



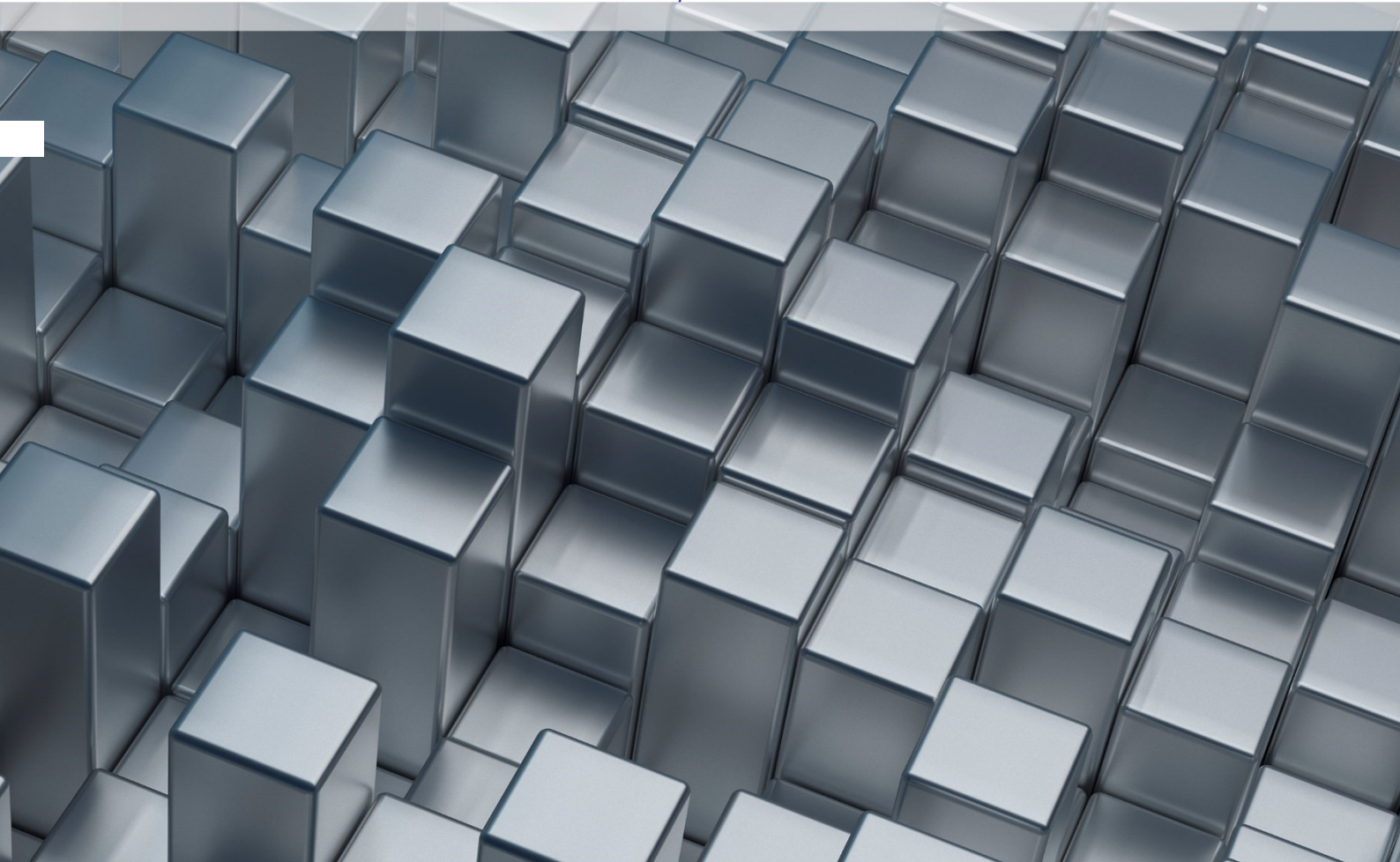
# **Boryszew S.A.**

**REPORT OF THE MANAGEMENT BOARD ON ACTIVITIES OF  
BORYSZEW CAPITAL GROUP**

**FOR THE FINANCIAL YEAR 2021**

**(incorporating disclosure requirements for the Report of the  
Management Board on the operations of the Parent Company in the  
above mentioned period)**

*The report was approved for publication on:  
27 April 2022*



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## 1. INTRODUCTION

### COMPANY DETAILS

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 approximately 9 000 people.

## 2. PREPARATION OF THE REPORT

This report on the activity of Boryszew S.A. and Boryszew Capital Group in 2021, an integral part of the consolidated financial statements of Boryszew S.A. for 2021, was approved for publication by the resolution of the Management Board of Boryszew S.A. on 27 April 2022 and presents the situation of Boryszew S.A. and Boryszew Capital Group in accordance with legal requirements for the period between 1 January 2021 and 31 December 2021, 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.pl](http://www.boryszew.com.pl) 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 2019 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 § 71(8) 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 stand alone basis for Boryszew S.A. as well as consolidated basis for Boryszew Capital Group.

The report is available on the Company's website - [www.boryszew.com.pl](http://www.boryszew.com.pl) from 27 April 2022.

### 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. As the Parent company, it performs management and supervisory functions with regard to other companies of the Group.

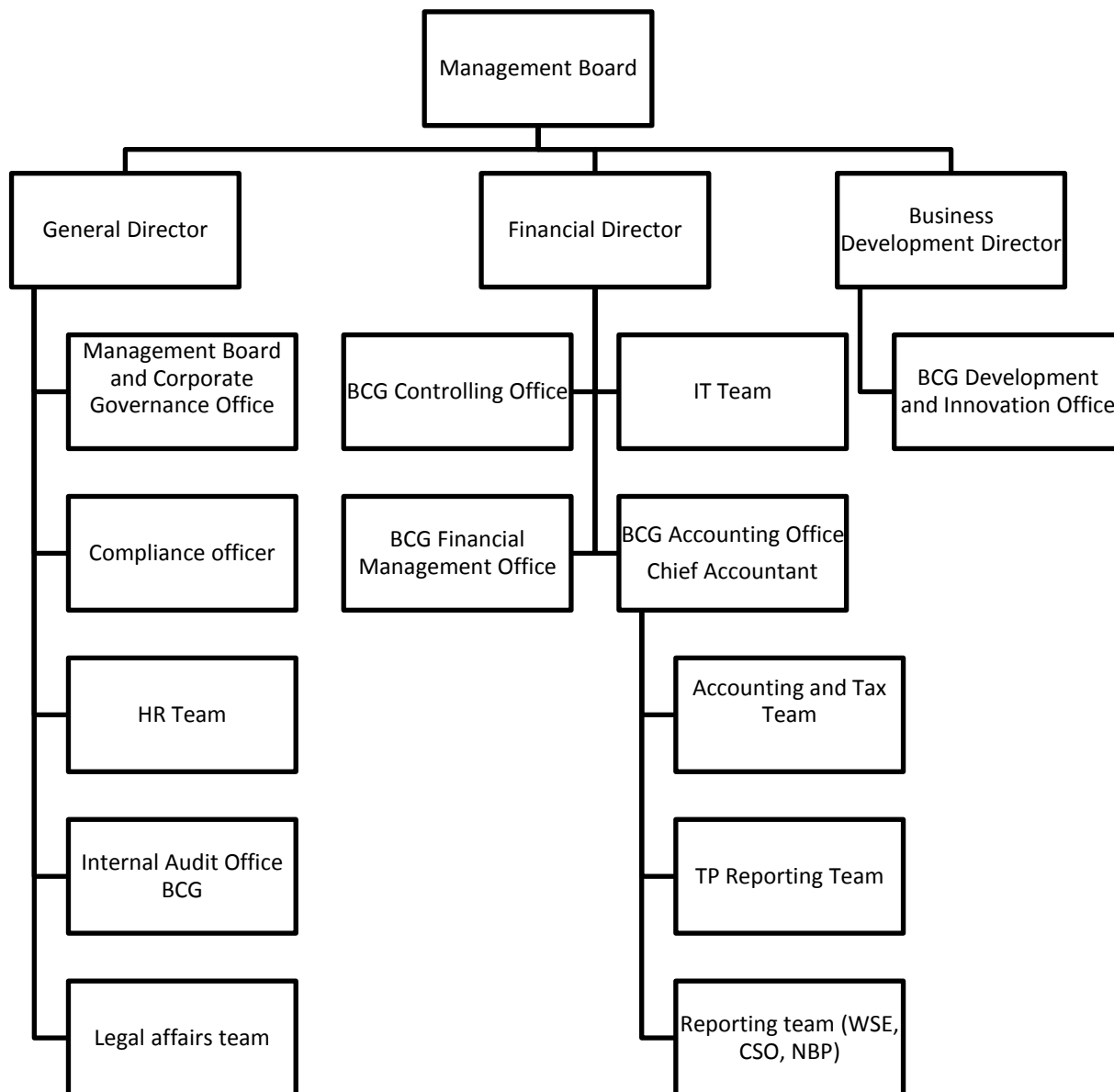
The core business of the Head Office in Warsaw is management of the Capital Group, and its objective is to increase the Company's goodwill in the long run.

In 2021 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”,
- Boryszew ERG Branch in Sochaczew - manufacturer of chemical and construction products. The flagship product of the Division is "Borygo" coolant and CleanSkin disinfectant.
- 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.

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. As of today, no decisions have been made on the spin-off of the above mentioned Branches.

**SIMPLIFIED ORGANISATIONAL CHART OF BORYSZEW S.A. (WITH RESPONSIBILITIES OF INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD)  
AS AT 31 DECEMBER 2021**



## 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. assumed control over Tensho Poland Corporation Sp. z o.o. based in Ostaszewo (currently: Boryszew Tensho Poland Sp. z o.o.), a manufacturer of high quality plastic products.

In 2019, Boryszew Group assumed control over Alchemia Capital Group and the following Alchemia Group companies: Alchemia S.A., Huta Bankowa Spółka z o.o. and Laboratoria Badań Batory Spółka z o.o.

In 2021, Elana PET spółka z o.o., based in Toruń, and FŁT Group companies - FŁT Polska Sp. z o.o., based in Warsaw, along with shares held by FŁT in subsidiaries: FLT-Wälzlager GmbH, FLT & Metals s.r.l., FLT Bearings Ltd, FLT France SAS, FLT (Wuxi) Trading Co., FLT USA LLC, were sold to third party investors.

## BUSINESS SEGMENTS OF THE CAPITAL GROUP BUSINESS (ON 31.12.2021)

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 R.L.DE C.V.,, 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 Holding Spółka z o.o., Hutmen Sp. z o.o. in liquidation, WM Dzierżycie 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., Metalix Ltd. in liquidation; Symonvit Ltd. w likwidacji, Zakład Utylizacji Odpadów Sp. z o.o., RAPZ Sp. z o.o.
Chemical products	Boryszew S.A. Elana Branch, Boryszew S.A. Boryszew ERG Branch, Boryszew S.A. Nylonbor Branch, Nylonbor Sp. z o.o., Elimer Sp. z o.o.
	and companies not attributed to any of the main Segments
Other	Boryszew S.A. - HQ, Boryszew S.A. Energy branch, Eastside - Bis Sp. z o.o., Huta Metali Nieżelaznych Szopienice S.A. in liquidation, SPV Lakme Investment Sp. z o.o., Eastside Capital Investments Sp. z o.o., Elana Energetyka Sp. z o.o., SPV Boryszew 5 Sp. z o.o., SPV Boryszew 6 Sp. z o.o., SPV Boryszew 8 Sp. z o.o., SPV Boryszew 9 Sp. z o.o., SPV Boryszew 10 Sp. z o.o.

**AS AT 31 DECEMBER 2021 THE FOLLOWING COMPANIES WERE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS:**

Company name	Seat	share of the parent in share capital (%)	subsidiary of:	Business segment
<i>Head Offices</i>	Warsaw			Other
<i>Elana Branch</i>	Toruń			Chemical products
<i>Boryszew Energy Branch</i>	Toruń			Other
<i>Maflow Branch</i>	Tychy			Automotive
<i>Boryszew ERG Branch</i>	Sochaczew			Chemical products
<i>Nylonbor Branch</i>	Sochaczew			Chemical products
<i>NPA Skawina Branch</i>	Skawina			Metals
Elimer Sp. z o.o.	Sochaczew	52.44	Boryszew S.A.	Chemical products
Nylonbor Sp. z o.o.	Sochaczew	100.00	Boryszew S.A.	Other
Elana Energetyka Sp. z o.o.	Toruń	100.00	Boryszew S.A.	Other
SPV Boryszew 5 Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Other
SPV Boryszew 6 Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Other
SPV Boryszew 8 Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Other
SPV Boryszew 9 Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Other
SPV Boryszew 10 Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Other
Maflow Polska Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Automotive
Maflow BRS s.r.l	Italy	100.00	Boryszew S.A.	Automotive
Maflow Spain Automotive S.L.U	Spain	100.00	Boryszew S.A.	Automotive
Maflow France Automotive S.A.	France	100.00	Boryszew S.A.	Automotive
Maflow do Brasil Ltda	Brazil	100.00	Maflow Polska Sp. z o.o. (21%), Boryszew S.A. (79%)	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
MAFMEX S.DE R.L.DE C. V	Mexico	100.00	Maflow Spain Automotive S.L.U (3.34%), Maflow Polska Sp. z o.o. (96.66%)	Automotive
Boryszew Automotive Mexico S.DE R.L.DE C.V	Mexico	100.00	Maflow Spain Automotive S.L.U (90.00%), Maflow Polska Sp. z o.o. (10.00%)	Automotive
Boryszew Automotive Plastics Sp. z o.o.	Tychy	100.00	Maflow Polska Spółka z o.o.	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 in liquidation	Germany	100.00	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Theysohn Kunststoff GmbH in liquidation	Germany	100.00	ICOS GmbH in liquidation	Automotive
Theysohn Formenbau GmbH in liquidation	Germany	100.00	ICOS GmbH in liquidation	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 Oberflächentechnik GmbH	Germany	100.00	Boryszew Kunststofftechnik Deutschland GmbH	Automotive



Company name	Seat	share of the parent in share capital (%)	subsidiary of:	Business segment
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, Boryszew S.A.	Automotive
Boryszew Tensho Poland Sp. z o.o.	Ostaszewo	93.68	Boryszew S.A.	Automotive
Impexmetal Holding Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Other
SPV Lakme Investment Sp. z o.o.	Warsaw	100.00	Boryszew	Other
Hutmen Sp. z o.o. in liquidation	Wrocław	100.00	Boryszew S.A.	Metals
Walcownia Metali Dziedzice S.A.	Czechowice-Dziedzice	100.00	Hutmen Sp. o.o. in liquidation 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	Boryszew S.A.	Metals
Baterpol S.A.	Katowice	100.00	Polski Cynk Sp. z o.o.	Metals
Alchemia S.A.	Warsaw	100.00	Boryszew S.A., Alchemia S.A. (own shares)	Metals
Huta Bankowa Sp. z o.o.	Dąbrowa Górnicza	100.00	Alchemia S.A.	Metals
Laboratoria Badań Batory	Chorzów	100.00	Alchemia S.A.	Metals
Polski Cynk Sp. z o.o.	Katowice	100.00	Boryszew S.A.	Metals
Metalix Ltd w likwidacji	Great Britain	100.00	Boryszew S.A.	Metals
Eastside Capital Investments Sp. z o.o.	Warsaw	100.00	Boryszew S.A.	Other
Symonvit Ltd w likwidacji	Cyprus	100.00	Boryszew S.A.	Metals
Baterpol Recycler Sp. z o.o.	Wrocław	100.00	Polski Cynk Sp. z o.o.	Metals
Metal Zinc Sp. z o.o.	Katowice	100.00	ZM Silesia 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.,	Konin	59.97	Boryszew S.A.	Metals
RAPZ Sp. z o.o.	Dąbrowa Górnicza	42.67	Huta Bankowa Sp. z o.o.	Metals

#### Companies not included in the consolidated financial statements

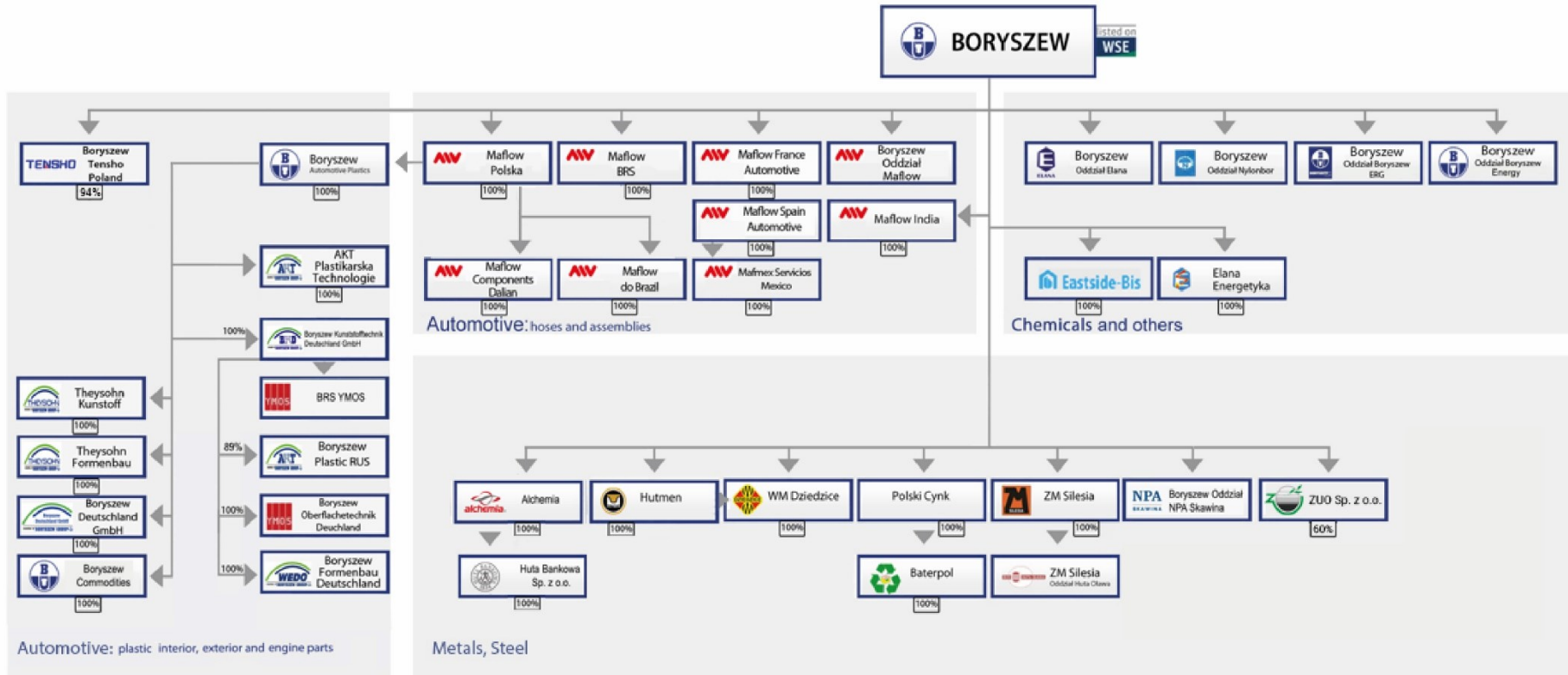
Company name	Seat	share of the parent company in capital (%)	share in votes (%)	Core activity
Elana Ukraina Sp. z o.o.	Ukraine	90	90	dormant company
Brasco Inc	the US	100	100	dormant company
Hutnik Sp. z o.o. – in liquidation,	Konin	94	94	dormant company

## Associated companies

Company name	Seat	share of the parent in share capital (%)	shareholder	Core activity
Brick factory Wostocznaja - Sp. z o.o.	Belarus	30.00	Boryszew S.A.	trade, production of secondary raw materials

Apart from the above-mentioned subsidiaries, subject to the investments described in point 5, the Issuer holds no other significant capital investments.

SIMPLIFIED ORGANISATIONAL CHART OF BORYSZEW GROUP WITH AGGREGATE HOLDINGS IN INDIVIDUAL ENTITIES AS AT 31.12.2021



#### 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 and stocks held by Boryszew Capital Group companies is presented in point 3 of these financial statements.

##### Significant capital investments outside Boryszew Capital Group

###### Stocks and shares

As at 31 December 2021 Boryszew S.A. held 1 815 953 shares of Granges AB based in Stockholm, accounting for 1.7% of share capital of this company, the value of shares according to market price on 31 December 2021 amounted to PLN 86 433 thousand.

###### Bonds

As at 31 December 2021 Boryszew Capital Group had receivables (nominal value + interest) under bonds issued by entities from outside the Capital Group.

<b>Bonds</b>	<b>As at 31.12.2021</b>	<b>As at 31.12.2020</b>
Unibax Sp. z o.o. Impairments	24 019	24 870 -
	<b>24 019</b>	<b>24 870</b>
Skotan S.A. Impairments	10 163 (520)	10 135 (514)
	<b>9 643</b>	<b>9621</b>
other	87	88
	<b>33 749</b>	<b>34 579</b>

##### LOANS GRANTED

Information on loans granted by other entities of the Capital Group is presented in point 13 of the report.

##### REAL PROPERTY

In 2021 Boryszew S.A. sold real estate located in Sochaczew, total surface area of app. 11.1 ha for the total net amount of app. PLN 9.1 million.

In 2021 Eastside- Bis Spółka z o.o. sold real estate located in Toruń, total surface area of app. 6 ha for a total net amount of app. PLN 10 million.

##### Entering into an agreement for real estate acquisition

On 6 April 2022 Eastside-Bis Sp. z o.o. and Unipartner Sp. z o.o. concluded the Final Agreement ("Agreement") for the purchase of an office property located in Warsaw at Foksal street 6 (Real Estate) for the amount of PLN 70 million (the preliminary agreement was concluded on 8 November 2021).

The transaction price was determined on an arm's length basis according to a valuation performed by an independent appraiser. Eastside - Bis Spółka z o.o. made an advance payment of ap. 85% towards the price at the conclusion of the preliminary agreement. The transfer of the ownership title to the real estate and the payment

of the balance of the price was made on the date of the Agreement. The remaining terms of the Agreement are consistent with the standards generally applied in such agreements.

In 2021 and until the date of publication of the report the Company acquired no other significant real estate.

Boryszew Capital Group holds no other significant investments in securities, financial instruments, intangible assets or real estate outside Boryszew Capital Group, except for those disclosed in the report.

## **5. SIGNIFICANT EVENTS**

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

#### **Conclusion of a loan agreement with BNP Paribas Bank Polska S.A.**

On 8 April 2021 Boryszew S.A. signed on agreement on non-revolving facility in the amount of PLN 75 million with BNP Paribas Bank Polska S.A. in order to finance the Company's current operations. The financing term is 9 months of the agreement conclusion date.

Bank's claims are secured by a financial pledge on company's shares in Granges AB based in Stockholm.

The loan was repaid in February 2022.

#### **Decision to initiate the review of strategic options for selected groups of assets**

During analytical works concerning in the development strategy of Boryszew Capital Group for the coming years, on 20 May 2021 the Management Board of the Company chose to initiate the review of strategic options in the determination of key assets of the Group. The aim of the review is to assess scenarios of optimum utilisation of the assets held, in particular taking into consideration current financial results generated by different groups of assets, market and macroeconomic trends, regulatory and market environment, considering the capital needs of different business segments and groups of assets.

In review will consider different options for different asset classes including for assets identified as non-strategic, the possibility of preparing them for disposal, asset disposals, strategic partnerships or joint ventures.

So far, no decisions have been made to select a specific option or scenario for different asset groups. The Company will announce any further significant decisions regarding the above process in the form of relevant reports.

#### **Sale of shares in Elana - PET Sp. z o.o.**

On 30 August 2021 Boryszew S.A. concluded an agreement with LERG S.A. based in Pustków - Osiedle on sale of 19.364 shares of the nominal value of PLN 500 each, accounting for 100% of the share capital in Elana PET Sp. z o.o. based in Toruń ("Elana PET") for the price of PLN 30.8 million. The transfer of ownership of shares and payment of the price will take place on the date of conclusion of the sale agreement.

