



# **BORYSZEW S.A.**

## **REPORT ON ACTIVITIES OF BORYSZEW S.A. AND BORYSZEW CAPITAL GROUP IN 2019**

*The report was approved for publication on:  
28 May 2020*

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## 1. INTRODUCTION

### COMPANY DATA

The head office of Boryszew Spółka Akcyjna is located in Warsaw.

The company is registered with the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register under KRS number 0000063824. The Company was assigned statistical number REGON 750010992 and NIP 837-000-06-34.

The company is established for an indefinite period of time.

### HISTORY

The history of Boryszew S.A. ("Company", "Issuer") dates back to 1911, when the Belgian Society of the Sochaczew Rayon Factory was established. Following the II WW the factory was nationalised. In 1991, as a result of privatisation of the state-owned enterprise Boryszew ERG, a joint stock company Boryszew S.A. with 100% private capital was established.

The Company is listed on the Warsaw Stock Exchange since May 1996.

In 1999 Boryszew S.A., offering a wide range of chemicals (including Borygo, a widely known coolant) gained a strategic investor, Mr Roman Karkosik.

The new shareholder initiated a dynamic growth of the company. Acquisitions of manufacturing companies in the same industry combined with restructuring, mergers as well as organic growth of sales in Group's companies contributed to significant improvement of results.

Boryszew Capital Group is one of the largest industrial groups in Poland, with production facilities on 4 continents, involved in automotive, metals and chemical industry.

The Capital Group employs more than 9 000 employees.

## 2. PREPARATION OF THE REPORT

This report on the activity of Boryszew S.A. and Boryszew Capital Group in 2019, an integral part of the consolidated financial statements of Boryszew S.A. for 2019, was approved for publication by the resolution of the Management Board of Boryszew S.A. on 28 May 2020 and presents the situation of Boryszew S.A. and Boryszew Capital Group in accordance with legal requirements for the period between 1 January 2019 and 31 December 2019, including any events which occurred by the date of preparation of this report for publication. A significant part of the information contained herein was presented in more detail in the Company's current announcements which are available at Company's website [www.boryszew.com](http://www.boryszew.com) which also contains a great deal of other information on the Company and the Capital Group.

This report contains information the scope of which is specified in § 70 and § 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information to be submitted by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Regulation).

Under § 62 section 6 of the Regulation, this report includes disclosures of information required for the report on the Issuer's activities referred to in § 70 section 1 item 4 of the Regulation, and thus the Issuer did not prepare a separate report on the activities of the Parent Company.

The consolidated annual financial statements of Boryszew Capital Group and the separate annual financial statements of Boryszew S.A. were prepared in accordance with the International Financial Reporting Standards as approved by the European Union.

The Company drafts a separate report on non-financial information referred to in Article 49b section 9 and Article 55 section 2b of the Accounting Act. The statement has been drafted both at the standalone basis for Boryszew S.A. as well as consolidated basis for Boryszew Capital Group.

The report will be available on the Company's website - [www.boryszew.com](http://www.boryszew.com) as of 28 May 2020.

### 3. ORGANIZATIONAL STRUCTURE

Boryszew S.A. is the Parent entity of Boryszew Capital Group. The Group features both domestic and overseas subsidiaries, jointly controlled entities, affiliated entities. Boryszew S.A. performs management and supervisory functions in relation to other companies of the Capital Group.

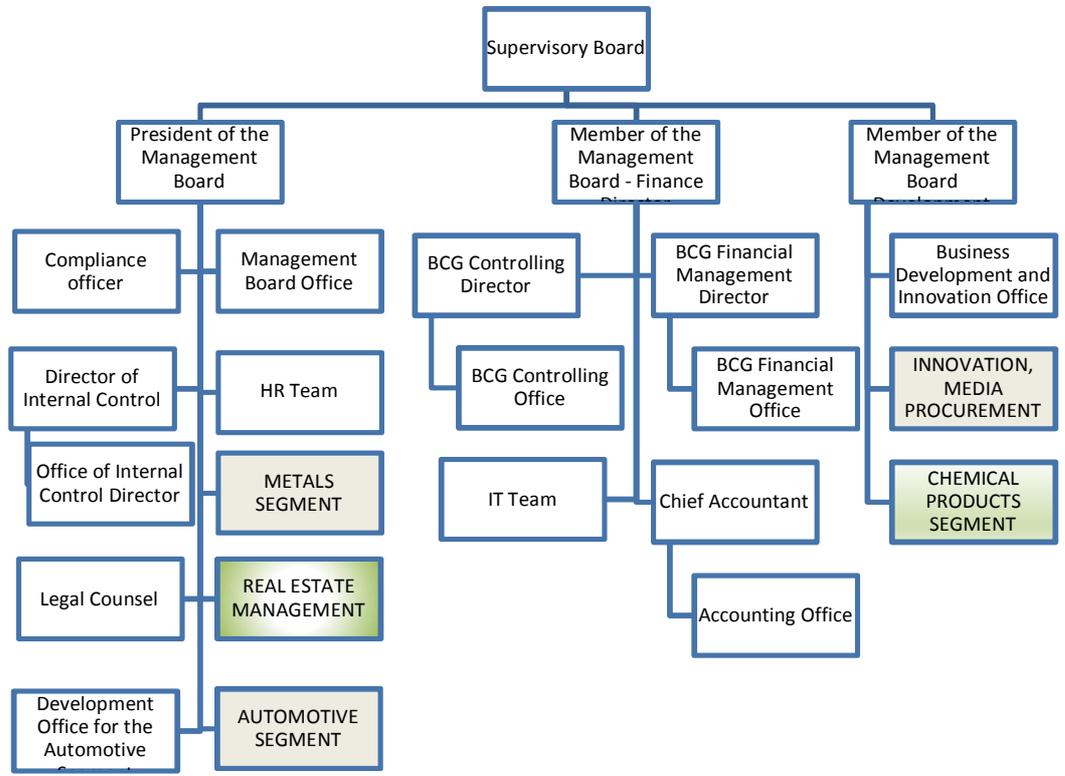
The core business of the Head Office in Warsaw is management of the Capital Group, and its objective is to increase the Company's goodwill in the long run.

In 2019 Boryszew S.A. carries out its activity through the following units:

- Maflow Branch in Tychy – manufacturer of tubes for the automotive industry, including mainly air-conditioning tubes, power steering systems and various rubber components. The Branch's assets, constituting the largest productive assets of Maflow Group, were purchased on 10 August 2010.
- Elana Branch w Toruń - producer of polyester fibre and plastics with wide application. Its key products include staple fibres and silicon spheres. Elana Branch was established by merger of Boryszew S.A. and Elana S.A., which took place on 28 January 2005.
- Nowoczesne Produkty Aluminiowe Skawina Branch in Skawina– operating in the field of manufacturing of aluminium rolled products (rods), wire and cables, including overhead cables of special aluminium alloys with constructions which eliminate the threat of phenomena of the „black-out” type, and supply of energy carries to external customers.
- Boryszew ERG Branch in Sochaczew - manufacturer of chemical and construction products. Company's flagship product in “Borygo” coolant,
- Nylonbor Branch in Sochaczew – production of modern engineering polyamides, which are used for manufacture of machinery and equipment as well as battlefield simulators for military applications.
- Boryszew Energy Branch in Toruń - involved in sales of energy utilities (electricity, gas) for the companies of Boryszew Capital Group and external customers.

In 2019 the Management Board of the Company, authorised by the General Meeting, started the process of separating Boryszew S.A. Branch Nylonbor in Sochaczew and Branch Nowoczesne Produkty Aluminiowe Skawina from the organisational structure and transferring the business of these branches to special purpose vehicles.

**SIMPLIFIED ORGANISATIONAL CHART OF BORYSZEW S.A. (WITH RESPONSIBILITIES OF INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD)  
AS AT 31 DECEMBER 2019**



## STRUCTURE OF BORYSZEW GROUP

Boryszew Capital Group is one of the largest private industrial groups in Poland.

In 2005 Boryszew SA seized control of Impexmetal S.A., a company listed at the Warsaw Stock Exchange, a parent company of manufacturing enterprises involved in non-ferrous metals and bearing industry.

In 2010, the Company seized control of the Maflow Group, one of the largest manufacturers of air-conditioning tubes, power steering systems and active suspension systems for automotive industry. It was then that the automotive sector became the key segment of the Group's activity.

In the years 2011-2012, the Company continued its development strategy through acquisitions of automotive companies. In July 2011, the Company signed takeover agreements in respect of two German capital groups (AKT/ICOS – Theysohn) in the plastics processing sector, and in March 2012 share acquisition agreement for shares of YMOS Group, leading European producer of plastic, galvanized and chromium-plated components for the automotive industry.

In June 2014 Boryszew S.A. acquired 80% shares of Tensho Poland Corporation spółka z o.o. with its registered office in Ostaszewo (currently: Boryszew Tensho Poland Sp. z o.o.), a manufacturer of high quality plastic products. In June 2018, Boryszew S.A. purchased another 13.68%. As at the day of preparing the report, Boryszew S.A. holds 93.68% of the share capital and the total number of votes at the General Meeting of Boryszew Tensho Poland Sp. z o.o.

As of 2019 Boryszew Group assumed control over Alchemia Capital Group of the following companies: Alchemia S.A., Huta Bankowa Spółka z o.o. and Laboratoria Badań Batory Spółka z o.o. The core business of Alchemia Group is the production of seamless steel pipes and other specialty steel products. The core business of Alchemia Group is production of steel products in the form of seamless steel tubes as well as other specialist steel products. The business of Alchemia Group was transferred to the Metal segment.

## SEGMENTS OF THE CAPITAL GROUP BUSINESS

Automotive	Boryszew S.A. Oddział Maflow w Tychach, Maflow Spain Automotive S.L.U., Maflow France Automotive S.A.S., Maflow BRS s.r.l., Maflow Components Dalian Co. Ltd., Maflow do Brasil Ltda., Maflow Automotive Mexico S.de. RI. De.C, MAFMEX S.DE R.L.DE C.V., Maflow Polska Sp. z o.o., Maflow India Private Limited, Boryszew Automotive Plastics Sp. z o.o., Theysohn Kunststoff GmbH, Theysohn Formenbau GmbH, Boryszew Kunststofftechnik Deutschland GmbH, AKT Plastikarska Technologie Cechy spol. s.r.o., Boryszew Formenbau Deutschland GmbH, Boryszew Oberflächentechnik Deutschland GmbH, Boryszew Plastik Rus, Boryszew Tensho Poland Sp. z o.o., ICOS GmbH, Boryszew Deutschland GmbH, Boryszew Commodities Sp. z o.o., Boryszew HR Service Sp. z o.o., Boryszew Components Poland Sp. z o.o.
Metals	Impexmetal S.A., Impexmetal Holding Spółka z o.o., Hutmen S.A., WM Dzierżycze S.A., ZM SILESIA S.A., Baterpol S.A., Polski Cynk Sp. z o.o., Boryszew S.A NPA Skawina branch, Baterpol Recycler Sp. z o.o., Metal Zinc Sp. z o.o., Alchemia S.A., Huta Bankowa Sp. z o.o., Laboratoria Badań Batory Sp. z o.o., SPV Impexmetal Spółka z o.o., FŁT Polska Sp. z o.o., FLT Bearings Ltd., FLT France S.A.S., FLT & Metals s.r.l., FLT Wälzlager GmbH, FLT (Wuxi) Trading Co. Ltd., FLT Metals Ltd.; FLT USA L.L.C., Symonvit Ltd. w likwidacji, Remal Sp. z o.o., Zakład Utylizacji Odpadów Sp. z o.o.
Chemical products	Elana Pet Sp. z o.o., Boryszew S.A. Elana branch, Boryszew S.A. Boryszew ERG branch, Boryszew S.A. Nylonbor branch, Elimer Sp. z o.o.
Other	Boryszew S.A. – HQ, Boryszew S.A. Energy branch, Eastside – Bis Sp. z o.o., Huta Metali Nieżelaznych Szopienice S.A. w likwidacji, SPV Lakme Investment Sp. z o.o., Impex – invest Sp. z o.o., Eastside Capital Investments Sp. z o.o., Elana Energetyka Sp. z o.o., SPV Boryszew 3 Sp. z o.o., Nowoczesne Produkty Aluminiowe Skawina Sp. z o.o. w likwidacji, SPV Boryszew 6 Sp. z o.o., SPV Boryszew 8 Sp. z o.o., SPV Boryszew 9 Sp. z o.o. w likwidacji.

**AS AT 31 DECEMBER 2019 THE FOLLOWING COMPANIES WERE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS:**

Company name	Registered office	share of the parent in share capital (%)	subsidiary of:	Business segment
<b>Boryszew S.A. :</b>	<b>Warsaw</b>		<b>Parent Company</b>	
<i>Head Office</i>	Warsaw			Other
<i>Elana Branch</i>	Toruń			Chemical products
<i>Boryszew Energy Branch</i>	Toruń			Other
<i>Maflow Branch</i>	Tychy			Automotive
<i>NPA Skawina Branch</i>	Skawina			Metals
<i>Boryszew ERG Branch</i>	Sochaczew			Chemical products
<i>Nylonbor Branch</i>	Sochaczew			Chemical products
Elimer Sp. z o.o.	Sochaczew	52.44	Boryszew SA	Chemical products
Torlen Sp. z o.o. w likwidacji	Toruń	100.00	Boryszew SA	liquidation was completed in Q3 2019.
Elana Pet Sp. z o.o.	Toruń	100.00	Boryszew SA	Chemical products
Elana Energetyka Sp. z o.o.	Toruń	100.00	Boryszew SA	Other
SPV Boryszew 3 Sp. z o.o.	Warsaw	100.00	Boryszew SA	Other
Nowoczesne Produkty Aluminiowe Skawina Sp. z o.o. w likwidacji	Warsaw	100.00	Boryszew SA	Inactive
Maflow Polska Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Automotive
Maflow BRS s.r.l	Italy	100.00	Boryszew SA	Automotive
Maflow Spain Automotive S.L.U	Spain	100.00	Boryszew SA	Automotive
Maflow France Automotive S.A.	France	100.00	Boryszew SA	Automotive
Maflow do Brasil Ltda	Brazil	100.00	Maflow Polska Sp. z o.o.	Automotive
Maflow Components Co. Ltd	China	100.00	Maflow Polska Sp. z o.o.	Automotive
Maflow India Private Limited	India	100.00	Boryszew S.A.	Automotive
Boryszew Automotive Mexico S.DE R.L.DE C.V	Mexico	100.00	Maflow Spain Automotive S.L.U., Maflow Polska Sp. z o.o.	Company has not commenced operations
MAFMEX S.DE R.L.DE C.V	Mexico	100.00	Maflow Spain Automotive S.L.U., Maflow Polska Sp. z o.o.	Automotive
Boryszew Automotive Plastics Sp. z o.o.	Toruń	100.00	Boryszew S.A.	Automotive
Boryszew Components Poland Sp. z o.o.	Warsaw	100.00	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew HR Service Sp. z o.o.	Toruń	100.00	Boryszew S.A.	Automotive
Boryszew Commodities Sp. z o.o.	Warsaw	100.00	Boryszew Automotive Plastics Sp. z o.o.	Automotive
ICOS GmbH	Germany	100.00	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Theysohn Kunststoff GmbH	Germany	100.00	ICOS GmbH	Automotive
Theysohn Formenbau GmbH	Germany	100.00	ICOS GmbH	Automotive
Boryszew Formenbau Deutschland GmbH	Germany	100.00	Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Kunststofftechnik Deutschland GmbH	Germany	100.00	Boryszew Automotive Plastics Sp. z o.o.	Automotive

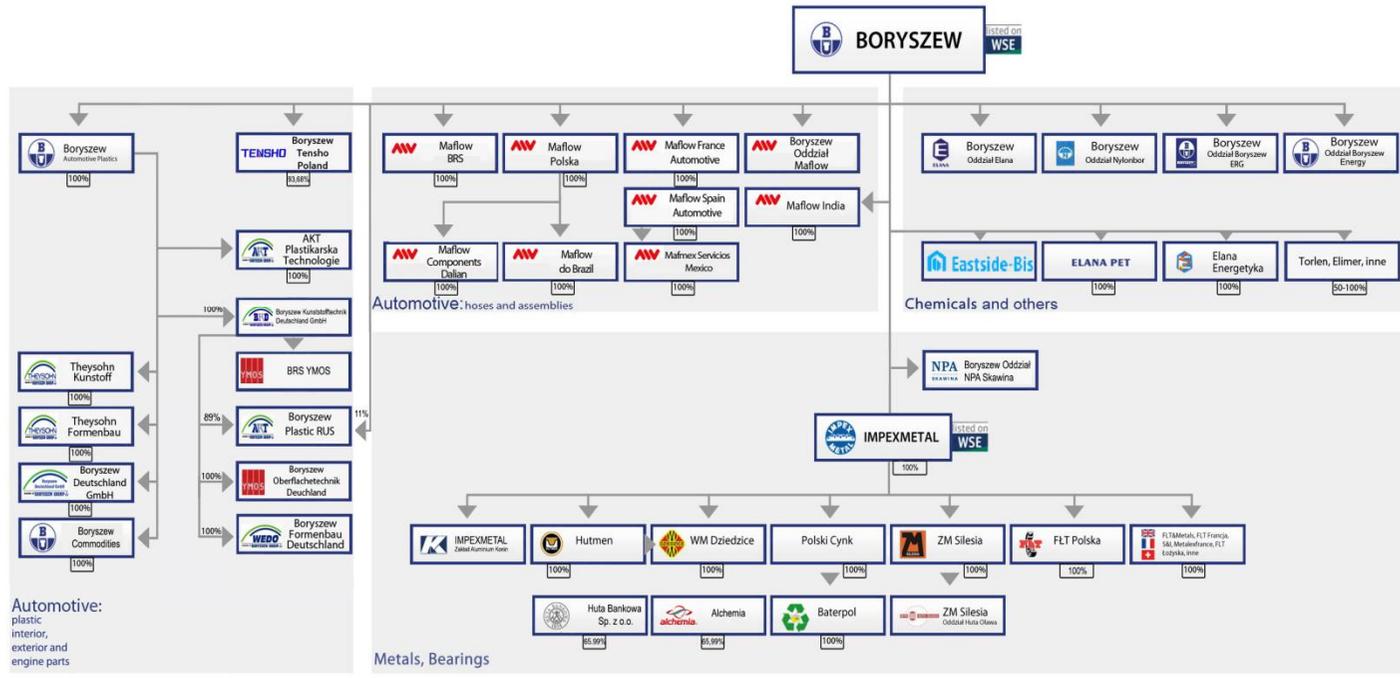
Boryszew Oberflächetechnik GmbH	Germany	100.00	Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Deutschland GmbH	Germany	100.00	Boryszew Automotive Plastics Sp. z o.o.	Automotive
AKT Plastikarska Technologie	The Czech Republic	100.00	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew Plastic RUS Sp. z o.o.	Russia	100.00	Boryszew S.A., Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Tensho Poland Sp. z o.o.	Ostaszewo	93.68	Boryszew S.A.	Automotive
Impexmetal S.A.	Warsaw	100.00	Boryszew S.A., SPV Boryszew 3 Sp. z o.o., Impexmetal S.A. (own shares)	Metals
Hutmen S.A.	Wrocław	100.00	Boryszew S.A, SPV Boryszew 3 Sp. z o.o., Impexmetal S.A., Impex – invest Sp. z o.o., SPV Impexmetal Sp. z o.o.	Metals
Walcownia Metali Dziedzice S.A.	Czechowice-Dziedzice	100.00	Hutmen S.A. , Impexmetal S.A., Boryszew S.A.	Metals
Huta Metali Nieżelaznych Szopienice S.A. – in liquidation	Katowice	61.77	Polski Cynk Sp. z o.o.	discontinued operations
ZM SILESIA S.A.	Katowice	100.00	Impexmetal S.A.	Metals
Baterpol S.A.	Katowice	100.00	Polski Cynk Sp. z o.o.	Metals
Alchemia S.A.	Warsaw	65.99	Impexmetal S.A., Eastside Bis Sp. z o.o., Boryszew S.A.	Metals
Huta Bankowa Sp. z o.o.	Dąbrowa Górnicza	65.99	Alchemia S.A.	Metals
Laboratoria Badań Batory	41-506 Chorzów	65.99	Alchemia S.A.	Metals
Polski Cynk Sp. z o.o.	Katowice	100.00	Impexmetal S.A.	Metals
FŁT Polska Sp. z o.o.	Warsaw	100.00	Impexmetal S.A.	Metals
FLT & Metals Ltd.	Great Britain	100.00	Impexmetal S.A.	Metals
FLT USA L.L.C	the US	100.00	FŁT Polska Sp. z o.o.	Metals
FLT Bearings Ltd.	Great Britain	100.00	FLT France SAS	Metals
FLT France SAS	France	100.00	FŁT Polska Sp. z o.o.	Metals
FLT Wälzlager GmbH	Germany	100.00	FŁT Polska Sp. z o.o.	Metals
FLT & Metals s.r.l.	Italy	100.00	FŁT Polska Sp. z o.o.	Metals
FLT (Wuxi) Trading Co. Ltd.	China	100.00	FŁT Polska Sp. z o.o.	
SPV Lakme Investment Sp. z o.o.	Warsaw	100.00	SPV Impexmetal Sp. z o.o.	Other
Impex – Invest Sp. z o.o.	Warsaw	100.00	Impexmetal S.A.	Other
Eastside Capital Investments Sp. z o.o.	Warsaw	100.00	Boryszew S.A., Impexmetal S.A.	Other
Symonvit Ltd w likwidacji	Cyprus	100.00	Impexmetal S.A.	Metals
Baterpol Recycler Sp. z o.o.	Wrocław	100.00	Polski Cynk Sp. z o.o.	Metals
SPV Impexmetal Sp. z o.o.	Warsaw	100.00	Impexmetal S.A.	Metals
Metal Zinc Sp. z o.o.	Katowice	100.00	ZM Silesia S.A.	Metals
Remal Sp. z o.o.	Konin	80.90	Impexmetal S.A.	Metals
Eastside BIS Sp. z o.o.	Warsaw	100.00	Eastside Capital Investments Sp. z o.o.	Other
Zakład Utylizacji Odpadów Sp. z o.o. in Konin	Konin	59.97	Impexmetal S.A.	Metals

### Companies not included in the consolidated financial statements

Company name	Registered office	share of the parent in share capital (%)	share in voting rights (%)	Core activity
Brick factory Wostocznaja - Sp. z o.o.	Belarus	30	30	trade, production of secondary raw materials
Elana Ukraina Sp. z o.o.	Ukraine	90	90	dormant company
Nylonbor Sp. z o.o.	Sochaczew	100	100	dormant company
Brasco Inc	the US	100	100	dormant company
Hutnik Sp. z o.o. – in liquidation,	Konin	94	94	dormant company

Apart from the above-mentioned subsidiaries, the Issuer holds no other significant capital investments.

**SIMPLIFIED ORGANISATIONAL CHART OF BORYSZEW GROUP WITH AGGREGATE HOLDINGS IN INDIVIDUAL ENTITIES AS AT 31.12.2019**



## **4. INFORMATION ON THE ISSUER'S ORGANIZATIONAL OR CAPITAL RELATIONS WITH OTHER ENTITIES AND SPECIFICATION OF ITS MAIN DOMESTIC AND OVERSEAS INVESTMENTS, IN PARTICULAR IN SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND REAL ESTATE, INCLUDING CAPITAL INVESTMENTS OUTSIDE THE GROUP OF RELATED ENTITIES AND DESCRIPTION OF THEIR FINANCING METHODS**

### **CAPITAL INVESTMENTS**

The list of shares held is presented in point 3 of the report.

Apart from the subsidiaries and associates in point 3, the Issuer holds no other significant capital investments.

### **BONDS SUBSCRIBED FOR**

In 2019 and until the date of publication of the report the Company subscribed no debt securities.

### **LOANS GRANTED**

Information on loans granted by other entities of the Capital Group is presented in point 12 of the report.

### **REAL PROPERTY**

In 2019 and until the date of publication of the report the Company acquired no significant real estate.

Boryszew Capital Group holds no other significant investments in securities, financial instruments, intangible assets or real estate outside Boryszew Capital Group.

## **5. SIGNIFICANT EVENTS**

### **ALCHEMIA S.A.**

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

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

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

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

On 5 March 2019 Impexmetal S.A. received information from Santander Bank Polska S.A. that as a result of the invitation for the sale of shares of Alchemia S.A. announced on 11 January 2019, the subscriptions received covered a total of 23 436 074 shares at PLN 4.80 per one share.

As a result of this transaction, the direct and indirect share of Boryszew S.A. in the share capital and the total number of votes at the General Meeting of Alchemia changed by more than 1% and Boryszew S.A. indirectly exceeded the 50% threshold in the share capital and the total number of votes at the General Meeting of Alchemia, hence Boryszew S.A. (together with its subsidiary Impexmetal S.A. and Eastside-Bis Sp. z o.o.) gained control over Alchemia and, consequently, was able to exercise control over Alchemia's own shares held by Alchemia. The transaction was settled on 15 March 2019.

After the settlement of the transaction referred to above, Boryszew S.A. held in total, directly and indirectly through its subsidiaries Impexmetal S.A., Alchemia S.A. and Eastside-Bis Sp. z o.o., 129 121 074 Alchemia shares, accounting for 64.56%, (rounded off), of the share capital and carrying 129 121 074 votes at the General Meeting of Alchemia, which accounts for 64.56% of the total number of votes at the General Meeting of Alchemia, including:

- Boryszew - 500 000 shares in Alchemia, carrying 500 000 votes at the General Meeting of Alchemia, which accounts for 0.25% of the share capital and the total number of votes at the General Meeting of Alchemia;
- Impexmetal - 86 826 074 shares in Alchemia, carrying 86 826 074 votes at the General Meeting of Alchemia, which accounts for 43.41%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia;
- Alchemia - 26 550 000 Alchemia's own shares carrying 26 550 000 votes at the General Meeting, which accounts for 13.28% of the share capital and the total number of votes at the General Meeting of Alchemia.
- Eastside-Bis Sp. z o.o. – 15 245 000 shares in Alchemia, carrying 15 245 000 votes at the General Meeting of Alchemia, which accounts for 7.62%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia.

#### **Registration by the Court of the reduction of share capital of Alchemia S.A.**

On 29 March 2019 the Registry Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register registered the reduction of Alchemia S.A. share capital from PLN 260 000 000 to PLN 225 485 000, i.e. by PLN 34 515 000 through redemption of 26 550 000 of the Company's own shares carrying 26 550 000 votes and with a par value of PLN 1.30 per share.

After the registration of the decrease in Alchemia share capital, Boryszew S.A. held in total, directly and indirectly through its subsidiaries Impexmetal S.A. and Eastside - Bis Sp. z o.o., 102 571 074 of Alchemia shares, accounting for 59.14%, (rounded off), of the share capital and carrying 102 571 074 votes at Alchemia General Meeting, which accounts for 59.14% of the total number of votes at Alchemia General Meeting, including:

- Boryszew - 500 000 shares in Alchemia, carrying 500.000 votes at the General Meeting of Alchemia, which accounts for 0.29% of the share capital and the total number of votes at the General Meeting of Alchemia;
- Impexmetal - 86 826 074 shares in Alchemia, carrying 86 826 074 votes at the General Meeting of Alchemia, which accounts for 50.06%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia;
- Eastside-Bis Sp. z o.o. – 15 245 000 shares in Alchemia, carrying 15 245 000 votes at the General Meeting of Alchemia, which accounts for 8.79%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia.

#### **Intent to acquire shares in Alchemia S.A. by squeeze-out**

On 13 May 2019, the documentation related to Impexmetal S.A. intention to acquire Alchemia shares held by all other Alchemia shareholders by squeeze-out was submitted to the Polish Financial Supervision Authority and the Warsaw Stock Exchange.

According to the submitted documentation, the squeeze-out of Alchemia shares included all the shares in Alchemia which were not held by the parties to the agreement, namely Boryszew S.A., Impexmetal S.A., Mr Roman Krzysztof Karkosik, Ms Grażyna Wanda Karkosik and Eastside - Bis Sp. z o.o., or 2 618 926 Alchemia shares in total, accounting for 1.51%, rounded off, of Alchemia's share capital and carrying 2 618 926 votes, accounting for 1.51%, (rounded off), of the total number of votes at Alchemia's General Meeting.

#### **Settlement of squeeze-out of shares in Alchemia S. A.**

On 5 June 2019 Boryszew S.A. was notified of settlement of the squeeze-out of Alchemia S.A. shares, with its registered office in Warsaw ("Alchemia") held by all other Alchemia shareholders who are not parties to the shareholders' agreement. The squeeze-out covered all shares of Alchemia held by all other shareholders of Alchemia S.A. who are not parties to the shareholders' agreement, that is 2 618 926 ordinary bearer shares with a par value of

PLN 1.30 each, accounting for 1.51%, (rounded off), of Alchemia share capital and carrying for their holders a total of 2 618 926 votes at the General Meeting of Alchemia, which accounts for 1.51%, rounded off, of the total number of votes during the General Meeting of Alchemia. All shares under the squeeze out were acquired by Impexmetal S. A. with its registered office in Warsaw.

On 2 July 2019 Impexmetal S.A. acquired, on the basis of a civil-law contract concluded outside the regulated market, 9 280 000 shares of Alchemia S.A., which accounts for 5.35% of Alchemia S.A. share capital

#### **Abolition of dematerialisation of Alchemia S.A. shares**

On 29 August 2019, the Extraordinary General Meeting of Alchemia S.A. adopted a resolution on abolishing the dematerialisation of all shares, that is 173 450 000 A series ordinary bearer shares of Alchemia S.A., traded on the regulated market of the Warsaw Stock Exchange, by restoring their documentary form.

On 13 September 2019 Alchemia S.A. submitted a motion to the Polish Financial Supervision Authority to abolish the dematerialisation of Company's shares.

On 5 November 2019, the Polish Financial Supervision Authority granted its consent to the restoration of the documentary form to all 173 450 000 dematerialised shares in Alchemia S.A. (abolition of dematerialisation of shares). The Polish Financial Supervision Authority determined 13 November 2019 as the date on which the obligation of the Company under the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading and on public companies ceased to exist.

On 8 November 2019, the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) adopted Resolution No. 1162/2019 on the exclusion of Company's shares from trade on WSE Main Market (Resolution). In accordance with the Resolution, with reference to the decision of the Polish Financial Supervision Authority on granting the Company permission to restore documentary form of Company's shares (abolition of dematerialisation of shares), the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. decided to exclude from trade Alchemia S.A. shares, code PLGRBRN00012, as of 13 November 2019. In execution of the Resolution, 173 450 000 A series shares, or all Company's shares, were delisted from public trading.

#### **Share buy-back - Alchemia S.A**

On 30 January 2020 Alchemia S.A. acquired through DM BPS S.A. (as an investment company) 10 000 000 own shares of Alchemia S.A., which accounts for 5.77% of the share capital and votes at Alchemia S.A. General Meeting.

The shares were acquired in the share buy-back program for redemption adopted by the Extraordinary General Meeting of Alchemia S.A. by way of resolution No. 3 of 27 January 2020.

As at the day of publication of the Report, Boryszew S.A. holds in total, directly and indirectly through its subsidiaries, Eastside-Bis Sp. z o.o. and Eastside – Bis Sp. z o.o., 124 470 000 Alchemia shares, accounting for 71.76%, (rounded off), of Alchemia S.A. share capital and carrying 124 470 000 votes at Alchemia S.A. General Meeting, which accounts for 71.76%, rounded off, of the total number of votes at Alchemia S.A. General Meeting, including:

- Boryszew - 500 000 shares in Alchemia, carrying 500 000 votes at the General Meeting of Alchemia, which accounts for 0.28%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia;
- Impexmetal - 98 725 000 shares in Alchemia, carrying 98 725 000 votes at the General Meeting of Alchemia, which accounts for 56.92%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia;
- Eastside-Bis Sp. z o.o. – 15 245 000 shares in Alchemia, carrying 15 245 000 votes at the General Meeting of Alchemia, which accounts for 8.79%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia.
- Alchemia S.A. - 10 000 000 shares in Alchemia, carrying 10 000 000 votes at the General Meeting of Alchemia, which accounts for 5.77%, (rounded off), of the share capital and the total number of votes at the General Meeting of Alchemia;

#### **IMPEXMETAL S.A.**

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

On 16 May 2019 Boryszew S.A. concluded with Impexmetal S.A. with its registered office in Warsaw and SPV Boryszew 3 Sp. z o.o. with its registered office in Warsaw ("Parties") an agreement of Impexmetal S.A. ("Impexmetal") shareholders to determine the rights and obligations of the Parties resulting from holding Impexmetal shares and to determine the rules of cooperation of the Parties, including in particular the rules concerning the acquisition of Impexmetal shares and voting in concert by the Company and SPV Boryszew 3 during general meetings of Impexmetal.

As per the provisions of the Agreement, the Parties undertook to act jointly in order to announce a call to subscribe for the sale of all Impexmetal shares other than shares held by the Parties. In the event of failure to reach 90% of the total number of votes at the General Meeting of Impexmetal under the tender offer announced as described in the preceding sentence, the Parties will consider announcing a tender offer for the sale of all shares of Impexmetal under Article 91 section 6 of the Act on public offering. The agreement was concluded for a definite period of time, until share dematerialisation is abolished.

#### **Announcement an invitation to subscribe for sale of shares of Impexmetal S.A.**

On 17 May 2019 Boryszew S.A., Impexmetal and SPV Boryszew 3 Sp. z o.o., acting jointly as the Inviting party (the "Inviting party") announced, through Santander Bank Polska S.A., a broker within a separate organisational unit, an invitation to subscribe for the sale of 64 620 000 shares of Impexmetal, i.e. for the sale of all Impexmetal shares, i.e. for all Impexmetal shares traded on the stock exchange which were not held by the Inviting Parties. The intention of the Inviting Parties was to hold jointly, as a result of the invitation, 190 000 000 shares of Impexmetal, carrying 190 000 000 votes in the total number of votes at the General Meeting, accounting for 100% of the total number of votes at the General Meeting ("Invitation").

The entities acquiring the shares were: the Company and Impexmetal.

The Invitation was announced under Art. 74, section 1 of the Act on Public Offering. The purchase price of shares in the Invitation was set at PLN 4.25 per share, which corresponds to the criteria set forth in Art. 79 of the Act.

In order to finance the acquisition of shares in the Invitation by Impexmetal, Boryszew S.A. as a guarantor and Impexmetal as a borrower concluded on 16 May 2019 a loan agreement with HSBC France (Joint Stock Company), a branch in Poland. The acquisition of shares by Boryszew S.A. was financed from its own funds.

#### **Summary of the results of the first and the second invitation to subscribe for sale of shares of Impexmetal S.A.**

On 9 March 2019 Boryszew S.A. received information from Santander Bank Polska S.A., conducting brokerage activity as a separate organisational unit, that as a result of the first invitation for the sale of shares of Impexmetal S.A. announced on 17 January 2019, the subscriptions received covered a total of 46 776 642 shares (Shares) at PLN 4.25 per one share (invitation price). The transaction was settled on 21 June 2019.

