Asset impairment test was conducted as at 31 December 2019 and based on five-year discounted forecasted cash flows.

Cash flows were discounted in each test period at a weighted average cost of capital of 8.1%.

The test also assumed a 1% increase in the value of flows after the forecast period.

The test was based on an increase in revenue from sales at BAP Group in subsequent years compared to the record low of 2019. The increase in sales was due to both existing contracts and new contracts as of 2021, including those assuming growth of customers from outside VW Group and from the Non-Automotive market.

The increase in revenue results from available production capacity (2019 utilisation was below 50%).

For the purpose of the test, the cost assumption was made that the profitability of the target portfolio would be at the same level as the current one.

As far as investment expenditure is concerned, mainly replacement investments were assumed, with the exception of additional automation and investments in new Cr3 plating technology (the final decision on this investment was not made).

#### 14. INCOME TAX

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
Income tax - current part	227	(1 693)
Deferred tax on temporary changes	(778)	7 244
<b>Total</b>	<b>(551)</b>	<b>5 551</b>
Effective tax rate	0.3%	11.0%

##### 14.1. Current corporate income tax

	01.01.2019 - 31.12. 2019	01.01.2018 - 31.12. 2018
<b>Gross profit (loss)</b>	<b>-174 340</b>	<b>50 271</b>
Permanent differences in the tax base	129 837	(8 225)
Temporary differences in the tax base	80 367	(38 126)
<b>Income after permanent and temporary differences</b>	<b>35 864</b>	<b>3 920</b>
<b>Eligible costs of R&amp;D activities</b>	<b>(5 302)</b>	
Tax exempt income due to business activity in Special Economic Zones (-)	(21 914)	(13 236)
<b>Income tax base</b>	<b>8 648</b>	<b>(9 316)</b>
<b>Tax rate</b>	<b>19.0%</b>	<b>19.0%</b>
<b>Income tax</b>	<b>1 643</b>	<b>(1 770)</b>
Tax paid on capital gains	68	190
Tax effect Deductible loss from previous years	(1 394)	
Adjustments to the tax of previous years	(26)	(1 883)
<b>Income tax for current year</b>	<b>227</b>	<b>-3 463</b>
Advances paid during the year	2 420	503
<b>Current tax liabilities</b>		<b>0</b>
<b>Tax assets (due tax refund)</b>	<b>2 064</b>	<b>313</b>

##### 14.2. Deferred tax



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	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
<b>Deferred tax disclosed in the balance sheet</b>		
Deferred tax provision	61 897	47 268
Deferred tax asset	(62 627)	(47 409)
<b>Deferred tax balance disclosed in the balance sheet</b>	<b>(730)</b>	<b>(141)</b>
Change in the balance sheet recognised in profit or loss	(778)	7 244
Change in the balance recognised in other comprehensive income	189	119
Opening balance adjustment (implementation of IFRS 9)	-	(1 466)

**Change in deferred tax 2019**

	<b>As at 01.01.2019</b>	<b>change recognized in the current year</b>	<b>tax recognized in the financial result</b>	<b>tax recognized in other comprehensive income</b>	<b>As at 31.12.2019</b>
<b>Change in deferred income tax asset</b>					
Deferred income tax asset on provisions for employee benefits	1 045	98	(14)	112	<b>1 143</b>
Deferred income tax assets on other provisions	2 209	(116)	(116)		<b>2 093</b>
Impairment write-offs on assets	18 773	5 468	5 468		<b>24 241</b>
Valuation of derivative instruments	540	150	451	(301)	<b>690</b>
Unrealised negative currency exchange differences	548	(93)	(93)		<b>455</b>
Amortisation/depreciation	17 641	13 188	13 188		<b>30 829</b>
Deferred income tax asset on loss at the beginning of the year	2 584	(419)	(419)		<b>2 165</b>
Deferred income tax asset on SEZ taxation	3 254	(3 254)	(3 254)		<b>0</b>
Other deferred income tax assets	815	196	196		<b>1 011</b>
<b>Total</b>	<b>47 409</b>	<b>15 218</b>	<b>15 407</b>	<b>(189)</b>	<b>62 627</b>

	<b>As at 01.01.2019</b>	<b>change recognized in the current year</b>	<b>tax recognized in the financial result</b>	<b>tax recognized in other comprehensive income</b>	<b>As at 31.12.2019</b>
<b>Change in deferred income tax provisions</b>					
Valuation of Assets	12 095	1 813	1 813		<b>13 908</b>
Balance sheet valuation of derivative instruments					
Unrealised currency exchange rate differences	1 982	(75)	(75)		<b>1 907</b>
Fixed assets depreciation	26 052	12 346	12 346		<b>38 398</b>
Other deferred income tax provisions	7 139	545	545		<b>7 684</b>
<b>Total</b>	<b>47 268</b>	<b>14 629</b>	<b>14 629</b>	<b>-</b>	<b>61 897</b>



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**Change in deferred tax 2018**

	<b>As at 01.01.2018</b>	<b>change recognized in the current year</b>	<b>tax recognized in the financial result</b>	<b>tax recognized in other comprehensive income</b>	<b>As at 31.12.2018</b>
<b>Change in deferred income tax asset</b>					
Deferred income tax asset on provisions for employee benefits	1 352	(307)	(305)	(2)	<b>1 045</b>
Deferred income tax assets on other provisions	2 807	(598)	(598)		<b>2 209</b>
Impairment write-offs on assets	16 522	2 251	2 251		<b>18 773</b>
Valuation of derivative instruments	361	179	296	(117)	<b>540</b>
Unrealised negative currency exchange differences	1 243	(695)	(695)		<b>548</b>
Amortisation/depreciation	17 814	(173)	(173)		<b>17 641</b>
Deferred income tax asset on loss at the beginning of the year	814	1 770	1 770		<b>2 584</b>
Deferred income tax asset on SEZ taxation	7 000	(3 746)	(3 746)		<b>3 254</b>
Other deferred income tax assets	522	293	293		<b>815</b>
<b>Total</b>	<b>48 435</b>	<b>(1 026)</b>	<b>(907)</b>	<b>(119)</b>	<b>47 409</b>

As at 1 January 2018, the asset for write-downs on account of revaluation of assets was increased by 1 512 as a result of implementation of IFRS 9 and recognised in retained earnings

	<b>As at 01.01.2018</b>	<b>change recognized in the current year</b>	<b>tax recognized in the financial result</b>	<b>tax recognized in other comprehensive income</b>	<b>As at 31.12.2018</b>
<b>Change in deferred income tax provisions</b>					
Valuation of Assets	10 990	1 105	1 105		<b>12 095</b>
Balance sheet valuation of derivative instruments	0	0	0		<b>0</b>
Unrealised currency exchange rate differences	1 051	931	931		<b>1 982</b>
Fixed assets depreciation	23 752	2 300	2 300		<b>26 052</b>
Other deferred income tax provisions	6 604	535	535		<b>7 139</b>
<b>Total</b>	<b>42 397</b>	<b>4 871</b>	<b>4 871</b>	<b>-</b>	<b>47 268</b>

**15. NON-CURRENT ASSETS**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Tangible fixed assets (by type groups)</b>		
<b>Fixed assets by type:</b>	<b>229 445</b>	<b>269 538</b>
land	9 358	9 303
buildings, premises, civil and water engineering structures	62 722	59 805
technical equipment and machines	150 214	189 151
vehicles	848	3 262
other tangible fixed assets	6 303	8 017
<b>Advances for tangible fixed assets</b>	<b>868</b>	<b>3 185</b>
<b>Total property, plant and equipment</b>	<b>230 313</b>	<b>272 723</b>



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<b>additional information - only own funds (without leasing)</b>	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
Amount of net non-current assets with the limited ownership right	57 999	67 414
Fixed assets provided as collateral to loan repayment	11 018	14 476
Compensation from third parties on impairment losses	52	
Insurance value of fixed assets	513 824	480 843

**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
<b>Gross value of fixed assets at the beginning of the period</b>	<b>9 303</b>	<b>94 404</b>	<b>347 834</b>	<b>9 063</b>	<b>20 803</b>	<b>481 407</b>
Transfer on 01.01.2019 of fixed assets under lease PdWA	0	0	(59 099)	(3 817)	(990)	(63 906)
Increase - due to acquisition (+)	55	1 616	27 083	47	1 565	30 366
fixed assets redeemed after lease end	0	0	0	3	0	3
Disposal (-)	0	(29)	(7 844)	0	0	(7 873)
Tangible fixed assets under construction (+/-)	0	4 433	21 882	0	(873)	25 442
Liquidation (-)	0	(3)	(2 442)	(114)	(163)	(2 722)
Sale of fixed assets to lessor- lease-back (-)	0	0	(12 843)	0	0	(12 843)
Other (+/-)	0	0	(459)	(34)	0	(493)
<b>Gross value of fixed assets at the end of the period</b>	<b>9 358</b>	<b>100 421</b>	<b>314 112</b>	<b>5 148</b>	<b>20 342</b>	<b>449 381</b>
<b>Accumulated depreciation at the beginning of the period</b>	<b>0</b>	<b>31 388</b>	<b>154 375</b>	<b>5 541</b>	<b>12 590</b>	<b>203 894</b>
Transfer of YTD depreciation on fixed assets to PdWA as at 01.01.2019	0	0	(3 955)	(1 874)	(135)	(5 964)
Planned depreciation of own fixed assets (+)	0	3 127	17 510	475	1 541	22 653
Decrease due to disposal (-)	0	(27)	(2 025)	(101)	(125)	(2 278)
Reduction due to sale of fixed assets to lessor- lease-back (-)	0	0	(6 696)	0	0	(6 696)
Other (+/-)	0	0	62	(1)	(28)	33
<b>Accumulated depreciation at the end of the period</b>	<b>0</b>	<b>34 488</b>	<b>159 271</b>	<b>4 040</b>	<b>13 843</b>	<b>211 642</b>
<b>Impairment write-offs at the beginning of the period</b>	<b>-</b>	<b>3 211</b>	<b>4 308</b>	<b>260</b>	<b>196</b>	<b>7 975</b>
Write-down provision recognized in the profit/loss for the current period (-)		0	349	0	0	349
Decrease due to disposal (-)		0	(2)	0	0	(2)
Other (+/-)		0	(28)	0	0	(28)
<b>Impairment write-offs at the end of the period</b>	<b>0</b>	<b>3 211</b>	<b>4 627</b>	<b>260</b>	<b>196</b>	<b>8 294</b>
<b>Net fixed assets as at the end of period</b>	<b>9 358</b>	<b>62 722</b>	<b>150 214</b>	<b>848</b>	<b>6 303</b>	<b>229 445</b>

**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
<b>Gross value of fixed assets at the beginning of the period</b>	<b>9 303</b>	<b>92 362</b>	<b>335 544</b>	<b>9 274</b>	<b>19 089</b>	<b>465 572</b>
Additions - purchase, commissioning of assets construction) (+)		2 829	15 729	265	2 224	21 047
Additions - under lease agreements (+)			16 017	519	432	16 968



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Disposal (-)	(291)	(10 939)	(784)		(12 014)	
Tangible fixed assets under construction (+/-)	(504)	(6 979)	37	33	(7 413)	
Liquidation (-)		(5 225)	(228)	(975)	(6 428)	
Other (+/-)	8	3 687	(20)		3 675	
Gross value of fixed assets at the end of the period	9 303	94 404	347 834	9 063	20 803	481 407
Accumulated depreciation at the beginning of the period	-	28 474	140 070	4 738	12 021	185 303
Planned depreciation of own fixed assets (+)		2 938	18 197	205	1 338	22 678
Planned depreciation of leased fixed assets (+)			4 454	1 319	92	5 865
Decrease due to disposal (-)		(30)	(8 232)	(663)	(820)	(9 745)
Other (+/-)		6	(114)	(58)	(41)	(207)
Accumulated depreciation at the end of the period	0	31 388	154 375	5 541	12 590	203 894
Impairment write-offs at the beginning of the period	-	3 206	4 314	190	196	7 906
Other (+/-)		5	(6)	70	0	69
Impairment write-offs at the end of the period	0	3 211	4 308	260	196	7 975
Net fixed assets as at the end of period	9 303	59 805	189 151	3 262	8 017	269 538

## 16. INVESTMENT PROPERTY

### Investment real estate property at fair value

**As at**  
**31.12.2019**

**As at**  
**31.12.2018**

Real estate property located in Toruń **16 525** **16 525**

In accordance with the accounting policy, the Company measures the value of property once every 3 years. The last valuation was made at the end of 2017. The Company determined that the fair value had not changed compared to the previous year

	<b>As at</b> <b>31.12.2019</b>	<b>As at</b> <b>31.12.2018</b>
Revenues from investment property (rental agreements)	731	798
Maintenance cost of investment property	81	219

## 17. INTANGIBLE ASSETS

<b>Intangible assets</b>	<b>As at</b> <b>31.12.2019</b>	<b>As at</b> <b>31.12.2018</b>
R&D expenses	4 637	3 989
Patents, licenses, software	16 367	18 293
Perpetual land usufruct right	0	1 776
Other intangible assets	10 346	9 057
<i>Advances for intangible assets</i>	0	0
<b>Total</b>	<b>31 350</b>	<b>33 115</b>



