



# **Boryszew S.A.**

## **REPORT ON THE ACTIVITIES OF BORYSZEW CAPITAL GROUP IN THE FIRST SIX MONTHS OF 2022**

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31 August 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's REGON (Business ID) is 750010992 and NIP (tax ID) is 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 Krzysztof 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.

### SUPERVISORY BOARD OF BORYSZEW S.A.

In the first half of 2022 and till the publication date of the report the following persons were members of the Supervisory Board of Boryszew S.A.:

|                         |   |   |
|-------------------------|---|---|
| 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 Siemienieć    | – | Member of the Supervisory Board.        |

### MANAGEMENT BOARD OF BORYSZEW S.A.

In the first half of 2022 and till the publication day of the report the following persons were members of the Management Board of Boryszew S.A.:

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

## 2. APPROVAL OF THE REPORT FOR PUBLICATION

This report on the activity of Boryszew Capital Group in the first six months of 2022, an integral part of the consolidated mid-year report of Boryszew Capital Group for the period between 1 January 2022 and 30 June 2022, was approved for publication by the resolution of the Management Board of 30 August 2022 and presents the situation of Boryszew Capital Group in accordance with legal requirements for the period between 1 January 2022 and 30 June 2022, including any events which occurred by the date of approval of this report for publication.

A significant part of the information contained herein was presented in more detail in the Company's current reports available on [www.boryszew.com](http://www.boryszew.com) which also contains other information on the Company and the Group.

## 3. ACCOUNTING PRINCIPLES APPLIED

The financial statements for the first six months of 2022 were drafted in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state as well as International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".



## Report of the Management Board on the activities of Borszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

Accounting principles and calculation methods applied by the Group have not changed in the period of this Report and are presented in detail in the consolidated financial statements for 2021, published on 27 April 2022. These financial statements were drafted on the basis of International Financial Reporting Standards as approved by the European Union (EU).

### CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THE FOLLOWING COMPANIES:

| Company name                              | Seat      | share of the parent in share capital (%) | subsidiary of:   | Business segment  |
|---|-----------|--|--|-------------------|
| <i>Head Offices</i>                       | Warsaw    |  |  | Unallocated       |
| <i>Elana Branch</i>                       | Toruń     |  |  | Chemical products |
| <i>Borszew Energy Branch</i>              | Toruń     |  |  | Unallocated       |
| <i>Maflow Branch</i>                      | Tychy     |  |  | Automotive        |
| <i>Borszew 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                                    | Borszew S.A.   | Chemical products |
| Nylonbor Sp. z o.o.                       | Sochaczew | 100.00                                   | Borszew S.A.   | Chemical products |
| Elana Energetyka Sp. z o.o.               | Toruń     | 100.00                                   | Borszew S.A.   | Unallocated       |
| Borszew Maflow Sp. z o.o.                 | Warsaw    | 100.00                                   | Borszew S.A.   | Automotive        |
| Maflow Polska Sp. z o.o.                  | Warsaw    | 100.00                                   | Borszew S.A.   | Automotive        |
| Maflow BRS s.r.l                          | Italy     | 100.00                                   | Borszew S.A.   | Automotive        |
| Maflow Spain Automotive S.L.U             | Spain     | 100.00                                   | Borszew S.A.   | Automotive        |
| Maflow France Automotive S.A.             | France    | 100.00                                   | Borszew S.A.   | Automotive        |
| Maflow do Brasil Ltda                     | Brazil    | 100.00                                   | Borszew S.A. (79%)<br>Maflow Polska Sp. z o.o. (21%),  | Automotive        |
| Maflow Components Dalian Co. Ltd.         | China     | 100.00                                   | Maflow Polska Sp. z o.o.   | Automotive        |
| Maflow India Private Limited              | India     | 100.00                                   | Borszew S.A. (99.99%)<br>Maflow Polska Sp. z o.o.  | Automotive        |
| MAFMEX S.DE R.L.DE C. V                   | Mexico    | 100.00                                   | (96.66%), Maflow Spain Automotive S.L.U. (3.34%),<br>Maflow Spain Automotive S.L.U (90.00%), Maflow Polska Sp. z o.o. (10,00%) | Automotive        |
| Borszew Automotive Mexico S.DE R.L.DE C.V | Mexico    | 100.00                                   |  | Automotive        |
| Borszew Automotive Plastics Sp. z o.o.    | Tychy     | 100.00                                   | Maflow Polska Spółka z o.o.  | Automotive        |
| Borszew Components Poland Sp. z o.o.      | Warsaw    | 100.00                                   | Borszew Automotive Plastics Sp. z o.o.   | Automotive        |
| Borszew HR Service Sp. z o.o.             | Toruń     | 100.00                                   | Borszew S.A.   | Automotive        |
| Borszew Commodities Sp. z o.o.            | Warsaw    | 100.00                                   | Borszew Automotive Plastics Sp. z o.o.   | Automotive        |
| ICOS GmbH in liquidation                  | Germany   | 100.00                                   | Borszew 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        |
| Borszew Formenbau Deutschland GmbH        | Germany   | 100.00                                   | Borszew Kunststofftechnik Deutschland GmbH   | Automotive        |



## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

| Company name  | Seat                 | share of the parent in share capital (%) | subsidiary of:  | Business segment        |
|---|----------------------|--|---|-------------------------|
| Boryszew Kunststofftechnik Deutschland GmbH               | Germany              | 100.00                                   | Boryszew Automotive Plastics Sp. z o.o.                                   | Automotive              |
| Boryszew Oberflächetechnik GmbH                           | Germany              | 100.00                                   | Boryszew Kunststofftechnik Deutschland GmbH                               | Automotive              |
| Boryszew Deutschland GmbH                                 | Germany              | 100.00                                   | Boryszew Automotive Plastics Sp. z o.o.                                   | Automotive              |
| AKT plastikářská technologie Čechy, spol. s r.o.          | 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            | 100.00                                   | Boryszew S.A.   | Automotive              |
| Boryszew Holding Sp. z o.o.                               | Warsaw               | 100.00                                   | Boryszew S.A.   | Metals                  |
| SPV Lakme Investment Sp. z o.o.                           | Warsaw               | 100.00                                   | Boryszew S.A.   | Unallocated             |
| Hutmen Sp. z o.o.   | Wrocław              | 100.00                                   | Boryszew S.A.   | Metals                  |
| Walcownia Metali Dziedzice S.A.                           | Czechowice-Dziedzice | 100.00                                   | Hutmen Sp. z o.o. 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                  |
| Eastside Capital Investments Sp. z o.o.                   | Warsaw               | 100.00                                   | Boryszew S.A.   | Unallocated             |
| 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.                                   | Unallocated             |
| 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                              |
| Brick factory Wostocznaja - Sp. z o.o. | Belarus | 30   | 30                 | trade, production of secondary raw materials |



### Changes in the Group structure

No significant changes in the structure of Borszew Capital Group during the first six months of 2022 occurred.

## 4. SIGNIFICANT ACHIEVEMENTS OR FAILURES IN CURRENT PERIOD;

### ACHIEVED PROFIT/LOSS

#### A. OVERALL MACROECONOMIC SITUATION

Market (segments and geographical structure) of the Borszew Capital Group ("Group", "BCG"):

| Structure of revenues by segments |                  |             |                  |               | Geographical structure of revenues |                  |             |                  |               |
|-----------------------------------|------------------|-------------|------------------|---------------|------------------------------------|------------------|-------------|------------------|---------------|
|                                   | 1H 2022          |             | 1H 2021          |               |                                    | 1H 2022          |             | 1H 2021          |               |
| Chemical products                 | 156 460          | 4.4%        | 136 394          | 4.5%          | Poland                             | 1 434 078        | 40.6%       | 957 706          | 31.3%         |
| Automotive                        | 794 102          | 22.5%       | 894 620          | 29.3%         | Germany                            | 718 194          | 20.3%       | 677 410          | 22.2%         |
| Metals                            | 2 341 771        | 66.2%       | 1 962 607        | 64.2%         | Other EU countries                 | 1 100 065        | 31.1%       | 1 092 310        | 35.7%         |
| Other *                           | 243 900          | 6.9%        | 63 127           | 2.1%          | Other                              | 283 896          | 8.0%        | 329 322          | 10.8%         |
| <b>TOTAL</b>                      | <b>3 536 233</b> | <b>100%</b> | <b>3 056 748</b> | <b>100.0%</b> | <b>TOTAL</b>                       | <b>3 536 233</b> | <b>100%</b> | <b>3 056 748</b> | <b>100.0%</b> |

\* this item also includes consolidation exclusions between segments

Key determinants:

#### **Market sentiment - PMI and GDP:**

Since more than 95,6% of revenues at Borszew Capital Group is generated in Europe, then the overall economic situation within the European Union (including in Germany) is critical for Group's performance.

In EU countries as well as in Poland itself, the general macroeconomic sentiment in the first six months of 2022 was less optimistic than in the period of the previous year.

The reason for this is primarily the ongoing armed conflict in Ukraine. Russian aggression against Ukraine led to increased business uncertainty, disrupted supply chains and intensified inflationary pressures around the world, also resulting in slower growth in Polish industry. Another quarter saw a decline in production and a weakening of new order inflows.

The rapid rise in prices has significantly weakened demand, putting a strain on the budgets of both domestic and overseas customers. This was especially evident for export orders, which saw the strongest regression since May 2020.

The average values of the PMI index, which determines the level of activity in industry in the Euro zone, Poland and Germany were at a significantly lower level than in the same period of the previous year.

| PMI     | 1H 2022 | 1H 2021 |
|---------|---------|---------|
| EU      | 52.1    | 63.4    |
| Poland  | 44.4    | 59.4    |
| Germany | 52.0    | 65.1    |

In Poland PMI was at a level significantly lower than in the corresponding period of the previous year - below the 50-point "crisis" level, 44.4 points (with the reading of 59.4 points in H1 2021).

The June 2022 the industrial PMI collapsed almost as sharply as at the peak of the pandemic, falling to 44.4 points and signalling a decline in orders, production and employment.



The overall downturn in the first half of 2022 was mainly a consequence of the war in Ukraine. On top of that, the resulting disruption to supply chains (as well as a renewed increase in sanitary restrictions in China) as a result of the pandemic worsened the situation.

The effect of the above situation is rising fuel and energy prices, currency volatility and rising inflation.

In summary, the first half of 2022 proved to be the most turbulent period since the pandemic broke out. Not only due to the war, but also strong inflation, further policy tightening by central banks and simultaneous signs of economic slowdown. All these factors mean that we can expect increased volatility in the next three months as well, and market sentiment suggests that this trend will continue in future periods.

| <b>Forecast of GDP growth for Poland</b> | <b>2022</b> | <b>2023</b> |
|--|-------------|-------------|
| NBP                                      | 4.7%        | 1.4%        |
| World Bank                               | 3.9%        | 3.6%        |
| European Commission                      | 5.2%        | 1.5%        |

In its July forecast, the European Commission expects Poland's GDP to grow by 5.2% (vs. 3.7% growth in the May 2022 forecast). This is mainly due to Russia's invasion of Ukraine and rising inflation. Higher economic uncertainty and higher inflation are expected to reduce households' propensity to spend. At the same time, the European Commission predicts that the negative effect may be partially neutralised by the inflow of refugees from Ukraine, which will stimulate consumption. By comparison the EU economy as a whole is expected to grow by 2.7% this year and by 1.5% next year. The European Commission explains that the reason for the lowered forecast is the situation resulting from Russia's invasion of Ukraine. It has driven up energy and agricultural commodity prices and disrupted supply chains, hampering recovery from the Covid-19 pandemic.

The NBP forecasts GDP growth of 4.7% in 2022 (4.4% in the Q1 '2022 forecast) and growth of 1.4% in 2023 (3.0% in the Q1 '2022 forecast).

### **Market sentiments - Sales of cars:**

Another important parameter with an impact on the dynamics and results of the Group is the sale of cars (the Automotive segment accounts for over 22,5% of Group's turnover).

In the first six months of 2022, car sales in Europe decreased. According to ACEA data, the passenger car market in Europe fell 13.7% year-on-year.

After 6 months of 2022 the main customer of the Automotive segment, Volkswagen Group, recorded a 19.4% drop in car sales on the European market (compared to the same period last year).

The war prevented Ukrainian wiring harness factories from operating, and without new supplies of wires, downtime began at many automotive plants in Germany, the Czech Republic, and Poland. The industry immediately began building new supply chains and reorganising production, but it will still take some time for the situation to stabilise.

It is difficult to forecast the course of the conflict and its full impact, but assuming no escalation of hostilities and a longer-term freeze in the conflict, it is reasonable to expect that after a short-term supply shock causing cost increases and sharp declines in automotive production, within a few months supply chains will return to a state similar to that before the war as price lists adjust to higher costs. However, if the disruptions were to last longer, a pandemic-like crisis could return once stocks are depleted.

### **Market sentiment - basic products of the Metals segment and prices of basic raw materials:**

The situation on the market of the basic products of this Segment - aluminium wire rod and aluminium alloys - is very good. Wire rod is used in production of wires, cables and wires. In particular the segment of overhead conductors and wires records a continuous increase in demand of several percent. Boryszew S.A. NPA Skawina Branch is the only manufacturer of the above mentioned products in Poland.