The provisions of the Agreement on the assurances made, termination of the Agreement, contractual penalties or withdrawal from the Agreement are not different to conditions generally applied in agreements of this type.

In 2020 Elana PET generated sales revenues of PLN 26.1 million (in 2019: PLN 38.8 million), EBITDA in 2020 amounted to PLN 1.4 million (in 2019: PLN 1.5 million) On 30 June 2021 the value of Elana PET shares in the books of Boryszew S.A. amounted to PLN 4.7 million.

#### **Business combination of Boryszew S.A. based in Warsaw and SPV Impexmetal Sp. z o.o. based in Warsaw and Impex - invest Sp. z o.o. based in Warsaw**

On 10 September 2021 the Management Board of Boryszew S.A. resolved to merge Boryszew S.A. based in Warsaw with its subsidiaries SPV Impexmetal Sp. z o.o. based in Warsaw and Impex-invest Sp. z o.o. based in Warsaw (the Acquired Companies).

On 15 December 2021, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Department of the National Court Register, made an entry in the National Court Register – Register of Enterprises on the merger of Boryszew S.A. based in Warsaw with SPV Impexmetal Sp. z o.o. based in Warsaw and Impex – invest Sp. z o.o. based in Warsaw.

The merger was affected under art. 492 § 1 point 1 of the Commercial Companies Code by transferring all the assets of the above mentioned subsidiaries to Boryszew S.A.

The Company believes that the merger will result in improvement of the efficiency of Boryszew Group management by simplification of its organisational structure and optimum use of assets.

#### **Conclusion of Subordination of Debt Agreements**

In order to avoid uncontrolled insolvency of Theysohn Kunststoff GmbH (hereinafter referred to as "TKS"), as well as to enable controlled bankruptcy of TKS under own management, on 27 September 2021 Boryszew S.A. agreed to conclude:

- 1) Agreements on subordination of claims of Boryszew resulting from loans granted to TKS (agreements on priority waiver) in the amount of EUR 8 214 689.54,
- 2) Agreements on subordination of claims of Boryszew Automotive Plastics sp. z o.o. resulting from loans granted to TKS (agreements on priority waiver) in the amount of EUR 5 952 608.05,
- 3) Agreement on subordination of claims of Boryszew Kunststofftechnik Deutschland GmbH resulting from loans granted to TKS (agreements on priority waiver) in the amount of EUR 199 181.74.

#### **Sale of shares in FŁT Polska Sp. z o.o.**

On 29 October 2021 Boryszew S.A. concluded a final sale agreement with XCC (Poland) Investment spółka z ograniczoną odpowiedzialnością based in Warsaw (XCC Poland) (entity controlled by XCC Group and selected for implementation of the transaction concerned as per the authorisation by XCC Group in the preliminary agreement) on the transfer to XCC Poland 1 030 shares of FŁT Polska Sp. z o.o. based in Warsaw ("FŁT") accounting for 100.00% of the share capital of FŁT, carrying 100.00% of votes at the shareholders' meeting together with shares of FŁT in subsidiaries, i.e.: FLT-Wälzlager GmbH, FLT & Metals s.r.l., FLT Bearings Ltd, FLT France SAS, FLT (Wuxi) Trading Co., FLT USA LLC ("FŁT Group") for the price of PLN 80.6 million.

#### **BORYSZEW CAPITAL GROUP**

##### **SPV IMPEXMETAL SP. Z O.O.**

##### **Sale of shares in EW Rywałd Sp. z o.o.**

On 27 April 2021, SPV Impexmetal Sp. z o.o., based in Warsaw and KGAL ESPF 4 Holding S.à r.l. ("Buyer") signed an agreement on the sale of 1 000 shares of a nominal value of PLN 50 each, accounting for 100% of the share capital of EW Rywałd Sp. z o.o. based in Toruń (EW Rywałd) for the price of EUR 11 million (including acquired debt of Euro 1.3 million), of which EUR 9.6 million will be paid on the day of concluding the agreement and the balance will be paid in four instalments payable in line with the progress of construction of the wind farm, which should be completed by the end of 2022.

On the publication date of these financial statements, EUR 1.1 million remained to be paid.

The provisions of the agreement on significant contractual obligations that may be imposed on individual parties (including in particular provision on the occurrence of circumstances that will result in the inability to implement the investment in accordance with the currently estimated budget, schedule and other key assumptions) as well as on assurances made, termination of the agreement or withdrawal from the agreement are not different to conditions generally applied in agreements of this type.

The sale of EW Rywałd was carried out as it was possible to obtain an attractive rate of return on transactions involving the assets of EW Rywałd as well as due to the intention to focus the Group's capital expenditure on projects involving primarily the current segments of the Group's operations

##### **Agreement on the sale of FŁT Trademarks**

On 29 October 2021 SPV Impexmetal Sp. z o.o. based in Warsaw, subsidiary of Boryszew S.A., concluded an agreement with XCC Poland Sp. z o.o. on sale of all trademarks owned by SPV Impexmetal Sp. z o.o., including "FŁT" mark, for the amount of PLN 18 million net. The transaction followed the sale of shares of FŁT Polska Spółka z o.o. by Boryszew S.A. to the same entity.

### **Withdrawal from a preliminary conditional agreement to purchase real estate**

In September 2021 SPV Impexmetal Sp. z o.o. was notified that the seller exercised its right to withdraw from the preliminary conditional agreement on the purchase of the real estate located in Warsaw at Jagiellońska street No. 78.

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

#### **Withdrawal from agreements with the National Centre for Research and Development**

The Management Board of Alchemia S.A. decided to terminate all three research projects at Walcownia Rur Andrzej Division in Zawadzkie, carried out under Measure 1.1 with the National Centre for Research and Development. "Enterprise R&D Projects", Smart Growth Operational Programme 2014-2020.

Accordingly, the Management Board of the Company submitted the following documents to National Centre for Research and Development on 30.06.2021:

- Final information on the progress of project No. POIR.01.01.01-00-0656/16-00: "Innovative grade of high chromium martensitic steel for boiler tubes in conventional power generation applications for supercritical conditions",
- Final information on the progress of project No. POIR.01.01.01-00-0887/17-00: "Innovative bainitic steel tubes with TRIP effect for high-strength products for the mining industry, featuring enhanced performance",
- Declaration of termination of the project funding agreement No: POIR.01.01.01-00-0793/18-00 "Innovative technology of rolling seamless pipes made of alloyed steel with designed quality parameters for power and mining industry".

The decision to abandon the above-mentioned projects was made upon evaluation of the demand for the products that were to be developed under these projects, their profitability and market trends, which ultimately makes it possible to conclude that they will not contribute to the achievement of the assumed results and the assumed profitability of implementation will not be achieved.

### **EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

#### **BORYSZEW PLASTICS RUS SPÓŁKA Z O.O.**

##### **Suspension of the production of Boryszew Plastics Rus, a subsidiary based in Russia**

On 3 March 2022 the Management Board of Boryszew S.A. received information about temporary suspension of activity of Boryszew Plastics Rus a subsidiary based in Russia as of 14 March 2022.

Temporary suspension of Boryszew Plastics Rus business is primarily the consequence of the decision of foreign automotive corporations to suspend until further notice production in facilities located in Russia due to the armed aggression of Russia on Ukraine.

As at the date of these financial statements Boryszew S.A. is not able to estimate precisely possible negative financial effects of the above decision.

#### **HUTMEN SPÓŁKA Z O.O.**

##### **Conclusion of a preliminary property sale agreement by a subsidiary**

On 28 March 2022 the Management Board of Hutmen Sp. z o.o. a subsidiary based in Wrocław (Hutmen), concluded a preliminary agreement with MS Inwestment Sp. z o.o. based in Warsaw on the sale of the real estate of Hutmen, located in Wrocław at Grabiszyńska street No. 241, surface area of ap. 19.2 ha, for PLN 95 million net. The final agreement will be concluded by 31 July 2022 and will be preceded by a number of formal and technical actions typical for this type of transaction.

As at 28 February 2022, the book value of the aforementioned property along with buildings and structures located on it amounted to PLN 44.5 million.

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

##### **Signing an agreement with Credit Agricole Bank Polska S.A**

On 15 March 2022, an agreement was signed with Credit Agricole Bank Polska S.A. for a guarantee line of up to EUR 3.5 million. The maximum term of the bank guarantees is 28 February 2023.

### **Signing an agreement with Millennium S.A.**

On 22 March 2022, an agreement was signed with Bank Millennium S.A. for a revolving loan facility in the amount of PLN 14 million. The loan will be used to repay the debt due to a claim under guarantees issued under the Bank guarantee facility.

### **Provision of corporate guarantee for HSBC Bank China Company Limited**

In order to secure the working capital loan taken by Maflow China with HSBC Bank China Company Limited, a corporate guarantee valid until 18 January 2025 up to a maximum amount of CNY30 million was provided on 23 March 2022.

### **Annex to the Factoring Agreement with ING Commercial Finance Polska S.A**

On 24 March 2022, an annex to the full factoring agreement of NPA Skawina branch was signed with ING Commercial Finance Polska S.A., increasing the limit from PLN 25 million to PLN 45 million.

### **An agreement for a guarantee line with Korporacja Ubezpieczeń Kredytów Eksportowych S.A.**

On 24 March 2022, an agreement was signed with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. for a guarantee line for NPA Skawina branch up to USD 7.25 million until 24 March 2023.

### **Increase of bill of exchange surety for Coface Poland Factoring Sp. z o.o.**

On 30 March 2022, the bill of exchange surety granted to ZM Silesia S.A. for Coface Poland Factoring Sp. z o.o. was increased from PLN 30 million to PLN 45 million.

### **Selection of the auditor to audit the financial statement of Boryszew S.A. for 2022 - 2024**

On 29 March 2022 the Supervisory Board of Boryszew S.A., acting under § 15 of the Articles of Association of Boryszew S.A. appointed BDO Spółka z ograniczoną odpowiedzialnością sp. k. with registered office in Warsaw to:

- conduct review of separate interim financial statements of Boryszew S.A. 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 2022, 30 June 2023 and 30 June 2024,
- conduct review of 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 2022, 30 June 2023 and 30 June 2024, respectively
- conduct audit of separate annual financial statements of Boryszew S.A. drafted in accordance with the International Financial Reporting Standards and regulations on public trading in securities for the periods ending on 31 December 2022 - 2024.
- conduct audit of 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 2022 - 2024.

### **Providing a warranty to equipment supplier**

On 19 April 2022 Boryszew S.A. granted to CRIPPA S.p.A. Italy a guarantee for liabilities of Mafmex S.DE R.L. DE C.V. and Boryszew Maflow Sp. z o.o. under the agreements on purchase of machinery up to the total amount of EUR 6 700 000. The aforementioned guarantees will automatically expire upon payment in full of each agreement, 60 days following the due date at the latest.

## **EASTSIDE - BIS SPÓŁKA Z O.O.**

### **Conclusion of the final real estate purchase agreement**

On 6 April 2022 Eastside-Bis Sp. z o.o. and Unipartner Sp. z o.o. concluded the Final Agreement ("Agreement") for the purchase of an office property located in Warsaw at Foksal street 6 (Real Estate), for the net amount of PLN 70 million. The transaction price was determined on an arm's length basis according to a valuation performed by an independent appraiser. Eastside - Bis Spółka z o.o. made an advance payment of ap. 85% towards the price at the conclusion of the preliminary agreement. The transfer of the ownership title to the real estate and the payment of the balance of the price was made on the date of the Agreement. The remaining terms of the Agreement are consistent with the standards generally applied in such agreements.



### **Impact of the Covid-19 pandemic on the operations of BORYSZEW S.A. and the Capital Group**

During the reporting period the Company and the Group suffered no negative impact of the Covid - 19. Impact of the Covid - 19 pandemic on the operations of Boryszew S.A. and Boryszew Capital Group is described in detail in the Consolidated Financial Statement, note 38.

### **Impact of war in Ukraine on situation of Boryszew Capital Group**

Following the invasion of Ukraine by the Russian Federation on 24 February 2022 and the sanctions against the Russian Federation and Belarus by the EU and the U.S., Boryszew Group assessed the revenues generated and assets involved in the conflict countries. Revenues generated in Boryszew Plastic RUS Sp. z o.o. located in Russian Federation in 2021 amounted to PLN 66.8 million, thus accounting for 1% of the Group's revenues. The company producing for the local market temporarily stopped operations. The development of the geopolitical situation is difficult to predict, therefore company's net assets of PLN 444 thousand and property, plant and equipment of PLN 35 968 thousand were not written off.

The Group has no operations in Belarus and Ukraine.

Boryszew Group identified and monitors on current basis the following key areas and risks:

- supply chain,
- macroeconomics (including exchange rates, metals, and interest rates),
- foreign regulatory environment,
- contractors.

Key identified risks of Boryszew operations associated with the war in Ukraine:

- increase in electricity and gas prices,
- logistical disruptions affecting the supply of raw materials and components for production.

Boryszew Group runs diversified business based on plants located in Europe, Asia and both Americas. The current situation means better business performance in the Metals segment and a slowdown in the Automotive segment. Financial liquidity of Boryszew Group is sufficient for functioning without significant disturbances.

Any adverse events that may occur will be reflected in future financial statements. In particular, the recoverable amount of selected asset items, the level of expected credit losses and the valuation of financial instruments may change. No adjustments have been made to reflect this in this report.

*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.pl](http://www.boryszew.com.pl)*

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

### BORYSZEW S.A.

As per IFRS 8, the following four business segments were defined in 2021 (in order of revenue value):

- 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 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.
- Chełmek 1 facility, which manufactures aluminium air-conditioning tubes and components (endings) for steel and aluminium air-conditioning tubes,
- Chełmek 2 facility, 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, similar to the production facility in Tychy, in manufacture of aluminium air-conditioning tubes and installation of steel air-conditioning tubes. This facility is the only installation in the Group that manufactures air conditioning ducts compatible with R744 (CO2) refrigerant,

- **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 2021 – 2020.

Company	Product range	Value [PLN thousand]	
		2021	2020
Boryszew Maflow Branch	Air-conditioning tubes and other*	628 270	519 708
<b>Total - Automotive Segment</b>		<b>628 270</b>	<b>519 708</b>

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

2021 ended for the Automotive Segment with higher revenues from sales mainly coming from the increase in parts sales, which was triggered by an improvement in the automotive market following the COVID-19 pandemic.

The customer that generates more than 10% of Boryszew S.A. sales revenues is Volkswagen Group - some 11,0% share in sale of the Company.

Main directions of sales in the Segment for 2021 - 2020 are shown in the following table:

Sales structure [%]	2021	2020
Domestic	6%	5%
Germany	22%	24%
Sweden	11%	13%
Great Britain	8%	8%
Spain	7%	7%
The Czech Republic	6%	5%

The Netherlands	6%	5%
Slovakia	6%	7%
France	5%	6%
Belgium	4%	1%
Other	20%	15%
<b>Export sales as % of total sales</b>	<b>94%</b>	<b>95%</b>

Maflow Branch generated its revenue mainly on export sales, which account for 94% of turnover. Only some of the export destinations changes. Sales to the German market dropped by 2pp and the same decrease was recorded for the Swedish market. On the other hand, the expansion into the Czech and Dutch markets improved (by 2 pp total).

- **Market share**

Maflow Branch is the largest entity of Maflow Group. On the European market, Maflow Group is the third biggest supplier of air-conditioning tubes. The share of Maflow Group on the global market remained on the last year's level of around 7%. The production share in Western European markets remained at a similar level as in 2020 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. New projects were implemented as part of development plans, and the facility in Mexico was expanded.

- **Competition**

Direct competitors in the automotive industry, in which Boryszew entities of the Segment operate, include: **Contitech, Eaton/Xandor, TI Automotive Daytech, Hutchinson, 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 pipes as well as sensors.

- **Particularly key parameters for the Segment**

- energy prices and prices of other utilities,
- prices and availability of materials and raw materials,
- delivery cost,
- 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 2021 – 2020.

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2021	2020	2021	2020
<b>Boryszew NPA Skawina Branch</b>					
	Wire rods	28 689	23 968	338 868	203 957
	Alloy rods	6 270	3 139	78 700	30 810
	Non-wire rods	4 002	1 560	48 868	13 278
	Wire	1 543	1 408	22 640	17 057
	Overhead lines	3 929	3 615	55 121	38 149
	Other (solids, aluminium and alloy tubes)	2 527	1 779	33 767	17 649
	Other (goods, materials, services)	992	773	12 813	9 522
	<b>Total</b>	<b>47 952</b>	<b>36 242</b>	<b>590 776</b>	<b>330 422</b>
<b>Total - Aluminium Segment</b>		<b>47 952</b>	<b>36 242</b>	<b>590 776</b>	<b>330 422</b>

By volume, 2021 was better for NPA Skawina Branch than 2020. Higher sales volumes were reported for all assortments. The value of sales in 2021 increased by almost 79% against the previous year owing to a 32.3% increase in sales volume and a 44% increase in LME aluminium quotations compared to 2020.

Main directions of sales in the Segment for 2021 - 2020 are shown in the following table:

Sales structure [%]	2021	2020
Domestic	44%	47%
Germany	11%	7%
The Czech Republic	11%	9%
Austria	6%	7%
Sweden	6%	6%
Luxembourg	5%	6%
Italy	5%	3%
Romania	3%	1%
Portugal	1%	1%
The Netherlands	1%	2%
Other	6%	12%
<b>Export sales as % of total sales</b>	<b>56%</b>	<b>53%</b>

In 2021, the export share went up 56%, or by 3 pp. In the structure of export sales, the largest changes were seen in Germany, up by 4 pp.

- **Market share**

The share of NPA Skawina branch in the European market was approximately 5%. Since NPA Skawina branch is the only manufacturer of aluminium and alloy wire rod in Poland, its share in the domestic market for wire and non-wire aluminium rod was 38% in 2021 which is 7% higher than in 2020. Imports for these products was mainly from the Russian Federation - 26% (Rusal), Romania - 19% (Alro) and Egypt - 9% (Alum) and Mozambique - 4% (Midal). Apart from NPA Skawina branch, overhead conductors are manufactured on the domestic market by FPE Będzin and Eltrim. NPA Skawina sells its products mainly on the European market and their quality is highly appreciated. The main customers are cable and wire manufacturers.

- **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 and 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),
- hand and surface disinfectant liquids that respond to the market demand in the wake of the Covid-19 pandemic outbreak.
- car cosmetics, the answer to the expectations of customers who appreciate high quality and care for their cars.

- **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 2021 – 2020.

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2021	2020	2021	2020
<b>Boryszew Elana Branch</b>	Elana (chopped fibre, elball, Artec)	10 066	8 735	48 884	37 330
	Goods and materials	624	632	2 889	2 398
	Artec	88		75	
	Other services (processing)			2 047	2 084
	<b>Total</b>		<b>10 778</b>	<b>9 367</b>	<b>53 896</b>
<b>Boryszew Branch RG</b>	Chemicals	12 021	10 225	102 404	47 523
	Automotive and de-icing fluids	15 965	11 737	56 671	35 892
	Construction materials			17 607	14 023
	Packaging			13 874	11 155

	Other (including disinfectant)	2 661	1 362	14 993	331 600
	<b>Total</b>	<b>30 647</b>	<b>23 324</b>	<b>205 548</b>	<b>141 748</b>
<b>Boryszew Branch Nylonbor</b>	Polyamides	82	76	2 178	1 740
	Special production			8 235	6 609
	Other	31	35	2 186	1 836
	<b>Total</b>	<b>113</b>	<b>111</b>	<b>12 599</b>	<b>10 185</b>
<b>Consolidation adjustments</b>				<b>-1 442</b>	<b>-1 613</b>
<b>Chemical Segment total</b>		<b>41 538</b>	<b>32 802</b>	<b>270 601</b>	<b>192 132</b>

2021 ended with higher sales by volume for the Chemicals Segment, which is related, among other things, to higher sales volumes of cut fibres in Elana Branch and higher sales volumes for chemical and automotive products in Boryszew ERG branch.

Main directions of sales in the Segment for 2021 - 2020 are shown in the following table:

<b>Sales structure [%]</b>	<b>2021</b>	<b>2020</b>
Domestic	75%	74%
Ukraine	9%	7%
Germany	6%	8%
Spain	2%	2%
Lithuania	2%	2%
The Czech Republic	2%	2%
Great Britain	1%	1%
Italy	1%	1%
Hungary	1%	1%
Other	2%	2%
<b>Export sales as % of total sales</b>	<b>25%</b>	<b>26%</b>

The domestic market is still the main market for the Chemicals Segment companies, generating 75% of the business (up from 74% in 2020). However, a slight decrease was recorded in export sales (up 1 pp.) on the German market.

- **Market share**

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

<b>Product range</b>	<b>Market share % in domestic market</b>
<b>Automotive products:</b>	
Coolants	35%
Installation fluids	45%
De-icing fluids	40%
<b>Chemical market:</b>	
depending on the range	3-10%
<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.

- **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., VOX Industrie, Kaczmarek Malewo, Budmat**.

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

- **Raw materials**

Main raw materials for Chemicals Segment include:

- PET flakes (fibre production),
- octyl and ethyl alcohol (production of chemicals),
- ethylene and propylene glycol (automotive production),
- potassium formate.

Detailed key parameters for the segment:

Purchase prices and availability of raw materials for production

## Other

- **Scope of business**

Segment Other 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.
- Boryszew S.A. Boryszew Energy branch involved in natural gas and electricity trade,

## **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 four 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:

1. Automotive,
2. Metals,
3. Chemical products
4. 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.

- **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) facility in Gardelegen – manufacturer of plastic components for automotive equipment (internal, engine peripheral components), including inter alia components of dashboards, compartments, ventilation nozzles, elements of bonnets, doors.
  - BKD facility in Idar-Oberstein - production of injection moulded parts based on ZnAl (handles, door handles, emblems)
  - Theysohn Kunststoff GmbH in bankruptcy under self-administration (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,
- Companies manufacturing tools:
  - Boryszew Formenbau Deutschland GmbH (BFD) - manufacturer of small and large injection moulds,
  - Theysohn Formenbau GmbH in bankruptcy under self-administration (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 - dormant;
  - ICOS GmbH in bankruptcy under self-administration - former head office of the Theysohn Group,

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 and others,
- 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.



## 1) Sales and Markets

Revenues from Automotive Segment sales in 2021 and 2020 are presented in the table below:

Company	Product range	Value [PLN thousand]	
		2021	2020
<b>BAP Group</b>			
Boryszew Kunststofftechnik GmbH	Plastic components	204 765	307 289
Theysohn Kunststoff GmbH in bankruptcy under self-administration	Plastic components	89 242	107 721
AKT Plastikarska Technologie spol.sr.o (AKT Czech Republic)	Plastic components	119 193	150 410
BKD Idar facility - Oberstein	ZnAl components	76 494	66 500
BRS Oberflächetechnik GmbH	Plastic components	70 440	80 907
Theysohn Formenbau GmbH in bankruptcy under self-administration	Injection moulds production	19 841	21 055
Boryszew Formenbau GmbH (Wedo)	Injection moulds production	19 051	33 033
ICOS GmbH in bankruptcy under self-administration	Holding company	17 961	18 765
Boryszew Plastic RUS	Plastic components	66 824	69 109
Boryszew Tensho Poland Sp. z o.o.	Plastic components	41 554	72 904
BDE Boryszew Deutschland GmbH	Shared service company	1 556	9 960
Boryszew Automotive Plastics Toruń	Shared service company	7 103	22 233
Boryszew HR Service Sp. z o.o.	Outsourcing of employees	11 069	9 319
Boryszew Commodities Sp. z o.o.	Centralised purchase of raw materials	1	26 244
<b>Total for BAP Group</b>		<b>745 094</b>	<b>995 449</b>
<b>Maflow Group</b>			
Boryszew Maflow Branch	Air-conditioning tubes and other*	628 270	519 708
Maflow Italy	Rubber tubes	126 355	105 547
Maflow France	Air-conditioning tubes and other*	61 544	71 892
Maflow Spain	Air-conditioning tubes and other*	71 056	70 442
Maflow Brazil	Air-conditioning tubes and other*	42 256	31 952
Maflow China	Air-conditioning tubes and other*	72 053	66 852
Maflow Mexico	Air-conditioning tubes and other*	63 315	47 304
Maflow India	Air-conditioning tubes and other*	14 190	9 375
<b>Total for Maflow Group</b>		<b>1 079 039</b>	<b>923 072</b>
Consolidation adjustments		-245 037	-302 946
<b>Total - Automotive Segment</b>		<b>1 579 096</b>	<b>1 615 575</b>

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

During 2021, the Automotive segment recorded a decrease sales revenue, which was primarily caused by the COVID-19 pandemic -, as well as disrupted supply chains, and these circumstances, coupled with increased raw material quotations, a shortage of semiconductors used in automotive applications, as well as declining order volumes and announced shutdowns or production curtailments of the Group's key customers, resulted in periodical sales declines.