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**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
<b>Gross value at the beginning of the period</b>	<b>11 514</b>	<b>24 201</b>	<b>2 215</b>	<b>12 409</b>	<b>50 339</b>
Additions (purchase)	2 243	401		2 232	4 876
Liquidation (-)	-	(86)			(86)
Transfer to PdWA	-		(2 158)		(2 158)
Other	-				-
<b>Gross value of intangible assets at the end of the period</b>	<b>13 757</b>	<b>24 516</b>	<b>57</b>	<b>14 641</b>	<b>52 971</b>
<b>Accumulated depreciation at the beginning of the period</b>	<b>7 525</b>	<b>5 908</b>	<b>439</b>	<b>3 352</b>	<b>17 224</b>
Scheduled depreciation of intangible assets	1 595	2 326	0	943	4 864
Liquidation/disposal		(85)			(85)
Transfer to PdWA			(382)		(382)
<b>Accumulated depreciation at the end of the period</b>	<b>9 120</b>	<b>8 149</b>	<b>57</b>	<b>4 295</b>	<b>21 621</b>
<b>Impairment write-offs at the beginning of the period</b>	-				-
<b>impairment write-offs at the end of the period</b>	-				-
<b>Net value of intangible assets at the end of the period</b>	<b>4 637</b>	<b>16 367</b>	<b>0</b>	<b>10 346</b>	<b>31 350</b>

**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
<b>Gross value at the beginning of the period</b>	<b>11 284</b>	<b>18 899</b>	<b>2 223</b>	<b>7 182</b>	<b>39 588</b>
Additions (purchase)	230	5 340	3	5 256	10 829
Liquidation (-)	-	(38)	(4)	-	(42)
Introduced as in-kind contribution (-)	-	-	-	-	-
Other	-	-	(7)	(29)	(36)
<b>Gross value of intangible assets at the end of the period</b>	<b>11 514</b>	<b>24 201</b>	<b>2 215</b>	<b>12 409</b>	<b>50 339</b>
<b>Accumulated depreciation at the beginning of the period</b>	<b>5 731</b>	<b>4 173</b>	<b>402</b>	<b>2 426</b>	<b>12 732</b>
Scheduled depreciation of intangible assets	1 794	1 753 -18	38 -1	926	4 511
<b>Accumulated depreciation at the end of the period</b>	<b>7 525</b>	<b>5 908</b>	<b>439</b>	<b>3 352</b>	<b>17 243</b>
<b>Impairment write-offs at the beginning of the period</b>	-	-	-	-	-
<b>impairment write-offs at the end of the period</b>	-	-	-	-	-
<b>Net value of intangible assets at the end of the period</b>	<b>3 989</b>	<b>18 293</b>	<b>1 776</b>	<b>9 057</b>	<b>33 115</b>



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**18. RIGHT-OF-USE ASSETS**

	<i>Technical equipment and machines</i>	<i>Vehicles</i>	<i>Other tangible fixed assets</i>	<i>Land - SMA</i>	<i>The Lease Agreement</i>	<i>Total</i>
<b>Initial value of PdUA - beginning of the period</b>	-	-	-	-	-	-
Transfer on 01.01.2019 of leased fixed assets	59 073	3 817	1 069	19 171		83 130
Implementation of IFRS 16					47 156	47 156
Acceptance for use under new lease agreements signed during the current year (+)	11 628	755	-		2 825	15 208
Disposal				(259)		(259)
Transfer from under leaseback	7 291	-	-		-	7 291
Reduction du to end of lease term (-)	(4 373)	(420)	-		-	(4 793)
Impact of exchange rate differences (+/-)	-	-	-		-	-
<b>Gross value of fixed assets at the end of the period</b>	<b>73 619</b>	<b>4 152</b>	<b>1 069</b>	<b>18 912</b>	<b>49 981</b>	<b>147 733</b>
<b>Accumulated depreciation of leased assets - beginning of the period</b>	-	-	-		-	-
Transfer to 01.01.2019 of existing depreciation of leased fixed assets	4 579	1 767	135	382		6 863
Depreciation of own fixed assets (+)	5 716	1 041	142	253	8 626	15 778
Reduction at the end of lease (-)	(365)	(417)	-		-	(782)
Impact of exchange rate differences (+/-)	-	-	-		-	-
<b>Accumulated depreciation at the end of the period</b>	<b>9 930</b>	<b>2 391</b>	<b>277</b>	<b>635</b>	<b>8 626</b>	<b>21 859</b>
<b>Impairment write-offs at the beginning of the period</b>	-	-	-		-	-
Transfer to 01.01.2019 of existing write-offs of leased fixed assets	-	-	-		-	-
Write-down provision recognized in the profit/loss for the current period (-)	802	-	-		-	802
Reduction due to termination of lease (-)	-	-	-		-	-
Impact of exchange rate differences (+/-)	-	-	-		-	-
<b>impairment write-offs at the end of the period</b>	<b>802</b>	-	-	-	-	<b>802</b>
<b>Net value of leased fixed assets at the end of the period</b>	<b>62 887</b>	<b>1 761</b>	<b>792</b>	<b>18 277</b>	<b>41 355</b>	<b>125 072</b>

The Company recognised in its assets all fixed assets except for short-term low value leases

The Company has leased back some of its fixed assets for financing. The resulting cash inflow amounted to PLN 7 359 thousand.



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## 19. SHARES IN SUBSIDIARIES

Company name	As at 01.01.2019				change			As at 31.12.2019			
	share of the parent in share capital (%)	Value of shares	Impairment write-off	Net value	acquisition	liquidation	change in the balance of revaluation write-offs	share of the parent in share capital (%)	Value of shares	Impairment write-off	Net value
Direct subsidiaries:											
Elimer Sp. z o.o.	52.44	53	-	53				52.44	53	-	53
Torlen Sp. z o.o.	100	15 808	15 808	0		-15808	-15 808	0	0	0	0
Elana Pet Sp. z o.o.	100	4 707	-	4 707				100	4 707	-	4 707
Nylonbor Sp.zo.o.	100	50	-	50				100	50	-	50
Elana Energetyka Sp. z o.o.	100	1 500	1 500	-				100	1 500	1 500	-
SPV Boryszew 3 Sp. z o.o.	100	9 086	-	9 086				100	9 086	-	9 086
Nowoczesne Produkty Aluminiowe Skawina	100	17	-	17				100	17	-	17
Boryszew Commodities Sp. z o.o.	-	-	-	-				-	-	-	-
SPV Boryszew 6 Sp. z o.o.	100	25	-	25				100	25	-	25
SPV Maflow (d.SP.V Boryszew 8) Sp. z o.o.	100	25	-	25				100	25	-	25
SPV Boryszew 9 Sp. z o.o.	100	25	-	25				100	25	-	25
Boryszew Automotive Plastics Sp. z o.o.	100	59 875	11 244	48 631			48 631	100	59 875	59 875	0
Boryszew Tensho Poland Sp. z o.o.	80	7 919	-	7 919			7 919	80	7 919	7 919	0
BOR Plastic RUS Sp.z o.o., Rosja	11	2 242	-	2 242			2 242	11	2 242	2 242	0
BRS HR Service Sp.zo.o.o. Toruń	100	354	-	354			354	100	354	354	0
Maflow Polska Sp. z o.	100	5	-	5				100	5	-	5
Maflow BRS s.r.l	100	40	-	40				100	40	-	40



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Maflow Spain Automotive S.L.U	100	6 080	-	6 080				100	6 080	-	6 080
Maflow France Automotive S.A.	100	3 951	3 951	-				100	3 951	3 951	-
Maflow India	100	14 294	-	14 294				100	14 294	-	14 294
Eastside Bis Sp. z o.o.	65.02	58 668	-	58 668				65.02	58 668	-	58 668
Boryszew Energy Sp. z o.o.	100	-	-	-				100	-	-	-
Elana Ukraina Sp. z o.o.	90	338	338	-				90	338	338	-
Impexmetal S.A.	55.07	293 333	-	293 333	945			55.07	294 278	-	294 278

		<b>478 395</b>	<b>32 841</b>	<b>445 554</b>	<b>945</b>	(15 808)	43 338	-	<b>463 532</b>	<b>76 179</b>	<b>387 353</b>
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**Indirect subsidiaries**

Hutmen S.A.	10.38	14 101		14 101				10.38	14 101		14 101
Walcownia Metali Dziedzice S.A.	1.92	1 529	-	1 529				1.92	1 529	-	1 529
Alchemia S.A.					2 503		120	0.25	2 503	120	2 383

		<b>15 630</b>	<b>-</b>	<b>15 630</b>	<b>2 503</b>	<b>-</b>	120	<b>-</b>	<b>18 133</b>	<b>120</b>	<b>18 013</b>
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Total

**Affiliated entities**

Zavod Mogiliev - Sp. z o.o.											
Belarus	30	1 091	1 091	-				30	1 091	1 091	-
Alchemia	0.25	2 503	165	2 338	(2 503)	(165)					
	<b>30</b>	<b>3 594</b>	<b>1 256</b>	<b>3 338</b>	<b>(2 503)</b>	<b>(165)</b>	<b>0</b>	<b>30</b>	<b>1 091</b>	<b>1 091</b>	<b>0</b>

<b>Total shares and stocks</b>	<b>30</b>	<b>497 619</b>	<b>34 097</b>	<b>463 522</b>	<b>0</b>	<b>945</b>	<b>(15 973)</b>	<b>43 458</b>	<b>0</b>	<b>30</b>	<b>482 756</b>	<b>77 390</b>	<b>405 366</b>
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**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

(amounts expressed in PLN thousands unless specified otherwise)

Torlen shares were removed from the balance sheet due to the completion of company's liquidation. Proceeds from the liquidation amounted to PLN 6 million.

The Company conducted a test on the assets involved as at 31.12.2019 in BAP Capital Group. Described in note 13. The Company wrote off shares in BAP Capital Group in the amount of PLN 59 146 thousand. The Company did not recognise a deferred tax asset on the write-off

**Shares written off**

Boryszew Automotive Plastics Sp. z o.o.	48 631
Boryszew Tensho Poland Sp. z o.o.	7 919
BOR Plastic RUS Sp.z o.o., Rosja	2 242
HR Service Sp.zo.o.Toruń	354
	<b>59 146</b>

**20. FINANCIAL ASSETS**

**Financial assets - loans and bonds**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Debt instruments (bonds)	19 266	144 915
Loans granted	277 405	373 648
<b>In total, including:</b>	<b>296 671</b>	<b>518 563</b>
<i>Long-term financial assets</i>	60 116	382 320
<i>Short-term financial assets</i>	236 555	136 243

**Statement of bonds subscribed for**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Unibax Sp. z o.o.	1 046	127 191
Maflow India Private Ltd	15 493	14 951
Skotan S.A.	2 791	2 791
Valuation of credit risk	-64	-18
<b>Total</b>	<b>19 266</b>	<b>144 915</b>

**Receivables from loans granted (with interest due) by borrowers**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Theysohn Kunststoff GmbH	0	274
Boryszew Kunststofftechnik Deutschland GmbH	114 333	110 844
Boryszew Automotive Plastics Sp.z o.o.	113 447	206 699
Boryszew Kunststofftechnik Deutschland GmbH - Ymos branch	0	161
Boryszew Formenbau GmbH	0	422
Boryszew Deutschland GmbH	0	490
Maflow BRS Srl	8 510	8 581
Mafmex Servicios S de.RL.de.C	37 958	39 138
Elana Pet Sp. Z o.o.	1 007	4 038
Polish Wind Holdings B.V.		1 796
Boryszew SPV 3 Sp.zo.o.	2 150	1 209
Write-off for credit risk		-4
<b>Total</b>	<b>277 405</b>	<b>373 648</b>

The above summary includes net receivables included in the balance sheet, including write-downs.



**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

The Company conducted a test on the assets involved as at 31.12.2019 in BAP Capital Group. It wrote off loans granted in the amount of PLN 122 645 thousand (EUR 28 800 thousand).

**write-offs on loans**

Theysohn Kunststoff GmbH	272
Boryszew Automotive Plastics Sp.z o.o.	121 310
Boryszew Kunststofftechnik Deutschland GmbH - Ymos branch	159
Boryszew Formenbau GmbH	418
Boryszew Deutschland GmbH	486
	<b>122 645</b>

**Change in bonds purchased and loans granted between 01.01.2019 and 31.12.2019**

	<b>Bonds borrowings</b>	
<b>Carrying amount of bonds/loans purchased at the beginning of the period</b>	<b>144 915</b>	<b>373 648</b>
Reduction in assets - repaid/purchased during the year (-)	(178 970)	(7 370)
Bonds acquired during the current year (+)	55 000	25 720
Interest on bonds/loans recognised in P&L during the current year (+)	1 936	13 933
Interest received	(3 926)	(239)
Write-offs recognised in P&L of the current year (-)	(46)	(124 662)
Exchange rate differences recognised in P&L in current year (income+/cost -)	357	(3 625)
<b>Carrying amount - end of period</b>	<b>19 266</b>	<b>277 405</b>

**21. DERIVATIVE FINANCIAL INSTRUMENTS**

**As at 31.12.2019**

	<b>assets</b>	<b>liabilities</b>
<b>Cash flows hedging instruments</b>	<b>8</b>	<b>851</b>
<i>Commodity swaps</i>	0	760
<i>Foreign exchange contracts</i>	8	91
<b>Fair value hedges</b>	<b>0</b>	<b>0</b>
<i>Interest rate swaps</i>	0	0
<i>Foreign exchange contracts</i>	0	0
<i>Commodity swaps</i>	0	0
<b>Instruments held for trading</b>	<b>0</b>	<b>0</b>
<i>Foreign exchange contracts</i>	0	0
<i>Commodity swaps</i>	0	0
	<b>8</b>	<b>851</b>
<i>long-term part</i>	0	0
<i>short-term part</i>	8	851

**balance**

**-843**

**As at 31.12.2018**

	<b>assets</b>	<b>liabilities</b>
<b>Cash flows hedging instruments</b>	<b>579</b>	<b>66</b>
<i>Commodity swaps</i>	579	0
<i>Foreign exchange contracts</i>	-	66
<b>Fair value hedges</b>	<b>0</b>	<b>0</b>
<i>Interest rate swaps</i>	-	-



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

(amounts expressed in PLN thousands unless specified otherwise)

Foreign exchange contracts	-	-
Commodity swaps	-	-
<b>Instruments held for trading</b>	<b>0</b>	<b>0</b>
Foreign exchange contracts	-	-
Commodity swaps	-	-
	<b>579</b>	<b>66</b>
long-term part	-	-
short-term part	-	66
<b>positive net out</b>	<b>513</b>	

## 22. TRADE AND OTHER RECEIVABLES

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Trade receivables and other receivable</b>		
Trade receivables from sale of products, goods and services	230 364	271 856
Receivables from sale of fixed assets and intangible assets	16	40
Receivables from the sale of shares	0	0
Payables and receivables with shareholders	7 604	0
Budget receivables	14 399	10 878
Other debtors	36 352	36 603
<b>Trade receivables and other receivables</b>	<b>288 735</b>	<b>319 377</b>
long-term	33 380	33 705
short-term	255 355	285 672
<b>Cumulative revaluation write-downs on receivables</b>		
Write-offs on overdue trade receivables	133 043	83 231
Write-offs on other receivables (except trade receivables)	20 785	20 319
<b>Total allowances</b>	<b>153 828</b>	<b>103 550</b>
<b>Gross accounts receivable</b>	<b>442 563</b>	<b>422 927</b>

The revaluation write-downs were recognised mainly on receivables from Maflow China and Maflow Brazil, which are subsidiaries. The company monitors the financial situation of these subsidiaries on an ongoing basis.

