



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

**REPORT ON ACTIVITIES OF BORYSZEW S.A. AND  
BORYSZEW CAPITAL GROUP  
IN 2018**

*The report was approved for publication on:  
25 April 2019*



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## 1. INTRODUCTION

### COMPANY DATA

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

The company is registered with the District Court for the capital city of Warsaw, 13th Commercial Division of the National Court Register under KRS number 0000063824. The Company was assigned statistical number REGON 750010992 and NIP 837-000-06-34.

The company is established for an indefinite period of time.

### HISTORY

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

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

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

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

Boryszew Capital Group is one of the largest industrial groups in Poland, with production facilities on 4 continents, involved in automotive, non-ferrous metals and chemical industry. The Capital Group employs approximately 10 000 people.

## 2. PREPARATION OF THE REPORT

This report on the activity of Boryszew S.A. and Boryszew Capital Group in 2018, an integral part of the consolidated financial statements of Boryszew S.A. for 2018, was approved for publication by the resolution of the Management Board of Boryszew S.A. on 25 April 2019 and presents the situation of Boryszew S.A. and Boryszew Capital Group in accordance with legal requirements for the period between 1 January 2018 and 31 December 2018, including any events which occurred by the date of preparation of this report for publication. A significant part of the information contained herein was presented in more detail in the Company's current announcements which are available at Company's website [www.boryszew.com](http://www.boryszew.com) which also contains a great deal of other information on the Company and the Capital Group.

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

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

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

The Company drafts a separate report on non-financial information referred to in Article 49b section 9 and Article 55 section 2b of the Accounting Act. The report will be prepared both at the unit level for Boryszew S.A. as well as Boryszew Capital Group. The Report will be available on the Company's website [www.boryszew.com](http://www.boryszew.com) as of 25 April 2019.

## 3. ORGANIZATIONAL STRUCTURE

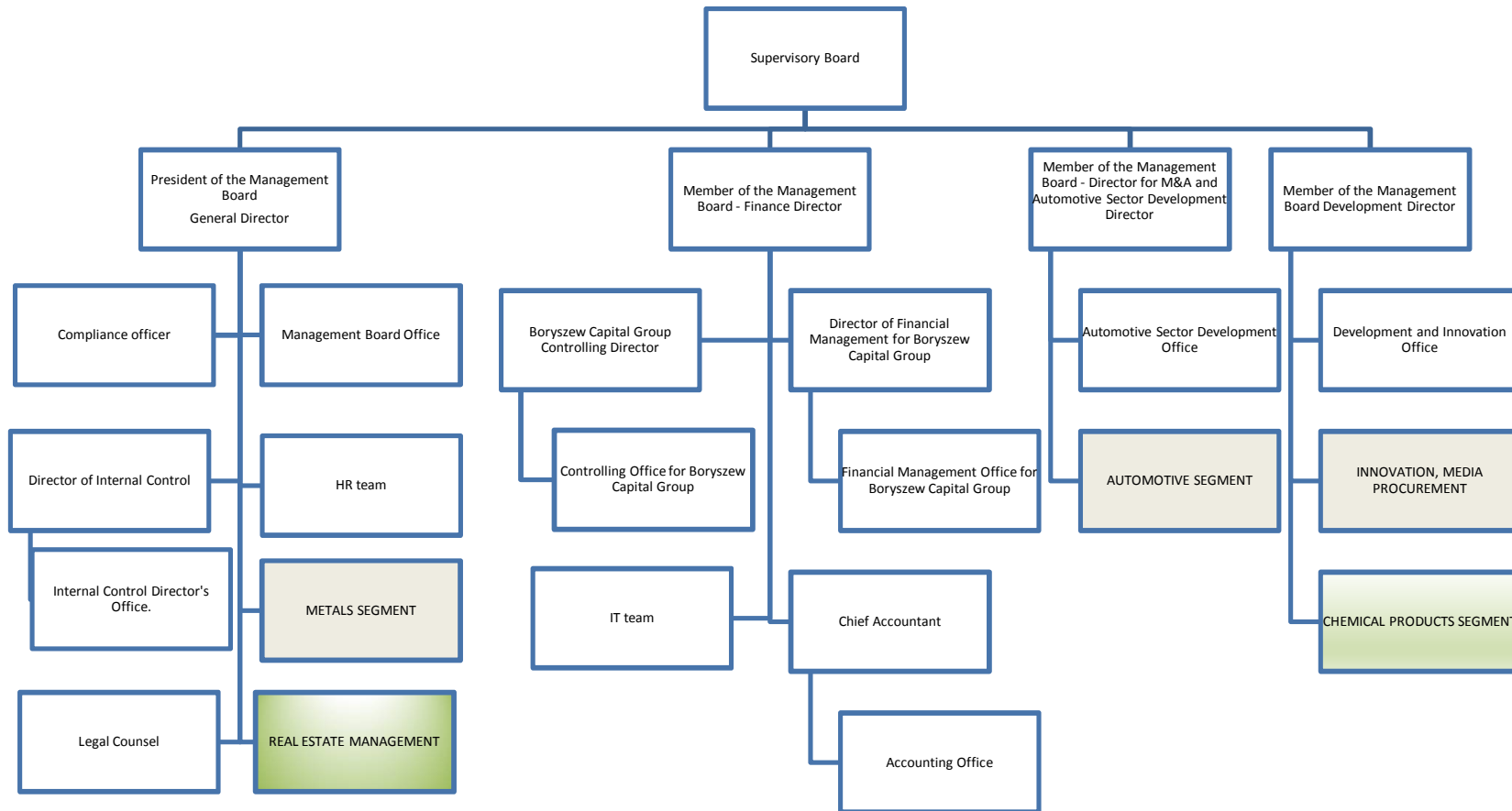
Boryszew S.A. is the Parent entity of Boryszew Capital Group. The Group features both domestic and overseas subsidiaries, jointly controlled entities, affiliated entities. Boryszew S.A. performs management and supervisory functions in relation to other companies of the Capital Group.

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

In 2018 Boryszew S.A. carries out its activity through the following units:

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

**SIMPLIFIED ORGANISATIONAL CHART OF BORYSZEW S.A. (WITH RESPONSIBILITIES OF INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD)  
AS AT 31.12.2018**