Starting in mid-2020, prices for steel and steel products began to rise rapidly, due to rising iron ore and steel scrap prices. In 2022, with the outbreak of war, steel shipments from Ukraine, Belarus were curtailed, and from Russia completely banned due to sanctions, and this in total is about 25% of Polish steel imports in 2021. Over the past two months, steel prices have fallen by about 30%, yet they are still on average 20% more expensive than before the outbreak of war in Ukraine.





High fuel and electricity prices are likely to put the brakes on further reductions in steel prices. In addition, global steel production is falling, both year-on-year and month-on-month.

Since nearly 66% of Boryszew Capital Group's sales is in the metals industry segment, Group's performance is exposed to fluctuations in average prices of metals quoted on the London Metal Exchange (LME). The hedge policy for metal price and exchange rates, followed by the Group, has a significant effect on risk reduction. However, the level of income and working capital still remain sensitive to the volatility of these commodity prices.

In the discussed period, average prices of all four basic metals (in USD) increased significantly: aluminium (by 36,9%), zinc (by 35,4%), lead (by 9,5%) and copper (by 7,3%).

Also metal prices expressed in PLN increased by 54,0% (aluminium), 52,3% (zinc), 23,1% (lead) and 20,7% (copper) respectively, which was due to changes in the USD to PLN exchange rate.

Metal scrap (including battery scrap), which is the basic or significant raw material for production, is an important raw material for the Group.

However, such rapid changes in the market and high prices in the spring intensified inflationary tensions, which began in the second half of last year, and by the end of the first half of this year we can already see a reduction in demand in anticipation of reductions in market prices. More significant reductions in market prices are not possible, primarily because of persistently high energy and gas prices, and the market is looking for a consensus.

#### **Market sentiments - significant currency pairs**

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.

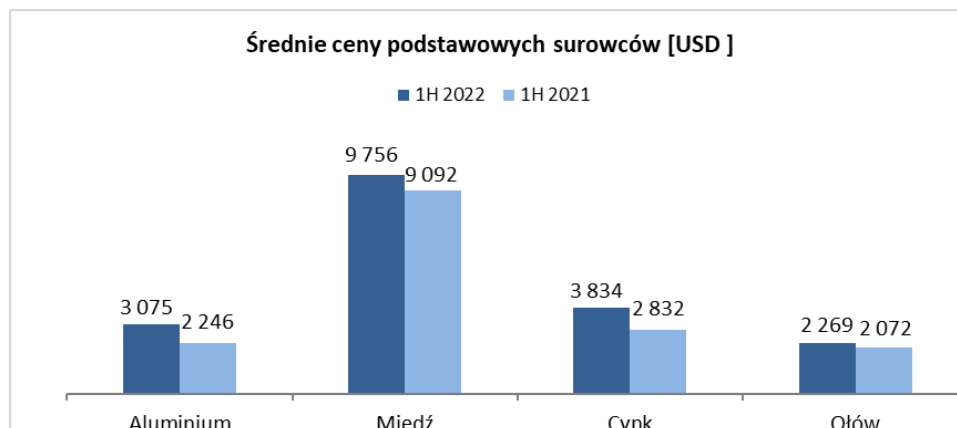
In the reviewed period USD strengthened against the PLN by 12.5%, which had an impact on the listings of basic metals expressed in PLN and on the sales profitability on this account.

In reviewed period of 2021 the average EUR listings increased by 2,1% in relation to PLN.

The EUR exchange rate level is of importance to the Group due to the predominance of processing margins which are denominated in this currency.

In the first half of 2022, the EUR/USD exchange rate stood at 1.09, or some 9.2% lower than in the corresponding period of the previous year.

Refer to the chart and table below for detailed information on the trend of the above key parameters (daily average metal prices and exchange rates):





## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

|                 | 1H 2022 | 1H 2021 | % change |
|-----------------|---------|---------|----------|
| Aluminium [USD] | 3 075   | 2 246   | 36.9%    |
| Copper [USD]    | 9 756   | 9 092   | 7.3%     |
| Zinc [USD]      | 3 834   | 2 832   | 35.4%    |
| Lead [USD]      | 2 269   | 2 072   | 9.5%     |
| EUR/PLN         | 4.63    | 4.54    | 2.1%     |
| USD/PLN         | 4.24    | 3.77    | 12.5%    |
| EUR/USD         | 1.09    | 1.20    | -9.2%    |

|                 | 1H 2022 | 1H 2021 | % change |
|-----------------|---------|---------|----------|
| Aluminium [PLN] | 13 029  | 8 462   | 54.0%    |
| Copper [PLN]    | 41 340  | 34 260  | 20.7%    |
| Zinc [PLN]      | 16 246  | 10 670  | 52.3%    |
| Lead [PLN]      | 9 613   | 7 808   | 23.1%    |

Source: Daily listings of LME, NBP

### Revenues from sales / Demand for Group's products

The revenues of Boryszew Group for the first half of 2022 amounted to PLN 3 536.2 million and were by 15.7% higher than in the same period last year.

By segments, the sales revenues and volumes are as follows:

| in PLN million                        | 1H 2022        | 1H 2021        | difference   |
|---------------------------------------|----------------|----------------|--------------|
| <b>Revenues from sale, including:</b> | <b>3 536.2</b> | <b>3 056.7</b> | <b>479.5</b> |
| Automotive Segment                    | 794.1          | 894.6          | -100.5       |
| Metals Segment                        | 2 341.8        | 1 962.6        | 379.2        |
| Chemicals segment                     | 156.5          | 136.4          | 20.1         |
| Other                                 | 243.9          | 63.1           | 180.8        |

\* including consolidation adjustments

| in thousand tonnes                 | 1H 2022      | 1H 2021      | difference   |
|------------------------------------|--------------|--------------|--------------|
| <b>Volume of sales, including:</b> | <b>232.1</b> | <b>257.4</b> | <b>-25.3</b> |
| Metals Segment                     | 213.9        | 231.5        | -17.6        |
| Chemicals segment                  | 18.2         | 25.9         | -7.7         |

Revenue growth was seen in almost all companies in the Metals Segment (except for Hutmen, which ceased operations at the end of 2021 and ZM Silesia). This came from an increase in prices (expressed in PLN) of most of the products offered (linked to metal prices on the LME).

H1 '2022 saw a decrease in the sales volume of the Metal Segment compared to the previous year (17.6 thousand tonnes), mainly due to Hutmen and Alchemia group companies (a decrease of 12.1 thousand tonnes in total). The negative effect was partially neutralised by increased sales volume at NPA Branch (in total by 4.5 thousand tonnes).

The decline in revenues in the Automotive Segment was related to the ongoing hostilities in Ukrainian territory. The aforementioned aggression had a decisive impact on the reduction of order volumes. Considerable part of key clients of Maflow Group as well as Boryszew Automotive Plastics Group decided to temporarily suspend or temporarily stop their production, which largely influenced the decrease of revenues generated by both Groups in



## Report of the Management Board on the activities of Borszew Capital Group in the first six months of 2022

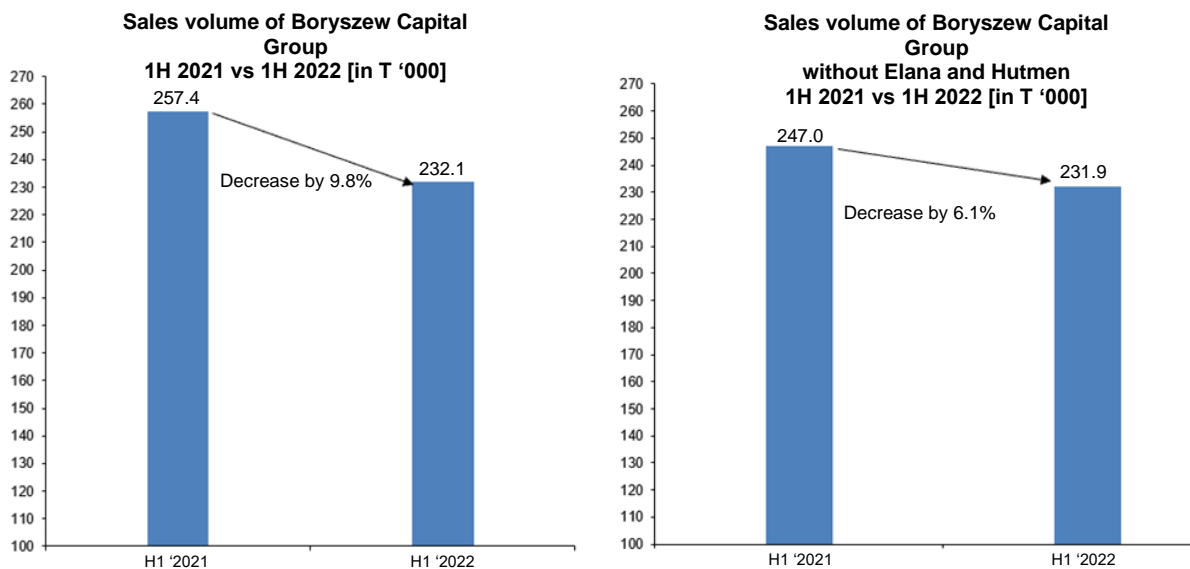
(amounts expressed in PLN '000 unless specified otherwise)

H1 '2022. The decision is also a consequence of problems with the availability of semiconductors and electrical components used in car manufacturing. According to ACEA data, the number of newly registered cars fell by 13.7 percent compared to the same period of 2021.

The Chemicals segment reported slightly higher revenues compared to the same period of the previous year, with lower sales volumes in all companies in the segment. This is mainly due to increased sales value of plasticizers, staple fibre, elball and specialty manufacturing. The decrease in volumes in the Chemicals Segment was recorded in all production facilities and amounted to 29.8% (7.7 thousand tonnes) - Elana Pet sales also contributed to the decline.

The increase of sales revenues in other companies is mainly due to the increase of prices of utilities (gas and electricity) which was converted into higher revenues in Borszew S.A. Energy branch and Elana Energetyka.

The comparison of the total sales volumes of the Capital Group in the discussed periods is presented in the following charts:



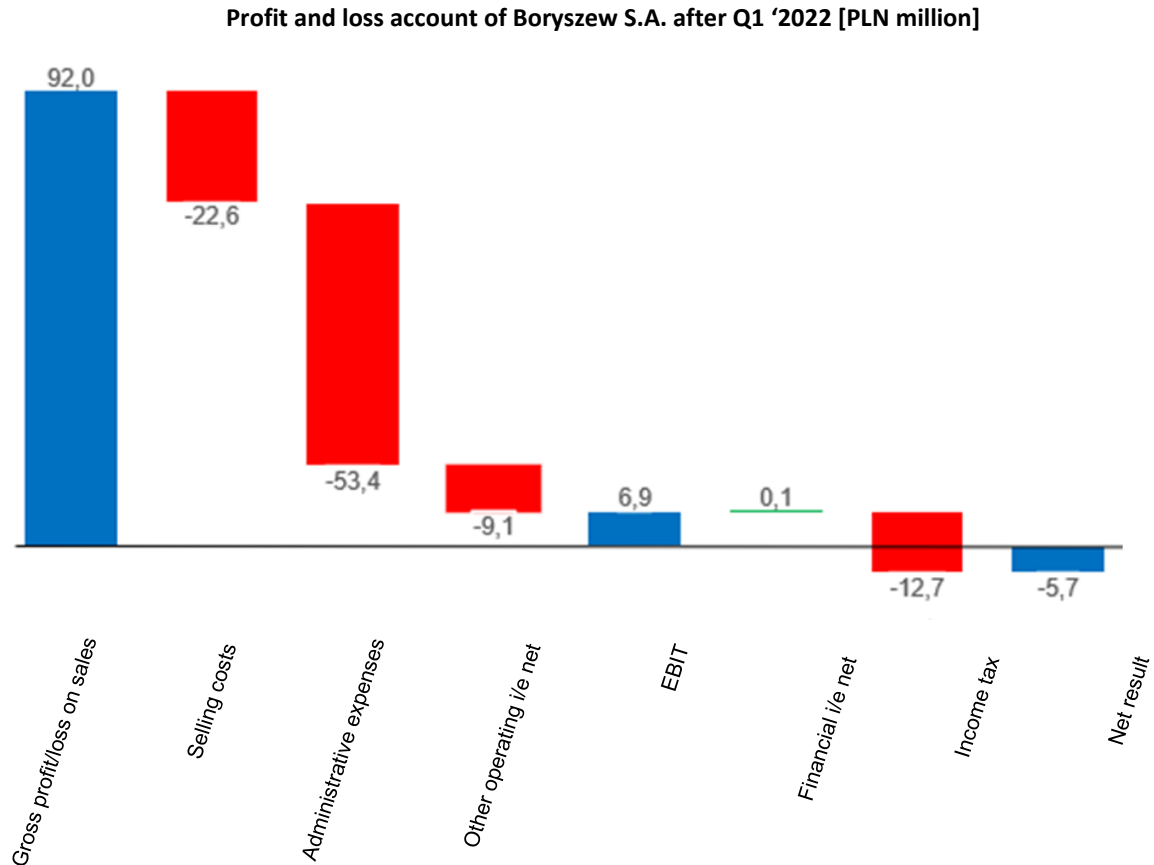
The decrease in volumes is due to Hutmen ceasing operations at the end of 2021 and the sale of Elana Pet on 30 August 2021.