Following the second invitation, subscriptions covered the total number of 7 142 741 Shares at PLN 4.25 each. The transaction was settled on 16 July 2019.

Following the acquisition of the above mentioned Shares, Boryszew S.A. held in total, directly and indirectly through Impexmetal and SPV Boryszew 3 Sp. z o.o., 179 299 383 shares in Impexmetal S.A., accounting for 94.37% of the share capital and representing 179 299 383 votes during Impexmetal S.A. General Meeting, including directly 117 500 968 shares in Impexmetal S.A., accounting for 61.84% of the share capital and representing 117 500 968 votes at Impexmetal S.A. General Meeting, and indirectly, through Impexmetal S.A. with its registered office in Warsaw, 54 519 383 shares in Impexmetal S.A., accounting for 28.69% of the share capital and representing 54 519 383 votes at Impexmetal S.A. General Meeting and through SPV Boryszew 3 Sp. z o.o. with its registered office in Warsaw, 7 279 032 shares in Impexmetal S.A., accounting for 3.83% of the share capital and representing 7 279 032 votes at Impexmetal S.A. General Meeting.

#### **Announcement of squeeze-out of Impexmetal S.A. shares**

As Boryszew S.A. together with the parties to the shareholders' agreement, obtained 94.37% of the total number of votes at the General Meeting of Impexmetal, under Article 82 of the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading and on public companies (consolidated text, Journal of Laws of 2019, item 623) ("Act"), the Parties to the Agreement announced squeeze-out of Impexmetal S.A. shares ("Squeeze-Out") held by all other shareholders of Impexmetal S.A. other than the Parties to the Shareholders' Agreement ("Minority Shareholders"). The entities acquiring the shares under the Squeeze-Out were Impexmetal and the Company. The subject of the squeeze-out covered all shares held by Minority Shareholders ("Shares") - 10 700 617 ordinary bearer shares with a par value of PLN 0.40 per share, carrying for their holders 5.63% of the total number of votes at the General Meeting of Impexmetal S.A. The squeeze-out date was set at 9 August 2019, and the squeeze-out price of one Share was PLN 4.25. On the squeeze-out date, that is on 9 August 2019, the Minority Shareholders covered by the squeeze-out were deprived of their rights under the Shares.

Following the settlement of the squeeze-out and on the day of publication of the report, Boryszew S.A. holds directly and indirectly a total of 190 000 000 shares of Impexmetal, accounting for 100.00% of Impexmetal share capital and carrying 190 000 000 votes, which accounts for 100.00% of the total number of votes during the General Meeting of Impexmetal, including:

- Boryszew directly holds 117 720 968 ordinary bearer shares of Impexmetal, accounting for 61.96% (rounded off) of Impexmetal share capital and carrying 117 720 968 votes during the General Meeting of Impexmetal, which accounts for 61.96% (rounded off) of the total number of votes during the General Meeting of Impexmetal;
- Impexmetal S.A. with its registered office in Warsaw, a subsidiary of Boryszew, holds 65 000 000 ordinary bearer shares of Impexmetal, accounting for 34.21% (rounded off) of Impexmetal share capital and carrying 65 000 000 votes during the General Meeting of Impexmetal, which accounts for 34.21% (rounded off) of the total number of votes during the General Meeting of Impexmetal;
- SPV Boryszew 3 Sp. z o.o. with its registered office in Warsaw, a subsidiary of Boryszew, holds 7 279 032 ordinary bearer shares of Impexmetal, accounting for 3.83% (rounded off) of Impexmetal share capital and carrying 7 279 032 votes during the General Meeting of Impexmetal, which accounts for 3.83% (rounded off) of the total number of votes during the General Meeting of Impexmetal.

#### **Adoption of a Resolution by the General Meeting on abolition of dematerialisation of Impexmetal S.A. shares**

On 29 August 2019, the Extraordinary General Meeting of Impexmetal S.A. adopted a resolution on abolishing the dematerialisation of all shares, i.e. 190 000 000 A series ordinary bearer shares, traded on the regulated market of the Warsaw Stock Exchange, by restoring their documentary form.

On 13 September 2019 Impexmetal S.A. applied to the Polish Financial Supervision Authority for the abolition of dematerialisation of Company's shares.

On 5 November 2019, the Polish Financial Supervision Authority granted its consent to the restoration of the documentary form to all 190 000 000 dematerialised shares in Impexmetal S.A. (abolition of dematerialisation of shares). The Polish Financial Supervision Authority determined 13 November 2019 as the date on which the obligation of the Company under the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading and on public companies ceased to exist.

On 8 November 2019, the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) adopted Resolution No. 1163/2019 on the exclusion of Impexmetal S.A. shares from trade on WSE Main Market (Resolution). In accordance with the aforementioned Resolution, with reference to the decision of the Polish Financial Supervision Authority on granting the permission to restore documentary form of Impexmetal S.A. shares (abolition of dematerialisation of shares), the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. decided to exclude from trade shares, code PLIMPXM00019, as of 13 November 2019. In execution of the Resolution, 190 000 000 A series shares, or all Impexmetal S.A. shares, were delisted from public trading.

#### **BORYSZEW S.A.**

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

Acting within the limits of the authorisation granted by Resolution no. 19 of the Ordinary General Assembly of Shareholders of Boryszew S.A. dated 25 June 2014 on authorising the Company's Management Board to buy back Boryszew S.A. own shares as well as pursuant to Art. 362 § 1 point 8) and Art. 362 § 4 of Commercial Companies Code in 2019 Boryszew S.A. acquired a total of 960 000 own shares which together with the shares already held by the Company makes a total of 19 283 831 own shares, accounting for 8.0349% of votes during the General Assembly 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 the share capital and votes during the General Assembly of Boryszew 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.

As at the date of publication of the report, the Company has not launched the buy-back of own shares based on the authorisation in the resolution of the General Meeting.

#### **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.

#### **IMPEXMETAL S.A.**

##### **Receipt of the decision on support for investments Łódź Special Economic Zone**

Following the decision on support No. 2/2019 issued for Impexmetal S.A. on 31 January 2019 by the Manager of the Łódź Special Economic Zone under the provisions of Article 10 section 1 and 2 of the Act of 10 May 2018 on support for new investments, on 25 February 2019 Impexmetal S.A. signed an agreement with the Łódź Special Economic Zone for provision of services resulting from the aforementioned decision.

As part of the new investment, Impexmetal S.A. intends to increase its existing production capacity by setting up a modern melting and casting centre with associated facilities, installation of heat treatment furnaces and final treatment facilities. The expected eligible costs of the new investment amount to PLN 276 174 thousand. The maximum amount of eligible costs under the decision on support is PLN 359 026 thousand, set as the minimum amount of expenditure plus 30%.

### **Implementation of investment tasks**

In March 2019 the Supervisory Board of Impexmetal S.A. approved the implementation of the investment programme for 2019-2022, the purpose of which is to increase sales of rolled products from 100 000 to 135 000 tonnes per year, as well as to develop and launch production and sales of innovative products for the automotive and packaging industries.

Implementation of the investment project will lead to the increase in production capacity of cast products used as an input for rolling and increase in production of final products (rolled products), which will be a further development in segments where today Impexmetal already has a competitive advantage, has the necessary technological knowledge (know-how), its own technical solutions and engineering experience. Such sectors are the automotive, packaging and construction industries.

The project implementation will involve two basic investment tasks:

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

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

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

#### **BORYSZEW S.A.**

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

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

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

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

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

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

#### **Impact of the COVID-19 epidemic on the business of Boryszew Capital Group**

1. On 11 March 2020, the World Health Organisation assessed that the Covid-19 epidemic can be considered a pandemic. As a result of the spread of the virus, many sectors of the economy have been forced to reduce or stop their operations, resulting in reduced demand, disruption of supply chains, increased unemployment as well as a number of economic and social problems. Potential impact of covid19 on financial results of Boryszew Group at the date of preparation of this report cannot be easily predicted. The companies monitor the situation at home and abroad on an ongoing basis.
2. Due to dynamically changing circumstances, government regulations and legal situation, at the moment of drafting the financial statements it is not possible to accurately estimate the impact of the pandemic on the operational and financial situation in upcoming reporting periods. Individual companies and the Group's Headquarters verify macroeconomic information on an ongoing basis as well as information obtained by the control and analysis departments during their operations, to forecast, on this basis, the impact of the pandemic on separate and consolidated results.
3. Boryszew Group undertakes actions to minimise the effects of the pandemic. Due to their diversified business profile, concentrated in 4 main segments, individual entities are exposed to COVID-19 to varying degrees. The initiatives undertaken consider the nature of the sector concerned and the impact of the pandemic on specific

sector. Individual companies keep track of the market environment and react to changing circumstances in order to adapt their operations to changing demand. Programmes were implemented to adjust costs to the changing environment in the Group.

4. The following companies either suspended their operations completely or significantly reduced their production:
  - Baterpol - the Lead Refining Division and the Battery Scrap Processing Plant stopped their production between 12.05.2020 and 17.05.2020. Similar shutdowns are planned for June and July this year,
  - ZM Silesia Oława Branch introduced significant production limitations as of 3 April 2020,
  - all Maflow Group companies suspended temporarily their production,
  - the situation in the automotive industry also forced the BAP Group to stop production.
5. The companies use shielding programs introduced in Poland (such as guarantees from the Liquidity Guarantee Fund of Bank Gospodarstwa Krajowego and programs of the Polish Development Fund) and in other countries where Boryszew Group has its operations.
6. Due to diversified business profile of Boryszew Group and different level of risk, the impact of COVID-19 is presented by segments.

#### **AUTOMOTIVE SEGMENT**

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

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

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

#### **METAL SEGMENT**

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

Sales of Boryszew S.A., NPA Skawina Branch were not significantly, adversely affected by covid19 until May 2020; sale revenues exceed the level for the same period of last year. At the same time, however, due to dynamic changes in the environment, NPA Skawina is unable to predict the impact of the epidemic on results in the second half of 2020. Given the extent and scale of the pandemic at a level similar to April, Hutmen S.A. estimates a change in the forecast figures in Q2 2020 compared to the budget: sales revenues - decrease by 6%.

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

#### **CHEMICAL PRODUCTS SEGMENT**

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

Boryszew S.A., Boryszew ERG Branch launched in March 2020 production and sale of ERG CleanSkin disinfectant fluid, therefore the expected turnover in this segment will increase by 30% in Q2 2020. Other divisions expect sales reduced by 40% in this period. In Q3 and Q4 2020 the level of sales will depend on the scale of the pandemic, and if the threat is reduced, the demand for disinfectants, due to the maintenance of epidemiological safety requirements,

will remain high. It is expected that other divisions, following mitigation of the negative economic impact of COVID-19, will see a gradual increase in production and sales in the second half of 2020, to pre-pandemic levels.

#### **OTHER ACTIVITIES SEGMENT**

Elana Energetyka Sp. z o.o. suffered no sales decline in Q1 2020. However, given the current situation (customer downtime), the decrease in revenue in April was about 40%. It is difficult to determine the value of revenue in the subsequent months of operations due to the fact that the Company's sales are seasonal.

Boryszew S.A., Boryszew Energy Branch, due to the structure of contracts with related companies as well as with third party customers (acquisition price plus margin formula), forecasts a neutral impact of covid19 on EBITDA. EBITDA may be lowered in case of significant deviations from the assumed natural gas consumption volumes at Boryszew Energy Branch Customers. So far Contractors have notified no planned significant contract drops.

The Management Board of Eastside Bis Sp. z o.o. carried out an in-depth assessment of the expenses to be originally incurred in Q2 2020 (as per the budget as well as repair and investment plans), limiting them to the minimum necessary. Currently, due to COVID-19, some expenses have been deferred to future periods. The Company forecasts no significant decrease in revenues.

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

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

Due to the diversified profile of Boryszew S.A. Capital Group, individual companies are differently exposed to the effects of economic slowdown. At the level of the entire Group, the drop in sales will result in a decrease of EBITDA by approximately 40% in Q@ 2020, against the budget.

The decrease of EBITDA in further quarter of 2020 is estimated at 30 - 40%. It is important, for the above forecasts, to consider the high level of possible deviations due to the inability to accurately estimate the scale of the pandemic and its economic and social impact in future periods. Having operations in several segments helps diversify the risk and reduce the impact on Boryszew Group result of areas particularly exposed to the risk.

#### **Recognition of value impairment write-offs**

On 26 May 2020, the Management Board of the Company decided to recognise in the financial statements a revaluation write-off on shares in Boryszew Automotive Plastics Group (BAP Group) companies and loans granted to BAP Group companies in the total amount of PLN 181.8 million.

The above mentioned write-off was recognised on mutual transactions within Boryszew Capital Group, therefore it will not influence the consolidated financial statement for 2019.

The revaluation is non-cash related and will not affect the financial liquidity, consolidated result (including EBITDA) and equity of Boryszew Capital Group as well as current operating activities of the Company and Boryszew Capital Group.

The final amount of the write-off, together with the financial results of the Company and its Capital Group for 2019, will be provided in the annual financial statements, scheduled for publication on 28 May 2020.

#### **Selection of the auditor to audit the financial statement of Boryszew S.A. for 2020-2021**

On 26 May 2020, the Supervisory Board of Boryszew S.A., acting under § 15 point 1 of the Articles of Association of Boryszew S.A. appointed 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 2020 and 30 June 2021,
- 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 2020 - 2021.

#### **IMPEXMETAL S.A.**

##### **Recognition of value impairment write-offs by a subsidiary**

In March 2020, the Management Board of Impexmetal S.A. decided to recognise the following write-offs:

- the value of the block of shares held in Alchemia S.A. of PLN 158 765 000,
- write-off on dividend receivable from ZM SILESIA S.A. of PLN 29 865 000.

**Information on other important events was provided in the form of current reports of the Company, which are available on the website: [www.boryszew.com](http://www.boryszew.com)**

## 6. CORE BUSINESS, MARKETS, SOURCES OF SUPPLIES AND COMPETITION

### BORYSZEW S.A.

Pursuant to IFRS no. 8, the following four business segments were defined in 2019 (in order of revenue value):

- Metals,
- Automotive,
- Chemical products
- Other.

The applied principle is that each entity belongs to only one operating segment. Described below are the most significant segments of Boryszew S.A. in terms of business activity, sales, markets, competition and sources of supplies as well as particularly key parameters.

#### Automotive

- **Scope of business**

This segment includes **Boryszew Maflow Branch**, the largest entity of the Maflow Group, operating three production facilities:

- Facility in Tychy - Maflow Group's largest plant. It is involved in manufacture of aluminium air-conditioning tubes and installation of steel air-conditioning tubes. Chelmek 1 facility, which manufactures aluminium air-conditioning tubes and components (endings) for steel and aluminium air-conditioning tubes, sold to other companies of the Group.
- Chelmek 2 plant, which manufactures preformed rubber for air-conditioning tubes; fuel lines, oil cooling hoses and other tubes and hoses used for transportation of liquids in motor vehicles,
- Production facility in Toruń, a new production unit involved, similar to the Production facility in Tychy, in manufacture of aluminium air-conditioning tubes and installation of steel air-conditioning tubes.

- **Sales and Markets**

The table below is a summary of information on the sale of products, goods and services of major business units with the Automotive Segment in 2017-2016.

Company	Product range	Value [PLN thousand]	
		2019	2018
Boryszew Maflow Branch	Air-conditioning tubes and other*	573 787	642 406
<b>Total - Automotive Segment</b>		<b>573 787</b>	<b>642 406</b>

(\* other products refer mainly to power-steering tubes, rubber tubes, brake tubes and active suspension tubes.

2019 closed in the Automotive segment with lower sales revenues, mainly due to a decrease in sales to the main customer, VW Group resulting from the change in measuring exhaust gas emissions in 2019, which are still impacting this business segment.

The customer that generates more than 10% of Boryszew S.A. sales revenues in Volkswagen Group - 12,4% share in sale of the Company.

Main directions of sales in the Segment for 2019 - 2018 are shown in the following table:

Sales structure [%]	2019	2018
Germany	22%	24%
Sweden	12%	10%
Great Britain	11%	14%
Spain	8%	8%
France	7%	6%
Slovakia	6%	6%
The Netherlands	6%	6%
Poland	5%	4%
Czech Republic	4%	3%
China	3%	3%
Other	15%	15%
<b>Export sales as % of total sales</b>	<b>95%</b>	<b>96%</b>

Maflow Branch generated its revenue mainly on export sales, which account for 90% of turnover. Only some of the export destinations changes. It increased by 2p.p. to the Swedish market and decreased by 2p.p. to the German market and by 1p.p. to the British market.

- **Market share**

Maflow share in the global market slightly increased in 2019 but remained close to 7%. The production share in Western European markets remained at a similar level as in 2018 and amounted to 23-24%.

NAFTA Maflow identified a number of prospects for business development on the market and is preparing acquisitions of new projects. Pursuing its development plans, the subsidiary in Mexico launched new projects.

- **Competition**

Direct competitors in the automotive industry, in which Boryszew entities of the Segment operate, include: **Contitech, Eaton, Hutchinson, TI Automotive Daytech, Parker, SMA, Hanon (Visteon), SAAA, Tenglong**. Some of these companies are multinational corporations where production of air-conditioning tubes is neither the only nor primary business.

Maflow Branch operates on the basis of contracts of several years' duration concluded with the world's leading car manufacturers. The contracts are shared, in order to secure continuity of supply, with one or two competitors. The competition element is present only when bidding for new contracts.

- **Sources of supplies**

The Automotive Segment mainly imports its supplies. The largest items of the purchase list include rubber, aluminium blocks and pipes as well as sensors.

- **Particularly key parameters for the Segment**

- profitability of acquired contracts,
- operational efficiency of the Segment production plants,
- the automotive industry market situation (detailed description in the financial analysis section).

### Metal Segment

- **Scope of business**

Metal Segment is the home turf for NPA Skawina Branch, the only manufacturer in Poland of rolled products (rods) made of aluminium and its alloys, used for production of power lines and cables, and as well as non-conductor wire rods, used in the steel industry as a deoxidizer. Apart from aluminium rolled products the branch also manufactures wires for low to high voltage overhead power lines.

- **Sales and Markets**

The table below is a summary of information on the sale of products, goods and services of major business units with the Metal Segment in 2017-2016.

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2019	2018	2019	2018
<b>Boryszew NPA Skawina Branch</b>					
	Wire rods	20 743	23 237	184 483	216 779
	Alloy rods	2 531	4 332	25 638	49 498
	Non-wire rods	2 672	3 629	23 167	33 922
	Wire	1 179	1 087	13 739	13 035
	Overhead lines	3 165	6 795	36 205	71 309
	Other (solids, aluminium and alloy tubes)	712.245	395	7 345	4 226
	Sales of utilities	0	0	9 498	10 888
<b>Exclusions between segments</b>					<b>0</b>
<b>Total - Aluminium Segment</b>		<b>31 003</b>	<b>39 475</b>	<b>300 075</b>	<b>399 657</b>

By volume, 2019 was worse for NPA Skawina Branch than 2018. Lower sales volumes were recorded for rolled wire, alloy wire and wire, which primarily resulted from the implementation of investments in the Company.

Main directions of sales in the Segment for 2019 - 2018 are shown in the following table:

Sales structure [%]	2019	2018
Domestic	47%	47%
Czech Republic	9%	20%
Sweden	9%	5%
Austria	8%	6%
Canada	7%	0%
Italy	4%	9%
Germany	4%	3%
Luxembourg	2%	3%
The Netherlands	2%	0%
Belgium	2%	1%
Other	6%	5%
<b>Export sales as % of total sales</b>	<b>53%</b>	<b>53%</b>

In 2019 the share of export sales remained at 53%. The most significant changes in the structure of export sales took place in the Czech Republic, a decrease of 11 p.p., and in Canada, where sales increased by 7 p.p.

- **Market share**

NPA Skawina holds negligible market share in the global and European market. For wire rods, the global market share in 2019 was below 0.1% and for the share in European market was at the level of approximately 0.0% to 0.7%. For aluminium wires, the global market share was between 0.3% and 0.6% and the European market share was 1.7%.

- **Competition**

The largest competitors of NPA Skawina include:

- In rolled products: Alro Vimetco Romania, Rusal Russia, Trimet France, Hydro Aluminium Norway, Inotal Hungary, Alcoa Iceland, Lamifil Belgium, Manfisa Spain, Midal Bahrain Mozal Mozambique, Sural Venezuela and Canada, Has Celik Turkey.
- In processed products: Fabryka Przewodów Energetycznych Będzin, Tele-Fonika Kable S.A., producers from Turkey, China and India, Fux of Hungary, Trefinasa of Spain, Lumpi of Austria, WDI of Germany, Midal Cable of Bahrain.

- **Raw materials and sources of supplies**

The basic raw materials for production at NPA Skawina include aluminium pig sows and blocks, as well as aluminium scraps, which are imported (pure metal, alloys) or purchased at home (scraps).

- **Particularly key parameters for the Segment**

- the amount of trade bonus that affects revenues and results,
- the amount of subsidies for the main raw material (aluminium), scrap price level, which affect production costs.

### Chemical products segment

- **Scope of business**

The Chemicals Segment includes the following branches: Elana, Boryszew ERG, Nylonbor. The entities of the Chemicals Segment operate in several sectors:

- staples, continuous filaments – used mainly in textile, furniture and clothing industries,
- chemical (among others: plasticizers, stabilizers, grease used for production of plastics),
- automotive (among others: engine coolants, brake fluids, installation fluids, de-icing fluids),
- construction (among others: wall siding, doors, coffers),
- packaging (among others: Styrofoam moulds, polyethylene drums),

- construction polyamides (universal plastics used, among others, in conveyor rolls and stretching rolls, gears, tracks, etc.),
  - special products (among others: flares, smoke signalling products, white theatrical smoke, smoke hand grenades),
- **Sales and Markets**  
The table below is a summary of information on the sale of products, goods and services of major business units with the Chemicals Segment in 2017-2016.

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2019	2018	2019	2018
<b>Boryszew Elana Branch</b>	Elana (chopped fibre, elball, Artec)	10 251	11 216	44 079	51 277
	Goods and materials	581	1 045	2 406	4 612
	Other services (processing)	0	42	2 447	3 054
	<b>Total</b>	<b>10 832</b>	<b>12 303</b>	<b>48 869</b>	<b>58 943</b>
<b>Boryszew Branch RG</b>	Chemicals	13 326	14 346	71 885	77 755
	Automotive	15 182	15 925	57 639	56 784
	Construction materials	0	0	15 435	16 986
	Packaging	0	0	9 535	9 756
	Other	0	0	8 853	8 821
	<b>Total</b>	<b>28 508</b>	<b>30 271</b>	<b>163 346</b>	<b>170 103</b>
<b>Boryszew Branch Nylonbor</b>	Polyamides	81	99	1920	2 299
	Special production	0	0	11294	8 730
	Other			2 217	1 865
	<b>Total</b>	<b>81</b>	<b>99</b>	<b>15 432</b>	<b>12 894</b>
<b>Exclusions between segments</b>				<b>0</b>	<b>-1 054</b>
<b>Chemical Segment total</b>		<b>39 421</b>	<b>42 673</b>	<b>227 647</b>	<b>240 886</b>

2019 ended with lower sales by volume for the Chemicals Segment, which is related, among other things, to lower sales volumes of cut fibres in Elana Branch and lower sales volumes for chemical products in Boryszew O/ERG.

Main directions of sales in the Segment for 2019 - 2018 are shown in the following table:

Sales structure [%]	2019	2018
Domestic	68%	69%
Ukraine	11%	9%
Germany	8%	9%
Lithuania	2%	3%
Hungary	2%	1%
Czech Republic	2%	0%
Spain	1%	1%
Malta	1%	1%
Great Britain	1%	1%
Italy	1%	1%
Other	2%	5%
<b>Export sales as % of total sales</b>	<b>32%</b>	<b>31%</b>

The domestic market is still the main market for the Chemicals Segment companies, generating 68% of the business (slightly down from 69% in 2018). In contrast, export sales, in particular to the Ukrainian market, increased.

### Market share

The market share in the Chemicals Segment should be analysed by product ranges mainly due to their diverse applications and customer groups.

Product range	Market share % in domestic market
<b>Automotive products:</b>	
Coolants	35%
Installation fluids	45%
De-icing fluids	40%
<b>Chemical market:</b>	
depending on the range	3-20%
<b>Construction (wall siding and headliner)</b>	20%
<b>Fibres</b>	below 10%
<b>Packaging (depending on the range)</b>	5-20%

Companies of the Chemicals Segment are minor suppliers on the European market.

#### a) Competition

Competitors on the filaments includes:

- **Silon** – Czech manufacturer of, primarily, fibres used for technical and hygienic purposes.
- **Maerkische Faser** – German manufacturer of more specialised fibres used for technical and hygienic purposes,
- **Green Fiber** – Romanian manufacturer of fibres for furniture production and automotive industry, to be used in lower quality products,
- manufacturers of fabrics for furniture and filling fabrics from Turkey and producers of furniture, filling and technical fabrics from the Far East (**Huvis, Far Eastern Textile, Nan Ya – South Korea**).

Competitors on the automotive market include:

- **Orlen Oil, Parys, Organika Łódź, Autoland** - vehicle fluids,
- **Organika GLI Therm, Bio-Chem** - installation fluids,
- **Clariant, Kilfrost, UAB Esspo, UAB STEGA** - de-icing fluids.

Competition for auxiliary products in plastics processing: **ZAK Kędzierzyn, Perstorp, DEZA**.

On the siding market, competitors include: **Gamrat S.A., ASKO, VOX Industrie, Royal Europa**.

Competitors on the packaging market are: **Knauf, HSV Polska, HIRSCH**.

#### b) Raw materials

Main raw materials for Chemicals Segment include:

- PET flakes (fibre production),
- octyl alcohol (production of chemicals),
- ethylene glycol (automotive production),
- caprolactam (production of polyamides).

### Other Activities Segment

#### • Scope of business

The Other Activities Segment covers:

- The Head Office in Warsaw – its activity includes management of the Capital Group (several dozen companies, both domestic and overseas), and its objective is to increase the goodwill of the Company and of the Group in the long run. The Company generates revenues from sale of traded goods, services, dividend and interest on granted loans and acquired bonds.
- Energy Boryszew S.A. branch operating in natural gas and electric energy trade sector,

## BORYSZEW CAPITAL GROUP

### MAIN ENTITIES OF BORYSZEW GROUP BY OPERATING SEGMENTS

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

- Automotive,
- Metals,
- Chemical products
- Other.

The applied principle is that each entity belongs to only one operating segment. Described below are the most significant segments of Boryszew Capital Group in terms of business activity, sales, markets, competition and sources of supplies .

#### AUTOMOTIVE SEGMENT

The Automotive Segment within the Boryszew Capital Group includes: BAP Group and Maflow Group.

##### a) Scope of business

1. The BAP Group covers entities involved in series production of high quality plastic parts for the automotive sector, used in vehicle interior and exterior, including galvanized and varnished plastic parts and injection moulds for the production of these elements.

The BAP Group companies are:

- Companies manufacturing parts
  - Boryszew Kunststofftechnik Deutschland GmbH (BKD) – manufacturer of plastic components for automotive equipment (internal, engine peripheral components), including inter alia components of dashboards, compartments, ventilation nozzles, elements of bonnets, doors.
  - Theysohn Kunststoff GmbH (TKS) - manufacturer of exterior plastic parts for automotive equipment (wheel arches, chassis covers, etc.)
  - AKT Plastikarska Technologie s.r.o. (AKT) - manufacturer of plastic products for automotive industry (engine compartment hoods, roof boxes) and household equipment industry,
  - Boryszew Oberflächentechnik GmbH (BOD) - manufacturer of galvanized plastic components used in automotive equipment (mainly doorknobs, frames),
  - Boryszew Plastik Rus (BPR) - manufacturer of plastic external car components and accessories,
  - Boryszew Tensho Poland Sp. z o.o. (BTP) - manufacturer of plastic elements (including lacquered ones) to provide for the needs of the automotive and RTV sectors,
  - BRS YMOS GmbH - manufacturer of injection-moulded components based on ZnAl (handles, doorknobs, emblems).
- Companies manufacturing tools:
  - Boryszew Formenbau Deutschland GmbH (BFD) - manufacturer of small and large injection moulds,
  - Theysohn Formenbau GmbH (TFB) - production of large injection moulds.
- Companies performing management and service functions (for other BAP Group entities)
  - Boryszew Automotive Plastics Spółka z o.o. – is the holding and parent company in BAP Group,
  - Boryszew Deutschland GmbH - sales, procurement and project management functions.
  - ICOS GmbH - formerly the head office of Theysohn Group, mainly temporary work agent activities for Theysohn,
  - Boryszew Commodities Sp. z o.o. – central procurement of key materials for the BAP Group, Boryszew HR Service Sp. z o.o. – staff outsourcing.

2. Maflow Group is one of the largest manufacturers of air conditioning tubes and other applications that provide transportation of liquids and gases in cars and vans. One of the departments of Maflow is the rubber department which specializes in the manufacture of flexible rubber connections for fluid and gas transport in every car circuit.

Maflow Group is composed of the following entities:

- Boryszew Maflow Branch - described in the part pertaining to Boryszew S.A.,
- Maflow BRS s.r.l. Maflow Italy – manufacturer of rubber tubes, customers include Maflow Group (66%) and other customers (34%),

- Maflow France Automotive S.A. Maflow France – manufacturer of air-conditioning tubes,
- Maflow Spain Automotive S.L.U(Maflow Spain) - installation of air-conditioning tubes,
- Maflow do Brasil Ltda(Maflow Brazil) - manufacturer of air-conditioning tubes,
- Maflow Components Co. Ltd(Maflow China) - manufacturer of rubber tubes and air-conditioning tubes,
- Maflow India Private Limited(Maflow India) - manufacturer of air-conditioning tubes,
- MAFMEX S.DE R.L.DE C.V(Maflow Mexico) - manufacturer of air-conditioning tubes
- Maflow Polska Sp. z o.o.

## b) Sales and Markets

Revenues from Automotive Segment sales in 2019 and 2018 are presented in the table below:

Company	Product range	Value [PLN thousand]	
		2019	2018
<b>BAP Group (Plastics)</b>			
Boryszew Kunststofftechnik GmbH	Plastic components	287 899	308 169
Theysohn Kunststoff GmbH	Plastic components	152 812	172 695
AKT Plastikarska Technologie spol.sr.o (AKT Czech Republic)	Plastic components	134 559	132 832
BRS YMOS GmbH	ZnAl components	70 859	83 337
BRS Oberflächetechnik GmbH	Plastic components	94 537	119 388
Theysohn Formenbau GmbH	Injection moulds production	41 990	40 011
Boryszew Formenbau GmbH (Wedo)	Injection moulds production	29 635	26 724
ICOS GmbH	Holding company	22 985	26 271
Boryszew Plastic RUS	Plastic components	69 318	30 399
Boryszew Tensho Poland Sp. z o.o.	Plastic components	98 288	98 639
BDE Boryszew Deutschland GmbH	Shared service company	9 576	9 498
Boryszew Automotive Plastics Toruń	Shared service company	15 766	15 315
Boryszew HR Service Sp.z o.o,	Outsourcing of employees	12 037	21 137
Boryszew Commodities Sp. z o.o.	Centralised purchase of raw materials	122 034	136 456
<b>Total for BAP Group (Plastics)</b>		<b>1 162 295</b>	<b>1 220 871</b>
<b>Maflow Group</b>			
Boryszew Maflow Branch	Air-conditioning tubes and other*	573 787	642 406
Maflow Italy	Rubber tubes	109 175	119 478
Maflow France	Air-conditioning tubes and other*	97 195	99 973
Maflow Spain	Air-conditioning tubes and other*	90 553	116 257
Maflow Brazil	Air-conditioning tubes and other*	42 210	32 924
Maflow China	Air-conditioning tubes and other*	67 738	72 695
Maflow Mexico	Air-conditioning tubes and other*	53 385	53 357
Maflow India	Air-conditioning tubes and other*	16 681	17 184
<b>Total for Maflow Group</b>		<b>1 050 724</b>	<b>1 154 274</b>
Consolidation adjustments		-435 873	-475 713
<b>Total - Automotive Segment</b>		<b>1 777 146</b>	<b>1 899 432</b>

(\*) other products are mainly power-steering tubes, rubber tubes, brake tubes and active suspension tubes.

In 2019, the Automotive segment decreased its sales revenues, mainly as a result of the implementation of the WLTP procedure from 1 September 2018, which in turn reduced orders for parts from car manufacturers. The largest drop in revenues was recorded in the case of the BAP Group (which sales its products practically exclusively in European markets).

The main sales destinations for in the Automotive Segment for the period 2019 - 2017 are presented in the table below:

<b>Sales structure [%]</b>	<b>2019</b>	<b>2018</b>
Domestic	8%	9%
Germany	40%	42%
Czech Republic	7%	6%
France	6%	6%
Spain	5%	6%
China	4%	4%
Slovakia	4%	4%
Russia	3%	2%
Sweden	3%	3%
Great Britain	3%	4%
Brazil	3%	2%
Other	13%	13%
<b>Export sales as % of total sales</b>	<b>92%</b>	<b>91%</b>

The main market for the Automotive segment remains the European Union, including almost 40% of products sold on the German market.

The customer that generates more than 10% of Boryszew Group sales revenues in Volkswagen Group.

#### **c) Market share**

The estimated share of Maflow Group in the global market in 2019 slightly increased and remains close to 7%. Shares in production on the Western European markets remain at a similar level as in 2018 - below 25%. The share of Maflow products slightly increased on the NAFTA market due to the increases in deliveries to the VW plant in the USA and to the Audi and VW plants in Mexico, which in turned were connected with the implementation of new projects in the plant in Mexico.

The VW Group continues to be the most prominent customer for the Maflow Group. Significant customers with less sales volume are: Jaguar Land Rover, Renault, BMW and Volvo.

On the European market, Maflow Group is the third biggest supplier of air-conditioning tubes, closely following Contitech and Hutchinson. TI Automotive Group enjoys a market position close to that of Maflow Group.

BAP Group is a significant supplier for the Volkswagen Group, in the case of other customers the sales shares are small, however the BAP Group is undertaking actions aimed at diversifying the client portfolio.

#### **d) Competition**

Competitors for BAP Group include: **Magna International, Johnson Controls, Lear, Faurecia, Valeo**. These are global corporations for which the production of car parts made of plastics is neither the sole nor primary activity. These companies are integrators of complete products used in automotive industry, the s called Tier 1. BAP Groups is frequently a sub-supplier for these competitors (such as Valeo, Faurecia, Johnson Controls).

BAP Group operates on the basis of contracts of several years' duration, which are mostly awarded to one company. This is caused by high cost of the tool/mould, which ultimately belongs to the customer. Competition occurs at the time of tender for contract; also, at times contracts are taken over in their entirety during the project (incidents associated with production problems, bankruptcy of another supplier).

Direct competitors of Maflow Group include: **Contitech, Eaton, TI Automotive Daytech, Hutchinson, Parker, SMA, Visteon, SAAA**. Some of these companies are multinational corporations where production of air-conditioning tubes is neither the only nor primary business.