## STRUCTURE OF BORYSZEW GROUP

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

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

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

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

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

## SEGMENTS OF THE CAPITAL GROUP BUSINESS

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

**AS AT 31 DECEMBER 2018 THE FOLLOWING COMPANIES WERE INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS:**

<b>Company name</b>	<b>Based in</b>	<b>share of the parent in share capital (%)</b>	<b>subsidiary of:</b>	<b>Business segment</b>
<b>Boryszew S.A. :</b>	<b>Warsaw</b>		<b>Parent Company</b>	
<i>Head Office</i>	Warsaw			Other
<i>Elana Branch in Toruń</i>	Toruń			Chemical products
<i>Boryszew Energy Branch in Toruń</i>	Toruń			Other
<i>Maflow Branch in Tychy</i>	Tychy			Automotive
<i>NPA Skawina Branch</i>	Skawina			Metals
<i>Boryszew ERG Branch</i>	Sochaczew			Chemical products
<i>Nylonbor Branch</i>	Sochaczew			Chemical products
Elimer Sp. z o.o.	Sochaczew	52.44	Boryszew SA	Chemical products
Torlen Sp. z o.o. w likwidacji	Toruń	100	Boryszew SA	Chemical products
Elana Pet Sp. z o.o.	Toruń	100	Boryszew SA	Chemical products
Elana Energetyka Sp. z o.o.	Toruń	100	Boryszew SA	Other
SPV Boryszew 3 Sp. z o.o.	Warsaw	100	Boryszew SA	Other
SPV Boryszew 5 Sp. z o.o.	Warsaw	100	Boryszew SA	Inactive
Boryszew Components Poland Sp. z o.o.	Warsaw	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew HR Service Sp. z o.o.	Toruń	100	Boryszew SA	Automotive
Boryszew Commodities Sp. z o.o.	Warsaw	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew Automotive Plastics Sp. z o.o.	Toruń	100	Boryszew S.A.	Automotive
Maflow Polska Sp. z o.o.	Warsaw	100	Boryszew S.A.	Automotive
Maflow BRS s.r.l	Italy	100	Boryszew SA	Automotive
Maflow Spain Automotive S.L.U	Spain	100	Boryszew SA	Automotive
Maflow France Automotive S.A.	France	100	Boryszew SA	Automotive
Maflow do Brasil Ltda	Brazil	100	Maflow Sp. z o.o.	Automotive
Maflow Components Co. Ltd	China	100	Maflow Sp. z o.o.	Automotive
Maflow India Private Limited	India	100	Boryszew S.A. Maflow Spain	Automotive Company has not commenced operations
Boryszew Automotive Mexico S.DE R.L.DE C.V	Mexico	100	Automotive S.L.U., Maflow Sp. z o.o. Maflow Spain Automotive S.L.U.,	
MAFMEX S.DE R.L.DE C.V	Mexico	100	Maflow Sp. z o.o.	Automotive
Theysohn Kunststoff GmbH	Germany	100	ICOS GmbH	Automotive
Theysohn Formenbau GmbH	Germany	100	ICOS GmbH	Automotive
Boryszew Formenbau Deutschland GmbH	Germany	100	Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Kunststofftechnik Deutschland GmbH	Germany	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
Boryszew Oberflächetechnik Deutschland GmbH	Germany	100	Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Deutschland GmbH	Germany	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive
AKT Plastikarska Technologie	The Czech Republic	100	Boryszew Automotive Plastics Sp. z o.o.	Automotive



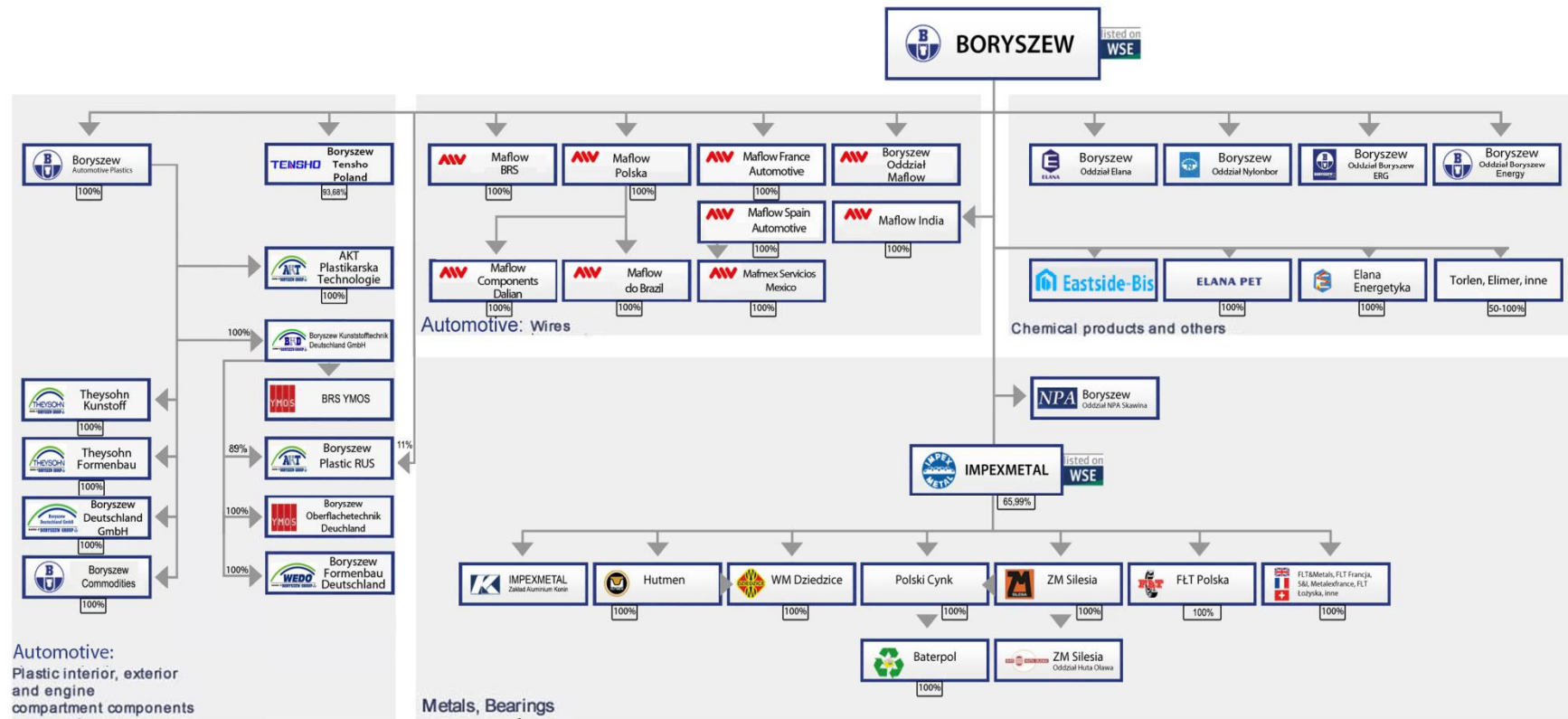
Boryszew Plastic RUS Sp. z o.o.	Russia	100	Boryszew S.A., Boryszew Kunststofftechnik Deutschland GmbH	Automotive
Boryszew Tensho Poland Sp. z o.o.	Ostaszewo	93.68	Boryszew S.A.	Automotive
Impexmetal S.A.	Warsaw	65.88	Boryszew S.A.	Metals
Hutmen S.A.	Wroclaw	77.64	Boryszew S.A, SPV 3 Boryszew, Impexmetal S.A., Impex – invest Hutmen S.A. , Impexmetal S.A.,	Metals
Walcownia Metali Dziedzice S.A.	Czechowice- Dziedzice	74.92	Boryszew S.A.	Metals
Huta Metali Nieżelaznych Szopienice S.A. – in liquidation	Katowice	40.69	Polski Cynk Sp. z o.o.	discontinued operations
ZM Silesia S.A.	Katowice	65.88	Impexmetal S.A.	Metals
Baterpol S.A.	Katowice	65.88	Polski Cynk Sp. z o.o.	Metals
Polski Cynk Sp. z o.o.	Katowice	65.88	Impexmetal S.A., ZM Silesia S.A.	Metals
FŁT Polska Sp. z o.o.	Warsaw	65.88	Impexmetal S.A.	Metals
FLT & Metals Ltd.	Great Britain	65.88	Impexmetal S.A.	Metals
S & I S.A.	Switzerland	65.88	Impexmetal S.A.	Metals
FLT Bearings Ltd.	Great Britain	65.88	FLT France SAS	Metals
FLT France SAS	France	65.88	FŁT Polska Sp. z o.o.	Metals
FLT Wälzlager GmbH	Germany	65.88	FŁT Polska Sp. z o.o.	Metals
FLT & Metals s.r.l.	Italy	65.88	FŁT Polska Sp. z o.o.	Metals
FLT (Wuxi) Trading Co. Ltd.	China	65.88	FŁT Polska Sp. z o.o.	
SPV Lakme Investment Sp. z o.o.	Warsaw	61.29	Impexmetal S.A.	Other
Impex – Invest Sp. z o.o.	Warsaw	65.88	Impexmetal S.A.	Other
Eastside Capital Investments Sp. z o.o.	Warsaw	65.02	Boryszew S.A., Impexmetal S.A.	Other
Symonvit Ltd w likwidacji	Cyprus	65.88	Impexmetal S.A.	Metals
Baterpol Recycler Sp. z o.o.	Wroclaw	65.88	Polski Cynk Sp. z o.o.	Metals
SPV Impexmetal Sp. z o.o.	Warsaw	65.87	Impexmetal SA,	Other
Metal Zinc Sp. Z o.o.	Katowice	65.88	ZM Silesia SA	Metals
Remal Sp. z o.o.	Konin	52.48	repair services	Other
Eastside-Bis Sp. z o.o.	Warsaw	88.06	Eastside Capital Investments Sp. z o.o.	Other
Zakład Utylizacji Odpadów Sp. z o.o. in Konin	Konin	39.51	Impexmetal S.A.	Metals