The main sales destinations for in the Automotive Segment for the period 2021 - 2020 are presented in the table below:

Sales structure [%]	2021	2020
Domestic	7%	9%
Germany	31%	37%
The Czech Republic	10%	10%
Spain	6%	5%
France	6%	6%
China	5%	4%
Mexico	4%	3%
Sweden	4%	4%
Slovakia	4%	4%
Russia	4%	4%
Brazil	3%	2%
Other	16%	12%
<b>Export sales as % of total sales</b>	<b>93%</b>	<b>91%</b>

The main market for the Automotive segment remains the European Union, including over 30% of products sold on the German market.

The customer that generates more than 10% of Boryszew Group sales revenues in Volkswagen Group (over 13%).

- **Market share**

The estimated share of Maflow Group on the global market remained on the last year's level of around 7%. The production share in Western European markets remained at a similar level as in 2020 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.

The VW Group continues to be the most prominent customer for the Maflow Group. Significant customers with less sales volume are: VCC, BMW i Renault.

On the European market, Maflow Group is the third biggest supplier of air-conditioning tubes, closely following Contitech and Hutchinson.

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.

- **Competition**

Competitors for BAP Group include: **Plastic omnium, Faurecia, Magna International, Dr. Schneider, Lear, Adient**. 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 called Tier 1. BAP Groups is frequently a sub-supplier for these competitors (such as Valeo, Faurecia, Adient). 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).

The direct competition of Maflow Group includes such concerns as **Contitech, Eaton/Xandor, TI Automotive Daytech, Hutchinson, Parker, SMA, Hanon, SAAA and Tenglong**. 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.

- **Sources of supplies**

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

Companies of Maflow Group purchase for production of air conditioning tubes mainly such raw materials as: rubber compounds, aluminium pipes and blocks, adaptors/bands, sensors and seals. These are mainly purchased abroad.

- **Particularly key parameters for the Segment**

- energy prices and prices of other utilities,
- prices and availability of materials and raw materials,
- delivery cost,
- 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

- **Scope of business**

The following entities are included in the Aluminium business: NPA Skawina branch, SPV Impexmetal Sp. z o.o., and Symonvit Ltd.

Main products of the Aluminium business include:

- 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 2021 managed the intellectual property. Symonvit Ltd. is currently in the process of liquidation.

- **Sales and Markets**

Sales volumes and revenues from sales in the Aluminium business in 2021 and 2020 are presented in the table below:

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2021	2020	2021	2020
<b>Boryszew NPA Skawina Branch</b>					
	Wire rods	28 689	23 968	338 868	203 957
	Alloy rods	6 270	3 139	78 700	30 810
	Non-wire rods	4 002	1 560	48 868	13 278

Wire	1 543	1 408	22 640	17 057
Overhead lines	3 929	3 615	55 121	38 149
Other (solids, aluminium and alloy tubes)	2 527	1 779	33 767	17 649
Other (goods, materials, services)	992	773	12 813	9 522
<b>Total</b>	<b>47 952</b>	<b>36 242</b>	<b>590 776</b>	<b>330 422</b>
<b>Total - Aluminium Segment</b>	<b>47 952</b>	<b>36 242</b>	<b>590 776</b>	<b>330 422</b>

NPA Skawina Branch recorded a 32.3% increase in sales volumes, in all production assortments. The value of sales in 2021 increased by almost 79% against the previous year owing to a 32.3% increase in sales volume and a 44% increase in LME aluminium quotations compared to 2020.

The main sales directions in the Aluminium Segment for 2021 – 2020 are presented in the table below:

<b>Sales structure [%]</b>	<b>2021</b>	<b>2020</b>
Domestic	44%	47%
Germany	11%	7%
The Czech Republic	11%	9%
Austria	6%	7%
Sweden	6%	6%
Luxembourg	5%	6%
Italy	5%	3%
Romania	3%	1%
Portugal	1%	1%
The Netherlands	1%	2%
Other	6%	12%
<b>Export sales as % of total sales</b>	<b>56%</b>	<b>53%</b>

The main sales destinations in 2021 in the Aluminium business changed slightly. Still, under 50% of sales are generated on the domestic market. The largest market for export sales is Germany, which significantly improved its position (11% vs. 7% in 2020), followed by the Czech Republic.

#### • **Market share**

The share of NPA Skawina branch in the European market was approximately 5%. Since NPA Skawina branch is the only manufacturer of aluminium and alloy wire rod in Poland, its share in the domestic market for wire and non-wire aluminium rod was 38% in 2021 which is 7% higher than in 2020. Imports for these products was mainly from the Russian Federation - 26% (Rusal), Romania - 19% (Alro) and Egypt - 9% (Alum) and Mozambique – 4% (Midal). Apart from NPA, overhead conductors on the domestic market are manufactured by FPE Będzin and Eltrim. NPA Skawina sells its products mainly on the European market and their quality is highly appreciated. The main customers are cable and wire manufacturers.

#### • **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.

## COPPER

- **Scope of business**

In the Copper area, the Boryszew Group has two key manufacturers: Hutmen Sp. z o. o. and WM Dziedzice S.A., which operate on partly 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.

- **Sales and Markets**

The sales volumes and revenues from sales of the Copper business in 2021 and 2020 are presented in the table below:

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2021	2020	2021	2020
Hutmen	Casting alloys	1 261	1 185	34 014	22 534
	Copper wire, bars and profiles	4 599	4 530	179 682	126 867
	Copper pipes (including plumbing pipes)	5 300	5 497	222 760	160 308
	Bronze bars and pipes	52	224	2 197	6 817
	Materials			7 734	4 503
	other			8 078	8 137
	<b>Total</b>		<b>11 212</b>	<b>11 436</b>	<b>454 464</b>
Company	Product range	Quantity [T]		Value [PLN thousand]	
		2021	2020	2021	2020
WM Dziedzice	Brass bars	25 777	22 487	487 984	306 376
	Brass pipes (including capacitor pipes)	5 819	4 617	113 005	80 092
	Brass strips	819	594	26 555	14 511
	Coin blanks and keys	1 761	1 443	63 640	42 761
	Other	1 108	1 112	31 575	24 654
	<b>Total</b>		<b>35 284</b>	<b>30 252</b>	<b>722 759</b>
<b>Total for the Copper Segment</b>		<b>46 496</b>	<b>41 688</b>	<b>1 177 223</b>	<b>797 560</b>

The Copper Segment ended 2021 with higher volume sales by 11.5% and higher value sales by 47.6%. The increase in sales volumes comes from WM Dziedzice S.A. products, in particular brass bars and pipes. Hutmen Sp. z o. o. recorded sales volume in 2021 are at a comparable level to 2020 as a result of the end of operations.

The main sales destinations in the Copper business in 2021 – 2020 are presented in the table below:

<b>Sales structure [%]</b>	<b>2021</b>	<b>2020</b>
Domestic	45%	44%
Germany	20%	21%
The Czech Republic	8%	8%
Italy	6%	7%
Great Britain	3%	3%
U.S.A.	3%	2%
Spain	2%	3%
Slovakia	2%	1%
Canada	1%	1%
Austria	1%	1%
Turkey	1%	1%
Other	7%	8%
<b>Export sales as % of total sales</b>	<b>55%</b>	<b>56%</b>

The main sales destinations in 2021 in the Copper segment did not change significantly. The domestic market remained dominant. An increase in sales was recorded in the US market.

- **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 2021 the share of the Copper business on the domestic market by product groups amounted to:

- brass bar market - approx. 48% (domestic leader position),

- **Competition**

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

*HME* - formed after the acquisition of the rod portion of KME by the Hajliang concern. It has manufacturing facilities in Italy, Germany and France,

*Wieland AG* - a German company with 9 production facilities worldwide, involved in production of non-ferrous metal products, *KME*, *HME*, *Luvata*, *Sofia Med* belonging to Halcor Group, *Cupori Group Oy*, *Feinrohren*, *Sevojno Cooper & Brass Mills*, *Fabrika BakarnihCevi Majdanpek*, *Gindre Duchavany*, *Halcor*.

*Eredi Gnutti S.p.A.*, *Carlo Gnutti*, *Almag*, *Metalurgica San Marco* - Italian concerns, manufacturers of brass bars, rolled products in the form of strips.

Domestic competitors include:

*Walcownia Metali Niezelaznych Gliwice – Łabędy* – which produces copper, brass and bronze strips and sheets; casting brasses and bronzes. *Fabryka Przewodów Energetycznych* in Będzin and *Metal-Expres Sp. z o.o.* manufacturers of copper rods and profiles.

- **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.

- **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.
- economic situation in Poland and in the world,
- foreign exchange rate trends, in particular the EUR and USD exchange rates,
- interest rate levels.

## ZINC AND LEAD BUSINESS

- **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.

- **Sales and Markets**

The sales volumes and revenues from sales of the Zinc and Lead Segment in 2021 and 2020 are presented in the table below:

Company	Product range	Quantity [T]		Value [TPLN]	
		2021	2020	2021	2020
<b>Baterpol</b>					
	Lead and alloys	38 805	31 694	361 645	257 625
	Lead products	37	259	461	4 233
	By-products	9 527	6 902	10 909	5 632
	Other	44	194	718	344
	<b>Total</b>	<b>48 413</b>	<b>39 049</b>	<b>373 733</b>	<b>267 834</b>
<b>ZM Silesia (Katowice)</b>					
	Metal sheets	8 346	8 148	120 131	94 568
	Anodes	2 046	2 153	26 400	22 480
	Wire	2 006	1 698	30 276	21 216
	Casting alloys				
	Other			2 420	3 268
	<b>Total</b>	<b>12 398</b>	<b>12 000</b>	<b>179 227</b>	<b>141 532</b>
<b>ZM Silesia (Oława Branch)</b>					
	Zinc oxides and lead oxides	24 210	21 563	253 480	187 330
	Other			226	209
	<b>Total</b>	<b>24 210</b>	<b>21 563</b>	<b>253 707</b>	<b>187 539</b>

<b>Polski Cynk</b>			0	0
<b>Baterpol Recycler</b>			0	151
<b>Total for the Zinc and Lead Segment</b>	<b>85 021</b>	<b>72 611</b>	<b>806 667</b>	<b>597 055</b>

In the Zinc and Lead Segment, 2021 was closed with quantitative sale increased by 17.1% compared to 2020, i.e. by 12.4 thousand tonnes. The sales increase at Baterpol S.A. was the result of a change of situation on the battery scrap market, increased demand for lead and alloys and higher average annual lead quotations on the LME. A change was also seen in the production input structure. The increase in sales in ZM Silesia was for the entire range of products. Segment sales benefited from higher demand for Group's products and constantly increasing LME zinc quotations.

The main sales destinations in the Zinc and Lead business in 2021 – 2020 are presented in the table below:

<b>Sales structure [%]</b>	<b>2021</b>	<b>2020</b>
Domestic	47%	56%
The Czech Republic	15%	12%
Germany	14%	13%
France	7%	6%
Luxembourg	5%	0%
Spain	3%	6%
Austria	3%	2%
Italy	1%	1%
Great Britain	1%	1%
South Korea	1%	1%
Other	2%	3%
<b>Export sales as % of total sales</b>	<b>53%</b>	<b>44%</b>

In 2021, sales share in the domestic market declined by 9 pp. Increases in sales volumes was mainly recorded in export sales to Germany and the Czech Republic.

- **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 and alloys	2%
Lead oxides	16%
Zinc wire	5%
Zinc oxides	7%
Zinc anodes	4%
Zinc-titanium sheets	4%

Domestic market:

<b>Product range</b>	<b>shares in %</b>
Lead and alloys	22%
Lead oxides	97%
Galvanised wire	80%
Zinc oxides	50%



Zinc anodes	70%
Zinc-titanium sheets	60%

- **Competition**

Foreign competitors in the zinc-titanium sheets and strips market include the five most prominent companies - *VM Zinc, IEQSA, Rheinzink, NedZink and elZinc*.

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.

- **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.

1) **Key parameters of Zinc and Lead area**

- 2) gas and electricity prices,
- 3) price level and availability of battery scrap,
- 4) LME quotation levels for zinc and lead, which significantly determine the demand and competitiveness of the products manufactured by the Company,
- 5) demand of the automotive and construction industry, two main customers of the Zinc and Lead business.

## STEEL BUSINESS

- **Scope of business**

The subsidiary involved in the steel business is Alchemia Group and its companies, acquired in 2021. These group companies are: Alchemia S.A., Huta Bankowa Sp. z o.o. and 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,

– **Sales and Markets**

The most important markets for the Steel business products are oil, gas, chemical, power, construction, infrastructure, machinery and general engineering sectors.

Revenues from the sale of the Steel business in 2021 - 2020 are presented in the table below:

Company	Product range	Value [PLN thousand]	
		2021	2020
Alchemia S.A.	Steel pipes and ingots,	674 508	429 328
	Semi-finished steel products	244 461	140 565
	Forged products,	28 007	17 877
	Steel processing services,	279	282
	Other	20 072	12 851
	<b>Total</b>	<b>967 327</b>	<b>600 903</b>

<b>Huta Bankowa:</b>			
	Long products	456 020	258 886
	Forged and rolled products	88 720	88 295
	Other	16 733	8 054
	<b>Total</b>	<b>561 473</b>	<b>355 235</b>
<b>Laboratorium Badań Batory</b>			
	Services	5 961	5 535
	<b>Total</b>	<b>5 961</b>	<b>5 535</b>
	Consolidation adjustments	-264 059	-152 483
	<b>Total Steel</b>	<b>1 270 702</b>	<b>809 190</b>

During 2021, the Steel business recorded an increase in sales revenues as a result of the global situation in the steel market, in particular the pricing of basic raw materials for production.

#### • 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.

Although Alchemia is the only manufacturer of seamless steel tubes in Poland, competition should be considered from a local as well as a global perspective. In the immediate market environment, some of the largest competitors are:

- Vallourec (including France, Germany)
- Productos Tubulares/Tubos Reunidos (Spain)
- Dalmine Tenaris (including Italy, Romania)
- Moravia (Czech Republic)
- Liberty (Czech Republic)
- Chomutov (Czech Republic)
- TMK Group (Russia, Romania)
- Rustavi (Georgia)
- BMZ (Belarus)
- Interpipe (Ukraine)
- Mittala Group (including Romania)

#### • 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

#### • Scope of business

The Trade and Other segment within the Metals Segment included the following FŁT Group Companies in 2021: 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, and Metalix Ltd in Liquidation (f. FLT Metals Ltd.); Zakład Utylizacji Odpadów Sp. z o.o., Metal Zinc Sp. z o.o.

Following the sale of FŁT Group, as of 29 October 2021 these companies no longer belong to Boryszew Group.

## CHEMICAL PRODUCTS SEGMENT

### • Scope of business

The Chemicals Segment includes the following entities: Boryszew S.A. Elana branch, Elana Pet Sp. z o.o., Boryszew S.A. Boryszew ERG branch, Boryszew S.A. Nylonbor branch and Elimer Sp. z o.o. On 30 August 2021 Elana Pet Sp. z o.o. was sold.

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

- PET flakes used as a raw material in chemical, textile and packaging industries,
- 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),
- hand and surface disinfectant liquids that respond to the market demand in the wake of the Covid-19 pandemic outbreak.
- car cosmetics, the answer to the expectations of customers who appreciate high quality and care for their cars.

### • Sales and Markets

Sales volumes and revenues from sales in the Chemical Segment in 2021 and 2020 are presented in the table below:

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2021	2020	2021	2020
<b>Boryszew Elana Branch</b>	Elana (staples, elball)	10 066	8 735	48 884	37 330
	Goods and materials	624	632	2 889	2 398
	Artec	88		75	
	Other services (processing)			2 047	2 084
	<b>Total</b>	<b>10 778</b>	<b>9 367</b>	<b>53 896</b>	<b>41 812</b>
<b>Boryszew Branch RG</b>	Chemicals	12 021	10 225	102 404	47 523
	Automotive and de-icing fluids	15 965	11 737	56 671	35 892
	Construction materials			17 607	14 023
	Packaging			13 874	11 155
	Other (including disinfectant)	2 661	1 362	14 993	33 156
	<b>Total</b>	<b>30 647</b>	<b>23 324</b>	<b>205 548</b>	<b>141 748</b>
<b>Boryszew Branch Nylonbor</b>	Polyamides	82	76	2 178	1 740
	Special production			8 235	6 609
	Other	31	35	2 186	1 836
	<b>Total</b>	<b>113</b>	<b>111</b>	<b>12 599</b>	<b>10 185</b>
<b>Elana Pet</b>	PET flakes	5 402	7 420	19 104	20 602
	Repair and maintenance services			3 825	5 173
	Other	248	477	206	234
	<b>Total</b>	<b>5 650</b>	<b>7 898</b>	<b>23 135</b>	<b>26 009</b>

Consolidation adjustments			-7 645	-11 639
<b>Chemical Segment total</b>	<b>47 188</b>	<b>40 699</b>	<b>287 533</b>	<b>208 115</b>

The Chemistry Segment ended 2021 with both higher volume sales and higher sales revenue. This applies to almost all segment companies (data for Elana PET cover the period until it is sold to a third party investor - until 30 August 2021).

The main sales directions in the Chemicals Segment in years 2021 – 2020 are presented in the table below:

<b>Sales structure [%]</b>	<b>2021</b>	<b>2020</b>
Domestic	74%	74%
Ukraine	8%	6%
Germany	6%	7%
The Czech Republic	3%	3%
Lithuania	3%	3%
Spain	2%	2%
Great Britain	1%	1%
Italy	1%	1%
Hungary	1%	1%
Other	2%	2%
<b>Export sales as % of total sales</b>	<b>26%</b>	<b>26%</b>

The domestic market remained the main market for the Chemicals Segment companies, generating 74% of the business. Its share was unchanged from 2020. The Ukrainian and German markets are still the main markets for the Chemicals Segment.

#### • **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 2021 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, app. 3-10%,
- construction industry – siding and counter ceiling – 20%.
- packaging - depending on the assortment from 5% (EPS packaging) 15% (pp/pe containers) to 20% (decorative elements).

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

#### • **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., VOX Industrie, Kaczmarek Malewo, Budmat.**

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

- **Raw materials and sources of supplies**
- **Raw materials**

Main raw materials for Chemicals Segment include:

- PET flakes (fibre production),
- octyl and ethyl alcohol (production of chemicals),
- ethylene and propylene glycol (automotive production),
- potassium formate

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

## OTHER

- **Scope of business**

Boryszew S.A. - HQ, Boryszew S.A. Energy branch, Eastside - Bis Sp. z o.o., Huta Metali Nieżelaznych Szopienice S.A. in liquidation, Eastside Capital Investments Sp. z o.o., Elana Energetyka Sp. z o.o., SPV Boryszew 5 Sp. z o.o., SPV Boryszew 6 Sp. z o.o., SPV Boryszew 8 Sp. z o.o., SPV Boryszew 9 Sp. z o.o.,

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. Energy Branch and Elana Energetyka Sp. z o.o.), rental of office and warehouse space and land (Eastside – Bis Sp. z o.o.). Companies: SPV Boryszew 5 Sp. z o.o., SPV Boryszew 6 Sp. z o.o., SPV Boryszew 8 Sp. z o.o., SPV Boryszew 9 Sp. z o.o., SPV Boryszew 10 Sp. z o.o. - are dormant.

## ANALYSIS OF MARKET SITUATION IN 2021

### ECONOMIC SITUATION

The average values of the PMI index (*Purchasing Managers Index*), which determines the level of industrial activity in the economy of the country, were significantly higher than in the previous year. This situation was mainly due to a rather low index level at the beginning of Q1 '2021 following the COVID-19 pandemic. The following months of 2021 saw an improvement in the index, which peaked at 59.4 points in June and remained at that level till the end of the year. The situation was similar for the Euro zone and Germany.

PMI	2021	2020
EU	60.2	48.6
Poland	55.1	47.1
Germany	61.7	49.2

Gross Domestic Product as estimated by the Central Statistical Office in 2021 was 5.9% higher in real terms compared to 2020 against to a 2.2% decline in 2019. In 2021, the most challenging were problems will logistics and price pressures caused mainly by rising raw material prices.

Forecast of GDP growth for Poland	2022
NBP	3.9%
World Bank	5.1%
European Commission	5.5%

## EXCHANGE RATES

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

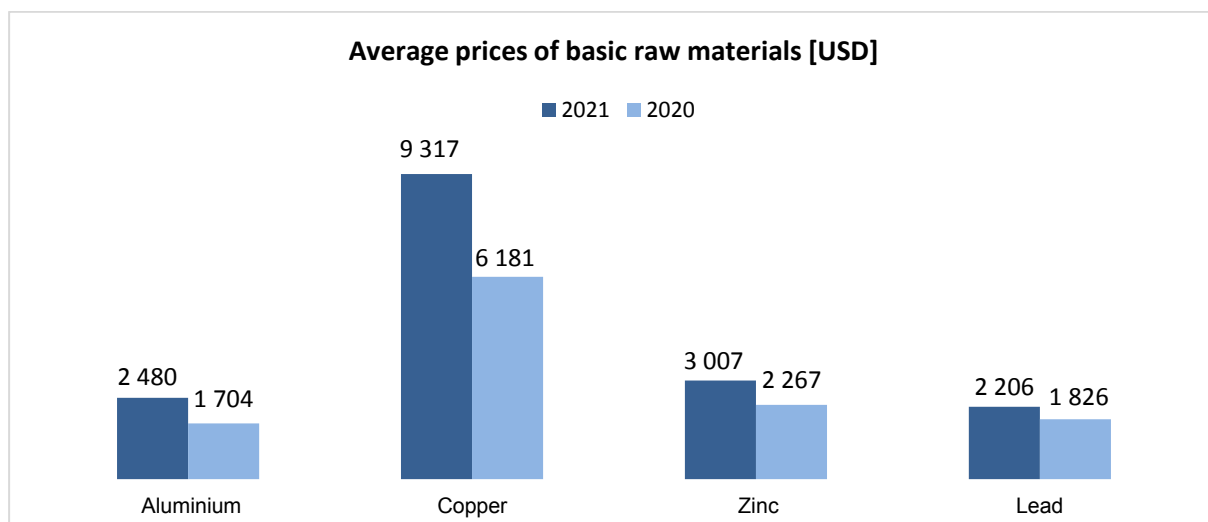
The level of US dollar rates has an impact on revenues of the Group, as it is linked to metal rates, which are the major component of product price. During the period in question, the dollar averaged slightly decreased against PLN by -0.9%.

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 (mainly the Automotive segment), mainly to the Euro zone. In 2021, the average EUR quotations were higher by 2.7% against PLN than in the corresponding period of the previous year.

EUR/USD is up 3.6% year-on-year at 1.18 with 1.14 for EUR/USD in 2020.

## METAL PRICES

Another factor that has a significant impact on revenue is metal quotations. The annual average listing prices of the main metals at LME are presented in the table and chart below:



	2021	2020	% change
Aluminium [USD]	2 480	1 704	46%
Copper [USD]	9 317	6 181	51%
Zinc [USD]	3 007	2 267	33%
Lead [USD]	2 206	1 826	21%

EUR/PLN	4.57	4.44	3%
USD/PLN	3.86	3.90	-1%
EUR/USD	1.18	1.14	4%

	2021	2020	% change
Aluminium [PLN]	9 583	6 642	44%
Copper [PLN]	36 009	24 091	49%
Zinc [PLN]	11 623	8 836	32%
Lead [PLN]	8 526	7 116	20%

The metal price listings at the London Metal Exchange (LME) have a decisive impact on revenues from sales due to the fact that nearly 67% of revenue in Boryszew Capital Group is generated by companies operating in the non-ferrous metals and steel sectors. The level of metal listings is the primary component of products prices.