Maflow Group operates on the basis of contracts of several years' duration concluded with the world's leading car manufacturers. The contracts are shared, in order to secure continuity of supply, with one or two competitors. The competition element is present only when bidding for new contracts.

#### e) Sources of supplies

Companies of BAP Group purchase pure raw materials and mixes based on polypropylene, ABS, polycarbonate, polyethylene, polyamides etc. Additionally, the Group purchases ZnAl alloys. Suppliers of the aforesaid raw materials are global chemical corporations or manufacturers of zinc alloys.

For the purpose of production of air-conditioning tubes, companies of Maflow Group purchase mainly such raw materials as: rubber mixes, aluminium and steel pipes, sensors. These are mainly purchased abroad.

#### f) Particularly key parameters for the Segment

- profitability of acquired contracts,
- operational efficiency of the Segment production plants,
- condition of the automotive market (detailed description can be found in the financial analysis section).

### METAL SEGMENT

The Metals Segment comprises: Aluminium, Copper, Zinc and Lead, Steel as well as Trade and Others.

#### ALUMINIUM

##### a) Scope of business

The following entities are included in the Aluminium business: Zakład Aluminium Konin (Impexmetal SA), NPA Skawina Branch, SPV Impexmetal Sp. z o.o., Remal Sp. z o.o. and Symonvit Ltd. (in liquidation).

Zakład Aluminium Konin which belongs to Impexmetal S.A. is the market leader in Poland for standard rolled products made of aluminium and its alloys.

Main products of the Aluminium business include:

- metal sheets and strips (hot rolled and cold rolled) – used in electrical engineering industry, chemical and automotive industry as well as construction,
- thin sheets and strips – used in production of cooling radiators, bottle screw tops, trays, window blinds and construction slats,
- aluminium and alloys wire rods, an input product for manufacturing of wires, power cables,
- non-wire rods, which are used in steel-forming as deoxidizers,
- naked aluminium wire and power conductors/cables.

The Group's aluminium products are primarily used in the automotive industry, construction industry, electrical engineering and production of packaging materials.

SPV Impexmetal Sp. z o.o. in 2019 managed the intellectual property. Symonvit Ltd. is currently in the process of liquidation.

##### b) Sales and Markets

Sales volumes and revenues from sales in the Aluminium business in 2019 and 2018 are presented in the table below:

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2019	2018	2019	2018
<b>Impexmetal (Zakład Aluminium Konin)</b>					
	Rolled products	99 002	98 659	1 130 972	1 179 171
	Goods and materials			27 019	38 399
	Services + other			11 274	13 040
	<b>Total</b>	<b>99 002</b>	<b>98 659</b>	<b>1 169 265</b>	<b>1 230 610</b>
<b>Boryszew NPA Skawina Branch</b>					
	Wire rods	20 743	23 237	184 483	216 779
	Alloy rods	2 531	4 332	25 638	49 498
	Non-wire rods	2 672	3 629	23 167	33 922
	Wire	1 179	1 087	13 739	13 035
	Overhead lines	3 165	6 795	36 205	71 309

Other (solids, aluminium and alloy tubes)	712	395	7 345	4 226
Sales of utilities	0	0	9 498	10 888
<b>Total</b>	<b>31 003</b>	<b>39 475</b>	<b>300 075</b>	<b>399 657</b>
<b>Remal</b>			<b>13 843</b>	<b>14 587</b>
<b>SPV Impexmetal</b>			<b>19 800</b>	<b>20 824</b>
<b>Total for the Aluminium business</b>	<b>130 004</b>	<b>138 134</b>	<b>1 502 983</b>	<b>1 665 678</b>

2019 ended for Zakład Aluminium Konin with higher sales volumes by 0.4%. The increase in sales volumes is a result of increased production capacity and thus improved sales opportunities brought about by investments completed in recent years.

Skawina NPA branch recorded a 21.5% decrease in sales volumes, in virtually all production assortments, which is a result of the lack of tenders for power transmission lines and the investment in progress, etc.

The main sales directions in the Aluminium Segment for 2019 – 2018 are presented in the table below:

<b>Sales structure [%]</b>	<b>2019</b>	<b>2018</b>
Domestic	43%	46%
Czech Republic	12%	13%
Germany	10%	10%
Sweden	3%	2%
Ukraine	3%	2%
Canada	2%	0%
Italy	2%	3%
Denmark	2%	2%
France	2%	2%
Romania	2%	2%
Austria	2%	1%
Other	17%	15%
<b>Export sales as % of total sales</b>	<b>57%</b>	<b>54%</b>

Only a slight change in sales destinations Aluminium Segment was seen in 2019. Still, under 50% of sales are generated on the domestic market. The largest export sales market is the Czech Republic (which slightly dropped - 12% compared to 13% in 2018), followed by Germany.

#### **a) Market share**

In case of Zakład Aluminium Konin global market potential for aluminium rolled products, according to various studies, is estimated at approx. 27 million tons per year. 5 million tons for Europe. With reference to the above values, the market share of Impexmetal in the global market is estimated at 0.4%, while in the European market at 2%. It must be noted that Impexmetal range does not include all rolled products available on the market hence the actual share in the range of product offered by the company is higher than provided above.

With regard to the Polish market, which is the key market for the company, we estimate the market potential of aluminium rolled products to have the volume of 300 thousand tonnes per year with the Impexmetal share of about 14%.

NPA Skawina holds negligible market share in the global and European market. For wire rods, the global market share in 2019 was below 0.1% and for the share in European market was at the level of approximately 0.0% to 0.7%. For aluminium wires, the global market share was between 0.3% and 0.6% and the European market share was 1.7%.

#### **b) Competition**

The competition in the business of aluminium rolled products is diverse. In the European market, more than a dozen producers will directly compete with Impexmetal. Competitors can be divided according to their geographical location, scale of operations or their technological level. The main competitors are entities operating in Europe. The importance of other markets is marginal.

The largest producers operating on the European market are multinational corporations such as: ALCOA, CONSTELLIUM, NOVELIS, ALERIS, GRÄNGES, HYDRO. They are technology leaders with specialised manufacturing in individual production plants. They own renowned brands. We may observe a vertical integration in the supply chain in case of the majority of them. These companies have their own sources of raw materials. They also offer, as part of vertical integration, a comprehensive range of rolled, extruded and cast aluminium products. Their additional offer is supplemented with varnished products, aluminium laminates and construction composites.

Independent European companies are also direct competitors: ALINVEST, IMPOL, ELVAL, ALCOMET, ALRO, AMAG, EUROMETAL, PROFIGLASS, ALUDIUM and companies from Turkey: ASSAN, PMS, TEKNIK and PANDA. These companies represent diverse technological levels and, similarly to IMPEXMETAL, they offer a wide mix of products manufactured by a single plant.

In terms of rolled products, the most important competitors include: *Alro Vimetco Romania, Rusal Russia, Trimet France, Hydro Aluminium Norway, Inotal Hungary, Alcoa Iceland, Lamifil Belgium, Manfisa Spain, Midal Bahrain.*

In terms of processed products, the most important competitors include: *Fabryka Przewodów Energetycznych Będzin, Tele-Fonika Kable S.A., Zircon Poland* offer wires from Chinese suppliers, *Fux Hungary, Prysmian Capital group, Trefinasa Spain, Nexans Group, Brugg Switzerland, Lumpi Austria, Haase Austria, WDI Germany, General Cable Spain, Midal Cable Bahrainu.*

#### c) Raw materials and sources of supplies

The companies of the Segment own a diverse portfolio of suppliers. In 2019, it used many offers in the scope of primary aluminium, aluminium blocks, alloy mortars and aluminium scrap.

The largest suppliers in 2019 were Glencore International AG, DK Trade AG, Alcoa, BAGR Berliner Aluminiumwerk GmbH and Cauvin Metals.

#### d) Particularly key parameters for the Segment

- the amount of trade bonus that affects revenues and results,
- the amount of subsidies for the main raw material (aluminium), scrap price level, which affect production costs.

## COPPER

#### a) Scope of business

In the Copper area, the Boryszew Group has two key manufacturers: Hutmen S.A. and WM Dziedzice S.A., who operate on partially overlapping markets.

The most important products in the Segment are:

- bars and wires of copper and copper alloys – for construction industry, electronics and electrical engineering,
- plumbing copper pipes – for use in construction industry as well as general purpose pipes,
- copper alloy pipes (including capacitor pipes) for the power engineering industry, shipbuilding and heat engineering
- brass and bronze strips – for construction industry, electronics and electrical engineering,
- coin blanks for coin-making industry.

The most important markets for the Copper Segment products are construction industry, electronics, electrical engineering, metal-forming and coin-making industry.

#### b) Sales and Markets

The sales volumes and revenues from sales of the Copper business in 2019 and 2018 are presented in the table below:

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2019	2018	2019	2018
<b>Hutmen</b>					
	Casting alloys	1 225	1 296	24 753	26 820
	Copper wire, bars and profiles	4 432	5 226	123 184	138 931
	Copper pipes (including plumbing pipes)	5 659	5 487	160 611	157 270
	Bronze bars and pipes	248	350	7 723	11 225
	Materials			1 931	2 487
	other			7 981	6 517
	<b>Total</b>	<b>11 565</b>	<b>12 359</b>	<b>326 183</b>	<b>343 251</b>

<b>WM Dziedzice</b>					
	Brass bars	18 414	19 691	353 718	398 011
	Brass pipes (including capacitor pipes)	3 968	3 339	96 278	82 763
	Brass strips	1 349	1 509	22 643	25 694
	Coin blanks and keys	2 080	1 066	60 497	30 850
	Other	5 374	6 526	28 340	30 192
<b>Total</b>		<b>31 186</b>	<b>32 131</b>	<b>561 476</b>	<b>567 511</b>
<b>Total for the Copper Segment</b>		<b>42 750</b>	<b>44 491</b>	<b>887 659</b>	<b>910 762</b>

For the Copper segment 2019 ended with lower volume sales by 2.9% and lower sales revenues by 1.1%. The decrease in sales volumes comes from WM Dziedzice S.A. products - brass bars and pipes. Hutmen S.A. recorded reduced sales mainly in brass bars.

The main sales destinations in the Copper business in 2019 – 2018 are presented in the table below:

<b>Sales structure [%]</b>	<b>2019</b>	<b>2018</b>
Domestic	43%	43%
Germany	21%	22%
Czech Republic	8%	8%
Spain	5%	3%
Italy	5%	5%
Slovenia	2%	1%
Slovakia	2%	2%
U.S.A.	2%	1%
Canada	1%	2%
Great Britain	1%	1%
Hungary	1%	1%
other	8%	10%
<b>Export sales as % of total sales</b>	<b>57%</b>	<b>57%</b>

The main sales destinations in 2019 in the Copper segment did not change significantly. The domestic market remained dominant. Slight decreases in sales were recorded for the German market, at the expense of growth on the Spanish market.

### c) Market share

The market share in the Copper business should be analysed by product ranges mainly due to their diverse applications and customer groups.

In 2019, the companies of the Copper business were rather minor suppliers on the European market. The largest market share on the European market for copper bars and profiles amounted to approx. 2%. On the world markets, the share of the Copper Segment remains below 1%.

In 2019 the share of the Copper business on the domestic market by product groups amounted to:

- brass bar market - approx. 49% (domestic leader position),
- plumbing copper pipes market - approx. 67%,
- copper bars and profiles market - approx. 16%,
- foundry alloys market - about 7%.

### d) Competition

The following multinational corporations are examples of strong overseas competitors in the Copper business:

*HME - established after the acquisition of the bar part of KME (the world's largest manufacturer of products in the non-ferrous metals industry) by the Hajiang concern. It has manufacturing facilities in Italy, Germany and France,*  
*Wieland AG – a German company involved in manufacturing of products made of non-ferrous metals, with 9 production plants worldwide and 500 thousand tonnes of copper and copper alloys products produced annually,*

*Eredi Gnutti S.p.A., Carlo Gnutti, Almag* – an Italian corporation manufacturing brass bars, rolled products in the form of strips, *MKM* – a German manufacturer of intermediate products of copper and its alloys (wires, pipes, flats, bars, strips, sheets).

Domestic competitors include:

Walcownia Metali Nieżelaznych Gliwice – Łabędy – which produces copper, brass and bronze strips and sheets; casting brasses and bronzes. The company's production capacity amounts to 4.6 thousand tonnes per year. On the domestic market, the company sells approx. 800 tonnes of copper sheets and strips.

#### e) Raw materials and sources of supplies

The main raw materials in the Copper business include: copper and brass scraps and copper cathodes. These raw materials are purchased mainly on the domestic market and are supplemented with imported supplies.

#### f) Particularly key parameters for the Copper business

- level of copper prices, due to the existence of alternative materials for plumbing copper pipes, used in the construction industry,
- repair policy in the energy sector, the main customer of condenser tubes.

## ZINC AND LEAD BUSINESS

#### a) Scope of business

Zinc and Lead business includes manufacturers: Baterpol S.A., ZM Silesia S.A. and two other non-manufacturing units: Polski Cynk Sp. z o.o. and Baterpol Recycler Sp. z o.o.

Each of the manufacturing companies operates on different product markets. Baterpol S.A. deals in recycling of batteries and lead processing while ZM Silesia S.A. deals in zinc and lead processing.

The basic products from this area include:

- refined and alloyed lead – mainly used in batteries production,
- zinc and zinc-and-titanium sheets for roof coverings and flashing,
- zinc and zinc-and-aluminium wire used in cold spray coating,
- zinc anodes used in electroplating,
- casting alloys for metal-forming,
- zinc oxides – used in tyre manufacturing, pharmaceutical production and animal feed production,
- lead oxides – used in batteries.

The products of this segment are used mainly for manufacturing of batteries, in construction industry, rubber industry, electroplating and metal-forming.

#### b) Sales and Markets

The sales volumes and revenues from sales of the Zinc and Lead Segment in 2018 and 2019 are presented in the table below:

Company	Product range	Quantity [T]		Value [T PLN]	
		2019	2018	2019	2018
<b>Baterpol</b>					
	Lead and alloys	34 976	36 586	299 577	336 545
	Lead products			8 829	10 426
	By-products			7 472	7 340
	Other	9 756	11 166	5 877	19 319
	<b>Total</b>	<b>44 732</b>	<b>47 752</b>	<b>321 756</b>	<b>373 630</b>
<b>ZM Silesia (Katowice)</b>					
	Metal sheets	7 789	8 329	99 034	112 714
	Anodes	2 289	2 416	25 865	29 569
	Wire	2 140	2 603	28 549	36 902
	Casting alloys		0		0
	Other		0	2 637	2 380
	<b>Total</b>	<b>12 218</b>	<b>13 347</b>	<b>156 085</b>	<b>181 566</b>

<b>ZM Silesia (Oława Branch)</b>				
Zinc oxides and lead oxides	25 971	24 834	240 855	243 872
Other	1	2	713	1 622
<b>Total</b>	<b>25 972</b>	<b>24 836</b>	<b>240 855</b>	<b>245 494</b>
<b>Polski Cynk</b>				
<b>Baterpol Recycler</b>			0	11 040
Consolidation adjustments				-5 062
<b>Total for the Zinc and Lead Segment</b>	<b>82 923</b>	<b>85 936</b>	<b>718 696</b>	<b>806 668</b>

In the Zinc and Lead Segment, 2019 was closed sales volumes drop by 3.5% compared to 2018, i.e. by 3.0 thousand tonnes. The drop at Baterpol S.A. sales resulted from changes on the battery scrap market and the increase in raw material prices, as well as the change in the scrap mix used for production. ZM Silesia suffered drop in sales of most of its assortments except zinc white.

The main sales destinations in the Zinc and Lead business in 2019 – 2018 are presented in the table below:

<b>Sales structure [%]</b>	<b>2019</b>	<b>2018</b>
Domestic	60%	61%
Germany	11%	11%
Czech Republic	11%	10%
Spain	5%	3%
Italy	4%	6%
Slovenia	2%	2%
Slovakia	1%	1%
U.S.A.	1%	1%
Canada	1%	1%
Great Britain	1%	1%
Hungary	1%	1%
other	3%	4%
<b>Export sales as % of total sales</b>	<b>40%</b>	<b>39%</b>

In 2019 the domestic market remained the dominant market with a share of approx. 60% in total sales. This results from the dominance of domestic recipients for Baterpol SA. Increases in sales volumes were recorded mainly in sales to the Czech Republic.

### c) Market share

The market share in the Zinc and Lead business should be analysed by product ranges mainly due to their diverse applications and customer groups.

European Market:

<b>Product range</b>	<b>shares in %</b>
Lead oxides	16%
Zinc wire	5%
Zinc oxides	7%
Zinc-titanium sheets	4%

Domestic market:

<b>Product range</b>	<b>shares in %</b>
Lead oxides	97%
Galvanised wire	80%
Zinc oxides	50%

Zinc anodes	70%
Zinc-titanium sheets	70%

#### d) Competition

Overseas competition on the market of zinc-and-titanium strips and sheets are two leading companies – *Rheinzink, El Zinc, VM Zinc* and *Ned Zink*.

On the domestic market, the main competitor in the lead and alloys sector is *Orzeł Biały S.A.* The other two competitors are *Huta Cynku „Miasteczko Śląskie” S.A. (zinc smelter)* and *KGHM Polska Miedź S.A.*, which offer a limited products range and for which lead production is only a side business carried out, so to speak, coincidentally with their main business activity.

#### e) Raw materials and sources of supplies

The Zinc and Lead business procures mainly battery scraps, zinc and lead. The above mentioned raw materials are purchased mostly in Poland.

#### f) Key parameters of Zinc and Lead area

- price level and availability of battery scrap,
- demand of the automotive and construction industry, two main customers of the Zinc and Lead business.

## STEEL BUSINESS

#### a) Scope of business

The subsidiary involved in the steel business is Alchemia Group and its companies, acquired in 2019. These group companies are: *Alchemia S.A.*, *Huta Bankowa Sp. z o.o.*, *Laboratoria Badań Batory Sp. z o.o.*

The key products in the Segment are:

- Steel pipes and ingots,
- Forged products,
- Steel processing services,
- Long rolled products,
- Forged-rolled rings and rims,

The most important sales market for the products of the Steel segment is the construction industry.

#### b) Competition

Alchemia Group and its companies compete in tenders. Alchemia competes mainly in tenders in Poland. *Huta Bankowa* competes in most international tenders for train and tram rims. In most of them, depending on the target market, the competitors are from Europe, China, India, Ukraine and Africa.

List of the largest competitors of Alchemia Group from Poland, China, Turkey and Ukraine.

Products of *Huta Bankowa*

Competitors in forged-rolled rings and rims in the markets as indicated include:

Poland - *Zarmen FPA Sp. z o.o.*

China - *GINSHU RAILTECH INDUSTRIAL CO. LTD.*

Ukraine - *Interpipe*

For long products:

Turkey - *Özkan Demir Çelik Sanayi A.Ş.*

Ukraine - *PrJSC "Dnepropetsstal"*

Poland - *Cognor Spółka Akcyjna, HSJ Branch in Stalowa Wola*

China - *DANGBEI STEEL MILL WUHAN STEEL MILL*

Products of *Alchemia S.A.*:

Ukraine - *Interpipe/Vallourec, Dnepropetrovsk Tube Works,*

China - *Hubei, Baosteel, Guangdong Lizz Steel Pipe, Haneda, Hengyang Valin*

#### a) Raw materials and sources of supplies

The companies of Alchemia Group sourced materials necessary for production mainly on the domestic market. Deliveries included materials (mainly steel semi-finished products), finished products (such as spare parts). Alchemia Group also works with companies that provide services to its subsidiaries, in particular repair or transport services.

## TRADE AND OTHER BUSINESS

### b) Scope of business

In 2018, the Commence and Other segment, as a part of Metals Segment, included the following Companies/entities: FŁT Polska Sp. z o.o., FLT Bearings Ltd., FLT France S.A.S., FLT & Metals s.r.l., FLT Wälzlager GmbH, FLT (Wuxi) Trading Co. Ltd., FLT Metals Ltd.; Zakład Utylizacji Odpadów Sp. z o.o., Metal Zinc Sp. z o.o., Surowce Hutmen S.A. Sp. komandytowa.

### c) Competition

Competitors in the bearing segment mainly include distributors of bearings from Sweden (SKF), Germany (FAG), countries of Asia and Central - Eastern Europe.

### d) Raw materials and sources of supplies

Bearing companies are primarily sourcing on domestic market and in China.

### e) Particularly key parameters for the Segment:

Relationship with FŁT Krasnik, which is the main supplier of FŁT Polska,

## CHEMICAL PRODUCTS SEGMENT

### a) Scope of business

The Chemicals Segment includes the following entities: Boryszew S.A. Elana Branch, Torlen Sp. z o.o., Elana Pet Sp. z o.o., Elana Energetyka Sp. z o.o., Boryszew S.A. Boryszew ERG. Branch, Boryszew S.A. Nylonbor Branch and Elimer Sp. z o.o.

The entities of the Chemicals Segment operate in the following sectors:

- staples, continuous filaments – used mainly in textile, furniture and clothing industries,
- PET flakes used as a raw material in chemical, textile and packaging industries,
- repair and maintenance as well as technical services,
- chemical - including plasticizers, stabilizers, grease - used for production of plastics,
- automotive (including: engine coolants, brake fluids, de-icing aircraft and runway fluids),
- construction (including: wall siding, doors, coffers),
- packaging (including: Styrofoam moulds, polyethylene drums),
- construction polyamides (universal plastics used, among other things, in conveyor rolls and stretching rolls, gears, tracks, etc.)
- special products (including: flares, smoke signalling products, smoke hand grenades),

### b) Sales and Markets

Sales volumes and revenues from sales in the Chemical Segment in 2019 and 2018 are presented in the table below:

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2019	2018	2019	2018
<b>Boryszew Elana Branch</b>	Elana (chopped fibre, elball, Artec)	10 251	11 216	44 079	51 277
	Goods and materials	581	1 045	2 406	4 612
	Other services (processing)		42	2 447	3 054
	<b>Total</b>	<b>10 832</b>	<b>12 303</b>	<b>48 932</b>	<b>58 943</b>
<b>Boryszew Branch RG</b>	Chemicals	13 326	14 346	71 885	77 755
	Automotive	15 182	15 925	57 639	56 784
	Construction materials			15 435	16 986
	Packaging			9 535	9 756
	Other			8 853	8 821
<b>Total</b>	<b>28 508</b>	<b>30 271</b>	<b>163 346</b>	<b>170 103</b>	
<b>Boryszew Branch Nylonbor</b>	Polyamides	81	99	1 920	2 299
	Special production			11 294	8 730
	Other			2 217	1 865
<b>Total</b>	<b>81</b>	<b>99</b>	<b>15 431</b>	<b>12 894</b>	

<b>Torlen</b>	Continuous filaments	0	2 625	0	24 785
	Other			0	25
	<b>Total</b>	<b>0</b>	<b>2 625</b>	<b>0</b>	<b>24 810</b>
<b>Elana Pet</b>	PET flakes	9 322	7 252	27 982	25 460
	Repair and maintenance services		0	6 227	8 278
	Other	688	379	2 213	23 587
	<b>Total</b>	<b>10 010</b>	<b>7 631</b>	<b>36 422</b>	<b>57 325</b>
<b>Elimer</b>	Technical services			3 183	3 035
Consolidation adjustments				-11 331	-35 415
<b>Chemical Segment total</b>		<b>49 431</b>	<b>52 930</b>	<b>252 800</b>	<b>291 695</b>

For the Chemical Segment, 2019 closed with a lower sales level in terms of both quantity as well as the revenues. The drop came from lower sales volume of most companies in the segment against the previous year and as well as decommissioning of production at Torlen sp. z o.o. at the end of 2018.

The main sales directions in the Chemicals Segment in years 2019 – 2018 are presented in the table below:

<b>Sales structure [%]</b>	<b>2019</b>	<b>2018</b>
Domestic	67%	68%
Ukraine	9%	7%
Germany	8%	7%
Lithuania	3%	2%
Czech Republic	2%	1%
Italy	2%	2%
Hungary	2%	3%
Spain	2%	2%
Great Britain	1%	2%
Malta	1%	0%
other	3%	6%
<b>Export sales as % of total sales</b>	<b>33%</b>	<b>32%</b>

The domestic market remained the main market for the Chemicals Segment companies, generating 67% of the business. Its share decreased by 1 percentage point compared to 2018. The Ukrainian and German markets are still the main markets for the Chemicals Segment.

#### c) Market share

The market share in the Chemicals Segment should be analysed by product ranges mainly due to their diverse applications and customer groups.

The share of the most important product groups on the domestic market in 2019 was as follows:

- products for the automotive industry – cooling liquids approximately 35%, installation liquids approximately 45%, defrosting agents approximately 40%
- chemical products market (auxiliary products for processing) – depending upon product range, approx. 3-20%,
- construction industry – siding and counter ceiling – 20%.
- packages – depending on the assortment – 5% (EPS packages) to 20% (decorative elements).

Companies of the Chemicals Segment are minor suppliers on the European market.

#### d) Competition

Competitors on the filaments includes:

- **Silon** – Czech manufacturer of, primarily, fibres used for technical and hygienic purposes,

- **Maerkische Faser** – German manufacturer of more specialised fibres used for technical and hygienic purposes,
- **Green Fiber** – Romanian manufacturer of fibres for furniture production and automotive industry, to be used in lower quality products,
- manufacturers of fabrics for furniture and filling fabrics from Turkey and producers of furniture, filling and technical fabrics from the Far East (**Huvis, Far Eastern Textile, Nan Ya – South Korea**).
- 

Competitors on the automotive market include:

- **Orlen Oil, Parys, Organika Łódź, Autoland** - vehicle fluids,
- **Organika GLI Therm, Bio-Chem** - installation fluids,
- **Clariant, Kilfrost, UAB Esspo** - de-icing fluids.

Competition for auxiliary products in plastics processing: **ZAK Kędzierzyn, Perstorp, DEZA**.

Competitor for wall siding are: **Gamrat S.A., ASKO, VOX Industrie, Royal Europa**.

Competition for packaging are: **Knauf, HSV Polska, HIRSCH**.

#### e) Raw materials and sources of supplies

Main raw materials and sources of supplies for the Chemicals Segment include:

- PET flakes (fibre production),
- octyl alcohol (production of chemicals),
- ethylene glycol (automotive production),
- caprolactam (production of polyamides).

All these raw materials are procured both on the domestic market as well as overseas.

## OTHER ACTIVITIES SEGMENT

#### a) Scope of business

In 2019, the Remaining Segment included the following Companies/entities: Boryszew S.A. – Headquarters, Boryszew S.A. Branch Enterprise Data Center, Boryszew S.A. Branch Energy, Eastside – Bis Sp. z o.o., Huta Metali Nieżelaznych Szopienice S.A. in liquidation, SPV Lakme Investment Sp. z o.o., Impex – invest Sp. z o.o., Eastside Capital Investments Sp. z o.o., Elana Energetyka Sp. z o.o., S&I S.A. in liquidation, SPV Boryszew 3 Sp. z o.o., Nowoczesne Produkty Aluminiowe Skawina Sp. z o.o. in liquidation, SPV Boryszew 6 Sp. z o.o., SPV Boryszew 8 Sp. z o.o., SPV Boryszew 9 Sp. z o.o. in liquidation.

Domain of the Head Offices in Warsaw, its activity includes management of the Capital Group (several dozen companies, both domestic and overseas) and its objective is to increase the value of the Company and of the Group in the long run. The Headquarters generates revenues from sale of traded goods, services, dividend and interest on granted loans and acquired bonds.

Other entities are mainly involved in sale of gas and electrical energy (Boryszew S.A. Division Energy and Elana Energetyka Sp. z o.o.), rental of office and warehouse space as well as land (Eastside – Bis Sp. z o.o.), IT services management for the entire Boryszew Group (Boryszew S.A. Division Enterprise Data Center).

## ANALYSIS OF MARKET SITUATION IN 2019

### ECONOMIC SITUATION

General macro-economic sentiment in Poland in 2019 was more optimistic than in 2018 - in contrast to the EU countries.

The average values of the PMI index, which determines the level of industrial activity in the economy of the country for the Capital Group, were slightly higher than in the same period last year. In the Euro zone, on the other hand, these values were at a much lower level compared to 2018.

PMI	2019	2018
EU	46.3	51.4
Poland	48.0	47.6
Germany	43.7	51.5

The PMI for the EU and Germany reached 46.3 points and 43.7 points respectively, which is the lowest reading in about 3 years (in the same period last year the readings were 51.4 points for the EU and 51.5 points for Germany).

In the case of Poland, the PMI reading was at a slightly higher level than in the corresponding period of the previous year and, importantly, below the level of 50, which marks the border line of negative changes in the economy (48.0 points in 2019 against 47.6 points in 2018).

Moreover, the downward trend of the index for both the EU and Germany continues in 2020 and in February 2020 the index reading dropped below 50 points. For Poland, however, after a slight rebound of PMI in January 2020, in February it declined to the level of December 2018.

Given the Covid19 epidemic and the expected drop in economic activity, GDP growth forecasts deteriorated. The latest Fitch Ratings forecasts of May 2020 predict a fall in Poland's GDP by 3.2% for 2020 and an increase of 4.5% in 2021. In addition, Fitch Ratings expects private consumption to fall by 5% in 2020 and then increase by 5.1% in 2021. European Commission's May 2020 forecasts for Poland's GDP growth are less optimistic and assume a decline of 4.3% between 2020 and 2021.

<b>Forecast of change in Poland's GDP</b>	<b>2020</b>	<b>2021</b>
NBP*	3.2%	3.1%
World Bank**	3.6%	3.3%
European Commission	(4.3%)	4.0%
European Bank for Reconstruction and Development	(3.5%)	4%

\*NBP forecast published on 9 March 2020, the next forecast will be published on 13 July 2020.

World Bank forecast published in January 2020.

## EXCHANGE RATES

Due to the fact that transactions are mainly closed in foreign currencies, the impact of foreign exchange rates is of crucial importance.

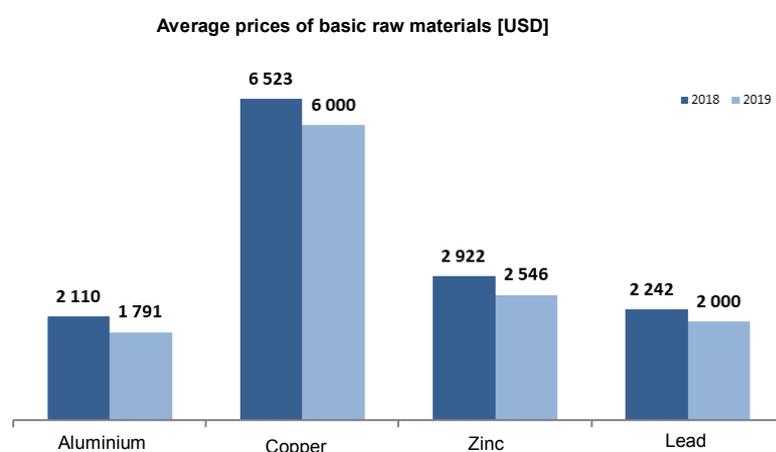
The level of US dollar rates has an impact on revenues of the Group, as it is linked to metal rates, which are the major component of product price. In the reviewed period USD strengthened against PLN by 6.3%.

The level of the Euro rate is important for the Group, given the predominance of the processing margins expressed in this currency and more than 65% share of export sales (most of the sales in the Automotive segment), mainly to the Euro zone. In 2019, the average EUR quotations to PLN were at a level similar to that in 2018.

EUR/USD exchange rate remained on a slightly higher level, similarly to the same period of the last year, i.e. 1.12 compared 1.18 for EUR/USD in 2018.

## METAL PRICES

Yet another factor of considerable importance to revenues is metals listing prices. The annual average listing prices of the main metals at LME are presented in the table and chart below:



	2 019	2 018	% change
Aluminium [USD]	1 791	2 110	-15.1%
Copper [USD]	6 000	6 523	-8.0%
Zinc [USD]	2 546	2 922	-12.9%
Lead [USD]	2 000	2 242	-10.8%

EUR/PLN	4.30	4.26	0.9%
USD/PLN	3.84	3.61	6.3%
EUR/USD	1.12	1.18	-5.1%

	2 019	2 018	% change
Aluminium [PLN]	6 878	7 621	-9.8%
Copper [PLN]	23 039	23 559	-2.2%
Zinc [PLN]	9 778	10 553	-7.3%
Lead [PLN]	7 679	8 099	-5.2%

The metal price listings at the London Metal Exchange (LME) have a decisive impact on revenues from sales due to the fact that almost 64% of revenue in Boryszew Capital Group is generated by companies operating in the non-ferrous metals sector. The level of metal listings is the primary component of products prices.

In the discussed period, average prices of all four basic metals (in USD) dropped significantly: copper (by 8%), zinc (by 13%), lead (by 11%) and aluminium (by 15%).

Also, metal prices expressed in PLN decreased by 10% for aluminium, 2% for copper, 7% for zinc and 5% for lead.

The raw material significant for the Group is scrap metal (including battery scrap) which the basic (Baterpol SA, WM Dziedzice SA) or significant (Impexmetal SA) raw material for production.

Another important factor for the Capital Group in market premium, that will depend on the sales range in relevant month and on current procurement needs.

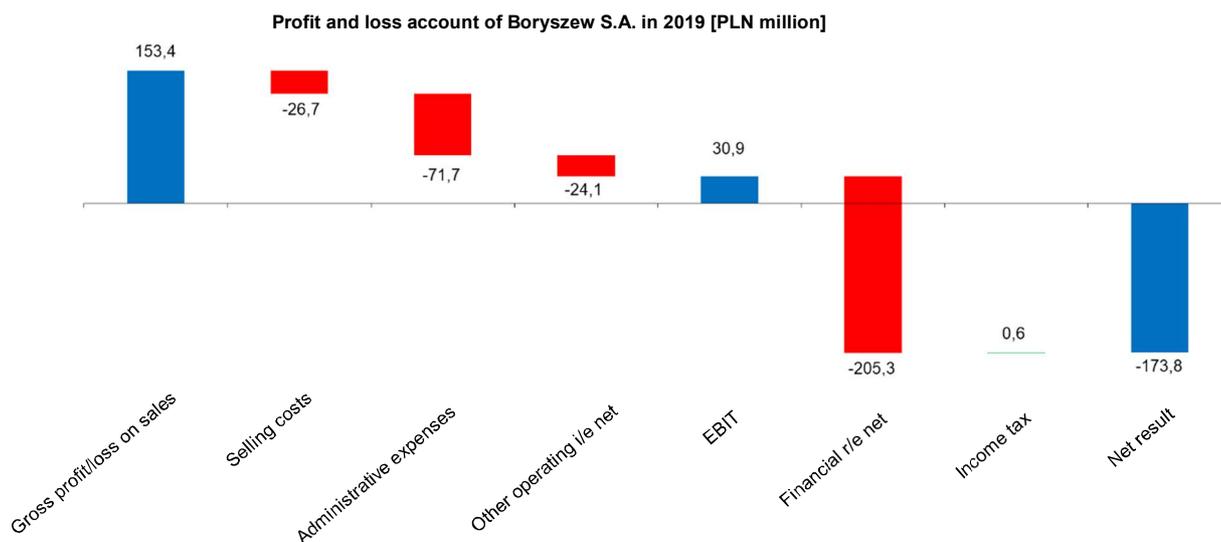
## BORYSZEW SA

### ANALYSIS OF SELECTED ITEMS OF INCOME STATEMENT

Selected items of the income statement of Boryszew S.A. for 2019, as compared to 2018, are presented in the table below:

in PLN million	2019	2018
<b>Revenues from sale</b>	<b>1 382.7</b>	<b>1 540.9</b>
Gross profit on sales	153.4	145.9
Profit on sales	55.0	40.1
EBITDA	74.2	107.7
<b>Operating profit</b>	<b>30.9</b>	<b>74.6</b>
Gross profit	-174.3	50.3
<b>Total net profit</b>	<b>-173.8</b>	<b>44.7</b>

The following chart presents the impact of individual components of the income statement on the net result for 2019.