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

Company name	Based in	share of the parent in share capital (%)	share in voting rights (%)	Core activity
Brick factory Wostocznaja - Sp. z o.o.	Belarus	30	30	trade, production of secondary raw materials
Elana Ukraina Sp.z o.o.	Ukraine	90	90	trade, production of secondary raw materials
Nylonbor Sp. z o.o.	Sochaczew	100	100	dormant company
Brasco Inc	USA	57.41	57.41	dormant company
Hutnik Sp. z o.o. – in liquidation,	Konin	47.66	47.66	dormant company

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

SIMPLIFIED ORGANISATIONAL CHART OF BORYSZEW GROUP WITH AGGREGATE HOLDINGS IN INDIVIDUAL ENTITIES AS AT 31.12.2018



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

##### CAPITAL INVESTMENTS

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

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

##### BONDS SUBSCRIBED FOR

###### Statement of bonds subscribed for

	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
Chemicals Advisory & Trade	-	2 000
Unibax Sp. z o.o.	127 191	10 303
Valuation of credit risk	(18)	
Maflow India Private Ltd	14 951	15 101
Skotan S.A.	2 791	1 757
<b>Total</b>	<b>144 915</b>	<b>29 161</b>

Capital Group companies subscribed for bonds issued by related entities. Information on the bonds subscribed for in 2018 is presented in point 12 of the report.

##### LOANS GRANTED

	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
Theysohn Kunststoff GmbH	274	266
Boryszew Kunststofftechnik Deutschland GmbH	110 844	106 779
Boryszew Automotive Plastics Sp.z o.o.	206 699	208 705
BRS YMOS GmbH	161	6 808
Boryszew SPV 3 Sp. z o.o.	-	-
Boryszew Formenbau GmbH	422	409
Boryszew Oberflächentechnik Deutschland GmbH	-	-
Boryszew Deutschland GmbH	490	476
Maflow BRS Srl	8 581	8 033
Maflow Sp. z o.o.		
Mafmex Servicios S de.RL.de.C	39 138	37 332
Boryszew Energy Sp. z o.o.	-	-
Boryszew HR Service Sp. z o.o.	-	-
Elana Pet Sp. Z o.o.	4 038	-
Boryszew Commodities Sp. z o.o.		14
Polish Wind Holdings B.V.	1 796	1 740
Boryszew SPV 3 Sp. z o.o.	1 209	-
Elana Pet Sp. z o.o.		4 029
Nylonbor Sp. z o.o.		22
Write-off for credit risk	(4)	
<b>Total</b>	<b>373 648</b>	<b>374 613</b>

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

Apart from the investments described above, the Boryszew Capital Group holds no other significant investments in securities, financial instruments, intangible assets or real estate.

## 5. SIGNIFICANT EVENTS

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

#### **Information on the analysis of strategic options of Boryszew S.A.**

On 10 January 2018 Boryszew S.A. (the "Company") received information from the financial advisor cooperating with the Company on an initial interest by a potential investor in significant assets of Boryszew Capital Group in the automotive and aluminium processing sectors.

Therefore, the Management Board for Boryszew S.A. decided on the same day to take into consideration, when reviewing strategic options, the scenario of possible sale of assets in the above sectors and to begin preliminary discussions on the conditions, scope and procedure for conducting a potential transaction.

On 16 April 2018 the Management Board for Boryszew S.A. decided to close the process of possible sale of Boryszew Capital Group assets from automotive and aluminium processing sectors to a potential investor.

On 9 November 2018, the Management Board for Boryszew S.A. decided to review potential strategic options supporting further development of Boryszew Capital Group business (the "Group"). When reviewing the strategic options, the Management Board intends to assess market conditions and forms of possible cooperation. At this stage, the Management Board will consider various strategic options, including, but not limited to, an investor to support Group development, entering into a strategic alliance, changing the Group's structure or concluding another transaction. The review of strategic options is aimed at selecting the most suitable way of achieving the Group's long-term business objectives. As at the date of this Report, the Company has not made any decisions on the selection of any particular option and it is not certain if such decision will be made in the future.

#### **Information on potential sales opportunities of a subsidiary**

On 18 January 2018 the Company signed a Letter of Intent with Krezus S.A. based in Toruń on the acquisition by Krezus S.A. of 100% of shares in Walcownia Metali Dziejzice S.A. based in Czechowice-Dziejzice (WMD). Under the Letter of Intent, the parties agreed to endeavour to sell to the Investor 100% of shares of WMD, while Boryszew S.A., being one of the three shareholders of WMD, agreed to undertake actions for accession of the remaining shareholders, that is Impexmetal S.A. (holding 26.78% of shares) and Hutmen S.A. (holding 71.30% of shares) to a potential sale transaction. The Letter of Intent expired on 31 December 2018 as the structure, content and financing of a potential sale transaction was not arranged.

As of the day of preparing this Report, Boryszew S.A. does not conduct any negotiations with other entities concerning the sale of WMD.

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

Due to implementation, by Modern Aluminium Products Department at Skawina, of project called "The development of the innovative technology of rods production from highly resilient aluminium alloys of 2xxx, 5xxx, and 7xxx series" No. POIR.01.01.02-00-0044/15, co-financed under the Operational Programme Smart Growth 2014-2020, Boryszew S.A. concluded, on 10 April 2018 the following agreements:

- for the delivery of a casting and rolling unit (line for continuous casting and rolling of high-strength aluminium alloys) amounting to EUR 5 430 000 (agreement signed with Continuus – Properzi S.p.A),
- for delivery of refining and filtration stations as well as melting and preparation stations for the aluminium chemical composition, amounting to EUR 3 270 000 (agreement signed with mLeasing Sp. z o.o. based in Warsaw and Continuus – Properzi S.p.A.).

## **IMPEXMETAL S.A.**

### **Redemption of own shares of Impexmetal S.A.**

On 19 February 2018 the Extraordinary General Meeting of Impexmetal S.A. adopted a resolution on redemption of 10 000 000 of own shares.

On 6 March 2018 the registration court of the National Court Register registered the reduction of Company's share capital from PLN 80 000 000.00 to PLN 76 000 000.00 PLN through redemption of 10 000 000 own shares of Impexmetal S.A.

On 30 April 2018 Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) in Warsaw decided to withdraw 10 000 000 shares of Impexmetal S.A. from the deposit on 9 May 2018 due to their redemption.