In the discussed period prices of almost all basic metals increased significantly, namely the price of lead (by 51%), aluminium (by 46%), copper (by 33%) and zinc (by 21%).

The prices of all metals expressed in PLN also increased by 49% copper, aluminium by 44%, zinc by 32% and lead by 20% respectively.

The raw material significant for the Group is scrap metal and steel (including battery scrap) which is the basic (Baterpol SA, WM Dziedzice SA) raw material and for Alchemia also scrap steel.

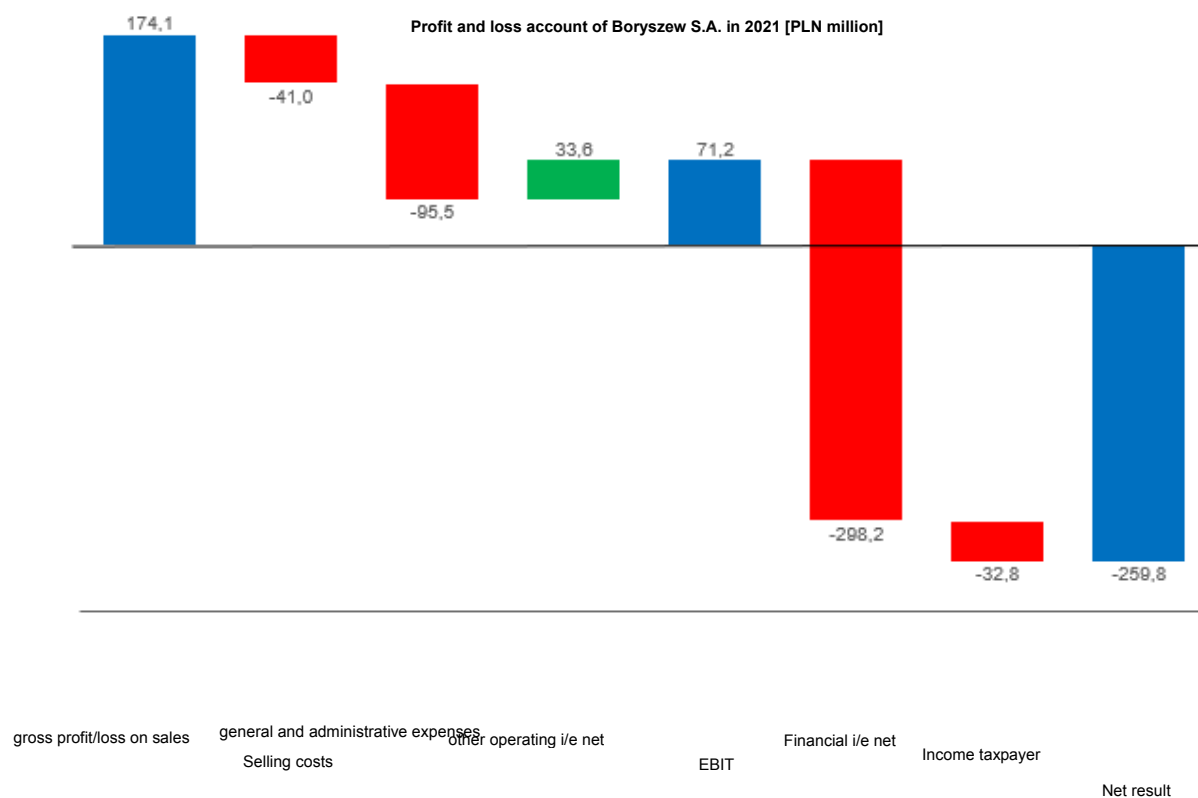
## BORYSZEW SA ANALYSIS OF SELECTED ITEMS OF INCOME STATEMENT

Selected items of the income statement of Boryszew S.A. for 2021, as compared to 2020, are presented in the table below:

in PLN million	2021	2020
<b>Revenues from sale</b>	<b>1 917.7</b>	<b>1 183.3</b>
Gross profit on sales	174.1	158.3
Profit on sales	37.6	54.4
EBITDA <sup>1)</sup>	137.7	1 029.6
<b>Operating profit</b>	<b>71.2</b>	<b>986.0</b>
Gross profit	-227.0	1 228.0
<b>Total net profit</b>	<b>-259.8</b>	<b>1 176.7</b>

<sup>1)</sup> Operating profit (loss) + depreciation + impairment loss on non-financial fixed assets, respectively

The following chart presents the impact of individual components of the income statement on the net result for 2021.



## REVENUES

in PLN million	2021	2020
<b>Revenues from sale, including:</b>	<b>1 917.7</b>	<b>1 183.3</b>
Automotive Segment	628.3	519.7
Metals Segment	590.8	330.4
Chemicals segment	270.6	192.1
Other Operations Segment	472.3	157.7
Intercompany Corrections	-44.2	-16.6
<b>Export sales as % of total sales</b>	<b>52%</b>	<b>61%</b>

In 2021 revenues from sale amounted to PLN 1 917.7 million and increased by 62.1% for the following reasons:

- market rebound after the Covid - 19 pandemic, which brought about increased sales across all segments,
- increase in sales volumes in companies of the Chemical segment,
- increase in selling prices in the Metals segment with a simultaneous increase in sales volumes,
- higher average annual LME metal quotations,
- a significant increase in the sales level of the Other segment of electricity and natural gas

### ECONOMIC CONDITION OF THE AUTOMOTIVE MARKET

Another important parameter with an impact on the dynamics and results of Boryszew S.A. is the sale of cars (the Automotive segment accounts for approximately 33% of Boryszew S.A. turnover).

In 2021 car sales dropped. According to ACEA (*European Automobile Manufacturers' Association*) the passenger car market in Europe (UE, EFTA i UK) declined by 1.5% compared to the same period of last year. That decrease is mainly caused by the COVID-19 pandemic. The introduction of restrictions, freezing of production facilities and the uncertain situation on the European market affected significantly the volume of car sales throughout Europe.

The main customer for the segment - Volkswagen Group - recorded a decrease in car sales on the European Market of 3.7% in 2021 (compared to the corresponding period of 2020).

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		Quantity		% change
	2021	2020	2021	2020	21/20
VW Group	25.0	25.6	2 944 117	3 056 143	-3.7
STELLANTIS	20.2	20.2	2 378 979	2 417 982	-1.6
RENAULT Group	9.3	10.3	1 093 539	1 227 924	-10.9
HYUNDAI Group	8.7	7.0	1 018 563	841 033	+21.1
BMW Group	7.3	7.1	858 762	847 763	+1.3
TOYOTA Group	6.5	5.8	760 178	693 508	+9.6
DAIMLER	5.8	6.4	678 574	762 320	-11.0
FORD	4.4	5.4	523 970	648 530	-19.2
VOLVO	2.5	2.4	289 301	286 265	+1.1
NISSAN	2.1	2.4	249 232	290 520	-14.2
MAZDA	1.3	1.2	155 434	149 419	+4.0
JAGUAR LAND ROVER Group	1.3	1.3	149 784	159 423	-6.0
MITSUBISHI	0.6	0.9	73 370	103 411	-29.1
HONDA	0.6	0.7	68 346	80 656	-15.3



## SALES VOLUME

In 2021 Boryszew S.A. recorded higher level of sales volume by 29.6%, or by 20.4 thousand tonnes. The sales volume increased in all branches, i.e. Boryszew NPA Skawina branch by 11.7 thousand tonnes, Boryszew ERG branch by 7.3 thousand tonnes and Elana branch by 1.4 thousand tonnes.

Volume increase in Boryszew S.A. NPA Skawina branch was generated on all production assortments.

In Boryszew S.A. Elana Branch the increase came from higher sales of cut fibres.

The increase of revenues in Boryszew S.A. Boryszew ERG branch came from almost all assortments, except hand and surface disinfectants.

In Automotive Segment, despite the decline in sales in the European market, an increase in sales was still generated, mainly due to an increase in sales of parts for electric and hybrid cars.

## OPERATING RESULTS

The gross sales in 2021 increased by PLN 15.8 million to attain the level of PLN 174.1 million. The costs of sales increased by PLN 13.9 million, while general and administrative expenses were up by PLN 18.8 million.

The balance of other operating income/expenses amounted to PLN 33.6 million and was lower by PLN 897.9 million against previous year. This decrease was generated mainly by the dividend of PLN 913.0 million paid to Boryszew S.A. by Impexmetal S.A. in 2020

EBITDA for major operating segments was as follows:

in PLN million	2021	2020
<b>EBITDA, including:</b>	<b>137.7</b>	<b>1 029.6</b>
Automotive Segment	88.1	70.5
Metals Segment	19.0	17.7
Chemicals segment	-0.1	20.6
Other Operations Segment	30.7	920.9

The change in EBITDA of 2021 as compared to the previous year in individual segments was a consequence of:

- higher results in the **Automotive Segment** - the increase in EBITDA came from increased sales by 20.9% against the previous year, mainly due to an increase in parts sales as a result of an increased share of sales of electric and hybrid cars.
- higher results in **Metals Segment** - Boryszew S.A. NPA Skawina branch reported better results in comparison to the previous year due to higher sales (by 78.8%) in all sales assortments.
- lower results in **Chemicals Segment** - primarily contributed by Boryszew ERG branch. It was generated on the sales of non-rotating inventory. Other companies of the Segment recorded a slight increase of EBITDA against the previous year.
- significantly lower comparable result of **Other operations** due to the dividend of PLN 913.0 million received from Impexmetal S.A. in 2020, already mentioned.

## FINANCIAL REVENUES AND COSTS, NET RESULT

The balance of financial income and expenses amounted to PLN (-298.2) million and was lower than last year by PLN 540.2 million. The deterioration in the above mentioned balance was mainly caused by one-off events involving a decrease in impairment provisions on financial assets by PLN 358 million and lower financial income - sale of shares in the amount of PLN 60.9 million in 2021 (including shares of Elana Pet PLN 30.8 million and F&T PLN 17.7 million) against PLN 251.2 million in the previous year (Impexmetal).

Net profit on continuing operations in 2021 amounted to PLN -259.8 million and was lower by PLN 1 436.5 million than in the same period of the previous year.

## BORYSZEW CAPITAL GROUP

Selected items of the income statement of Boryszew Capital Group for 2021, as compared to 2020, are presented in the table below:

## ANALYSIS OF SELECTED ITEMS OF INCOME STATEMENT

<b>in PLN million</b>	<b>2021</b>	<b>2020</b>
<b>Revenues from sale</b>	<b>6 264.0</b>	<b>5 554.6</b>
Gross profit on sales	565.8	512.3
Profit on sales	138.2	68.6
EBITDA	344.4	249.4
EBITDA (without one-off events)	375.3	346.4
<b>Operating profit</b>	<b>170.2</b>	<b>54.1</b>
Gross profit	152.2	336.1
Net profit on continuing operations	78.9	282.7
Net profit on discontinued operations	3.2	-1.2
<b>Total net profit</b>	<b>82.2</b>	<b>281.5</b>

The following chart presents the impact of individual components of the income statement on the consolidated net result for 2021.

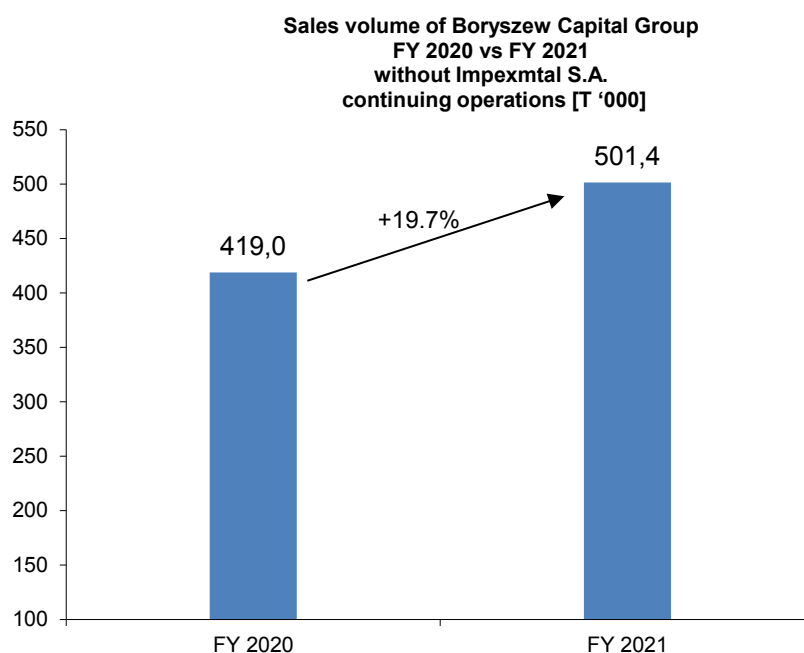
## SALES REVENUES BY SEGMENTS

<b>in PLN million</b>	<b>2021</b>	<b>2020</b>
<b>Revenues from sale, including:</b>	<b>6 264.0</b>	<b>5 554.6</b>
Automotive Segment	1 579.1	1 615.6
Metals Segment	4 196.9	3 670.2
Chemicals segment	287.5	208.1
Other Operations Segment	502.2	189.2
Consolidation exclusions	-301.7	-128.5
<b>Export sales as % of total sales</b>	<b>65%</b>	<b>66%</b>

Income from sales increased in 2021 by 12.8%, to PLN 6 264.0 million. The highest growth was recorded in the Metals Segment (up more than 14% year-on-year) and in the Other Segment (up more than 2x year-on-year). The increase in revenues in the Metals Segment came from the increase in prices (expressed in PLN) of most of the offered products (related to the prices of metals on the LME). In the Other Segment the increase of revenues was generated mainly by Boryszew Energy branch, coming from the increase of prices of utilities (gas and electric energy).

## VOLUME OF SALES

Boryszew Group recorded an increase in sales volumes against the same period of the previous year mainly as a result of an increase in volumes in the Metals Segment, primarily Alchemia +47.3 thousand tonnes.



Almost all of the Group's companies recorded an increase in sales volumes. The largest increase in sales volume in 2021 against 2020 was recorded by the NPA Skawina branch (an increase of 32.3%).

#### **ECONOMIC CONDITION OF THE AUTOMOTIVE MARKET**

A very 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 2021 the car market in Europe (UE, EFTA i UK) shrank by 1.5%.

The VW Group, the largest customer of the Automotive Segment, reported a 3.7% decrease in sales. The European market remains the key market for the Automotive Segment.

The above drops are the aftermath of further shortages with the availability of electronic components, which directly impacted car production throughout 2021 and especially in the second half.

#### **ACHIEVED FINANCIAL RESULTS**

The gross result in 2021 dropped by PLN 53.5 million to PLN 565.8 million. Refer to the "Operating Results" section for comments on results by segments.

The costs of sales as well as general and administrative expenses dropped by PLN 16.1 million in total against the previous year.

The balance of other operating income/expenses was 32.0 million, up by 46.5 million from 2020. The increase in this balance is mainly due to the positive balance of provisions reversed/recognised, which increased by PLN 93.3 million versus 2020. The positive effect was in part neutralised by the balance of reversal/recognition of asset impairment charges, which decreased by PLN 41.3 million against the previous year.

#### **OPERATING RESULT**

- Consolidates figures:**

In 2021, EBITDA excluding non-recurring events on continuing operations amounted to PLN 375.3 million, compared to PLN 346.4 million in the same period last year. In relevant operating segments, the EBITDA result was as follows:

in PLN million	2021	2020	difference
<b>EBITDA (excluding non-recurring events), including:</b>	<b>375.3</b>	<b>346.4</b>	<b>29.6</b>
Automotive Segment	55.2	32.7	22.5
Metals Segment	303.6	253.2	55.9

Chemicals segment	1.7	22.3	-20.7
Other Operations Segment	15.5	38.2	-22.7

- **Automotive Segment**

Despite a decrease in the level of new car registrations in 2021 compared to 2020, Maflow Group recorded an increase in the level of sales and thus EBITDA in 2021 versus the previous year, mainly due to a higher share of sales of components for electric and hybrid cars.

- **Metals Segment**

The Metals segment recorded an increase in results in relation to 2020. The increase in EBITDA was seen in almost all companies of this Segment. Importantly, the Segment recorded an increase in EBITDA despite the sale of Impexmetal in 2020.

The largest increases were recorded by Alchemia CG, Baterpol S.A. and Zakład Utylizacji Odpadów Sp. z o.o.

Baterpol S.A. achieved higher results mainly due to significantly higher sales volumes of lead and alloys - the core products. The sales increase at Baterpol S.A. was the result of a change of situation on the battery scrap market and higher average annual lead quotations on the LME.

The increase in results in Zakład Utylizacji Odpadów Sp. z o.o. is mainly due to higher sales of services.

The result achieved by Alchemia Group for 2021 was contributed by the market situation in the steel industry and the recovery in the markets after the COVID-19 pandemic. 2021 was a year of reversal after markets crashed in pandemic 2020, due to significant price declines. A significant increase in demand was recorded on the market, which brought about shortages of many products and, given gross disruption to supply chains, it had a strong impact on significant increases in prices of both raw materials and products.

- **Chemical products segment**

The decrease in Segment EBITDA is primarily attributable to: Boryszew S.A. Boryszew ERG branch. It was generated on the sales of non-rotating inventory. Other companies of the Segment recorded a slight increase of EBITDA against the previous year.

- **Other**

Segment Other recorded worse results than in the corresponding period of the previous year as a result of the consolidation adjustment in 2020.

## FINANCIAL REVENUES AND COSTS, NET RESULT

The balance of income/operating expenses amounted to PLN (-17.9) million and it was PLN 350.0 million lower as compared to the same period of the previous year.

The net result on continued operations amounted to PLN (78.9) million and was lower by PLN 203.8 million compared to 2020. The decrease of the result was mostly the effect of a one-off event in 2020 - the sale of Impexmetal S.A. (profit on the transaction PLN 376.0 million).

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

### BORYSZEW S.A.

#### ANALYSIS OF SELECTED BALANCE SHEET ITEMS

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

in PLN million	2021	2020
<b>Non-current assets</b>	<b>1 399.6</b>	<b>1 510.7</b>

including:		
tangible assets	257.8	245.6
investment property	21.6	17.2
intangible assets	35.2	32.8
financial assets	41.3	120.8
Shares in related parties	804.0	853.7
other	239.7	240.7
<b>Current assets</b>	<b>1 113.8</b>	<b>1 034.3</b>
including:		
inventory	242.2	208.3
trade receivables	322.7	187.1
cash and cash equivalents	56.9	32.9
other	492.1	606.1
<b>Total assets</b>	<b>2 513.5</b>	<b>2 545.0</b>
<b>Equity</b>	<b>1 367.3</b>	<b>1 597.8</b>
<b>Total liabilities</b>	<b>1 145.7</b>	<b>947.3</b>
including:		
Long-term liabilities, including:	135.5	226.6
financial obligations	38.0	141.2
Short-term liabilities, including:	1 010.7	720.7
trade liabilities	389.4	203.6
financial obligations	515.9	411.8
<b>Balance sheet total</b>	<b>2 513.5</b>	<b>2 545.0</b>

The decrease in fixed assets was mainly due to:

- PLN (79.4) million - decrease in financial assets - loans granted to subsidiaries
- PLN (49.7) million - decrease of shares in subsidiaries (sale of shares in FŁT, Elana Pet).

Current asset increase was primarily due to:

- PLN 135.6 million – increase in trade receivables
- 33.9 PLN million - increase in stocks
- PLN (114.0) million PLN - decrease in other current assets

The decrease in equity was mainly due to the net loss generated in 2021 of PLN 259.8 million.

The increase in current liabilities and provisions was primarily due to:

- PLN 185.8 million - increase in short-term trade liabilities,

## ANALYSIS OF WORKING CAPITAL

in PLN million	2021	2020
<b>Working capital (PLN million)</b>	<b>175.4</b>	<b>191.7</b>
Inventory turnover (in days)	46	64
Turnover of trade receivables (in days)	61	58
Turnover of trade payables (in days)	74	63
<b>Working capital turnover (in days)</b>	<b>33</b>	<b>59</b>

*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 2021, working capital amounted to PLN 175.4 million and decreased by 8.5% or PLN 16.3 million against the end of 2020. Working capital decreased primarily due to faster growth in trade payables versus the growth in trade receivables and inventory levels.

The decrease in working capital turnover was primarily due to a 28.3% decrease in inventory turnover. Trade receivables turnover increased by 6.4%, while trade payables turnover increased by 18.0% compared to the same period in 2020. The real level of working capital in Boryszew S.A., calculated as the turnover ratio (calculated to revenues) in days, decreased by 26 days.

#### ANALYSIS OF INTEREST BEARING DEBT

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

in PLN million	2021	2020
<b>Interest liabilities, including:</b>	<b>553.9</b>	<b>553.0</b>
Long-term interest liabilities	38.0	141.2
including: bonds	0.0	0.0
including: loans, borrowings, leases	38.0	141.2
Short-term interest liabilities	515.9	411.8
including: bonds	28.0	64.0
including: loans, borrowings, leases	487.9	347.8
Cash and cash equivalents	56.9	32.9
Interest payable to related parties	154.9	81.3
Net debt	342.2	438.7
Net debt/EBITDA	2.5	0.4
Value of gross (total) debt to assets*	15.9%	18.5%

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

*Net debt = interest liabilities – cash and cash equivalents - 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 2021 amounted to PLN 342.2 million and was lower by PLN 96.6 million than at the end of 2020.

The gross (total) debt to assets ratio was 15.9% at the end of 2021 compared to 18.5% at the end of 2020.

#### ANALYSIS OF LIQUIDITY

Liquidity ratios are presented in the table below:

in PLN million	2021	2020
Current ratio	1.2	1.6
Quick ratio	0.9	1.3

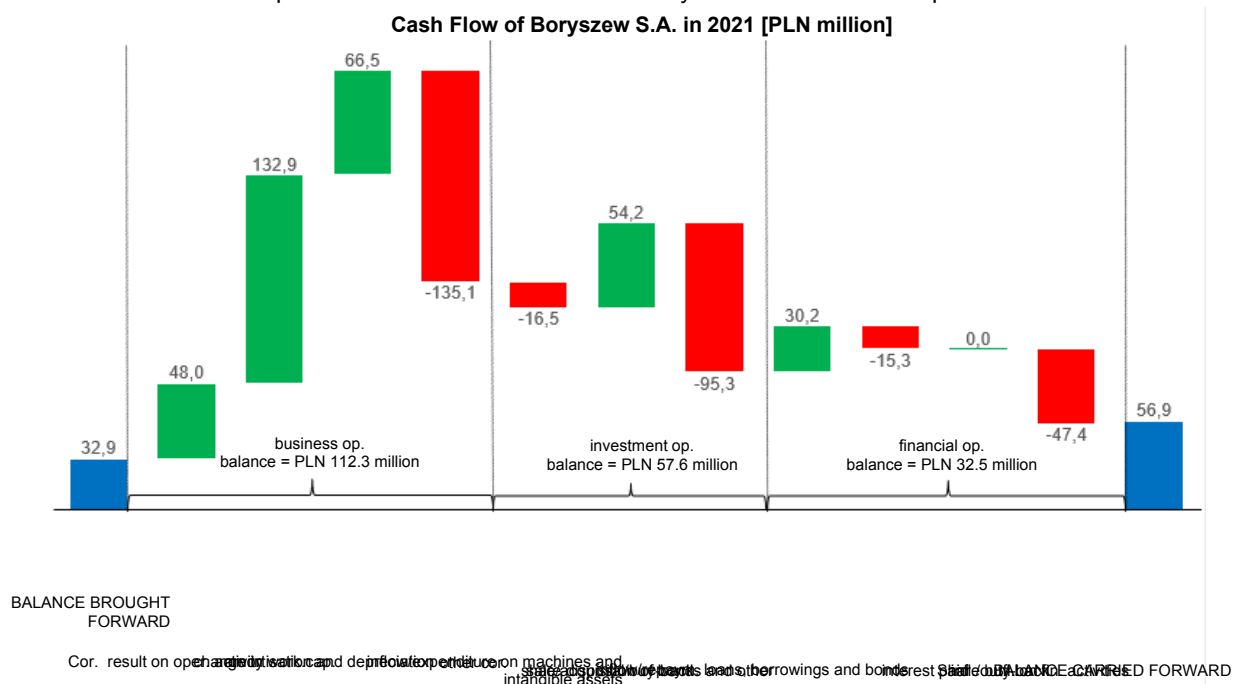
*Current ratio = current assets / short-term liabilities*

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

In 2021, the current ratio and quick ratio were at a lower level compared to 2020. This is a result of a higher increase in short-term liabilities by PLN 290.0 million versus the increase in current assets by PLN 79.5 million (including inventories by PLN 33.9 million).

