

**BORYSZEW S.A. WARSAW
JAGIELLOŃSKA STREET NO. 76**

**FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR 2016**

**INCLUDING
STATUTORY AUDITOR'S OPINION AND
AND REPORT ON AUDIT OF FINANCIAL
STATEMENTS**

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COMPANY'S BUSINESS REPORT FOR 2016

INDEPENDENT STATUTORY AUDITOR'S OPINION

To Shareholders and Supervisory Board of Boryszew S.A.

The report of the audit of the financial statement

We have conducted the audit of the attached financial statements of Boryszew S.A. based in Warsaw at Jagiellońska street No. 76 (hereinafter the “Company”) which include: statement of financial position as at 31 December 2016, income statement and statement on comprehensive income, statement of changes in equity, cash flow statement for the financial year between 1 January 2016 and 31 December 2016 as well as additional information including information on the adopted accounting policy and other explanations.

Responsibility of the manager of the Company and supervisors for the financial statement.

The Management Board of the Company is responsible for the development of the financial statement and for its reliable presentation in accordance with the International Standards of Accountancy, the International Standards of Financial Reporting and related interpretations published in the form of regulations of the European Commission and other existing legal provisions. The Management Board of the Parent Company is also responsible for internal control, which is considered necessary for the development of the financial statement without significant distortion caused by a fraud or an error.

The Management Board of the Company as well as members of its Supervisory Board are obliged to ensure compliance of the financial statements with the requirements of the act of 29 September 1994 on accounting (Journal of Laws of 2016, item 1047, with subsequent amendments) hereinafter the “Accounting Act”.

Responsibility of the statutory auditor

We are responsible to express an opinion on the financial statement based on our audit.

We carried out the audit in accordance with section 7 of the Act on Accountancy and in accordance with the International Standards on Financial Auditing in the International Auditing Standards adopted by Resolution no. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015, as amended. These standards require the compliance with the ethical requirements as well as planning and carrying out the audit in such a way to obtain sufficient assurance that the financial statement does not include significant distortion.

The audit involved the implementation of the procedures to obtain an evidence in terms of the amounts and disclosures in the financial statement. The procedures selection depends on the opinion of the statutory auditor, including the risk assessment of significant distortion of the financial statement due to a fraud or an error. When assessing this risk, the statutory auditor takes into account the operation of internal control in relation to the development and reliable presentation of the financial statement by the Company to design appropriate audit procedures in the circumstances, not to express an opinion on the effectiveness of internal control of the Company. The audit also includes assessing the appropriateness of the accountancy principles (policy), the rationality of the estimated values specified by the Management Board of the Company, as well as the assessment of the general presentation of the financial statement.

We believe that the obtained audit evidence is sufficient and is an appropriate basis for our audit opinion.

Opinion on the financial statement

In our opinion, the attached financial statement:

- shows a reliable and clear view of the assets and financial position of the Company as of 31 December 2016 year and its financial performance and cash flows for the financial year from 1 January 2016 to 31 December 2016, in accordance with the International Standards of Accountancy, the International Standards of Financial Reporting and related interpretations published in the form of regulations of the European Commission and accepted accounting principles (policy) of the Company,
- was developed based on the correctly kept accountancy books,
- its form and content comply with the applicable laws related to the Company and the provision of the Articles of Association of the Company.

Explanation

Without qualifying the accuracy and reliability of the audited financial statements, we draw attention to the additional note No. 32 to the financial statements, "Business risks", subsection "Plans of financing the business of Boryszew S.A.", in which the Management Board informed that short term liabilities outweigh current assets and therefore it described actions that are being introduced in order to improve this situation, and in particular measures to ensure achievement long-term and stable sources of financing for the Company. The financial statements were prepared on the going concern basis and there is no need to change the valuation of assets and liabilities that would have been necessary if the Company was not able to its business in the same or similar scope.

Our opinion does not contain an objection on this issue.

The report on other legal requirements and regulations

Opinion on the report on operations

Our opinion on the audit of the financial statement does not cover the report on operations.

The Management Board of the Company is responsible for the development of the report on operations in accordance with the Act on Accountancy and other applicable laws. In addition, the Management Board of the Company and members of its Supervisory Board are obliged to ensure that the report on operation meets the requirements provided in the Act of Accountancy.