	<b>01.01.2019 - 31.12. 2019</b>	<b>As at 31.12.2018</b>
<b>Write-offs on trade receivables (trade receivables only)</b>		
<b>Balance as at the beginning</b>	<b>83 231</b>	<b>87 232</b>
Write-offs on overdue receivables (+)	53 747	6 854
Removal of write-off together with the receivable as irrecoverable/overdue (-) (out of P&L)	(894)	(412)
Write-downs derecognized from recovered receivables (-)	(17)	(19 883)
Reversal of write-offs on overdue receivables (-)	(2 877)	(344)
exchange rate differences brought forward (+/-)	(147)	1 824
Write-offs according to IFRS 9 - credit risk (-)	0	7 960
<b>Write-downs at the end of the period</b>	<b>133 043</b>	<b>83 231</b>



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

(amounts expressed in PLN thousands unless specified otherwise)

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Aging of net trade receivables</b>		
<b>net accounts receivable with the remaining repayment period from the balance sheet date</b>	<b>120 398</b>	<b>143 741</b>
up to 3 months	116 998	142 284
up to 6 months	2 036	1 324
up to 1 year	0	133
above 1 year	1 364	
<b>overdue accounts receivable</b>	<b>109 966</b>	<b>128 115</b>
up to 3 months	54 073	57 249
up to 6 months	27 921	26 061
up to 1 year	16 721	26 663
above 1 year	11 251	18 142
<b>total trade receivables</b>	<b>230 364</b>	<b>271 856</b>

## 23. INVENTORIES

<b>Inventories</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Structure of inventories</b>		
Materials and raw materials	84 202	79 824
Work in progress	15 808	17 108
Finished products	65 363	76 669
Traded goods	10 400	5 129
Energy certificates	1 749	256
<b>Total</b>	<b>177 522</b>	<b>178 986</b>
Advances on supplies	630	2 541
<b>Carrying value of inventories</b>	<b>178 152</b>	<b>181 527</b>
Impairments	15 494	24 453
<b>Gross value of inventories</b>	<b>193 646</b>	<b>205 980</b>

### Revaluation write-offs for inventories at the beginning of the period

	<b>24 453</b>	<b>13 063</b>
Increase of impairments in the period	2 763	7 759
Reversal of write-downs in the period (-)	-3 343	3 591
Fair value measurement of energy certificates (+/-)	-81	40
Other decrease of write-downs in the period (written down with inventories) (-)	-8 298	
<b>Revaluation write-offs for inventories at the end of the period</b>	<b>15 494</b>	<b>24 453</b>

Creation of impairments for inventories results from comparing the carrying value of inventories with their recoverable value by use or sale. Write-downs are also created for stocks that fall due in accordance with the accounting policy. A write-down is charged to particular period's costs. Reversal of write-downs occurs during cessation of the cause for creation and it is credited to the particular period's incomes.



**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

## 24. OTHER ASSETS

<b>OTHER ASSETS</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Prepayments	4 318	6 322
Prepayments - financial expenses	0	0
Quick savings (automotive)	8 885	6 483
Activated costs for new projects (automotive)	12 360	10 507
<b>Total</b>	<b>25 563</b>	<b>23 312</b>
<i>Long-term part</i>	<i>7 754</i>	<i>5 485</i>
<i>Short-term part</i>	<i>17 809</i>	<i>17 827</i>

## 25. CASH

<b>CASH</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Cash and cash equivalents</b>		
Cash in hand and at bank	35 788	29 287
other	0	26
<b>Total</b>	<b>35 788</b>	<b>29 313</b>
	-	-
Unused credits in current bank accounts	34 705	5 823

## 26. EQUITY

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:

<b>Shareholders</b>	<b>Number of shares</b>	<b>% of capital</b>	<b>Number of votes</b>	<b>% of votes</b>
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%
<b>Total:</b>	<b>240 000 000</b>	<b>100.00%</b>	<b>240 000 000</b>	<b>100.000%</b>

(\*) 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.



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

(amounts expressed in PLN thousands unless specified otherwise)

**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.

The Company holds no preferred shares. Each share carries one vote at the Shareholders' Meeting.

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 of the hyperinflationary revaluation increased the share capital and the issue premium while the value of the retained earnings was reduced.

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Change in equity</b>		
<b>Number of shares as at the balance sheet date</b>	<b>240 000 000</b>	<b>240 000 000</b>
<i>number of own shares</i>	<i>19 283 831</i>	<i>18 323 831</i>
<i>number of shares entitled to dividend</i>	<i>220 716 169</i>	<i>221 676 169</i>
<b>Share capital as at the beginning of the year, including:</b>	<b>248 906</b>	<b>248 906</b>
Redemption of shares		
issue of new shares		
<b>Share capital as at the end of the year</b>	<b>248 906</b>	<b>248 906</b>
<b>Share premium as at the beginning of the year</b>	<b>112 346</b>	<b>112 346</b>
share premium in 2014		
<b>Balance as at the end</b>	<b>112 346</b>	<b>112 346</b>
<b>Own shares (-)</b>		
<b>Balance as at the beginning of the year</b>	<b>(129 735)</b>	<b>(84 329)</b>
share buy-back	(4 516)	(45 406)
Redemption of own shares		
<b>Balance as at the end</b>	<b>(134 251)</b>	<b>(129 735)</b>
<b>Reserve capital - hedge accounting</b>		
<b>Balance as at the beginning</b>	<b>(2 300)</b>	<b>(2 797)</b>
Recognised profit/loss	689	614
Income tax (+/-)	(301)	(117)
<b>Balance as at the end</b>	<b>(1 912)</b>	<b>(2 300)</b>
<b>Restatement of employee benefits</b>		
<b>Balance as at the beginning of the year</b>	<b>(162)</b>	<b>(169)</b>
Valuation of liabilities against retirement benefits in the period (+/-)	(588)	9
income tax (+/-)	112	(2)
<b>Balance as at the end</b>	<b>(638)</b>	<b>(162)</b>
<b>Retained earnings</b>		
<b>Balance as at the beginning of the year</b>	<b>378 668</b>	<b>340 396</b>
Correction - implementation of IFRS 9		(6 448)
Result of the current year	(173 789)	44 720
<b>Balance as at the end</b>	<b>204 879</b>	<b>378 668</b>
<b>Total equity</b>	<b>429 330</b>	<b>607 723</b>



**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

## 27. BANK LOANS, BORROWINGS AND BONDS

	As at 31.12.2019	As at 31.12.2018
<b>External financing liabilities</b>		
Bank loan facilities	494 988	542 720
Loans received	133 534	193 898
Bonds	142 388	167 393
<b>Total loans, including:</b>	<b>770 910</b>	<b>904 011</b>
<i>Long-term liabilities</i>	183 617	368 119
<i>Short-term liabilities</i>	587 293	535 892

The amount of credit liability includes incomplete factoring with recourse as at 31.12.2019 - 31 539  
(as at 31.12.2018 PLN 50 957 thousand)

	As at 31.12.2019	As at 31.12.2018
<b>27.1. Bank loan facilities</b>		
Investment bank loans	86 146	160 377
Working capital facility	359 582	303 497
Revolving loans (including unpaid interest)	17 721	27 889
Factoring	31 539	50 957
<b>Total loans, including:</b>	<b>494 988</b>	<b>542 720</b>
<i>Bank loans - long-term</i>	160 134	199 506
<i>Bank loans - short-term</i>	334 854	343 214
 <b>unused lending limits</b>	 34 705	 44 568

	01.01.2019 - 31.12. 2019	As at 31.12.2018
<b>Change in loans</b>		
<b>nominal value of loans at the beginning of the year</b>	<b>542 720</b>	<b>494 549</b>
proceeds from new loans received (+)	97 813	186 706
repayment of loans (-)	(143 567)	(129 389)
<b>total cash change</b>	<b>(45 754)</b>	<b>57 317</b>
<b>non-cash changes</b>		
impact of exchange rate differences (+/-)	(1 978)	(9 146)
<b>sum of non-cash changes</b>	<b>(1 978)</b>	<b>(9 146)</b>
<b>carrying amount of loans</b>	<b>494 988</b>	<b>542 720</b>

Interest cost included in the result	12 821	14 227
Interest expense capitalised (fixed assets)	291	



**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

**Change in the balance of loans in between 1 January and 31 December 2019**

Loan details	Loan liabilities 31.12.2019	Loan liabilities 31.12.2018	Movement between periods	Date of loan repayment as per the agreement	interest rate (%)	Loan collateral
ALIOR Bank	11 994	11 994	0	24.03.2020	WIBOR + margin	Authorisation to bank account, registered pledge on shares
ALIOR Bank	36 919	33 379	3 540	31.03.2022	EURIBOR + margin	Authorisation to access funds in bank account, registered pledge on shares
ALIOR Bank	14 000	14 000	0	24.05.2020	WIBOR + margin	Registered pledge on shares
BGK	35 228	47 429	(12 201)	31.12.2022	EURIBOR + margin	Mortgage on fixed assets, Assignment under framework loan agreement, pledge on bank accounts, pledge on shares
BGK	21 274	21 480	(206)	30.06.2021	EURIBOR + MARGIN	Pledge on borrower's accounts, Pledge on shares
BNP Paribas	12 840	15 524	(2 684)	31.01.2020	WIBOR + margin	Authorisation to current bank account and other accounts, Blank promissory note with declaration, Assignment of existing and future receivables, Cap (ceiling) mortgage on developed land with assignment of right from insurance policy on that property.
BNP Paribas	3 686	4 413	(727)	30.01.2020	WIBOR + margin	Authorisation to current bank account and other accounts, Blank promissory note with declaration, Assignment of existing and future receivables, Cap (ceiling) mortgage on developed land with assignment of right from insurance policy on that property.
Credit Agricole Bank Polska	14 195	19 111	(4 916)	19.12.2022	EURIBOR 3M + margin	Registered pledge on machines, assignment of rights under an insurance policy, registered pledge on stocks
DNB Bank	5 100	10 700	(5 600)	29.09.2020	WIBOR + margin	joint mortgage, assignment of rights under insurance policy, pledge on machinery
DNB Bank	24 865	24 997	(132)	30.09.2020	WIBOR + margin	Registered pledge on shares, mortgages on real estate properties in Germany
HSBC FRANCE Branch in Poland	4 301	22 555	(18 254)	23.08.2020	EURIBOR 1M + margin	Authorisation to bank accounts
HSBC FRANCE Branch in Poland	56 875	65 000	(8 125)	11.06.2021	WIBOR + margin	Mortgage, registered pledge on shares



**Boryszew S.A.**  
**Notes to the financial statements**  
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(amounts expressed in PLN thousands unless specified otherwise)

ING Bank Śląski	12 041	15 351	(3 310)	21.08.2020	WIBOR + margin	pledge on materials, pledge on finished products, assignment of rights arising from trade contract, joint mortgage on real property, assignment of rights under insurance policy, lock on shares
ING Commercial Finance		-64	64			Own promissory note with promissory note declaration
mBank	4 161		4 161	2020.04.13	WIBOR ON+margin	joint mortgage on property, assignment of rights under insurance policy for property
mBank	8 000	8 000	0	2020.10.14	WIBOR1M+ margin	joint mortgage on property, assignment of rights under insurance policy,
mBank faktoring	18 745	23 584	(4 839)	unspecified	EURIBOR + margin	Own promissory note with promissory note declaration, assignment of funds on bank account
PKO BP	25 034	19 437	5 597	31.01.2020	EURIBOR 1M + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	36 879	40 850	(3 971)	31.12.2021	EURIBOR 1M + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	16 677	20 240	(3 563)	31.05.2020	WIBOR + margin	Assignment of receivables from insurance agreement, Registered pledge on stocks, cap contractual mortgage on real estate properties, Registered pledge on machines
PKO BP	17 685	13 272	4 413	31.01.2020	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	10 000	10 000	0	31.01.2020	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO FAKTORING	8 493	5 252	3 241	25.07.2020	EURIBOR 1M + margin	Blank promissory notes, Authorisation to bank accounts
Santander		4 614	(4 614)	31.05.2020	WIBOR + margin	
Santander	34 965	29 974	4 991	31.05.2020	WIBOR + margin	Mortgage (Toruń) , pledge on shares
Santander		9 083	(9 083)	01.04.2019	WIBOR + margin	Mortgage,(Tychy) pledge on inventories
Santander	60 997	52 903	8 094	27.06.2020	WIBOR + margin	Mortgage,(Tychy) pledge on inventories
Santander		-362	362			
<i>unpaid interest as at the balance sheet date</i>	34	4	30			