## REVENUES FROM SALE

in PLN million	2019	2018
<b>Revenues from sale, including:</b>	<b>1 382.7</b>	<b>1 540.9</b>
Automotive Segment	573.8	642.4
Metals Segment	300.1	399.7
Chemicals segment	227.6	240.9
Other Activities Segment	293.1	258.0
Intercompany Corrections	-11.9	0.0
<b>Export sales as % of total sales</b>	<b>60%</b>	<b>65%</b>

In 2019 revenues from sale amounted to PLN 1 382.7 million and dropped by 10.3% for the following reasons:

- a decrease in sales volumes in the chemical and metal segment companies,
- a drop in sales in the automotive segment,
- decommissioning of production at Torlen Spółka z o.o., which resulted from the initiation of the liquidation process.

## ECONOMIC CONDITION OF THE AUTOMOTIVE MARKET

A crucial factor shaping the revenues level of Boryszew S.A. is the economic condition of the automotive sector. The main sales market for the Automotive Segment is that of the European Union countries. According to ACEA, in 2019 the automotive market in Europe was unstable, after the first 3 quarters of decline, the last quarter of 2019 saw an increase, hence eventually the automotive market in Europe increased slightly in 2019, by 2.8% (including a 6.1% increase in sales on the German market). The largest customer of the Automotive Segment - VW Group - recorded a 3.3% increase in sales. The European market remains the key market for the Automotive Segment. The following table presents the initial results of registration of new cars in the territory of the European Union and EFTA states.

	January-December				
	%Share <sup>1</sup>		Quantity		% change
	'19	'18	2019	2018	19/18
VW Group	24.5	24.0	3 866 779	3 744 367	+3.3
PSA Group	15.6	16.0	2 467 258	2 499 973	-1.3
RENAULT Group	10.5	10.5	1 654 887	1 640 296	+0.9
HYUNDAI Group	6.7	6.6	1 065 859	1 036 709	+2.8
BMW Group	6.6	6.6	1 048 047	1 033 433	+1.4
DAIMLER	6.4	6.2	1 016 655	970 187	+4.8
FORD	6.1	6.3	965 070	979 599	-1.5
FCA Group	6.0	6.5	946 571	1 021 205	-7.3
TOYOTA Group	5.0	4.9	797 397	760 828	+4.8
NISSAN	2.5	3.2	394 091	493 876	-20.2
VOLVO CAR CORP.	2.2	2.1	342 579	320 784	+6.8
MAZDA	1.6	1.5	256 562	234 510	+9.4
JAGUAR LAND ROVER Group	1.4	1.5	228 626	237 194	-3.6
MITSUBISHI	0.9	0.9	148 248	144 103	+2.9
HONDA	0.8	0.9	122 080	135 665	-10.0

<sup>1</sup> estimation per ACEA

## SALES VOLUME

In 2019, Boryszew S.A. recorded a drop in the sales volume by 14.2%, i.e. 11.7 thousand tons. The main reasons included lower sales volumes at Boryszew Elana Branch by 1.5 thousand tons, at Boryszew NPA Skawina Branch by 8.5 thousand tons, at ERG Sochaczew Branch by 1.7 thousand tons as well as the decommissioning of production at Torlen Sp. z.o.o. at the end of 2018.

For Boryszew S.A. Elana Branch this drop is a result of lower sales of cut fibres due to high pressure from competitors on the domestic market.

Boryszew S.A. Skawina NPA branch recorded a 21.5% decrease in sales volumes, in virtually all production assortments, which is a result of the lack of tenders for power transmission lines and the investment in progress, etc.

The decrease at Boryszew S.A. Boryszew ERG branch was due to lower revenues on almost all assortments (except de-icing fluids due to high sales, mainly in 1Q 2019).

The drop in sales suffered by the Automotive segment was mainly caused by the implementation of the WLTP procedure in the second half of 2018, which reduced the production of new cars, particularly by Volkswagen - the main customer of the segment.

## OPERATING RESULTS

The gross sales in 2019 increased by PLN 7.5 million to attain the level of PLN 153.4 million. Costs of sales fell by PLN 2.5 million while general and administrative expenses fell by PLN 4.9 million, resulting from the decrease in sales volume and optimisation of fixed costs in the whole unit.

The balance of other operating income/expenses amounted to PLN -24.1 million and was lower by PLN 58.6 million against previous year. That decrease resulted mainly from a higher negative balance of trade receivables revaluation write-offs.

EBITDA for major operating segments was as follows:

in PLN million	2019	2018
<b>EBITDA, including:</b>	<b>74.2</b>	<b>107.7</b>
Automotive Segment	25.0	64.1
Metals Segment	13.4	10.4
Chemicals segment	10.9	11.4
Other Activities Segment	24.9	21.9

The change in EBITDA of 2019 as compared to the previous year in individual segments was a consequence of:

- higher results in **the Automotive segment** - despite lower revenues by 5.1%, Maflow Branch generated higher EBITDA compared to 2018, mainly due to optimisation measures implemented at the Branch.
- lower results in **the Metal** - Boryszew S.A. NPA Skawina Branch recorded better results compared to the previous year despite lower sales in almost all assortments and lower unit processing margins. Higher result came mainly from higher subsidies and the reversal of inventory write-offs.
- lower results in **the Chemicals Segment** - the decrease in results is mainly attributable to Elana Branch and came from lower sales volumes and lower unit processing margins due to a significant increase in flake purchase price with a disproportionate increase in fibre prices, coming from price pressure applied by competitors.  
Other companies of the Segment recorded a slight improvement in EBITDA against the previous year.
- significantly lower result in **Segment Other** due to a higher negative balance of impairment losses on trade receivables.

#### FINANCIAL REVENUES AND COSTS, NET RESULT

The balance of financial income and expenses amounted to PLN (205.3) million and was lower than last year by PLN 180.9 million.

This deterioration is mainly due to one-off events: recognition of write-offs on loans granted in the amount of PLN 122.6 million and revaluation of credit risk, financial assets, loans, bonds, guarantees and sureties in the amount of PLN 59.9 million.

Net result from continuing operations amounted in 2019 to PLN 173.8 million which was a decline of PLN 8.9 million compared to 2018 net profit.

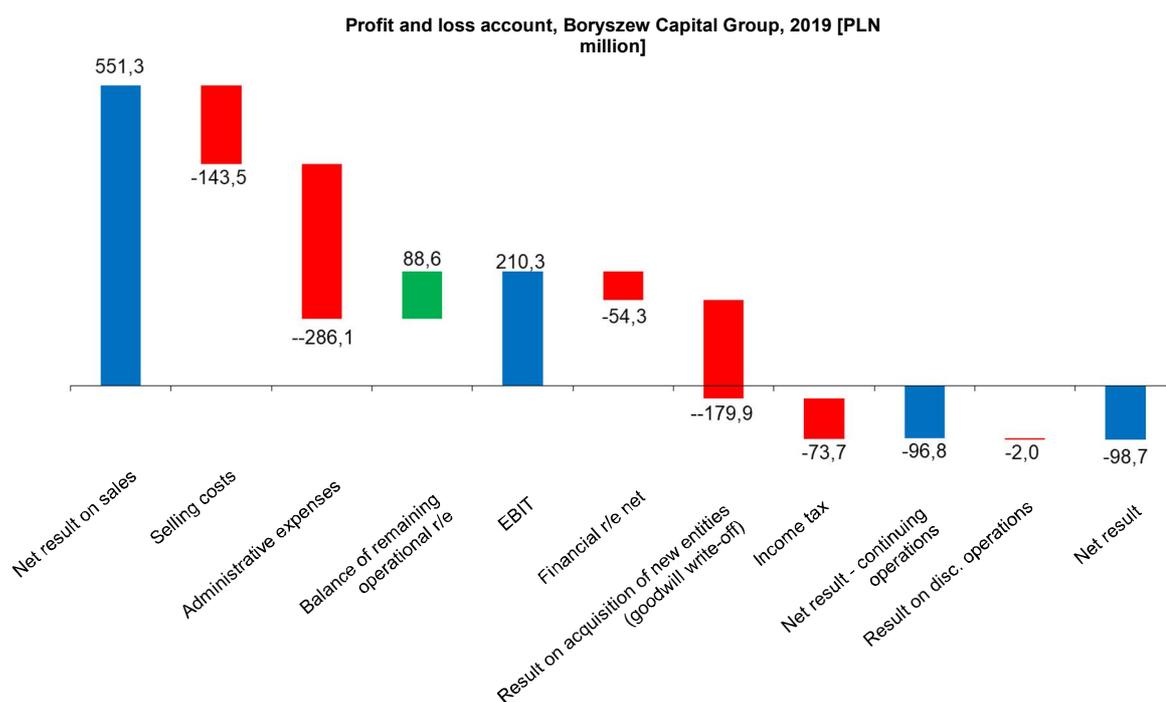
#### BORYSZEW CAPITAL GROUP

Selected items of the income statement of Boryszew Capital Group for 2019, as compared to 2018, are presented in the table below:

#### ANALYSIS OF SELECTED ITEMS OF INCOME STATEMENT

in PLN million	2019	2018
<b>Revenues from sale</b>	<b>6 259.5</b>	<b>6 099.6</b>
Gross profit on sales	551.3	644.9
Profit on sales	121.7	226.1
EBITDA	413.6	378.5
<b>Operating profit</b>	<b>210.3</b>	<b>229.6</b>
Gross profit	-23.1	203.1
Net profit on continuing operations	-96.8	144.5
Net profit on discontinued operations	-2.0	-3.7
<b>Total net profit</b>	<b>-98.7</b>	<b>140.8</b>

The following chart presents the impact of individual components of the income statement on the consolidated net result for 2019.



## REVENUES FROM SALES PER SEGMENTS

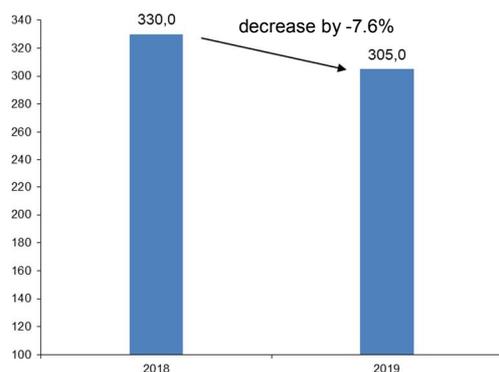
in PLN million	2019	2018
<b>Revenues from sale, including:</b>	<b>6 259.5</b>	<b>6 099.6</b>
Metals Segment	4 020.5	3 682.7
Automotive Segment	1 777.1	1 899.4
Chemicals segment	252.8	291.7
Segment Others and consolidation adjustments	209.1	225.8
<b>Export sales as % of total sales</b>	<b>65%</b>	<b>64%</b>

Income from sales increased in 2019 by 2.6%, to PLN 6 259.5 million. The increase in revenue was mainly due to the recognition of PLN 588.4 million in the results of Alchemia Capital Group after assuming control over Alchemia Capital Group. Other entities generated lower revenues than in the corresponding period of the previous year. This was attributed to a drop in prices (expressed in PLN) of most of the products on the offer (resulting from metal prices on LME) and changes in Segment's sales volumes, which decreased by 7.6%, to the level of 196.2 thousand tons (without volumes of Alchemia Capital Group).

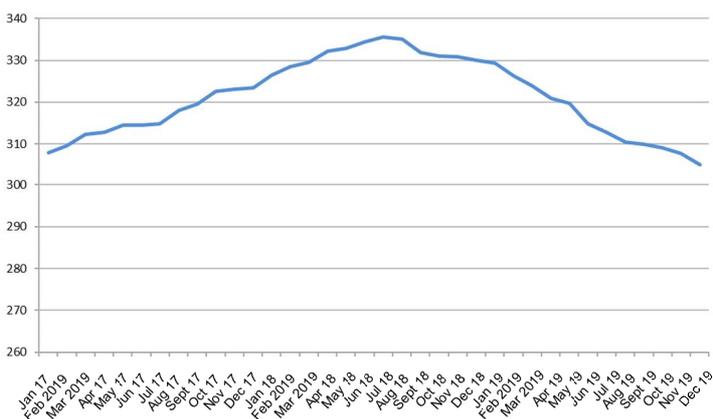
## VOLUME OF SALES

Boryszew Capital Group suffered a decrease in sales volumes compared to the corresponding period of the previous year (mainly in the Chemicals segment).

**Sales volume, Boryszew Capital Group, 2018 vs. 2019 continued operations [T '000]**



**Rolling cumulative sales from 01.01.2017 [T '000], Boryszew Capital Group, continuing operations**



Decrease in sales volumes occurred in most entities of the Capital Group, except for: Zakład Aluminium Konin (Impexmetal S.A.), resulting from increased production capacity and thus improved sales opportunities brought about by investments completed in recent years.

### ECONOMIC CONDITION OF THE AUTOMOTIVE MARKET

A particularly important factor that shapes the level of revenues in the Boryszew Capital Group is the economic situation in the automotive industry. The main sales market for the Automotive Segment is that of the European Union countries. According to ACEA, in 2019 the automotive market in Europe was unstable, after the first 3 quarters of decline, the last quarter of 2019 saw an increase, hence eventually the automotive market in Europe increased slightly in 2019, by 2.8% (including a 6.1% increase in sales on the German market). The largest customer of the Automotive Segment - VW Group - recorded a 3.3% increase in sales. The European market remains the key market for the Automotive Segment. The table presenting preliminary results of registration of new cars in the European Union and EFTA countries was presented in the separate report for Boryszew S.A.

### ACHIEVED FINANCIAL RESULTS

The gross result in 2019 dropped by PLN 93.5 million to PLN 551.3 million. Comments on results by segments can be found in the "Operating result" section.

The costs of sales as well as general and administrative expenses increased by PLN 10.8 million compared to the previous year, mainly due to the inclusion of costs of Alchemia Capital Group in the results, of PLN 44.5 million.

The balance of income/operating expenses amounted to PLN 88.6 million and it was PLN 85.1 million higher as compared to 2017. This increase is mainly an effect of the result on the sale of fixed assets in the amount of PLN 34.3 million and a higher positive balance of release / recognition of write-offs by PLN 24.3 million (including mainly the balance of release / recognition of write-offs on overdue trade receivables).

### OPERATING RESULT

#### 1. Consolidates figures:

In 2019 EBITDA on continuing operations amounted to PLN 413.0 million compared to PLN 378.5 million in the corresponding period of the previous year. In relevant operating segments, the EBITDA result was as follows:

in PLN million	2019	2018
<b>EBITDA, including:</b>	<b>413.6</b>	<b>378.5</b>
Metals Segment	325.8	276.9
Automotive Segment	61.7	73.0
Chemicals segment	12.5	14.7
Segment Others and consolidation adjustments	13.7	14.0

#### 2. Automotive Segment

A significant impact on EBITDA result in the Automotive segment came from limitation in production and sales of cars due to the WLTP procedure, introduced in 2018. 2019 continued to see the negative impact of WLTP environmental standards, which affected the main customer of BAP Group - VW Group (mainly VW and Audi brands) to the greatest

extent. Importantly, the drop in sales was seen for selected car models, which translates into different values of sales deviations from the plans and results of individual entities in the Automotive Segment.

In case of Maflow Group, the positive year-on-year deviation results mainly from the optimisation activities that took place in the Group.

### **3. Metals Segment**

The Metals segment recorded an increase in results in relation to 2018. EBITDA growth was seen in most entities of this Segment.

Baterpol S.A., Walcownia Metali Dziedzice S.A. and the FLT Group are the only entities in the Metal Segment that ended worse than in 2018.

In Impexmetal S.A. Aluminium Konin the improvement of results came from higher sales of the main assortment group, higher unit processing profitability and the result on sales of fixed assets.

Hutmen S.A. also recorded better results mainly due to higher average processing margins on the most important assortments offered (except for copper wires, rods as well as copper profiles and copper tubes). Additionally, significant increase in the operating result in 2019 came from the release of unnecessary provisions.

The increase in the results of ZM SILESIA S.A. is mainly due to the lack of negative impact of tax provisions, which took place in 2018.

In NPA Skawina the main reason for the increase in operating result is higher level of grants and the reversal of write-offs on inventories.

Baterpol S.A. performed results mainly due to much lower (by 6.3%) sales volumes and due to falling unit processing margins coming from adverse changes on the battery scrap market and changes in the scrap mix used in production.

Lower result of the segment was affected by lower sales in all FLT Group companies, including its largest company - FLT Polska Sp. z o.o.

WM Dziedzice S.A. suffered a decrease due to lower unit processing margins on most of the sales assortments, mainly coming from higher salaries and lower sales volumes by 3.2% against the same period of the previous year.

### **4. Chemical products segment**

The decline in EBITDA of the Chemicals Segment came in particular from lower EBITDA of: Boryszew S.A. Elana branch and Elana Pet Sp. z o.o. Elana Pet Sp. z o.o. suffered a drop in results mainly due to significantly lower volumes in sales of goods, and thus lower revenues from sales against the same period of the previous year.

Lower results of Boryszew S.A. Elan branch came from lower sales volumes by some 11.9% and lower unit processing margins due to a significant increase in flake purchase price with a disproportionate increase in fibre prices, coming from the pressure of market prices instigated by the competition.

### **5. Other Activities Segment**

Segment Other recorded a slightly better result than in the corresponding period of the previous year as a result of the absence of significant one-off events in both periods.

## **FINANCIAL REVENUES AND COSTS, NET RESULT**

The balance of income/operating expenses amounted to PLN (54.3) million and it was PLN 13.2 million lower as compared to the same period of 2016. This deterioration was primarily a result of a higher negative balance of interest income/expenses by PLN 18.8 million, lower impairment write-offs on bonds by PLN 20.3 million, and the balance of exchange rate differences higher by PLN 13.8 million.

The net result on continued operations amounted to PLN (96.8) million and was lower by PLN 241.3 million compared to 2018. The biggest impact on 2019 net result came from one-off event, i.e. the acquisition of new entities (goodwill write-off on consolidation) in the amount of PLN (179.9) million. Additionally, the deterioration of the net result on continued operations came from the inclusion of Alchemia Capital Group, with 2019 result amounting to PLN (22.9) million.

## 7. DESCRIPTION OF ASSETS, EQUITY AND LIABILITIES STRUCTURE

### BORYSZEW SA ANALYSIS OF SELECTED BALANCE SHEET ITEMS

Selected items of Boryszew S.A. separate balance sheet are presented in the table below:

in PLN million	2019	2018
<b>Non-current assets</b>	<b>910.6</b>	<b>1 207.5</b>
including:		
tangible assets	230.3	272.7
investment property	16.5	16.5
intangible assets	31.4	33.1
financial assets	60.1	382.3
Shares in related parties	405.4	463.5
other	166.9	39.3
<b>Current assets</b>	<b>725.7</b>	<b>651.5</b>
including:		
inventory	178.2	181.5
trade receivables	289.1	271.9
cash and cash equivalents	35.8	29.3
other	222.6	168.8
<b>Total assets</b>	<b>1 636.3</b>	<b>1 859.0</b>
<b>Equity</b>	<b>429.3</b>	<b>607.7</b>
<b>Total liabilities</b>	<b>1 207.0</b>	<b>1 251.3</b>
including:		
Long-term liabilities, including:	282.2	411.2
financial obligations	207.1	398.2
Short-term liabilities, including:	924.8	840.1
trade liabilities	262.6	234.5
financial obligations	609.2	543.9
<b>Balance sheet total</b>	<b>1 636.3</b>	<b>1 859.0</b>

The decrease in fixed assets was mainly due to:

- (PLN -322.2) million - decrease in financial assets,

Current asset increase was primarily due to:

- PLN 100.3 million - increase in short-term financial assets,

### ANALYSIS OF WORKING CAPITAL

in PLN million	2019	2018
<b>Non-cash working capital (PLN million)</b>	<b>204.7</b>	<b>218.9</b>
Inventory turnover (in days)	47	43
Turnover of trade receivables (in days)	76	64
Turnover of trade payables (in days)	69	56
<b>Working capital turnover (in days)</b>	<b>54</b>	<b>52</b>

*Non-cash working capital = inventories + trade receivables – short-term trade payables as at the end of the period  
Turnover ratios are calculated based on revenues*

As at the end of 2019, working capital amounted to PLN 204.7 million and decreased by 6.5% or PLN 14.2 million against the end of 2018. The decrease in working capital was mainly due to the increase in trade liabilities. The turnover of inventories and trade receivables remained at a level similar to that of 2018.

#### ANALYSIS OF INTEREST BEARING DEBT

The main ratios of interest liabilities in Boryszew S.A. are presented in the table below:

in PLN million	2019	2018
<b>Interest liabilities, including:</b>	<b>816.3</b>	<b>942.1</b>
Long-term interest liabilities	207.1	398.2
including: bonds	12.0	100.4
including: loans, borrowings, leases	195.1	297.8
Short-term interest liabilities	609.2	543.9
including: bonds	130.4	67.0
including: loans, borrowings, leases	478.8	476.9
Cash and cash equivalents	35.8	29.3
Interest payable to related parties	258.8	342.7
Net debt	521.8	570.1
Net debt/EBITDA	7.0	5.3
Value of gross (total) debt to assets*	40.6%	37.7%

*Interest liabilities = long-term liabilities + short-term liabilities (for credits and loans + for debt securities + leasing)*

*Net debt = interest liabilities – cash and cash equivalents - loans granted to Capital Group companies (Boryszew S.A. is provides funds to subsidiaries)*

*\*liabilities due to loans, borrowings, bonds, leasing (financial and operating), factoring (recourse and non-recourse factoring) to assets, combined*

The interest debt of Boryszew S.A. (less cash and cash equivalents and liabilities to related entities) as at the end of 2019 amounted to PLN 521.8 million and was lower by PLN 48.4 million than at the end of 2018.

The gross (total) debt to assets ratio stood at 40.6% at the end of 2019 compared to 37.7% at the end of 2018

#### ANALYSIS OF LIQUIDITY

Liquidity ratios are presented in the table below:

in PLN million	2019	2018
Current ratio	0.8	0.8
Quick ratio	0.6	0.6

*Current ratio = current assets / short-term liabilities*

*Quick ratio = (current assets – inventories) / short-term liabilities*

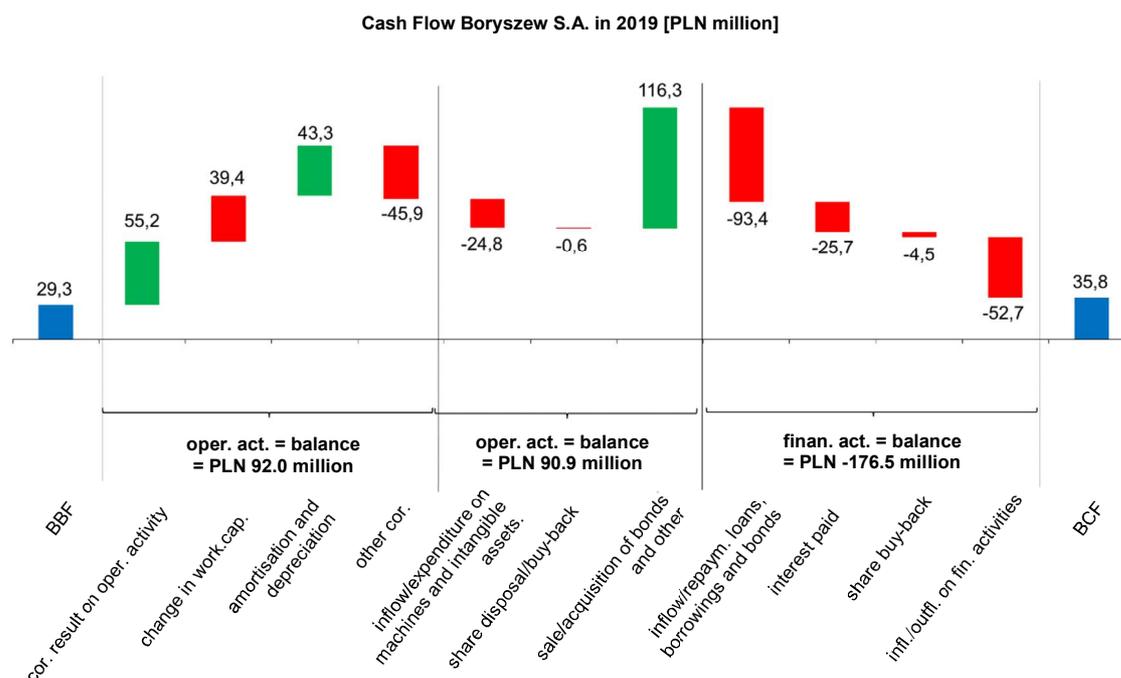
In 2019 the current ratio and the quick ratio were at a level similar to that of 2017.

#### ANALYSIS OF SELECTED ITEMS OF CASH FLOW AND CAPITAL EXPENDITURE

Major item of separate statement of cash flows for Boryszew S.A. in 2019 is presented in the following table.

in PLN million	2019	2018
Net cash flow from operating activities	92.0	36.5
Net cash flow from investment activities	90.9	-131.6
Net cash flow from financial activities	-176.5	88.3
<b>Total cash flow</b>	<b>6.5</b>	<b>-6.8</b>

The chart below shows the main factors that shaped the cash flows of Boryszew S.A. in 2019.



In 2019 Boryszew S. A. generated positive cash flow from direct operating activities and from investment activities, mainly used for repayment of loans and borrowings.

The largest items of investment activity cover proceeds from the redemption of bonds with a balance of PLN 127.7 million.

Investments in tangible and intangible assets took place mainly in NPA Skawina branch (mainly replacement investments) and the Maflow Branch (modernisation and machinery).

## BORYSZEW CAPITAL GROUP

### ANALYSIS OF SELECTED BALANCE SHEET ITEMS

Selected items of the consolidated balance sheet of Boryszew Capital Group are presented in the table below:

in PLN million	2019	2018
<b>Non-current assets</b>	<b>2 464.6</b>	<b>2 104.2</b>
including:		
tangible assets	1 814.5	1 474.2
investment property	159.2	150.9
intangible assets	45.8	46.7
financial assets	1.7	4.4
Shares in related parties	0.3	316.6
other	443.0	111.5
<b>Current assets</b>	<b>2 322.8</b>	<b>2 121.9</b>
including:		
inventory	1 222.8	1 040.3
trade receivables	605.1	573.7
cash and cash equivalents	219.6	137.7
other	275.4	370.2
<b>Assets held for sale</b>	<b>1.0</b>	<b>10.7</b>
<b>Equity</b>	<b>1 535.1</b>	<b>1 794.9</b>
<b>Total liabilities</b>	<b>3 253.3</b>	<b>2 441.9</b>

including:		
Long-term liabilities, including:	1 160.9	747.6
financial obligations	719.4	511.4
Short-term liabilities, including:	2 076.1	1 674.0
trade liabilities	798.6	598.3
financial obligations	929.4	775.3
Liabilities associated with fixed assets held for sale	16.3	20.3
<b>Balance sheet total</b>	<b>4 788.4</b>	<b>4 236.8</b>

The increase in assets and liabilities was primarily due to recognition of the results of Alchemia Capital Group in 2019. Additionally, the increase in fixed assets resulted from the programs of investments in the fixed assets in question in the companies of the Capital Group. The most important investment projects include the programme of increasing production capacity at the Aluminium Konin plant as well as the modernisation and machines for Maflow Group plants in Poland as well as the development of production capacity for new projects at some of the BAP Group facilities.

The increase in current assets came mainly from the increase in inventories in the metals segment resulting from the recognition of inventories in Alchemia Capital Group in 2019.

The increase in the above mentioned value of assets was mostly financed by funds generated by the Group and through increase in debt. Relative debt measured as the net debt to EBITDA ratio increased from 3.0 (at the end of 2018) to 3.5 (at the end of 2019).

The gross (total) debt to assets ratio stood at 33.7% at the end of 2019 compared to 35.5% at the end of 2018

#### ANALYSIS OF INTEREST BEARING DEBT

in PLN million	2019	2018
<b>Interest liabilities, including:</b>	<b>1 648.7</b>	<b>1 286.7</b>
Long-term interest liabilities	719.4	511.4
including: bonds	0.0	0.0
including: loans, borrowings, leases	719.4	511.4
Short-term interest liabilities	929.4	775.3
including: bonds	0.0	0.0
including: loans, borrowings, leases	929.4	775.3
Cash and cash equivalents	219.6	137.7
Net debt	1 429.1	1 149.1
Net debt/EBITDA	3.5	3.0
Value of gross (total) debt to assets*	33.7%	35.5%

in PLN million	2019	2018
<b>Interest liabilities, including:</b>	<b>1 648.7</b>	<b>1 286.7</b>
Long-term interest liabilities	719.4	511.4
including: bonds	0.0	0.0
including: loans, borrowings, leases	719.4	511.4
Short-term interest liabilities	929.4	775.3
including: bonds	0.0	0.0
including: loans, borrowings, leases	929.4	775.3
Cash and cash equivalents	219.6	137.7
Net debt	1 429.1	1 149.1
Net debt/EBITDA	3.5	3.0
Value of gross (total) debt to assets*	33.7%	35.5%

*Interest liabilities = long-term liabilities + short-term liabilities (for credits and loans + for debt securities + leasing)*

*Net debt = interest liabilities – cash and cash equivalents*

*\*liabilities due to loans, borrowings, bonds, leasing (financial and operating), factoring (recourse and non-recourse factoring) to assets, combined*

The net interest debt of the Capital Group, less cash and cash equivalents, as at the end of 2019 amounted to PLN 1 429.1 million and was higher by PLN 280.0 million than at the end of 2018.

## ANALYSIS OF WORKING CAPITAL

<b>in PLN million</b>	<b>2019</b>	<b>2018</b>
<b>Non-cash working capital (PLN million)</b>	<b>1 029.2</b>	<b>1 015.7</b>
Inventory turnover (in days)	71	62
Turnover of trade receivables (in days)	35	34
Turnover of trade payables (in days)	47	36
<b>Working capital turnover (in days)</b>	<b>60</b>	<b>61</b>

*working capital = inventory + trade receivables - trade liabilities.*

*Turnover ratios calculated based on revenues, i.e. the level of, for instance, inventories at the end of the period/revenues from sale \* 365 days.*

The demand for working capital as at the end of 2018 amounted to PLN 1 029.2 million and increased slightly against the end of 2018 - by PLN 13.5 million.

The actual level of working capital in Boryszew Capital Group, calculated as a turnover ratio (calculated on revenues) expressed in days, remained at 2018 level of 60 days.

## ANALYSIS OF LIQUIDITY

Liquidity ratios are presented in the table below:

<b>in PLN million</b>	<b>2019</b>	<b>2018</b>
Current ratio	1.1	1.3
Quick ratio	0.5	0.6

*Current ratio = current assets / short-term liabilities*

*Quick ratio = (current assets – inventories) / short-term liabilities*

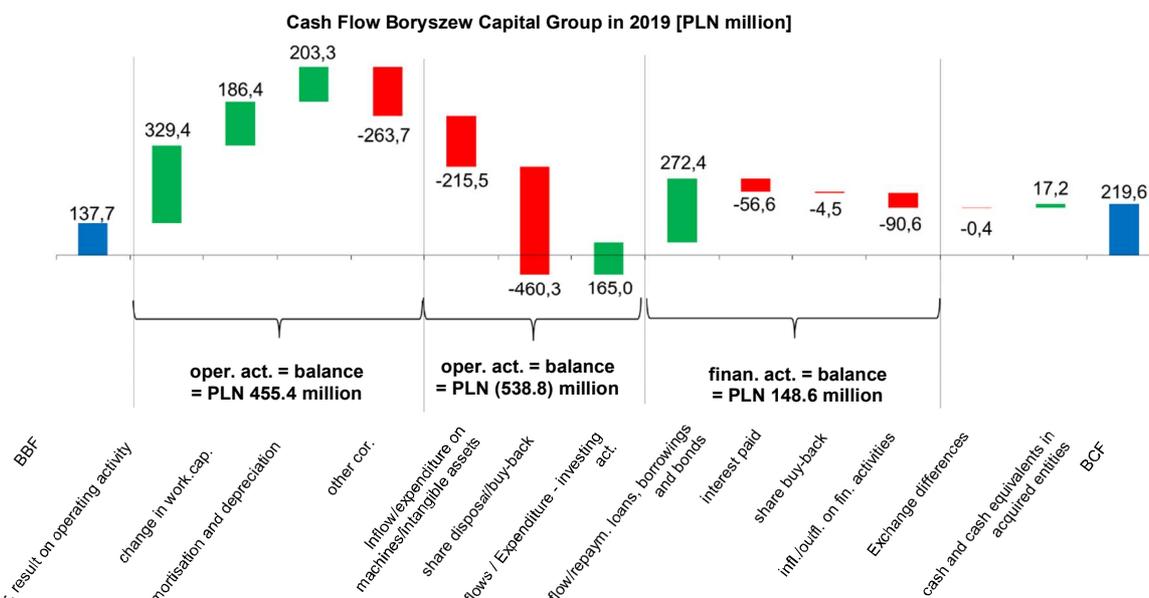
In 2019 the current liquidity ratio and the quick liquidity ratio remained at the level similar to that for the same period of the previous year. The above ratios confirm that the Group has sufficient financial liquidity to pay current and future liabilities.

## ANALYSIS OF SELECTED ITEMS OF CASH FLOW AND CAPITAL EXPENDITURE

Main items of the consolidated cash flow statement of Boryszew Group in 2019, as compared to the corresponding period of previous year, are presented in the table below:

<b>in PLN million</b>	<b>2019</b>	<b>2018</b>
Net cash flow from operating activities	455.4	215.0
Net cash flow from investment activities	-538.8	-287.1
Net cash flow from financial activities	148.6	-14.9
<b>Total cash flow</b>	<b>65.2</b>	<b>-87.0</b>

The following chart presents the main factors shaping the cash flow of Boryszew Capital Group in 2019:



In 2019 the Group generated positive cash flow from directly operational activity, which was allocated mainly to investments in non-current assets, buy-back of shares and bonds as well as debt service (payment of interest and redemption of financial lease liabilities).