## B. ACHIEVED FINANCIAL RESULTS

### Separate figures:

The chart below compiles components of the profit and loss account of Borszew S.A. after the first six months of 2022



The gross result on sales after six months 2022 amounted to PLN 92.0 million and was higher by PLN 14.7 million against the result for the corresponding period of the previous year. The decrease in gross profit is a result of the deterioration of results in almost all Business Segments (except for the Metals Segment). The average gross profitability on sales dropped from 12.8% at the end of the first six months of 2021 to 6.5% at present. Costs of sales were lower by PLN 4.5 million, or by 16.7% against the same period of the previous year. General and administrative expenses were by PLN 9.2 million or 20.8% higher as compared to H1 '2021.

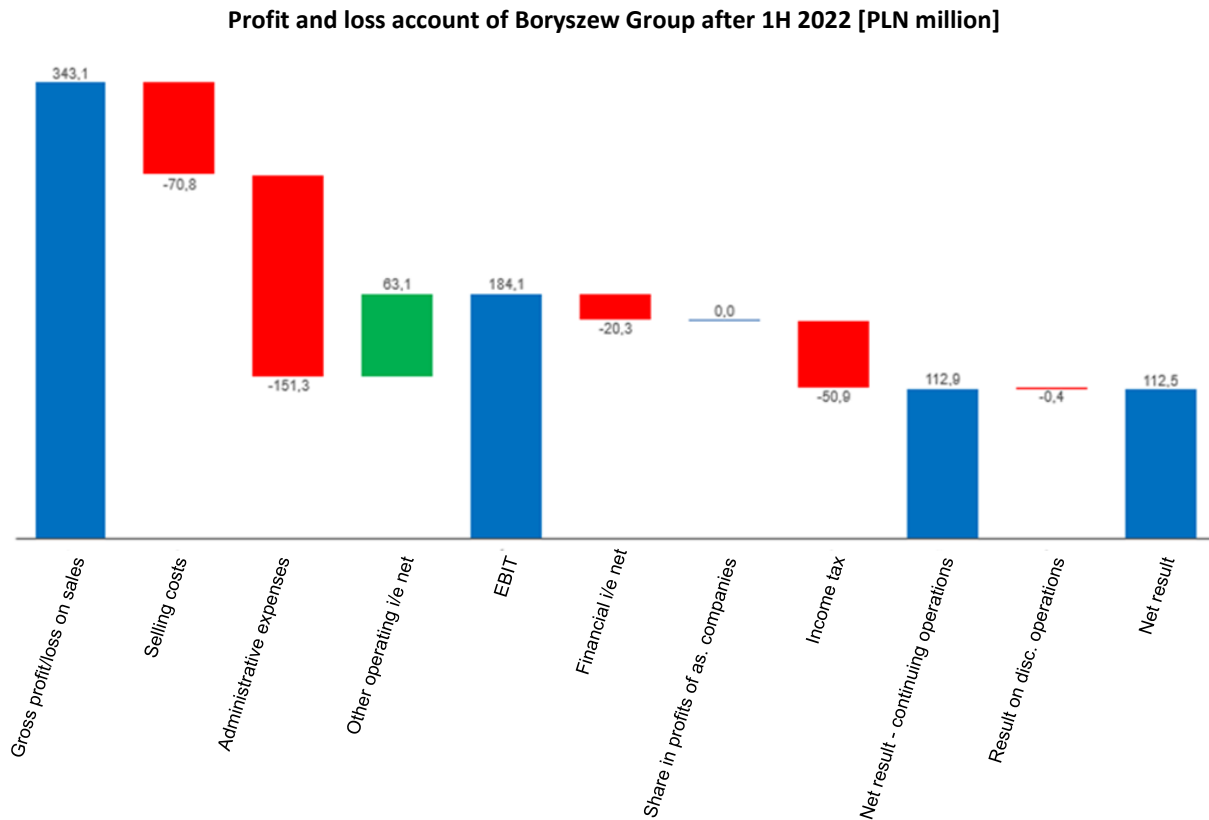
The balance of financial income/costs amounted to PLN -9.1 million and was lower by PLN 20.3 million against the corresponding period of 2021. The decrease in revenue compared to the same period last year was mainly due to recognition of a provision for tax risk in the ERG Division in the amount of PLN 22.2 million.

The balance of other financial income/costs amounted to PLN 0.1 million and was higher by PLN 10.7 million compared to the same period of the previous year, mainly due to higher exchange rate gains and higher profit on derivative financial instruments.



**Consolidates figures:**

The chart below shows the size of the components forming the individual items of the income statement in the first half of 2022



The gross result on sales after the first six months of 2022 amounted to PLN 343.1 million and was higher by PLN 25.4 million compared to the result in the corresponding period of the previous year. The increase in gross profit is a consequence of improved results in most of the Group's Segments. The average gross profitability on sales dropped from 10.4% at the end of the first six months of 2021 to 9.7% at present.

Costs of sales were lower by PLN 14.9 million, or by 17.5% against the same period of the previous year. General and administrative expenses were up by PLN 9.1 million, or 6.4%, compared to H1 '2021.

The balance of operating income/expenses amounted to PLN 63.1 million and it was PLN 67.3 million higher as compared to the same period of 2021, mainly due to the sale of fixed assets, the release of provisions and the creation of impairment charges (Hutmen).

The result on financial operations amounted to minus PLN 20.3 million and was up by PLN 7.7 million compared to the same period of the previous year, mainly due to higher foreign exchange differences and interest on loans.



## OPERATING RESULTS BY SEGMENTS

### Separate figures:

At the end of H1 '2022, EBITDA on continuing operations of Boryszew S.A. amounted to PLN 35.4 million compared to PLN 68.9 million in the corresponding period of the previous year. In relevant operating segments, the EBITDA result was as follows:

| <b>in PLN million</b>     | <b>1H.2022</b> | <b>1H.2021</b> | <b>difference</b> |
|---------------------------|----------------|----------------|-------------------|
| <b>EBITDA, including:</b> | <b>35.4</b>    | <b>68.9</b>    | <b>-33.5</b>      |
| Automotive Segment        | 29.5           | 42.0           | -12.5             |
| Metals Segment            | 21.8           | 11.0           | 10.7              |
| Chemicals segment         | -14.7          | 10.5           | -25.2             |
| Other *                   | -1.2           | 5.4            | -6.6              |

\* including consolidation adjustments

The decrease in profit was due to lower results in almost all Business Segments (except the Metals Segment).

In the Automotive Segment, the decline in results is due to, among other things, the current political situation in Eastern Europe, which has impacted the suspension of business by customers, shortage of semiconductors and electrical wiring harnesses resulting in lower orders from OEMs and increased energy costs.

The deterioration in results in the non-segmented entities (Other) was associated with lower royalty income and higher general admin expenses compared to the same period in 2021.

For the Metals Segment, the increase is due to higher sales volumes and increased margins on aluminium products.

In the Chemicals Segment, a provision for tax risk is responsible for the deterioration in EBITDA.

### Consolidates figures:

After the first half of 2022, EBITDA on continuing operations amounted to PLN 271.8 million compared to PLN 188.5 million in the corresponding period of the previous year. Importantly the increase in EBITDA was seen despite the absence of the impact of Elana Pet and F&T Polska due to their sale in the third and fourth quarter of 2021.

In relevant operating segments, the EBITDA result was as follows:

| <b>in PLN million</b>     | <b>1H 2022</b> | <b>1H 2021</b> | <b>difference</b> |
|---------------------------|----------------|----------------|-------------------|
| <b>EBITDA, including:</b> | <b>271.8</b>   | <b>188.5</b>   | <b>83.3</b>       |
| Automotive Segment        | 6.2            | 51.0           | -44.8             |
| Metals Segment            | 279.5          | 127.3          | 152.2             |
| Chemicals segment         | -14.7          | 11.6           | -26.3             |
| Other *                   | 0.8            | -1.4           | 2.2               |

| <b>in PLN million</b>                                      | <b>1H 2022</b> | <b>1H 2021</b> | <b>difference</b> |
|--|----------------|----------------|-------------------|
| <b>EBITDA (excluding non-recurring events), including:</b> | <b>234.7</b>   | <b>188.5</b>   | <b>46.2</b>       |
| Automotive Segment   | 6.2            | 51.0           | -44.8             |
| Metals Segment   | 219.9          | 127.3          | 92.6              |
| Chemicals segment  | 7.8            | 11.6           | -3.8              |
| Other *  | 0.8            | -1.4           | 2.2               |

\* including consolidation adjustments



**1. Metals Segment**

Almost all of the segment's companies (except Hutmen and ZM Silesia) are responsible for EBITDA in the Metals Segment that was higher than last year, indicating an improvement in the market after the previous year. This is the result of strong demand for steel products and higher margins. Importantly, Hutmen ceased operations at the end of 2021.

**2. Automotive Segment**

Lower EBITDA result in Automotive Segment is mainly a result of already mentioned current political situation in the East of Europe that influenced the suspension of operations by the customers of Maflow Group and Boryszew Automotive Plastics and thus the decrease of orders' volume. The decision is also a consequence of problems with the availability of semiconductors, electrical wiring harnesses and electrical components used in car manufacturing.

**3. Chemical products segment**

The decrease of EBITDA results of the Segment is mainly attributable to Boryszew S.A. ERG branch and Boryszew S.A. Elana branch. Lower results of Boryszew S.A. ERG branch are a result of lower margin, higher overheads and provision for tax risk. In contrast, lower results at Boryszew S.A. O/Elana are due to rising overhead costs.

**4. Other**

In other Companies not attributed to business segments results are at a similar level compared to the comparable period.

**NET PROFIT/LOSS**

**Separate figures**

Net result of Boryszew S.A. for the first six months of 2022 amounts to PLN -5.7 million and is lower than in the same period of the previous year by PLN 31.3 million, mainly due to a provision for tax risk with interest.

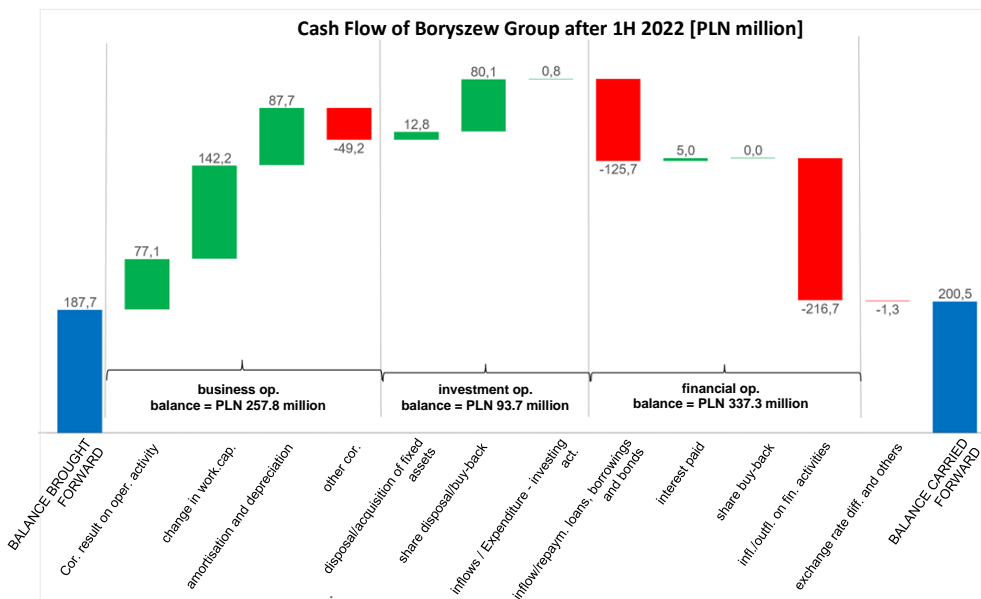
**Consolidates figures:**

Net result on continuing operations amounted to PLN 112.9 million and was higher by PLN 65.7 million than the result after the first six months of the previous year.

The total net result including continued and discontinued operations amounted to PLN (112.5) million and was higher than the result after H1 '2018 by PLN 63.8 million, while the net result attributable to shareholders of the parent company amounted to PLN 1.4 million - higher than last year's result by PLN 64.8 million.

**C. CASH FLOW**

Cash flows for the first half of 2022 are presented in the chart below:





In the first half of 2022, Borszew Capital Group reported positive cash flows from operating activities, owing to measures to optimise working capital.

The positive cash flow balance from investing activities was mainly due to the disposal of Gränges shares.

The negative balance from financing activities was mainly due to repayment of loans and payment of dividends.

After Q2 '2022, Borszew Capital Group's net debt amounted to PLN 564 million and was lower by PLN 100.6 million compared to the end of 2021.

The net debt\*/EBITDA ratio after the second quarter of 2022 was 1.3 and is at a lower level compared to the end of 2021 (1.8), where:

\*net debt = interest-bearing liabilities\*\* - cash and cash equivalents.

\*\*interest-bearing liabilities = non-current liabilities + current liabilities (resulting from loans and borrowings + issue of debt securities + leasing)

## **5. FACTORS AND EVENTS, IN PARTICULAR THOSE OF UNTYPICAL NATURE, AFFECTING THE FINANCIAL PERFORMANCE IN THE CURRENT PERIOD**

During the reporting period the Company and the Group suffered no negative impact of the Covid - 19. The Management Board does not currently identify a material risk associated with the virus in the near future.

### **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., Borszew Group identified key risks of operating activities related to the war in Ukraine:

- availability constraints as well as the cost of energy carriers and gas,
- higher inflation,
- volatility in the market for raw materials and materials,
- logistical disruptions affecting the supply of raw materials and components for production.