In relation with the audit of the financial statement, it was our duty to review the content of the report on operation of the Company, and indication whether the information contained therein incorporates the provisions of art. 49 of the Act on Accountancy and Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities; and the conditions for recognizing as equivalent the information required by law of a state which is not the Member State (the Journal of Laws of 2014, item 133, as amended), and are consistent with the information included in the attached financial statement. Our duty was also to make a statement, whether, in the light of our knowledge about the Company and its surroundings, obtained during the audit of the consolidated financial statement, we found significant distortions in the statement.

In our opinion, the information included in the report on operation of the Company takes into account the provisions of article 49 of the Act of Accountancy and the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities, and the conditions for recognizing as equivalent the information required by law of a state which is not the Member State (the Journal of Laws of 2014, item 133, as amended), and are consistent with the information included in the attached financial statement. Furthermore, in the light of the knowledge about the Company and its surroundings, obtained during the audit, we did not find significant distortions in the report on operation of the Company.

In accordance with § 1.14.b of the Regulation of the Minister of Finance of 25 May 2016 amending the regulation on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by law of a state which is not the Member State, the Management Board developed the report on operations of the Company and the Group of Companies in the form of a single document.

The energy law requirements - the regulatory financial information

The regulatory financial information presented in note 38, including the items of the statement of financial position and the statement of total income developed separately for each type of operation in the field of trading, distribution and generation of electricity, as well as the indicated grounds for the development of the information, and the principles for allocating assets and liabilities, costs and revenues to each operation was developed by the Management Board in order to meet the requirements of article 44 of the act of 10 April 1997 Energy Law (the Journal of Laws of 2012, item 1059, as amended – hereinafter referred to as the “Energy Law”) (hereinafter the “Act”), in this regard ensures equal treatment of recipients and elimination of cross-subsidies between these operations.

The scope of the regulatory financial information is determined by the provisions of the act. Our audit did not cover the assessment of the adequacy of the information required by law from the point of view of the development of the regulatory information, particularly to ensure equal treatment of recipients and elimination of cross-subsidies between these operations.

In our opinion, the regulatory financial information was developed in all significant aspects in accordance with the basis of the development presented in note 38, and meets the requirements of article 44 (2) of the act.

Statement of the Company on applying corporate governance.

In connection with the audit of the financial statement, our duty was to review the statement of the on applying corporate governance, constituting a separate part of the report on operation of the Company.

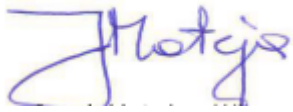
In our opinion, the Company included in the statement the information required based on the scope specified in the implementing provisions issued under article 60 (2) of the act of 29 July 2005 on public offering and the conditions of the introduction of financial instruments to the organized trading system and public companies (the Journal of Laws of 2016, item 1639, as amended) or the regulations issued based on article 61 of this act. This information is consistent with the applicable provisions and the information included in the financial statement.



Piotr Niedziela

Key statutory auditor carrying
out the audit, reg. No. 12523

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. (limited liability company, limited partnership) – an entity authorised to carry out audits of financial statements and registered in the list of authorised entities, held by the National Council of Statutory Auditors in Poland (KRBR), under registration no. 73:



Jacek Mateja - Vice - President of the Management Board of Deloitte Polska Sp. z o.o. - general partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k.

Warsaw, 29 March 2017

REPORT ON AUDIT OF BORYSZEW S.A. FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016

I. GENERAL INFORMATION

1. Information identifying the audited Company

Parent Company operates under the company name of Boryszew S.A. (hereinafter the „Company”). The Company is based in Warsaw, Jagiellońska street No. 76

The Company operates as a joint stock company. The Company is entered in the register of entrepreneurs kept by the District Court, 14th Commercial Division of the National Court Register in Warsaw, under KRS 0000063824.

The Company operates on the basis of the Code of Commercial Companies.

As at 31 December 2016 the share capital of the Parent Company amounted to PLN 248.906 thousand and was divided into 240 000 000 shares with the nominal value of PLN 1 each share. The Company's share capital includes hyper-inflation revaluation in the amount of PLN 8 906 thousand.

In the audited period, the Company core business included production of chemical fibres, plastics, plastic products for construction industry, production of plastic packaging, production of air conditioning tubes for cars and brake and power steering tubes.

The Management Board of the Parent Company, as at the date of issue of the opinion, included:

- Jarosław Michniuk – President of the Management Board,
- Piotr Szeliga – Member of the Management Board,
- Mikołaj Budzanowski – Member of the Management Board
- Cezary Pyszkowski – Member of the Management Board.
- Aleksander Baryś – Member of the Management Board.