**494 988**

**542 720**

**(47 732)**



(amounts expressed in PLN thousands unless specified otherwise)

### 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.

### 27.2. Loan liabilities

	As at 31.12.2019	As at 31.12.2018
Loans from related entities	116 374	175 257
Loans from other entities	17 160	18 641
<b>Total loans, including:</b>	<b>133 534</b>	<b>193 898</b>
Long-term loans	11 483	68 220
Short-term loans	122 051	125 678

	01.01.2019 - 31.12. 2019	As at 31.12.2018
<b>Change in loans</b>		
<b>nominal value of loans at the beginning of the year</b>	193 898	135 740
proceeds from new loans taken (+)	46 500	70 841
repayment of loans (-)	(121 210)	(12 455)
unpaid interest at the end of the period (+)	0	
<b>total cash change</b>	<b>(74 710)</b>	<b>58 386</b>
<b>non-cash changes</b>		
compensations (-)	(467)	
impact of exchange rate differences (+/-)	0	(228)
unpaid interest at the end of the period (+)	1 618	
other non-cash changes (+/-)	13 195	
<b>sum of non-cash changes</b>	<b>14 346</b>	<b>(228)</b>
<b>carrying amount of loans</b>	<b>133 534</b>	<b>193 898</b>

<b>interest expenses on loans</b>	<b>5 186</b>	<b>4 151</b>
interest expense in P&L	5 186	4 151



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**Statement of changes in loans received between 1 January and 31 December 2019**

Date of loan / 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	interest rate (%)	Loan collateral
Eastside-Bis	2 500		2 500	31.12.2020	WIBOR + margin	
Eastside-Bis	3 000		3 000	31.12.2020	WIBOR + margin	
Impexmetal S.A.	14 000	60 000	(46 000)	31.12.2020	WIBOR + margin	
Impexmetal S.A.	13 000		13 000	31.12.2020		
Impexmetal S.A.	12 000		12 000	31.12.2020		
Impexmetal S.A.	12 256		12 256	31.12.2020		
Impexmetal S.A.	13 000		13 000	31.12.2020		
Impexmetal S.A.	3 000		3 000	31.12.2020		
Impexmetal S.A.	25 000	20 000	5 000	31.12.2020	WIBOR + margin	
Impexmetal S.A.		5 000	(5 000)	31.12.2020	WIBOR + margin	
Impexmetal S.A.		90 256	(90 256)	31.12.2019	WIBOR + margin	
mLeasing	5 433	2 341	3 092	15.04.2024	EURIBOR + margin	registered pledge on machines, assignment under insurance policy, freezing in favour of mLeasing and power of attorney to bank account, joint contractual mortgage on real estate, assignment under insurance policy
mLeasing	8 482	11 903	(3 421)	16.06.2022	WIBOR + margin	blank promissory note with promissory note declaration
Polski Cynk Sp. z o.o.	17 000		17 000	30.06.2020		
Siemens	3 246	4 398	(1 152)	31.03.2023	EURIBOR + margin	blank promissory note with promissory note declaration
impact of exchange rate differences	1 617		1 617			
	<b>133 534</b>	<b>193 898</b>	<b>(60 364)</b>			



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**27.3. Liabilities arising from issued bonds**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Liabilities to related entities arising from issued bonds	142 388	167 393
Liabilities to other entities due to bonds issued	-	-
<b>Total bonds, including:</b>	<b>142 388</b>	<b>167 393</b>
Bonds - long-term	12 000	100 393
Bonds - short-term	130 388	67 000
Interest cost included in the result	<b>3 966</b>	<b>4 151</b>

**Change in bonds**

**the nominal value of bonds at the beginning of the year**

proceeds from issue of new bonds (+)

redemption of bonds

**total cash change**

**non-cash changes**

impact of exchange rate differences (+/-)

**sum of non-cash changes**

**carrying amount of bonds**

	<b>01.01.2019 - 31.12. 2019</b>	<b>As at 31.12.2018</b>
the nominal value of bonds at the beginning of the year	167 407	100 393
proceeds from issue of new bonds (+)	0	110 000
redemption of bonds	(25 000)	(43 000)
<b>total cash change</b>	<b>(25 000)</b>	<b>67 000</b>
<b>non-cash changes</b>		
impact of exchange rate differences (+/-)	(19)	
<b>sum of non-cash changes</b>	<b>(19)</b>	<b>0</b>
<b>carrying amount of bonds</b>	<b>142 388</b>	<b>167 393</b>

**Statement of changes in bonds issued between 1 January and 31 December 2019**

Company / Investor	Liabilities due to issued bonds as at 31.12.2019	Liabilities due to issued bonds as at 31.12.2018	Movement between periods	Bond redemption date	interest rate (%)
Eastside Bis	12 000	17 000	-5 000	31.12.2020	WIBOR + margin
Eastside Bis	5 000		5 000	31.12.2020	WIBOR + margin
Eastside Bis	4 000	7 000	-3 000	31.12.2020	WIBOR + margin
Eastside Bis	2 000		2 000	31.12.2020	WIBOR + margin
Eastside Bis	1 000		1 000	31.12.2020	WIBOR + margin
Eastside Capital Investment Sp. z o.o. Z o.o.	1 000	1 000	0	31.12.2020	
Hutmen	15 000	22 000	-7 000	30.06.2020	WIBOR + margin
Hutmen	7 000		7 000	30.06.2020	
Hutmen	2 000	2 000	0	30.06.2020	
Hutmen	14 000	14 000	0	30.06.2020	WIBOR + margin
METAL ZINC	1 000	1 000	0	31.12.2020	WIBOR + margin
POLSKI CYNK	6 388	6 393	1 607	30.09.2020	EURIBOR + margin
POLSKI CYNK	8 000	9 000	-2 612	30.09.2020	
SPV IPX	12 000	50 000	-38 000	31.12.2020	WIBOR + margin
SPV IPX	16 000		16 000	31.12.2020	
SPV IPX	8 000		8 000	31.12.2020	
SPV IPX	2 000		2 000	31.12.2020	
SPV IPX	4 000		4 000	31.12.2020	



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SPV IPX	8 000		8 000	31.12.2020	
SPV Lakme Investment	2 000	2 000	0	31.12.2020	WIBOR + margin
Zakład Utylizacji Odpadów Sp. Z o.o.	12 000	25 000	-13 000	28.02.2021	
Torlen Sp. Z o.o.		2 000	-2 000		
WM Dziedzice		9 000	-9 000	30.06.2019	WIBOR + margin
	<b>142 388</b>	<b>167 393</b>	<b>-25 005</b>		

### Conditions of credit agreements

Agreements signed with banks impose on the Company legal and financial liabilities (covenants), used for such transactions as a standard, including, inter alia:

- maintaining financial ratios at a specified level (calculated at the individual or consolidated level), the most frequent of which is the net debt to EBITDA ratio,
- performing cash-flows by specified bank accounts,
- limitations related to granting loans and sureties, as well as incurring investment expenditures,
- equal treatment of credit obligations.

## 28. LEASE LIABILITIES

### Lease liabilities

28.1. Liabilities under lease of fixed assets	
28.2. Liability to SMA	
28.3. Liabilities under lease agreements recognised as PdUW	
28.4. Liabilities to SMA - investment property	

As at 31.12.2019	As at 31.12.2018
45 428	38 099
16 582	-
41 805	-
1 951	1 960
<b>105 766</b>	<b>40 059</b>

### 28.1. Liabilities under lease of fixed assets

#### Leasing liabilities

Long-term lease	23 516	30 066
Short-term lease	21 912	8 033
<b>Total lease liabilities</b>	<b>45 428</b>	<b>38 099</b>

Lease interest costs recognised in profit or loss of current period	1 043	1 944
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### Change in the balance of lease liabilities

#### Balance brought forward of lease liabilities

	As at 31.12.2019	As at 31.12.2018
	38 099	45 071
new discounted lease liabilities (+)	21 092	16 968
repayment of capital lease instalments (-)	(13 196)	-24 714
interest payment, which was included in the balance brought forward (-)	-	-
interest not paid at the end of the period, recognised in the balance sheet (+)	-	-
Revaluation of lease liabilities (such as due to changes in interest rates, changes in lease term) (+/-)	-	-
impact of exchange rate differences (+/-)	(567)	774
compensations and other non-cash changes	-	-
<b>Carrying amount of lease liabilities</b>	<b>45 428</b>	<b>38 099</b>



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	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Gross non-discounted finance lease liabilities</b>		
non-discounted payment for 1 month under contract	981	431
from 2 to 3 months	1 883	861
payable 4 to 6 months	3 061	2 593
from 7 months to 12 months	8 109	5 248
between 1 year and 3 years	16 823	18 689
from 3 years to 5 years	17 572	12 311
over 5 years	0	249
<b>Total undiscounted lease payments until the end of the lease term</b>	<b>48 429</b>	<b>40 382</b>
future interest payments (-)	-3 001	
<b>Carrying amount of lease liabilities</b>	<b>45 428</b>	<b>38 099</b>

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>28.2. Liability on perpetual usufruct of land for own use</b>		
Long-term lease	16 476	
Short-term lease	106	
<b>Total liabilities to SMA</b>	<b>16 582</b>	<b>0</b>
Lease interest costs recognised in profit or loss of current period	477	

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Change in the balance of lease liabilities</b>		
<b>Balance brought forward of lease liabilities</b>	-	
<b>recognition in the balance sheet under IFRS 16</b>	17 011	
new lease liabilities (+)	-	
repayment of capital lease instalments (-)	(73)	
Derecognition due to sale	(356)	
<b>Carrying amount of lease liabilities</b>	<b>16 582</b>	<b>0</b>

	<b>As at 31.12.2019</b>
<b>Non-discounted liabilities due to SMA</b>	
annual SMA fee	517
Instalments 1 year to 3 years	1 034
Instalments 3 years to 5 years	1 034
Instalments over 5 years - up to 10 years	2 585
Instalments over 10 years - to 20 years	5 170
Instalments over 20 years	16 448
<b>Total undiscounted lease payments until the end of the lease term</b>	<b>26 788</b>
future interest payments (-)	(10 206)
<b>Carrying amount of lease liability (SMA)</b>	<b>16 582</b>



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**28.3. Liability under long-term lease agreements recognised as right-of-use assets**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Leasing liabilities</b>		
Short-term liabilities	8 470	0
Long-term liabilities	33 335	0
<b>Total lease liabilities</b>	<b>41 805</b>	<b>0</b>
Lease interest costs recognised in profit or loss of current period	1 267	

**Change in the balance of lease liabilities**

**Balance brought forward of lease liabilities**

**Recognition in the balance sheet as at 01.01.2019 (IFRS 16)**

new lease liabilities (+)	47 156	
repayment of capital lease instalments (-)	2 824	
impact of exchange rate differences (+/-)	(7 972)	
	(203)	
<b>Carrying amount of lease liabilities</b>	<b>41 805</b>	

**Change in the balance of lease liabilities**

**Balance brought forward of lease liabilities**

**Recognition in the balance sheet as at 01.01.2019 (IFRS 16)**

new lease liabilities (+)	47 156	
repayment of capital lease instalments (-)	2 824	
impact of exchange rate differences (+/-)	(7 972)	
	(203)	
<b>Carrying amount of lease liabilities</b>	<b>41 805</b>	<b>0</b>

**Gross non-discounted finance lease liabilities**

**monthly undiscounted rent under the agreement**

rent payable within 2 to 6 months	802	
above 7 month and up to 12 months	4 008	
between 1 year and 3 years	4 810	
from 3 years to 5 years	19 238	
over 5 years	11 509	
	4 727	
<b>Total undiscounted lease payments until the end of the lease term</b>	<b>44 292</b>	
future interest payments (-)	(2 487)	
<b>Carrying amount of lease liabilities</b>	<b>41 805</b>	

**28.4. Liability to SMA - investment property**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
long-term liabilities	1 942	1 951
short-term liabilities	9	9
<b>Total liabilities</b>	<b>1 951</b>	<b>1 960</b>
Lease interest costs recognised in profit or loss of current period	58	2



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	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Change in liabilities</b>		
<b>Liabilities - beginning of the year</b>	<b>1 960</b>	<b>2 024</b>
<b>recognition in the balance sheet under IFRS 16</b>	0	
repayment of capital instalments (-)	(9)	(64)
<b>Carrying amount of lease liabilities</b>	<b>1 951</b>	<b>1 960</b>

  

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Gross undiscounted finance lease liabilities - (capital + interest according to the schedule):</b>		
annual SMA fee	67	67
between 1 year and 3 years	134	134
from 3 years to 5 years	134	134
over 5 years - up to 10 years	335	335
over 10 years - up to 20 years	670	670
over 20 years	3 326	3 393
<b>Total undiscounted lease payments until the end of the lease term</b>	<b>4 666</b>	<b>4 733</b>
future interest payments (-)	(2 715)	(2 773)
<b>Carrying amount of lease liabilities</b>	<b>1 951</b>	<b>1 960</b>



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## 29. TRADE PAYABLES AND OTHER LIABILITIES

	As at 31.12.2019	As at 31.12.2018
<b>Trade payables and other liabilities</b>		
Trade liabilities due to purchase of materials, services and goods	268 833	239 968
Liabilities to state budget (except income tax)	12 541	14 473
Other liabilities (except for deposits, advance payments listed above)	1 007	17 123
Payroll liabilities	11 425	9 209
<b>In total, including:</b>	<b>293 806</b>	<b>280 773</b>
<i>long-term liabilities</i>	0	0
<i>short-term liabilities</i>	293 806	280 773

<i>Liabilities towards related parties</i>	20 833	37 929
<i>Liabilities towards non-affiliated entities</i>	272 973	242 844