The current situation means better business performance in the Metals segment and a slowdown in the Automotive segment. Borszew Group runs diversified business based on plants located in Europe, Asia and both Americas. The Management Board monitors on on-going basis the impact of the conflict on activity of the Company and Borszew Group.

The Management Board believes that on the day of publication no risk exists of significant impact of the conflict on operating activity and going concern of the Company and Borszew Group. No adjustments have been made to reflect this in this report.

### **CAPITAL GROUP - OTHER FACTORS**

Major one-off factors and unusual macroeconomic events having a significant impact on the results of the first six months of 2022 should include:

- higher average annual LME metal quotations,
- invasion on Ukrainian territory,
- significant increases in electricity and natural gas prices,
- exchange rate volatility and rising inflation,
- global shortage of electrical wire harnesses and semiconductors resulting in reduced orders from OEMs.

## **6. DESCRIPTION OF FUNDAMENTAL RISKS AND THREATS**

The activity of Borszew and Borszew 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 related to the stability of debt and financial flows:
  - liquidity risk.
  - credit risk.
- risk of volatility of legal regulations

Capital management, liquidity risk and credit risk

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

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.

### **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.

### **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 H1 '2022 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.

### **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) and the change in currency exchange rates.

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: Borszew 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: Borszew 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 Borszew 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.

#### **Other risks in the Group's operations**

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

A threat for the operation of the Companies of the Capital Group are changing legal regulations and interpretations. Frequent amendments, inconsistency and lack of interpretations of the legal regulations in particular the tax law, entail a significant risk related to the legal surrounding in which the Companies of the Capital Group conduct their activities. When combined with the relatively long period of prescription of tax liabilities and immediate enforceability of decisions issued by tax authorities, estimation of tax risk is particularly difficult. The Companies of the Capital Group have contractor reliability verification procedures in place, also in terms of clearance of tax liabilities.

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.

##### **Risks associated with vendor dependency**

The Companies of the Capital Group follow a policy of supplier diversification to remain independent from a single supplier which allows to obtain competitive prices for the purchased raw materials.

##### **Risks associated with customer dependency**

The Companies of the Capital Group operate on a broad, both domestic and international, market of products offered by them. They make all effort to eliminate risk of dependency on the main recipients, entering in cooperating



with multiple customers. In selection of recipients, these companies mainly consider the reliability of a potential recipient. The above does not apply to the automotive segment, which depends on a few leading customers.

#### **Risks associated with increased competition**

In the light of continuously growing competition, the most important factor that could have a significant effect on development and revenues earned by the companies of the Capital Group, is the ability to obtain current and acquire new customers. The Capital Group Companies operate on the competitive market of semi-finished non-ferrous metals, which forces them to compete in price and quality. The Group improves its competitiveness through extension of its product offer, timeliness of supplies and decrease of costs which, in consequence, translate into the price of offered products.

#### **Personnel rotation risk**

The main identified hazards related to HR issues in all branches of the Company are: problem with acquisition of qualified staff, migration of qualified staff and increasing demands as regards remuneration. In order to counteract these phenomena, it is crucial to provide the employees with stable forms of employment with a satisfactory level of remuneration. The Group also identifies the need to ensure safe work environment, minimising the risk of injuries and accidents. Limitation of this category of risk is achieved through a series of activities, both of preventive nature (e.g. ensuring an adequate level of training) as well as follow-up activities (analysis of incidents and correction of procedures).

#### **Risks associated with the use of the environment**

The Group identifies risks in its operations associated with exceeding the permissible levels of gas emissions and noise emissions. Violation of existing environmental permits in terms of functional requirements for individual production lines may result in suspension of production. In order to counteract this, Group companies introduce energy-efficient technologies and maintain a legally permissible level of pollution and waste emission. The Group regularly monitors the consumption of energy supplied in the form of electric power and gas. Water consumption and waste generation are assessed to the same degree. Special attention is given to recycling opportunities in scrap metal processing. The Group makes high use of metal scrap and battery waste for production.

#### **Process changes and product innovations**

In order to reduce the negative impact on the environment, the Group introduces also product innovations (e.g. lighter aluminium elements, new alloys of non-ferrous metals) resulting in indirectly reduced consumption of energy among the end recipients. Focus on the aforementioned risks aims at maintaining reputation in the eyes of key business partners, thus ensuring the continuity and repetitiveness of production orders. A simultaneous goal is to maintain the good reputation of Group's enterprises which are perceived as attractive employment places by present and potential employees.

#### **Risk of significant industrial failure**

The Capital Group Companies identify the risks related to the possibility of an industrial failure resulting in stoppage or limitation of production in their facilities. In order to reduce the related risks, the company perform periodical inspections of the technical condition of machines and devices used and if needed, their repair and overhaul.

### **7. NOTES ON THE SEASONALITY OF THE COMPANY'S BUSINESS IN THE REPORTED PERIOD**

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

Boryszew S.A. is exposed to seasonality only in a limited extent.

In the Automotive segment seasonality affects holiday months as well as December, when production of cars falls considerably, causing also a fall in component orders.

The Metal segment is barely exposed to any seasonality.

In the segment of Chemical products seasonality affects a certain range of products manufactured by Boryszew ERG, Branch of Boryszew S.A. in Sochaczew. This range includes cooling fluids for the automotive segment (with peak demand in the third and fourth quarter, shifting to the beginning of the first quarter), de-icing fluids for runways and aircraft (with peak demand in the fourth and first quarter). PWC siding and EPS decorative components follow the seasonality of the construction industry, showing peak demand in second and third quarter.

No specific seasonality is observed for other products of Boryszew S.A. It is important to note that the Christmas period in December is usually the time of scheduled shut-downs at our customers, hence sales also decline.



## **Borszew Capital Group**

Borszew Capital Group is exposed to seasonality only to a limited extent.

In the Automotive segment seasonality affects holiday months as well as December, when production of cars falls considerably, causing also a fall in component orders.

In the Metal Segment, seasonality affects the range of products sold for the construction sector, which include:

- brass condenser pipes used for district heating, manufactured by WM Dziedzice S.A.
- zinc-titanium roofing sheets and zinc wire manufactured by ZM SILESIA S.A.

The peak in sales of these products for the construction sector is recorded the second and third quarter, which is predominantly influenced by weather conditions, suitable for construction works, as well as the economic situation in the construction industry. Other products of this segment are not exposed to seasonality.

In the segment of Chemical products seasonality affects a certain range of products manufactured by Borszew ERG, Branch of Borszew S.A. in Sochaczew. This range includes cooling fluids for the automotive segment (with peak sales in the third and fourth quarter, shifting to the beginning of the first quarter), de-icing fluids for runways and aircraft (with peak sales in the fourth and first quarter).

No specific seasonality is observed for other products of the Capital Group.

Furthermore, in the fourth quarter of the year, due to the December Christmas holiday period and planned shutdowns by customers, lower sales are observed each year.

## **8. REVENUES AND RESULTS ATTRIBUTABLE BY BUSINESS SEGMENTS FROM THE BEGINNING OF THIS YEAR**

Borszew Capital Group operates in three industry segments.

### **OPERATING SEGMENTS**

|                   |  |
|-------------------|--|
| Automotive        | Borszew 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., Borszew Maflow Sp. z o.o., 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, Borszew Automotive Plastics Sp. z o.o., Theysohn Kunststoff GmbH in liquidation under self-administration, Theysohn Formenbau GmbH in liquidation under self-administration, Borszew Kunststofftechnik Deutschland GmbH, AKT Plastikarska Technologie Cechy spol. s.r.o., Borszew Formenbau Deutschland GmbH, Borszew Oberflächentechnik Deutschland GmbH, Borszew Plastik Rus, Borszew Tensho Poland Sp. z o.o., ICOS GmbH in liquidation under self-administration, Borszew Deutschland GmbH, Borszew Commodities Sp. z o.o., Borszew HR Service Sp. z o.o., Borszew Components Poland Sp. z o.o., Borszew Maflow Spółka z o.o. |
| Metals            | WM Dziedzice S.A., ZM SILESIA S.A., Baterpol S.A., Polski Cynk Sp. z o.o., Borszew 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., Zakład Utylizacji Odpadów Sp. z o.o., RAPZ Sp. z o.o., Borszew Holding Spółka z o.o., Hutmen Sp. z o.o.  |
| Chemical products | Borszew S.A. Elana Branch, Borszew S.A. Borszew ERG Branch, Borszew S.A. Nylonbor Branch, Nylonbor Sp. z o.o., Elimer Sp. z o.o.   |

Other companies not assigned to segments are: Borszew S.A. – Centrala, Borszew S.A. Oddział Borszew Energy, Eastside – Bis Sp. z o.o., SPV Lakme Investment Sp. z o.o., Huta Metali Nieżelaznych Szopienice S.A. w likwidacji, Eastside Capital Investments Sp. z o.o., Elana Energetyka Sp. z o.o.



## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

### REVENUES FROM SALE BY DESTINATION MARKET

| Sales revenues by geographical areas               | 01.01.2022 -<br>30.06.2022 | 01.01.2021 -<br>30.06.2021 |
|--|----------------------------|----------------------------|
| <b>Continuing operations</b>                       |                            |                            |
| Domestic sales                                     | 1 434 078                  | 957 706                    |
| Sales to EU member states *)                       | 1 818 259                  | 1 769 720                  |
| Sales to other European countries                  | 128 653                    | 147 010                    |
| Export outside Europe                              | 155 243                    | 182 312                    |
| <b>Total (revenues from continuing operations)</b> | <b>3 536 233</b>           | <b>3 056 748</b>           |

\*) United Kingdom was counted among the other European countries

### SHARE OF EU MEMBER STATES IN INTRA-COMMUNITY SALES:

|                    | 01.01.2022 -<br>30.06.2022 | 01.01.2021 -<br>30.06.2021 |
|--------------------|----------------------------|----------------------------|
| Germany            | 39%                        | 38%                        |
| The Czech Republic | 19%                        | 16%                        |
| Italy              | 6%                         | 10%                        |
| Slovakia           | 5%                         | 4%                         |
| Spain              | 4%                         | 6%                         |



## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

### REVENUES AND RESULTS BY OPERATING SEGMENTS IN THE FIRST SIX MONTHS OF 2022 (data regarding continuing operations)

|  | Chemical products | Automotive      | Metals         | Other          | Total          | exclusions<br>between<br>segments | Total          |
|--|-------------------|-----------------|----------------|----------------|----------------|-----------------------------------|----------------|
| <b>Continuing operations 01.01.2022 - 30.06.2022</b> |                   |                 |                |                |                |                                   |                |
| Revenues from sales                                  | 156 460           | 794 102         | 2 341 771      | 462 526        | 3 754 859      | (218 626)                         | 3 536 233      |
| Segment costs of sales                               | 136 321           | 742 248         | 2 077 478      | 452 140        | 3 408 187      | (215 012)                         | 3 193 175      |
| <b>Result on sales within segment</b>                | <b>20 139</b>     | <b>51 854</b>   | <b>264 293</b> | <b>10 386</b>  | <b>346 672</b> | <b>(3 614)</b>                    | <b>343 058</b> |
| General, administrative and sales expenses           | 19 341            | 98 734          | 93 042         | 12 767         | 223 884        | (1 811)                           | 222 073        |
| Other operating profit/loss                          | (17 928)          | 4 584           | 75 081         | 1 363          | 63 100         | (34)                              | 63 066         |
| <b>Segment profit/loss</b>                           | <b>(17 130)</b>   | <b>(42 296)</b> | <b>246 332</b> | <b>(1 018)</b> | <b>185 888</b> | <b>(1 837)</b>                    | <b>184 051</b> |
| Amortisation/depreciation                            | 2 398             | 48 490          | 33 164         | 4 146          | 88 198         | (452)                             | 87 746         |
| EBITDA *)  | (14 732)          | 6 194           | 279 496        | 3 128          | 274 086        | (2 289)                           | 271 797        |
| Segment assets                                       | 470 177           | 1 512 652       | 2 834 079      | 2 305 178      | 7 122 086      | (2 897 129)                       | 4 224 957      |
| Segment liabilities                                  | 179 966           | 1 990 379       | 1 299 854      | 964 183        | 4 434 382      | (1 906 159)                       | 2 528 223      |

|  | Chemical products | Automotive     | Metals         | Other         | Total          | exclusions<br>between<br>segments | Total          |
|--|-------------------|----------------|----------------|---------------|----------------|-----------------------------------|----------------|
| <b>Continuing operations 01.01.2021 - 31.06.2021</b> |                   |                |                |               |                |                                   |                |
| Revenues from sales                                  | 136 394           | 894 620        | 1 962 607      | 162 898       | 3 156 519      | (99 771)                          | 3 056 748      |
| Segment costs of sales                               | 113 542           | 790 242        | 1 778 674      | 149 732       | 2 832 190      | (93 137)                          | 2 739 053      |
| <b>Result on sales within segment</b>                | <b>22 852</b>     | <b>104 378</b> | <b>183 933</b> | <b>13 166</b> | <b>324 329</b> | <b>(6 634)</b>                    | <b>317 695</b> |
| General, administrative and sales expenses           | 16 637            | 101 887        | 97 500         | 15 345        | 231 369        | (3 423)                           | 227 946        |
| Other operating profit/loss                          | 2 047             | 2 296          | 7 454          | 4 574         | 16 371         | (1 552)                           | 14 819         |
| <b>Segment profit/loss</b>                           | <b>8 262</b>      | <b>4 787</b>   | <b>93 887</b>  | <b>2 395</b>  | <b>109 331</b> | <b>(4 763)</b>                    | <b>104 568</b> |
| Amortisation/depreciation                            | 3 354             | 46 165         | 33 426         | 2 717         | 85 662         | (1 699)                           | 83 963         |
| EBITDA *)  | 11 616            | 50 952         | 127 313        | 5 112         | 194 993        | (6 462)                           | 188 531        |
| Segment assets                                       | 264 898           | 1 427 643      | 2 970 629      | 2 612 766     | 7 275 936      | (2 938 531)                       | 4 337 405      |
| Segment liabilities                                  | 114 757           | 1 841 894      | 1 315 592      | 636 533       | 3 908 776      | (1 285 537)                       | 2 623 239      |

\*) EBITDA = operating profit/loss plus depreciation and amortisation



## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

### 9. INFORMATION CONCERNING THE ISSUE, REDEMPTION AND REPAYMENT OF NON-SHARE AND EQUITY SECURITIES

#### NON-EQUITY SECURITIES

In H1 '2022 and until the date of publication of the report, the Group issued no non-equity securities.