### **Change of the authorisation buy-back of own shares of Impexmetal S.A.**

On 19 February 2018 the Extraordinary General Meeting of Impexmetal S.A. changed the resolution of the Ordinary General Meeting of Impexmetal S.A. of 15 June 2016 on authorisation to the Management Board of the Company to buy-back own shares of Impexmetal S.A.

According to the resolution of the Extraordinary General Meeting of Impexmetal S.A. of 19 February 2018, the Management Board of the Company is authorised to buy-back, for redemption, no more than 75 000 000 shares, which account for 37.5% of the share capital (as of the date of adoption of the resolution), until 15 June 2021.

On the same day, i.e. 19 February 2018 the Extraordinary General Meeting of Impexmetal S.A. adopted a resolution on increasing the reserve capital intended for financing the buy-back of own shares by PLN 404 526 798.93 to PLN 500 000 000.00 PLN, transferred from supplementary capital.

As at 31 December 2018 the Company owned a total of 600 000 own shares, accounting for 0.3158% of the share capital and 0.3158% of votes at the General Meeting of the Company

As at the date of publication of the report, the number of treasury shares held has not changed.

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

On 18 June 2018, by exercise of the right resulting from the agreement concluded between Sanko & Co., Ltd. as well as Impexmetal S.A. and Boryszew S.A. on 17 June 2014, an agreement for the sale of shares was concluded between Sanko and Impexmetal under which Impexmetal acquired from Sanko 1 356 169 shares of Boryszew S.A. accounting 0.565% of the share capital and carrying 1 356 169 votes at the General Meeting, which accounts for 0.565% of votes, for the amount of EUR 2.1 million, an equivalent of ap. PLN 9 million.

The agreement of 17 June 2014 was on the acquisition by Impexmetal S.A. from Tensho Electric Industries Co. Ltd. receivables of Boryszew Tensho Poland Spółka z o.o. and was described in the report for the first interim report for 2014.

As at December 31, 2018 Impexmetal S.A. holds 13 346 169 shares of Boryszew S.A., accounting for 5.56% of the share capital and carrying 13 346 169 votes at the General Meeting, which accounts for 5.56% of votes. Impexmetal S.A. subsidiary - Polski Cynk spółka z o.o. holds 5 000 shares of Boryszew S.A., accounting for 0.002% of the share capital and carrying 5 000 votes at the General Meeting, which accounts for 0.002% of votes.

### **Implementation of investment tasks**

On 4 January 2018 the Supervisory Board approved Development Strategy of Impexmetal for 2018 - 2026, which aims at increasing the production and sales of rolled products from 100 000 to 200 000 tons per year and revenues from sales to approximately PLN 2.6 billion. The investments under the Strategy included:

- expansion of the production capacity of the Foundry to 300 000 tons of ingots;
- expansion of the production capacity of the Rolling Mill to 200 000 tonnes of rolled products;

The planned benefits for the Company from the investment include, first of all, increased sales volume, launch of new high-strength products for the automotive segment and increased production capacity of thin and plated products.

In November 2018 the Company, due to unfavourable market circumstances, in particular on the construction market, decided to suspend the current investment project. Implementation of the Strategy in the current market conditions would not meet the criteria expected by the Company as to the period of return on investment and the assumed level of operating profit.

In March 2019 the Supervisory Board approved the implementation of the investment programme for 2019-2022 assumes:

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

The total amount of the expected expenditure on the programme is approximately PLN 430 million.

#### **Signing agreements on the acquisition of assets of significant value**

On 19 January 2018, Impexmetal SA signed with Achenbach Buschhutten based in Kreuztal (Germany) two interconnected contracts for the supply and assembly of a new cold mill in Aluminium Konin plant. The first of the contracts, concluded as part of the project implemented with the NCRD co-financing from EU funds, includes the supply of innovative mill parts that will allow the rolling of special aluminium alloys for the automotive industry, the second pertains to the supply of other machine parts. The total value of the agreements concluded is approximately PLN 115 000 000. The planned delivery date of the rolling mill to Aluminium Konin plant is the first quarter of 2019, and the production start is planned for the fourth quarter of 2019. Other conditions of the signed agreements, including those pertaining to contractual penalties, do not differ from the provisions commonly applied for this type of agreements. The purchase of the rolling mill is related to the development strategy adopted by the Company for Impexmetal SA for the years 2018–2026, assuming the increase of production capacity of Aluminium Konin Plant to approximately 200 000 tons. The purchase will be financed from own funds and from an investment loan, which the Company plans to raise for this purpose.

On 28 February 2019 Impexmetal S.A. signed annexes to the agreements postponing the date of delivery and assembly of a new cold rolling mill in the Aluminium Plant Konin. Due to these annexes the Company predicts that the production on the new rolling mill will be launched in the first quarter of 2021. For the remaining scope, the conditions under which the above mentioned assets are to be delivered have not changed significantly.

#### **Execution of the contract with Rusal Marketing GmbH**

In April 2018 the Issuer temporarily suspended the execution of the contract for delivery of aluminium blocks to the Issuer in 2018, concluded by the Company with Rusal Marketing GmbH. Execution of the contract was resumed in June 2018, after signing an annex to the contract on terms and conditions.

#### **Signing of grant agreements**

On 10 April 2018 Impexmetal S.A. signed a co-financing agreement for the project involving Implementation of innovative technology for production of aluminium alloys - magnesium tapes and sheets made of 100% recycled aluminium scrap. Value of the project PLN 65.8 million, including the value of co-financing PLN 26.3 million. The result of the project will be an innovative product: tapes and sheets of aluminium - magnesium alloys made of 100% recycled aluminium scrap.

On 26 October 2018 Impexmetal S.A. signed a contract for financing the Development and implementation of a production technology of an innovative aluminium alloy designed for the production of high-pressure resistant caps in the packaging industry. Project value: PLN 6.6 million, including a grant of PLN 3.8 million. The project covers development of an innovative product: aluminium alloy sheet metal for production of deep-pressed caps for high-pressure food applications.

#### **Conclusion of a preliminary property sales agreement**

In December 2018 Impexmetal S.A. signed a preliminary contract of sale of real estate property located in Konin. The estimated value of the contract is approximately PLN 35 million. The conclusion of the final agreement depends on the fulfilment of a number of conditions by both the Company and the buyer. The anticipated date of concluding the final agreement is Q4 2019.

### **ACQUISITION OF SHARES OF BORYSZEW CAPITAL GROUP MEMBER COMPANIES**

#### **Purchase of own shares by Boryszew S.A.**

Acting within the limits of the authorisation granted by Resolution no. 19 of the Ordinary General Assembly of Shareholders of Boryszew S.A. dated 25 June 2014 on authorising the Company's Management Board to buy back Boryszew S.A. own shares as well as pursuant to Art. 362 § 1 point 8) and Art. 362 § 4 of Commercial Companies Code in 2018 Boryszew S.A. acquired a total of 7 183 926 own shares which together with the shares already held by the Company makes a total of 18 323 831 own shares, accounting for 7.6350% of share capital and total number of votes during the General Assembly of Boryszew S.A.