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

The main items of separate statement of cash flows for Boryszew S.A. in 2021 are presented in the chart below:



The above graph shows main factors that determined the cash flows of Boryszew in 2021.

in PLN million	2021	2020
Net cash flow from operating activities	112.3	-19.5
Net cash flow from investment activities	-57.6	217.9
Net cash flow from financial activities	32.5	-201.3
<b>Total cash flow</b>	<b>22.0</b>	<b>-2.9</b>

In 2021 Boryszew S.A. generated positive cash flows from operating activity, which were spent on purchase of shares of Group's companies.

Investments in fixed and intangible assets took place mainly Maflow Branch (modernisation and machines), NPA Skawina Branch (mainly replacement investments) and Boryszew ERG Branch (mainly gas boiler room).

### Boryszew Capital Group

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

in PLN million	2021	2020
<b>Non-current assets</b>	<b>1 820.7</b>	<b>1 886.5</b>
including:		
tangible assets	1 276.6	1 303.1
investment property	141.8	152.1
intangible assets	46.2	48.1
shares and stocks	292.9	318.1
financial assets	1.7	1.0

other	61.5	64.0
<b>Current assets</b>	<b>2 340.4</b>	<b>2 211.3</b>
including:		
inventory	991.8	981.0
receivables	977.2	783.1
cash and cash equivalents	187.7	185.2
other	183.6	262.0
<b>Assets held for sale</b>	<b>59.5</b>	<b>1.0</b>
<b>Equity</b>	<b>1 746.7</b>	<b>1 633.6</b>
<b>Total liabilities</b>	<b>2 473.9</b>	<b>2 465.2</b>
including:		
Long-term liabilities	527.2	634.8
Short-term liabilities	1 905.8	1 812.9
Liabilities associated with fixed assets held for sale	40.9	17.5
<b>Balance sheet total</b>	<b>4 220.6</b>	<b>4 098.8</b>

#### ANALYSIS OF INTEREST BEARING DEBT

in PLN million	2021	2020
<b>Interest liabilities, including:</b>	<b>852.8</b>	<b>1 055.1</b>
Long-term interest liabilities	155.2	249.1
including: bonds	0.0	0.0
including: loans, borrowings, leases	155.2	249.1
Short-term interest liabilities	697.6	806.1
including: bonds	0.0	0.0
including: loans, borrowings, leases	697.6	806.1
Cash and cash equivalents	187.7	185.2
Net debt	665.1	869.9
EBITDA	344.4	249.4
EBITDA (without one-off events)	375.3	346.4
Net debt/EBITDA	1.9	3.5
Net debt/EBITDA (excluding one-off events)	1.8	2.5

*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*

Relative debt, as measured by the ratio of net debt to EBITDA (excluding non-recurring events), was 1.8 and decreased against the previous year.

By contrast, the gross (total) debt to assets ratio stood at 20.2% at the end of 2021, compared to 25.7% at the end of 2020.

The interest debt of Boryszew Capital Group (less cash and cash equivalents) as at the end of 2021 amounted to PLN 665.1 million and was lower by PLN 204.9 million than that at the end of 2020.



## ANALYSIS OF WORKING CAPITAL

in PLN million	2021	2020
<b>Working capital (PLN million)</b>	<b>1 020.5</b>	<b>1 013.9</b>
Inventory turnover (in days)	58	64
Turnover of trade receivables (in days)	54	48
Turnover of trade payables (in days)	52	46
<b>Working capital turnover (in days)</b>	<b>59</b>	<b>67</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 2021 amounted to PLN 1 020.5 million and increased against the end of 2020 - by PLN 6.6 million.

The actual level of working capital in Boryszew Capital Group, computed as a turnover ratio (calculated based on revenues) expressed in days was 59 days.

### ANALYSIS OF LIQUIDITY

Liquidity ratios are presented in the table below:

in PLN million	2021	2020
Current ratio	1.5	1.5
Quick ratio	0.8	0.8

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

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

In 2021, current and quick liquidity ratios were at 2020 levels. 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 2021, as compared to the corresponding period of previous year, are presented in the table below:

in PLN million	2021	2020
Net cash flow from operating activities	152.8	-10.9
Net cash flow from investment activities	104.6	113.6
Net cash flow from financial activities	-222.5	-115.3
<b>Total cash flow</b>	<b>34.9</b>	<b>-12.6</b>

The following chart presents the main factors shaping the cash flow of Boryszew Capital Group in 2021:

In 2021 the Group generated positive cash flows from operations and investing activity, which were allocated mainly to service debt (payment of loans and borrowings, payment of interest).

The total value of investment expenditure in 2021 amounted to PLN 161.8 million. The table below presents the division of investment expenditure into segments:

in PLN million	2021
<b>CAPEX, including:</b>	<b>161.8</b>
Automotive Segment	58.3
Metals Segment	36.7
Chemicals segment	7.6
Other Operations Segment	67.0
Consolidation exclusions	-7.7

The largest investments in fixed assets in 2021 took place in the Other segment.

Other - Eastside Bis Sp. z o.o. PLN 66.5 million. Automotive - Maflow Polska PLN 31.6 million Maflow Italy PLN 9.1 million

Metals - NPA Skawina PLN 6.8 million

NPA Skawina branch implemented a strategic investment project Demonstrator for modernisation and development, aimed at developing an innovative technology for production of wire rod.

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

### Guarantees and sureties as at 31.12.2021

Entity for which guarantee or surety was issued	Subject of liability	Surety value in PLN '000	Expiry date of guarantee
<b>Boryszew Plastic RUS</b>	Guarantee granted to Volvo Group Trucks Operations	22 997	indefinite validity
<b>MAFMEX S. de R.L. de C.V.</b>	Mafmex's performance bond for AB Volvo	22 997	term of the Agreement
<b>MAFMEX S. de R.L. de C.V.</b>	Mafmex's rent payment bond to Innova Dintel	12 241	01.01.2030
<b>MAFMEX S. de R.L. de C.V.</b>	BMW AG performance bond	27 596	contract period + 15 years
Total		<b>85 831</b>	

	As at 31.12.2021	As at 31.12.2020
Guarantees granted to subsidiaries and jointly-controlled companies and guarantees for repayment of financial liabilities	85 831	57 908
Liability due tax risks - proceedings in Silesia SA	78 304	34 262
	<b>164 135</b>	<b>92 170</b>

In the reporting period, contingent liabilities for pending tax proceedings in Silesia SA were increased in the consolidated financial statements.

Ongoing tax proceedings in one of the Parent Company's branches.

## 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 2021 the following entities accounted for more than 10% of sales revenue generated by Boryszew S.A.:

Company	Conclusion date	Subject matter of the agreement	Value of the agreement in 2021	Share	Relations with
				[%]	the issuer
VW Group	Orders (nominations)	delivery of air-conditioning tubes	PLN 196.5 million	10.2%	none

In 2021 the following entities account for more than 10% of sales revenue generated Boryszew Capital Group:

Company	Conclusion date	Subject matter of the agreement	Value of the agreement in 2021	Share [%]	Relations with the issuer
VW Group	Orders (nominations)	delivery of air-conditioning tubes and plastic parts for cars	PLN 835.7 million	13.34%	none

The value of purchase or sale contracts from other contractors of the Company or the Capital Group in 2021 remained below 10% of revenues from sales of Boryszew S.A. or Boryszew Capital Group respectively.

### SIGNIFICANT AGREEMENTS OF THE CAPITAL GROUP

#### BORYSZEW AUTOMOTIVE PLASTICS GROUP

Name of the party to the contract	Conclusion date	Subject	Contract value in 2021
VW Group	orders	sale of parts to automotive	PLN 507.1 million

#### MAFLOW GROUP

Name of the party to the contract	Conclusion date	Subject matter of the agreement	Contract value in 2021
VW Group	orders	sale of parts to automotive	PLN 328.6 million

#### Other agreements material for the operations of the Capital Group companies

(contract value exceeding 2% of sales revenues of Boryszew Capital Group)

#### ZM SILESIA S.A.

Conclusion date	Subject matter of the agreement	Estimated value of the contract in 2021
11.01.2021	delivery of raw materials (zinc and lead)	PLN 132 million

#### ALCHEMIA GROUP

Conclusion date	Subject matter of the agreement	Estimated value of the contract in 2021
Multi-year contract	purchase of raw materials	PLN 244.6 million

#### INSURANCE CONTRACTS

Boryszew S.A. and subsidiaries had insurance policies for 2021 within the framework of general agreements concluded by the Parent Company with several insurance companies for the entire Boryszew Group.

The scope of these agreements covers the insurance of:

- Boryszew Group property
- profit lost due to all risks
- machine damage
- loss of profit due to damage to machinery and equipment
- electronic equipment
- business activity and property owners civil liability insurance
- tax risks,
- liability of members of the governing bodies of a limited liability or joint stock company.

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

#### Hutmen Spółka z o.o.

##### Transformation of Hutmen S.A.

On 22 March 2021 District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register registered the transformation of Hutmen S.A. into a limited liability company.

On the report publication date the shareholder of the company is Boryszew S.A. with its registered office in Warsaw.

##### Opening of liquidation of Hutmen Sp. z o.o.

On 30 June 2021 the General Meeting of Shareholders of Hutmen Sp. z o.o. passed a resolution to liquidate the company. Per the adopted schedule, the gradual phasing out of production and sales continued through December 2021 with a planned completion date of 31 December 2021. It was followed by the liquidation and sale of company's assets.

On 31 January 2022 the Shareholders' Meeting of Hutmen made a decision to cancel liquidation and continue operations of Hutmen. The above decision was taken in particular because of the ongoing tax proceedings on the correctness of Company's VAT settlements, which make it difficult to complete the liquidation process in a foreseeable time.

It is also not planned for Hutmen to continue its operating activity consisting in production of copper products.

#### SPV Impexmetal Spółka z o.o.

##### Sale of shares in EW Rywałd Sp. z o.o.

On 27 April 2021, SPV Impexmetal Sp. z o.o., based in Warsaw and KGAL ESPF 4 Holding S.à r.l. ("Buyer") signed an agreement on the sale of 1 000 shares of a nominal value of PLN 50 each, accounting for 100% of the share capital of EW Rywałd Sp. z o.o. based in Toruń (EW Rywałd) for the price of EUR 11 million (including acquired debt of Euro 1.3 million), of which EUR 9.6 million will be paid on the day of concluding the agreement

and the balance will be paid in four instalments payable in line with the progress of construction of the wind farm, which should be completed by the end of 2022.

### **Boryszew S.A.**

#### **Sale of shares in Elana - PET Sp. z o.o.**

On 30 August 2021 Boryszew S.A. concluded an agreement with LERG S.A. based in Pustków - Osiedle on sale of 19,364 shares of the nominal value of PLN 500 each, accounting for 100% of the share capital in Elana PET Sp. z o.o. based in Toruń ("Elana PET") for the price of PLN 30.8 million.

#### **Business combination of Boryszew S.A. based in Warsaw and SPV Impexmetal Sp. z o.o. based in Warsaw and Impex – Invest Sp. z o.o. based in Warsaw**

On 10 September 2021 the Management Board of Boryszew S.A. resolved to merge Boryszew S.A. based in Warsaw with its subsidiaries SPV Impexmetal Sp. z o.o. based in Warsaw and Impex-invest Sp. z o.o. based in Warsaw (the Acquired Companies).

On 15 December 2021, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Department of the National Court Register, made an entry in the National Court Register – Register of Enterprises on the merger of Boryszew S.A. based in Warsaw with SPV Impexmetal Sp. z o.o. based in Warsaw and Impex – invest Sp. z o.o. based in Warsaw.

The merger was affected under art. 492 § 1 point 1 of the Commercial Companies Code by transferring all the assets of the above mentioned subsidiaries to Boryszew S.A.

The Acquiring Company operates under the name: Boryszew S.A. with its registered office in Warsaw,

**Sale of shares in FŁT Polska Sp. z o.o.** On 29 October 2021 Boryszew S.A. concluded a final sale agreement with XCC (Poland) Investment spółka z ograniczoną odpowiedzialnością based in Warsaw (XCC Poland) (entity controlled by XCC Group and selected for implementation of the transaction concerned as per the authorisation by XCC Group in the preliminary agreement) on the transfer to XCC Poland 1 030 shares of FŁT Polska Sp. z o.o. based in Warsaw ("FŁT") accounting for 100.00% of the share capital of FŁT, carrying 100.00% of votes at the shareholders' meeting together with shares of FŁT in subsidiaries, i.e.: FLT-Wälzlager GmbH, FLT & Metals s.r.l., FLT Bearings Ltd, FLT France SAS, FLT (Wuxi) Trading Co., FLT USA LLC ("FŁT Group") for the price of PLN 80.6 million.

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

In Q4 '2021 Boryszew S.A. acquired from Eastside Bis Sp. z o.o., its subsidiary based in Warsaw, 60 225 000 shares of Alchemia S.A. carrying 60 225 000 votes at the GM, which accounts for 34.72% of share in the share capital and the total number of votes at the GM of Alchemia S.A., for a total of PLN 184.9 million.

On the date of report preparation, Boryszew S.A. holds 159 450 000 shares of Alchemia S.A. carrying 159 450 000 votes at the GM, which accounts for approximately 91.93% share at the GM of Alchemia S.A. Boryszew Capital Group holds 173 450 000 shares of Alchemia S.A. carrying 173 450 000 votes at the GM, which accounts for 100% share in the share capital and the total number of votes at the GM of Alchemia S.A.

### **ICOS Group**

#### **Filing bankruptcy petitions with the courts**

On 12 October 2021 Boryszew S.A. was notified that on the same day the Management Boards of indirect subsidiaries of Boryszew S.A. - ICOS GmbH, THEYSOHN Kunststoff GmbH and THEYSOHN Formenbau GmbH (the "ICOS Group") - had decided to file for declaration of bankruptcy of these companies with relevant competent courts. According to the proposal, the application will seek insolvency under administration in accordance with German insolvency law.

Self-managed insolvency enables targeted and controlled restructuring, reduction of costs of winding down operations of unprofitable areas and satisfying creditors of the ICOS Group at an optimum level, as well as an efficient and transparent conduct of the process towards all stakeholders, which will shorten the time of the process and will have a major impact on maintaining the reputation and image of the Group.

On 13 October 2021 the Management Boards of subsidiaries of Boryszew S.A. - ICOS GmbH, THEYSOHN Kunststoff GmbH and THEYSOHN Formenbau GmbH - filed for declaration of bankruptcy of these companies with relevant competent courts.

The decision of the Management Boards of ICOS Group companies to file appropriate motions to the courts to open bankruptcy proceedings was caused by the deteriorating operational and financial situation of the companies, the decreasing volume of orders from key clients, leading to general decline in sales. Additional

factors that significantly affected the weakening and deterioration of the operating position of ICOS Group companies were high fixed costs, the market situation associated with production limitations by major customers, caused by problems with the availability of semiconductors and unplanned increases in other operating costs etc., and in particular rapidly increasing costs of energy and raw materials.

### **Completion of liquidation of companies**

End of 2021 saw completion of liquidation of two overseas subsidiaries Symonvit and Metalix.

The effect of this liquidation was recognised in the 2021 result, the amount of cash received from the liquidation approximated the value of the shares held in these Companies and amounted to:

Symonvit shares PLN 1 500 thousand, proceeds from liquidation PLN 1 499 thousand,

Metalix Ltd shares PLN 1 500 thousand, proceeds from liquidation PLN 1 379 thousand, loss on liquidation amounted to PLN 122 thousand.

### **Changes in the Group's structure after the balance sheet date**

#### **ICOS Group**

##### **Opening of bankruptcy proceedings**

On 12 January 2022 Boryszew S.A. received from the regional court in Braunschweig a letter dated 1 January 2022 on the opening of the bankruptcy proceedings on the same date against ICOS GmbH with registered office in Salzgitter and THEYSOHN Kunststoff GmbH with registered office in Salzgitter and THEYSOHN Formenbau GmbH with registered office in Salzgitter, Germany, under self-administration according to the German bankruptcy law.

##### **Hutmen Spółka z o.o.**

On 28 March 2022 the Management Board of Hutmen Sp. z o.o. a subsidiary based in Wrocław, concluded a preliminary agreement with MS Inwestment Sp. z o.o. based in Warsaw on the sale of the real estate of Hutmen Sp. z o.o., located in Wrocław at Grabiszyńska street No. 241, surface area of ap. 19.2 ha, for PLN 95 million net. The final agreement will be concluded by 31 July 2022

##### **Maflow France Automotive S.A.S. - decision on the intention to liquidate**

On 4 March 2022, the Management Board of Maflow France Automotive S.A.S, a subsidiary based in Chartes, France ("Maflow France") made a decision on the intention to commence the process of company liquidation.

The decision of the Management Board of Maflow France on the intention to commence the liquidation by submitting a request to the General Meeting of Shareholders of Maflow France was made in particular following the failure of Maflow France to obtain new, perspective production orders, which would ensure profitability in the short and medium term.

Boryszew S.A. holds 100% shares in the share capital of Maflow France and in the total number of votes on the General Meeting of Shareholders.

##### **Decision on the intention to combine Impexmetal Holding Sp. z o.o. with SPV Boryszew 5 Sp. z o.o., SPV Boryszew 6 Sp. z o.o., SPV Boryszew 8 Sp. z o.o. and SPV Boryszew 9 Sp. z o.o.**

On 24 January 2022 Management Boards of: Impexmetal Holding Spółka z o. o. (Acquiring Company), SPV Boryszew 5 Spółka z o.o. (Acquired Company 1), SPV Boryszew 6 Spółka z o.o. (Acquired Company 2), SPV Boryszew 8 Spółka z o. o. (Acquired Company 3) and SPV Boryszew 9 Spółka z o. o. (Acquired Company 4) agreed and signed the Merger Plan.

On 8 March 2022, the Extraordinary Shareholders' Meeting of these companies passed resolutions on the merger of the Acquiring Company with the Acquired Companies.

Also on 8 March 2022, the Extraordinary Shareholders' Meeting of Impexmetal Holding Sp. z o.o. passed the resolution to amend the articles of association. As of the day of registration of the change with the Companies' Register of the NCR the Company will operate under the name Boryszew Holding Spółka z o.o.

On 23 March 2022 the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register registered in the National Court Register the merger of Impexmetal Holding Spółka z o. o., SPV Boryszew 5 Spółka z o.o., SPV Boryszew 6 Spółka z o.o., SPV Boryszew 8 Spółka z o. o. and SPV Boryszew 9 Spółka z o. o. as well as amendments in the articles of association.

The merger of the companies was carried out under the provisions of CCC Article 492 § 1 pint 1 by transferring all assets of the Acquired Company 1, Acquired Company 2, Acquired Company 3 and Acquired Company 4 to the Acquiring Company by universal succession, without increasing the share capital of the Acquiring Company.

As of 23 March 2022, the Acquiring Company will operate under the name: Boryszew Holding Spółka z o.o. with registered office in Warsaw.

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.

### **MAFLOW GROUP**

In 2021, Maflow Group continued its research and development work on products dedicated to R744 (CO<sub>2</sub>) refrigerant. The approval of products included in the air conditioning system based on R744 refrigerant was obtained, making it possible to start deliveries to the end customer. Development works were carried out with further platforms for which solutions with R744 as refrigerant are dedicated.

In the reporting period, development works related to laser welding were also underway, and the first product samples with components joined by laser welding were sent to the end customer.

Further work was carried out in standardisation of production processes for production facilities through implementation of a common knowledge base, both for the process and prevention of potential production problems. The solution for automatic shape control of air conditioning tubes was put into serial production.

### **BORYSZEW AUTOMOTIVE PLASTICS GROUP**

2021 was implementation of Group's Product Database at Boryszew Automotive Plastics Group, now the database is successively updated with manufactured products and components. This measure helps in standardisation of products and components.

For the process standardisation of solutions was launched and support for production facilities was strengthened by headquarters by implementing software for simulation of technological processes (injection) in Maflow Headquarters.

### **BORYSZEW ERG BRANCH OF BORYSZEW S.A. IN SOCHACZEW**

Significant R&D achievements of the Branch in 2021 include:

- development of a series of car cosmetics: Borygo Cockpit, Anti-Insect, Tire, Wheel, Defroster;
- formulation of G12EVO radiator fluid;
- continued implementation of the Nanoborygo project.

### **BORYSZEW S.A. NOWOCZESNE PRODUKTY ALUMINIOWE SKAWINA BRANCH**

2021 saw completion of the development project "Development of the innovative technology of rods production from highly resilient aluminium alloys of 2xxx, 5xxx, and 7xxx series", co-financed with EU funds. The project completed with developing and launching an innovative demonstration line, including the aluminium melting, alloy preparation, casting and rolling segment. The project led to the development of a technology of production for wire rods made of the mentioned series of alloys, making Nowoczesne Produkty Aluminiowe Skawina branch one of the most modern manufacturers of wire rods for electrical, mechanical and welding applications in the world. This research project opens new market segments for the branch and prospects for further growth in the field of processing and manufacturing of aluminium alloy products.

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

On 30 June 2021, the research project No. POIR.01.01.01-00-0361/17 "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 the Smart Growth Operational Programme, 2014-2020 was completed. As required by the Agreement, the Final Information and Final Request for Payment were also prepared and forwarded to NCRD.

The total investment outlays of ZM SILESIA SA in the project amounted to PLN 23.8 million, of which the funding from the National Centre for Research and Development amounted to PLN 10.9 million. Currently the Company awaits approval of the Final Information by NCRD and execution of the Final Request for payment.

## WM DZIEDZICE S.A.

In 2021, WM Dziejzice S.A. submitted an application for the project "*H-tech ( $\alpha+\beta$ ) Brass - New generation of super-precision drawn products from biphasic brass for applications in highly advanced processing technologies*" under the Smart Growth Operational Programme, 2014-2020, 1/1.1.1/2021 - *Fast Track* competition. The project involves development of a product innovation in the form of super-precision dead flat drawn products in straight sections and coils made of biphasic automation brassy. Project implementation will be split into 2 research stages (industrial research and development) over a period of 24 months. In 2021 the company has completed the first part of the research in the project.

The Company also implemented projects to improve the quality and profitability of its products.

## ALCHEMIA S.A.

In 2021, as in 2020, 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 2020 Walcownia Rur Andrzej in Zawadzkie slowed down the implementation of R&D work on three projects, subsidised by NCRD, which was caused by COVID-19 and the collapse of the market and in June 2021 the Management Board submitted applications to NCRD to close and settle projects for which funding was obtained from NCRD.

In 2021 Rurexpol Branch received, following the application P.430135 filed together with Czestochowa University of Technology in the patent office, a patent for the invention: **Mandrel clamping unit for pilgrim milling machine.**, patent Pat.238223. The application was announced on 14.12.2020 BUP 26/20 while the patent was announced on 26.07.2021 WUP 17/21. The solution enables waste-free rolling of seamless pipes. To enable further implementation of the solution, it is necessary to replace the punch cylinder of the 1200 press and an overhaul of the machine.