#### 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.

- 1) 20 P-series registered bonds with a nominal value of PLN 1,000,000 each and a total nominal value equal to PLN 20,000,000, taken up on October 31, 2018 by Hutmen Spółka z o.o., based in Wrocław, with a maturity date of March 31, 2022.
- 2) 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.

#### EQUITY SECURITIES

In H1 '2022 and until the report publication date, the Company issued no equity securities.

#### CAPITAL INVESTMENTS

A summary of consolidated and unconsolidated shares is provided in the introduction to the report. The Issuer has no other material equity investments.

#### REAL PROPERTY

##### EASTSIDE - BIS SPÓŁKA Z O.O.

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.

##### Hutmen Spółka z o.o.

On 15 June 2022 the Management Board of Hutmen Sp. z o.o. a subsidiary based in Wrocław (Hutmen), concluded a final 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 116 850 000.00 (that is including the applicable tax on goods and services).

Payment of a portion of the price net price, i.e. the amount of PLN 95 000 000 was made on 17 June 2022. The remainder of the price, i.e. the amount of PLN 21 850 000, was paid on 25 July 2022. The property was released on the day the agreement was signed.

The remaining terms of the final agreement are consistent with the standards generally applied in such agreements.

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

#### LOANS GRANTED

Information on loans granted by other entities of the Capital Group is presented in point 21 of the report.



## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

### 10. DIVIDEND PAID OR DECLARED

#### Coverage of net loss for 2021

On 27 May 2022, the Ordinary General Meeting of Boryszew S.A. passed a resolution to cover the net loss for 2021 in the amount 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.

#### Payment of dividend from reserve capital of Boryszew S.A.

On 27 May 2022 the Ordinary General Meeting of Boryszew S.A. passed a resolution to pay a dividend to shareholders in the amount of PLN 0.92 per share entitled to dividend, that is, in the total amount of PLN 188 788 600.00, from the Company's supplementary capital, which, according to art. 348 § the Commercial Companies Code may be allocated for distribution.

The dividend was paid on 205 205 000 shares. 34 795 000 treasury shares held by Boryszew S.A. were not entitled to the dividend.

The dividend date was set for 3 June 2022. The dividend payment date was 10 June 2022.

### 11. EVENTS WHICH HAVE FOLLOWED AFTER THE DAYS FOR WHICH THE FINANCIAL STATEMENTS PREPARED NOT ENTERED IN THIS REPORT, AND WHICH MAY BE ENTERED IN THE SIGNIFICANT ON THE FUTURE RESULTS OF THE GROUP

None occurred.

### 12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### Contingent liabilities

| Contingent items  | As at<br>30.06.2022 | As at<br>31.12.2021 |
|---|---------------------|---------------------|
| Sureties for the repayment of loans and other liabilities by associated companies | 88 015              | 85 831              |
| Liability for tax risks on proceedings in Silesia S.A.                            | 78 304              | 78 304              |
| <b>Total</b>  | <b>166 319</b>      | <b>164 135</b>      |

| Contingent items   | As at<br>30.06.2022 | As at<br>31.12.2021 | change       |
|--|---------------------|---------------------|--------------|
| <b>Contingent liabilities</b>  | <b>88 015</b>       | <b>85 831</b>       | <b>2 184</b> |
| <b>resulting from granted guarantees, sureties and other liabilities</b>               | <b>88 015</b>       | <b>85 831</b>       | <b>2 184</b> |
| - guarantees and sureties associated with performance of contracts                     | 88 015              | 85 831              | 2 184        |
| - guarantees and sureties in favour of financial institutions                          | -                   | -                   | -            |
| <b>Increases / decreases in the period of 6 months ended on 30.06.2022, including:</b> |                     |                     | <b>2 184</b> |
| <b>Additions</b>   |                     |                     |              |
| - Increase due to valuation of sureties  |                     |                     | 2 184        |
| - Increase in surety amount  |                     |                     | -            |
| <b>Reductions</b>  |                     |                     |              |
| - Reduction due to valuation of sureties   |                     |                     | -            |
| - Decrease in the amount of existing sureties due to expiration, reduction             |                     |                     | -            |

| Contingent items                       | As at<br>30.06.2022 | As at<br>31.12.2021 | change  |
|--|---------------------|---------------------|---------|
| Contingent assets/ CO2 emission rights | 36 504              | 45 006              | (8 502) |





## Report of the Management Board on the activities of Borszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

The decrease in contingent assets in the 6-month period of 2022 is due to remeasurement, disposal of emission rights held, redemption of emission for 2021 and allocation of allowances for 2022.

The market value of the CO<sub>2</sub> emission rights held on 30.06.2022 amounts to PLN 36.5 million [87 131 units x EUR 89.51 (average rate for CO<sub>2</sub> emission forward contracts) x 4.6806 (average NBP exchange rate as at 30.06.2022)].

The fair value of EUA units received free of charge as at the acquisition date is PLN 33.2 million.

### 13. ORGANISATION OF THE ISSUER'S CAPITAL GROUP

Borszew S.A. is the Parent entity of Borszew Capital Group. The Group features both domestic and foreign subsidiaries and affiliates.

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

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

During the first 6 months of 2022 Borszew S.A. conducted its activity based on:

- 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 Borszew S.A. and Elana S.A., which took place on 28 January 2005.
- Nowoczesne Produkty Aluminiowe Skawina Branch – operating in the field of manufacturing of aluminium rolled products (rods), wire and cables, including overhead cables of special aluminium alloys with constructions which eliminate the threat of phenomena of the „black-out” type, and supply of energy carries to external customers.
- Borszew ERG Branch in Sochaczew - manufacturer of chemical and construction products. Company's flagship product in “Borygo” coolant,
- Nylonbor Branch in Sochaczew – production of modern engineering polyamides, which are used for manufacture of machinery and equipment as well as battlefield simulators for military applications.
- Borszew Energy Branch in Toruń - involved in sales of energy utilities (electricity, gas) for the companies of Borszew Capital Group and external customers.

### STRUCTURE OF BORYSZEW GROUP

Borszew Capital Group is one of the largest private industrial groups in Poland. In 2005 Borszew 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 Borszew S.A. assumed control over Tensho Poland Corporation Sp. z o.o. based in Ostaszewo (currently: Borszew Tensho Poland Sp. z o.o.), a manufacturer of high quality plastic products. In 2019, Borszew 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.

On 5 November 2020 Borszew S.A. purchased from Impexmetal S.A. shares in Impexmetal Capital Group companies.

On 6 November 2020 Borszew S.A. sold Impexmetal S.A. to a third party (Gänges AB).

In 2021, Elana PET Spółka z o.o., based in Toruń, and FŁT Polska Spółka 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.

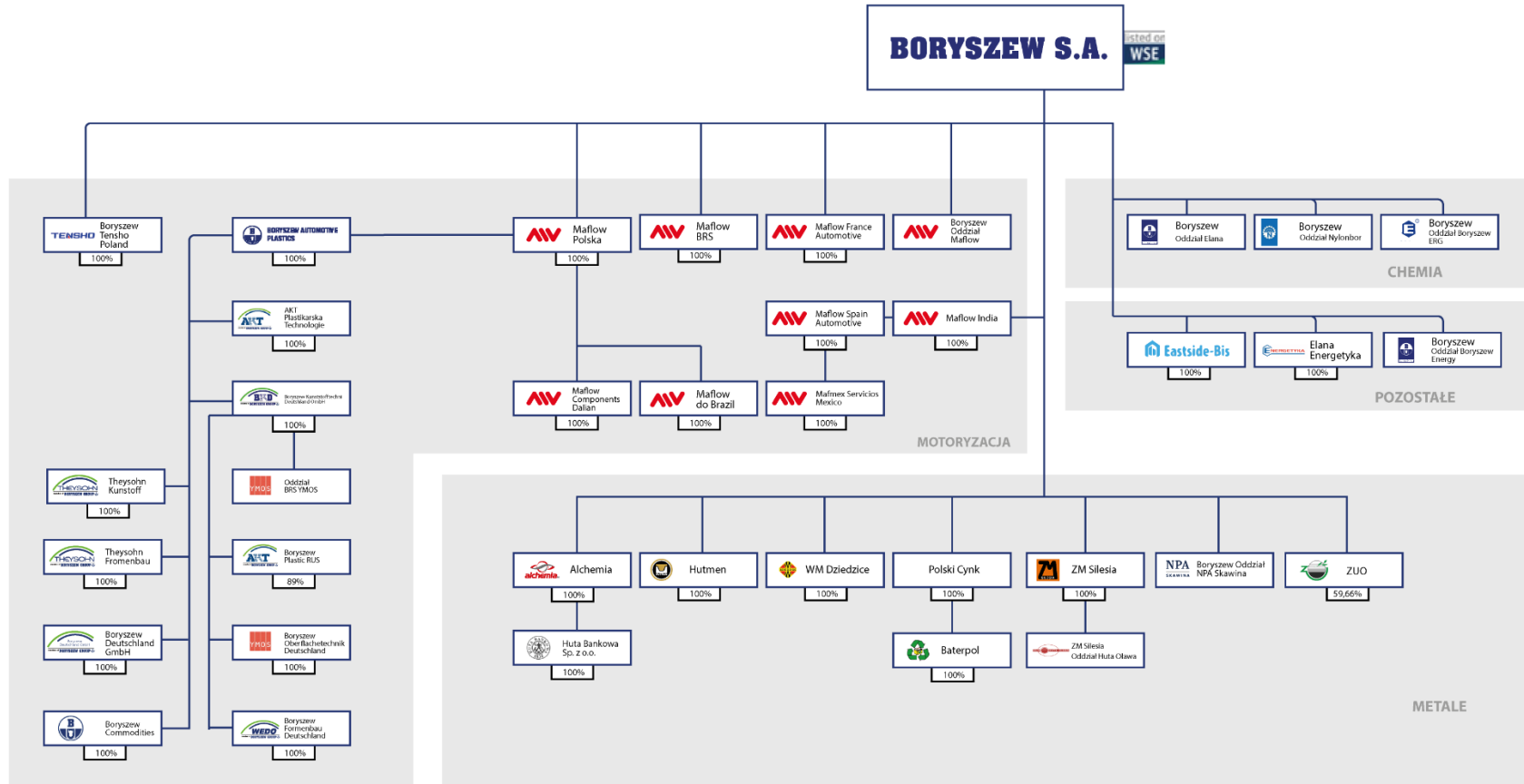


# Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

## SIMPLIFIED ORGANIZATION CHART OF BORYSZEW GROUP WITH AGGREGATE HOLDINGS IN INDIVIDUAL ENTITIES AS AT 31.06.2021

### Struktura organizacyjna Grupy Kapitałowej Boryszew





#### **14. IMPACT OF CHANGES IN THE STRUCTURE OF THE GROUP FROM THE YEAR, INCLUDING THE PAYMENT OF ECONOMIC UNDERTAKINGS, ACCEPTANCE OR SALE OF SUBSIDIARIES AND LONG-TERM INVESTMENTS, RESTRUCTURING AND DISSEMINATION OF LONG-TERM INVESTICES**

##### **ICOS Group - opening of bankruptcy proceedings**

On 12 January 2022 Borszew 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. - conclusion of a property sale agreement**

On 15 June 2022 the Management Board of Hutmen concluded a final agreement with MS Investment 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 app. 19.2 ha (the preliminary agreement was concluded on 28 March 2022), for the gross amount of PLN 116 850 000.00 (that is including the applicable tax on goods and services).

Payment of a portion of the price net price, i.e. the amount of PLN 95 000 000 was made on 17 June 2022. The remainder of the price, i.e. the amount of PLN 21 850.000, was paid on 25 July 2022. The property was released on 15 June 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.

Due to the termination of Maflow France current operations, a workforce restructuring process has been initiated.