The total value of investment expenditure in 2019 amounted to PLN 282.4 million. The table below presents the division of investment expenditure into segments:

in PLN million	2019
<b>CAPEX, including:</b>	<b>282.4</b>
Metals Segment	205.8
Automotive Segment	73.3
Chemicals segment	1.9
Other Activities Segment	1.3

The largest investments in fixed assets in 2019 were made by companies in the Metals Segment. Zakład Aluminium Konin launched an investment under the so-called large investment programme for 2018-2023 (PLN 99.5 million), and in Baterpol S.A., investment expenditure involved mainly replacement of assets (PLN 10.9 million). Moreover, NPA Skawina Branch continued its vital modernisation and development investment of the total value of PLN 75 million (including PLN 30 million of the planned EU subsidy) to develop an innovative wire rod production technology.

In Mafrow Group the majority of capital expenditure was allocated to overseas production facilities, where PLN 34.7 million was spent on modernisation and additional equipment (PLN 40.9 million in the whole Group). A similar concentration of capital expenditure was seen in BAP Group, where AKT Plastikarska Technologie spent PLN 13.0 million, mainly for new machines, and the whole BAP Group spent PLN 32.5 million.

## 8. DESCRIPTION OF SIGNIFICANT OFF-BALANCE SHEET ITEMS

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 '000	
Boryszew Plastic RUS	13.02.2017	Guarantee granted to Volvo Group Trucks Operations	21 293	indefinite validity
Mafmex S. de R.L. de C.V.	15.07.2019	Guarantee granted to Volkswagen Group of America	5 697	15.01.2021
Companies of Boryszew Group that are customers of Volkswagen AG	16.12.2016	Guarantee granted to Volkswagen AG	85 170	indefinite validity
			112 160	

## 9. SIGNIFICANT CONTRACTS

Companies of Boryszew Capital Group conduct their business on the basis of several cooperation agreements, one-off, yearly or multi-year trade contracts concluded with raw material suppliers and with customers for the manufactured products. These are usually traditional transactions covering purchase (domestic or overseas) of raw materials and materials for production and sale of manufactured products on the domestic and foreign market.

In 2019 the following entities account for more than 10% of sales revenue generated by Boryszew S.A.:

Company	Conclusion date	Subject matter of the contract	Value of the agreement in 2019	Share [%]	Ties with the issuer
VW Group	Orders (nominations)	delivery of air-conditioning tubes	PLN 171,4 million	12.4%	none

In 2019 the following entities account for more than 10% of sales revenue generated Boryszew Capital Group:

Company	Conclusion date	Subject matter of the contract	Value of the agreement in 2019	Share [%]	Ties with the issuer
VW Group	Orders (nominations)	delivery of air-conditioning tubes	PLN 1103.4 million	17.8%	none

The value of purchase or sale contracts from other contractors of the Company or the Capital Group in 2019 remained below 10% of revenues from sales of Boryszew S.A. or Boryszew Capital Group, respectively.

The most important agreements for the commercial and production activity of Boryszew S.A. include:

Conclusion date	Name of the party to the contract	Subject matter of the contract	Estimated value of the contract in 2019
orders	VW Group	sale of parts to automotive	PLN 171.4 million
orders	BMW	sale of parts to automotive	PLN 67.9 million

### SIGNIFICANT AGREEMENTS OF THE CAPITAL GROUP

#### BORYSZEW AUTOMOTIVE PLASTICS GROUP

Conclusion date	Name of the party to the contract	Subject matter of the contract	Value of the agreement in 2019
orders	VW Group	sale of parts to automotive	PLN 738 million

#### MAFLOW GROUP

Conclusion date	Name of the party to the contract	Subject matter of the contract	Value of the agreement in 2019
orders	VW Group	sale of parts to automotive	PLN 366 million

#### IMPEXMETAL S.A. (ZAKŁAD ALUMINIUM KONIN)

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2019
A packaging sector customer	Multi-year contract	Sales of aluminium strips	PLN 94,6 million
Automotive customers	06.2016	Sales of aluminium strips	PLN 94,6 million

#### HUTMEN S.A.

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2019
KGHM Polska Miedź S.A.	27.01.2014 (with subsequent amendments)	Cu ETP ingots, Cu DHP ingots, rolled products, processing service	PLN 256 million

#### WALCOWNIA METALI DZIEDZICE S.A.

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2019
Haczek Sp. z o.o.	06.02.2015	delivery of raw materials	PLN 73.1 million
Schwermetall Halbzeugwerk GmbH & Co. KG	22.07.2011	supply of strip for further rolling and for coin blank production	PLN 60.5 million

#### ZM SILESIA S.A.

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2019
HC Miasteczko Śląskie	9.01.2019	delivery of raw materials	PLN 283.8 million
BOLIDEN COMMERCIAL AB	30.01.2019	delivery of raw materials	PLN 149.4 million

#### BATERPOL S.A.

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2019
Exide Technologies SA	28.11.2018	sale of lead and alloys	PLN 78.4 million

#### FŁT POLSKA SPÓŁKA Z O.O.

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2019
PBF (Warsaw) Sp. z o.o.	multi annual agreements	purchase of bearings	PLN 151.3 million

#### INSURANCE CONTRACTS

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 owner's civil liability insurance
- liability of the members of corporation bodies - basic insurance policy and excess policies (used upon exhaustion of the basic sum insured, regardless of whether the sum insured is exhausted at one or multiple events).

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

## 10. SIGNIFICANT CAPITAL INVESTMENTS AND CHANGES IN THE STRUCTURE

### Acquisition of shares in Alchemia S.A.

On 11 January 2019 Eastside - Bis Sp. z o.o. acquired (through conversion of bonds into shares) 9 995 000 shares in Alchemia S.A., accounting for 4.99% of the share capital and the total number of votes at the General Meeting of Alchemia S.A.

In 2019 Impexmetal S.A. acquired a total of 38 525 000 shares in Alchemia S.A., accounting for 22.21% of the share capital of Alchemia S.A.

### Acquisition of shares in Impexmetal S.A.

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

As of the day of publication of the report, Boryszew Capital Group holds 100.00% shares of Impexmetal S.A. (more information on the acquisition of Impexmetal S.A. shares: see point 5 of the report).

### Merger of Alchemia S.A. with its subsidiaries

On 1 March 2019, the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered the merger of Alchemia S.A. with its subsidiaries, i.e. Huta Batory Sp. z o.o. with its registered office in Chorzów, Walcownia Rur Andrzej Sp. z o.o. with its registered office in Zawadzkie, Rurexpol Sp. z o.o. with its registered office in Częstochowa (hereinafter referred to as the "Acquired Companies").

The merger was effected under Art. 492 § 1 point 1 of the Polish Companies Act, by transferring all the assets of the Acquired Companies to Alchemia S.A. by universal succession. As Alchemia S.A. was the sole shareholder of the Acquired Companies, the Merger was executed in the manner provided for in Art. 515 § 1 of the Polish Companies Act - with no increase of the share capital of Alchemia S.A. or amendments the Company's Articles of Association.

On the day the merger was entered into the register of entrepreneurs of the National Court Register, Alchemia S.A. assumed all the rights and obligations of the Acquired Companies.

### Deletion of S&I SA from the register

On 14 October 2019, S&I SA with its registered office in Switzerland was deleted from the commercial register following its liquidation.

## EVENTS AFTER THE BALANCE SHEET DATE

### Share buy-back - Alchemia S.A

On 30 January 2020 Alchemia S.A. acquired through DM BPS S.A. (as an investment company) 10 000 000 own shares of Alchemia S.A., which accounts for 5.77% of the share capital and votes at Alchemia S.A. General Meeting.

As at the date of publication of the financial statements, Boryszew Capital Group holds 71.76% shares in Alchemia S.A. (more information on the acquisition of Alchemia S.A. shares can be found in point 5 of the financial statements).

### Signing of the Merger Plan between Boryszew S.A. with its registered office in Warsaw and SPV Boryszew 3 Spółka z o.o. with its registered office in Warsaw

On 14 May 2020 Boryszew S.A. with its registered office in Warsaw (the Acquiring Company) and SPV Boryszew 3 Spółka z o.o. with its registered office in Warsaw (the Acquired Company) agreed and signed the Merger Plan.

The merger of Boryszew S.A. with the Acquired Company will take place on the following rules:

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

6. As Boryszew S.A. is a public company, then according to CCC Article 516 § 1, the merger will require resolutions on the merger to be adopted by the General Assembly of the Acquiring Company and the General Assembly of Shareholders of the Acquired Company, referred to in CCC Article 506 CCC, approving the merger and the Merger Plan.

The planned merger aims at simplification of the organisational structure of Boryszew Capital Group. The Management Board of Boryszew S.A., ensuring the increase of the Company's value, undertakes actions aimed at simplifying the structure of Boryszew Capital Group and increasing the transparency of the management process. In the Management Board's assessment, further simplification of the structure would improve efficiency of management of Boryszew Group's policy and activities and of the management of resources at the Group's possession. Carrying out internal consolidation of Boryszew Capital Group will result in improved profitability, reduced costs of general management as well as financial costs.

#### **Deletion of Torlen Spółka z o.o. from the register of entrepreneurs of the National Court Register**

In Q3 2019 the process of liquidation of Torlen Spółka z o.o. with its registered office in Toruń was completed. On 20 May 2020, the company was deleted from the Register of Entrepreneurs.

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

## **11. RESEARCH AND DEVELOPMENT**

Companies of the Capital Group carry out research and development works in order to advance the technologies employed.

### **BORYSZEW S.A.**

#### **MAFLOW BRANCH IN TYCHY**

The greatest R&D achievement in 2019 was the development and approval of a product dedicated to the transmission of R744 (carbon dioxide). The approval of this technology opens up possibilities to Maflow of supplying air-conditioning ducts to electric platforms produced by the largest automotive manufacturer.

In 2019 the R&D department was also involved in expanding the range of products dedicated to Maflow new customers, which led to acquiring a new customer in North America.

R&D also involved work aimed at obtaining alternative materials for the production of air conditioning ducts, which will result in expanding Maflow offer in the coming years.

#### **BORYSZEW ERG BRANCH IN SOCHACZEW**

Research and development work of the Branch in 2019:

- implementation of Tasks II and III of the project POIR.01.02.00-0-0031/17 "Environmentally friendly nano-fluid for car radiators with innovative performance parameters" under the INNOCHEM programme;
- development work on aircraft anti-icing liquid,
- development work on new plasticisers for plastics processing.

#### **NOWOCZESNE PRODUKTY ALUMINIOWE BRANCH SKAWINA**

Research and development work of the Branch in 2019:

- the EU co-financed project on the development of overhead wires to reduce electricity losses in HV and LV overhead lines is completed. Another deliverable in this project was a dedicated aluminium-based material and technology for its processing into overhead cables. The project delivered five prototype constructions which, after being tested in specialised accredited laboratories, confirmed their readiness to offer the product on the market.
- installation and cold commissioning of a demonstration plant in an EU co-funded project, including the most technologically advanced prototype continuous melting and casting line as well as a 2xxx, 5xxx and 7xxx series aluminium alloy wire rod mill.
- development of production technology for advanced, class V aluminium conductors for cables used in electric cars followed by deliveries to customers in the cable industry.

## BORYSZEW CAPITAL GROUP COMPANIES

### IMPEXMETAL S.A. ZAKŁAD ALUMINIUM KONIN

2019 saw continuation of projects co-financed by the National Centre for Research and Development:

- 1) Development of a highly advanced production technology of multi-layer HSAA-P30 aluminium tape for the new generation of automotive heat exchangers" (POIR.01.02.00-00-0298/16) – as the result of the project the offer will include new clad products containing 3 or 4 layers, featuring improved corrosion resistance and enhanced functional parameters,
- 2) "Implementation of an innovative AlMg-VHS metal alloy sheet and tapes production technology to press car body parts and structural elements parts" (POIR.01.01.01-00-0292/17). Implementation of this project will enable to introduce new aluminium and magnesium alloys to the offered range of products, with high, more than 5.5%, concentration of magnesium.
- 3) "Development and implementation of a production technology of an innovative aluminium alloy designed for the production of high-pressure resistant caps in the packaging industry" project (POIR.01.01.01-00-00-0025/18) - the project will involve development of an innovative product: aluminium alloy sheet for production of deep-pressed caps for high-pressure food applications. Stage I was completed on 31.07.2019 and stage II commenced on the same date. The project should be completed by 30.11.2020

2019 saw completion of the project "Development of the open and closed section production technology from aluminium alloy ECO-ALSi coming entirely from recycling of aluminium car parts". (RPWP.01.02.00-30-0027/16). The project was carried out under the Greater Poland Regional Operational Programme for years 2014 – 2020. The outcome of the project are new products - open and closed sections.

Moreover, in 2019 the research and development work were carried on; in particular, for the automotive and packaging industry - launch of new products of LH435 alloy dedicated for production of automotive heat exchanger components; 2019 also was tests of new HSC812 alloys for caps, carried out at end customers'. Due to the increasing requirements of customers, some internal research and development works were aimed at improving the current products, for instance the LH436 alloy (increasing the corrosion resistance - cover/header material, increasing the level of mechanical properties - new flow for tube material).

### HUTMEN S.A.

Research and development at Hutmen S.A. in 2019:

Production of soft-rolled A/C tube in LWC coils - new product.

The task involves the following stages:

- modernisation of Schumag drawing machine No. 7,
- modernisation of pre-straightener for Schumag drawing machine No. 7,
- purchase and installation of a coiler, pipe guillotine and extraction in production line of drawing machine No. 7,
- development of a technology for heating pipes of different diameters in an induction heater at different coiling speeds in order to obtain the appropriate product properties,
- setting appropriate coiling parameters (pitch, turns, lubrication, etc.) for different pipe diameters.

Modernisation works were launched in the second half of 2019. The likely completion date is the end of Q2 2020.

### WM DZIEDZICE S.A.

Research and development work carried out at WM Dziedzice S.A. in 2019:

Implementation of the project referred to as "*BRASS CAST&DRAW® Tech - Innovative technology for manufacturing products of copper alloys featuring a new standard of geometric quality intended for material removal machining on high-speed cutting machines*". At the end of December 2019, the *Report on the results of real scale tests and examinations confirming conformity with the technical parameters specified in the project* was positively received; the report was drafted by the Faculty of Non-Ferrous Metals of the AGH University of Science and Technology.

Based on past experience, WM Dziedzice S.A. applied for funding under the Smart Growth Operational Programme - competition 6/1.1.1/2019 - Fast Track, "*Industrial research and development works carried out by enterprises*". Eventually, at the end of November 2019, an application was submitted using the NCRD: "*A new generation of low-density drawn copper alloy products with above-standard geometric stability and mechanical properties*".

Apart from extensive involvement in the current project and attempting to obtain another project under the in contests, the internal technology department was also involved in activities aimed at improving the technological process, namely:

- R&D on extrusion tools. The ultimate aim is to reduce the process waste and reduce the workload during the cutting stage of the press machine on the press outlet,

- optimisation of the chemical composition of lead and multicomponent brasses primarily aimed at lowering the content of high cost components without compromising the mechanical properties required by the end user (works in progress),
- optimisation of the production process and amendment to the production technology of lock profiles to increase the surface quality and increase the overall yield at the production stage,
- extruded rods were produced of CW604N alloy, which has not yet been produced at WM Dzierżycze S.A.
- development, design, production and introduction of new extruded profile shapes (14 pieces) for brass building sections

Low production utilisation in coin blanks resulted in minimum R&D expenditure at the Strip and Coin Blank department. Nevertheless, some changes have been introduced to improve quality, reduce costs, and obtain a positive impact on safe work.

The metallurgical part of WM Dzierżycze S.A. - the Foundry department saw several changes being implemented that have an impact on the quality of the semi-finished and finished product, and at the same time that fit into the trend of continuous improvement of the production process.

### **ZM SILESIA S.A.**

At the end of 2019 and start of 2020 ZM Silesia installed and launched a new installation for the production of zinc and zinc-aluminium wire rod under programme POIR.01.01.01-00-0361/17. The new installation, which will double the capacity of the one it replaced, will significantly increase the supply of zinc and zinc-aluminium wires produced by ZM SILESIA SA. At the time when production of electricity from renewable sources draws more and more attention, ZM Silesia hopes for demand for wires to increase, especially zinc-aluminium wires for corrosion protection of tower structures in wind farms. Due to the high profitability on the sale of wires, this should contribute, to a large extent, to improved Company's results in the nearest future.

### **HUTA OŁAWA BRANCH**

In February 2020 Huta Oława completed the implementation of the results of GEKON II project co-financed by NCRD and launched in 2019. Feniks Plant in Bedzin gained a new crucible furnace for production of zinc white, which was launched already, achieving the assumed process parameters: efficiency, reduction of waste and significant improvement in the quality of zinc white.

Huta Oława also implemented further stages of programme POIR.01.01.01-00-0361/17 of 3 November 2017. "Development of technology and implementation into production of a full assortment range of Zn-Al alloy wires intended for corrosion protection by spray metallisation" implemented under Measure 1.1 of the Smart Growth Operational Programme co-finance from the European Regional Development Fund.

Three components of the target process line, Stage 2, were installed in 2019: liquid metal degassing system, liquid metal filtration system and automatic liquid metal feed system. At the end of 2019 and start of 2020 the last component - a casting wheel and a rolling mill - was installed. The components of the target technology already commissioned can be used to carry out experimental production. The experimental production is to verify, select and optimise the process parameters of liquid metal for each of the four Zn-Al alloys. R&D involves in particular:

- selection and optimisation of liquid metal temperature evolution and development of heating sequences for individual elements of the liquid metal transfer system,
- selection and optimisation of technological parameters of the degassing system, i.e. refining gas flow and rotor speed,
- selection and optimization of metallo-static pressure of each alloy in the casting machine by selecting process parameters of the laser dosing system of liquid metal.

### **ALCHEMIA S.A.**

In 2019, as in 2018, all subsidiaries of Alchemia were involved in activities aimed at optimising the production process in terms of technology and quality of manufactured products; R&D was also continued.

In May 2019 Walcownia Rur Andrzej in Zawadzkie signed with the National Centre for Research and Development the third co-financing agreement for the project conducted under the Smart Growth Operational Programme. The agreement covers co-financing "Innovative technology of rolling seamless pipes made of alloyed steel with designed quality parameters for power and mining industry" being implemented at WRA Branch. The objective of the project is R&D leading to an innovative technology of rolling seamless pipes made of martensitic alloy steels with 8÷15% of Cr and of bainitic steels. The project obtained co-financing of PLN 48.2 million, which accounts for 40.61% of total expenditure eligible for support under the project.

2019 also marked continuation of R&D in the project on: "Innovative grade of high chromium martensitic steel for boiler tubes in conventional power generation applications for supercritical conditions" under the Smart Growth

Operational Programme. The agreement between the National Centre for Research and Development and Alchemia S.A. was signed in May 2017. In this project the co-financing amounted to PLN 37.1 million, which accounts for 40.51% of the total expenditure eligible for support under the project.

Another R&D carried out in 2019 was in the project "Innovative bainitic steel tubes with TRIP effect for high-strength products for the mining industry, featuring enhanced performance" also under the Smart Growth Operational Programme. The agreement between the National Centre for Research and Development and Alchemia S.A. was signed in June 2018. In this project the co-financing amounted to PLN 30.5 million, which accounts for 40.78% of the total expenditure eligible for support under the project.

Currently, further R&D is being carried out at the Institute for Ferrous Metallurgy in Gliwice - a scientific partner in the project. Apart from the Institute for Ferrous Metallurgy, R&D will be carried out by another scientific partner - Central Mining Institute in Katowice.

Rurexpol Branch continued in 2019 the R&D project launched in 2018 on non-socket tube rolling in the dimensional range produced by Rurexpol Branch, together with the Czestochowa University of Technology.

Rurexpol also developed a technology and carried out tests for heat-treatment of  $\Phi 95 \div \Phi 190$  mm, 42CrMo4 hot-rolled round bars delivered from Huta Bankowa. The heat treatment produced positive results.

In 2019 Walcownia Rur Batory in Chorzów drafted and submitted an application under the NCRD Smart growth program, No. POIR.01.01.01-00-01042/19 "New range of seamless steel thick-walled pipes with significantly improved performance for use in structures and pipelines for the transmission of energy media." The deliverable in this project - a new range of seamless thick-walled steel pipes in three new grades, designated by the manufacturer as: HBT290-mod, HBT360-mod (in variants N, AR) and HBT415-mod. The new range of pipes with a wall thickness of 30-40 mm will exhibit significantly improved properties, greatly facilitating the use of new products in a number of industries, mainly as structural elements and pipelines for the transmission of gas, oil and other energy media.

For Stalownia Batory 2019 marked several innovative activities in production:

- modernisation of a furnace with a sliding stem to enable stress relief annealing and softening of alloy and stainless steel ingots, including steel grades in  $\Phi 600$  format not yet heat-treated. The innovation in this modernisation involved the use of modern burners with internal recuperation and lining the furnace walls with the 3rd generation fibre material based on Al<sub>2</sub>O<sub>3</sub> fibres. The savings in gas amounted to some 30% compared to the period before the modernisation.
- modernisation of a horizontal dryer for heating the lining of casting ladles, leading to intensification of the heating process and reduction of natural gas consumption through the installation of a modern heating burner and application of fibrous materials on the retaining wall of the dryer, resulting in low operating costs and proper process parameters of casting ladles.
- process tests of the application of single-station ingot mould bottom plates for casting heavy forging-grade ingots in formats above Q8. Mg
- further R&D on the use of four-component modifiers containing barium in the process of smelting steel for seamless pipes in order to improve the steel structure as well as mechanical and plastic properties of pipes.
- R&D and implementation of a new type of hot tops for forging-grade ingot moulds in Q, LS and WN50 formats to improve the quality of the hot top and thus the entire steel ingot.

#### **HUTA BANKOWA SP. Z O.O.**

In 2019 Huta Bankowa Sp. z o.o. continued of implementation of 3 basic R&D projects, implemented with co-financing from the ERDF for 2014-2020.

- project No. 0164/16: "SBR-x: Unique forged and rolled special-purpose steel ring with advanced, designed cross-section and adjustable operating properties", co-financed under the INNOSTAL programme for the construction of a new rolling stand for rims and rings was technically completed in 2019. A new rolling mill was built and production was launched. Formal completion of the project is scheduled for 31.03.2020. Currently, work is underway to optimise the process with the new machine in order to fully utilise its technical and process capabilities. The first process tests in profiled ring rolling capabilities (both single and double-sided) were successful.
- project No. 0143/16 "Designed rolling of large size long bars with non furnace treatment - a new technology for the production of quality long rolled bars made of alloy steel with designed properties for the engineering industry", implemented under the DEMONSTRATOR programme was moved to the next phase of implementation. The construction of two new automatic hot strip splitting stations is completed, along with an automatic sampling system for testing and a marking system. The equipment is fully integrated into the existing process line. Another task to be carried out is modernisation of the blooming mill stations and reversing mill. Following a detailed technical assessment of the requirements for the modernised assemblies, a tender was announced for the execution of the works and delivery of elements necessary for completion of the task Construction of the stations should be launched in 2020. At the same time a discussion was held with scientific partners - the Institute for

Ferrous Metallurgy in Gliwice and the Silesian University of Technology in Katowice, on problems associated with the construction of the last demonstration station, which is to ensure a modern way of cooling products with the use of rolling heat. Tests were conducted both on a semi-industrial scale and on processing stations at Huta Bankowa Sp. z o.o. The final strategy for the implementation of a project involving the technology of product cooling will be developed by the end of Q1 2020.

- project No. 028/17: "Automated line for quality control and examination of for rings and rims with intelligent system for identification and measurement of internal defects using the PA method, form measurements by means of 3D measurement heads and the SMART-HARD mechanical properties measurement station", implemented under the FAST TRACK programme, was moved from the research phase to the design phase. The Company and its scientific partners - Poznan University of Technology and Warsaw University of Technology - drafted preliminary assumptions for the construction of test stands for the preparation of the surface of forged-rolled products for UT and also the UT stand, thus obtaining Milestone I of the project. However, given the results of the on-going assessment of the rims and rings market, a discussion was held on the possibility of introducing changes in the project scope however with unchanged basic parameters which determine the high level of innovation of the recommended solutions at the stage of obtaining funding. The modification of the original assumptions is scheduled for completion at the end of Q1 2020.

Other entities of the Group did not implement significant projects within the scope of research and development.

## 12. TRANSACTIONS WITH AFFILIATED ENTITIES

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

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

### SETTLEMENT OF DUE CLAIMS ON BONDS ACQUIRED BY EASTSIDE-BIS SP. Z O.O. Z O.O.

As a result of the acquisition by Eastside - Bis Sp. z o.o. on 11 January 2019 of the object of a registered pledge (acquisition of shares encumbered with pledges in order to satisfy the pledgee), i.e. 9 995 000 shares of Alchemia S.A., due claims on binds of EB1, EB2 and EB3 series, issued by Unibax Sp. z o.o. and acquired by Eastside - Bis Sp. z o.o. - we settled.

Under the provisions of the Terms and Conditions of the Issue of each series of Bonds, the claims arising from the Bonds became due and payable upon delivery to Unibax Sp. z o.o. ("Unibax") of the following requests for early redemption, i.e. on 2 January 2019:

- request for early redemption of 9 - EB1 series bonds, with a nominal value of PLN 3 000 000 each and the total nominal value of PLN 27 000 000.00, issued by Unibax in accordance with the bond issue terms of 15 November 2016;
- request for early redemption of 9 - EB2 series bonds, with a nominal value of PLN 2 123 000 each and the total nominal value of PLN 19 111 500.00, issued by Unibax in accordance with the bond issue terms of 15 November 2016;
- request for early redemption of 4 - EB3 series bonds, with a nominal value of PLN 953.000 each and the total nominal value of PLN 3 812 000, issued by Unibax in accordance with the bond issue terms of 18 November 2016;

### ACQUISITION OF BONDS ISSUED BY UNIBAX SP. Z O.O.

On 3 January 2019 Boryszew S.A. acquired 3 - B25 series registered bond with nominal value of PLN 1 000 000. The total nominal value of bonds acquired in this series was PLN 3 000 000. Bond redemption date was set at 31 December 2019.

On 16 January 2019 Boryszew S.A. acquired 4 - B26 series registered bond with nominal value of PLN 1 000 000. The total nominal value of bonds acquired in this series was PLN 3 000 000. Bond redemption date was set at 31 December 2019.

On 21 February 2019 Boryszew S.A. acquired 3 - B27 series registered bond with nominal value of PLN 1 000 000. The total nominal value of bonds acquired in this series was PLN 3 000 000. Bond redemption date was set at 31 December 2019.

On 30 April 2019 Boryszew S.A. acquired 10 - B28 series registered bonds with nominal value of PLN 1 000 000. The total nominal value of bonds acquired in this series was PLN 3 000 000. Bond redemption date was set at 31 December 2019.

On 9 May 2019 Boryszew S.A. acquired 10 - B29 series registered bonds with nominal value of PLN 2 000 000. The total nominal value of bonds acquired in this series was PLN 3 000 000. Bond redemption date was set at 31 December 2019.

On 10 May 2019, Boryszew S.A. acquired 15 - B30 series registered bonds with a nominal value of PLN 1 000 000 each. The total nominal value of bonds acquired in this series was PLN 3 000 000. Bond redemption date was set at 31 December 2019.

#### **REDEMPTION OF BONDS ISSUED BY UNIBAX SP. Z O.O. Z O.O.**

In March 2019, Unibax Spółka z o.o. prematurely redeemed bonds held by Boryszew S.A with a total nominal value of PLN 75 970 000.

In June 2019, Unibax Spółka z o.o. prematurely redeemed bonds held by Boryszew S.A with a total nominal value of PLN 103 000 000.

#### **REDEMPTION OF BONDS ISSUED BY BORYSZEW COMMODITIES SP. Z O.O. AND BORYSZEW AUTOMOTIVE PLASTICS SP. Z O.O.**

On 23 March 2019 bonds issued by Boryszew Commodities Sp. z o.o. in the amount of PLN 8 000 000 were redeemed by mutual compensation of the principal amount of bonds with bonds issued by Boryszew Automotive Plastics Sp. z o.o. acquired by Boryszew Commodities Sp. z o.o. on 28 December 2016 in the amount of PLN 8 000 000.

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

In April 2019 Baterpol S.A. prematurely redeemed bonds held by Polski Cynk Sp. z o.o. (series I and series J) in the total amount of PLN 7 000 000.

#### **REDEMPTION OF BONDS ISSUED BY BORYSZEW TENSZO POLAND SP. Z O.O.**

On 22 February 2019 Boryszew Tensho Poland Sp. z o.o. prematurely redeemed 4 bonds held by Boryszew Automotive Plastics Sp. z o.o. in the total amount of PLN 1 000 000. The maturity date was 31 December 2019.

## 13. LOANS AND BORROWINGS

Loan details	Loan liabilities 31.12.2019	Loan liabilities 31.12.2018	Movement between periods
ALIOR Bank	11 994	11 994	0
ALIOR Bank	36 919	33 379	3 540
ALIOR Bank	14 000	14 000	0
BGK	35 228	47 429	(12 201)
BGK	21 274	21 480	(206)
BNP Paribas	12 840	15 524	(2 684)
BNP Paribas	3 686	4 413	(727)
Credit Agricole Bank Polska	14 195	19 111	(4 916)
DNB Bank	5 100	10 700	(5 600)
DNB Bank	24 865	24 997	(132)
HSBC FRANCE Branch in Poland	4 301	22 555	(18 254)
HSBC FRANCE Branch in Poland	56 875	65 000	(8 125)
ING Bank Śląski	12 041	15 351	(3 310)
ING Commercial Finance		-64	64
mBank	4 161		4 161
mBank	8 000	8 000	0
mBank faktoring	18 745	23 584	(4 839)
PKO BP	25 034	19 437	5 597
PKO BP	36 879	40 850	(3 971)
PKO BP	16 677	20 240	(3 563)
PKO BP	17 685	13 272	4 413
PKO BP	10 000	10 000	0
PKO FAKTORING	8 493	5 252	3 241
Santander		4 614	(4 614)
Santander	34 965	29 974	4 991
Santander		9 083	(9 083)
Santander	60 997	52 903	8 094
Santander		-362	362
<i>unpaid interest as at the balance sheet date</i>	34	4	30
<b>Loans of Boryszew SA - total</b>	<b>494 988</b>	<b>542 720</b>	<b>(47 732)</b>
HSBC	3 333	1 379	1 954
mBank	28 110	32 682	(4 572)
Banque Populaire	1 695	1 973	(278)
BBVA credit	138	462	(324)
BBVA credit	28	248	(220)
Bankinter	1 691	1 818	(127)
Liberbank	532	1 561	(1 029)
<i>La Caixa</i>	3 036	3 694	(658)
B.Popular/B.Santander	2 176	2 236	(60)
Liberbank	1 823	2 301	(478)
La Caixa	1 043	1 918	(875)
BBVA	3 045	0	3 045
B.Popular/B.Santander	1 158	1 509	(351)
Liberbank	298	649	(351)
BK	0	366	(366)
INTESA	106	151	(45)
INTESA	362	365	(3)
HSBC	21 224		21 224
DNB	16 421	10 832	5 589

Commerzbank	20 437	21 285	(848)
DNB	0	21 539	(21 539)
DNB	12 796	11 146	1 650
Hewlett-Packard	0	34	(34)
VW Bank Braunschweig	0	8	(8)
DNB	17 664		17 664
UniCredit Bank	1 863	2 207	(344)
UniCredit Bank	0	596	(596)
UniCredit Bank	16 045	6 621	9 424
ČSOB	3 067	2 655	412
ČSOB	2 813	2 227	586
ČSOB	0	220	(220)
ČSOB	276	362	(86)
ČSOB	1 349	1 765	(416)
ČSOB	3 883	6 964	(3 081)
DNB Bank Polska S.A.	4 821		4 821
BGK	25 270	30 620	(5 350)
BGK	21 292	21 500	(208)
Alfa Bank	1 394		1 394
Alfa Bank	104		104
Alfa Bank	1 946		1 946
Alfa Bank	715		715
Alfa Bank	148		148
Alfa Bank	233		233
HSBC Bank Polska S.A.	8 750	10 000	(1 250)
DNB Bank Polska S.A.	5 781	6 877	(1 096)
mBank	62	1 107	(1 045)
Bank BNP Paribas	592	5 326	(4 734)
Bank Pekao S.A.	1 896	2 174	(278)
DNB Bank Polska	907	2 901	(1 994)
Banco Desio	732	1 312	(580)
Bnl	852	860	(8)
Bnl	4 041	5 173	(1 132)
BGŻ BNP PARIBAS	37 153		37 153
BGŻ BNP PARIBAS	16 817		16 817
Credit Agricole Bank Polska S.A.	0		0
Alior Bank S.A.	26 277		26 277
PKO BP S.A.	26 492		26 492
ING BSK S.A.	3 361		3 361
PKO BP	3 510	3 525	(15)
PKO BP	3 631	3 358	273
PKO BP	40 000	40 000	0
Pekao S.A.	4 860	4 385	475
Pekao S.A.	18 603	8 183	10 420
Pekao S.A.	10	1 189	(1 179)
BANK MILLENNIUM	9 588	14 228	(4 640)
BANK MILLENNIUM	7 566	3 722	3 844
BANK MILLENNIUM	0	231	(231)
Alior Bank	953	1 842	(889)
Credit Agricole	5 321	6 480	(1 159)
Credit Agricole	2 414	4 106	(1 692)
BGK	4 947	6 638	(1 691)
BGK	4 497	3 043	1 454
BGK	24 000	24 000	0
BGK	14 905	15 050	(145)
BGK	42 013	57 291	(15 278)

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

All loans are secured. Loan collaterals include:

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

#### Termination of credits or loans

In 2019, no loans or borrowings granted to Boryszew Capital Group companies of the were terminated.

#### 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.

## LOANS GRANTED BY BORYSZEW S.A. IN 2019

Company	Date of agreement	Repayment date	Loan amount	Amount to be repaid	Currency
Boryszew Automotive Plastics Spółka z o.o.	Agreement of 24.12.2019 on the consolidation of loan agreements of 08.02.2019, 13.08.2019 and 18.09.2019	31.12.2021	18 800 000	18 800 000	PLN
	27.12.2019	31.12.2021	4 800 000	4 800 000	PLN
SPV Boryszew 3 Spółka z o.o.	Annex of 08.07.2019 to the agreement of 02.07.2018	31.12.2020	3 000 000	2 130 000	PLN

*The sum of the abovementioned loans granted by Boryszew SA does not include the interest accrued as at 31.12.2019.*

## LOANS GRANTED BY BORYSZEW S.A. TO CAPITAL GROUP COMPANIES

On 8 February 2019 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 11 000 000, with repayment by 31 December 2019. The interest was determined on the arm's length basis.

On 30 July 2019 Polski Cynk Sp. z o.o. granted a loan to Boryszew S.A. in the amount of PLN 6 000 000 with repayment by 30 June 2020. The interest was determined on the arm's length basis.