As at 31 March 2018 Boryszew Capital Group held 33 840 000 shares of Boryszew S.A., accounting for 14.1000% of total votes at the General Meeting of Boryszew S.A., including:

- Boryszew S.A. : 18 323 831 own shares, accounting for 7.6350% of share in the share capital and overall number of votes at the General Meeting of Boryszew S.A.,
- Impexmetal S.A.: 13 346 169 shares, accounting for 5.5609% of share in the share capital and overall number of votes at the General Meeting of Boryszew S.A.,
- SPV Boryszew 3 Sp. z o.o. 2 165 000 shares, accounting for 0.902% share in share capital and votes during General Assembly of Impexmetal S.A.,
- Polski Cynk Sp. z o.o. 5 000 shares, accounting for 0.002% share in the share capital and votes during the General Assembly of Boryszew S.A.,

At the time of publication of the report, Boryszew Capital Group held 38 000 000 shares of Boryszew S.A., accounting for 15.8333% of the total number of votes at the GM of Boryszew S.A., including:

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

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

In 2018 Boryszew S.A. acquired a total of 7 354 170 shares of Impexmetal S.A., which together with the shares already held make a total of 117 500 968 shares of Impexmetal S.A, accounting for 61.843% of total votes at the General Meeting of Impexmetal S.A.,

As at 31 September 2018 Boryszew Capital Group held 127 380 000 shares of Impexmetal S.A., accounting for 65.9895% of total votes at the General Meeting of Impexmetal S.A., including:

- Boryszew S.A. : 117 500 968 shares of Impexmetal S.A., accounting for 61.843% share in the share capital and total votes during the General Assembly of Impexmetal S.A.,
- Impexmetal S.A. 600 000 shares, accounting for 0.3158% of share in the share capital and overall number of votes at the General Meeting of Impexmetal S.A.,
- SPV Boryszew 3 Sp. z o.o. 7 279 032 shares, accounting for 3.831% share in share capital and votes during General Assembly of Impexmetal S.A.,

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

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

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

### **Invitation for subscription for shares of Alchemia S.A.**

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

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

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

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

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

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

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

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

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

- Boryszew - 500 000 shares in Alchemia, carrying 500.000 votes at the General Meeting of Alchemia, which accounts for 0.29% of the share capital and the total number of votes at the General Meeting of Alchemia;
- Impexmetal S.A. - 86 826 074 shares in Alchemia, carrying 86 826 074 votes at the General Meeting of Alchemia, which accounts for 50.06%, rounded, of the share capital and the total number of votes at the General Meeting of Alchemia;



- Eastside-Bis Sp. z o.o. - 15 245 000 Alchemia shares, carrying 15 245 000 votes at the General Meeting of Alchemia, which accounts for 8.79%, rounded, of the share capital and the total vote at the Alchemia General Meeting.

As at the day of publication of the report Boryszew S.A. holds directly and indirectly through its subsidiaries Impexmetal S.A. and Eastside - Bis Sp. z o.o., 102 571 074 Alchemia shares, accounting for 59.14% of the share capital and carrying 102,571,074 votes at the General Meeting of Alchemia, which accounts for 59.14% of the total number of votes at the General Meeting of Alchemia.

#### **Impexmetal S.A.**

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

On 31 January 2019 Impexmetal S.A. was granted by Łódź Special Economic Zone a decision on the support (based on Article 31 section 3 of the Act of 10 May 2018 on support for new investments) for investments carried out by the Company in the plant in Konin (Aluminium Konin) for expansion of the production capacity of the plant.

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

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

### BORYSZEW S.A.

Pursuant to IFRS no. 8, the following seven business segments were defined in 2018 (in order of revenue value):

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

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

### Automotive

- **Scope of business**

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

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

- **Sales and Markets**

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

Company	Product range	Value	
		2018	2017
Boryszew Maflow Branch	Air-conditioning tubes and other*	642 406	676 833
<b>Total - Automotive Segment</b>		<b>642 406</b>	<b>676 833</b>

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

2018 closed in the Automotive segment with lower sales revenues, mainly due to a decrease in sales to the main customer, VW Group resulting from the change in measuring exhaust gas emissions.

The customer that generates more than 10% of Boryszew S.A. sales revenues in Volkswagen Group - 11.4% share in sale of the Company.

Main directions of sales in the Segment for 2018 - 2017 are shown in the following table:

Sales structure [%]	2018	2017
Germany	24%	28%
Great Britain	14%	16%
Sweden	10%	8%
Spain	8%	9%
Slovakia	6%	4%
France	6%	4%
The Netherlands	6%	5%
Poland	4%	5%
Mexico	4%	2%
China	3%	3%

Other	14%	15%
<b>Export sales as % of total sales</b>	<b>96%</b>	<b>95%</b>

Maflow Branch generated its revenue mainly on export sales, which account for 90% of turnover. Only some of the export destinations changes. Sales to the Swedish market increased by 2 p.p., to the British market decreased by 2 p.p. and to the German market by 4 p.p.

- **Market share**

Maflow share in the global market slightly increased in 2018, but oscillated around 7%. Our production shares in Western European markets remained at a similar level as in 2017 and amounted to 23-24%.

The share of Maflow products slightly increased in the NAFTA market, due to increased deliveries to VW in the USA, Audi and VW in Mexico, which resulted from the implementation of new projects at the Plant in Mexico.

- **Competition**

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

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

- **Sources of supplies**

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

- **Particularly key parameters for the Segment**

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

### Metal Segment

- **Scope of business**

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

- **Sales and Markets**

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

Company	Product range	Quantity [T]		Value	
		2018	2017	2018	2017
<b>Boryszew NPA Skawina Branch</b>					
	Wire rods	23 237	24 560	216 779	223 663
	Alloy rods	4 332	5 047	49 498	51 904
	Non-wire rods	3 629	3 265	33 922	29 192
	Wire	1 087	1 306	13 035	14 874
	Overhead lines	6 795	6 317	71 309	69 697
	Other (solids, aluminium and alloy tubes)	395	8	4 226	4 811
	Sales of utilities	0	0	10 888	7 669
<b>Exclusions between segments</b>				<b>0</b>	<b>0</b>
<b>Total - Aluminium Segment</b>		<b>39 475</b>	<b>40 502</b>	<b>399 657</b>	<b>401 809</b>

By volume, 2018 was slightly worse for NPA Skawina Branch than the record-breaking 2017 year. Lower sales volumes were recorded for rolled wire, alloy wire and wire, which resulted from the weakening of sales in the fourth quarter of 2018.

Main directions of sales in the Segment for 2018 - 2017 are shown in the following table:

<b>Sales structure [%]</b>	<b>2018</b>	<b>2017</b>
Country	47%	50%
Czech Republic	20%	8%
Italy	9%	14%
Austria	6%	7%
Sweden	5%	9%
Luxembourg	3%	0%
Germany	3%	7%
USA	1%	0%
Great Britain	1%	1%
Belgium	1%	0%
Other	3%	5%
<b>Export sales as % of total sales</b>	<b>53%</b>	<b>50%</b>

In 2018, the share of export sales increased by 3%, at the expense of a decrease in sales on the domestic market, which currently accounts for 47% of total sales. As far as export is concerned, the largest increase was recorded in the Czech Republic, marking a 12 p.p. increase compared to the previous year, at the expense of a 5 p.p. decrease in sales on the Italian market.

#### **Market share**

In 2018, NPA Skawina slightly weakened its position on the Polish market. As far as the international market is concerned, NPA Skawina slightly strengthened its position on the Czech market, in particular as compared to 2017.