##### **Merger of Impexmetal Holding Sp. z o.o. with SPV Borszew 5 Sp. z o.o., SPV Borszew 6 Sp. z o.o., SPV Borszew 8 Sp. z o.o. and SPV Borszew 9 Sp. z o.o.**

On 24 January 2022 Management Boards of: Impexmetal Holding Spółka z o. o. (Acquiring Company), SPV Borszew 5 Spółka z o.o. (Acquired Company 1), SPV Borszew 6 Spółka z o.o. (Acquired Company 2), SPV Borszew 8 Spółka z o. o. (Acquired Company 3) and SPV Borszew 9 Spółka z o. o. (Acquired Company 4) agreed and signed the Merger Plan. The merger took place on 23 March 2022, following registration in the National Court Register of the merger of Impexmetal Holding Spółka z o. o., SPV Borszew 5 Spółka z o.o., SPV Borszew 6 Spółka z o.o., SPV Borszew 8 Spółka z o. o. and SPV Borszew 9 Spółka by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register.

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: Borszew Holding Spółka z o.o. with registered office in Warsaw.

##### **Capital increase in Maflow Polska Spółka z o.o..**

On 24 May 2022 the District Court for Katowice - Wschód in Katowice issued a decision to enter in the Register of Entrepreneurs of the National Court Register information on the share capital increase of Maflow Polska Sp. z o.o. based in Tychy from the amount of PLN 5.000 to the amount of PLN 46.333 000, together with the change of the number of shares held by the sole shareholder of the company - Borszew S.A. from 5 shares to 46 333 shares.

##### **Conclusion of preliminary agreement for the sale of shares in Nylonbor Sp. z o.o.**

On 25 July 2022 Borszew S.A. concluded a preliminary conditional agreement with Air Force Institute of Technology ("AFIT") for the sale of 100% shares ("Agreement") of Nylonbor Sp. z o.o. based in Sochaczew ("Nylonbor").

The conclusion of the share sale agreement will be preceded by the increase by Borszew S.A. of Nylonbor initial capital and covering it with in-kind contribution in form of the Company's Branch operating under the name of Borszew S.A. Nylonbor branch in Sochaczew ("Nylonbor Branch").The conclusion of the share sale agreement



## Report of the Management Board on the activities of Borszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

will also require occurrence of a number of organisational and corporate circumstances typical for such agreements, such as obtaining consent of relevant supervisory bodies of AFIT or submission of appropriate representations.

The price for the shares after the increase, i.e. for all assets currently attributed to the Nylonbor subsidiary and Nylonbor Branch was set at PLN 19.9 million. On 31 December 2021 the total value of assets that will be ultimately sold, i.e. shares in Nylonbor and the value of assets of Nylonbor Branch that will be contributed in kind to Nylonbor, in the books of Borszew S.A. amounts to ca PLN 18 million.

The transaction is expected to be completed in Q3 2022

### **Borszew S.A. Branch Nowoczesne Produkty Aluminiowe Skawina**

The Management Board of Borszew S.A., acting upon the authorisation granted by the General Meeting of Shareholders, initiated measures associated with the contribution of Nowoczesne Produkty Aluminiowe Skawina branch as an in-kind contribution to NPA Skawina Spółka z o.o. based in Skawina.

The spin-off of NPA Skawina branch is planned for 2023.

### **Borszew Tensho Poland Ltd.**

On 15 June 2022, based on a share sale agreement, Borszew S.A., exercising the company's repurchase option, acquired from Tensho Electric Industries Co. Ltd. 10.744 shares of Borszew Tensho Poland Sp. z o.o. based in Ostaszewo, which accounts for 6.32% of the company's share capital, for EUR 126.400. Following the transaction, Borszew S.A. holds 100% of shares in the share capital of Tensho Poland Sp. z o.o.

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

#### **Establishment of NPA Skawina Spółka z o.o. in Skawina**

On 11 July 2022, the Management Board of Borszew S.A. decided to establish a new company under the business name NPA Skawina Spółka z o.o. based in Skawina, in which 100% of shares will be subscribed by Borszew S.A. The share capital of the newly established company will amount to PLN 5 000.00 and will be divided into 5 shares, each with nominal value of PLN 1 000.00. The Company will be established for an indefinite period of time.

On 20 July 2022, the District Court for Kraków Śródmieście, 12th Commercial Division of the National Court Register entered NPA Skawina Spółka z o.o. in Skawina into the National Court Register under KRS number: 0000983019.

#### **Decision on the intention to merge Borszew S.A. with based in Warsaw and Hutmen Spółka z o.o. based in Wrocław**

On 11 July 2022 the Management Board of Borszew S.A. made a decision on the merger of Borszew S.A. based in Warsaw with its 100% subsidiary Hutmen Spółka z o.o. based in Wrocław (the Acquired Company).

The merger will be affected under art. 492 § 1 point 1 of the Commercial Companies Code by transferring all the assets of the above mentioned subsidiary to Borszew S.A.

The Acquired Company terminated its operations at the end of 2021, and thus the merger process in the aforementioned manner will be, from a cost and organisational point of view, the optimum solution to formally terminate the operation of the Acquired Company and put its assets in order.

The merger plan for the two companies was approved and published on 27 July 2022. The purpose of the merger of Borszew S.A., based in Warsaw, and Hutmen Spółka z o.o. is a more effective use of the potential of the merged companies and to achieve economic and financial effects of direct and indirect synergies, including:

- more efficient use of assets of the merged companies,
- better allocation of cash resources,
- more rational cash flows – the use of economies of scale as regards external financing,
- reduction of operating costs,

The Acquired Company terminated its operations at the end of 2021, and thus, in the Issuer's opinion, the merger process in the aforementioned manner will be, from a cost and organisational point of view, the optimum solution to formally terminate the operation of the Acquired Company and put its assets in order.

### **Metalix Limited**

On 21 July 2022, Metalix Limited, based in the United Kingdom, was formally removed from the company register.

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



## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

### 15. POSITION OF THE MANAGEMENT BOARD' S POSITION ON THE POSSIBILITY OF PREVIOUS PREVIOUSLY PUBLISHED FINANCIAL RESULT FORECASTS IN THE CURRENT YEAR

#### Forecasts of financial result

In the first half of 2022 the Management Board of Boryszew S.A. did not publish financial result forecasts for the current year.

#### Implementation of Boryszew Group strategy for 2022 - 2026

According to the Boryszew Group Strategy for 2022 - 2026, adopted and published on 17 May 2022, the key goal is to be a strong leader in the global automotive and metal sectors with an innovative product offer and a diversified group of customers.

The main assumptions of Boryszew Group Strategy include:

- continued development of the most profitable products by expanding into new markets and diversifying end customer sectors,
- new product development through the use of research and development (R&D) centres,
- active participation in the green energy transition,
- optimisation of low-margin assets in the Chemicals and Metals Segments,
- installation of 5MW RES by 2023,
- potential entry into a new business segment,
- reduction of CO<sub>2</sub> emissions (per tonne of production) by 10% by 2026.

The value of Boryszew Group will be based on profitable investments, products, utilisation of synergies and stable balance sheet. Optimising the non-current asset base will increase ROA in 2026 from 4.95% to 5.5%. The financial effect of the strategy will be an increase in EBITDA to over PLN 600 million in 2026.

On the date of publication of the report, no threats to the achievement of the objectives in the Strategy for the current year have been identified.

### 16. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING OF THE COMPANY AS AT THE DATE OF SUBMITTING THE REPORT

The table below presents the list of Shareholders holding more than 5% of the share capital and of the total number of votes as on the date of approval of the present report for publication:

| Shareholders                        | Number of shares   | % of capital   | Number of votes    | % of votes     |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
| <b>Roman Krzysztof Karkosik (*)</b> | <b>156 832 020</b> | <b>65.35%</b>  | <b>156 832 020</b> | <b>65.35%</b>  |
| including:                          |                    |                |                    |                |
| Boryszew S.A. (**)                  | 34 795 000         | 14.50%         | 34 795 000         | 14.50%         |
| RKKK Investments Sp. z o.o.         | 119 998 000        | 49.99%         | 119 998 000        | 49.99%         |
| <b>Unibax Spółka z o.o. (***)</b>   | <b>36 879 055</b>  | <b>15.37%</b>  | <b>36 879 055</b>  | <b>15.37%</b>  |
| <b>Others</b>                       | <b>46 288 925</b>  | <b>19.28%</b>  | <b>46 288 925</b>  | <b>19.28%</b>  |
| <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).

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

(\*\*\*) Unibax Spółka z o.o. as per notification of 3 June 2022.



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(amounts expressed in PLN '000 unless specified otherwise)

### 17. CHANGES IN THE OWNERSHIP STRUCTURE OF SUBSTANTIAL SHAREHOLDINGS OF THE COMPANY IN THE PERIOD FOLLOWING THE SUBMISSION OF THE PREVIOUS INTERIM REPORT - SHARES IN VOTES DURING THE GENERAL ASSEMBLY OF SHAREHOLDERS

| Background   | Number of shares held<br>(shares) | Percentage in the share capital<br>(in %) | Number of votes on the General Meeting of Shareholders | Total number of votes at the General Meeting (%)<br>(in %) |
|--|-----------------------------------|---|--|--|
| as at the date of submission of the consolidated quarterly report for Q1 '2022<br>Unibax Spółka z o.o.         | not applicable                    | not applicable                            | not applicable   | not applicable   |
| as at the date of submission of the consolidated report for the first half of 2022:<br>Unibax Spółka z o.o. *) | 36.879.055                        | 15.37%                                    | 36.879.055   | 15.37%   |

(\*\*) Unibax Spółka z o.o. as per notification of 3 June 2022.

Detailed information on changes in the ownership structure of significant shareholdings of Boryszew S.A. was provided in the form of current report of the Company, which is available on the website: [www.boryszew.com.pl](http://www.boryszew.com.pl)

### 18. COMPANY'S MANAGERS AND SUPERVISORS - CHANGES IN SHARE HOLDING OR SHARE OPTIONS IN THE CURRENT PERIOD SINCE THE SUBMISSION OF THE PREVIOUS QUARTERLY REPORT.

| Background   | Number of shares held<br>(shares) | Percentage in the share capital<br>(in %) | Number of votes on the General Meeting of Shareholders | Total number of votes at the General Meeting (%)<br>(in %) |
|--|-----------------------------------|---|--|--|
| <i>Małgorzata Waldowska</i><br>as at the date of submission of the consolidated quarterly report for Q1 '2022      | 0                                 | 0   | 0  | 0  |
| <i>Małgorzata Waldowska</i><br>as at the date of submission of the consolidated report for the first half of 2022: | 30.000                            | 0.013%                                    | 30.000   | 0.013%   |
| <i>Wojciech Kowalczyk</i><br>as at the date of submission of the consolidated quarterly report for Q1 '2022        | 0                                 | 0   | 0  | 0  |
| <i>Wojciech Kowalczyk</i><br>as at the date of submission of the consolidated report for the first half of 2022:   | 10.000                            | 0.004%                                    | 10.000   | 0.004%   |

#### Stock incentive program for the Management Board of Boryszew S.A.

On 27 May 2022, the Ordinary General Meeting of Boryszew S.A. decided to adopt a stock incentive program dedicated to the Company's Management Board (the "Incentive Program").

The Incentive Scheme will cover fiscal years 2022-2025, namely the aforementioned fiscal years will be evaluated in terms of the criteria and objectives of the Incentive Scheme. Under the Incentive Scheme, rights to purchase a total of up to 4 000 000 (four million) own shares may be granted, however the President of the Management Board



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of the Company holding their position on the date of adoption of the Resolution, will be granted the right to acquire a total of 2 000 000 (two million) shares, as follows:

- a) acquisition of up to 50% (fifty percent) of the Own Shares under the Entitlements granted to a Eligible Person is related to the achievement of Market Objective I and may take place only following the achievement of Market Objective I;
- b) acquisition of up to 50% (fifty percent) of the Own Shares under the Entitlements granted to a Eligible Person is related to the achievement of Market Objective II and may take place only following the achievement of Market Objective II;

The criterion for the acquisition of shares is the achievement of the market target which is:

Market objective I - Company's share price calculated as the average of the closing prices on the Warsaw Stock Exchange over consecutive 7 (seven) trading days shall, by 31 December 2023, reach PLN 10.00;

Market objective II - Company's share price calculated as the average of the closing prices on the Warsaw Stock Exchange over consecutive 7 (seven) trading days shall, by 31 December 2025, reach PLN 20.00;

As of the date of publication of the report, no participation agreements in the program were concluded.

### 19. PROCEEDINGS BEFORE A COURT, ARBITRATION BODY OR 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

##### ZM SILESIA S.A.

- On 12 March 2018, ZM SILESIA S.A. received a decision of the Head of the Customs and Tax Office (Office) in Opole dated 28 February 2018, determining the outstanding VAT liability for 2012 in the amount of PLN 28.6 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 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 issued a judgment revoking in its entirety the decision of the Head of the Fiscal Administration Chamber in Katowice of 19 April 2021. 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 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.



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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 1 June 2022, the tax authority of the first instance - the Customs and Fiscal Office in Opole - reopened audit proceedings in the aforementioned case. The completion date for the proceedings was set for 3 October 2022.

- 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 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 2021 - Law on proceedings before administrative courts. The decision of the Provincial Administrative Court may be appealed.

On 27 October 2022 the Provincial Administrative Court issued a judgment revoking in its entirety the decision of the Head of the Fiscal Administration Chamber in Katowice of 17 November 2021 on the tax on goods and services for the period between January 2013 and December 2014. The reason why the challenged decision was revoked 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 2013 - 2014. 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 court found that the examination and resolution of the remaining disputed issues was premature. The court also obliged the tax authority to take into consideration the content and effects of SAC resolution of 24 May 2021 (case ref. I FPS 1/21), which imposes on tax authorities the obligation to justify that the actions taken in the context of criminal fiscal proceedings, resulting in suspension of tax liability, were undertaken in a justified and purposeful manner and not merely instrumental.