<b>Liabilities prior to the payment due date of maturity date:</b>	<b>219 106</b>	<b>197 690</b>
up to 3 months	216 775	195 897
up to 6 months	2 265	1 793
up to 1 year	66	
above 1 year	0	
<b>Overdue trade liabilities:</b>	<b>49 727</b>	<b>42 278</b>
up to 3 months	36 158	29 496
up to 6 months	2 796	3 503
up to 1 year	2 141	5 806
above 1 year	8 632	3 473
<b>Total trade liabilities:</b>	<b>268 833</b>	<b>239 968</b>

## 30. PENSION AND SIMILAR EMPLOYEE BENEFITS LIABILITIES

### Change in provisions for employee benefits

	Retirement severance pay	Disability severance pay	Death benefits	Provision for payments in lieu of leaves not taken	Bonuses and other benefits	Total
<b>Provision for employee benefits</b>						
<b>As at 01.01.2019</b>	<b>1 941</b>	<b>367</b>	<b>1 647</b>	<b>4 393</b>	<b>306</b>	<b>8 654</b>
<b>Movement:</b>	<b>579</b>	<b>33</b>	<b>-1 276</b>	<b>-845</b>	<b>49</b>	<b>-1 460</b>
<i>Interest expense</i>	40	7	46	0	0	93
<i>Current employment costs (+/-)</i>	236	96	156	-845	131	(226)
<i>Future employment costs (+/-)</i>	0	0	-1 637	0	0	(1 637)
<i>Benefits paid (-)</i>	(112)	(72)	-12	0	-82	(278)
<i>Actuarial gains and losses - demographic changes (+/-)</i>	(93)	(28)	-22	0	0	(143)
<i>Actuarial gains and losses - financial changes (+/-)</i>	508	30	193	0	0	731
<b>As at 31.12.2019</b>	<b>2 520</b>	<b>400</b>	<b>371</b>	<b>3 548</b>	<b>355</b>	<b>7 194</b>



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	Retirement severance pay	Disability severance pay	Death benefits	Provision for payment s in lieu of leaves not taken	Other provision s	Total
<b>Provision for employee benefits</b>						
<b>As at 01.01.2018</b>	<b>1 724</b>	<b>311</b>	<b>1 536</b>	<b>5 464</b>	<b>2 827</b>	<b>11 862</b>
<b>Movement:</b>	<b>217</b>	<b>56</b>	<b>111</b>	<b>(1 071)</b>	<b>-2521</b>	<b>-3 208</b>
Interest expense	37	11	50			98
Current employment costs (+/-)	210	56	142	(1 071)	-2 452	-3115
Future employment costs (+/-)	13	3	1	-	-	17
Benefits paid (-)	(132)	4	(3)	-	(69)	(200)
Actuarial gains and losses - demographic changes (+/-)	(39)	(21)	(43)	-	-	(103)
Actuarial gains and losses - financial changes (+/-)	128	3	(36)	-	-	95
<b>As at 31.12.2018</b>	<b>1 941</b>	<b>367</b>	<b>1 647</b>	<b>4 393</b>	<b>306</b>	<b>8 654</b>

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%.

### 31. OTHER PROVISIONS

	As at 01.01.2019	recognition of provision (+)	provisions used during the year (-)	reversal of unnecessary provisions	As at 31.12.2019
<b>Change in provisions 01.01.2019 - 31.12. 2019</b>					
Provisions for liquidation of fixed assets	5 136		(15)		5 121
Provisions for warranty repairs, complaints	2 389	743			3 132
Provision for customer claims	409	810			1 219
<b>Total</b>	<b>7 934</b>	<b>1 553</b>	<b>-15</b>	<b>0</b>	<b>9 472</b>

Short-term provisions	-	3 359
Long-term provisions		6 113

	As at 01.01.2018	recognition of provision (+)	provisions used during the year (-)	reversal of unnecessary provisions	As at 31.12.2018
<b>Change in provisions 01.01.2018 - 31.12. 2018</b>					
Provisions for liquidation of fixed assets	5 221		(85)		5 136
Provisions for warranty repairs,	2 349	40			2 389
Provision for customer claims	-	409			409
<b>Total</b>	<b>7 570</b>	<b>449</b>	<b>(85)</b>	<b>-</b>	<b>7 934</b>
Short-term provisions					2 798
Long-term provisions					5 136

The provision for the liquidation of fixed assets concerns the costs of liquidation of fixed assets in NPA Skawina Branch after their use.



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### 32. DEFERRED INCOME

<b>Deferred income</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
State subsidies	19 007	9 542
Other (deferred revenues)	1	248
	<b>19 008</b>	<b>9 790</b>
<i>long-term</i>	<i>14 528</i>	<i>2 534</i>
<i>short-term</i>	<i>4 480</i>	<i>7 256</i>

### 33. FINANCIAL INSTRUMENTS

#### Financial instruments list by balance sheet item and instrument category

##### Financial assets as at 31.12.2019

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Derivatives used for hedges	Carrying value
Bonds	19 266			19 266
Trade receivables held for collection	191 926			191 926
Receivables intended for factoring		38 438		38 438
Derivative financial instruments			8	8
Loans granted	277 405			277 405
Other debtors		58 371		58 371
Cash and cash equivalents	35 788			35 788
<b>Total</b>	<b>524 385</b>	<b>96 809</b>	<b>8</b>	<b>621 202</b>

##### Financial assets as at 31.12.2018

	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	144 915			144 915
Trade receivables held for collection	263 338			263 338
Receivables intended for factoring		8 518		8 518
Derivative financial instruments			579	579
Loans granted	518 563			518 563
Other debtors		36 603		36 603
Cash and cash equivalents	29 313			29 313
<b>Total</b>	<b>956 129</b>	<b>45 121</b>	<b>579</b>	<b>1 001 829</b>



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**Financial liabilities as at 31.12.2019**

	Financial liabilities measured at amortised cost	Derivatives used for hedges	Carrying value
Bank loans, factoring, borrowings	628 522		628 522
Bonds	142 388		142 388
Derivative financial instruments		851	851
Liabilities due to fixed tangible assets lease	45 428		45 428
Liabilities on other PdUA	60 338		60 338
Trade and other liabilities	293 806		293 806
<b>Total</b>	<b>1 170 482</b>	<b>851</b>	<b>1 171 333</b>

**Financial liabilities as at 31.12.2018**

	Financial liabilities measured at amortised cost	Derivatives used for hedges	Carrying value
Bank loans, factoring, borrowings	736 618		736 618
Bonds	167 393		167 393
Derivative financial instruments		66	-
Leasing liabilities	38 099		38 099
SMA liabilities	1 960		1 960
Trade and other liabilities	257 091		257 091
<b>Total</b>	<b>1 201 161</b>		<b>1 201 161</b>

**34. BUSINESS RISKS**

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

market risk, including:

- credit risk.
- foreign exchange rate risk (change in PLN exchange rate to other currencies);
- interest rate risk (increase in interest rates),
- liquidity risk;

**Credit risk**

Credit risk exists due to the balance of trade receivables, loans granted, bonds acquired, guarantees and sureties granted, cash and cash equivalents.

The Company manages credit risk and evaluates it for each new customer before offering standard delivery and payment terms and conditions. Credit risk is managed by setting credit limits for each customer. The utilisation of credit limits is subject to regular monitoring. The Company insures its receivables up to a limit.

Where corporate clients have an independent rating, this rating is used to determine their credit risk. Otherwise, where no such rating is available, the Company evaluates credit risk for a group of customers, separately for each operating segment, taking into consideration past experience and other factors.



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In the Automotive segment Company's customers are subsidiaries and acknowledged global manufacturers of vehicles and their production components. In this case the credit POLICY on payment terms and limits is determined within the framework of general terms of cooperation. The company has the possibility of flexible payment management in this segment, inter alia thanks to cash discount instruments. Receivables from Automotive customers are not insured.

In the Metals and Chemical segment, the credit policy regarding the terms, limits and hedges for payments is regulated by a periodically verified order of the Company Management Board. The order applies to the terms of contracts with customers negotiated by these segments. When verifying new customers, the Company uses the opinions of leading rating companies and companies insuring trade receivables. Periodic receivables aging reports are the main tool for credit monitoring. Receivables in the Metals and Chemical segment are insured.

The company also grants long-term loans to subsidiaries or includes bonds issued by subsidiaries. In the case of uncertain repayment, the Company periodically makes write-downs updating the value of a loan or bond.

	As at 31.12.2019	As at 31.12.2018
<b>Cumulative impairment losses on receivables</b>		
<b>Impairment write-off for receivables</b>		
doubtful debt allowance on trade receivables	133 043	83 231
doubtful debt allowance on loans	247 207	122 545
doubtful debt allowance on other receivables	20 785	20 319
<b>Total</b>	<b>401 035</b>	<b>226 095</b>

Write-offs on trade receivables are mostly recognised for receivables from subsidiaries (Maflow China and Brazil). For other items - these are write-offs on receivables from related companies (Maflow Group companies and BAP Group companies).

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

- External customers for the automotive segment
- Customers - entities related to the Boryszew Group 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.

#### 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 coupon 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 Company 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.

#### Sensitivity analysis

	As at 31.12.2019	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
<b>Interest-bearing (variable %) financial assets</b>	<b>296 671</b>	<b>1 483</b>	<b>(1 483)</b>
Loans granted	277 405	1 387	(1 387)
Debt instruments	19 266	96	(96)
other			



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<b>Interest-bearing (variable %) financial liabilities</b>	<b>816 338</b>	<b>(4 082)</b>	<b>4 082</b>
Loans	463 449	(2 317)	2 317
Factoring	31 539	(158)	158
Borrowings	133 534	(668)	668
Debt instruments	142 388	(712)	712
Financial leasing of fixed assets	45 428	(227)	227
Other		0	0
<b>Impact on future profit/loss before tax</b>		<b>(2 599)</b>	<b>2 599</b>
<b>Impact on future net profit/loss</b>		<b>(2 105)</b>	<b>2 105</b>

	As at As at 31.12.2018	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
<b>Interest-bearing (variable %) financial assets</b>	<b>518 563</b>	<b>2 593</b>	<b>(2 593)</b>
Loans granted	373 648	1 868	(1 868)
Debt instruments other	144 915	725	(725)
		-	-
<b>Interest-bearing (variable %) financial liabilities</b>	<b>944 070</b>	<b>(4 720)</b>	<b>4 720</b>
Loans	491 763	(2 459)	2 459
Factoring	50 957	(255)	255
Borrowings	193 898	(969)	969
Debt instruments	167 393	(837)	837
financial leasing	38 099	(190)	190
Other	1 960	(10)	10
<b>Impact on future profit/loss before tax</b>		<b>(2 127)</b>	<b>2 127</b>
<b>Impact on future net profit/loss</b>		<b>(1 723)</b>	<b>1 723</b>

All significant items of the Company's interest debt and granted loans are based on variable interest rates (1M WIBOR, 3M WIBOR, 1M EURIBOR). Therefore, the fair value of financial assets and liabilities is not exposed to changing rates of interest. However, changes in interest rates affect the volume of future cash flows associated with assets and liabilities.

The above table illustrates the sensitivity of the Company's results to interest rate changes. The discussed impact on results refers to the time span of subsequent 12 months (assuming that the amount of interest-bearing assets and liabilities remains unchanged).

#### Foreign exchange rate risk

Foreign exchange rate risk arises primarily from the fact that approximately 55% of the Company's revenue is from sales to European Union countries and other European countries and the contracts are concluded in EUR. The company granted the Group entities with loans in EUR for their operating activities. The change (decrease) in the EUR exchange rate may have a substantial impact on sales revenues and foreign exchange differences on the receivables valuation. In 2018, the company was not involved in currency options or any other speculative derivative instruments. The Company does not hedge its currency risk by entering into long-term transaction hedging foreign exchange risk, the Company does not exclude the conclusion of such currency contracts in the future.

#### Analysis of sensitivity to risk of foreign exchange rates changes 2019

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



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	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
<b>Receivables and payables in EUR</b>			
trade and other receivables	34 645	7 376	(7 376)
borrowings	58 724	12 502	(12 502)
bonds	0	0	0
other liabilities	21 527	(4 583)	4 583
borrowings and loans	51 047	(10 868)	10 868
bonds	1 500	(319)	319
leasing	11 259	(2 397)	2 397
<b>Result</b>		<b>1 711</b>	<b>(1 711)</b>
<b>Receivables and payables in USD</b>			
trade receivables	22 661	4 303	(4 303)
other liabilities	10 203	(1 938)	1 938
loans, borrowings, leasing	-	-	-
<b>Result</b>		<b>2 365</b>	<b>(2 365)</b>

**Analysis of sensitivity to risk of foreign exchange rates changes 2018**

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

	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
<b>Receivables and payables in EUR</b>			
trade and other receivables	54 117	11 635	(11 635)
borrowings	85 214	18 321	(18 321)
bonds	-	-	-
other liabilities	18 498	(3 977)	3 977
borrowings and loans	69 267	(14 892)	14 892
bonds	1 500	(323)	323
leasing	5 007	(1 077)	1 077
<b>Result</b>		<b>9 687</b>	<b>(9 687)</b>
<b>Receivables and payables in USD</b>			
trade receivables	5 113	961	(961)
other liabilities	10 129	(1 904)	1 904
loans, borrowings, leasing	-	-	-
<b>Result</b>		<b>(943)</b>	<b>943</b>



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## Capital management

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 Company first and foremost seeks to allocate funds, thus building long-term value for shareholders through acquisitions and new projects.