- **Competition**

The largest competitors of NPA Skawina include:

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

- **Raw materials and sources of supplies**

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

- **Particularly key parameters for the Segment**

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

#### **Chemical products segment**

- **Scope of business**

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

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

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

Company	Product range	Quantity [T]		Value	
		2018	2017	2018	2017
<b>Boryszew Elana Branch</b>	Elana (chopped fibre, elball, Artec)	11 216	12 810	51 277	56 953
	Goods and materials	1 045	1 396	4 612	3 926
	Other services (processing)	42		3 054	1 631
	<b>Total</b>	<b>12 303</b>	<b>14 206</b>	<b>58 943</b>	<b>62 510</b>
<b>Boryszew Branch RG</b>	Chemicals	14 346	12 309	77 755	65 155
	Automotive	15 925	17 493	56 784	58 986
	Construction materials	0	0	16 986	16 047
	Packaging	0	0	9 756	6 672
	Other	0	0	8 821	11 043
	<b>Total</b>	<b>30 271</b>	<b>29 802</b>	<b>170 103</b>	<b>157 902</b>
<b>Boryszew Branch Nylonbor</b>	Polyamides	99	119	2 299	2 867
	Special production	0	0	8 730	5 835
	Other			1 865	1 374
	<b>Total</b>	<b>99</b>	<b>119</b>	<b>12 894</b>	<b>10 076</b>
<b>Exclusions between segments</b>				<b>-1 054</b>	<b>-1 049</b>
<b>Chemical Segment total</b>		<b>42 673</b>	<b>44 127</b>	<b>240 886</b>	<b>229 439</b>

2018 ended with lower sales by volume for the Chemicals Segment, which is related, among other things, to lower sales volumes of cut fibres in Elana Branch and lower sales volumes for the automotive assortment in Boryszew O/ERG.

Main directions of sales in the Segment for 2018 - 2017 are shown in the following table:

Sales structure [%]	2018	2017
Country	69%	72%
Germany	9%	10%
Ukraine	9%	4%
Lithuania	3%	2%
Hungary	1%	1%
Russia	1%	4%
Spain	1%	2%
Great Britain	1%	1%
Denmark	1%	0%
Malta	1%	0%
Other	3%	3%
<b>Export sales as % of total sales</b>	<b>31%</b>	<b>28%</b>

The domestic market is still the main market for the Chemicals Segment companies, generating 69% of the business (slightly down from 72% in 2017). In contrast, export sales, in particular to the Ukrainian market, increased.

## Market share

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

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

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

### a) **Competition**

Competitors on the filaments includes:

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

Competitors on the automotive market include:

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

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

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

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

### b) **Raw materials**

Main raw materials for Chemicals Segment include:

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

## Other Activities Segment

### • **Scope of business**

The Other Activities Segment covers:

- The Head Office in Warsaw – its activity includes management of the Capital Group (several dozen companies, both domestic and overseas), and its objective is to increase the goodwill of

the Company and of the Group in the long run. The Company generates revenues from sale of traded goods, services, dividend and interest on granted loans and acquired bonds.

- Energy Boryszew S.A. branch operating in natural gas and electric energy trade sector,

## **BORYSZEW CAPITAL GROUP**

### **MAIN ENTITIES OF BORYSZEW GROUP BY OPERATING SEGMENTS**

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

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

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

### **AUTOMOTIVE SEGMENT**

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

#### **a) Scope of business**

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

The BAP Group companies are:

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

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

Maflow Group is composed of the following entities:

- Boryszew Maflow Branch - described in the part pertaining to Boryszew S.A.,
- Maflow BRS s.r.l. Maflow Italy – manufacturer of rubber tubes, customers include Maflow Group (66%) and other customers (34%),
- Maflow France Automotive S.A. Maflow France – manufacturer of air-conditioning tubes,
- Maflow Spain Automotive S.L.U(Maflow Spain) - installation of air-conditioning tubes,
- Maflow do Brasil Ltda(Maflow Brazil) - manufacturer of air-conditioning tubes,
- Maflow Components Co. Ltd(Maflow China) - manufacturer of rubber tubes and air-conditioning tubes,
- Maflow India Private Limited(Maflow India) - manufacturer of air-conditioning tubes,
- MAFMEX S.DE R.L.DE C.V(Maflow Mexico) - manufacturer of air-conditioning tubes
- Maflow Polska Sp. z o.o.

## b) Sales and Markets

Revenues from Automotive Segment sales in 2018 and 2017 are presented in the table below:

Company	Product range	Value	
		2018	2017
<b>BAP Group (Plastics)</b>			
Boryszew Kunststofftechnik GmbH	Plastic components	308 169	338 769
Theysohn Kunststoff GmbH	Plastic components	172 695	220 021
AKT Plastikarska Technologie spol.sr.o (AKT Czech Republic)	Plastic components	132 832	138 010
BRS YMOS GmbH	ZnAl components	83 337	94 738
BRS Oberflächetechnik GmbH	Plastic components	119 388	127 872
Theysohn Formenbau GmbH	Injection moulds production	40 011	57 894
Boryszew Formenbau GmbH (Wedo)	Injection moulds production	26 724	55 355
ICOS GmbH	Holding company	26 271	30 180
Boryszew Plastic RUS	Plastic components	30 399	33 984
Boryszew Tensho Poland Sp. z o.o.	Plastic components	98 639	98 088
Boryszew Deutschland GmbH	Shared service company	9 498	10 824
Boryszew Automotive Plastics Toruń	Shared service company	15 315	20 097
Boryszew HR Service Sp. z o.o.	Outsourcing of employees	21 137	24 944
Boryszew Commodities Sp. z o.o.	Centralised purchase of raw materials	136 456	142 761
<b>Total for BAP Group (Plastics)</b>		<b>1 220 871</b>	<b>1 393 537</b>
<b>Maflow Group</b>			
Boryszew Maflow Branch	Air-conditioning tubes and other*	642 406	676 833
Maflow Italy	Rubber tubes	119 478	126 972
Maflow France	Air-conditioning tubes and other*	99 973	95 056
Maflow Spain	Air-conditioning tubes and other*	116 257	134 149
Maflow Brazil	Air-conditioning tubes and other*	32 924	38 753
Maflow China	Air-conditioning tubes and other*	72 695	65 653
Maflow Mexico	Air-conditioning tubes and other*	53 357	26 774
Maflow India	Air-conditioning tubes and other*	17 184	22 443
<b>Total for Maflow Group</b>		<b>1 154 274</b>	<b>1 186 633</b>
Consolidation adjustments		-475 713	-526 601
<b>Total - Automotive Segment</b>		<b>1 899 432</b>	<b>2 053 569</b>



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

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

The main sales destinations for in the Automotive Segment for the period of 2018 to 2017 are presented in the table below:

Sales structure [%]	2018	2017
Country	9%	10%
Germany	42%	45%
France	6%	7%
Spain	6%	6%
Czech Republic	6%	5%
Great Britain	4%	4%
Slovakia	4%	3%
China	4%	3%
Mexico	3%	1%
Sweden	3%	2%
Italy	1%	7%
Other	8%	7%
<b>Export sales as % of total sales</b>	<b>87%</b>	<b>90%</b>

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

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

#### c) Market share

The estimated share of Maflow Group in the global market in 2018 slightly decreased and remained below 7%. The share in production on Western European markets remains at a similar level similar to 2017 - below 25%. The share of Maflow products slightly increased on the NAFTA market due to the increases in deliveries to the VW plant in the USA and to the Audi and VW plants in Mexico, which in turned were connected with the implementation of new projects in the plant in Mexico.

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

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

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

#### d) Competition

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

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

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

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

**e) Sources of supplies**

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

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

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

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

**METAL SEGMENT**

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

**ALUMINIUM**

**a) Scope of business**

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

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

Main products of the Aluminium business include:

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

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

SPV Impexmetal Sp. z o.o. in 2018 managed the intellectual property. Symonvit Ltd. is currently in the process of liquidation.