In 2021 Walcownia Rur Batory branch in Chorzow continued works in 2020 launched on the modification of the forging mill. The mechanical, electrical, hydraulic and process control parts will be upgraded as part of these measures. The existing four feeders will be replaced by two, the roller setting will be changed and the whole process will be automated. The upgrade will bring an improve product with lower dimensional tolerances and increased yield. The program to improve the surface finish of oil and gas transfer, structural and boiler pipes continued in 2021. In an earlier stage, a pipe blasting machine and a belt grinder for external surface grinding were installed and commissioned. The next step was to develop a concept for the construction of a state-of-the-art grinder for grinding the inner surface of pipes, which will be built in Q4 '2022. Combining these devices into one system will multiply the efficiency of production of pipes that need special surface preparation and will make the offer of the Branch more attractive.

In 2021, Stalownia Batory branch conducted the following R&D work and implementation of solutions in production:

- work on application of mechanical pumps in the system of VAD device to obtain vacuum in steel degassing process,
- tests with new highly refractory ceramic materials (bottom zone, metal zone, slag zone) for installation in casting ladles,

Owing to the COVID-19 pandemic, research and development work at the branch were significantly limited.

In 2021 Kuźnia Batory branch conducted own measures in optimising relevant production processes, in technical and technological aspects and activities improving in the quality of the manufactured products; these measures were implemented by the Branch employees and maintenance technicians; the Heat Treatment Department completed modification and modernisation of the cooling system in the hardening tanks, leading to the increase of the intensity of bars and forging cooling in the hardening process. The result for different ranges and grades of steel was that significantly higher strength requirements were achieved. A full burner maintenance was also performed on furnaces 5 and 6. Maintenance works included complex adjustment of burners and furnace controls. The work was supported by a third party. Following the adjustments, some 3%-5% of gas consumption savings were achieved.



## HUTA BANKOWA SP. Z O.O.

In 2021, Huta Bankowa Sp. z o.o. carried out 2 research and development projects, implemented with co-financing from the ERDF for 2014-2020.

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 program entered the next stage of implementation. Due to the prolonged pandemic situation, the agreement with the National Centre for Research and Development for funding of this project extended once again - until 31 December 2022. The tender for modernisation of rolling stands was completed and the Agreement with the contractor was signed. The upgrade will be completed in August 2022.

Another demonstration station in this project is a modern cold storage facility for products. Following a series of experiments on a test bed under semi-industrial conditions, final technical conditions for construction were determined and a tender was issued for the delivery of components for the construction of the cold storage facility. A contractor for this task could not be obtained in 2021. The tender is now extended and is expected to be completed in Q2 '2022.

Four tender procedures were completed for the delivery of components for construction of test stands in Project 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 program. Contractors were selected following negotiations. The Agreements are scheduled to be signed in H1 '2022, and deliveries, construction of the stands and completion of the design work, by the end of December 2022.

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. Also, standard liquidity management measures at the level of the Capital Group involved cash loan agreements between Group's companies. These transactions were intra-group in nature and are excluded from the process of consolidation of financial statements.

### Other non-commercial transactions concluded between related parties (outside Boryszew Capital Group)

#### Boryszew S.A.

##### Loans granted to Unipartner Sp. z o.o.

On 3 March 2021 SPV Impexmetal Sp. z o. o. granted a cash loan to "Unipartner" Sp. z o. o. in the amount of PLN 7 000 000.00, with a maturity date of June 30, 2021, then extended to 31 December 2021.

The interest on the above mentioned loan was determined on the arm's length basis. WIBOR 3M + margin

In December 2021 the Management Board of Boryszew S.A (following the merger with SPV Impexmetal Sp. z o.o., Boryszew S.A. entered into rights and obligations of this company) agreed to consolidate loans granted to Unipartner Sp. z o.o. with based in Warsaw in the total amount of PLN 27 000 000 coming from:

- Loan agreement of 30 April 2020, amount of PLN 10 000 000
- Loan agreement of 30 April 2020, amount of PLN 10 000 000
- Loan agreement of 3 March 2021, amount of PLN 7 000 000

and extend the repayment date of these loans until 31 December 2022.

On 31 December 2021 the total nominal value of loans granted to Unipartner Sp. z o.o. by Boryszew S.A. was PLN 27 000 000. Interest rates are determined on the arm's length basis: WIBOR 3M + margin

### **Loans granted to Unibax Spółka z o.o.**

On 22 March 2021 SPV Impexmetal Sp. z o. o. granted a cash loan to Unibax Sp. z o. o. in the amount of PLN 4 900 000.00. The repayment date was set to 31 December 2021.

The interest rate on the above loans was determined on the arm's length basis. WIBOR 3M + margin

On 31 August 2021 SPV Impexmetal Sp. z o. o. granted a cash loan to Unibax Sp. z o. o. in the amount of PLN 10 000 000.00 with repayment date of 31 December 2021.

The interest on the above mentioned loan was determined on the arm's length basis. WIBOR 3M + margin

In December 2021 the Management Board of Boryszew S.A (following the merger with SPV Impexmetal Sp. z o.o., Boryszew S.A. entered into rights and obligations of this company) agreed to consolidate loans granted to Unibax Sp. z o.o. with based in Warsaw in the total amount of PLN 14 900 000 coming from:

- Loan agreement of 22 March 2021, amount of PLN 4 900 000
  - Loan agreement of 31 August 2021, amount of PLN 10 000 000
- and extend the repayment date of these loans until 31 December 2022.

On 31 December 2021 the total nominal value of loans granted to Unibax Sp. z o.o. by Boryszew S.A. was PLN 14 900 000. Interest rates are determined on the arm's length basis: WIBOR 3M + margin

On 31 December 2021 the total nominal value of loans granted to Unibax Sp. z o.o. by Boryszew Group companies was PLN 17 900 000. The interest was determined on the arm's length basis: WIBOR 3M + margin

### **Loans granted to affiliates by companies of Boryszew Capital Group**

On 23 March 2021 SPV Lakme Investment Sp. z o.o. granted a cash loan to Unibax Sp. z o. o. in the amount of PLN 2 000 000.00 with repayment date of 31 December 2021, amended to 31 December 2022 by an annex to the agreement.

The interest rate on the above loans was determined on the arm's length basis. WIBOR 3M + margin

On 25 March 2021 Eastside Capital Investments Sp. z o. o. granted a cash loan to Unibax Sp. z o. o. in the amount of PLN 1 000 000.00 with repayment date of 31 December 2021, amended to 31 December 2022 by an annex to the agreement.

The interest rate on the above loans was determined on the arm's length basis. WIBOR 3M + margin

### **Bonds issued by Unibax Spółka z o.o.**

On 31 December 2021 the total nominal value of bonds issued by Unibax Sp. z o.o. and acquired by Boryszew Capital Group companies amounted to PLN 18 876 000.

### **Bonds issued by Skotan S.A.**

On 27 August 2021 Boryszew S.A. concluded agreements with Elana - PET Sp. z o.o. upon which Elana – Pet Sp. z o.o. transferred to Boryszew S.A.:

- a) ownership of 30 series C bonds issued by Skotan S.A. based in Chorzów, total nominal value of PLN 3 000 000.00,
- b) ownership of 5 series E bonds issued by Skotan S.A. based in Chorzów, total nominal value of EUR 500 000.00,

in order to release Elana - PET Sp. z o.o. from its debt in the amount of PLN 4 910 492 resulting from a due dividend;

- c) ownership of 10 Series D registered bonds, issued by Skotan S.A. based in Chorzów, number 001 through 010, nominal value of PLN 100 000 each, total nominal value PLN 1 000 000, for the price of PLN 939 508, along with the transfer of the bonds repayment collateral in a form of a registered pledge, registered pledges established to secure the claims under the bonds to Boryszew S.A. as a new pledgee.

On 31 December 2021 the total nominal value of bonds issued by Skotan S.A. and acquired by Boryszew S.A. amounted to PLN 6 750 000 and EUR 500 000. Bond redemption date was set at 30 June 2022. Boryszew S.A. is entitled to demand early redemption of bonds.

On 31 December 2021 the total nominal value of bonds issued by Skotan S.A. and acquired by Boryszew Capital Group companies amounted to PLN 7 750 000 and EUR 500 000. Bond redemption date was set at 30 June 2022.

## 13. LOANS AND BORROWINGS

Boryszew S.A.

Bank / Financial Institution	Loan liabilities 31.12.2021	Loan liabilities 31.12.2020	Change	Loan repayment date as per agreement	interest rate (%)	Loan collateral
ALIOR	14 261	14 294	(33)	2022-09-12	WIBOR + margin	liquidity guarantee by BCG, transfer of receivables, mortgage, pledge
ALIOR	4 375	4 375	-	2022-09-12	WIBOR + margin	liquidity guarantee by BCG, transfer of receivables, mortgage, pledge
ALIOR	30 555	-	30 555	2022-09-21	WIBOR + margin	mortgage, transfer of receivables
BGK	12 683	25 451	(12 768)	2022-12-31	EURIBOR + margin	mortgage, pledge
BGK	22 997	23 049	(52)	2022-06-30	EURIBOR + margin	mortgage, pledge
BNP	20 490	20 716	(226)	2022-01-31	WIBOR + margin	mortgage, pledge, transfer of receivables
BNP	29 084	-	29 084	2022-01-10	WIBOR + margin	pledge
CREDIT AGRICOLE	9 369	14 528	(5 159)	2023-10-19	EURIBOR + margin	pledge, transfer of receivables
COFACE	12 070	-	12 070	2023-04-02	WIBOR + margin	liquidity guarantee by BGK
HSBC	31 604	36 812	(5 208)	2022-09-30	WIBOR + margin	mortgage, pledge
HSBC	-	9 380	(9 380)		EURIBOR + margin	
ING	21 381	20 666	715	2022-08-30	WIBOR/EURIBIR/LIBOR + margin	liquidity guarantee by BCG, pledge, transfer of receivables
mBank	-	43 378	(43 378)		WIBOR + margin	
mBank	-	9 700	(9 700)		WIBOR + margin	
mBank	-	8 397	(8 397)		WIBOR + margin	
mBank	-	13 000	(13 000)		WIBOR + margin	
mBank	-	9 468	(9 468)		WIBOR + margin	
mFaktoring	-	18 730	(18 730)		EURIBOR + margin	
PKO BP	27 277	27 445	(168)	2022-12-31	EURIBOR + margin	mortgage, pledge, transfer of receivables

PKO BP	53 000	10 000	43 000	2022-12-31	WIBOR + margin	mortgage, pledge, transfer of receivables
PKO BP	7 327	7 327	-	2022-10-09	WIBOR + margin	liquidity guarantee by BGK
PKO BP	23 720	23 429	291	2022-11-30	WIBOR + margin	liquidity guarantee by BCG, mortgage, pledge, transfer of receivables
PKO FAKTORING	-	5 545	(5 545)		EURIBOR + margin	
SANTANDER	41	16 409	(16 368)	2022-08-26	WIBOR + margin	liquidity guarantee by BCG, mortgage, pledge, transfer of receivables
SANTANDER	90	17 869	(17 779)	2022-02-25	WIBOR + margin	liquidity guarantee by BCG, mortgage, pledge, transfer of receivables
SANTANDER	11 167	21 104	(9 937)	2022-08-26	WIBOR + margin	liquidity guarantee by BCG, mortgage, pledge, transfer of receivables
SANTANDER	15 589	15 589	-	2022-10-11	WIBOR + margin	liquidity guarantee by BCG, mortgage, pledge, transfer of receivables
	<b>347 080</b>	<b>416 661</b>	<b>(69 581)</b>			

#### Boryszew Capital Group

Loan details	Loan liabilities 31.12.2021	Loan liabilities 31.12.2020	Change
ALIOR	85 950	47 842	38 108
BANCA BPER	2 415	-	2 415
BANCA INTENSO	24 261	23 559	702
BOŚ	-	1 960	(1 960)
BANK POPULAR	19 198	19 659	(461)
BBVA	5 501	5 256	245
BGK	52 058	93 480	(41 422)
BNP	101 157	55 325	45 832
CAIXA	4 245	7 628	(3 383)
COMMERZBANK	-	21 279	(21 279)
COFACE	12 070	-	12 070
CREDIT AGRICOLE	35 149	69 728	(34 579)
ČSOB	5 383	7 128	(1 745)
HSBC	38 687	54 318	(15 631)

ING	65 040	60 815	4 225
LIBERBANK	3 740	1 984	1 756
mBank	21 165	109 792	(88 627)
mFaktoring	-	18 730	(18 730)
MILLENIUM	27 705	36 208	(8 503)
Pekao	13 878	15 199	(1 321)
PKO BP	162 158	136 733	25 425
PKO FAKTORING	-	5 545	(5 545)
SANTANDER	26 887	70 971	(44 084)
UNICREDIT	26 326	34 121	(7 795)
<b>Total Boryszew Capital Group</b>	<b>732 973</b>	<b>897 260</b>	<b>(164 287)</b>

All loans are secured. Loan collaterals include:

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

## LOANS RECEIVED BY BORYSZEW S.A. IN 2021

The summary of liabilities under received loans is presented in the Financial Statement of Boryszew S.A. for 2021 in item 29.2

### Termination of credits or loans

None occurred.

### Information on breach of material provisions of credit or loan agreements

As at 31 December 2021 no overdue liabilities occurred due to borrowings and loans and no breach occurred of material provisions of borrowing and loan agreements.

## LOANS GRANTED BY BORYSZEW S.A. IN 2021

The summary of claims due to loans granted is presented in the Financial Statement of Boryszew S.A. for 2021 in point 20.

## 14. GUARANTEES AND SURETIES

### SURETIES AND GUARANTEES GRANTED BY BORYSZEW S.A., AS AT 31.12.2021

Entity for which guarantee or surety was issued	Subject of liability	Surety value in PLN	Expiry date of guarantee
<b>Boryszew Kunststofftechnik Deutschland GmbH</b>	Guarantee granted to ALD AutoLeasing D GmbH	308	30.06.2022
	Endorsement of lease agreement for PKO Leasing Sp. z o.o.	6 573	31.03.2022
<b>Boryszew Oberflächentechnik Deutschland GmbH</b>	Guarantee granted to Bank Gospodarstwa Krajowego	16 378	31.12.2028
<b>Boryszew Plastic RUS</b>	Guarantee granted to Alfa Bank	1 058	31.12.2024
	Guarantee granted to Volvo Group Trucks Operations	22 997	indefinite validity
	Payment guarantee granted to Engel Austria	8 757	25.08.2023
<b>Boryszew Tensho Poland Sp. z o.o.</b>	Guarantee granted to HSBC Bank Polska S.A.	7 083	30.09.2022
	Aval of lease agreement for mLeasing	1 608	30.01.2022
	Aval of lease agreements for mLeasing	445	15.12.2024
	Aval of lease agreements for mLeasing	864	15.12.2024
	Aval of lease agreement for mLeasing	442	15.12.2024
	Aval of lease agreements for mLeasing	442	15.12.2024
	Aval of lease agreements for mLeasing	806	15.02.2025
	Aval of lease agreement for mLeasing	612	15.02.2025
	Guarantee granted to PKO Leasing Sp. z o.o.	6 559	10.10.2022
<b>Theysohn Formenbau GmbH</b>	Guarantee granted to akf Leasing GmbH	2 153	31.08.2023
<b>Theysohn Kunststoff GmbH</b>	Guarantee granted to PKO Leasing Sp. z o.o.	3 049	30.06.2022
<b>1) Boryszew Tensho Poland Sp. z o.o., 2) Boryszew Kunststofftechnik Deutschland GmbH</b>	Guarantee granted to Borealis AG for commercial liabilities	4 599	31.12.2022
<b>1) Boryszew Tensho Poland Sp.</b>	Guarantee granted to BSB Recycling GmbH	6 899	06.07.2023

Entity for which guarantee or surety was issued	Subject of liability	Surety value in PLN	Expiry date of guarantee
z o.o., 2) Boryszew Kunststofftechnik Deutschland GmbH, 3) Theysohn Kunststoff GmbH			
1) Boryszew Tensho Poland Sp. z o.o., 2) Boryszew Kunststofftechnik Deutschland GmbH, 3) Boryszew Plastic RUS LLC, 4) AKT Plastikarska Technologie Czechy Spol. S.R.O.	Guarantee granted to Basell Sales & Marketing Company B.V.	9 199	31.12.2022
Maflow BRS s.r.l.	Guarantee granted to Intesa Bank	22 997	01.12.2026
Maflow France Automotive S.A.S.	Guarantee granted to Natixis Lease	455	04.12.2022
MAFMEX S. de R.L. de C.V.	Mafmex's performance bond for AB Volvo	22 997	term of the Agreement
	Mafmex's rent payment bond to Innova Dintel	12 241	01.01.2030
	BMW AG performance bond	27 596	contract period + 15 years
ZM Silesia S.A.	Surety granted to PKO BP S.A.	6 520	28.02.2025
	Bill of exchange surety for Coface Poland Factoring Sp. z o.o.	29 692	indefinite validity
<b>Total guarantees and sureties granted by Boryszew SA</b>		<b>223 329</b>	

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).

## 14. OWN SHARES

In 2021 Boryszew S.A. did not purchase own shares.

On 31 December 2021 and the publication date of the Financial Statements Boryszew S.A. holds directly and indirectly through subsidiaries shares of Boryszew S.A.:

- Boryszew S.A. - 34 795 000 treasury shares, representing 34 795 000 votes at the General Meeting, which accounts for approximately 14.498 % share in the share capital and total number of votes at the General Meeting of Boryszew S.A.,
- Alchemia S.A. - 3 200 000 shares of Boryszew S.A., representing 3 200 000 votes at the General Meeting, which accounts for approximately 1.333 % share in the share capital and total number of votes at the General Meeting of Alchemia S.A.,
- Polski Cynk Sp. z o.o. - 5.000 shares of Boryszew S.A., representing 5 000 votes at the General Meeting, accounting for 0.002% of share capital and the total number of votes at the General Meeting of Boryszew S.A.

## 15. ISSUES OF SECURITIES

### ISSUES OF BONDS

In 2021 and until the date of publication of the report the Company issued no debt securities.

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

In 2021 Boryszew S.A. redeemed 36 registered bonds with a total nominal value of PLN 36 million:

1. 2 registered bonds, A20 series with nominal value of PLN 1 000 000.00 each bond and total nominal value of PLN 2 000 000.00 subscribed for by SPV Lakme Investment Sp. z o.o. on 16 October 2018,
2. 1 registered bonds, A32 series, with a nominal value of PLN 1 000 000.00 each bond and total nominal value of PLN 1 000 000.00, subscribed for by Eastside Capital Investments Sp. z o.o. on 17 December 2018
3. 15 registered bonds, A28 series, with nominal value of PLN 1 000 000.00 each bond and total nominal value of PLN 15 000 000.00, subscribed for by Hutmen Sp. z o.o. on 29 October 2018,
4. 6 registered bonds, A34 series, with nominal value of PLN 1 000 000.00 each bond and total nominal value of PLN 6 000 000.00, subscribed for by Hutmen Sp. z o.o. on 31 December 2018,
5. 12 registered bonds, A18 series, with nominal value of PLN 1 000 000.00 each bond and total nominal value of PLN 12 000 000.00, subscribed for by Zakład Utylizacji odpadów Sp. z o.o. on 1 September 2018,

On 31 December 2021 Boryszew liabilities under bond issue amounted to PLN 28 million.

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

In 2021 Boryszew Automotive Plastics Spółka z o.o. redeemed bonds held by Boryszew HR Service Spółka z o.o. with nominal value of PLN 500 000.00.

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

In 2021 Boryszew Tensho Poland Spółka z o.o. redeemed bonds held by Metal – Zink Spółka z o.o. with nominal value of PLN 10 000 000.00.

## **CHANGE OF MATURITY OF BONDS ISSUED BY BORYSZEW S.A.**

On 31 May 2021 Boryszew S.A. concluded the agreement with Hutmen Sp. z o.o. in liquidation on extending until 31 March 2022 the redemption date of Boryszew S.A. bonds in total nominal amount of PLN 28 000 000.

On 31 March 2022 Boryszew S.A. redeemed the above mentioned bonds held by Hutmen Sp. z o.o. on the maturity date.

## **EQUITY SECURITIES**

In 2021 and until publication of the report the Company did not issue any equity securities.

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

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

On 31 March 2022 Boryszew S.A. redeemed the following bonds held by Hutmen Sp. z o.o.

- 6) 20 registered bonds, P-series, with nominal value of PLN 1 000 000 each and total nominal value of PLN 20 000 000, acquired on 31 October 2018 by Hutmen Spółka z o.o. with registered office in Wrocław, with the redemption date of 31 March 2022.
- 7) 8 registered bonds, A34-series, with nominal value of PLN 1 000 000 each and total nominal value of PLN 8 000 000, acquired on 31 December 2018 by Hutmen Spółka z o.o. with registered office in Wrocław, with the redemption date of 31 March 2022.

Onm the date of publication of the Financial Statements Boryszew S.A. has no liabilities under bond issue.

## **16. DIVIDEND PAID OR DECLARED**

### **Distribution of profit for 2021**

The Management Board of the Company recommends that the net loss for 2021 of PLN (259 762) thousand be covered from the Company's supplementary capital and that the profit on disposal of financial assets through comprehensive income of PLN 20 505 thousand be allocated to the Company's supplementary capital.

### **Distribution of profit for 2020**

On 24 June 2021, the Ordinary General Meeting of Shareholders of Boryszew S.A., by Resolution No. 23, decided that the net profit of the Company for 2020 of PLN 1 176 737 thousand be allocated:



- to cover the 2019 loss in the amount of PLN 173 789 thousand,
- to reserve capital as retained earnings in the amount of PLN 1 002 948 thousand.

Boryszew S.A. declared no dividend payment in 2021.

## **17. FINANCIAL RESULT FORECAST**

In 2021 the Management Board of Boryszew S.A. published no forecasts of the financial result for the current year.

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

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

Boryszew S.A. 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. The company cooperates with several 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 aluminum 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. 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. 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.

## **19. 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,
- 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.

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

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

Significant one-off factors affecting the results in 2021 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 2021 should include:

- market rebound after the Covid - 19 pandemic, which brought about increased sales across almost all segments,
- increase in sales volumes in most companies of the Chemical segment,
- higher average annual LME metal quotations,
- a significant increase in the sales level of the Other segment of electricity and natural gas
- global semiconductor shortage crisis resulting in reduced orders from OEMs.

## **21. 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**

### **BORYSZEW AUTOMOTIVE PLASTICS GROUP**

Boryszew Automotive Plastics Group plans to implement solutions in technology and product management that will help increase the level of competitiveness, including measures increasing innovation of production plants. The Group plans to introduce automatic inspection of finished products, boosting factory automation while reducing manual labour. Additional measures in product technology and optimisation of tool manufacturing costs will enable more efficient management of Group companies. These measure will help explore new projects, increase the profitability of Group's plants and operations.

In product development Boryszew Automotive Plastics Group will launch development works on using technologies available within the Group for other products and extending the existing product portfolio.

Other pending projects are those on exploring the use of recycled materials for manufactured products.

The coming months will see measures aimed at implementing pilot lines for vision control of manufactured parts.

For 2022 further customs optimisation measures are planned in the Group.

### **MAFLOW GROUP**

Maflow Group expects the increase of automation and robotisation of processes together with the improvement of currently used technology. In order to increase competitiveness, lower production costs and ensure less shortages, the Group intends to implement a number of new technologies, including laser welding.

Manufacturing facilities are involved in implementing a number of measures to better manage high-volume production. These activities conclude the upgrade of machinery and collaboration with leading suppliers of automatic production lines. Maflow Group will also still be involved in activities in development of product and process. The measures involving product lines dedicated to the transmission of liquids and gases will focus on development of technologies used for components dedicated to electric cars and further technical solutions dedicated to R744 refrigerant.

The Product Development team carries out development work in the implementation of alternatives to currently used materials that will help meet product requirements using more cost-effective materials.

The Group also works on standardisation and automation of manufacturing processes, with a particular focus on inspection processes automation.

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

NPA Skawina branch intends to develop processing of 2xxx, 5xxx and 7xxx series aluminium alloy wire rods, increase the production of V-class aluminium conductors and enter the Czech, Slovak, German and Scandinavian markets with the offer of overhead conductors.