On 22 August 2019 Polski Cynk Sp. z o.o. granted a loan to Boryszew S.A. in the amount of PLN 11 000 000 with repayment by 30 June 2020. The interest was determined on the arm's length basis.

On 5 September 2019 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 13 000 000, with repayment by 31 December 2020. The interest was determined on the arm's length basis.

On 18 September 2019 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 2 500 000, with repayment by 31 December 2020. The interest was determined on the arm's length basis.

On 19 September 2019 Eastside – Bis Sp. z o.o. granted a loan to Boryszew S.A. in the amount of PLN 3 000 000, with repayment by 31 December 2020. The interest was determined on the arm's length basis.

On 12 December 2019 Eastside – Bis Sp. z o.o. granted a loan to Boryszew S.A. in the amount of PLN 3 000 000 with repayment by 31 December 2020. The interest was determined on the arm's length basis.

## EXTENSION OF REPAYMENT AND CONSOLIDATION OF LOANS GRANTED TO BORYSZEW S.A. BY IMPEXMETAL S.A.

On 6 March 2019 Boryszew S.A. signed an accord with Impexmetal S.A. on extension of the repayment date for loans granted to Boryszew S.A. and Boryszew S.A. Maflow Branch in Tychy, until 31 December 2019, in the total amount of PLN 116 500 000.00 under the following agreements:

- loan agreement for PLN 25 000 000.00 of 20.04.2015,
- loan agreement for PLN 5 000 000.00 of 07.07.2016,
- loan agreement for PLN 43 000 000.00 of 31.03.2017,
- loan agreement for PLN 10 000 000.00 of 06.09.2017,
- loan agreement for PLN 8 500 000.00 of 02.07.2018,
- loan agreement for PLN 5 000 000.00 of 17.07.2014 (Maflow Branch in Tychy),
- loan agreement for PLN 20 000 000.00 of 12.06.2016 (Maflow Branch in Tychy),

The interest rate on the above loans was determined on the arm's length basis.

On 31 December 2019 Boryszew S.A. applied to Impexmetal S.A. for the extension of the repayment date until 31 December 2020 of the loan in the amount of PLN 25 000 000, granted under the agreement of 6 March 2019.

## REPAYMENT OF LOANS GRANTED TO BORYSZEW S.A.

On 14 March 2019 Boryszew S.A. repaid the following loans to Impexmetal S.A. in the total amount of PLN 33 000 000:

- early total repayment of the loan of 10 December 2018 in the amount of PLN 6 000 000,

- partial repayment of the loan (consolidated under the Agreement of 6 March 2019) in the amount of PLN 27 000 000.

On 20 March 2019 Boryszew S.A. made a partial repayment of the loan (consolidated under the Agreement of 6 March 2019) to Impexmetal S.A. in the amount of PLN 30 000 000.

On 1 and 2 July 2019 Boryszew S.A. made an early repayment of loans to Impexmetal S.A. in the total amount of PLN 44 000 000.

#### **LOAN GRANTED TO BORYSZEW TENSZO POLAND SP. Z O.O.**

On 8 May 2019 Theysohn Kunststoff GmbH concluded a loan agreement with Boryszew Tensho Poland Sp. z o.o. on a loan of EUR 940 000 granted by Theysohn Kunststoff GmbH to Boryszew Tensho Poland Sp. z o.o. The interest was determined on the arm's length basis. The maturity date is 31 December 2020.

On 12 July 2019 Boryszew Tensho Poland Sp. z o.o. made a partial repayment of the loan in the amount of EUR 674 000.

#### **LOAN GRANTED BY BORYSZEW TENSZO POLAND SP. Z O.O.**

On 18 October 2019 Boryszew Tensho Poland Sp. z o.o. granted a loan of EUR 1 000 000.00 to Boryszew Deutschland GmbH, a Boryszew Group company. The interest was determined on the arm's length basis. The maturity date is 31 December 2020.

#### **EXTENSION OF THE DEADLINE FOR REPAYMENT OF LOANS GRANTED BY BORYSZEW S.A. MAFLOW BRANCH IN TYCHY**

Boryszew S.A. agreed to extend, until 31 December 2022, the deadline for repayment of loans granted to Maflow Polska Sp. z o.o. by Boryszew S.A. Maflow Branch in Tychy in the total amount of EUR 6 596 000.

#### **EXTENSION OF REPAYMENT AND CONSOLIDATION OF LOANS GRANTED TO BORYSZEW AUTOMOTIVE PLASTICS SP. Z O.O.**

On 16 December 2020 Boryszew S.A. decided to consolidate and extend the repayment date of loans granted to Boryszew Automotive Plastics Sp. z o.o. with its registered office in Torun, in the total amount of PLN 18 800 000, under the following agreements:

- loan agreement for PLN 5 000 000 of 8 February 2019,
- loan agreement for PLN 5 000 000 of 13 August 2019,
- loan agreement for PLN 8 800 000 of 18 September 2019, until 31 December 2021.

### **LOANS GRANTED AFTER THE BALANCE SHEET DATE**

#### **LOANS GRANTED BY BORYSZEW S.A.**

On 28 January 2020 Boryszew S.A. agreed to grant two loans to Boryszew Automotive Plastics Spółka z o.o. with its registered office in Torun in the amount of EUR 300 000.00 with the repayment date 31 December 2020 and in the amount of PLN 4 300 000.00 with the repayment date 31 December 2020.

On 13 March 2020 Boryszew S.A. decided to grant a cash loan to Boryszew Commodities Spółka z o.o. with its registered office in Warsaw up to the amount of EUR 6 000 000 for the period of up to 6 months.

On 30 April Boryszew S.A. decided to grant a loan to Theysohn Kunststoff GmbH of EUR 5 000 000.00, payable in tranches, to be repaid by 30 August 2021.

#### **LOANS GRANTED BY SPV IMPEXMETAL SP. Z O.O.**

On 29 January 2020 SPV Impexmetal Sp. z o.o. granted a loan to Boryszew S.A. with its registered office in Warsaw in the amount of PLN 4 500 000, to be repaid by 31 December 2020.

On 24 April 2020, the company granted a loan to Boryszew S.A. with its registered office in Warsaw in the amount of PLN 5 000 000, to be repaid by 31 December 2020.

On April 29th, 2020 the company granted a cash loan in the amount of PLN 5 000 000 to Boryszew S.A. with its registered office in Warsaw, to be repaid by 31 December 2020.

On 30 April 2020, the company granted a cash loan of PLN 10 000 000 to Unipartner Sp. z o.o. with its registered office in Warsaw, to be repaid by 31 December 2020.

#### **LOAN GRANTED BY FŁT POLSKA SP. Z O.O.**

On 30 April 2020, the company granted a cash loan of PLN 10 000 000 to Unipartner Sp. z o.o. with its registered office in Warsaw, to be repaid by 31 December 2020.

#### **LOAN GRANTED BY EASTSIDE - BIS SP. Z O.O.**

On 29 January 2020 SPV Eastside – Bis Sp. z o.o. granted a loan to Boryszew S.A. with its registered office in Warsaw in the amount of EUR 400 000, to be repaid by 31 December 2020.

The above mentioned loans were granted on arm's length basis.

## **14. GUARANTEES AND SURETIES**

### **GUARANTEES AND SURETIES ISSUED BY BORYSZEWS.A. AS AT 31.12.2019**

Entity for which guarantee or surety was issued	Issue date of guarantee or surety	Subject of liability	Value of guarantee in its currency	Value of guarantee in its currency	Value of guarantee	Expiry date of guarantee
			EUR	USD	PLN	
<b>Impexmetal S.A.</b>	16.05.2019	Guarantee for HSBC France Branch in Poland			270 000 000	16.09.2021
<b>Boryszew Kunststofftechnik Deutschland GmbH</b>	31.01.2013	Guarantee granted to Commerzbank	5 000 000		21 292 500	indefinite validity
	23.07.2013	Guarantee granted to GE Capital Bank AG	992 373		4 226 020	30.08.2021
	24.07.2017	Guarantee granted to ALD AutoLeasing D GmbH	200 000		851 700	30.06.2022
	07.08.2017	Guarantee granted to Deutsche Leasing International GmbH	1 400 000		5 961 900	indefinite validity
	08.06.2018	Guarantee granted to Deutsche Leasing International GmbH	600 000		2 555 100	08.06.2023
	29.01.2019	Guarantee granted to DNB Bank Polska SA	15 600 000		66 432 600	01.03.2021
	06.03.2019	Endorsement of lease agreement for PKO Leasing Sp. z o.o.	5 769 883		24 571 049	31.03.2022
	13.06.2019	Guarantee granted to Deutsche Leasing International GmbH	2 965 856		12 630 099	31.08.2024
<b>Boryszew Kunststofftechnik Deutschland GmbH Oddział BRS YMOS</b>	27.05.2015	Guarantee granted to Wurth Leasing GmbH & Co. KG	309 812		1 319 334	30.11.2020
	15.03.2016	Guarantee granted to Wurth Leasing GmbH	354 902		1 511 350	15.03.2022
<b>Theysohn Formenbau GmbH</b>	06.09.2017	Guarantee granted to akf Leasing GmbH	2 339 459		9 962 586	31.08.2023
<b>Theysohn Kunststoff GmbH</b>	28.09.2018	Guarantee granted to PKO Leasing Sp. z o.o.	3 426 767		14 592 887	31.12.2021
	23.04.2019	Guarantee granted to HSBC Trinkhaus & Burkhardt AG	6 000 000		25 551 000	10.05.2022
<b>Boryszew Oberflächentechnik Deutschland GmbH</b>	26.01.2016	Guarantee granted to Bank Gospodarstwa Krajowego	12 715 000		54 146 828	31.12.2026

<b>Boryszew Plastic RUS</b>	11.07.2013	Guarantee granted to ZAO Hewlett-Packard AO		200 000	759 540	indefinite validity
	30.04.2014	Guarantee granted to ZAO Hewlett-Packard AO		100 000	379 770	indefinite validity
	13.02.2017	Guarantee granted to Volvo Group Trucks Operations	5 000 000		21 292 500	indefinite validity
	25.02.2019	Guarantee granted to Alfa Bank			11 456 250	31.12.2024
	15.07.2019	Payment guarantee granted to Engel Austria	3 046 896		12 975 207	25.08.2023
<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. securing its financial obligations			41 000 000	indefinite validity
	24.10.2017	Aval of lease agreement for mLeasing	179 624		764 930	15.04.2021
	24.10.2017	Aval of lease agreement for mLeasing	1 499 920		6 387 407	15.11.2020
	06.12.2017	Guarantee granted to PGE Obrót S.A.			1 800 000	indefinite validity
	22.10.2018	Bill of exchange guarantee for SGB Leasing Sp. z o.o.			357 100	30.09.2025
	29.01.2019	Guarantee granted to DNB Bank Polska SA	2 400 000		10 220 400	01.03.2021
	04.03.2019	Aval of lease agreements for mLeasing	2 066 467		8 800 050	15.04.2024
	10.10.2019	Guarantee granted to PKO Leasing Sp. z o.o.			16 973 184	10.10.2022
<b>Maflow BRS s.r.l.</b>	26.04.2016	Guarantee granted to Banka IFIS	750 000		3 193 875	indefinite validity
	01.01.2017	Guarantee granted to CORDTECH INTERNATIONAL SAS	300 000		1 290 000	31.12.2019
	01.01.2017	Guarantee granted to Mehler Engineered Products GmbH for repayment of commercial debts	400 000		1 703 400	31.12.2019
	16.05.2017	Guarantee granted to Cover	100 000		425 850	31.12.2019
	23.05.2019	Guarantee granted to HSBC France, Milan Branch	4 550 000		19 376 175	23.05.2023
<b>Maflow France Automotive S.A.S.</b>	07.07.2016	Guarantee granted to Natixs Lease	377 000		1 605 455	07.07.2021
<b>MAFMEX S. de R.L. de C.V.</b>	15.07.2019	Guarantee granted to Volkswagen Group of America		1 500 000	5 696 550	15.01.2021
<b>Boryszew Commodities Sp. z o.o.</b>	12.12.2017	Guarantee granted to Borealis AG securing commercial obligations	250 000		1 064 625	31.12.2020
	23.07.2018	Endorsement of financing agreement for mBank S.A.	16 500 000		70 265 250	30.04.2020
	26.04.2019	Endorsement of guarantee line for mBank S.A.	750 000		3 193 875	10.04.2021
<b>BAP Group companies - customers of Volkswagen AG</b>	16.12.2016	Guarantee granted to Volkswagen AG	20 000 000		85 170 000	indefinite validity
<b>Alchemia S.A.</b>	01.10.2019	Guarantee granted to Arcelormittal Poland S.A.	5 000 000		21 292 500	31.12.2020
<b>Veolia Industry Polska Sp. z o.o. (formerly Eastside - Bis Sp. z o.o.)</b>	01.09.2017	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>	30.08.2016	Endorsement of a loan agreement for mBank			1 000 000	27.08.2020

<b>Elana Energetyka Sp. z o.o.</b>	01.12.2015	Guarantee granted to 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
	20.12.2019	Bill of exchange surety for Coface Poland Factoring Sp. z o.o.			20 000 000	indefinite validity
<b>Total guarantees and sureties granted by Boryszew SA</b>			<b>120 843 960</b>	<b>1 800 000</b>	<b>925 532 445</b>	

#### **GUARANTEES AND WARRANTIES GRANTED BY IMPEXMETAL S.A. IN 2019**

On 15 February 2019 Impexmetal S.A. granted a guarantee securing repayment of liabilities by Boryszew S.A. to Santander Bank Polska S.A. under a revolving loan agreement in the form of a registered pledge for 100% of shares of FŁT Polska Sp. z o.o. up to the highest amount of security of PLN 72 000 000.

On 27.03.2019 the Company extended, until 28 February 2023, the surety for repayment of liabilities by ZM SILESIA S.A. to Bank Millennium SA under a loan agreement up to the maximum amount of security of PLN 32 001 600.00.

On 7 October 2019, the Company granted a surety, until 31 December 2019, for repayment of liabilities by WM Dziedzice S.A. to Alior Bank S.A. under a loan agreement up to the highest security amount of PLN 25 000 000.00.

On 10 September 2019 Impexmetal S.A. granted a surety for repayment of liabilities by ZM Silesia S.A. to Glencore International AG under commercial agreements up to the maximum amount of USD 5 000 000, valid until 31 December 2019.

On 16 September 2019 Impexmetal S.A. granted a surety for repayment of liabilities by ZM Silesia S.A. to Huta Cynku Miasteczko Śląskie S.A. under commercial agreements up to the maximum amount of PLN 20 000 000, valid until 31 December 2019.

The sureties and guarantees are provided by Capital Group companies on arm's length basis. The remuneration for granted guarantees is not significant.

Subject to the sureties indicated above, Boryszew Group companies did not grant or receive any significant sureties or guarantees other than those described above and related to their core operations (in particular guarantees related to the performance of contracts).

## **15. OWN SHARES**

Acting within the limits of the authorisation granted by Resolution No. 19 of the Ordinary General Assembly of Shareholders of Boryszew S.A. of 25 June 2014 on authorising the Management Board of the Company to buy back Boryszew S.A. own shares as well as pursuant to Art. 362 § 1 point 8) and Art. 362 § 4 of Commercial Companies Code in 2019 Boryszew S.A. acquired a total of 960 000 own shares which together with the shares already held by the Company makes a total of 19 283 831 own shares, accounting for 8.0349% of votes during the General Assembly of Boryszew S.A.

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

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

As at the day of publication of the report the shareholding of Boryszew S.A. by the Capital Group has not changed against the shareholding as at 31 December 2019.

## **16. ISSUES OF SECURITIES**

### **DEBT SECURITIES**

#### **ISSUES OF BONDS**

In 2019 and until the date of publication of the report the Company issued no debt securities.

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

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

- 1 A26 series registered bond with a nominal value of PLN 1 000 000 subscribed for by Polski Cynk Spółka z o.o.
- 6 A27 series registered bonds with a nominal value of PLN 1 000 000 and the total nominal value of PLN 6 000 000 and 3 A30 series registered bonds with a nominal value of PLN 1 000 000 and the total nominal value of PLN 3 000 000, subscribed for by WM Dziedzice S.A.
- 13 A28 series registered bonds with the nominal value of PLN 1 000 000 and the total nominal value of PLN 13 000 000, subscribed for by Zakład Utylizacji Odpadów Spółka z o.o.,
- 2 A24 series registered bonds with the nominal value of PLN 1 000 000 and the total nominal value of PLN 2 000 000, subscribed for by Torlen Sp. z o.o. in liquidation.

### **EQUITY SECURITIES**

In 2019 and until publication of the report the Company did not issue any equity securities.

## **17. DIVIDEND PAID OR DECLARED**

### **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.

### **Distribution of profit for 2018**

On 25 June 2019, the Ordinary General Meeting of Shareholders of Boryszew S.A., by Resolution No. 19, decided that the net profit of the Company for 2018 of PLN 44 720 thousand should be allocated to reserve capital for the purpose of financing the buy-back of own shares.

## **18. FINANCIAL RESULT FORECAST**

In 2019 the Management Board of Boryszew S.A. published no forecasts of the financial result for the current year.

## **19. PRINCIPLES OF MANAGEMENT OF FINANCIAL RESOURCES**

### **BORYSZEW S.A.**

Boryszew follows an active policy of financial resources management. The organisational structure of financial departments at divisions is closely adapted to the specific nature of individual entities within the Group. Boryszew strategy is that of continuous improvement of the funding structure. The company cooperates with several Polish banks, but also holds talks with other financial institutions to optimize costs in terms of financing the operational activity.

Boryszew S.A. and its branches service interest debt, both in terms of principal amount and interest repayments. The company and each of its branches monitor receivables overdue and undertake to shorten the receivables payment deadlines and extend repayment deadlines. Due to the financial risk arising in its operating activity, the metals segment branch pursues an active policy for financial risk management and aluminium price volatility under the policy adopted by the Management Board and the Supervisory Board.

## **BORYSZEW CAPITAL GROUP**

Boryszew Group follows an active policy of financial resources management. The organizational structure of the financial divisions of the Group companies is tailored to the specifics of each company. The Group pursues a strategy of continuous improvement of its financing structure, it cooperates with several Polish and overseas banks, but also holds talks with other financial institutions to optimize costs in terms of financing the operational activity.

Group's entities show no arrears in servicing their interest debt, both in terms of principal amounts as well as interest. Boryszew SA monitors overdue receivables in the scope of the entire Capital Group. This is particularly important as often different companies within the Group share the same customers which may lead to accumulation of overdue receivables on the Group level - measuring clients' risk.

Companies monitor the working capital cycle on an on-going basis as well as aim to reduce the collection period of receivables and at the same time to extend the terms for repayment of liabilities. Unfortunately, this process is not easy to carry out, especially within the scope of suppliers of key raw materials. Companies follow an active policy regarding financial risk management and raw materials price variability risk. The majority of companies of the metal segment of the Group has introduced a risk management policy accepted by the Supervisory Board. This policy regulates the rules of application of security metal prices and exchange rates in relation to conducted commerce activity.

## **20.ASSESSMENT OF POSSIBILITIES OF IMPLEMENTATION OF THE INTENDED INVESTMENTS**

The companies of the Capital Group finance their investments from own resources and foreign resources (loans, advances and leasing). Prior to implementation, each investment is assessed by the statutory bodies of the Companies and in case of investments of considerable value – by the Management Board of Boryszew S.A.

Investment activities in Boryszew Group can be divided into two kinds:

- 1) Activities of holding companies include acquisitions of other entities in compliance with the guidelines of the Group's growth strategy. This strategy defines the range of geographical expansion, expansion into new products and markets, and the integration of the value chain within markets in which the Group operates, etc.
- 2) The production activity of the companies includes investment tasks aiming to maintain the ability of fixed assets to support on-going contracts. Another group of investments comprises expenditure ensuring the maximum economic life of fixed assets in order to achieve additional return on the assets held. If new contracts are concluded (such as a successful tender for long-term deliveries of components to car manufacturers), investments are implemented to enable these contracts to generate maximum return while at the same time maintaining superior quality of products and security of deliveries.

In terms investment expenditure for maintaining or expanding the production capacity, Boryszew Group aims to ensure financing with the term and parameters as close to the economic life of the production assets as possible.

## **21.FACTORS AND UNUSUAL EVENTS AFFECTING THE RESULT**

### **BORYSZEW S.A.**

Significant one-off factors affecting the results in 2019 are described in the commentary to relevant segments.

### **CAPITAL GROUP**

Major one-off factors and unusual events having a significant impact on the results of 2019 should include:

- implementation of the WLTP procedure having a significant impact on the decrease in orders for parts from car manufacturers (described in detail in the commentary to the Automotive segment),
- write-off of goodwill from consolidation due to settlement of the acquisition of Alchemia S.A. Capital Group.

## **22.INFORMATION ON THE ADOPTED DEVELOPMENT STRATEGY OF THE EMITTER AND EMITTER'S CAPITAL GROUP AND THE ACTIONS TAKEN TO IMPLEMENT THE STRATEGY IN THE REPORTING PERIOD, INCLUDING A DESCRIPTION OF THE PROSPECTS FOR DEVELOPMENT OF EMITTER'S BUSINESS IN THE COMING YEAR**

The purpose of the long-term growth strategy assumptions adopted by Boryszew Capital Group is to strengthen its market positions in the sectors in which the Capital Group operates. The intended effect should be an increase in the

companies' assets and their profitability, and thus increase in value for the shareholders in the long run. The increase in value may also be generated through the sale of selected business lines of the Capital Group.

Short-term actions and growth plans are focused on completion of investments underway at the Capital Group's companies and on maximising their effect, as well as on continuing the assets and organisation restructuring processes in relation to the dynamically changing market environment. The development prospects for the two most important Capital Group segments are described below.

### **BORYSZEW AUTOMOTIVE PLASTICS GROUP**

The BORYSZEW AUTOMOTIVE PLASTICS Group is implementing both development plans and saving plans aimed at continuous improvement of the operating profitability of the plants. The tasks under implemented include projects aimed at reducing the weight of produced details by foaming plastics. Each year BAP Group successfully implements several process automation projects both for newly implemented projects and as optimisations of existing processes. Importantly, a good number of implemented automation projects are projects innovative on a global scale. The Group expects to obtain new nominations at a similar or faster pace than in the previous two years.

### **MAFLOW GROUP**

Maflow Group will follow the trends shaping the market, especially those related to the electrification of car drives. As a result, Maflow will focus on central, integrated modules such as heat pumps and cooling systems for automotive batteries in addition to its current active response to the market demand for traditional air-conditioning ducts. Maflow also plans to significantly expand its offer related to the use of an alternative coolant, namely CO<sub>2</sub>, in mobile automotive applications. The company intends to gradually expand its research and development activities in order to increase its market offer and establish cooperation in research and development with our customers and with leading research and development institutions.

An important element of Maflow future will be the dissemination of uniform standards of operation and implementation of best operational, technical and organisational practices throughout the Group. In all areas, cost optimisation activities will be carried out for continuous improvement of quality and logistics processes, as well as organisation of production processes by improving the distribution of production across individual facilities of the Maflow Group.

Due to the constant increase of labour costs in key locations of the Maflow Group, it will be crucial for the Company to find competitive methods of production, therefore the company will evaluate the profitability of implementing selective automation and the results of these evaluations will determine the degree of implemented automation and saturation with advanced technologies of individual plants of the Maflow Group. Important for the future of Maflow will be to build and increase the value of activities resulting from lean culture. However, to ensure adequate human resources, Maflow plans to significantly increase its activity in local educational programs, and thus to promote the Company as a potential employer both in the field of secondary vocational education as well as higher education institutions.

Maflow Branch, together with the change in the destination of car sales, will carry out an organised monitoring of business activities of its customers and competitors, a review of the global automotive market situation and analysis of the potential of individual local markets, supporting business decisions.

Maflow intends to focus its attention on the North American market, which will require an expansion of production capacity of the facility in Mexico.

On the Chinese market, Maflow intends to relocate its plant to a new location, to both increase and improve the quality of the products offered on this market and to attract new customers. The new location will use energy from a photovoltaics installation which is planned, to reduce greenhouse gas emissions to the atmosphere. In the coming years Maflow intends to develop rubber products, mainly in its Italian plant. The Company will launch the Mixer for production of rubber mixtures in Ascoli Piceno in order to reduce the costs of manufacturing products for third party customers as well as Maflow Group internal customers and to become independent from external suppliers.

Maflow Sales Division will focus more on developing marketing functions as well as building and strengthening relations with existing and future customers.

### **METAL SEGMENT**

#### **IMPEXMETAL S.A. (ZAKŁAD ALUMINIUM KONIN)**

In the first quarter of 2019 a new development programme was launched, planned for 2019-2022. Its main objective is to increase sales of rolled products from 100 000 to 135 000 tonnes per year, as well as to develop and launch production and sales of innovative products for the automotive and packaging industries.

Implementation of the investment project will lead to the increase in production capacity of cast products used as an input for rolling and increase in production of final products (rolled products), which will be a further development in segments where today Impexmetal already has a competitive advantage, has the necessary technological knowledge (know-how), its own technical solutions and engineering experience. Such sectors are the automotive, packaging and construction industries.

The project implementation will involve two basic investment tasks:

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

#### Extension of the Foundry Division

The scheme provides for construction of a modern melting and casting centre with an annual production capacity of approximately 60 000 tonnes of finished products in the form of ingots (intended for further processing) together with a melting charge preparation department.

#### Extension of the Rolling Mill Division

Due to the limited production capacity of the currently owned machinery, it will be possible to achieve the target of 135 000 tonnes of production capacity through:

- extending the existing rolling mill hall
- cold rolling mill installation
- installation of heat treatment furnaces
- installation of straightening line
- installation of longitudinal cutting line

The planned benefits from the investment include, first of all, increasing the sales volume, launching innovative products for the car segment and increasing the production capacity of thin and plated products, which will significantly strengthen Impexmetal position in the automotive and packaging market. An important effect is also the reduction of production costs and energy consumption for production processes.

#### **WM DZIEDZICE S.A.**

The Company's strategy for the coming years is largely based on the commercialisation of the effects of the project "BRASS CAST&DRAW® Tech - Innovative technology for manufacturing products of copper alloys featuring a new standard of geometric quality intended for material removal machining on high-speed cutting machines"

The main assumptions of the company's long-term plan for 2020-2024: an increase in the production capacity of long products and sales volumes by approximately 6 300 tonnes/year in 2024.

#### **HUTMEN S.A.**

Hutmen S.A. plans the following undertakings in 2020:

- increase in sales of products (semi-hard installation pipes, air conditioning tubes - inch diameters),
- increase in rental space (due to relocation of equipment and concentration of production in hall W4),

#### **ALCHEMIA S.A./ALCHEMIA CAPITAL GROUP**

The strategy of Alchemia Capital Group provides for strengthening the Group's market position as the only domestic manufacturer of seamless pipes and railway rims and other specialist steel products.

The aim of the business is to use the increased scale of operations to improve profitability while taking advantage of the synergy effects and to increase sales of products with added value, mainly for the energy and OCTG industries as well as for the engineering industry.

The overriding strategic objective of Alchemia Capital Group is to build shareholder value through optimal use of available intellectual and material resources, including in particular:

- aligning the quality of products with the requirements of customers through innovative technologies, reducing production costs by modernising main production lines,
- reducing sensitivity to energy and natural gas costs by using efficient process and energy solutions,
- further integration between member companies of the Group and, consequently, maximising the synergy effects,
- reducing sensitivity to changes in the economic situation and prices of raw materials by extending product chains.

Alchemia Capital Group member companies intend to continue and expand their offer in production of seamless pipes, rods and head shapes, forged-rolled rings, railway and tram rims and forging-grade products, using their assets:

- a large and diversified base of regular customers who are leaders in their industries,
  - staff experienced in steel processing technology,
  - high potential for modernisation and development,
- The key challenge and objective for Alchemia Capital Group is to search for and implement modern and effective processes and process solutions, and consequently to increase its competitiveness and the level of innovation of the offered products.

#### OTHER COMPANIES OF BORYSZEW CAPITAL GROUP

Other Capital Group companies do not plan any significant development investments, except for modernisation of the existing production capacities.

### 23. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND HAZARDS

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

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

market risks, including, but not limited to:

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

#### Capital management, liquidity risk and credit risk

The policy of the Management Board focuses on maintaining a solid capital standing in order to retain the trust of investors, lenders and the market and ensure future economic growth of the Company. Growth is the absolute priority for the Management Board and it is for this purpose that the Group first and foremost seeks to allocate funds, thus building long-term value for shareholders through acquisitions and new projects. The Management Board strives to ensure the proper proportion of stable financing with equity of undertaken projects.

#### Net debt to equity ratio

	<u>As at 31.12.2019</u>	<u>As at 31.12.2018</u>
Loan, lease, borrowings debt	1 648 723	1 344 046
Cash and cash equivalents	(219 641)	(137 667)
<b>Net debt</b>	<b>1 429 082</b>	<b>1 206 379</b>
<b>Equity</b>	<b>1 535 057</b>	<b>1 794 907</b>
Net debt to equity	93.1%	67.2%

#### Debt ratio

	<u>As at 31.12.2019</u>	<u>As at 31.12.2018</u>
Liabilities	3 225 504	2 441 850
Assets	4 760 561	4 236 757
Debt rate	66.8%	56.6%

## Liquidity ratios

	<u>As at 31.12.2019</u>	<u>As at 31.12.2018</u>
current ratio	1.21	1.74
quick ratio	0.57	0.78
current ratio	0.11	0.09

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

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

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

<b>Cumulative revaluation write-downs on receivables</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
doubtful debt allowance on trade receivables	75 161	49 100
revaluation write-offs of loan receivables	4	4
revaluation write-offs of bond receivables	18	18
risk related to granting guarantees	992	182
doubtful debt allowance on other receivables	13 856	13 856
<b>Total</b>	<b>90 031</b>	<b>63 160</b>

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

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

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

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

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

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

## Liquidity risk

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

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

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
								<b>1 472</b>
Bank loans maturities	331 991	178 391	265 814	559 894			1 336 090	<b>617</b>
Maturities of borrowings	1 610	1 115	3 371	9 411	1 653		17 160	<b>17 160</b>
Maturities of liabilities on issued bonds	0	0	0	0			0	<b>0</b>
Maturities of leasing liabilities	12 091	13 219	25 533	77 192	35 402		163 437	<b>158 946</b>
Maturities of liabilities of leased rental services	1 254	5 965	7 527	23 892	21 566	8 875 236	69 079	<b>61 824</b>
Maturity of PMA fees	3 860			7 733	7 733	606	255 932	<b>95 263</b>
Maturity of PMA fees - investment real estate	164			329	329	7 346	8 168	<b>58 596</b>
payment of trade liabilities and other items	877 723	4 341	8 336	8 926			899 326	<b>855 198</b>
	<b>1 228</b>					<b>252</b>		<b>2 719</b>
<b>Total</b>	<b>693</b>	<b>203 031</b>	<b>310 581</b>	<b>687 377</b>	<b>66 683</b>	<b>827</b>	<b>2 749 192</b>	<b>604</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
							1 161	1 161
Bank loans maturities	178 101	170 733	325 426	395 394	77 512	14 140	306	306
Maturities of borrowings	7 578	1 093	2 206	9 109	2 707	0	22 693	22 693
Maturities of leasing liabilities	8 598	8 547	16 121	43 506	27 436	4 992	109 200	102 720
Maturity of PMA fees	250	0	0	4 064	4 111	132 127	140 552	57 327
payment of trade liabilities and other items							0	
							1 433	1 344
<b>Total</b>	<b>194 527</b>	<b>180 373</b>	<b>343 753</b>	<b>452 073</b>	<b>111 766</b>	<b>151 259</b>	<b>751</b>	<b>046</b>

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

**Foreign exchange rate change risk**

Currency risk is an inevitable element of a business activity denominated in foreign currencies. The sources of currency risk to which companies of Boryszew Group were exposed in 2019 included: transactions of raw materials purchase, transactions of product sales, loans and borrowings incurred and cash denominated in foreign currencies. Adverse changes in exchange rates may lead to decrease in the financial results of Boryszew Group.

For the purposes of this analysis, the data concerning companies for which the functional currencies are: EUR, USD.

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

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

	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	31 132	6 628	(6 628)
borrowings	0	0	0
bonds	500	106	(106)
other liabilities	0	0	0
borrowings and loans	403 039	(85 807)	85 807
bonds	0	0	0
leasing	68 543	(14 593)	14 593
<b>Result</b>		<b>(93 666)</b>	<b>93 666</b>
<b>Receivables and payables in USD</b>			
trade receivables	102 611	19 486	(19 486)
other liabilities	0	0	0
loans, borrowings, leasing	-	-	-
<b>Result</b>		<b>19 486</b>	<b>(19 486)</b>

**Sensitivity analysis to changes in exchange rates in 2018**

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

	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	94 399	20 296	(20 296)
trade and other liabilities	86 823	(18 667)	18 667
borrowings and loans	85 474	(18 377)	18 377
bonds	0	0	0
leasing	14 612	(3 142)	3 142
<b>Result</b>		<b>(19 890)</b>	<b>19 890</b>
<b>Receivables and payables in USD</b>			
trade receivables	8 691	1 634	(1 634)
other liabilities	22 459	(4 222)	4 222
loans, borrowings, leasing	505	(95)	95
<b>Result</b>		<b>(2 683)</b>	<b>2 683</b>

### Market risk - metal prices and currency exchange rates

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

#### Description of exposure

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

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

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

The risk of changes in metal prices occurs at the operating level, whereas the risk of changes in foreign exchange rates occurs at the strategic /fundamental/ as well as operating level.

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

Strategic risk involving currencies is associated with throughput bonus (USD/PLN and EUR/PLN) The risk exists at: Boryszew S.A. NPA branch, Impexmetal S.A., Baterpol S.A., Hutmen S.A., Walcownia Metali Dziedzice S.A., ZM Silesia S.A.

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

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

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

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

#### Planned dates of cash flows associated with derivatives

##### Commodity derivatives as at 12.31.2019

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

### Commodity derivatives as at 12.31.2019

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

### Commodity derivatives as at 12.31.2018

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

### Commodity derivatives as at 12.31.2018

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

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

Analysis of sensitivity of financial derivatives recognised in the statement on financial situation as at 31.12.2019 to the change in metal prices and in EUR/PLN exchange rates as well as impact of these changes on the financial result and equity.

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

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

<b>Derivatives as at 31/12/2018</b>		<b>increase / decline in listed prices</b>	<b>impact on on financial result</b>	<b>impact on equity</b>
USD/PLN foreign exchange forward contracts	(432)	+ 10.0%	2 919	7 530
		- 10.0%	(2 919)	(7 530)
EUR/PLN forward contracts	9 280	+ 5.0%	(671)	(25 617)
		-5.0%	671	25 617

Commodity futures - Aluminium	8 169	+20%	-	(2 118)
		-20%	-	2 118
			<b>Increase in listed prices</b>	<b>2 248</b>
				<b>(20 205)</b>
<b>Total impact on profit/loss and equity before tax</b>			<b>Decline in listed prices</b>	<b>(2 248)</b>
				<b>20 205</b>

### Interest rate risk

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

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

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

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

### Analysis of sensitivity to interest rate changes

The table above illustrates sensitivity of the Group's results to changing rates of interest. The discussed impact on results refers to the time span of subsequent 12 months, assuming that the amount of interest-bearing assets and liabilities remains unchanged.