**b) Sales and Markets**

Sales volumes and revenues from sales in the Aluminium business in 2018 and 2017 are presented in the table below:

Company	Product range	Quantity [T]		Value	
		2018	2017	2018	2017
<b>Impexmetal (Zakład Aluminium Konin)</b>					
	Rolled products	98 659	95 653	1 179 171	1 086 993
	Goods and materials			38 399	36 866
	Services + other			13 040	16 576
	<b>Total</b>	<b>98 659</b>	<b>95 653</b>	<b>1 230 610</b>	<b>1 140 435</b>

**Boryszew NPA Skawina Branch**

Wire rods	23 237	24 560	216 779	223 663
Alloy rods	4 332	5 047	49 498	51 904
Non-wire rods	3 629	3 265	33 922	29 192
Wire	1 087	1 306	13 035	14 874
Overhead lines	6 795	6 317	71 309	69 697
Other (solids, aluminium and alloy tubes)	395	8	4 226	4 811
Sales of utilities	0	0	10 888	7 669
<b>Total</b>	<b>39 475</b>	<b>40 503</b>	<b>399 657</b>	<b>401 810</b>
<b>Remal</b>			<b>14 587</b>	<b>15 010</b>
<b>SPV Impexmetal</b>			<b>20 824</b>	<b>20 233</b>
<b>Total for the Aluminium business</b>	<b>138 134</b>	<b>136 156</b>	<b>1 665 678</b>	<b>1 577 488</b>

The end of year 2018 brought an 3,1 % increase in terms of quantitative sales for the Zakład Aluminium Konin by 8.1%. In terms of volume, sales were affected mainly by the implemented investment plan enabling production capacity of rolled products at the level of approx. PLN 100,000. tons/year.

After the record-breaking 2017, Boryszew S.A. NPA Skawina Branch recorded a 2.5% decrease in sales volumes. A detailed comment on the sale of Boryszew S.A. NPA Skawina Branch can be found in the part discussing the results of Boryszew S.A.

The main sales directions in the Aluminium Segment for 2018 – 2017 are presented in the table below:

<b>Sales structure [%]</b>	<b>2018</b>	<b>2017</b>
Country	46%	49%
Czech Republic	13%	9%
Germany	10%	9%
Italy	3%	5%
Sweden	2%	3%
France	2%	2%
Ukraine	2%	3%
Switzerland	2%	2%
Hungary	2%	2%
Denmark	2%	2%
Other	15%	13%
<b>Export sales as % of total sales</b>	<b>54%</b>	<b>51%</b>

Only a slight change in sales destinations Aluminium Segment was seen in 2018. Still, just under 50% of sales are generated on the domestic market. The largest export sales market is the Czech Republic (which strengthened its position (13% compared to 9% in 2017), followed by Germany.

**a) Market share**

According to various studies, the potential of the aluminium rolled products market in the world is estimated at approx. 26 million tons per year, of which Europe accounts for 5 million tons. Using the above reference, we estimate Impexmetal share in the global market at less than 0.5%, while its share in the European market is approximately 2%. It must be noted that Impexmetal range does not include all rolled products available on the market hence the actual share in the range of product offered by the company is higher than provided above.

With regard to the Polish market, which is the key market for the company, we estimate the market potential of aluminium rolled products to have the volume of 280 thousand tonnes per year with the Impexmetal share of about 15%.

## b) Competition

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

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

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

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

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

## c) Raw materials and sources of supplies

The companies of the Segment own a diverse portfolio of suppliers. In 2018, it used many offers in the scope of primary aluminium, aluminium blocks, alloy mortars and aluminium scrap.

In 2018, Trafigura PTE LTD turned out to be the largest supplier (the supplier of primary aluminium). Other mayor suppliers were the companies Glencore International and Rusal Marketing.

## d) Particularly key parameters for the Segment

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

## COPPER

### a) Scope of business

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

The most important products in the Segment are:

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

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

### b) Sales and Markets

The sales volumes and revenues from sales of the Copper business in 2018 and 2017 are presented in the table below:

Company	Product range	Quantity [T]		Value [PLN thousand]	
		2018	2017	2018	2017
<b>Hutmen</b>					
	Casting alloys	1 296	1 633	26 820	33 599
	Copper wire, bars and profiles	5 226	4 924	138 931	129 856
	Copper pipes (including plumbing pipes)	5 487	5 136	157 270	144 757
	Bronze bars and pipes	350	391	11 225	12 104
	Materials			2 487	10 199
	other			6 517	5 256
	<b>Total</b>	<b>12 359</b>	<b>12 084</b>	<b>343 251</b>	<b>335 770</b>
<b>WM Dziedzice</b>					
	Brass bars	19 691	20 861	398 011	402 503
	Brass pipes (including capacitor pipes)	3 339	3 777	82 763	89 846
	Brass strips	1 509	1 320	25 694	21 883
	Coin blanks and keys	1 066	2 871	30 850	68 906
	Other	6 526	6 400	30 192	31 364
	<b>Total</b>	<b>32 131</b>	<b>35 229</b>	<b>567 511</b>	<b>614 503</b>
Consolidation adjustments					
<b>Total for the Copper Segment</b>		<b>44 491</b>	<b>47 313</b>	<b>910 762</b>	<b>950 273</b>

For the Copper segment 2018 ended with lower volume sales by 5.9% and higher sales revenues by 4.2%. The decrease in sales volumes comes mainly from WM Dziedzice S.A. products, covering in particular the assortment of discs and keys, as well as brass bars and pipes. In the case of Hutmen S.A., the increase in sales comes from the assortment of copper wires, rods, profiles and pipes.

The main sales directions in the Copper business in 2018 – 2017 are presented in the table below:

Sales structure [%]	2018	2017
Country	43%	43%
Germany	22%	24%
Czech Republic	8%	8%
Italy	5%	3%
Spain	3%	4%
Austria	2%	2%
Canada	2%	1%
Slovakia	2%	1%
Great Britain	1%	2%
USA	1%	1%
Other	9%	10%
<b>Export sales as % of total sales</b>	<b>57%</b>	<b>57%</b>

The main directions of sales in 2018 in the Copper segment did not change. The domestic market remained dominant. A slight decrease was seen in sales on the German market, at the expense of growth on the Italian market.

### c) Market share

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

In 2018, the companies of the Copper business were rather minor suppliers on the European market. The largest market share on the European market for copper bars and profiles amounted to approx. 2%. On the world markets, the share of the Copper Segment remains below 1%.

In 2018 the share of the Copper business on the domestic market by product groups amounted to:

- brass bar market - approx. 49% (domestic leader position),
- plumbing copper pipes market - approx. 67%,
- copper bars and profiles market - approx. 23%,
- foundry alloys market - 7%.

It should be added that WM Dziedzice S.A. is the national leader of the copper bars market.

### d) Competition

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

*K Europa Metal AG* – world's largest manufacturer of products made of non-ferrous metals. Its annual production output exceeds 600 thousand tonnes of products made of copper and copper alloys,

*Wieland AG* – a German company involved in manufacturing of products made of non-ferrous metals, with 9 production plants worldwide and 500 thousand tonnes of copper and copper alloys products produced annually,

*Eredi Gnutti S.p.A., Carlo Gnutti, Almag* – an Italian corporation manufacturing brass bars, rolled products in the form of strips,

*MKM* – a German manufacturer of intermediate products of copper and its alloys (wires, pipes, flats, bars, strips, sheets).