### **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 2022-2026: an increase in the production capacity of long products and sales volumes by approximately 4 800 tonnes/year in 2026.

## **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.

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. The main focus of the Capital Group's research projects will be processes to reduce energy consumption of the technologies used and obtain technologically advanced, innovative products with better utility properties, as well as direction in which the products should be developed.

## **ZAKŁAD UTYLIZACJI ODPADÓW SPÓŁKA Z O.O.**

### **Decision on construction of a new thermal waste treatment facility**

Given the increasing demand for hazardous waste management in recent years, the Management Board of Zakład Utylizacji Odpadów Spółka z o.o. decided in 2021 to build an additional line for thermal treatment of hazardous waste featuring a capacity of 10 000 Mg/year. The scheduled commissioning date of the installation is Q3 '2025. The estimated cost of the investment is ap. PLN 60 million. Implementation of the additional hazardous waste thermal treatment line will improve the environment through controlled and safe thermal management of hazardous waste. It will also improve the competitive position of the company, impact its business performance in subsequent years of operation, and contribute to a significant increase in its valuation. The process of thermal conversion of waste at the new installation will generate heat and electricity.

## **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.

## **22. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND HAZARDS**

The activity of Boryszew and Boryszew Group generates exposure to market risk (including interest rate risk, currency risk and risk of change in prices of raw materials and products), credit risk, liquidity risk and risk of volatility of legal regulations.

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 associated with 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/Group. 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. Credit risk is understood as the risk of a counterparty failing to fulfil their contractual obligations, thus exposing the lender to financial loss.

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

- trade receivables from business partners,
- loans granted,
- guarantees and sureties granted,
- cash and bank deposits.

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. 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.

<b>Net debt to equity ratio</b>	<b>As at 31.12.2021</b>	<b>As at 31.12.2020</b>
Loan, lease, borrowings debt	852 780	1 057 315
Cash and cash equivalents	(187 724)	(185 211)
<b>Net debt</b>	<b>665 056</b>	<b>872 104</b>
<b>Equity</b>	<b>1 746 704</b>	<b>1 633 594</b>
Net debt to equity	38%	53%

<b>Debt ratio</b>	<b>As at 31.12.2021</b>	<b>As at 31.12.2020</b>
Liabilities	2 473 932	2 465 184
Assets	4 220 636	4 098 778
Debt rate	58%	59%

<b>Liquidity ratios</b>	<b>As at 31.12.2021</b>	<b>As at 31.12.2020</b>
current ratio	1.46	1.46
quick ratio	0.84	0.81
current ratio	0.12	0.12

<b>Cumulative revaluation write-downs on receivables</b>	<b>As at 31.12.2021</b>	<b>As at 31.12.2020</b>
<b>Impairment write-off for receivables</b>		
impairment write-offs on trade receivables	80 735	65 813
impairment write-offs on bonds	520	514
risk related to granting guarantees	992	992
doubtful debt allowance on other receivables	31 056	13 301
expected credit loss on trade receivables	7 625	7 763
doubtful debt allowance on other receivables		
<b>Total</b>	<b>120 928</b>	<b>88 383</b>

#### **Liquidity risk**

Boryszew Group is exposed to liquidity risk due to high proportion of short-term third party financing (overdraft facilities and working capital facilities) in the Group's financing structure. Currently, the Group has access to external financing and extends existing credit limits for further periods.

**Analysis of contractual maturity dates of undiscounted cash flows due to financial liabilities as at 31.12.2021**

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	137 086	136 022	369 797	86 711	-	3 357	732 973	<b>732 973</b>
Maturities of borrowings	1 164	1 170	5 856	17 896	-	-	26 086	<b>26 086</b>
Maturities of liabilities on issued bonds	-	-	-	-	-	-	-	-
Maturities of leasing liabilities	9 925	9 271	28 327	32 840	17 205	-	97 568	<b>93 721</b>
Maturities of liabilities of leased rental services	4 285	4 108	5 022	17 586	23 145	10 603	64 749	<b>56 527</b>
Maturity of SMA fees	2 157	-	-	4 814	4 732	112 195	123 898	<b>56 318</b>
Maturity of SMA fees - investment properties	-	-	-	-	-	-	-	<b>57 057</b>
payment of trade liabilities and other items	890 632	196	41	7 754	-	-	898 623	<b>898 623</b>
<b>Total</b>	<b>1 045 249</b>	<b>150 767</b>	<b>409 043</b>	<b>167 601</b>	<b>45 082</b>	<b>126 155</b>	<b>1 943 897</b>	<b>1 921 305</b>

**Analysis of contractual maturity dates of undiscounted cash flows due to financial liabilities as at 31.12.2020**

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	226 503	208 776	310 550	120 185	29 773	1 473	897 260	<b>897 260</b>
Maturities of borrowings	1 186	1 192	7 415	16 778	-	-	26 571	<b>26 571</b>
Maturities of liabilities on issued bonds	-	-	-	-	-	-	-	-
Maturities of leasing liabilities	17 364	13 819	22 199	62 980	17 005	-	133 367	<b>131 287</b>
Maturities of liabilities of leased rental services	555	4 273	4 547	22 057	10 562	1 683	43 677	<b>41 951</b>
Maturity of SMA fees	3 300	-	-	6 847	6 600	203 718	220 465	<b>77 331</b>
Maturity of SMA fees - investment properties	114	-	-	227	227	7 394	7 962	<b>57 067</b>
payment of trade liabilities and other items	674 420	5 586	7 161	11 209	-	-	698 376	<b>576 149</b>
<b>Total</b>	<b>923 442</b>	<b>233 646</b>	<b>351 872</b>	<b>240 283</b>	<b>64 167</b>	<b>214 268</b>	<b>2 027 678</b>	<b>1 807 616</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 2021 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.

Currency	Exchange rate as at 31.12.2021 (PLN)	5% exrate change (PLN)
EUR	4.5994	0.2300
USD	4.0600	0.2030

Currency	Exchange rate as at 31.12.2020 (PLN)	5% exrate change (PLN)
EUR	4.6148	0.2307
USD	3.7584	0.1879

#### Analysis of sensitivity to risk of foreign exchange rates changes 2021

	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	126 434	29 080	(29 080)
borrowings	-	-	-
bonds	502	115	(115)
other liabilities	135 813	(31 237)	31 237
borrowings and loans	50 299	(11 569)	11 569
bonds	-	-	-
leasing	31 045	(7 140)	7 140
<b>Result</b>		<b>(20 751)</b>	<b>20 751</b>
<b>Receivables and payables in USD</b>			
trade receivables	59 180	12 014	(12 014)
other liabilities	-	-	-
loans, borrowings, leasing	-	-	-
<b>Result</b>		<b>12 014</b>	<b>(12 014)</b>

#### Analysis of sensitivity to risk of foreign exchange rates changes 2020

	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	131 484	30 333	(30 333)
borrowings	-	-	-
bonds	500	115	(115)
other liabilities	174 195	(40 187)	40 187
borrowings and loans	78 877	(18 197)	18 197
bonds	3 274	(755)	755
leasing	55 223	(12 740)	12 740
<b>Result</b>		<b>(41 431)</b>	<b>41 431</b>

## Receivables and payables in USD

trade receivables	42 160	7 922	(7 922)
other liabilities	-	-	-
loans, borrowings, leasing	-	-	-
<b>Result</b>		<b>7 922</b>	<b>(7 922)</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, steel,
- 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. 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 NPA Skawina, Baterpol S.A., Walcownia Metali Dziedzice S.A., ZM Silesia S.A., Alchemia S.A., Huta Bankowa Sp. z o.o., and it is associated with future revenues and cash flows that have already been contracted, in other words - with securing the fair value of the contract.

Strategic risk involving currencies is associated with throughput bonus (USD/PLN and EUR/PLN) This risk exists in case of: Boryszew S.A. branch NPA Skawina, S.A., Baterpol S.A., Walcownia Metali Dziedzice S.A., ZM SILESIA S.A., Alchemia S.A., Huta Bankowa Sp. z o.o., 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, some operational risk exists from the time the fixed price for sale or purchase is determined (e.g. sales invoice issue) until the moment of making or receiving the payment.

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

Due to the fact that companies of Boryszew Group are mainly financed by debt with variable interest coupon, these 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, steel price risk and exchange rate risk is subject to an on-going monitoring.

### 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 exposure group companies 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 group companies shows an adverse impact of increased interest rates on the level of cost of interest.

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

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 31.12.2021	Interest rate increase	Interest rate decrease
		by 0.5 p.p.	by 0.5 p.p.
<b>Interest-bearing (variable %) financial assets</b>	<b>81 096</b>	<b>406</b>	<b>(406)</b>
Loans granted	47 260	236	(236)
Debt instruments other	33 749	169	(169)
		-	-
<b>Interest-bearing (variable %) financial liabilities</b>	<b>852 780</b>	<b>(4 264)</b>	<b>4 264</b>
Loans	716 613	(3 583)	3 583
Factoring	16 360	(82)	82
Borrowings	26 086	(130)	130
Debt instruments	-	-	-
Financial leasing of fixed assets	93 721	(469)	469
		-	-
Other		-	-
<b>Impact on future profit/loss before tax</b>		<b>(3 858)</b>	<b>3 858</b>
<b>Impact on future net profit/loss</b>		<b>(3 125)</b>	<b>3 125</b>

	As at 31.12.2020	Interest rate increase	Interest rate decrease
		by 0.5 p.p.	by 0.5 p.p.
<b>Interest-bearing (variable %) financial assets</b>	<b>58 227</b>	<b>291</b>	<b>(291)</b>
Loans granted	23 648	118	(118)
Debt instruments other	34 579	173	(173)
		-	-
<b>Interest-bearing (variable %) financial liabilities</b>	<b>1 057 315</b>	<b>(5 287)</b>	<b>5 287</b>
Loans	841 353	(4 207)	4 207
Factoring	55 907	(280)	280
Borrowings	26 571	(133)	133
Debt instruments	-	-	-
Financial leasing of fixed assets	133 484	(667)	667
		-	-
Other		-	-
<b>Impact on future profit/loss before tax</b>		<b>(4 996)</b>	<b>4 996</b>
<b>Impact on future net profit/loss</b>		<b>(4 047)</b>	<b>4 047</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 as well as 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 Stockholm Stock Exchange were valued based on the closing price on the date of the reporting period end.
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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 valued at fair value on the on-going basis

	Fair value as at		Hierarchy of fair value
	As at 31.12.2021	As at 31.12.2020	
<b>Financial assets</b>			
Listed shares	86 433	152 882	Level 1
Derivative financial instruments	12 434	4 250	Level 2
<b>Financial obligations</b>			
Derivative financial instruments	2 915	12 811	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)

	As at	As at	of fair value
	31.12.2021	31.12.2020	
<b>Financial assets</b>			
Shares and stock	98	39 473	Level 3
Bonds	33 749	34 579	Level 3
Borrowings	47 260	23 560	Level 3
Trade and other receivables	743 617	620 925	Level 3
Cash and cash equivalents	187 724	185 211	Level 1
<b>Financial obligations</b>			
Borrowings and loans	759 059	923 831	Level 2
Trade and other liabilities	750 247	576 149	Level 3
Lease liabilities	93 721	133 484	Level 2
Liabilities to SMA and due to right-of-use assets	112 845	119 282	Level 2
Liabilities to SMA - investment property	57 057	57 067	Level 2

#### Insurance of risks

Boryszew S.A. and subsidiaries had insurance policies for 2021 within the framework of general agreements concluded by the Parent Company with several insurance companies for the entire Boryszew Group.

The scope of these agreements covers the insurance of:

- Boryszew Group property
- profit lost due to all risks
- machine damage
- loss of profit due to damage to machinery and equipment
- electronic equipment
- business activity and property owners civil liability insurance
- tax risks,
- liability of members of the governing bodies of a limited liability or joint stock company.

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.

## **23. FACTORS WHICH WILL INFLUENCE THE ISSUER'S FINANCIAL PERFORMANCE IN 2022**

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

- the duration and scale of the armed conflict in Ukraine,
- global economic situation, especially in the key sectors (motorization and construction) as well as in the main sales markets (the European Union, including Germany).
- monetary policy of the National Bank of Poland, which has an impact on inflation and rules of granting financing by the banking sector,
- demand for new cars, especially for products of the VW Group, which is the most important customer of the Boryszew Capital Group,
- supply chain disruptions,
- cost of key energy carriers and gas, 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.
- changing consumer sentiment,
- the process of implementing the National Recovery Plan.

GDP forecasts for Poland for 2022 were still optimistic at the beginning of the year predicting growth above 5%. However, any forecast is currently subject to considerable uncertainty and economic growth could be lower this year while inflation higher.

Despite the lifting of Covid-19 restrictions, at the moment it is very difficult to estimate the impact of the war in Ukraine on the economy and on global markets especially in the long term. Any forecasts should be treated as one of many possible scenarios, not as predictions presented with full conviction.

Risks to the economy associated with the Russian invasion of Ukraine and high uncertainty about the economic consequences of the war, as well as rising commodity prices, weaker exchange rate and disruptions in supply chains mean recession-inflation outlook for the European economy, including Poland.

In case Mafrow Group and Boryszew Automotive Plastics Group (BAP), the external factor that considerably influences their activity, development, future results and financial situation is the general situation on the automotive market including prices of raw materials used in the production process as well as situation and strategy of different customers, in particular the possibility to maintain the continuity of production of key Customers in this branch.

The worldwide crisis in semiconductor supply, in the first six months of 2021 caused a persistent bottleneck in supply chains. Both leading automotive companies and their suppliers had to face the challenge of planning their operations over at most two weeks ahead during the pandemic. Importantly, the supply chains of raw materials and semi-finished products in the automotive industry, where the Group operates, are not that flexible and, as a rule, lead times are between 12 and 15 weeks. Volatility of delivery plans and long periods of deliveries had an impact on an increase in inventories and, consequently, use of cash at suppliers and sub-suppliers of car manufacturers. This is a situation that affects the vast majority of contractors in the automotive supply chain. This factor also has an impact on the automotive segment of Boryszew Group - Mafrow and BAP Groups companies.

As a result of the shortage of automotive semiconductors, automotive manufacturers decided to reduce production plans or, in more restrictive cases, to suspend production processes. Given the consequences of the pandemic on the car production industry, the high fixed costs additionally influenced the limited self-financing capacity of BAP Group including, in particular, the working capital and in case of Maflow Group limited the potential to generate satisfactory cash flows from its core activity. The attitude of car manufacturers, which may take individual actions to support specific links in the supply chain, will also be important for the situation of contractors in the automotive supply chain.

Given the deteriorating situation in winning new orders from main customers as well as postponing the significant part of planned orders, which caused major decrease of sales, on 13 October 2021 the Management Boards of indirect subsidiaries of Boryszew S.A. - ICOS GmbH, THEYSOHN Kunststoff GmbH and THEYSOHN Formenbau GmbH ("ICOS Group") - filed for declaration of bankruptcy of these companies with relevant competent courts. According to the proposal, the application will seek insolvency under administration in accordance with German insolvency law.

The war in Ukraine further increases the uncertainty of sales to major customers of the Segment and disrupts supply chains in the automotive sector

The Management Board of Boryszew keeps a close look at market trends in the industry and will make decisions concerning the operation on the automotive market also considering the relations with key contractors and their possible engagement in reducing the negative impact of the above mentioned factors for further participants in the supply chain; such decisions will be communicated in relevant reports.

## 24. EMPLOYMENT

### EMPLOYMENT AT BORYSZEW S.A

#### Employment

##### Employment structure (in full-time equivalents)

	As at 31.12.2021	As at 31.12.2020
Blue-collar workers	2 197	2 224
White-collar workers	620	584
<b>Total</b>	<b>2 817</b>	<b>2 808</b>

### EMPLOYMENT AT BORYSZEW CAPITAL GROUP

#### Employment

##### Employment structure (in full-time equivalents)

	As at 31.12.2021	As at 31.12.2020
Blue-collar workers	6 992	7 672
White-collar workers	1 985	2 208
<b>Total</b>	<b>8 977</b>	<b>9 880</b>

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

In 2021, no other significant changes occurred in the basic principles of management of the Issuer enterprise and its Capital Group.

## 26. 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.

According to the managerial contract, in case of its termination before the end of the Management Board term of office as a result of dismissal from the Management Board, the Management Board member is entitled to a severance pay equivalent to 3 times monthly remuneration. The Management Board member is not entitled to the severance pay if their dismissal from the Management Board resulted from a material breach of the duties on the position held or of applicable laws, or in the event of their resignation from the Management Board.

## 27. REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Gross remuneration of the Management Board of the Parent Company (in PLN '000)

2021	Paid out	Potentially due*
<b><u>Piotr Lisiecki-President of the Management Board</u></b>	<b><u>659.10</u></b>	<b><u>0</u></b>
including:		
fixed remuneration	<u>227.50</u>	0
variable remuneration	430	0
other/additional pay	1.60	0
<b><u>Wojciech Kowalczyk - President of the Management Board</u></b>	<b><u>1 609.03</u></b>	<b><u>1 100</u></b>
including:		
fixed remuneration	609.03	0
variable remuneration**	1 000	100
other/additional pay	0	0
<b><u>Mikołaj Budzanowski – Member of the Management Board</u></b>	<b><u>1 004.80</u></b>	<b><u>300</u></b>
including:		
fixed remuneration	<u>600</u>	0
variable remuneration	400	300
other/additional pay	4.80	0
<b><u>Krzysztof Kołodziejczyk – Member of the Management Board</u></b>	<b><u>500</u></b>	<b><u>0</u></b>
including:		
fixed remuneration	0	0
variable remuneration	500	
other	0	0
<b><u>Andrzej Juszczyński - Vice-President of the Management Board</u></b>	<b><u>319.98</u></b>	<b><u>0</u></b>
including:		
fixed remuneration	319.98	0
variable remuneration		
other/additional pay	0	0
<b><u>Total</u></b>	<b><u>4 093.1</u></b>	<b><u>1400</u></b>

\*remuneration potentially payable includes the variable remuneration payable for serving as a Member of the Management Board in 2021.

\*\* advance paid towards variable remuneration for 2021

The Supervisory Board may grant to the Management Board members additional variable remuneration in the form of an annual bonus. The variable remuneration depends on the performance of the Capital Group or the Company and the achievement of quantitative and qualitative management objectives assigned to each members of the Management Board or the entire Management Board.

#### **Gross remuneration of the Members of the Supervisory Board for the Parent Company (in PLN '000)**

	<b>2021</b>
Małgorzata Waldowska - Chairperson of the Supervisory Board	100.50
Wojciech Kowalczyk - Chairman of the Supervisory Board	70.00
Mirosław Kutnik - Vice Chairman of the Supervisory Board	- 98.60
Damian Pakulski - Secretary of the Supervisory Board	- 88.74
Jarosław Antosik – Member of the Supervisory Board	- 91.00
Janusz Siemienieć - Member of the Supervisory Board	- 28.26
<b>Total</b>	<b>477.1</b>

#### **Gross remuneration for members of subsidiaries' bodies (in PLN '000)**

##### **Members of the Supervisory Board**

###### **COMPANY**

**TOTAL: 354.12**

including:

Małgorzata Iwanejko	198.60
Mirosław Kutnik	48.00
Jarosław Antosik	48.00
Damian Pakulski	34.50
Janusz Siemienieć	25.02

##### **Members of the Management Board**

###### **Parent Company**

**TOTAL: 688.80**

including:

Wojciech Kowalczyk	86.10
Andrzej Juszczyński	602.70

The company has no obligations arising from pensions and similar benefits for former managers, supervisors or liabilities incurred in connection with these pensions.

## 28. 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 31.12.2021 and as at the date of this report

As at 31 December 2021 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 31.12.2021 and as at the date of drafting this report.

As at 31 December 2021 and as at the day of submitting the report for publication the managing and supervising persons hold no shares of affiliated entities.

## 29. 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 established under a pledge agreement entered into on 5 February 2020.

The Company has no information on other such agreements.

## 30. INFORMATION ON THE SYSTEM OF CONTROLLING EMPLOYEE SHARES

In the reporting period concerned, the Company did not offer employee stock programmes.

## 31. AGREEMENT WITH INDEPENDENT STATUTORY AUDITOR

On 4 August 2020 the Management Board of Boryszew S.A. signed an Agreement on audit services for 2020 - 2021 with BDO Spółka z o.o. sp. k. ("Parties") The remuneration for audit services for 2021, as per the Agreement, is follows:

Activity	Net amount
Remuneration for the review of separate financial statements as at 30.06.2021.	50 140
Remuneration for the review of consolidated financial statements as at 30.06.2021.	38 140
Selected procedures at companies excluded from the review as at 30.06.2021.	78 000
Remuneration for the audit of separate financial statements as at 31.12.2021.	150 490
Remuneration for the audit of consolidated financial statements as at 31.12.2021.	92490
Selected procedures at companies excluded from audit as at 31.12.2021.	90 000
Evaluation of the report on remuneration of the Management Board and Supervisory Board for 2021	12 000
Conformity assessment of the annual consolidated financial statements for 2021 in the European Single Electronic Format (ESEF/XBRL format)	22 000
<b>Total</b>	<b>533 260</b>

The auditor was selected by the Supervisory Board in accordance with the Company's Articles of Association. The Company had used the services of the aforesaid auditor with respect to audit and review of financial statements pertaining to years 2018 – 2019.

## 32. LITIGATION UNDERWAY

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

- 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 28.6 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 26 April 2021 the company received the decision of the Head of the Fiscal Administration Chamber in Katowice of 19 April 2021 determining overdue VAT liability of ZM SILESIA S.A. for 2012 in the amount of PLN 28.6 million, plus interest on outstanding tax liability. To secure tax liabilities for 2012, compulsory mortgages were established on part of the Company's land properties.

On 29 April 2021 ZM SILESIA received a notice from the Head of the 2nd Fiscal Office in Katowice on the freezing of ZM SILESIA's bank accounts as a security of claims associated with the execution of the Decision On 7 May 2021, the Company's attorney filed a complaint against the decision of the Head of the Fiscal Administration Chamber in Katowice of 19 April 2021 requesting that the decision be revoked in its entirety, claiming that the tax liabilities for the period between January and November 2012 had become time-barred and requesting that the Court suspend the execution of the decision appealed against. On 6 August 2021 the Company received a decision of the Provincial Administrative Court in Gliwice of 26 July 2021 on suspending the execution of the decision of the Head of the Fiscal Administration Chamber on determining VAT liability for 2012. On 8 September 2021, the Provincial Administrative Court in Gliwice notified on the scheduled hearing in the case on the complaint of ZM SILESIA SA against the decision of the Head of the Fiscal Administration Chamber in Katowice of 19 April 2021.

On 27 October 2021 the Provincial Administrative Court in Gliwice (Provincial Administrative Court) issued a judgment revoking in its entirety the decision of the Head of the Fiscal Administration Chamber in Katowice of 19 April 2021 on the tax on goods and services for the period between January and December 2012. The reason why the Provincial Administrative Court revoked the decision challenged by ZM SILESIA was, primarily, the deficiencies of the tax authority involving the lack of a proper justification of the circumstances and legal grounds for a possible suspension of the statute of limitations for tax liabilities for 2012. Given the crucial importance of the issue of the statute of limitations for the possibility and admissibility of proceedings concerning the assessment of tax liabilities, the Provincial Administrative Court found that the examination and resolution of the remaining disputed issues was premature.

The judgment is not final. The parties have the right to file a cassation complaint with the Supreme Administrative Court. Until the judgment of the Provincial Administrative Court becomes final, the repealed tax decision will not be enforceable.

On 28 March 2022 ZM SILESIA S.A. received a decision of 25 March 2022 from the Director of the Fiscal Administration Chamber in Katowice, which revoked in its entirety the decision of the Head of the Customs and Tax Office in Opole of 28 February 2018 determining the outstanding VAT liability for relevant months of 2012 and referred the case for reconsideration by this body.

The Head of the Fiscal Administration Chamber in Katowice, being bound by the assessments and recommendations of the Provincial Administrative Court in Gliwice in the final judgment of 27 October 2021 (case file I SA/GI 791/21), pointed out that it was necessary to re-examine and justify the position of the first instance authority with respect to the tax liability statute of limitations and the circumstances which could possibly extend the statute of limitations, as the previous position of the first instance authority in this respect turned out to be incorrect or incomplete.