	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>36 374</b>	<b>182</b>	<b>(182)</b>
Loans granted	1 845	9	(9)
Debt instruments other	34 529	173	(173)
		-	-
<b>Interest-bearing (variable %) financial liabilities</b>	<b>1 648 723</b>	<b>(8 244)</b>	<b>8 244</b>
Loans	1 423 587	(7 118)	7 118
Factoring	49 030	(245)	245
Borrowings	17 160	(86)	86
Debt instruments	0	0	0
Financial leasing of fixed assets	158 946	(795)	795
	As at 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>198 023</b>	<b>990</b>	<b>(990)</b>
Loans granted	1 995	10	(10)
Debt instruments other	196 028	980	(980)
<b>Interest-bearing (variable %) financial liabilities</b>	<b>1 344 046</b>	<b>(6 721)</b>	<b>6 721</b>
Loans	1 091 552	(5 458)	5 458
Factoring	69 754	(349)	349
Borrowings	22 693	(113)	113
Debt instruments	0	0	0
financial leasing	102 720	(514)	514
Other	57 327	(287)	287
<b>Impact on future profit/loss before tax</b>		<b>(5 731)</b>	<b>5 731</b>
<b>Impact on future net profit/loss</b>		<b>(4 642)</b>	<b>4 642</b>

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

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

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

### Fair value

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

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

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

### Fair value of financial assets and liabilities

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2019	As at 31.12.2018	
<b>Financial assets</b>			
Listed shares		1 819	Level 1
Derivative financial instruments	22 881	23 907	Level 2
<b>Financial obligations</b>			
Derivative financial instruments	5 024	5 170	Level 2

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2019	As at 31.12.2018	
<b>Financial assets</b>			
Shares and stock	311	77	Level 3
Bonds	34 529	196 028	Level 3
Borrowings	182	1 995	Level 3
Trade and other receivables	674 540	669 250	Level 3
Investment property	159 189	150 906	Level 3
Cash and cash equivalents	54 106	137 667	Level 1
<b>Financial obligations</b>			
Borrowings and loans	1 489 777	1 183 999	Level 2
Leasing	220 770	102 720	

Trade liabilities	855 198	636 876	Level 3
SMA liabilities	153 859	57 327	Level 2
	1 951		

### Insurance of risks

Boryszew S.A. and subsidiaries had insurance policies for 2019 within the framework of general agreements concluded by the Parent Company with several insurance companies for the entire Boryszew Group.

The insurance cover was contracted for:

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

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

## 24. FACTORS WHICH WILL INFLUENCE THE ISSUER'S FINANCIAL PERFORMANCE IN 2020

External factors that will affect the consolidated results of subsequent quarters include:

- the duration and scale of the Covid-19 pandemic and the resulting economic problems, hitting in particular the automotive sector,
- global economic situation, especially in the key sectors (motorization and construction) as well as in the main sales markets (the European Union, including Germany).
- demand for new cars, especially for products of the VW Group, which is the most important customer of the Boryszew Capital Group,
- cost of key energy carriers, particularly in the energy-intensive metal processing industry and in chemistry,
- legislation in energy prices (in the European Union and in Poland),
- costs of adapting production processes to the environmental requirements of the European Union (particularly the non-ferrous metals industry),
- the level of metal quotations and currencies determining the amount of working capital and effectiveness of export and domestic sales.
- higher economic protectionism in international trade, resulting in restrictions to access markets,
- costs of raw materials, including in particular scrap prices and the amount of the metal premium,
- PLN exchange rate against foreign currencies; due to the significant share of export sales, which in effect affects the level of margins earned in PLN,
- prices of crude oil and, as a consequence, prices of organic chemicals derivatives - plastics and components for the production of plastic parts for cars in injection moulding technology,
- volatility of tax law regulations and stricter attitude of fiscal authorities during tax audits.

## 25. EMPLOYMENT

### EMPLOYMENT AT BORYSZEW S.A

	As at 31.12.2019	As at 31.12.2018
<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>

### EMPLOYMENT AT BORYSZEW CAPITAL GROUP

	As at 31.12.2019	As at 31.12.2018*
<b>Employment structure</b>		
Blue-collar workers	8 770	7 125
White-collar workers	2 384	2 395
<b>Total</b>	<b>11 154</b>	<b>9 520</b>

\*data exclusive of Alchemia Capital Group

## 26. CHANGES IN FUNDAMENTAL PRINCIPLES OF MANAGING THE ENTERPRISE OF THE COMPANY AND OF ITS CAPITAL GROUP

In 2017 a new division of responsibility of the Management Board members for individual operational activity areas of the Capital Group companies was adopted, assigning the most important companies of the Group to three basic business segments:

- Chemical products segment,
- Metal Segment,
- Automotive Segment,

Organizational units not belonging to the business segments are presented in the Other Segment.

A graphical representation of the Management Board responsibilities for individual areas of the Company's and the Capital Group's operations is presented in point 3 of the report.

In 2019, no changes occurred in the basic principles of management of the Issuer enterprise and its Capital Group.

## 27. AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND ITS OFFICERS, PROVIDING FOR COMPENSATION IN THE EVENT OF RESIGNATION OR DISMISSAL OF SUCH PERSONS FROM THE POSITIONS HELD WITHOUT CAUSE, OR WHERE SUCH DISMISSAL IS CAUSED BY MERGER OR TAKEOVER.

Agreements concluded between Boryszew S.A. and its officers do not provide for any payments other than those stipulated in the Polish Labour Code.

## 28. REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

### Gross remuneration of the Management Board of the Parent Company (in PLN '000)

	2019	Paid out	Potentially due (discretionary bonus)	Total
Piotr Lisiecki - President of the Management Board		<b>724.8</b>		<b>724.8</b>
including:				
basic salary		720		
additional remuneration (discretionary bonus)		0		
other		4.8		
Mikołaj Budzanowski – Member of the Management Board		<b>604.8</b>	<b>0</b>	<b>604.8</b>
including:				
basic salary		600		
additional remuneration (discretionary bonus)		0		
other		4.8		
Krzysztof Kołodziejczyk – Member of the Management Board		<b>201.6</b>	<b>0</b>	<b>201.6</b>
including:				
basic salary		200		
additional remuneration (discretionary bonus)		0		
other		1.6		
Cezary Pyszkowski – Member of the Management Board		<b>199.22</b>	<b>0</b>	<b>199.22</b>
including:				
basic salary		197.62		
additional remuneration (discretionary bonus)		0		
other		1.6	0	
Aleksander Baryś – Member of the Management Board		<b>408.46</b>	<b>0</b>	<b>408.46</b>
including:				
basic salary		405.26		
additional remuneration (discretionary bonus)				
other		3.2		3.2
<b>Total</b>		<b>2138.88</b>	<b>0</b>	<b>2138.88</b>

### Gross remuneration of the Members of the Supervisory Board for the Parent Company (in PLN '000)

	2019
Arkadiusz Krężel - Chairman of the Supervisory Board	98.83
Janusz Wiśniewski - Vice-Chairman	52.41
Mirosław Kutnik - Secretary	60.00
Jarosław Antosik – Member of the Supervisory Board	60.00
Janusz Siemienieć - Chairman of the Supervisory Board	40.00
Małgorzata Waldowska - Member of the Supervisory Board.	60.00
<b>Total</b>	<b>371.24</b>

## Gross remuneration for members of subsidiaries' bodies

<b>Members of the Supervisory Board COMPANY</b>	<b>TOTAL: 341.75</b>
including:	
Arkadiusz Krężel	183.20
Małgorzata Iwanejko	36.6
Janusz Wiśniewski	48.0
Jarosław Antosik	32.4
Mirosław Kutnik	32.4
Janusz Siemienieć	9.1
<b>Members of the Management Board COMPANY</b>	<b>TOTAL: 21.9</b>
including:	
Piotr Lisiecki	21.9

The company has no obligations arising from pensions and similar benefits for former managers, supervisors or liabilities incurred in connection with these pensions.

## 29. COMPANY'S SHARES AND SHARES IN SUBSIDIARY ENTITIES HELD BY MEMBERS OF GOVERNING AND SUPERVISORY BODIES

### THE COMPANY'S SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AS AT 31.12.2017 AND AS AT THE DATE OF THIS REPORT

As at 31 December 2019 and as at the day of submitting the report for publication the managing and supervising persons hold no shares of Boryszew S.A.

### SHARES IN ENTITIES AFFILIATED WITH THE ISSUER, HELD BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD MEMBERS AS AT 31.12.2019 AND AS AT THE DATE OF DRAFTING THIS REPORT.

As at 31 December 2019 and as at the day of submitting the report for publication the managing and supervising persons hold no shares of affiliated entities.

## 30. INFORMATION ON AGREEMENTS OF WHICH THE COMPANY IS AWARE AND UNDER WHICH FUTURE CHANGES MAY OCCUR IN THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS AND BONDHOLDERS

Registered pledges on shares of Boryszew S.A. concluded by Boryszew Capital Group member companies following concluded loan agreements

Shareholder	Number of shares	% of share capital of Boryszew S.A.	Pledgee
Alchemia S.A.	3 200 000*)	1.33	Alior Bank S.A.

\*) pledge to be established under a pledge agreement concluded after the balance sheet date

The Company has no information on other such agreements.

## 31. INFORMATION ON THE SYSTEM OF CONTROLLING EMPLOYEE SHARES

In the reporting period concerned, the Company did not offer employee stock programmes.

## **32. AGREEMENT WITH INDEPENDENT STATUTORY AUDITOR**

On 28 June 2018, the Supervisory Board appointed BDO Spółka z ograniczoną odpowiedzialnością sp. k. based 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.

On 30 July 2018, an Audit Service Agreement was signed. According to the Agreement, the amount of remuneration for its implementation:

- 1) for 2018 amounted to PLN 200 000 net, including
  - PLN 81 000 as remuneration for the review of interim separate and consolidated financial statements prepared as at 30 June 2018, drafted in accordance with International Accounting Standards (IAS 34).
  - PLN 119 000 as remuneration for audit of separate and consolidated financial statements drafted as at 31 December 2018. in accordance with International Financial Reporting Standards.
- 2) for 2019 will amount to PLN 200 000 net, including
  - PLN 81 000 as remuneration for the review of interim separate and consolidated financial statements prepared as at 30 June 2019, drafted in accordance with International Accounting Standards (IAS 34).
  - PLN 119 000 as remuneration for audit of separate and consolidated financial statements drafted as at 31 December 2019. in accordance with International Financial Reporting Standards.

The Company did not use the services of the above-mentioned auditor, involving the audit and review of financial statements.

## **33. LITIGATION UNDERWAY**

### **PROCEEDINGS BEFORE A COURT, ARBITRATION BODY OR PUBLIC ADMINISTRATION AUTHORITY**

Boryszew S.A. and Boryszew Capital Group Companies, as at the date of this report, were not a party to any significant proceedings concerning liabilities or receivables, pending before a court, a competent arbitration authority or a public administration authority.

### **TAX PROCEEDINGS IN THE CAPITAL GROUP COMPANIES**

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

### **PROCEEDINGS COMPLETED AT FIRST INSTANCE**

1. On 12 March 2018, ZM SILESIA S.A. received a decision of the Head of the Customs and Tax Office (Office) in Opole dated 28 February 2018, determining the outstanding VAT liability for 2012 in the amount of PLN 28.9 million plus interest on tax arrears in the amount of PLN 15.5 million. According to the position of the Office, ZM SILESIA S.A. failed to exercise due diligence in verifying the tax reliability of some of its suppliers, who, as it turned out, failed pay the due VAT to the state budget. As a result, ZM SILESIA S.A. should not have reduced its output tax by the input tax shown on invoices issued by dishonest contractors. Due to its different assessment of the facts from that of the inspection bodies, the company appealed against the decision of the Office. On 27 November 2019, the Company received a letter from the Head of Customs and Tax Office with information on extension of the deadline to handle Company's appeal until 29 May 2020.
2. On 3 April 2018, HUTMEN S.A. received a decision of the Head of the Lower Silesian Customs and Tax Office (Urząd) in Wrocław dated 26 March 2018, determining the outstanding VAT liability of HUTMEN S.A. for Q4 2014 in the amount of PLN 3.04 million plus interest on tax arrears. As claimed by the Office, HUTMEN S.A. failed to observe due diligence in verifying the tax reliability of some of its contractors, and consequently had no right to apply the VAT rate of 0% for the intra-Community supply of goods. Due to its different assessment of the facts from that of the inspection bodies, Hutmen S.A. appealed with the Tax Chamber against the decision of the office. On 23 September 2019 Director of the Fiscal Chamber in Wrocław repealed the decision of the 1st Instance Body in its entirety and referred the case for re-examination by that Body.

3. On 10 September 2018 HUTMEN S.A. received a decision of the Tax Administration Chamber (Office) in Wrocław dated 4 September 2018 determining the outstanding VAT liability of HUTMEN S.A. for October and December 2012 in the amount of PLN 1.14 million plus interest on tax arrears. As claimed by the Office, HUTMEN S.A. failed to observe due diligence in verifying the tax reliability of some of its contractors, and as a consequence did not have the right to deduct input VAT. Due to its different assessment of the facts from that of the inspection bodies, the company appealed against the decision of the Office to the Provincial Administrative Court in Wrocław. On 13 March 2019, the Provincial Administrative Court issued a decision in favour of HUTMEN S.A., the judgment is final and binding. On 3 September 2019, the Director of the Fiscal Administration Chamber in Wrocław repealed the decision of the 1st Instance Body in its entirety and referred the case for re-examination by that Body. On 11.12.2019 Hutmen S.A. received a refund of the entire amount of the tax in question together with interest.
4. On 14 February 2018 HUTMEN S.A. filed a cassation complaint against the judgment of the Provincial Administrative Court in Warsaw dismissing the company's complaint against the decision of the Director of the Tax Chamber in Warsaw concerning VAT settlement for November 2012. The subject of the dispute is the amount of PLN 548 thousand, which the Company paid and recognised in the result in 2018.
5. Baterpol Recycler Sp. z o. o. – at present, the Company is subject a new VAT inspection for the period March-June 2016 carried out by the Head of the Lower Silesian Customs and Fiscal Office in Wrocław, whose deadline has been extended to 27.05.2020. The reason for reopening the inspection proceedings is the decision of the Tax Administration Chamber in Wrocław of 27.01.2020 repealing in full the decision of the Head of the Lower Silesian Customs and Fiscal Office in Wrocław of 08.06.2018 concerning VAT for the period March-June 2016 and referring the case for re-examination by the first instance authority.

#### OTHER SIGNIFICANT PENDING VAT PROCEEDINGS IN THE CAPITAL GROUP COMPANIES

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

Proceedings in progress:

1. ZM SILESIA S.A. - VAT audit proceedings for 2013-2014, in progress (the company received a preliminary audit protocol and the decision to extend the control proceedings until 06.05.2020) and January-June 2015 (on 29.11.2019 the company received a notification from the head of the Malopolska Customs and Fiscal Office in Krakow on the expected date of completion of the audit by 02.06.2020).
2. Hutmen S.A. - VAT audit proceedings for 2015, in progress.
3. Baterpol S.A. received a VAT audit protocol - audited period: July 2013 - December 2015. Based on that protocol, the Company estimated the risk of questioning the deductible VAT to be PLN 4.5 million plus interest (as at 31 December 2019 - PLN 1.4 million). Audit is carried out by the First Silesian Tax Office in Sosnowiec. On 20 March 2019, the Head of the First Tax Office in Sosnowiec initiated tax proceedings in the case in question. Expected date of completion of the audit - 30.06.2020.
4. On 12 March 2019, the Head of the Lower Silesian Tax Office in Wrocław sent Baterpol Recycler Sp. z o.o. a notice of initiation of an investigation by the Regional Prosecutor's Office in Katowice, on 1 April 2016, into a tax offence suspending the period of limitation of company's tax liabilities.

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

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

The balance of provisions in the consolidated financial statements for the risk described above as at the balance sheet date amounts to PLN 55.6 million (high risk). Moreover, the Parent Company recognised the amount of PLN 38.9 million as a contingent liability (medium or low risk). The Management Board of the Parent Company estimated

the provisions considering the probability of cash outflow from the Group and chose to leave such provisions out in cases where the probability of cash outflow is low.

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

#### **OTHER IMPORTANT PROCEEDINGS IN THE GROUP**

##### **EASTSIDE - BIS SPÓŁKA Z O.O.**

The customs and fiscal audit on the correctness of the corporate income tax settlement, initiated on 9 March 2018, is completed. The audit protocol revealed no irregularities.

##### **EASTSIDE CAPITAL INVESTMENTS SPÓŁKA Z O.O.**

The customs and fiscal audit on the correctness of the corporate income tax settlement, initiated on 9 March 2018, is completed. The audit protocol revealed no irregularities.

##### **SPV LAKME INVESTMENT SPÓŁKA Z O.O.**

The customs and fiscal audit on the correctness of the corporate income tax settlement, initiated on 9 March 2018 and on 12 July 2018, is completed. The audit protocol revealed no irregularities.

### **34. SPONSORING AND CHARITY ACTIVITIES**

The sponsoring activity of Boryszew S.A. is focused on promoting the image of the Company and Boryszew Capital Group. The activities carried out are aimed at supporting the organization of cultural events, including exhibitions, concerts and festivals, primarily on the local level, at the operation locations of the Group and its members.

The Group also helps local communities in charity activities, supporting them, inter alia, through donations.

The Group companies are also supported by institutions hosting, inter alia, thematic conferences related to the Boryszew Capital Group activity area.

### **35. REMUNERATION POLICY**

The remuneration policies at Boryszew SA are aimed at increasing the human capital management efficiency through effective employee engagement, supporting the implementation of the assumed strategic and business objectives and increasing the competitive advantage of the Boryszew Capital Group.

The remuneration rules are implemented by defining a remuneration and incentive system for employees, including defining the goals the Capital Group sets in the area of remuneration and financial and non-financial incentives, motivating people to increase engagement and improve work efficiency by combining motivational elements with employee effectiveness and ensuring a remuneration system corresponding to the type of work performed, competences, skills and the market remuneration levels.

Internal regulations defining the remuneration rules applicable in the Boryszew Capital Group Companies/Branches are the Remuneration Rules and the Collective Labour Agreements in individual Capital Group Companies/Branches, defining the principles of remuneration for work, remuneration and benefits related to work as well as remuneration rules.

1. The Rules and Corporate Collective Labour Agreement contain the following remuneration rules:
  - a. employees are entitled to remuneration appropriate to the type of work and qualifications held,
  - b. the remuneration received for full-time employment cannot be lower than the minimum wage applicable for a given year – as defined in the national regulations,
  - c. part-time employees receive the reference salary and other remuneration components for work proportional to the working time determined in the employment contract,
  - d. remuneration is payable for work actually performed. The employees retain the right to remuneration for the period of non-performed work only when the labour law regulations provide so.
2. Bonus and/or award rules defining the manner, form and type of incentives and the value of awarded bonuses/awards, diversified according to the organization's goals and expectations. The bonus and/or award rules define:
  - a. the basis for calculating the bonus/award,
  - b. goals for implementation,
  - c. percentage or value of the bonus/award amount depending on the degree of the goal's completion,

- d. rules for determining the amount of bonuses/awards reduction for a given period (sick leave, penalty for breach of order, employment/dismissal of a worker during the month),
  - e. rules and dates of bonus/award payment.
3. The Boryszew Capital Group uses fixed and variable remuneration.
- a. Reference salaries are permanent and determined for a given position in a given Company/Branch of the Boryszew Capital Group in relation to tasks performed in a given organizational unit and the level of responsibility of a given employee. They are awarded to the employees for their work and do not depend on criteria related to work results.
  - b. Variable remuneration is defined separately for individual employee/professional groups – depending on the achieved work results and business goals set for a given organizational unit, including financial and non-financial criteria. They are awarded on the basis of work quality and the degree of commitment to achieve the objectives set for the employees.
  - c. A separate group of remuneration components are compulsory components resulting from the legal national regulations in force. With regard to companies in Poland, these are the components specified in the Labour Code, including, among others, overtime allowance, night work allowance, annual leave remuneration, retirement and disability packages and benefits due to temporary inability to work.
4. The following rules apply to the remuneration of the Boryszew SA Management Board management members:
- a. the Management Board members are employed under management or employment contracts,
  - b. contracts/agreements with the Management Board members are concluded on behalf of the Company by the Chairman of the Supervisory Board or another representative of the Supervisory Board, based on the authorization granted by way of a resolution,
  - c. when determining the remuneration amount for Management Board members, the Supervisory Board takes into account the experience, workload necessary to properly perform the duties of a Management Board member, the scope of duties and responsibilities related to the function of Management Board members and the level of remuneration in a similar position offered by other entities operating on the market,
  - d. the remuneration of Management Board members consists of the following elements:
    - i. permanent reference remuneration,
    - ii. annual bonus depending on the results of the Capital Group and/or the Company/Branch and implementation of quantitative and qualitative objectives of the Management Board members (variable part),
  - e. the terms of the variable remuneration component payment for Management Board members are determined annually by the Supervisory Board by setting short-term and long-term goals,
  - f. detailed rules for remunerating the Management Board members are specified in the Resolutions undertaken by the Supervisory Board,
  - g. additional benefits for Management Board members include a company car, technical equipment and tools necessary to perform official duties, covering travel and representation expenses in the scope and amount appropriate to the functions entrusted.

In 2019, no significant changes in the remuneration policies implemented in the Group occurred.

In the opinion of the Boryszew Management Board, the remuneration policies applied in the Group contributes to the long-term growth of the Company's value for shareholders and the stability of the company's operations.

## **36. CORPORATE GOVERNANCE PRINCIPLES STATEMENT**

As per § 70 section 6 item 5 and § 29 section 3 of the Regulations of the Warsaw Stock Exchange S.A., the Management Board of Boryszew S.A submits its Statement on application of corporate governance rules in 2018.

Boryszew Spółka Akcyjna listed on the Warsaw Stock Exchange was bound to observe in 2019 the rules of corporate governance specified in the "Code of Best Practice for WSE Listed Companies 2016" (attachment to Resolution No 26/1413/2015 of the Warsaw Stock Exchange Supervisory Board of 13 October 2015.) The content of the rules is available on the website of the Warsaw Stock Exchange.

The Company is making every effort to follow the corporate governance principles in all aspects of its activity.

Moreover, in order to pursue a clear and efficient information policy, it ensures its shareholders, analysts and investors s fast and secure access to information, utilising both the traditional as well as modern technologies for publishing information on the Company to the widest possible extent.

**THE CORPORATE GOVERNANCE RULES WHICH APPLY TO BORYSZEW S.A., WHERE THESE RULES ARE AVAILABLE, THE EXTENT OF THE COMPANY'S DEPARTURE FROM THE SET OF CORPORATE GOVERNANCE RULES AND THE REASONS FOR THIS.**

In 2019, the Company complied with the general corporate governance standards included in the "Code of Best Practice of WSE Listed Companies", except for the following rules/recommendations:

Detailed information on the withdrawal from use are described in a dedicated statement available on the Company's website. [www.boryszew.com](http://www.boryszew.com).

	<b>Recommendation / Principle</b>	<b>Explanation of non-application of certain rules in 2019</b>
<b>I.Z.1.20.</b>	A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, the course of general assembly in audio or video form	<i>The Company has not so far recorded the course of general assembly in audio or video form. Due to the failure to register the course of the general meeting in any other method than by preparing the protocol required by law, the Company does not publish the course of the general meeting in its audio or video form on its website.</i>
<b>IV.R.2.</b>	If justified due to the shareholder structure or the shareholders' expectations reported to the company, provided that the company is able to provide the technical infrastructure necessary for the orderly conduct of the general meeting by means of electronic communication, it shall enable shareholders to participate in the general meeting using such means	<i>In 2019, the Company did not follow the recommendation. Some risks are involved in the implementation of this recommendation at present, including the quality of transfer, delay in the data transfer etc and also it would undermine the effectiveness of the Resolutions adopted by the General Meeting. The Company does not rule out the possibility of implementing this rule the future.</i>
<b>IV.Z.2.</b>	If justified due to the company's shareholder structure, the company shall provide a real-time generally available broadcast of the general meeting	<i>According to the Company, a real-time generally available transmission of the general meeting is not expected by shareholders. In addition, the current form of documenting the debates of the General Meeting allowed for transparency and protection of shareholders' rights. In addition, the Company provides information on the adopted resolutions in the form of current reports, and publishes it on its website <a href="http://www.boryszew.com">www.boryszew.com</a></i>
<b>V.Z.6.</b>	In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise	<i>In its internal regulations, the company does not currently define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. After verification of the practices in this area, the company will consider the possibility of introducing such regulations in the future.</i>

**THE MAIN CHARACTERISTICS APPLIED IN THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCEDURE OF COMPILING FINANCIAL REPORTS AND CONSOLIDATED FINANCIAL REPORTS**

As the binding procedures in Boryszew Capital Group relating to the capital market and publishing information must be adapted in line with the current legal provisions, that is new regulations on disclosure duties for companies listed at the Warsaw Stock Exchange, the Management Board of Boryszew S.A. adopted resolution on 27 June 2016 on the matter of accepting: "The regulations for cooperation in fulfilling information obligations within the Boryszew Capital Group", specifying:

- requirements regarding the scope and form of fulfilling information obligations by Boryszew SA with the participation of companies from the Boryszew Capital Group,
- correct process of identification, circulation and protection of information as part of fulfilment of information obligations required by the MAR Regulation, Act on Public Offering and other regulations, in particular by defining the rules of conduct for entities obliged to apply the Regulations in connection with the possession of information subject to reporting; dates of performing information obligations,
- model of cooperation between the companies from the Boryszew Capital Group and all organizational units of Boryszew S.A., including the bodies of the companies from the Boryszew Capital Group and the Boryszew S.A. management Board Office,
- duties of managing and supervising persons as well as persons having access to confidential information related to access to confidential information and transactions on Boryszew S.A. securities and related financial instruments.

Also, the Regulations define in a transparent manner the responsibility of persons who are involved in compiling and verification of the Company's financial report.

Responsibility for preparation of financial statements and formal verification of the same lies with the Financial Director (CFO).

The manner and schedule of preparation of financial statements are each and every time defined in a separate document drafted by the Chief Accountant.

Works on preparation of financial statements are supervised by the Chief Accountant.

The various Department Managers in Boryszew S.A. are responsible for submitting information which is the subject of financial reports to the Chief Bookkeeper on time and reliably.

The Presidents of affiliated and jointly controlled companies, Branch Managing Directors are responsible for designating persons responsible (entrusted persons) for ensuring that information which is the subject of financial reports is submitted to the Chief Bookkeeper on time and reliably.

The Company's annual and six-monthly financial reports are subject to independent examination and review as appropriate by a chartered accountant.

The Company manages risk involved in the process of compiling financial reports also by at all times keeping abreast of the changes in provisions and internal regulations relating to the reporting requirements of companies and prepares their implementation well in advance of time.

The Company updates the accountancy rules on an on-going basis, based on which it prepares financial reports.

In order to ensure the stability of Boryszew Capital Group, the Company co-ordinates and influences the activities of its subsidiaries through representatives of the Company in statutory bodies of companies

#### **SHAREHOLDERS WHO, DIRECTLY OR INDIRECTLY, HOLD SUBSTANTIAL PACKETS OF SHARES WITH INDICATION OF THE NUMBER OF SHARES HELD BY SUCH PARTIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, THE NUMBER OF VOTES RESULTING FROM THE SHARES AND THEIR PERCENTAGE SHARE IN THE OVERALL NUMBER OF VOTES AT THE GENERAL MEETING.**

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, of which:	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.

#### **LIMITATIONS ON VOTING RIGHTS ON SECURITIES ISSUED BY BORYSZEW S.A.**

No statutory restrictions exist regarding exercise of voting rights attached to securities such as restrictions on exercise of voting rights by holders of any particular part or number of votes, timing restrictions regarding exercise of the voting rights or provisions under which, with the Company's co-operation, equity rights attached to securities are separated from the holding of securities.

Boryszew S.A. and subsidiaries do not exercise voting rights from the shares held in Boryszew S.A.

#### **LIMITATIONS ON TRANSFER OF PROPRIETARY RIGHTS TO SECURITIES ISSUED BY BORYSZEW S.A.**

Company's shares are transferable. No limitations exist on the transfer of proprietary rights to securities issued by Company.

#### **PRINCIPLES OF APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND THEIR POWERS**

Pursuant to the Company's Articles of Association, duties of the Supervisory Board include appointing and recalling from office the Management Board Members. The Supervisory Board first appoints a President and on his proposal the remaining Management Board Members.

The term of office of the Management Board is three years and is common for all members of the Management Board. The Management Board, under the chair of the President, manages the Company's affairs and represents the Company.

The powers of the Management Board include all matters which are not reserved either by law or by provisions of the Company's Articles of Association.

The Management Board of the Company has no special rights to make decisions on the issue or redemption of shares.

#### **RULES ON AMENDING ARTICLES OF ASSOCIATION**

Amendments to the Articles of Association require resolution of the General Meeting of Shareholders and must be registered with the National Court Register.

In order to amend the Articles of Association, the Management Board quotes, in the notification on General Meeting of the Company's Shareholders, the provisions then in force and the proposed amendments. If the intended amendments are extensive, the Management Board must also include the proposed consolidated text of the entire Articles of Association in the notification along with a list of its new or amended provisions.

Any amendment to the Articles of Association must be adopted by the General Meeting with the majority of  $\frac{3}{4}$  of votes.

An amendment to the Articles of Association becomes effective upon its registration with the National Court Register. The responsibility for registration of any such amendments lies with the Company's Management Board. The Management Board is obliged to file an amendment to the Articles of Association within 3 months after adoption of relevant resolution. If the given amendment to the Articles of Association consists in increase in the Company's share capital, it may be filed within 6 months of resolving to increase the Company's share capital, and in the event that the consent has been granted to the introduction of a new issue to public trading – within 6 months of the date of such consent being granted, provided that the application for granting of the same is filed no later than four months after resolving to increase the Company's share capital. Resolution on reduction of the share capital should be filed with the National Court Register no later than 6 months after adoption of the same.

While filing an amendment with the registration Court, the Management Board must include the full consolidated text of the Articles of Association.

#### **DESCRIPTION OF THE MANNER IN WHICH THE GENERAL MEETING ACTS, AS WELL AS OF ITS PRINCIPAL POWERS AND THE MANNER OF EXERCISING THE SAME**

General Meeting of Shareholder is the ultimate body of the Company.

The General Meeting acts pursuant to the provisions of the Commercial Companies Code and of the Company's Articles of Association. The Company's Articles of Association provide that the General Meeting of Shareholders may adopt the General Meeting Regulations, which stipulate the principles of its functioning. The Regulations of the

General Meeting were adopted in the Company. The Company's Articles of Association and the Regulations of the General Meeting of Shareholders are available on the Company's website [www.boryszew.com](http://www.boryszew.com).

The General Meeting is convoked by the Management Board. The Supervisory Board may convoke an Ordinary General Meeting in the event that the Management Board should fail to convoke the same at the prescribed time, and an Extraordinary General Meeting where they deem it appropriate. Shareholders representing at least half of the share capital or at least half of all votes in the Company may convoke an Extraordinary Meeting of Shareholders. Shareholders appoint the chairman of the Meeting. A Shareholder or Shareholders representing at least 1/20 of the share capital may demand convocation of an Extraordinary Meeting of Shareholders and placement of specific matters on the agenda of that Meeting.

The General Meeting convoked by the Management Board as an Ordinary General Meeting takes place once per year, no later than in June. In 2016 the Ordinary General Meeting of Boryszew S.A. took place on 15 June.

The agenda of the General Meeting is determined by the Management Board. A Shareholder or Shareholders representing at least 1/20 (one-twentieth) of the share capital may demand placement of specific matters on the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than twenty-one days prior to the date of the Meeting.

The General Meeting is convoked by way of notification published on the Company's website and in the manner prescribed for passing current information according to the provisions of law. Such notification must be published at least twenty-six days before the date of the General Meeting.

The General Meeting of Shareholders is valid regardless of the number of shares represented and resolutions of the General Meeting are adopted with absolute majority of votes cast, unless the Commercial Companies Code or the Articles of Association provide otherwise.

Pursuant to the Articles of Association of Boryszew S.A., apart from other matters stipulated by the Commercial Companies Code, the following matters require a resolution of the General Meeting of Shareholders:

- considering and approval of the Management Board's report on the Company's activities and financial statements for the previous year,
- adopting a resolution on distribution of profit or covering of loss,
- acknowledgement of fulfilment of duties by member of the Company's governing bodies,
- amending the Company's Articles of Association, including increasing and decreasing the share capital and changing the object of the Company's activities,
- decisions concerning claims to remedy a loss inflicted upon incorporation of the Company or upon exercising management or supervision of the same.
- appointment and dismissal of members of the Supervisory Board,
- determining the principles of remuneration for members of the Supervisory Board and the amount of their remuneration,
- redemption of shares or determining terms of such redemption,
- issue of senior bonds or convertible bonds,
- disposal or lease-out of the enterprise or of an organized part of the same, and establishing a limited right in rem on the same,
- dissolution of the Company and appointment of liquidators,
- establishing the record date for the purposes of dividend and the date of dividend payment.

The General Meeting of Shareholders may resolve to refrain from considering a matter placed on the agenda only for important reasons. Resolutions on removal of a matter from the agenda or on refraining from consideration of any matter placed on the agenda at the request of Shareholders require the majority of 75% of votes cast, provided that those Shareholders present at the General Meeting who petitioned that the matter be placed on the agenda have already granted their consent to removal of the same from the agenda or to refraining from consideration of the same. All matters raised at the General Meeting are first presented to the Supervisory Board for consideration.

Shareholders participate in the General Meeting in person or by a proxy.

The power of attorney to participate in the General Meeting and to exercise the voting right must be made in writing to be valid.

The power of attorney to participate in the General Meeting of a public corporation and to exercise the voting right must be granted in writing or in an electronic form. Power of attorney granted in an electronic form does not require confirmation with a secure electronic signature having a valid qualified certificate.

A member of the Management Board and an employee of the Company may serve as proxies at the General Meeting of a public corporation.

If a member of the Management Board, a member of the Supervisory Board, a liquidator, an employee of a public corporation, or a member of governing bodies or an employee of a company or a cooperative being a subsidiary of that corporation serves as a proxy at the General Meeting, the power of attorney may authorise such person to participate in only one General Meeting. The proxy is obliged to disclose to the Shareholder any circumstances indicating existence of a possible conflict of interests. Granting of a further power of attorney shall be excluded.

The proxy votes in accordance with instructions given by the Shareholder.

The principles of participation in General Meetings and of exercising the voting rights are regulated by the Rules of the General Meeting of Shareholders of Boryszew S.A.