During the audited period and until the date of the opinion, the following changes occurred in the composition of the Management Board of the Company:

- on 6 September 2016, the Supervisory Board appointed Mr. Jarosław Michniuk to the position of President of the Management Board, acting from 1 October 2016
- on 6 September 2016, the Supervisory Board appointed Mr. Aleksander Baryś as Member of the Management Board,
- on 6 September 2016, the Supervisory Board dismissed Mr. Piotr Szelika from the position of President of the Management Board, and appointed him as Member of the Management Board.

2. Information on the financial statements for previous year

Company's operations in 2015 closed with a net profit of PLN 3 786 thousand. The financial statements of the Company for the financial year 2015 were audited by an independent auditor. The audit was conducted by the authorised entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Statutory auditor released an unqualified auditor's opinion on those financial statements.

General Shareholders' Meeting called to approve the financial statements for the financial year 2015 was held on 15 June 2016. The General Meeting of Shareholders decided to allocate the net profit from 2015 in the amount of 3.786 thousand PLN to increase the reserve capital of the Company.

The separate financial statements for the financial year 2015 were filed with the National Court Register on 23 June 2016. The consolidated financial statements for the financial year 2015 were filed with the National Court Register on 23 June 2016.

3. Information identifying the authorised entity and the key statutory auditor conducting the audit on behalf of the authorised entity

The authorised entity was selected by the Supervisory Board. The audit of the financial statements was conducted pursuant to the agreement dated 18 July 2016, concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. [limited liability company, limited partnership]) with its registered office in Warsaw, Jan Paweł II Av. No. 22, registered in the list of entities authorised to carry out statutory audits, held by by the National Council of Statutory Auditors, under registration no. 73. On behalf of the authorised entity qualified, the audit was conducted under the supervision of Piotr Niedziela, key statutory auditor (Registration No. 12523) between 14 November and 2 December 2016, between 20 February and 17 March 2017 as well as outside of the Company's registered office until the date of issuing of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. and the key auditor carrying out the audit confirm that they are authorized to carry out statutory audits of financial statements and comply with the conditions laid down in Art. 56 on statutory auditors and their professional association, entities authorised to audit financial statements and on public supervision (Journal of Laws of 2016, item 1000, with subsequent amendments) to express an impartial and independent opinion on the financial statements of the Company.

4. Availability of data and representations of the Company's managers

No limitations to the scope of our audit occurred.

The authorised entity and the key statutory auditor, during the course of the audit, were provided access to all requested documents and data, as well as were provided with detailed information and explanations, which, among other things, was confirmed in a written statement of the Management Board of Company dated 29 March 2017.

ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY

The figures presented below are the key values from the statement of comprehensive income, statement of financial situation as well as financial ratios that describe Company's performance, its financial and economic situation in comparison to corresponding values for the previous year.

<u>The basic values from the total income (in thousand PLN)</u>	2016	2015
Revenues from sales	1 445 961	1 318 721
Operating costs	(1 376 420) (1 244 024)	
Profit/loss on operating activities	47 415	27 802
Net profit (loss)	3 707	3 786
<u>The basic values from the statement of financial situation (in thousands PLN)</u>		
Inventory	134 259	176 665
Trade receivables	271 971	240 124
Current assets	549 062	514 821
Total assets	1 588 792	1 520 619
Equity	567 747	566 537
Short-term liabilities (including short-term provisions and accruals)	803 576	828 141
Trade payables	237 806	199 892
Total liabilities and provisions	1 021 045	954 082
<u>Profitability ratios and effectiveness ratios</u>		
– profitability of sales	3%	2%
– net return on equity	1%	1%
– assets turnover ratio	0.91	0.87
– days sales outstanding ratio	64	64
– liabilities turnover in days	57	54
– inventory turnover in days	41	51
<u>Liquidity / Net working capital</u>		
– debt rate	64%	63%
– equity to assets ratio	36%	37%
– net working capital (in PLN thousand)	(254 514)	(313 320)
– liquidity ratio	0.68	0.62
– acid test ratio	0.52	0.41

The analysis of the above values and ratios indicates the occurrence of the following trends in 2016:

- increase of the profitability ratios of sales and keeping the net profitability of the equity at the same level,
- increase of the rate of rotation of the assets,
- keeping the ratio of rotation at the same level, extension of liabilities rotation and shortening of stocks rotation,
- increase of the rate of the Company's debt with decrease of coverage scope with the equity capital
- increase of the liquidity ratios.