### Net debt to equity ratio

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Loan, lease, borrowings debt	876 676	944 070
Cash and cash equivalents	(35 788)	(29 313)
<b>Net debt</b>	<b>840 888</b>	<b>914 757</b>
<b>Equity</b>	<b>429 330</b>	<b>607 723</b>
Net debt to equity	195.9%	150.5%

### Debt ratio

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Liabilities	1 207 007	1 251 287
Assets	1 636 337	1 859 010
Debt rate	73.8%	66%

## Liquidity risk

Liquidity risk is the risk of difficulties in meeting the obligations of the Company related to financial liabilities, settled by the expenditure of cash or other financial assets.

Company's liquidity management is about ensuring, as far as possible, that the Company always enjoys sufficient liquidity to settle the required commitments, both in normal and crisis situation, without exposure to unacceptable loss or undermining the Company's reputation.

The Company has secured cash payable on demand in the amount which is sufficient to cover the expected operating expenses, including the handling of loan liabilities.

### Liquidity ratios

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
current ratio	0.80	0.79
quick ratio	0.60	0.58
current ratio III	0.04	0.04

## Plans for financing Boryszew S.A.

As at 31.12.2019 net working capital was negative and amounted to PLN -76 401 thousand. In order to improve the Company's liquidity in 2019, actions were undertaken which will be continued in the next period and which include:

The Management Board pursues actions to change the debt structure, which involve:

- refinancing a part of the short-term debt for credits, loans and/or long-term bonds,
- the use of leasing in the financing activities in order to finance investment expenditures.

The Company has no arrears in payments of its financial liabilities and interest.



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Management Board believes that the current financial situation and the actions justify preparation of financial statements on the going concern basis and there is no need to change the valuation of assets and liabilities that would have been necessary if the Company was not able to its business in the same or similar scope.

**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	143 093	91 742	105 942	164 070			504 847	<b>494 988</b>
Maturities of borrowings	2 802	18 186	101 342	10 012	1 692		134 034	<b>133 534</b>
Maturity of liabilities on issued bonds	0	46 000	84 407	12 000			142 407	<b>142 388</b>
Maturities of leasing liabilities	2 864	3 061	8 109	16 823	17 572		48 429	<b>45 428</b>
Maturities of liabilities of leased rental services	802	4 008	4 810	19 238	11 509	4 727	45 094	<b>41 805</b>
Maturity of PMA fees	517			1 034	1 034	24 203	26 788	<b>16 582</b>
Maturity of SMA fees - investment properties	67			134	134	4 331	4 666	<b>1 951</b>
payment of trade liabilities and other items	270 650	2 265	1 046	35			273 996	<b>268 833</b>
<b>Total</b>	<b>420 795</b>	<b>165 262</b>	<b>305 656</b>	<b>223 346</b>	<b>31 941</b>	<b>33 261</b>	<b>1 180 261</b>	<b>1 145 509</b>

**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	100 489	96 129	139 044	190 422	16 636	0	542 720	542 720
Maturities of borrowings	26 186	7 093	92 462	65 450	2 707	0	193 898	193 898
Maturity of liabilities on issued bonds	14 000	1 000	61 000	91 393	0	0	167 393	167 393
Maturities of leasing liabilities	1 292	2 593	5 248	18 689	12 311	249	40 382	38 099
Maturity of PMA fees	67	0	0	134	134	4 355	4 690	1 960
payment of trade liabilities and other items	240 253		15 422	1 036			256 711	257 091
<b>Total</b>	<b>382 287</b>	<b>106 815</b>	<b>313 176</b>	<b>367 124</b>	<b>31 788</b>	<b>4 604</b>	<b>1 205 794</b>	<b>1 201 161</b>

**Fair value**

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

Level 1	Listed shares	Shares listed at Warsaw Stock Exchange were valued based on the closing price on the date of the reporting period end.
Level 2	Derivative commodity financial instruments - commodity swaps	The fair value of commodity transactions is calculated based on the prices of contracts for the timely distribution of individual metals as at valuation date and the exchange rates.
	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



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individual currencies.

In the reporting period as well as in the comparable period, no shift of instruments between level 1 and 2 occurred.  
In the reporting period as well as in the comparable period, level 3 instruments were not reclassified to level 1 and 2.

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2019	As at 31.12.2018	
<b>Financial assets</b>			
Listed shares		2 338	Level 1
Derivative financial instruments	8	579	Level 2
<b>Financial obligations</b>			
Derivative financial instruments	851	66	Level 2

Impexmetal S.A. shares, a subsidiary, listed at WSE, are valued at acquisition price.

Fair value of shares as at 31.12.2018 was 367 778, as at 31.12.2017 - PLN 475 834 thousand (carrying value at the purchase price is PLN 293 333 thousand (as at 31.12.2017 -PLN 262 356 thousand).

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2019	As at 31.12.2018	
<b>Financial assets</b>			
Shares held for trading	-	0	Level 3
Bonds	19 266	144 915	Level 3
Borrowings	277 405	373 648	Level 3
Trade and other receivables	274 336	305 601	Level 3
Investment property	16 525	16 525	Level 3
Cash and cash equivalents	35 788	29 313	Level 1
<b>Financial obligations</b>			
Borrowings and loans and leasing of fixed assets	816 338	934 077	Level 2
Trade liabilities	268 833	257 091	Level 3
Liabilities to SMA and PdUA	58 387		Level 2
Liabilities to SMA - investment properties	1 951	1 960	Level 2

**Insurance of the Company's property and 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 members of the governing bodies of a limited liability or joint stock company.



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

### **35. SIGNIFICANT EVENTS IN ISSUER'S ACTIVITY**

#### **Proposed coverage of loss for 2019**

The Company's Management Board recommends that the net loss for 2019 in the amount of PLN 173 789 000 be covered by future profits.

#### **REDEMPTION OF BONDS ISSUED BY BORYSZEW S.A.**

In 2019 Boryszew S.A. made an early redemption of:

- 1 series A26 bond with a nominal value of PLN 1 000 000 (including interest), acquired by Polski Cynk Spółka z o.o.,
- 6 series A27 bonds with a nominal value of PLN 1 000 000 and the total nominal value of PLN 6 000 000 of (including interest) and 3 series A30 bonds with the nominal value of PLN 1 000 000 and the total nominal value of PLN 3 000 000 of (with interest), acquired by WM Dziedzice S.A.
- 13 series A18 bonds with a nominal value of PLN 1 000 000 and the total nominal value of PLN 6 000 000 of (including interest), acquired by Zakład Utylizacji Odpadów Spółka z o.o.
- and 2 series A24 bonds with the nominal value of PLN 1 000 000 and the total nominal value of PLN 3 000 000 of (with interest), acquired by Torlen Sp. z o.o. w likwidacji.

#### **Buy-back of treasury shares of Boryszew S.A.**

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.,

#### **Completion of own share buyback program**

On 25 June 2019, due to the expiry of the period for which it was adopted, the share buy-back program, adopted by resolution No. 19 of the Ordinary General Meeting of Shareholders of 25 June 2014 terminated.

As a result of implementation of Resolution No. 19 of the Extraordinary General Meeting (as amended), Boryszew Capital Group companies acquired a total of 25 446 149 own shares with a nominal value of PLN 1.00 each at an average price of PLN 6.46 i.e. for a total amount of PLN 164 390 381.14.

The acquired account for 10.60% of the share capital and 25 446 149 votes at the General Meeting of Shareholders, i.e. 10.60% of total number of votes.

Under the resolution referred to above the shares acquired under the buyback program will be allocated to one of the objectives set out in the program: (i) for resale, (ii) the redemption.

#### **Authorization of the Management Board of the Company to acquire own shares**

On 25 June 2019 the Ordinary General Meeting of Boryszew S.A. authorised, by resolution No. 22, the Management Board of the Company to acquire up to 80 000 000 own shares of Boryszew S.A., accounting for 33.33% of Company's shares for redemption (the resolution will become effective on 1 October 2019).

At the same time, the General Meeting created a reserve capital to finance share buyback in the amount of PLN 240 000 000.



### **Engagement in negotiations on the sale of assets**

On 28 May 2019, the Management Board of Boryszew S.A. ("Company"), according to the interest communicated to the financial advisor of the Company by potential investors and recommendation of the financial advisor provided on that basis, made a decision on the intention to include, within the review of strategic options, the scenario of possible sale of assets in the aluminium processing sector, owned by Impexmetal S.A., and to launch negotiations to determine the conditions, scope and procedure of conducting a potential transaction.

### **Conclusion of a preliminary conditional agreement for sale of significant assets**

On 27 November 2019 Boryszew S.A. as well as SPV Boryszew 3 Sp. z o.o. and Impexmetal Holding Sp. z o.o., 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:

- Boryszew S.A. 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 Sp. z o.o. 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 Sp. z o.o. 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 Sp. z o.o., 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.

As the Company is not 100% sure that the transaction will take place, Impexmetal shares were not recognised as assets held for sale

### **CONVERSION OF RECEIVABLES OF SUBSIDIARIES INTO SHARE CAPITAL**

On 23 December 2019 Boryszew S.A. agreed to convert Company's receivables from:

I. Maflow do Brasil Ltda, based in Brazil, resulting from:

- 1) loans granted, EUR 11 932 500
- 2) trade receivables, EUR 14 192 361.40

in the total - EUR 26 124 861.40 (equivalent to BRL 118 776 283) to share capital of the company, in exchange for 118 776 283 shares with a nominal value of R\$ 1 each share.

II. Mafmex S. de R.L. de C.V., based in Mexico, resulting from trade receivables in the amount of EUR 11 013 526.89 (equivalent of MXN 234 579 345.80) to company's supplementary capital, in exchange for series B 1 share (without voting rights during shareholders' meeting) in the amount of MXN 234 579 345.80.

### **36. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

#### **Impact of the Covid-19 pandemic on the Company**

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 S.A. at the



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date of preparation of this report cannot be easily predicted. Branches 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. Boryszew S.A. Headquarters as well as the branches 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 Company's results.

Temporary suspension of production took place in Boryszew S.A. Maflow Branch.

The Company used some elements of the anti-crisis program and considers using shielding programs (such as guarantees from the Liquidity Guarantee Fund of Bank Gospodarstwa Krajowego and programs of the Polish Development Fund).

Due to diversified business profile of Boryszew S.A. 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 Boryszew S.A. Maflow Branch. 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 branch 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.

#### **METAL SEGMENT**

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.

#### **CHEMICAL PRODUCTS SEGMENT**

Due to covid19 the epidemic, Boryszew S.A. 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**

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.

Therefore, Boryszew S.A. forecasts for 2020:

1. Negative impact of the economic slowdown caused by the COVID-19 pandemic on the operations in Q2 2020 and a decrease in revenue of approximately 30% compared to plans. The decrease will be mainly suffered by the automotive segment (decrease in excess of 50% against the budget).
2. It is expected that in Q3 2020 revenues will reach a level of at least 70% of the budget.

Due to the diversified profile of Boryszew S.A., individual branches are differently exposed to the effects of economic slowdown. At the level of Companies, the drop in sales will result in a decrease of EBITDA by approximately 30% in Q2 2020, against the budget. In the second half of the current year, EBITDA is estimated at a level close to the budget. 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 S.A. result of areas particularly exposed to the risk.



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The Management Board of the Company is of the opinion that no threat exist to continuation of the business.

### 37. CONTINGENT LIABILITIES

<b>Contingent liabilities</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Sureties for the repayment of loans and other liabilities by subsidiaries and jointly controlled companies	925 532	549 607
<b>Total</b>	<b>925 532</b>	<b>549 607</b>

#### Status of current sureties as at 31.12.2019

Entity for which guarantee or surety was issued	Subject of liability	Value of guarantee	Expiry date of guarantee
		PLN	
<b>Impexmetal S.A.</b>	Guarantee for HSBC France Branch in Poland	270 000 000	16.09.2021
<b>Boryszew Kunststofftechnik Deutschland GmbH</b>	Guarantee granted to Commerzbank	21 292 500	indefinite validity
	Guarantee granted to GE Capital Bank AG	4 226 020	30.08.2021
	Guarantee granted to ALD AutoLeasing D GmbH	851 700	30.06.2022
	Guarantee granted to Deutsche Leasing International GmbH	5 961 900	indefinite validity
	Guarantee granted to Deutsche Leasing International GmbH	2 555 100	08.06.2023
	Guarantee granted to DNB Bank Polska SA	66 432 600	01.03.2021
	Endorsement of lease agreement for PKO Leasing Sp. z o.o.	24 571 049	31.03.2022
	Guarantee granted to Deutsche Leasing International GmbH	12 630 099	31.08.2024
<b>Boryszew Kunststofftechnik Deutschland GmbH Oddział BRS YMOS</b>	Guarantee granted to Wurth Leasing GmbH & Co. KG	1 319 334	30.11.2020
	Guarantee granted to Wurth Leasing GmbH	1 511 350	15.03.2022
<b>Theysohn Formenbau GmbH</b>	Guarantee granted to akf Leasing GmbH	9 962 586	31.08.2023
<b>Theysohn Kunststoff GmbH</b>	Guarantee granted to PKO Leasing Sp. z o.o.	14 592 887	31.12.2021
	Guarantee granted to HSBC Trinkhaus & Burkhardt AG	25 551 000	10.05.2022
<b>Boryszew Oberflächentechnik Deutschland GmbH</b>	Guarantee granted to Bank Gospodarstwa Krajowego	54 146 828	31.12.2026
<b>Boryszew Plastic RUS</b>	Guarantee granted to ZAO Hewlett-Packard AO	759 540	indefinite validity
	Guarantee granted to ZAO Hewlett-Packard AO	379 770	indefinite validity
	Guarantee granted to Volvo Group Trucks Operations	21 292 500	indefinite validity
	Guarantee granted to Alfa Bank	11 456 250	31.12.2024
	Payment guarantee granted to Engel Austria	12 975 207	25.08.2023