- On 24 September 2020 ZM SILESIA S.A. received the decision of the Head of the Małopolska Customs and Tax Office determining the overdue VAT tax liability for 2013 and 2014 in the amount of PLN 97.3 million plus interest on outstanding tax liability. 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 8 October 2020, the Company filed an appeal against this decision with the Head of the Fiscal Administration Chamber in Katowice. On 25 November 2021 the Company received a decision of the Head of the Fiscal Administration Chamber in Katowice upholding the decision of the authority of first instance. This decision is final. Given the different assessment of the facts, ZM SILESIA lodged a complaint with the Provincial Administrative Court against the above decision.

On 13 December 2021 ZM SILESIA received executive titles from the Head of the Tax Office in Katowice concerning the enforcement of outstanding tax liabilities resulting from the above decision. At the same time ZM SILESIA was notified of the freeze bank accounts as a collateral for claims in the execution of the decision.

On 23 December 2021, ZM SILESIA filed objections to the enforcement proceedings concerning all enforcement titles. The filing of the charges suspended the enforcement proceedings ex officio. At the same time ZM SILESIA received information that the freeze of bank accounts has been released.

On 10 February 2022, ZM SILESIA received the decision of the Provincial Administrative Court in Gliwice (Provincial Administrative Court) of 31 January 2022, according to which the Provincial Administrative Court decided to suspend the execution of the decision of the Director of the Fiscal Administration Chamber in Katowice of 17 November 2021 on VAT for the period from January 2013 to December 2014. The Provincial Administrative Court held that ZM SILESIA had convincingly substantiated that, in the case of tax liabilities for 2013 - 2014, no prerequisites existed justifying the suspension of the execution of the appealed decision of the tax authority based on Art. 61 § 3 and 5 of the Act of 30 August 2002 - Law on proceedings before administrative courts. The decision of the Provincial Administrative Court may be appealed.

On 1 April 2022 ZM SILESIA S.A. received information from the Provincial Administrative Court on the hearing planned on 27 April 2022 to consider the complaint against the decision of the Director of the Fiscal Administration Chamber in Katowice.
- On 14 February 2018 Hutmen Sp. z o. o. in liquidation 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 for 2018. On 08 March 2022, a hearing was held before the Supreme Administrative Court, which returned the case to the Provincial Administrative Court for re-examination.
- On 3 April 2019, Hutmen Sp. z o. o. in liquidation received the decision issued on 26 March 2019 by the Head of the Lower Silesian Tax and Customs Office (Office), which sets out company's VAT arrears for Q4 '2014 at PLN 3.04 million plus interest on tax arrears. As claimed by the Office, Hutmen Sp. z o. o. in liquidation 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 Sp. z o. o. in liquidation appealed against the decision of the office. The appeal was recognised and the case was referred back to the Director of the Tax Administration Chamber in Wrocław for further consideration. On 16 November 2020, the company received a decision of the Head of the Lower Silesian Customs and Tax Office in Wrocław, determining again the outstanding VAT liability for Q4 '2014 in the amount of PLN 3.04 million plus interest on tax arrears. On 29 June 2021, 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. On 16 November 2021, the Fiscal Administration Chamber issued a decision securing the amount of the tax liability. On 2 December 2021, a security deposit was placed in the Office's account. On 20 December 2021, the company again received a decision on the validity of the tax liability. On 3 January 2022, the company filed an appeal against the aforementioned decision.
- On 10 September 2018 Hutmen Sp. z o. o. in liquidation (Hutmen) received a decision of the Tax Administration Chamber (Office) in Wrocław of 4 September 2018 determining the outstanding VAT liability of Hutmen for October and December 2012 in the amount of PLN 1.14 million plus interest on outstanding tax liabilities. As claimed by the Office, Hutmen 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. The claim amount was paid in September 2018 and recognised in the company's 2018 results. 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 Court ruled in favour of Hutmen, the judgment is final. On 3 September 2019 the Director of the Fiscal Administration Chamber in Wrocław repealed fully the decision of the 1st Instance Body in its entirety and referred the case for re-examination by that Body. On 11 December 2019 Hutmen received a refund of the entire amount of the tax in question together with interest. On 12 April 2021, the company received the decision issued on 8 April 2021 by the Head of Mazowiecki Tax and Customs Office, which again sets out company's outstanding VAT for October and December of 2012 at PLN 1.14 million plus interest on overdue tax liability. The decision is not final and is not enforceable. Hutmen appealed against the decision of the Tax Chamber. On 7 October 2021 the company received a decision of the Director of the Fiscal Administration Chamber in Wrocław repealing the appealed decision and transferring the case for reconsideration.

- On 16 December 2020, Hutmen Sp. z o.o. in liquidation ("Hutmen") received a decision of the Head of the Małopolska Customs and Fiscal Office in Kraków ("Office") determining the outstanding VAT liability of company in the first half of 2015 in the amount of PLN 7.8 million plus interest on outstanding tax liability. As claimed by the Office, the company 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 body, Hutmen Sp. z o.o. in liquidation appealed with the Tax Chamber against the decision of the office. 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. On 14 October 2021, Hutmen received a decision of the Head of the Małopolska Customs and Fiscal Office in Kraków ("Decision") on the correctness of VAT settlements of Hutmen for the period January 2015 - June 2015 in the total amount of PLN 11.7. On 22 October 2021 a security deposit in the amount of PLN 11 723 thousand was established on the account of the Fiscal Office following the decision of 14 October 2021 on Hutmen's assets the state budget liabilities associated with pending customs and fiscal proceedings. On 23 December 2021, the Head of the Małopolska Customs and Fiscal Office in Kraków again issued a decision on the validity of the tax liability, which was appealed by the company.
- On 19 April 2022, ZM SILESIA S.A. received a decision from the Head of the Małopolska Customs and Fiscal Office (Office) in Kraków of 6 April 2022 determining the outstanding VAT liability of ZM SILESIA S.A. (ZM SILESIA) for the first half of 2015 in the amount of PLN 34.9 million, plus interest due for outstanding tax liability. As argued by the Office, ZM SILESIA should not have reduced its output tax by the input tax shown on invoices issued by some contractors who were alleged to have been involved in a chain of transactions with the aim of effecting tax evasion. At the same time, the Office stated that ZM SILESIA had not acted with the so-called 'good faith', which would nevertheless help them maintain the right to deduct input tax despite the occurrence of tax irregularities at earlier stages of the disputed supplies.

The decision in question is non-final and not enforceable. Given the different assessment of the above circumstances, the Company will use the available appeal means to challenge the above decision of the Office.

#### **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.

Litigations underway:

- Baterpol S.A. received a VAT audit protocol - audited period: July 2013 - December 2015. Based on that protocol, the Company estimated the risk of questioning the deductible VAT to be PLN 3.2 million plus interest as at 31 December 2021 of PLN 1.8 million. The audit was conducted by the First Silesian Tax Office in Sosnowiec. Following the aforementioned tax inspection, on 20 March 2019, the Head of the First Tax Office in Sosnowiec initiated VAT proceedings for the period December 2013 to December 2015. By the date of this report, the Company has not received a decision of the first instance authority concerning the aforementioned tax proceedings. The case is expected to close on 30 June 2022.
- 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 for the period between January 2014 and June 2015.
- Boryszew S.A. - on 12 April 2021 the Company received a notification from the Head of Mazovian Tax and Customs Office in Warsaw on the initiation of VAT settlements audit for the period December 2015 - March 2016. By the date of publication of the financial statements, the company has not received the audit protocol.

#### **Other important proceedings in companies of Boryszew S.A. Capital Group**

- On 22 October 2020 the President of the Office of Competition and Consumer Protection initiated proceedings against Boryszew S.A. due to the company's excessive delays in meeting its cash obligations in the period June-August 2020. By the date of publication of the financial statements, the company has not received the audit protocol. The anticipated completion date of the proceedings is 22 June 2022.
- Maflow BRS s.l.r. (Italy) is currently audited and the audit covers the tax for 2017. The audit was initiated in 2021 Expected completion of the audit is July 2022.

Due to the fact that there is a risk of instituting new controls that might potentially result in issuing decisions determining tax liabilities of these companies, the Management Board of the Parent Company analysed documentation relevant for the ongoing procedures and estimated risks by classifying them according to the likelihood of emergence:

- a. **probable risk** (high risk) - a high probability of negative tax consequences (negative consequences are more probable to occur than not),
- b. **risk possible** (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 statement of Boryszew S.A. amounts to PLN 150 668 thousand (high risk). In addition, the Parent Company increased its contingent liabilities to PLN 78 304 thousand (medium or low risk).

The Management Board of Boryszew S.A. estimated the provisions considering the probability of cash outflow from the Group and chose leave such provisions out in cases where the probability of cash outflow is low.

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

### **33. SPONSORING AND CHARITY ACTIVITIES**

The sponsoring activity of Boryszew S.A. is primarily 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 has also supported medical facilities through donations and helps local communities with charitable activities.

The Group companies are also supported by institutions hosting, inter alia, thematic conferences related to the Boryszew Capital Group activity area.

## **34. REMUNERATION POLICY**

### **Boryszew Capital Group**

The remuneration policies at Boryszew Capital Group 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. 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 labor law regulations provide so.

### **The remuneration policy of the Management and the Supervisory Board of Boryszew S.A.**

The Extraordinary General Meeting of the Company, by Resolution No. 7 of 28 October 2021, adopted amendments to the Remuneration Policy against the original wording adopted in Resolution No. 24 of the Ordinary General Meeting of the Company held on 23 July 2020.

The adopted amendments include modification of the rules of awarding Variable Remuneration to members of the Company's Management Board, granting the Supervisory Board broader authority to determine the criteria for assessing if awarding Variable Remuneration is justified and the amount of such remuneration."

The Policy is available on Boryszew S.A. website [www.boryszew.com.pl/polityka-wynagrodzen/..](http://www.boryszew.com.pl/polityka-wynagrodzen/)

### **Management Board of Boryszew S.A.**

According to the Policy the following rules apply to the remuneration of the Boryszew SA Management Board management members:

1. the Management Board members are employed under management or employment contracts,
2. 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,
3. 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,
4. the remuneration of Management Board members consists of the following elements:
  - a) fixed remuneration,
  - b) variable remuneration, depending on the performance of the Capital Group and achievement of quantitative and qualitative management objectives assigned to each members of the Management Board,
  - c) 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,
  - d) 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.

### **Supervisory Board of Boryszew S.A.**

In accordance with the Remuneration Policy, members of the Supervisory Board are entitled to Fixed Remuneration and Additional Benefits (i.e. other allowances and benefits, including other than in cash).

The fixed remuneration of members of the Supervisory Board is determined by the General Meeting of Shareholders of the Company in a resolution, the amount is limited to PLN 5 000. The fixed remuneration of a member of the Supervisory Board should be differentiated with respect to the functions performed, in particular the chairman and the deputy chairman of the Supervisory Board, its secretary, a member of the Audit Committee and the Remuneration Committee. Remuneration of Supervisory Board members meeting the independence criterion should guarantee the status."

A member of the Supervisory Board is entitled to fixed remuneration irrespective of the frequency of meetings of the Supervisory Board.

Members of the Supervisory Board delegated to permanent individual supervision are entitled to a separate remuneration, the amount of which is determined by the General Meeting. However, the General Meeting may delegate this power to the Supervisory Board in a resolution. To determine the amount of such remuneration, the provisions of § 5 and § 7 shall apply accordingly. Members of the Supervisory Board who are employees of a Subsidiary are not entitled to any remuneration for performing their functions in the Supervisory Board.

As per the resolution of the General Meeting the remuneration of the members of Boryszew Supervisory Board is:

1. Chairman of the Supervisory Board - PLN 10 000,
2. Deputy Chairman of the Supervisory Board - PLN 8 000,
3. Supervisory Board Members - PLN 6 000.

Members of the Supervisory Board who perform functions in the Audit Committee receive additional remuneration in the amount of PLN 1 000.

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.

## **35. CORPORATE GOVERNANCE PRINCIPLES STATEMENT**

As per § 70 sec. 6 item 5 let. a and b of the Regulations of the Finance Minister 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 2021.

Boryszew S.A. quoted on the Warsaw Stock Exchange in Warsaw S.A., was bound to observe in 2021:

- between 1 January and 30 June 2021 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.)
- between 1 July and 31 December 2021 the rules of corporate governance specified in the "Code of Best Practice for WSE Listed Companies 2021" (attachment to Resolution No 13/1834/2021 of the Warsaw Stock Exchange Supervisory Board of 29 March 2021.)

The set of corporate governance rules to which the Issuer is currently subject is available on the website of the Warsaw Stock Exchange at [www.gpw.pl/dobre-praktyki2021](http://www.gpw.pl/dobre-praktyki2021)

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 a 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.**

The Company observed all corporate governance principles in "Code of Best Practice of WSE Listed Companies in 2021", with the exception of those indicated below.

Detailed information on the withdrawal from use are described in a dedicated statement available on the Company's website [www.boryszew.com.pl](http://www.boryszew.com.pl).

	<b>Principle</b>	<b>Explanation of non-application of certain rules in 2021</b>
<b>1.3.1</b>	The company also includes ESG topics in its business strategy, in particular covering environmental issues, including metrics and risks associated with climate change and sustainability issues;	Business strategy of Boryszew Group formally includes no ESG issues, but the Company appreciates that business should be conducted up to ethical standards, natural environment and the needs of communities. Hence the Company therefore respects and considers it desirable to observe all requirements and laws that relates to environmental and sustainability issues. Measures in this area are presented in the annual non-financial report.
<b>1.3.2</b>	The company also includes ESG topics in its business strategy, in particular covering social and labour matters, concerning, inter alia, measures taken and planned to ensure gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations;	
<b>1.4</b>	In order to ensure proper communication with stakeholders regarding the business strategy adopted, the company publishes on its website information on the assumptions of its strategy, measurable objectives, including in particular long-term objectives, planned activities and progress in its implementation, defined by means of metrics, financial and non-financial. Information on ESG strategies should, inter alia:	The Company intends to announce a business strategy that incorporates ESG issues.
<b>1.4.1</b>	explain how climate change considerations are integrated into the decision-making processes of the company and its group entities, highlighting the resulting risks	The Company presents information on the assumptions of its strategy and its implementation in periodic reports; in addition, climate-related issues are presented in the annual non-financial statements. Following the announcement of its business strategy, the Company will post information on its website regarding the assumptions of its strategy.
<b>1.4.2</b>	present the value of the pay equity ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.	
<b>2.1</b>	The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, field of study, specialist knowledge, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that the minority participation in the respective body is no less than 30%.	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. However, the composition of the Company's governing bodies does not provide 30% gender diversity.

<b>2.2</b>	The persons deciding on the election of the members of the company's management or supervisory board should ensure the comprehensiveness of these bodies by selecting diversity in their composition, making it possible, inter alia, to achieve the target ratio of a minimum minority shareholding set at not less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.	
<b>4.1</b>	The company should enable shareholders to participate in a general meeting using electronic means of communication (e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting.	The Company does not currently apply this principle, but does not rule out the possibility of implementing it in the future. The Company believes that implementation of this principle involves risks, including the quality of transmission, delays in data transmission, etc., as well as legal risks of undermining the effectiveness of the Resolutions adopted by the General Meeting.
<b>4.3</b>	The company provides a publicly available real-time broadcast of the general meeting.	Following the principle of transparency, the Company pursues a transparent information policy ensuring communication with market participants using traditional methods. The Company has not yet applied this principle, but does not rule out the possibility of implementing it in the future.
<b>4.8</b>	Draft resolutions of the general meeting on items on the agenda of the general meeting should be tabled by shareholders at least 3 days before the general meeting.	With respect to the shareholders' exercise of their corporate rights, the Company observes the principles arising from the provisions of applicable laws, according to which a shareholder or shareholders representing at least one-twentieth of the share capital may, prior to the date of a general meeting, submit draft resolutions to the company concerning the matters on the agenda or matters that are to be added to the agenda, and, in addition, each shareholder may, during a general meeting, propose draft resolutions concerning the matters on the agenda. The Company has no control over the actions of shareholders; however, the Company encourages shareholders to submit resolutions well in advance in conformity with this rule.
<b>4.9</b>	Where the subject of the general meeting is to be an appointment to the supervisory board or the appointment of a new supervisory board:	With respect to the shareholders' exercise of their corporate rights, the Company observes the principles arising from the provisions of applicable laws, according to which a shareholder or shareholders representing at least one-twentieth of the share capital may, prior to the date of a general meeting, submit draft resolutions to the company concerning the matters on the agenda or matters that are to be added to the agenda, and, in addition, each shareholder may, during a general meeting, propose draft resolutions concerning the matters on the agenda. The Company has no control over the actions of shareholders; however, the Company encourages shareholders to submit resolutions well in advance in conformity with this rule.
<b>4.9.1</b>	nominations for supervisory board members should be made in sufficient time to enable the shareholders attending the general meeting to take a decision with due deliberation, but no later than 3 days before the general meeting; the nominations, together with a set of materials concerning them, should be published on the company's website without delay;	With respect to the shareholders' exercise of their corporate rights, the Company observes the principles arising from the provisions of applicable laws, according to which a shareholder or shareholders representing at least one-twentieth of the share capital may, prior to the date of a general meeting, submit draft resolutions to the company concerning the matters on the agenda or matters that are to be added to the agenda, and, in addition, each shareholder may, during a general meeting, propose draft resolutions concerning the matters on the agenda. The Company has no control over the actions of shareholders; however, the Company encourages shareholders to submit nominations well in advance in conformity with this rule.

## 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 introduced on 3 July 2016, 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 fulfillment 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 31.12.2021 and the date of submitting the report for publication:

Shareholders	Number of shares	% of capital	Number of votes	% of votes
Roman Krzysztof Karkosik (*)	156 832 020	65.35%	156 832 020	65.35%

Including:

Boryszew S.A. (**)	34 795 000	14.50%	34 795 000	14.50%
RKKK Investments Sp. z o.o.	119 998 000	50.00%	119 998 000	50.00%
Others	83 167 980	34.65%	83 167 980	34.65%
<b>Total:</b>	<b>240 000 000</b>	<b>100.00%</b>	<b>240 000 000</b>	<b>100.00%</b>

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

(\*\*) As per the notification of Boryszew S.A. of 30 October 2020

The Company is not aware of any agreements, other than those described in point 29 of these financial statements, 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 Company's Articles of Association require a resolution of the General Meeting and an entry in the Register of Entrepreneurs of 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 entry in 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 an 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. A 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 are to be found on the corporate web site at [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 1/20th 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 2021 the Ordinary General Meeting of Boryszew S.A. took place on 24 June 2021.

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 (Journal of Laws 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, grating 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 persons.

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. Should the Chairman fail to convene a meeting of the Supervisory Board, the applicant may convene it individually, stating 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.

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 Audit Committee operates in the structure of the Supervisory Board.

In accordance with the Rules of the Supervisory Board, adopted on 18 August 2020, the Supervisory Board may also appoint a Remuneration Committee if necessary. The Remuneration Committee was not appointed in 2021.

### **Audit Committee**

In 2021, the Audit Committee had the following members:

Mr Jarosław Antosik - Chairman

Mr Mirosław Kutnik

Mr Damian Pakulski

By the date of publication of the report, no changes occurred in the composition of the Committee.

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 set forth in Article 128 and Article 129 of the above mentioned Act, i.e.

- 1) at least one member of the Audit Committee has knowledge and skills in accounting or auditing:
  - 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 became a certified tax advisor (member of the Audit Committee between 1 January and 31 December 2020).
- 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 Damian Pakulski has knowledge and skills in the industry in which the Company operates gained during his long years in commercial law companies, including public companies (member of the Audit Committee as of 11 December 2020).
- 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 Damian Pakulski - 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.

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 10 years, subject to the limitations in applicable laws;
- 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 2020 and 2021

The Audit Committee during its meeting on 2 April 2020 recommended to the Supervisory Board to appoint BDO Sp. z o. o. sp. k. to audit the financial statements for 2020 - 2021.

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.

The Supervisory Board, having reviewed of the recommendation of the Audit Committee, on 26 May 2020 appointed BDO Sp. z o. o. sp. k. based in Warsaw to conduct the audit of the separate financial statements of Boryszew S.A. and the consolidated financial statements of Boryszew Capital Group for 2020 and 2021.

## 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.

The Audit Committee of Boryszew S.A., following appropriate assessment of risks and independence safeguards as per Art. 5 sec. 4 of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on the detailed requirements for statutory audits of public interest entities, consented to the performance by BDO Spółka z ograniczoną odpowiedzialnością Spółka komandytowa the following additional services:

- verification of the electricity consumption intensity factor.
- BDO's assessment of the Supervisory Board's report on the implementation of the remuneration policy for the Management Board and Supervisory Board.

## Audit Committee meetings

In 2021 the Audit Committee held 7 meetings, the main topics of which were associated with the fulfilment of its statutory duties.

### CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

As at 1 January 2021, the composition of the Supervisory Board of Boryszew S.A. was as follows:

Mr Wojciech Kowalczyk	- Chairman of the Supervisory Board,
Mr Mirosław Kutnik	- Secretary of the Supervisory Board
Mr Jarosław Antosik	- Member of the Supervisory Board,
Mr Damian Pakulski	- Member of the Supervisory Board,
Ms Małgorzata Waldowska	- Member of the Supervisory Board.

On 10 August 2021, Mr Wojciech Kowalczyk, Chairman of the Supervisory Board of the Company, submitted his resignation from the position on that day.

On the same date the Supervisory Board of the Company appointed Mr Janusz Siemieniec to the Supervisory Board, replacing Mr Wojciech Kowalczyk.

On 7 September 2021, the Supervisory Board elected Ms Małgorzata Waldowska as the Chairperson of the Supervisory Board, Mr Mirosław Kutnik as Vice Chairman and Mr Damian Pakulski as Secretary.

On 31 December 2021 the Supervisory Board of Boryszew S.A. had the following members:

Ms Małgorzata Waldowska	- Chairperson of the Supervisory Board.
Mr Mirosław Kutnik	- Vice Chairman of the Supervisory Board,
Mr Damian Pakulski	- Secretary of the Supervisory Board,
Mr Jarosław Antosik	- Member of the Supervisory Board,
Mr Janusz Siemieniec	- Member of the Supervisory Board.

No changes in the composition of the Supervisory Board occurred between 31 December 2021 and the date of submission of the financial statements for publication.

## 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 2021, the following persons were members of the Management Board of Boryszew S.A.:

Mr Piotr Lisiecki – President of the Management Board, CEO,  
Mr Andrzej Juszczyński – Vice-President of the Management Board, CFO,  
Mr Mikołaj Budzanowski – Member of the Management Board

On 3 May 2021 the President of the Management Board of the Company, Mr Piotr Lisiecki, died. Given these circumstances, on 18 May 2021 the Supervisory Board decided to delegate on the same day Mr Wojciech Kowalczyk - Chairman of the Supervisory Board - to temporarily perform the duties of the President of the Company's Management Board for a period of three months.

On 10 August 2021, the Supervisory Board decided to appoint Mr Wojciech Kowalczyk to the Management Board and entrusted him with the function of the President of the Management Board, CEO of the Company.

On 30 September 2021 Mr Andrzej Juszczyński, Vice-President of the Management Board, Chief Financial Officer resigned on the same day.

On 31 December 2021 the Management Board of Boryszew S.A. had the following members:

Mr Wojciech Kowalczyk – President of the Management Board, General Director  
Mr Mikołaj Budzanowski – Member of the Management Board

No changes in the composition of the Management Board occurred between 31 December 2021 and the date of submission of the financial statements for publication.

#### **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. In 2021, the Management Board was composed exclusively of men and the Supervisory Board had one woman.

## **36. 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.

## **37. 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 27 April 2022 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 2021 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.pl](http://www.boryszew.com.pl) 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:**

Wojciech Kowalczyk - President of the Management Board

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Mikołaj Budzanowski – Member of the Management Board

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Warsaw, 27 April 2022