In our audit opinion we draw attention to the additional note No. 33 to the financial statements, "Business risks", subsection "Plans of financing the business of Boryszew S.A.", in which the Management Board informed that short term liabilities outweigh current assets and therefore it described actions that are being introduced in order to improve this situation, and in particular measures to ensure achievement long-term and stable sources of financing for the Company.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has documentation describing the accounting principles, consistent in all material respects with the requirements of Art. 10 of the Accounting Act. These policies have been applied consistently and have not changed in relation to those of the previous year. The opening balance results from the approved financial statements for the previous financial year was properly introduced into the accounting records for the audited period.

On the basis of tests carried out under test procedures of the financial statements we verified the Company's accounting system and found no irregularities that would affect the prepared financial statements. However the Company's accounting system was not audited in whole.

The Company carried out a stock take of assets, equity and liabilities to the extent necessary to confirm the existence of the presented assets, equity and liabilities.

2. Information identifying the audited financial statements

The audited financial statements were prepared as at 31 December 2016 and include:

- statement of financial position prepared as at 31 December 2016 with total assets and total liabilities of PLN 1 588 792 thousand,
- statement of comprehensive income for the period between 1 January 2016 and 31 December 2016 showing a net profit of PLN 3 707 thousand as well as total comprehensive income of PLN 6 317 thousand,
- statement of changes in equity for the period between 1 January 2016 and 31 December 2016, showing a decrease in equity by PLN 1 210 thousand,
- cash flow statement for the period between 1 January 2016 and 31 December 2016, showing a decline in cash by PLN 38 201 thousand,
- additional information on adopted accounting policy and other explanations.

3. Information on selected significant items of the financial statements

The structure of assets, equity and liabilities as well as items affecting the financial result was presented in the financial statements.

Tangible fixed assets

Company's tangible fixed assets include:

- tangible fixed assets in the amount of PLN 260 070 thousand,
- advances for tangible fixed assets under construction in the amount of PLN 715 thousand.

Long-term investments

Company's long term investments include:

- shares in subsidiaries and associates in the amount of PLN 364 938 thousand.

Inventories

The structure of inventories and the related write-offs was correctly presented in the respective explanatory note to this item of the statement of financial position.

Accounts receivable

The age structure of trade receivables was correctly presented in the respective explanatory note to this item of the statement of financial position, including related write-offs.

Liabilities

Specification of loans taken together with description of their collaterals and maturity are disclosed in the notes of additional explanations and information to the financial statements.

The age structure of trade payables is disclosed in explanatory notes to the statement of financial position.

The largest items of the Company's liabilities include:

- loans, borrowings and other financial long term liabilities in the amount of PLN 204 166 thousand,
- loans, borrowings and other financial short term liabilities in the amount of PLN 477 739 thousand,
- trade payables in the amount of PLN 311 333 thousand

Accruals and provisions for liabilities

The structure of accruals, prepayments and provisions for liabilities was disclosed in explanatory notes.

4. Completeness and correctness of preparation of additional information and explanations as well as the report on the activities of the Company

The Company confirmed validity of the going concern principle in preparing the financial statements. Principles for valuation of assets, equity and liabilities, determination of financial results as well as preparation of the financial statements were properly and completely described in additional information and explanations to the financial statements.

Additional information and explanations to the financial statements constitute a correct and complete description of significant reporting items and clearly present other relevant information required by the IFRS.

The Management Board prepared and attached to the financial statements the Company's business report for the financial year 2016. The report on activities contains information required by the provisions of Article 49 par. 2 of the Accounting Act as well as the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state (Journal Laws of 2014, item 133). We have audited the above mentioned report with respect to the information disclosed therein, derived directly from the audited financial statements.

In accordance with § 1.14.b of the Regulation of the Minister of Finance of 25 May 2016 amending the regulation on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by law of a state which is not the Member State, the Management Board developed the report on operations of the Company and the Group of Companies in the form of a single document.

CLOSING REMARKS

Statements of the Management Board

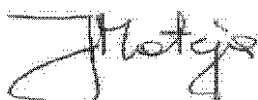
Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. as well as the key auditor received from the Company's Management Board a written statement in which the Management Board represented that the Company had complied with the law.



Piotr Niedziela

Key statutory auditor carrying
out the audit, reg. No. 12523

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. (limited liability company, limited partnership) – an entity authorised to carry out audits of financial statements and registered in the list of authorised entities, held by by the National Council of Statutory Auditors in Poland (KRBR), under registration no. 73:



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Warsaw, 29 March 2017