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<b>Boryszew Tensho Poland Sp. z o.o.</b>	Guarantee granted to HSBC Bank Polska S.A.	10 000 000	11.09.2021
	Guarantee granted to SPV Impexmetal Sp. z o.o. for payment of financial liabilities	41 000 000	indefinite validity
	Aval of lease agreement for mLeasing	764 930	15.04.2021
	Aval of lease agreement for mLeasing	6 387 407	15.11.2020
	Guarantee granted to PGE Obrót S.A.	1 800 000	indefinite validity
	Bill of exchange guarantee for SGB Leasing Sp. z o.o.	357 100	30.09.2025
	Guarantee granted to DNB Bank Polska SA	10 220 400	01.03.2021
	Aval of lease agreements for mLeasing	8 800 050	15.04.2024
	Guarantee granted to PKO Leasing Sp. z o.o.	16 973 184	10.10.2022
<b>Maflow BRS s.r.l.</b>	Guarantee granted to Banka IFIS	3 193 875	indefinite validity
	Guarantee granted to CORDTECH INTERNATIONAL SAS	1 290 000	31.12.2019
	Guarantee granted to Mehler Engineered Products GmbH for repayment of commercial debts	1 703 400	31.12.2019
	Guarantee granted to Cover	425 850	31.12.2019
	Guarantee granted to HSBC France, Milan Branch	19 376 175	23.05.2023
<b>Maflow France Automotive S.A.S.</b>	Guarantee granted to Natixs Lease	1 605 455	07.07.2021
<b>MAFMEX S. de R.L. de C.V.</b>	Guarantee granted to Volkswagen Group of America	5 696 550	15.01.2021
<b>Boryszew Commodities</b>	Guarantee granted to Borealis AG for commercial liabilities	1 064 625	31.12.2020
	Endorsement of financing agreement for mBank S.A.	70 265 250	30.04.2020
	Endorsement of guarantee line for mBank S.A.	3 193 875	10.04.2021
<b>BAP Group companies - customers of Volkswagen AG</b>	Guarantee granted to Volkswagen AG	85 170 000	indefinite validity
<b>Alchemia S.A.</b>	Guarantee granted to Arcelormittal Poland S.A.	21 292 500	31.12.2020
<b>Veolia Industry Polska Sp. z o.o. (formerly Eastside-Bis Sp. z o.o.)</b>	Guarantee granted to the Provincial Fund for Environmental Protection and Water Management in Toruń	3 283 600	indefinite validity
<b>Boryszew HR Service Sp. z o.o.</b>	Endorsement of a loan agreement for mBank	1 000 000	27.08.2020
<b>Elana Energetyka</b>	Guarantee granted to PGE Obrót S.A.	3 000 000	indefinite validity
<b>ZM Silesia S.A.</b>	Surety granted to PKO BP S.A.	10 800 000	28.02.2022
	Guarantee granted to BGŻ BNP Paribas S.A.	14 400 000	31.12.2020
	Bill of exchange surety for Coface Poland Factoring Sp. z o.o.	20 000 000	indefinite validity
<b>Total</b>		<b>925 532 445</b>	



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**Status of current sureties as at 31.12.2018**

Entity for which guarantee or surety was issued	Issue date of guarantee or surety	Subject of liability	Value of guarantee	Expiry date of guarantee
			PLN	
<b>Torlen Sp. z o.o.</b>	24.07.2017	Surety regarding trade liabilities, granted to Polytrade GmbH	6 450 000	31.07.2020
	11.12.2017	Surety regarding trade liabilities, granted to MB Barter & Trading SA	2 150 000	31.12.2020
<b>Boryszew Kunststofftechnik Deutschland GmbH</b>	31.01.2013	Guarantee granted to Commerzbank	21 500 000	indefinite validity
	23.07.2013	Guarantee granted to GE Capital Bank AG	4 267 204	30.08.2021
	12.03.2014	Guarantee granted to Hewlett-Packard International Plc.	1 279 250	28.02.2019
	06.06.2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 279 250	31.05.2019
	25.09.2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 151 325	31.05.2019
	22.01.2015	Guarantee granted to Hewlett-Packard International Bank Plc.	430 000	31.08.2019
	24.07.2017	Guarantee granted to ALD AutoLeasing D GmbH	860 000	30.06.2022
	23.11.2017	Guarantee granted to DNB Bank Polska SA	32 250 000	28.03.2019
	07.08.2017	Guarantee granted to Deutsche Leasing International GmbH	6 020 000	indefinite validity
	08.06.2018	Guarantee granted to Deutsche Leasing International GmbH	2 580 000	08.06.2023
	19.07.2018	Guarantee granted to DNB Bank Polska SA	41 280 000	29.01.2020
<b>Theysohn Formenbau GmbH</b>	06.09.2017	Guarantee granted to akf Leasing GmbH	10 059 674	31.08.2023
<b>Boryszew Oberflächentechnik Deutschland GmbH</b>	26.01.2016	Guarantee granted to Bank Gospodarstwa Krajowego	54 674 500	31.12.2026
<b>Boryszew Plastic RUS</b>	11.07.2013	Guarantee granted to ZAO Hewlett-Packard AO	751 940	indefinite validity
	27.08.2013	Guarantee granted to RB Leasing Ltd.	1 933 280	15.06.2019
	29.01.2013	Guarantee granted to Deutsche Leasing Vostok ZAO	36 491 725	07.10.2019
	08.04.2013	Guarantee granted to Deutsche Leasing Vostok ZAO	1 138 568	07.10.2019
	30.04.2014	Guarantee granted to ZAO Hewlett-Packard AO	375 970	indefinite validity
	13.02.2017	Guarantee granted to Volvo Group Trucks Operations	21 500 000	indefinite validity



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<b>BRS YMOS GmbH</b>	27.05.2015	Guarantee granted to Wurth Leasing GmbH & Co. KG	1 332 192	30.11.2020
	15.03.2016	Guarantee granted to Wurth Leasing GmbH	1 526 079	15.03.2022
<b>Boryszew Tensho Poland Sp. z o.o.</b>	13.06.2016	Guarantee granted to HSBC Bank Polska S.A.	10 000 000	11.09.2021
	14.03.2017	Guarantee granted to SPV Impexmetal Sp. z o.o. for payment of financial liabilities	41 000 000	indefinite validity
	24.10.2017	Aval of lease agreement for mLeasing	772 385	15.04.2021
	24.10.2017	Aval of lease agreement for mLeasing	6 449 654	15.11.2020
	6.12.2017	Guarantee granted to PGE Obrót S.A.	1 800 000	indefinite validity
	19.07.2018	Guarantee granted to DNB Bank Polska SA	10 320 000	29.01.2020
	22.10.2018	Bill of exchange guarantee for SGB Leasing Sp. z o.o.	357 100	30.09.2025
<b>Maflow BRS s.r.l.</b>	26.04.2016	Guarantee granted to Banka IFIS	3 225 000	open-ended
	01.01.2017	Guarantee granted to CORDTECH INTERNATIONAL SAS	1 290 000	31.12.2018
	01.01.2017	Guarantee granted to Mehler Engineered Products GmbH for repayment of commercial debts	1 720 000	31.12.2018
	16.05.2017	Guarantee granted to Cover	430 000	31.12.2018
<b>Maflow France Automotive S.A.S.</b>	07.07.2016	Guarantee granted to Natixs Lease	1 621 100	07.07.2021
<b>Boryszew Commodities</b>	12.12.2017	Guarantee granted to Borealis AG for commercial liabilities	1 075 000	31.12.2019
	23.07.2018	Bill of exchange guarantee against a loan agreement for mBank S.A.	70 950 000	01.02.2019
<b>BAP Group companies - customers of Volkswagen AG</b>	16.12.2016	Volkswagen AG	86 000 000	open-ended
<b>Impexmetal S.A.</b>	1.02.2017	Guarantee granted to the Marshal Office of Wielkopolskie province	5 814 361	31.12.2018
<b>Alchemia S.A.</b>	01.10.2018	Guarantee granted to Arcelormittal Poland S.A.	21 500 000	31.12.2019
<b>Eastside-Bis</b>	01.09.2017	The Provincial Funds for Environmental Protection and Water Management in Toruń	3 801 471	open-ended
<b>Boryszew HR Service Sp. z o.o.</b>	30.08.2016	Bill of exchange guarantee against a loan to mBank	2 000 000	27.08.2019
<b>Elana Energetyka</b>	01.12.2015	PGE Obrót S.A.	3 000 000	indefinite validity
<b>ZM Silesia S.A.</b>	26.09.2018	Surety granted to PKO BP S.A.	10 800 000	28.02.2022
	26.10.2018	Guarantee granted to BGŻ BNP Paribas S.A.	14 400 000	31.12.2020
<b>Total guarantees and sureties granted by Boryszew SA</b>			<b>549 607 027</b>	



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The Company estimated its credit risk associated with the guarantees granted and recognised a provision for potential claims in the amount of PLN 810 thousand. (in 2018 - PLN 182 thousand). Total provisions will amount to PLN 992 thousand

### **38. TRANSACTIONS WITH AFFILIATED ENTITIES AND BENEFITS FOR KEY PERSONNEL**

Transactions between related parties are mainly include commercial transactions concluded between companies of the Capital Group and personally related entities with regard to sale or purchase of traded goods and products of typical, conventional nature for the Company's operations. Listed below are transactions associated with securities and loans 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.

	Subsidiaries	Associates	Personally related entities
<b>Transactions in the period 01.01.2019 to 31.12.2019</b>			
Revenues from sales (of products, services, goods)	227 713		1 762
Interest income	12 187		1 751
Dividends received and due	7 964		
Purchases (of materials, goods, services)	82 639		2 470
Interest expense	9 465		

#### **Receivables and payables as at 31.12.2019**

Trade receivables	191 607		289
Bonds purchased	15 493		3 793
Loans granted	400 050		
Other receivables (advances, deposits)			
Lease liabilities	20 163		
Trade payables and deposits	20 532		1 963
Loans received	116 374		
Issued bonds	142 388		

	Subsidiaries	Associates	Personally related entities
<b>Transactions in the period 01.01.2018 to 31.12.2018</b>			
Revenues from sales (of products, services, goods)	192 512	56 965	2 123
Interest income	11 749		1 958
Dividends received	8 004		
Purchases (of materials, goods, services)	102 870		
Interest expense	0		

#### **Receivables and payables as at 31.12.2018**

Trade receivables	120 033	3 210	760
Bonds purchased	14 951		129 982
Loans granted	325 708		1 796
Other receivables (advances, deposits)	33 705		356
Trade liabilities	36 824	1 105	0
Loans received	175 257		
Issued bonds	167 393		



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Commercial transactions between subsidiaries regarding the sale or purchase of goods and services are concluded on market conditions.

<b>Remuneration of Management Board and Supervisory Board</b>	<b>01.01.2019 - 31.12. 2019</b>	<b>01.01.2018 - 31.12. 2018</b>
Remuneration of Management Board members	2 139	2 773
Remuneration of Supervisory Board members	371	411

Members of the Management Board and the Supervisory Board were not granted any loans or paid no advances

### 39. EMPLOYMENT

<b>Employment</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Employment structure (in full-time equivalents)</b>		
Blue-collar workers	2 283	2 544
White-collar workers	639	674
<b>Total</b>	<b>2 922</b>	<b>3 218</b>

### 40. REPORT DRAFTED AS PER ARTICLE 44 OF THE ENERGY LAW ACT FOR THE PERIOD BETWEEN 01.01.2019 AND 31.12.2019

#### Statement of comprehensive income for the period between 01.01.2019 and 31.12.2019.

	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	<b>Total activity under the Energy Law</b>	<i>Other business</i>	<b>Total</b>
Revenues from sales	16 807	109 467	2 511	154 208	282 993	1 099 695	1 382 688
Prime cost of sale	16 693	101 753	3 152	152 700	274 298	955 022	1 229 320
<b>Profit on sale</b>	<b>114</b>	<b>7 714</b>	<b>(641)</b>	<b>1 508</b>	<b>8 695</b>	<b>144 673</b>	<b>153 368</b>
Selling and management costs	155	2 472	342	1 821	4 790	93 597	98 387
Other operating profit/loss	0	(1 108)	0	0	(1 108)	(22 960)	(24 068)
Financial revenues	0	13	0	0	13	16 951	16 964
Financial expenses	0	5	0	0	5	222 212	222 217
<b>Profit (loss) before income tax</b>	<b>(41)</b>	<b>4 142</b>	<b>(983)</b>	<b>(313)</b>	<b>2 805</b>	<b>(177 145)</b>	<b>(174 340)</b>
Income tax	(8)	787	(187)	(59)	533	(1 084)	(551)
<b>Net profit/loss</b>	<b>(33)</b>	<b>3 355</b>	<b>(796)</b>	<b>(254)</b>	<b>2 272</b>	<b>(176 061)</b>	<b>(173 789)</b>
<b>Net profit/loss</b>	<b>(33)</b>	<b>3 355</b>	<b>(796)</b>	<b>(254)</b>	<b>2 272</b>	<b>(176 061)</b>	<b>(173 789)</b>
<b>Other income recognised in equity</b>					0	(88)	(88)
<b>Total comprehensive income</b>	<b>(33)</b>	<b>3 355</b>	<b>(796)</b>	<b>(254)</b>	<b>2 272</b>	<b>(176 149)</b>	<b>(173 877)</b>



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Total comprehensive income from other activities in 2019  
amounted to

(176 149)