On 14 July 2022, the attorney of ZM SILESIA S.A. applied to the Provincial Administrative Court in Gliwice for confirmation of the validity of the judgment by the Provincial Administrative Court in Gliwice issued on 27 April 2022. On 29 July 2022, ZM SILESIA received a copy of the conclusion of the judgment of 27 April 2022, with a statement of validity. The ruling is legally binding as of 30 June 2022. This means that the Director of the Director of the Fiscal Administration Chamber in Katowice did not file a cassation complaint with the Supreme Administrative Court. The company awaits the second instance tax authority's position on whether to change its decision or send it back to the first instance for reconsideration.





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. Due to different assessment of the above circumstances, on 29 April 2022 the Company filed an appeal against the Decision of the Head of Małopolska Customs and Fiscal Office. The deadline for processing of the appeal was set for 2 September 2022.

#### **HUTMEN Spółka z o.o.**

- On 14 February 2018 Hutmen Sp. z o. o. 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. received the decision issued on 26 March 2019 by the Head of the Lower Silesian Tax and Customs Office, which sets out company's VAT arrears for Q4 of 2014 at PLN 3.04 million plus interest on tax arrears. As claimed by the Office, Hutmen Sp. z o. o. 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. appealed with the Tax Chamber against the decision of the Office. The appeal was recognised and the case was referred back to the Director of the Tax Administration Chamber in Wrocław for further consideration. 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. received a decision of the Tax Administration Chamber 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. received a decision of the Head of the Małopolska Customs and Fiscal Office in Kraków 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



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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. 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.

### 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 30 June 2022 of PLN 2.0 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 31 October 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.

On 3 August 2022, the Company received an Audit Result following the audit of tax books, in which the Head of Mazovian Tax and Customs Office in Warsaw stated that Boryszew ERG Branch had failed to exercise due diligence in documenting transactions, which was recognised by the Authority as irregularities in the settlement of the tax on goods and services. The Head of the Mazovian Customs and Fiscal Office in Warsaw questions, in the Audit Result submitted to the Company, the right to apply 0% rate in intra-Community deliveries of goods to foreign entities and indicates that, given the facts, these deliveries should be taxed at 23% rate of the tax on goods and services in the period between December 2015 and March 2016 in the amount of PLN 9 817 220. According to the National Revenue Administration Boryszew S.A. also wrongfully deducted input VAT from invoices issued for the purchase of rapeseed oil, in the period December 2015 to March 2016, thereby overstating it by a total amount of PLN 12 435 798.

The total amount of the overdue the tax for the above transactions is PLN 22 253 018 plus interest due.

Despite the entitlement of Boryszew S.A. to correct the submitted declarations in accordance with the findings of the Audit Result within 14 days of the date of delivery of the Audit Result, the Company intends to challenge these findings in the tax proceedings. On 29 August 2022, the Company received a notice that the customs and tax audit had been transformed into a tax procedure.

The company recognised a provision for tax risk with interest for the aforementioned procedure, in the total amount of app. PLN 30.3 million, with the total amount of the principal receivable including the provision for tax risk without interest being app. PLN 22.5 million.

The decision to recognise the aforementioned provision is due to the Issuer's prudent approach to accounting issues, while as a matter of principle the Issuer maintains the position of no merit to the determination of the overdue tax in the aforementioned amount and intends to challenge these findings in tax proceedings.



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### 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 - November 2022.
- Maflow BRS s.l.r. (Italy) is currently audited and the audit covers corporate tax for 2017. The audit was initiated in 2021, the audit is expected to be completed in December 2023. Amount subject to verification: EUR 2 468 517 of income re-estimation for 2017.

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 Group recognised provisions for tax risks following pending proceedings, taking into consideration the probability of an unfavourable outcome of the proceedings.

As estimated by the Management Board, the amount of this provision was recognised up to the possible outflow of resources from the Group, with the maximum being the net value of assets of the subsidiary and sureties granted to it.

In the case of an unfavourable scenario of the pending court proceedings in tax matters, as described above, the Subsidiary will likely go bankrupt, and then the outflow of resources from the Group will be up to the value of Subsidiary's net assets lost as a result of bankruptcy and the equivalent of the sureties granted to the Subsidiary.

The balance of provisions for all tax risks in the consolidated financial statement of Boryszew S.A. on the balance sheet date ended on 30.06.2022 is PLN 181 506 thousand (high risk).

Furthermore, the Group recognises contingent liabilities in the amount of PLN 93 126 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.

### 20. CONCLUSION BY THE COMPANY OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH RELATED PARTIES

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)

##### Loan granted to Skotan S.A. with registered office in Chorzów

On 10 February 2022 Boryszew S.A. granted a cash loan to Skotan S.A. in the amount of PLN 500 000.00 with repayment on 10 August 2022.

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



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### EASTSIDE - BIS SPÓŁKA Z O.O.

#### Loan granted to a related party

On 14 April 2022 Eastside - Bis Spółka z o.o. granted a cash loan to a natural person related to the Issuer in the amount of PLN 10 000 000.00 with repayment on 31 August 2022. The interest on the above mentioned loan was determined on the arm's length basis. WIBOR 3M + margin

#### Alchemia S.A.

#### Agreement on establishing a freeze on securities account

On 28 April 2022 Alchemia S.A. (creditor) signed an agreement with Unibax Sp. z o.o. (blocking party) on establishing a freeze on securities account in order to secure Alchemia receivables from Unibax Sp. z o.o. for purchase of registered bonds of the total nominal value of PLN 12.8 million, i.e. 9 AL2 series bonds of the total nominal value of PLN 9 million and 4 AL3 series registered bonds of the total nominal value of PLN 3.8 million, issued by Unibax in 2018. As a collateral of above liabilities Unibax Ltd. established a freeze on 4 000 000 Boryszew S.A. shares in favour of Alchemia S.A.

### TRANSACTION AFTER THE BALANCE SHEET DATE

### EASTSIDE - BIS SPÓŁKA Z O.O.

#### Loan granted to a related party

On 1 July 2022 Eastside - Bis Spółka z o.o. granted a cash loan to a natural person related to the Issuer in the amount of PLN 15 000 000.00 with repayment on 31 December 2022. The interest on the above mentioned loan was determined on the arm's length basis. WIBOR 3M + margin

### 21. INFORMATION ON GRANTING BY THE COMPANY OR ITS SUBSIDIARY OF LOAN OR BORROWING SURETIES OR GUARANTEES – JOINTLY TO A SINGLE ENTITY OR ITS SUBSIDIARY, IF THE TOTAL VALUE OF THE EXISTING SURETIES OR GUARANTEES IS MATERIAL

#### GUARANTEES AND SURETIES AS AT 30.06.2022

| Entity on whose behalf the surety or guarantee was issued | Entity for which guarantee or surety was issued        | Value of guarantee | Expiry date of guarantee |
|---|--|--------------------|--------------------------|
| Boryszew Kunststofftechnik Deutschland GmbH               | Guarantee granted to ALD AutoLeasing D GmbH            | 28                 | 30.06.2022               |
| Boryszew Kunststofftechnik Deutschland GmbH               | Endorsement of lease agreement for PKO Leasing S.A.    | 2 228              | 01.09.2022               |
| Boryszew Oberflächentechnik Deutschland GmbH              | Guarantee granted to Bank Gospodarstwa Krajowego       | 13 859             | 31.12.2028               |
| Boryszew Plastic Rus LLC                                  | Guarantee granted to Volvo Group Trucks Operations     | 23 403             | indefinite validity      |
| Boryszew Plastic Rus LLC                                  | Guarantee granted to Alfa Bank                         | 1 077              | 31.12.2024               |
| Boryszew Plastic Rus LLC                                  | Payment guarantee granted to Engel Austria GmbH        | 6 239              | 25.08.2023               |
| Boryszew Tensho Poland Sp. z o.o.                         | Guarantee granted to HSBC Bank Polska S.A.             | 7 083              | 30.10.2022               |
| Boryszew Tensho Poland Sp. z o.o.                         | Endorsement of lease agreement for mLeasing Sp. z o.o. | 380                | 15.12.2024               |
| Boryszew Tensho Poland Sp. z o.o.                         | Endorsement of lease agreement for mLeasing Sp. z o.o. | 715                | 15.12.2024               |
| Boryszew Tensho Poland Sp. z o.o.                         | Endorsement of lease agreement for mLeasing Sp. z o.o. | 366                | 15.12.2024               |
| Boryszew Tensho Poland Sp. z o.o.                         | Endorsement of lease agreement for mLeasing Sp. z o.o. | 366                | 15.12.2024               |
| Boryszew Tensho Poland Sp. z o.o.                         | Endorsement of lease agreement for mLeasing Sp. z o.o. | 671                | 15.02.2025               |
| Boryszew Tensho Poland Sp. z o.o.                         | Endorsement of lease agreement for mLeasing Sp. z o.o. | 509                | 15.02.2025               |



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| Entity on whose behalf the surety or guarantee was issued  | Entity for which guarantee or surety was issued            | Value of guarantee | Expiry date of guarantee               |
|--|--|--------------------|--|
| Boryszew Tensho Poland Sp. z o.o.  | Guarantee granted to PKO Leasing S.A.                      | 4 152              | 10.10.2022                             |
| Theysohn Formenbau GmbH  | Guarantee granted to akf Leasing GmbH                      | 1 498              | 31.08.2023                             |
| 1) Boryszew Tensho Poland Sp. z o.o.<br>2) Boryszew Kunststofftechnik Deutschland GmbH   | Guarantee granted to Borealis AG                           | 4 681              | 31.12.2022                             |
| 1) Boryszew Tensho Poland Sp. z o.o.<br>2) Boryszew Kunststofftechnik Deutschland GmbH<br>3) Boryszew Plastic RUS LLC<br>4) AKT Plastikarska Technologie Czechy Spol. S.R.O. | Guarantee granted to Basell Sales & Marketing Company B.V. | 9 361              | 31.12.2022                             |
| Maflow BRS s.r.l.  | Guarantee granted to Intesa Bank                           | 23 403             | 01.12.2026                             |
| Maflow France Automotive S.A.S.  | Guarantee granted to Natixis Lease                         | 94                 | 04.10.2022                             |
| Mafmex S. de R.L. de C.V.  | Mafmex's performance bond for AB Volvo                     | 23 403             | term of the agreement                  |
| Mafmex S. de R.L. de C.V.  | Mafmex's rent payment bond to Innova Dintel                | 13 125             | 01.01.2030                             |
| Mafmex S. de R.L. de C.V.  | BMW AG performance bond                                    | 28 084             | contract performance period + 15 years |
| Mafmex S. de R.L. de C.V.  | Guarantee granted to BNP Paribas S.A.                      | 12 382             | 30.06.2031                             |
| ZM Silesia S.A.  | Surety granted to PKO BP S.A.                              | 6 520              | 28.02.2025                             |
| ZM Silesia S.A.  | Endorsement for Coface Poland Factoring Sp. z o.o.         | 36 404             | indefinite validity                    |
| Maflow Components (Dalian) Co. Ltd.  | Guarantee granted to HSBC Bank (China) Company Limited     | 20 088             | 18.01.2025                             |
| Maflow Boryszew Sp. z o.o.   | Guarantee granted to BNP Paribas S.A.                      | 10 533             | 30.06.2031                             |
| <b>Total guarantees and sureties granted by Boryszew S.A.</b>  |  | <b>250 652</b>     |  |

### SURETIES AND GUARANTEES ISSUED BY BORYSZEW S.A. POST THE BALANCE SHEET DATE

| Entity for which guarantee or surety was issued | Subject of liability    | Value of guarantee in EUR '000 |
|---|-------------------------|--------------------------------|
| Maflow Components (Dalian) Co. Ltd.             | BMW AG performance bond | 6 000                          |

The sureties and guarantees are provided by Capital Group companies on arm's length basis.

### SIGNIFICANT CHANGES IN THE CONDITIONS OF THE SURETY GRANTED AFTER THE BALANCE SHEET DATE BY COMPANIES OF BORYSZEW CAPITAL GROUP

In H1 '2022 no significant changes were made to the terms of the sureties granted.



## Report of the Management Board on the activities of Borszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

### 22. OTHER INFORMATION THAT IS RELEVANT FOR THE EVALUATION OF ITS HUMAN RESOURCES, FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CHANGES THEREOF AS WELL AS ANY INFORMATION RELEVANT FOR THE EVALUATION OF THE CAPACITY TO MEET OBLIGATIONS

In the reporting period, there were no events other than those described above that would be significant for the assessment of the Group's personnel, property, financial standing, financial result and the ability of the Capital Group to meet its liabilities.

### 23. INFORMATION ON NON-REPAYMENT OF A CREDIT OR LOAN OR BREACH OF MATERIAL PROVISIONS OF A CREDIT OR LOAN AGREEMENT, IN RELATION TO WHICH NO REMEDIAL ACTIONS WERE TAKEN UNTIL THE END OF THE REPORTING PERIOD

As at 30 June 2022 no overdue liabilities occurred due to borrowings and loans and no breach occurred of material provisions of borrowing and loan agreements.