Voting at the General Meeting of Shareholders is open. A secret ballot is to be ordered at elections of and upon voting upon motions to dismiss members of the Company's governing bodies or liquidators of the Company, or on holding them accountable, as well as in personnel matters. Also, a secret ballot is to be ordered when requested by at least one of the Shareholders present or represented at the General Meeting.

Resolutions of the General Meeting of Shareholders are passed with simple majority of votes, unless provisions of the Commercial Companies Code stipulate otherwise.

As per the practice implemented at the Company, all relevant materials for the General Meeting of Shareholders are made available to the shareholders in accordance with the applicable provisions of Polish Commercial Companies Code and of the Regulation of the Council of Ministers dated 19 February 2009 on current and periodical information to be provided by issuers of securities and on conditions under which information required by laws of another state, other than a Member State, can be considered equivalent (Official Journal of Laws no. 33, item 259 of 2009). No. 33, item 259 of 2009 with subsequent amendments)

Pursuant to the Rules of the Sessions of General Meeting of Shareholders, the Chairperson oversees proper and efficient proceedings of the Meeting. Chairperson of the General Meeting of Shareholders also ensures that rights and interests of all Shareholders are respected. The Chairperson must not resign the position without important reason.

The shareholders of Boryszew S.A. are entitled to no rights other than those resulting from generally applicable laws.

## **PERSONAL COMPOSITION AND PRINCIPLES OF FUNCTIONING OF MANAGING AND SUPERVISORY BODIES AND THEIR COMMITTEES**

### **SUPERVISORY BOARD**

Pursuant to the Company's Articles of Association, the Supervisory Board is composed of at least five members. Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders. Any member of the Supervisory Board whose mandate expired during the Board's term of office must be compulsorily replaced by the Supervisory Board with another person appointed to hold the position. Appointment of members of the Supervisory Board during the Supervisory Board's term of office must be approved by the next General Meeting of Shareholders. Should the General Meeting of Shareholders refuse to approve any of the new members of the Supervisory Board appointed during the Supervisory Board's term of office, the General Meeting will elect a new member of the Supervisory Board to replace the person who was not approved.

The term of office of a member of the Supervisory Board is three years and is common for all members of the Supervisory Board.

The Supervisory Board, on its first meeting, elects its Chairperson, Deputy Chairperson and Secretary from among its members, in secret ballot.

The Supervisory Board exercises continuous supervision over the Company's operation in all fields of its activity. Members of the Supervisory Board when performing their functions have regard to the interests of the Company. The emphasis of the Supervisory Board includes measures to improve the efficiency of management of the Company to obtain maximum financial performance of the Company as well as increase its stock market value and ensure its long-term development.

The tasks of the Supervisory Board include:

- approving annual business plans of the Company and long-term Company's growth plans,
- assessment of the Management Board's report and financial statements for previous financial year in terms of compliance with books, documents and facts as well as proposals of the Management Board on distribution of profit or coverage of loss and submitting annual written report to the General Meeting of Shareholders on the results of the assessment,
- determining the number of the Management Board members, appointing and dismissing any or all Members of the Company's Management Board,
- suspending from service, for important reasons, of any or all Members of the Company's Management Board
- determining the remuneration for Management Board members,

- delegating Members of the Supervisory Board, for a period not longer than three months, to temporarily perform duties of Members of the Management Board who have been dismissed, resigned or are unable to perform their duties for other reasons.
- selecting statutory auditors for conducting the audit of the financial statements,
- approving proposals of the Management Board to establish and discontinue branches and other organized units of the Company,
- approving acquisition and disposal of real estate property, perpetual usufruct or share in real estate,
- approving transactions concerning subscribing to, disposal or acquisition of shares and stocks where the transaction value exceeds 1/20th of the Company's share capital,
- approving acquisition and disposal of fixed assets the value of which exceeds 1/20th of the Company's share capital,
- approving conclusions by the Company of loan, borrowing agreements, granting guarantees and sureties if the value exceeds in each case 1/20th of the Company's share capital,
- adopting the consolidated text of the Company's Articles of Association for internal purposes of the Company,
- approving draft resolutions submitted by the Management Board to the General Meeting of Shareholders,
- determining the issue price of new shares approving proposals of the Management Board on concluding an agreement with a sub-issuer,
- adoption of the Regulations of Management Board and Company's Organizational Rules,

The Supervisory Board holds its meetings as required, but not less than three times a year. Meetings of the Supervisory Board are convened by its Chairman on his or her own initiative or at the request of the authorised parties. Should a meeting be requested by the Management Board or a member of the Supervisory Board, the Chairman of the Supervisory Board is obliged to convene a meeting within two weeks of receipt of such request. If the Chairman fails to convene a meeting of the Supervisory Board the applicant may convene such independently specifying the date, time and proposed agenda.

Validity of resolutions of the Supervisory Board requires proper notice of the meeting of all the members of the Supervisory Board and presence of at least half of the members of the Supervisory Board, including the Chairman or Vice-Chairman.

The agenda of the meeting of the Supervisory Board is determined 5 days before the scheduled date of the meeting and approved by the Chairman and then submitted to the members of the Supervisory Board along with other materials, unless extraordinary circumstances exist justifying shortening of this period. The agenda may be amended or supplemented if all members of the Supervisory Board are present and express consent.

In emergency, the Chairman of the Supervisory Board may order another way to notify members of the Board on the date of the meeting.

In order to enable the Supervisory Board to exercise constant supervision over the Company, the Management Board provides basic financial information on the Company and Boryszew Capital Group as well as information on any events that could significantly affect the results of operations or the state of the Company's assets.

Management Board members are invited to attend meetings of the Supervisory Board and in the case of discussing matters concerning them directly, in particular: removal, responsibilities and remuneration of the Management Board Members, Supervisory Board meetings held without participation of the Management Board members. Meetings of the Supervisory Board may also be held without formal convocation if all members of the Supervisory Board were notified and agree to hold a meeting and include specific items on the agenda. The Supervisory Board adopts resolutions only on matters included in the agenda. The Chairman administers and leads the work of the Supervisory Board and represents it to other bodies of the Company and other parties.

At each meeting of the Supervisory Board the Management Board reports on all relevant matters associated with Company's operations. In urgent matters the members of the Supervisory Board are notified by the Management Board by circulation. The President may, on their own initiative or upon a written motion of Management Board or members of the Supervisory Board, invite other persons to the meeting, in particular employees of the Company, who are responsible for the issues discussed.

The Supervisory Board may - without prejudice to the competences of other bodies of the Company - express opinions on all matters of the Company, including motions and proposals to the Management Board, which, in such case, is obliged to submit to the Chairman information on the intended use of these motions and proposals within twenty one days from the date of submission.

Members of the Supervisory Board may exercise their rights and carry out their duties in person.

Supervisory Board resolutions are adopted by an absolute majority of votes, i.e. with the number of votes exceeding half of valid votes when at least half of the Supervisory Board members are presents and all members were invited.

In the event of a tie in the voting the Chairman has the casting vote.

The Supervisory Board may pass resolutions in writing or using direct means of distance communication. The resolution is valid if all member of the Supervisory Board have been notified of the contents of the draft resolution.

Members of the Supervisory Board may participate in adopting resolutions by casting their votes in writing, acting through another Member of the Supervisory Board who attends the meeting.

The procedure of casting a vote in writing cannot be applied with respect to matters added to the agenda in the course of the given meeting of the Supervisory Board. The voting is open.

A secret ballot is ordered for elections and dismissal of the Chairman, Vice Chairman or Secretary of the Board as well as on appointment and dismissal of members of the Management Board and on suspending duties, for important reasons, of individual members or the entire Management Board, and also at the request of any member of the Board, participating in the meeting.

Meetings of the Supervisory Board are recorded. The minutes are to be signed by all members present during the meeting. List of attendance at the meeting is attached to the minutes.

The administrative and technical support for the Supervisory Board is provided by the Management Board, by appointing from employees of the Company the person directly responsible for handling and documentation of meetings of the Board.

Members of the Management Board must notify the Supervisory Board on any existing conflict of interest resulting from their performed functions. Statement format is determined by the Regulations of the Supervisory Board.

Remuneration of the members of the Supervisory Board is determined by the General Meeting, subject to the remuneration of Supervisory Board members, delegated to temporarily perform the duties of a member of the Management Board, being determined by resolution of the Supervisory Board.

The total remuneration of all members of the Supervisory Board, as well as each of individual members of the Board, is disclosed in the annual report.

Detailed principles of operation of the Supervisory Board are determined in the Rules for Supervisory Board of Boryszew S.A.

### **Supervisory Board Committees**

The following function in the structure of the Supervisory Board: Audit Committee and Remuneration Committee.

#### **Audit Committee**

##### **Composition of the Audit Committee as at 1 January 2019:**

Mr Jarosław Antosik

Mr Arkadiusz Krężel

Following the resignation of Mr Piotr Lisiecki from his function of a Member of the Supervisory Board, submitted on 7 November 2018, on 21 January 2019 the Supervisory Board appointed Mr Janusz Wiśniewski to the Audit Committee with.

##### **Members of the Audit Committee as at 31 December 2019:**

Mr Jarosław Antosik - Chairman

Mr Janusz Wiśniewski

Mr Arkadiusz Krężel

On 7 April 2020 Mr Janusz Wiśniewski, an independent member of the Audit Committee of the Supervisory Board for Boryszew S.A. notified the Company on cessation, as of 6 April 2020, of the conditions of independence of a member of the Audit Committee in Article 129 section 3 of the Act of 11 May 2017 on auditors, audit firms and public supervision.

The Company will make every effort to ensure that, as soon as possible, the composition of the Audit Committee again fully meets the criterion of independence under the aforementioned Act.

The Audit Committee operates on the basis of applicable laws and regulations, including but not limited to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (the Act), Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the Regulation), the Company's Articles of Association and the Regulations of the Supervisory Board of Boryszew S.A.

The Audit Committee meets the independence criteria and other requirements of Article 128 and Article 129 of the aforementioned Act, namely at least one member of the Audit Committee has knowledge and skills in accounting or auditing financial statements:

- 1)
  - a. Mr Jarosław Antosik is a graduate of the Warsaw School of Economics, Higher School of Finance and Banking (1997). In 1998 he graduated a post graduate program with the French Institute of Management earning his International Management Diploma. In 2002 he obtained a tax advisor's certificate.
  - b. Mr Janusz Wiśniewski has knowledge and skills in accounting and auditing gained during his long managerial experience, in roles that include Vice-President of the Management Board and Commercial Director for Zakłady Azotowe in Tarnów-Mościce, Vice-President and then President of the Management Board of Zakłady Azotowe w Kędzierzynie-Koźlu S.A., Vice-President of the Management Board and acting President of the Management Board for PKN Orlen S.A., partner in Ernst & Young Polska, Vice-President of the Management Board for DGA S.A. Mr Janusz Wiśniewski was a member of Supervisory Boards for Basell Orlen Polyolefins Sp. z o.o., Anwil S.A., ZA Tarnów S.A. and Rafineria Trzebinia S.A.
- 2) at least one member of the Audit Committee has knowledge and skills in the industry in which the Company or its individual members operate; in accordance with certain rules, this knowledge and these skills are:
  - a. Mr Arkadiusz Krężel has knowledge and skills in the industry in which the Company operates gained during his long years in the Supervisory Board of the Company and also as the of President of the Management Board for Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency).
  - b. Mr Janusz Wiśniewski has many years of experience gained in his functions in management and supervisory boards for commercial law companies, including public companies, operating in the processing industry.
- 3) The majority of the members of the Audit Committee, including the Chairman, are independent of the Company:
  - a. Mr Jarosław Antosik - Chairman of the Audit Committee, according to the statement submitted to the Company, meets the independence criteria in the Act of 11 May 2017 on certified auditors, audit firms and public supervision.
  - b. Mr Janusz Wiśniewski - according to the statement submitted to the Company, meets the independence criteria in the Act of 11 May 2017 on certified auditors, audit firms and public supervision (until 6 April 2020).

The Audit Committee is an advisory and consultative body of the Supervisory Board for the correct financial reporting, internal control and internal audit principles applied in the Company as well as the risk management system. The Audit Committee cooperates with the Management Board and employees of the Company and the certified auditor for a good understanding of the company's operating principles and to form its own opinion on the Company's financial statements integrity.

The tasks of the Audit Committee include:

- 1) monitoring:
  - financial reporting process,
  - effectiveness of internal control and risk management systems as well as internal audit, including financial reporting,
  - performing financial auditing activities, in particular audits by an audit company, including all conclusions and findings of the Polish Financial Supervision Authority resulting from inspections carried out in the audit firm;
- 2) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the audit firm provides services to the public interest entity other than audit of financial statements;
- 3) notifying the supervisory board or other supervisory body or control body of public interest entity about the results of the audit and explaining how this audit contributed to the reliability of financial reporting in the public interest entity, and what was the role of the audit committee in the audit process;
- 4) evaluating the independence of the auditor and consenting to the provision by the auditor of permitted non-audit services to the public interest entity;
- 5) drafting a policy of selecting an audit firm to conduct the audit;
- 6) drafting a policy on provision of permitted non-audit services by the audit company engaged to carry out audits of financial statements, by economic operators associated with that audit firm as well as by a member of the audit firm's network;
- 7) determining the procedure for selecting an audit firm by a public interest entity;
- 8) presenting to the supervisory board or other supervisory or control body, or to the body referred to in art. 66 par. 4 of the Accounting Act of 29 September 1994, recommendation referred to in art. 16 sec. 2 of Regulation No. 537/2014, in accordance with the policies referred to in points 5 and 6;
- 9) submitting recommendations aimed at ensuring the reliability of the financial reporting process in a public interest entity.

The Committee holds its meetings as required, but not less than once every quarter. The meetings of the Audit Committee shall be convened by its Chairman and in his absence – by the Vice-Chairman or another Committee member indicated by the Chairman. The Meetings of the Audit Committee may also be convened by the Chairman of the Supervisory Board.

The Audit Committee has access to all Company documents and is entitled to request specific information and explanations from the Company and its employees.

The Audit Committee may conduct or commission (with the consent of the Supervisory Board) the execution of specific assessments or monitoring activities within the scope of its responsibility.

The Audit Committee shall submit the following to the Supervisory Board:

- annual reports on its activities in a given financial year and a situation assessment for the Company and the Capital Group in areas within its competence,
- the conclusions, positions and recommendations developed in relation to the performance of the Audit Committee functions in a timely manner enabling the Supervisory Board to take appropriate actions.

#### **Audit firm selection policy**

The Audit Committee of the Supervisory Board for Boryszew S.A. recommends an entity authorised to audit financial statements of Boryszew S.A. on the basis of adopted policies and procedures. The auditor is selected by the Supervisory Board on the basis of a recommendation by the Audit Committee.

In the course of preparing recommendations for the Supervisory Board by the Audit Committee, the following is considered:

- whether the auditing firm meets the independence requirements referred to in Articles 69-73 of the Act on certified auditors;
- the existence of threats to the independence of the audit firm and the application of safeguards to minimise them;
- knowledge of the industry in which the Company operates;
- the price conditions of the offer,
- whether the audit firm has competent staff, time and other resources at its disposal to conduct the audit properly;
- whether the person designated as the key auditor has the qualifications to carry out mandatory audits, obtained in the European Union member state where the audit is required, including whether that person is registered in the relevant registers of auditors maintained of the European Union member state where the audit is required.
- independence of the audit firm and persons involved in financial audit activities in the light of Articles 69-73 of the Act on certified auditors;
- statutory restrictions on providing services to the Company, possible conclusions and guidelines contained in the annual audit report issued by the Audit Supervision Committee, referred to in Article 90 section 5 of the Act on certified auditors that may influence the appointment of an audit firm.

The selection is made from any audit firms which submitted a bid to provide the statutory audit service in accordance with accepted procedures, provided that:

- the audit firm that audited the Financial Statements of the Company after the expiry of the maximum duration of the mandate may not undertake the audit of the Company's financial statements within four consecutive years,
- the organisation of the procurement procedure may not exclude from participation in the selection procedure companies which have received less than 15% of their total audit fees from public-interest entities in the European Union member state concerned, in the previous calendar year, included on the list of audit firms,

#### **Restrictions on choice**

- the maximum continuous duration of statutory audit engagements carried out by an audit firm or any member of the network established in the European Union to which these audit firms belong may not exceed 5 years;
- The key certified auditor may not conduct an audit of the annual financial statements in the Company for a period longer than 5 years;
- The key certified auditor may again perform audits of the Company's annual financial statements after at least 3 years from the end of the last audit.
- the first agreement on auditing the Financial Statements is concluded with the Eligible Entity for a period of not less than two years with the possibility of extension for further periods of at least two years.

#### **Remuneration rules:**

Remuneration for the audit work received by the audit firm, its statutory auditors and subcontractors acting in their name and on their behalf may not be:

- dependent on any conditions, including the result of the audit;
- shaped or dependent on the provision to the Company or its related entities of additional services which are not audited by an Entitled Entity or any entity related to an audit firm or belonging to a network.

The audit fees must reflect the workload and complexity of the work and the qualifications required.

## **Appointment of an audit firm to audit financial statements for 2018 and 2019**

During the meeting held on 14 June 2018, the Audit Committee recommended to the Supervisory Board four entities authorised to audit financial statements, indicating BDO Sp. z o. o. sp. k.

The recommendation of an entity authorised to audit financial statements was prepared in accordance with the requirements of the Act of 11 May 2017 on certified auditors, audit firms and public supervision, Company's policy and procedure on selection of an entity authorised to audit financial statements in Boryszew S.A.

### **Services allowed**

Policy on provision of permitted non-audit services by the audit company engaged to carry out audits of financial statements, by economic operators associated with that audit firm as well as by a member of the audit firm's network;

The policy of providing permitted services was prepared by the Audit Committee operating within the Supervisory Board of the Company. In accordance with the policy adopted by the Company, the provision of permitted services is possible only after the Audit Committee has carried out an assessment of threats and safeguards of independence referred to in Articles 69-73 of the Act on certified auditors.

In 2019, the Company did not conclude any agreements for services permitted by a certified auditor. In 2019 Impexmetal S.A. concluded an agreement on the services that can be provided by the auditor auditing the financial statements of the Company. The agreement covered an opinion on the confirmation of the correctness of calculation of the electricity consumption intensity factor for 2019. According to the statement of the auditor examining Impexmetal S.A. financial statement the above mentioned service is not in the scope of prohibited services provided by the auditor examining the Company's financial statements.

### **Audit Committee meetings**

In 2019 the Audit Committee held 7 meetings, the main topics of which were associated with the fulfilment of its statutory duties.

### **Remuneration Committee**

#### **Composition of the Remuneration Committee in 2019:**

Mr Janusz Siemieniec until 31 March 2019.

Mr Arkadiusz Krężel

The tasks of the Compensation Committee included in particular: presenting to the Supervisory Board opinions and proposals on shaping the management structure, including the organizational solutions, the remuneration system and selection of staff with qualifications relevant to the implementation of the Company's strategy.

On 21 January 2020 the Supervisory Board, in view of the minimum required composition of the Supervisory Board, following a discussion, chose that no new members would be appointed to Compensation Committee and that the Compensation Committee would be dissolved.

## **CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD**

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

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

Mr Janusz Siemieniec - Chairman of the Supervisory Board,

Mr Mirosław Kutnik – Secretary of the Supervisory Board

Mr Jarosław Antosik - – Member of the Supervisory Board,

Mr Arkadiusz Krężel – Member of the Supervisory Board,

Ms Małgorzata Waldowska - Member of the Supervisory Board.

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

On 1 April 2019, the Company was informed that on 31 March 2019 Mr Janusz Siemieniec, 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 31 December 2019 and 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.

#### **CVs of MEMBERS OF THE SUPERVISORY BOARD OF BORYSZEW S.A.:**

##### **ARKADIUSZ KRĘŻEL - CHAIRMAN OF THE SUPERVISORY BOARD FOR BORYSZEW S.A.**

Member of the Supervisory Board of Boryszew S.A. since 2006.

Chairman of the Supervisory Board since 8 April 2019

Mr Arkadiusz Krężel graduated from the Silesian University of Technology in Gliwice, majoring in Automation and Electrification of Mining.

In 1981 - 1992 he worked for "Kazimierz – Juliusz" Coal Mine in Sosnowiec.

In 1981 - 1992 he worked for "Kazimierz – Juliusz" Coal Mine in Sosnowiec.

In 1992 - 2006 he served as President of the Industrial Development Agency S.A.

Since 1991, he has served on Supervisory Boards of a number of companies from different industries, including: Państwowa Agencja Węgla Kamiennego S.A., Polski Bank Rozwoju S.A., Polskie Koleje Państwowe S.A., PLIVA Kraków Zakłady Farmaceutyczne S.A., Centrala Zaopatrzenia Hutnictwa S.A..

He is a member of the Management Board of the Franco - Polish Chamber of Commerce in Paris and Polish - Japanese Economic Committee.

Mr Arkadiusz Krężel is a Member of the Supervisory Board of Alchemia S.A., Impexmetal S.A. and ZM SILESIA S.A.

##### **JANUSZ WIŚNIEWSKI - DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD FOR BORYSZEW S.A.**

Member of the Supervisory Board of Boryszew S.A. since 17 January 2019.

Vice Chairman of the Supervisory Board since 8 April 2019.

Mr Janusz Wiśniewski is a graduate of Foreign Trade at the University of Łódź and a Princeton University scholarship holder - The Graduate School. He participated numerous managerial courses, including Stanford University Graduate School of Business and University of Chicago Graduate School.

In 1990-2009 he held positions of: Vice-President of the Management Board and Commercial Director for Zakłady Azotowe in Tarnów-Mościce, Vice-President and then President of the Management Board of Zakłady Azotowe w Kędzierzynie-Koźlu S.A., Vice-President of the Management Board and acting President of the Management Board for PKN Orlen S.A., partner in Ernst & Young Polska, Business Advisory (oil, gas, chemicals), Vice-President of the Management Board for DGA S.A. Former chairman of supervisory boards, including for Basell Orlen Polyolefins Sp. z o.o., Anwil S.A., ZA Tarnów S.A., Rafineria Trzebinia S.A.

In 2004-2008 - president of the Association of Engineers and Technicians of the Oil and Gas Industry.

Currently, he runs his own consulting company JWBS, is a Vice President of the Polish Chamber of Commerce and President of the Polish-Brazilian Chamber of Commerce.

Mr Janusz Wiśniewski is a Member of the Supervisory Board for Impexmetal S.A.

##### **MIROSLAW KUTNIK – SECRETARY OF BORYSZEW S.A. SUPERVISORY BOARD**

Member of the Supervisory Board of Boryszew S.A. since 2011.

Mr Mirosław Kutnik graduated in 1989 from the Faculty of Law at the Nicolaus Copernicus University in Toruń, earning his master's degree in law. In 1994 he was entered in the list of legal advisers under TR - 467 of the District Chamber of Legal Advisers in Toruń.

In 1995 - 2005 was ran a General Counsel Practice in Toruń, and since 2005 he has been the Managing Partner of "Kutnik, Kalinowski and Partners" in Toruń.

Since 2005 he has been an advisor to the President of the Confederation of Polish Employers for the promotion of employment and vocational and social rehabilitation of persons with disabilities. Furthermore, he is an expert of the Tripartite Commission for the amendment of legislation on professional rehabilitation and employment of disabled persons.

Since 2002 he sits on boards of public companies.

Mr Mirosław Kutnik in an expert in tax law, constitutional law, aid law. He was an attorney in a number of proceedings before the Constitutional Court.

##### **JAROSŁAW ANTOSIK – MEMBER OF BORYSZEW S.A. SUPERVISORY BOARD**

Member of the Supervisory Board of Boryszew S.A. since 3 October 2017.

Mr Jarosław Antosik holds a university diploma. He graduated Warsaw School of Economics, University of Finance and Banking (1997) In 1998 he graduated a post graduate program with the French Institute of Management earning his International Management Diploma. In 2008 Mr Jarosław Antosik graduated a PhD program at the School of Law and Administration, Łódź University. In 1997 Mr Jarosław Antosik commenced his employment with Arthur Andersen Sp. z o.o. to earn a tax advisor certificate in 2002.

In 2002 - 2005 Mr Jarosław Antosik was an employee of the tax department at Ernst &Young Sp. z o.o. Currently he is a Partner at Accreo Sp. z o.o., and a Management Board member as well. Mr Jarosław Antosik holds the Certificate of English for Business awarded by the London Chamber of Commerce and Industry as well as the Certificate of Russian for Business awarded by the Pushkin Institute and the Russian Chamber of Commerce and Industry.

Mr Jarosław Antosik is a Member of the Supervisory Board for Alchemia S.A.

**Ms MAŁGORZATA WALDOWSKA - MEMBER OF BORYSZEW S.A. SUPERVISORY BOARD.**

Member of the Supervisory Board of Boryszew S.A. since 2015.

Ms Małgorzata Waldowska graduated from the Law and Administration Faculty of Nicolaus Copernicus University in Toruń.

Since 2012 she has held of office of the President of Management Board for Przedsiębiorstwo Badań Geofizycznych Sp. z o.o. based in Warsaw. In recent years she was temporarily the President of the Management Board for NFI Krezus S.A., Taleja Sp. z o.o. and Nova Capital Sp. z o.o. and a Member of the Supervisory Board for NPA Skawina Sp. z o.o., Krezes S.A.

Member of the Supervisory Board for Hutmen S.A. Eastside - Bis Sp. z o.o. and Skotan S.A.

#### **MANAGEMENT BOARD OF THE COMPANY**

Pursuant to the Company's Articles of Association of Boryszew S.A., the Company's Management Board is composed of one to five persons, including: President of the Management Board, up to two Vice-Presidents and members of the Management Board.

The term of office of the Management Board is three years and is common for all members of the Management Board. The Management Board, under the chair of the President, manages the Company's affairs and represents the Company.

The Board is responsible for the fair conduct of the Company's affairs and implementation of its statutory functions, in accordance with law and good practice.

All matters that are not reserved for the competence of the General Meeting of Stockholders and the Supervisory Board fall within the competence of the Management Board. The Management Board prepares the strategy of the Company and is responsible for its implementation and execution. The strategy is subject to approval by the Supervisory Board. The Management Board of the Company carefully analyses all actions and decisions.

A resolution of the Management Board is required in matters falling beyond the scope of ordinary management, in particular on:

- incurring loans,
- issuing sureties and guarantees
- disposal and acquisition of fixed assets,
- approval for publication of midyear and annual Management Board's reports on the activities of the Company and of the Capital Group, as well as financial statements of the Company and consolidated statements of the Capital Group,
- proposals for profit distribution or loss coverage,
- adoption of the growth programme for the Company and for the Capital Group,
- adoption of the budget of the Company and of the Capital Group,
- establishing of proxies,
- appointing, on the basis of civil law, representatives to perform certain tasks within the limits of their authorisation (with the exception of one-time power of attorney to perform certain legal actions and powers of attorney to sign the papers and documents that do not result in incurring liabilities by the Company or disposing property rights of the Company as well as power of attorney ad litem)
- approving the remuneration system and work regulations based on agreements with the trade unions,
- taking a position on issues commissioned by the Supervisory Board in the form of a resolution.

Subject to the pending share buyback, the Management Board holds no individual rights to buy back own shares. The Management Board may not resolve on share issue.

The Board recommends to the Supervisory Board the appointment of an auditor, upon analysis of the tenders submitted.

Authorized to make declaration of will and sign documents on behalf of the Company are: the President of the Management Board acting independently or two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a commercial proxy.

The Management Board convenes on as-needed basis. Management Board meeting can be participated by employees of the Company or other persons, competent for the matters discussed.

Resolutions of the Management Board are adopted by an absolute majority of votes. In case of a tied vote, the President has the casting vote.

A member of the Management Board, absent during a meeting, shall acknowledge and follow, on the first day at work after absence, resolutions passed during his or her absence, confirming it with a signature on the original copy of the minutes.

Meetings of the Management Board are recorded and signed by members of the Management Board present during the meeting.

Members of the Management Board must notify the Supervisory Board on any existing or potential conflict of interest resulting from their performed functions.

The principles of remuneration of the Management Board members are determined by the Supervisory Board of the Company, considering the responsibilities and function as well as the economic and financial situation of the Company.

The aggregate remuneration of all members of the Management Board and of individual members of the Management Board, with details on individual elements of remuneration, is disclosed in the annual report.

The Management Board makes every effort to ensure that the Company conducts an effective economic activity, respecting the interests of all groups of shareholders and other groups associated with the Company's interest.

#### **CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD**

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.

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.

#### **CVs of MEMBERS OF BORYSZEW S.A. MANAGEMENT BOARD**

##### **PIOTR LISIECKI-PRESIDENT OF THE MANAGEMENT BOARD**

President of the Management Board, General Director of Boryszew S.A. since 7 November 2018.

Mr Piotr Lisiecki graduated from the Physics and Astronomy Faculty of Nicolaus Copernicus University in Toruń. He obtained a scholarship at Leeds University and graduated from PhD studies at the Faculty of Management and Marketing, Poznań University of Economics and Business.

Between July 2017 and December 2018 - President of the Management Board for Huta Bankowa Spółka z o.o.

Between June 2016 and 7 November 2018 - member of the Supervisory Board for Boryszew S.A.

Between June 2013 and March 2016 Mr Piotr Lisiecki was employed at Bank Ochrony Środowiska S.A., as Managing Director, Department of Corporate Sale, then as Vice-President of the Management Board for Bank Ochrony Środowiska S.A.

Between April 2012 and May 2013 – Director, Department of Corporate Client at DZ Bank S.A.

Between September 2010 and April 2012 – Managing Director, Department of Corporate Banking Centre Networks at Kredyt Bank S.A.

Between July 1995 and August 2010 employed at BZ WBK S.A. (previously WBK S.A.), where he passed a professional path from the IT System Administrator, Team Manager, Branch Director to Corporate Banking Center Director.

In the period from August 1999 to June 2000 delegated to AIB Bank in Dublin.

Member of the Supervisory Boards in WM Dziedzice S.A. and Hutmen S.A. of Boryszew Capital Group. Mr Lisiecki is the President of the Management Board of Alchemia S.A.

#### **MIKOŁAJ BUDZANOWSKI – MEMBER OF THE MANAGEMENT BOARD**

Member of the Management Board, Development Director for Boryszew S.A. since 26 July 2013.

Mr Mikołaj Budzanowski is a graduate of the Jagiellonian University in Krakow. In 2004 he received the degree of Doctor of Humanities.

He was a listener at Stanford Executive Institute, Stanford University (Management Science and Engineering) and received scholarship from the Japanese Sasakawa Foundation (Nippon Foundation), Deutsch Akademischer Austausch Dienst (DAAD).

From July 2004 to December 2007, he was an adviser to the Polish delegation to the European Parliament in Brussels.

In 2008 he served as Director of the Department of Climate Change in the Ministry of Environment.

In 2008 - 2009 - Director in the Ministry of State Treasury, supervising strategic companies in the oil and gas sector. He was responsible for, inter alia, preparation of special act for the construction of the LNG terminal in Świnoujście and associated investments.

Between 2009 and 2011 – Vice-Minister for State Treasury.

In 2011 - 2013 - Minister of Treasury, responsible for overseeing strategic companies in the oil and gas sector and diversification projects, including construction of the LNG terminal in Świnoujście, shale gas exploration and development of infrastructure for exploitation and transmission of energy resources. Initiator of new energy and mining projects in Poland. Responsible for the integration of the chemical sector around Azoty Group. He oversaw and completed the process of price negotiations for the Yamal contract in 2012.

#### **KRZYSZTOF KOŁODZIEJCZYK – MEMBER OF THE MANAGEMENT BOARD**

Mr Krzysztof Kołodziejczyk is a graduate of Szczecin University, Faculty of Transport and Communications Economics.

Between 1997 and 2012 hired with CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania

In 2012 - 2016 he was employed at Polimex- Mostostal S.A.

In 2016 - 2018 employed as the Chief Financial Officer and Vice President of the Management Board of the General Partner in Mostostal Siedlce Sp. z o.o. Sp. k.

Since 2006 Mr Krzysztof Kołodziejczyk has performed or held supervisory functions in Radpol S.A., Soda Polska Ciech Sp. z o.o., PRINŻ-1 Sp. z o.o. Mr Kołodziejczyk is a member of the Management Board of Boryszew Automotive Plastics Sp. z o.o. and Boryszew Commodities Sp. z o.o.

#### **DESCRIPTION OF DIVERSITY POLICY**

No formal document has been drafted by the Company on its diversity policy in relation to the management body and management team. Recruitment of Management Board members and key managers is based on experience, qualifications and competences of candidates, in line with legislation on equal treatment of employees. The Company is committed to ensure diversity of gender, education, age, professional experience for all its employees, with particular emphasis on senior management and key managers.

### **37. DECLARATIONS OF THE MANAGEMENT BOARD**

The Management Board of Boryszew S.A. represent hereby that:

- a) to the best of their knowledge the annual financial statements of Boryszew S.A. and the comparable data were compiled as per the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition as well as the financial result Boryszew S.A.
- b) the annual consolidated financial statements of Boryszew Capital Group for the first six months and the comparable data were compiled as per the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition as well as the financial result of Boryszew Capital Group.
- c) this annual report on operations presents a true view of development, accomplishments and situation Boryszew S.A. and Boryszew Capital Group, including a description of fundamental risks and threats.

### **38. INFORMATION OF THE MANAGEMENT BOARD ON THE SELECTION OF THE AUDIT FIRM TO CARRY OUT THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH THE PROVISIONS, INCLUDING THOSE CONCERNING THE SELECTION AND PROCEDURE FOR THE SELECTION OF THE AUDIT FIRM**

The Management Board for Boryszew S.A. based on the statement of the Supervisory Board for Boryszew S.A. of 26 May 2020 on the selection of BDO Spółka z ograniczoną odpowiedzialnością sp. k., based in Warsaw, to audit the annual financial statements in accordance with the regulations, including the selection and selection procedure of the auditing firm, declares that:

- a) BDO Spółka z ograniczoną odpowiedzialnością Sp.k. and members of the team auditing the separate and consolidated financial statements for 2019 met the conditions for the preparation of an impartial and independent report on the audit of the annual financial statements in accordance with the applicable regulations, professional standards and rules of professional ethics,
- b) Boryszew S.A. observes the applicable regulations on the rotation of the audit firm and the key statutory auditor as well as on the mandatory grace periods,
- c) The Company pursues the "Policy for selection of the entity authorized to audit financial statements of Boryszew S.A." and the "Policy for the provision of permitted non-audit services by the auditing firm conducting the audit, by entities affiliated with the auditing firm and by a member of the auditing firm's network"

Visit [www.boryszew.com](http://www.boryszew.com) for all corporate documents of the Company, as well as current and periodical information. The Company also runs its website in English.

#### **SIGNATURES OF THE PERSONS REPRESENTING THE COMPANY AND APPROVING THIS REPORT FOR PUBLICATION:**

Piotr Lisiecki - President of the Management Board

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Krzysztof Kołodziejczyk - Member of the Management Board

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Mikołaj Budzanowski – Member of the Management Board

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Warsaw, 28 May 2020