**Statement of comprehensive income for the period between 01.01.2018 and 31.12.2018.**

	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	<b>Total activity under the Energy Law</b>	<i>Other business</i>	<b>Total</b>
Revenues from sales	17 842	148 473	2 879	88 257	257 451	1 283 451	1 540 902
Prime cost of sale	17 628	141 691	3 206	87 538	250 063	1 144 959	1 395 022
<b>Profit on sale</b>	<b>214</b>	<b>6 782</b>	<b>(327)</b>	<b>719</b>	<b>7 388</b>	<b>138 492</b>	<b>145 880</b>
Selling and management costs	153	2 379	363	769	3 664	102 068	105 732
Other operating profit/loss	0	(227)	0	0	(227)	12 155	11 928
Financial revenues	0	20	0	29	49	19 281	19 330
Financial expenses	0	0	0	0	0	43 889	43 889
<b>Profit (loss) before income tax</b>	<b>61</b>	<b>4 196</b>	<b>(690)</b>	<b>(21)</b>	<b>3 546</b>	<b>23 971</b>	<b>27 517</b>
Income tax	12	797	(131)	(4)	674	4 877	5 551
<b>Net profit/loss</b>	<b>49</b>	<b>3 399</b>	<b>(559)</b>	<b>(17)</b>	<b>2 872</b>	<b>19 094</b>	<b>21 966</b>
<b>Net profit/loss</b>	<b>49</b>	<b>3 399</b>	<b>(559)</b>	<b>(17)</b>	<b>2 872</b>	<b>19 094</b>	<b>21 966</b>
<b>Other income recognised in equity</b>					0	504	504
<b>Total comprehensive income</b>	<b>49</b>	<b>3 399</b>	<b>(559)</b>	<b>(17)</b>	<b>2 872</b>	<b>19 598</b>	<b>22 470</b>



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**Statement of financial position as at 31.12.2019**

<b>ASSETS as at 31.12.2019</b>	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	<b>Total activity under the Energy Law</b>	<i>Other business</i>	<b>Total</b>
<b>Non-current assets</b>							
Non-current assets	461	8	2 261	10	2 740	369 170	371 910
Intangible assets	0	2	1	3	6	31 344	31 350
Other non-current assets	0	420	2	0	422	506 924	507 346
<b>Total fixed assets</b>	<b>461</b>	<b>430</b>	<b>2 264</b>	<b>13</b>	<b>3 168</b>	<b>907 438</b>	<b>910 606</b>
<b>Current assets</b>					0		
Trade receivables and other receivables	3 459	18 752	230	15 909	38 350	217 005	255 355
Other assets	1 196	7 971	0	10 925	20 092	450 284	470 376
<b>Total current assets</b>	<b>4 655</b>	<b>26 723</b>	<b>230</b>	<b>26 834</b>	<b>58 442</b>	<b>667 289</b>	<b>725 731</b>
Assets classified as held for sale					0	0	0
<b>Total assets</b>	<b>5 116</b>	<b>27 153</b>	<b>2 494</b>	<b>26 847</b>	<b>61 610</b>	<b>1 574 727</b>	<b>1 636 337</b>

<b>LIABILITIES as at 31.12.2019</b>	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	<b>Total activity under the Energy Law</b>	<i>Other business</i>	<b>Total</b>
<b>Equity</b>							
Share capital					0	248 906	248 906
Retained earnings and other equity	-480	19 168	-2 313	3 532	19 907	334 394	354 301
Current year's profit	-33	3 355	-796	-254	2 272	-176 149	-173 877
<b>Total equity</b>	<b>-513</b>	<b>22 523</b>	<b>-3 109</b>	<b>3 278</b>	<b>22 179</b>	<b>407 151</b>	<b>429 330</b>
<b>Long-term liabilities</b>	0	0	1	0	1	282 229	282 230
<b>Short-term liabilities</b>					0	0	0
Trade payables and other liabilities	1 155	5 516	803	50 270	57 744	862 529	920 273
Employee benefit provisions	4	28	7	38	77	4 427	4 504
<b>Total short-term liabilities</b>	<b>1 159</b>	<b>5 544</b>	<b>810</b>	<b>50 308</b>	<b>57 821</b>	<b>866 956</b>	<b>924 777</b>
<b>Total liabilities</b>	<b>1 159</b>	<b>5 544</b>	<b>811</b>	<b>50 308</b>	<b>57 822</b>	<b>1 149 185</b>	<b>1 207 007</b>
<b>Total equity and liabilities</b>	<b>646</b>	<b>28 067</b>	<b>-2 298</b>	<b>53 586</b>	<b>80 001</b>	<b>1 556 336</b>	<b>1 636 337</b>



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**Statement of financial position as at 31.12.2018**

<b>ASSETS as at 31.12.2018</b>	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	<b>Total activity under the Energy Law</b>	<b>Other business</b>	<b>Total</b>
<b>Non-current assets</b>							
Non-current assets	346	2 257	154	0	2 757	286 491	289 248
Intangible assets	130	154	0	0	284	32 831	33 115
Other non-current assets	0	389	-154	0	235	884 938	885 173
<b>Total fixed assets</b>	<b>476</b>	<b>2 800</b>	<b>0</b>	<b>0</b>	<b>3 276</b>	<b>1 204 260</b>	<b>1 207 536</b>
<b>Current assets</b>					0		
Trade receivables and other receivables	3 046	26 124	209	9 527	38 906	383 009	421 915
Other assets	1 001	8 519	174	4 939	14 633	214 926	229 559
<b>Total current assets</b>	<b>4 047</b>	<b>34 643</b>	<b>383</b>	<b>14 466</b>	<b>53 539</b>	<b>597 935</b>	<b>651 474</b>
Assets classified as held for sale					0	0	0
<b>Total assets</b>	<b>4 523</b>	<b>37 443</b>	<b>383</b>	<b>14 466</b>	<b>56 815</b>	<b>1 802 195</b>	<b>1 859 010</b>

<b>LIABILITIES as at 31.12.2018</b>	<i>Distribution of gaseous fuels</i>	<i>Trade in gaseous fuels</i>	<i>Supply of electricity</i>	<i>Electricity trading</i>	<b>Total activity under the Energy Law</b>	<b>Other business</b>	<b>Total</b>
<b>Equity</b>							
Share capital					0	248 906	248 906
Retained earnings and other equity	-529	15 769	-1 754	3 549	17 035	297 062	314 097
Current year's profit	49	3 399	-559	-17	2 872	41 848	44 720
<b>Total equity</b>	<b>-480</b>	<b>19 168</b>	<b>-2 313</b>	<b>3 532</b>	<b>19 907</b>	<b>587 816</b>	<b>607 723</b>
<b>Long-term liabilities</b>					0	411 183	411 183
<b>Short-term liabilities</b>					0	0	0
Trade payables and other liabilities	12 215	3 396	630	28 600	44 841	789 986	834 827
Employee benefit provisions					0	5 277	5 277
<b>Total short-term liabilities</b>	<b>12 215</b>	<b>3 396</b>	<b>630</b>	<b>28 600</b>	<b>44 841</b>	<b>795 263</b>	<b>840 104</b>
<b>Total liabilities</b>	<b>12 215</b>	<b>3 396</b>	<b>630</b>	<b>28 600</b>	<b>44 841</b>	<b>1 206 446</b>	<b>1 251 287</b>
<b>Total equity and liabilities</b>	<b>11 735</b>	<b>22 564</b>	<b>-1 683</b>	<b>32 132</b>	<b>64 748</b>	<b>1 794 262</b>	<b>1 859 010</b>



(amounts expressed in PLN thousands unless specified otherwise)

## **ADDITIONAL INFORMATION**

### **1.1 Basic Company details**

#### **Boryszew Spółka Akcyjna (joint stock company)**

Concessionaire number: DKN 807

Concession type: DEE, OEE, DPG, OPG

Activities covered by the energy law are carried out in the following branches:

<b>Branches of Boryszew SA:</b>	<b>2018</b>	<b>2017</b>
Energy Branch in Toruń	DPG,OPG, OEE	DPG,OPG, OEE
ERG Branch in Sochaczew	DEE, OEE	DEE, OEE
NPA Skawina Branch	DEE, OEE,DPG,OPG	DEE, OEE,DPG,OPG

This report contains cumulative data.

### **Financial statements**

Financial statements are presented in PLM. PLN is the functional and reporting currency. All values in the financial statements are presented in full thousands of PLN, unless stated otherwise.

#### **1. Statement by the Management Board on compliance of accounting principles**

The Management Board for Boryszew S.A.: 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 Article 44 of the Energy Law Act.

#### **2. ACCOUNTING PRINCIPLES APPLIED**

The report was prepared based on the separate financial statements presented by Boryszew SA, prepared in accordance with International Financial Reporting Standards in the scope determined by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards with amendments.

In preparing these financial statements, the Company made no changes to any previously applied accounting principles.

The statement of comprehensive income was prepared in accordance with art. 44 section 1 of Energy Law. The company keeps accounting records in a way that allows a separate calculation of variable costs and revenues for individual types of activities. If fixed costs relate to several types of activity, they are assigned according to the percentage share of sales revenues from a given activity in the total sales revenues referred to in the energy law.

Bearing in mind that it is also required to divide items of the statement of financial position, the same accounting principles apply to the balance sheet items.

The structure of the prepared financial statements is based on the following general classification:

- **Licensed operations regulated by Energy Law** - gainful activity consisting in the sales and distribution of electricity and gas fuels
- **other activity** - activities in the following segments: automotive, chemical products, aluminum products, holding activities

In the licensed activity, the following have been specified:

- Electricity with segments:
  - Distribution
  - Turnover
- Gas fuels with segments:
  - Distribution
  - Turnover



(amounts expressed in PLN thousands unless specified otherwise)

## **Statement of comprehensive income**

### **2.1. Licensed operations regulated by Energy Law**

Total revenues from the distribution and trading of electricity and gas fuels have been determined by the use of a direct method and they result from invoices issued for the sale and distribution of electricity and gas fuels.

Variable costs for the electricity and gas fuels trading segment are directly related to invoices for the purchase of electricity and gas purchased for resale.

Fixed costs are the result of the cost allocation related to the maintenance of infrastructure for the distribution of electricity and gas fuels as well as the management and sales costs. Management and sales costs assigned to licensed activities are allocated to individual segments according to the percentage share of sales revenues for individual segments in the total sales revenues referred to in the energy law.

Financial revenues include interest received from customers and costs include the interest paid to suppliers as well as expenditure on the purchase of stock certificates

### **2.2. Other activities (other than regulated by the Energy Law)**

The items of revenues and costs on other activities constitute all revenues and costs of Boryszew SA not assigned to activities covered by the Energy Law, i.e. operating in the following segments: automotive, chemical products, aluminium products, holding activities.

Total comprehensive income from other activities in 2019  
amounted to

(176 149)

The items shown in the Total column comprise the sum of individual items of the licensed activity described in paragraph 2.1, covered by Energy Law, and activities not covered by the Energy Law described in item 2.2.

## **Statement of financial position**

### **2.3. Licensed operations regulated by Energy Law**

- Distribution and trading in electricity

Property, plant and equipment for the distribution business are the sum of the carrying value of property, plant and equipment as at 31 December 2019 allocated to electricity distribution in the financial and accounting system. This is mainly the infrastructure used for the transmission of electricity. Fixed assets are not used in the trading segment, and were not separated for this part of the statement.

Intangible assets include software appropriated based on the percentage share of revenues from electricity distribution/trading in total revenue.

Trade and other receivables for the distribution and trade in electricity business are actual amounts resulting from sales invoices issued and not paid as at 31 December 2019 and receivables due to the excess of input VAT over output VAT.

The Company does not recognise any inventories for distribution and trade in electricity.

Equity for distribution and trading activities represents only the net profit for 2013 - 2019 resulting from the statement of comprehensive income for relevant segment of activities. Other equity items were shown as operations outside of the scope of energy law.

Long-term liabilities include provisions for employee benefits of employees in the electricity distribution segment. Trade and other liabilities are outstanding suppliers' invoices for electricity purchase and distribution as well as the surplus of output VAT over input VAT and also excise tax liabilities. Liabilities do not include the portion of liabilities that relates to purchase for own needs.

- Distribution and trade in gaseous fuels

Property, plant and equipment for the distribution business are the sum of the carrying value of property, plant and equipment as at 31 December 2019 allocated to gaseous fuels distribution in the financial and accounting system. This is mainly the infrastructure used for gas transmission. Fixed assets are not used in the trading segment, and were not separated for this part of the statement.

Intangible assets include software appropriated based on the percentage share of revenues from gas distribution/trading in total revenue.

Trade and other receivables for the distribution and trade in gas business are actual amounts resulting from sales invoices issued and not paid as at 31 December 2019 and receivables due to the excess of input VAT over output VAT. The Company does not recognise any inventories for distribution and trade in gas.



**Boryszew S.A.**  
**Notes to the financial statements**  
**for the period between 1 January and 31 December 2019**

(amounts expressed in PLN thousands unless specified otherwise)

Equity capital (fund) for distribution and trading activities is only the net profit for 2013-2018 resulting from the statement of comprehensive income for the given segment of activity. Other equity items were shown as operations outside of the scope of energy law.

Short-term trade and other liabilities are outstanding suppliers' invoices for gas purchase and distribution as well as the surplus of output VAT over input VAT and also excise tax liabilities. Liabilities do not include the portion of liabilities that relates to purchase of gas for own needs.

#### **2.4. Activities other than regulated by the Energy Law**

Balance sheet items from activities other than regulated by the Energy Law are all items resulting from the financial statement of Boryszew S.A. and associated with activities in the following segments: Automotive, Chemistry, Metals, Other.

#### **2.5. Total**

The items shown in the Total column are the sum of relevant items of the licensed activity regulated by the Energy Law, and activities in the following segments: Automotive, Chemistry, Metals, Other.

### **41. APPROVAL OF THE FINANCIAL STATEMENTS**

This report was approved for publication by a resolution of the Management Board on 28 May 2020 and presents the situation of the Company pursuant to the legal requirements for the period between 1 January 2019 and 31 December 2019, including any events which occurred by the date of approval of this report for publication.

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

Piotr Lisiecki – President of the Management Board .....

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

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

Chief Accountant – Elżbieta Słaboń .....