### 24. FACTORS THAT WILL AFFECT THE COMPANY'S FINANCIAL PERFORMANCE FOR AT LEAST THE UPCOMING QUARTER

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

- the duration and scale of the armed conflict in Ukraine,
- limited availability and cost of key energy carriers and gas, particularly in the energy-intensive metal processing industry and in chemistry,
- 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,
- availability of feedstock,
- demand for new cars, especially for products of the VW Group, which is the most important customer of the Borszew Capital Group,
- supply chain disruptions,
- 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.
- a change in consumer sentiment that could curb household demand for durable goods,
- Poland's receipt of funds from the National Recovery Plan.

Internal factors significant for the Group's performance in future periods include the following:

- the effect of obtaining new contracts in the Automotive Segment,
- the effect of optimisation of manufacturing processes in all market segments,
- increase in the efficiency of the Automotive Segment operations as a result of BAP Group restructuring,
- availability of employees on the labour market, especially in the Silesian agglomeration.

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 as indicated by estimates from various institutions.

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.



## Report of the Management Board on the activities of Borszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

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, could affect lower GDP growth.

For Maflow Group and Borszew Automotive Plastics Group, the external factors that significantly influence their activity and possibility of development include: current political situation in the East Europe i.e. Russia's aggression against Ukraine and, consequently, the ongoing military operations in the territory of Ukraine. The aforementioned aggression had a decisive impact on the reduction of order volumes. Considerable part of key clients of Maflow Group as well as Borszew Automotive Plastics Group decided to temporarily suspend or temporarily stop their production, which largely influenced the decrease of revenues generated by the Group in H1 '2022. The decision is also a consequence of problems with the availability of semiconductors and electrical components used in car manufacturing. A manufacturing plant in Russia has temporarily halted production of components used by automakers. However, it does not concern only Borszew Plastic Rus Ltd., but the whole automotive segment in Russia, which is currently in limbo.

Previous pandemic disruptions resulted in temporary supply chain disruptions primarily in the automotive industry. Military actions on the territory of Ukraine have contributed to inflation growth and weakening of PLN rates. The unstable economic and political situation in Europe has the effect of increasing prices for components and utilities or transport costs due to the exclusion of supply sources located in war zones. The increase of electricity and gas prices in the last quarter of last year caused the increase of production costs of raw materials directly produced by Borszew Automotive Plastics Group and one of the companies of Maflow Group - Maflow BRS S.R.L. in Ascoli and at the same time the increase of purchase prices of these raw materials.

The Management Board of Borszew 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.

On 13 October 2021 the Management Boards of indirect subsidiaries of Borszew 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.

### 25. OTHER IMPORTANT EVENTS

#### **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.



## Report of the Management Board on the activities of Borszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

### 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 and then on 10 August 2022 from PLN 45 million to PLN 52 million.

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

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

- conduct review of separate interim financial statements of Borszew 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 Borszew 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 Borszew 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 Borszew 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 Borszew S.A. granted to CRIPPA S.p.A. Italy a guarantee for liabilities of Mafmex S.DE R.L. DE C.V. and Borszew 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.

### Signing a restructuring agreement with a client of BAP Group

On 29 April 2022 Borszew S.A. and subsidiaries listed below signed the Agreement with important customer of Borszew Capital Group. The agreement is on the support of restructuring of the following companies: Borszew Kunststofftechnik Deutschland GmbH, Borszew Oberflächentechnik Deutschland GmbH, AKT Plastičkářská Technologie Čechy, spol. S.r.o. ("BAP Companies").

Under the Agreement, during the restructuring period, namely until the end of 2023, the Client will participate in costs of restructuring of certain BAP Group Companies.

The conclusion of this Agreement will have a materially positive impact on the performance of BAP Companies.

The condition for BAP Companies to receive support is timely implementation of restructuring measures in accordance with a plan.

Moreover, Borszew S.A. committed to provide BAP Companies, covered by the Agreement, in the period till 31 December 2023, with financial support to facilitate undisturbed business. Also, when it is necessary to refund money by BAP to the Client, Borszew S.A. guarantees to the Client their return.

The basic assumption of the restructuring agreement is that the Company and the Client act jointly and severally.

The Agreement will become effective upon signing by all parties.

The restructuring process will give BAP Companies operational stability and will improve their market position.

### Dividend policy of Borszew S.A.

On 9 May 2022 the Management Board of Borszew S.A. adopted the Company's Dividend Policy. According to the policy the Management Board intends to submit to the General Meeting proposals of dividend payment equivalent to between 30% and maximum 70% of consolidated net profit of Borszew Capital Group provided that the relation of net debt for group to consolidated operating profit plus depreciation (EBITDA) at the end of the financial year, for which the profit will be distributed, will be below 3.5.

The definitions of net debt, EBITDA and the methodologies of their calculation are the same as the definitions and methodologies for calculation of these ratios in the Company's previous current and interim reports.

When recommending profit distributions, the Management Board will take into consideration the financial and liquidity position, existing and future liabilities (including potential restrictions under loan agreements) and an assessment of the Group's prospects in certain market and macroeconomic conditions.

The dividend policy will be applicable as of the fiscal year ending 31 December 2022.





## Report of the Management Board on the activities of Boryszew Capital Group in the first six months of 2022

(amounts expressed in PLN '000 unless specified otherwise)

The final decision about the amount of dividend paid will be made by the Ordinary General Meeting of Boryszew S.A.

### Adoption of the Strategy of Boryszew Capital Group for 2022 - 2026

According to the resolution of the Supervisory Board of Boryszew S.A. of 17 May 2022 on approval of: "Business Strategy for Boryszew Group for 2022-2026" (Strategy)", the Company adopted on the same day the development strategy until 2026 to be implemented, which assumes, among other things:

- 1) continued development of the most profitable products by expanding into new markets and diversifying end customer sectors,
- 2) maintaining high dynamics of ca. 13% year-on-year growth of EBITDA in 2022-2026 and reaching EBITDA of PLN 0.6 billion in 2026,
- 3) ensuring the required liquidity in Boryszew Capital Group through optimisation of resources used,
- 4) new product development through the use of research and development (R&D) centres,
- 5) active participation in the green energy transition,
- 6) optimisation of low-margin assets in the Chemicals and Metals Segments.

Given the remote time perspective and the possibility of occurrence of a number of external factors as well as unpredictability of risk factors resulting from the above, the above presented figures cannot be considered as forecasts for the strategy validity period, but only as an estimation of expected levels of revenues in relevant business areas that Boryszew Capital Group will strive to achieve.

### Completion of review of strategic options

On 25 May 2022 the Management Board of Boryszew S.A. decided to complete the review of strategic options for selected groups of assets; the launch of the review was announced in current reports no. 17/2021 of 20 May 2021 and no. 32/2021 of 30 September 2021.

Conclusions from the review of strategic options, including also identification of key development areas of the Capital Group, were the starting point for the Strategy of the Issuer's Capital Group, which was presented to the public on 17 May 2022 (current report 22/2022).

At the same time, the Issuer still may sell or liquidate selected assets or groups of assets in the future, if they find it justified from the point of view of strategic and business objectives of the Issuer's Capital Group.

### Impact of COVID-19 on Boryszew S.A. during the first six months of 2022

During the reporting period, no negative impact of the Covid - 19 pandemic on the Company's results was found. The Management Board does not currently identify a material risk associated with the virus in the near future.

### THE IMPACT OF WAR IN UKRAINE ON THE SITUATION OF BORYSZEW S.A.

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., the Company's Management Board reviewed the Company's involvement in the conflict countries. The description of indirect impact on Boryszew S.A. as a parent company of Boryszew Capital Group is described in note 6 of the abbreviated consolidated financial statement

### BORYSZEW CAPITAL GROUP

#### ALCHEMIA S.A.

On 5 January 2022 a bank guarantee was issued under the signed multi-currency debt limit agreement with Alior Bank S.A. for the amount of PLN 14 million. The guarantee secures the repayment of liabilities for deliveries of charge from ArcelorMittal Poland S.A.

On 15 February 2022, Alchemia S.A. signed a General Agreement for granting payment insurance guarantees guaranteed by the State Treasury with Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna (KUKE S.A.) with a renewable limit of PLN 30 million to be used in the form of payment insurance guarantees. Limit expiry: 1 year of the date of signing the General Agreement. Agreement collateral: 5 Alchemia S.A. blank promissory notes with 5 promissory note declarations. Under the above general agreement, on 11 March 2022 KUKE S.A. issued an insurance payment guarantee PLN 30 million as a collateral for the repayment of liabilities for the deliveries of charge from ArcelorMittal Poland S.A.



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

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

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

Temporary suspension of Borszew 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 Borszew S.A. is not able to estimate precisely possible negative financial effects of the above decision.

## **HUTMEN SPÓŁKA Z O.O.**

### **Conclusion of an agreement for the sale of real estate**

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.

On 15 June 2022 the Management Board of Hutmen Sp. z o.o. based in Wrocław (Hutmen), concluded a final 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 app. 19.2 ha, for the gross amount of PLN 116 850 000.00 (that is including the applicable tax on goods and services).

Payment of a portion of the price net price, i.e. the amount of PLN 95 000 000 was made on 17 June 2022. The remainder of the price, i.e. the amount of PLN 21 850.000, was paid on 25 July 2022.

The property was released on 15 June 2022.

The remaining terms of the final agreement are consistent with the standards generally applied in such agreements.

## **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 a Foksal street No. 6 (Property), 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.

## **BORYSZEW MAFLOW SPÓŁKA Z O.O.**

### **Conclusion of loan agreements**

I. On 29 April 2022, Borszew Maflow Spółka z o.o., a subsidiary, (Borrower) signed a non-revolving loan agreement with BNP Paribas Bank Polska S.A. for the amount of approx. EUR 19 500 000 to be used for the purchase of machines and equipment necessary for execution of contracts with customers in the automotive industry.

The collateral for repayment of the aforementioned loan includes:

- 1) Insurance guarantee from KUKI S.A. up to 80% of the loan amount;
- 2) Registered pledge on machinery and equipment subject to financing up to the maximum security amount of EUR 24 400 000 million.
- 3) Declarations (of Borrower and Borszew S.A. respectively) on submission to enforcement under art. 777 sec. 1 point 5 of the Code of Civil Procedure up to the amount of EUR 29 300 000 and corporate guarantee of Borszew S.A. up to the amount of EUR 24 400 000.

The agreement will remain in force until end of June 2028.

The loan interest rate was determined at EURIBOR 3M plus the Bank's margin. The remaining terms of the Agreement are not different from standard provisions in this type of agreements.



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(amounts expressed in PLN '000 unless specified otherwise)

II. On 28 June 2022, Boryszew Maflow Spółka z o.o. (the "Borrower") signed an overdraft agreement with BNP Paribas Bank Polska S.A. in the amount of EUR 3 800 000.

The collateral for repayment of the aforementioned loan includes:

1. Corporate guarantee issued by Boryszew S.A. up to a maximum amount of EUR 4 750 000.
2. Borrower's statement of submission to execution under Art. 777 §1(5) of the Code of Civil Procedure regarding the repayment of obligations under the Agreement, up to the amount of EUR 5 700 000.00, with the deadline for filing an enforcement clause application of 28 June 2026, with wording acceptable to the Bank,
3. Loan repayment guarantee provided by Bank Gospodarstwa Krajowego ("BGK") under PLG FGP's portfolio guarantee line, in the amount of 80.00 percent of the granted Loan, that is up to PLN 14 317 184.00. The guarantee is valid from 28 June 2022 to 28 June 2023,

The agreement will remain in force until 28 June 2023.

The loan interest rate was determined at EURIBOR 1M plus the Bank's margin. The remaining terms of the Agreement are not different from standard provisions in this type of agreements.

### **BORYSZEW MAFLOW SPÓŁKA Z O.O. I MAFMEX S de R.L. de C.V.**

#### **Conclusion of loan agreement**

On 23 May 2022 Boryszew Maflow Spółka z o.o., a subsidiary, and Mafmex S de R.L. de C.V. (Borrowers) signed non-revolving loan agreement with BNP Paribas Bank Polska S.A. for the amount of approximately USD 21 600 000 to be used for the purchase of machines and equipment necessary for execution of contracts with customers in the automotive industry in Mexico.

The collateral for repayment of the aforementioned loan includes:

- 1) Insurance policy of KUKA S.A. up to 100% of the loan amount;
- 2) Assignment of receivables under concluded contracts;
- 3) Declarations (of Borrowers and Boryszew S.A. respectively) on submission to enforcement under art. 777 sec. 1 point 5 of the Code of Civil Procedure up to the amount of USD 32 400 000 and corporate guarantee of Boryszew S.A. up to the amount of USD 27 000 000.

The agreement will remain in force until end of June 2028.

The loan interest rate was determined at SOFR 3M plus the Bank's margin. The remaining terms of the Agreement are not different from standard provisions in this type of agreements.

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

## **26. REPRESENTATIONS OF THE MANAGEMENT BOARD**

The Management Board of Boryszew S.A. represent hereby that:

- to the best of its knowledge, the mid-year consolidated financial statements of the Company and Boryszew Capital Group and the comparative 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 S.A. and Boryszew Capital Group.
- the mid-year report on the activity of Boryszew Capital Group contains a true view of development, accomplishments and situation of Boryszew Capital Group, including a description of fundamental risks and threats.

#### **SIGNATURES:**

This report was signed at the Company's registered office on 30 August 2022.

Wojciech Kowalczyk - President of the Management Board

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Mikołaj Budzanowski – Member of the Management Board

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