Domestic competitors include:

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

### e) Raw materials and sources of supplies

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

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

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

## ZINC AND LEAD BUSINESS

### a) Scope of business

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

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

The basic products from this area include:

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

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

#### b) Sales and Markets

The sales volumes and revenues from sales of the Zinc and Lead Segment in 2018 and 2017 are presented in the table below:

Company	Product range	Quantity [T]		Value [TPLN]	
		2018	2017	2018	2017
<b>Baterpol</b>					
	Lead and alloys	36 586	38 751	336 545	364 470
	Lead products			10 426	7 118
	By-products			7 340	6 164
	Other	11 166		19 319	23 046
	<b>Total</b>	<b>47 752</b>	<b>38 751</b>	<b>373 630</b>	<b>400 798</b>
<b>ZM Silesia (Katowice)</b>					
	Metal sheets	8 329	11 775	112 714	160 290
	Anodes	2 416	2 318	29 569	28 565
	Wire	2 603	2 741	36 902	39 450
	Casting alloys	0	19	0	243
	Other	0	0	2 380	3 951
	<b>Total</b>	<b>13 347</b>	<b>16 853</b>	<b>181 566</b>	<b>232 500</b>
<b>ZM Silesia (Olawa Branch)</b>					
	Zinc oxides and lead oxides	24 834	29 631	243 872	296 912
	Other	2	1	1 622	17 532
	<b>Total</b>	<b>24 836</b>	<b>29 632</b>	<b>245 494</b>	<b>314 444</b>
<b>Polski Cynk</b>					
<b>Baterpol Recycler</b>				11 040	47 378
Consolidation adjustments				-5 062	-19 006
<b>Total for the Zinc and Lead Segment</b>		<b>85 936</b>	<b>85 236</b>	<b>806 668</b>	<b>976 114</b>

The Zinc and Lead Segment closed 2018 with a minimum increase in volume sales by 0.1%, i.e. by 0.7 thousand tons in relation to 2017. The significant increase in sales in Baterpol S.A. was almost entirely compensated by the decrease in sales in both branches of ZM Silesia S.A. in virtually all the production assortments offered.

The main sales directions for the Zinc and Lead business in 2018 – 2017 are presented in the table below:

Sales structure [%]	2018	2017
Country	61%	60%
Czech Republic	11%	10%
Germany	10%	12%
France	6%	8%
Spain	3%	4%
Austria	2%	1%
Italy	1%	1%
South Korea	1%	1%

Hungary	1%	1%
Turkey	1%	0%
Other	4%	4%
<b>Export sales as % of total sales</b>	<b>39%</b>	<b>40%</b>

In 2018 the domestic market remained the dominant market with a share of approx. 60% in total sales. This is due to the dominance of domestic customers for Baterpol S.A. Sales volumes increased mainly in export sales to the Czech Republic, while sales to Germany and France dropped.

#### c) Market share

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

European Market:

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

Domestic market:

<b>Product range</b>	<b>shares in %</b>
Lead oxides	97%
Galvanised wire	45%
Zinc oxides	50%
Zinc anodes	45%
Zinc-titanium sheets	58%

#### d) Competition

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

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

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

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

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

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

### TRADE AND OTHER BUSINESS

#### a) Scope of business

In 2018, the Commence and Other segment, as a part of Metals Segment, included the following Companies/entities: FLT Polska Sp. z o.o., FLT Bearings Ltd., FLT France S.A.S., FLT & Metals s.r.l.,



FLT Wälzlager GmbH, FLT (Wuxi) Trading Co. Ltd., FLT Metals Ltd.; Zakład Utylizacji Odpadów Sp. z o.o., Metal Zinc Sp. z o.o., Surowce Hutmen S.A. Sp. komandytowa.

**b) Competition**

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

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

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

**d) Particularly key parameters for the Segment:**

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

**CHEMICAL PRODUCTS SEGMENT**

**a) Scope of business**

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

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

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

**b) Sales and Markets**

Sales volumes and revenues from sales in the Chemical Segment in 2018 and 2017 are presented in the table below:

Company	Product range	Quantity [T]		Value	
		2018	2017	2018	2017
<b>Boryszew Elana Branch</b>	Elana (chopped fibre, elball, Artec)	11 216	12 810	51 277	56 953
	Goods and materials	1 045	1 396	4 612	3 926
	Other services (processing)	42		3 054	1 631
	<b>Total</b>	<b>12 303</b>	<b>14 206</b>	<b>58 943</b>	<b>62 510</b>
<b>Boryszew Branch RG</b>	Chemicals	14 346	12 309	77 755	65 155
	Automotive	15 925	17 493	56 784	58 986
	Construction materials	0	0	16 986	16 047
	Packaging	0	0	9 756	6 672
	Other	0	0	8 821	11 043
	<b>Total</b>	<b>30 271</b>	<b>29 802</b>	<b>170 103</b>	<b>157 902</b>
<b>Boryszew Branch Nylonbor</b>	Polyamides	99	119	2 299	2 867
	Special production	0	0	8 730	5 835
	Other			1 865	1 374
	<b>Total</b>	<b>99</b>	<b>119</b>	<b>12 894</b>	<b>10 076</b>

<b>Torlen</b>	Continuous filaments	2 625	2 448	24 785	25 634
	Other			25	303
	<b>Total</b>	<b>2 625</b>	<b>2 448</b>	<b>24 810</b>	<b>25 937</b>
<b>Elana Pet</b>	PET flakes	7 252	7 924	25 460	22 149
	Repair and maintenance services	0	0	8 278	9 559
	Other	379	368	23 587	20 766
	<b>Total</b>	<b>7 631</b>	<b>8 292</b>	<b>57 325</b>	<b>52 474</b>
<b>Elimer</b>	Technical services			3 035	3 186
Consolidation adjustments				-35 415	-28 924
<b>Chemical Segment total</b>		<b>52 930</b>	<b>54 866</b>	<b>291 695</b>	<b>283 161</b>

Despite the fact that 2018 ended with lower sales volumes for the Chemicals Segment (mainly due to a decrease in the volume of sales of cut fibres in the Elana Division and lower sales of flakes in Elana Pet), the Segment recorded higher revenues due to changes in the sales structure (as well as an increase in volumes) in Boryszew ERG Branch and in Nylonbor Branch.

The main sales directions in the Chemicals Segment in years 2018 – 2017 are presented in the table below:

<b>Sales structure [%]</b>	<b>2018</b>	<b>2017</b>
Country	68%	71%
Germany	7%	8%
Ukraine	7%	3%
Russia	3%	6%
Hungary	3%	3%
Great Britain	2%	2%
Spain	2%	2%
Lithuania	2%	2%
Italy	2%	0%
Denmark	1%	0%
Other	3%	4%
<b>Export sales as % of total sales</b>	<b>32%</b>	<b>29%</b>

The domestic market remained the main market for the Chemicals Segment companies, generating 68% of the business. Its share fell by 3 percentage points from 2017. In terms of exports, the Ukrainian market became the second largest market for the products of the Chemicals Segment.

### c) Market share

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

The share of the most important product groups on the domestic market in 2018 was as follows:

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

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

## d) Competition

Competitors on the filaments includes:

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

Competitors on the automotive market include:

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

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

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

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

## e) Raw materials and sources of supplies

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

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

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

## OTHER ACTIVITIES SEGMENT

### a) Scope of business

In 2018, the Remaining Segment included the following Companies/entities: Head Office, Boryszew S.A. Energy Branch, Eastside – Bis Sp. z o.o., Huta Metali Nieżelaznych Szopienice S.A. w likwidacji, SPV Lakme Investment Sp. z o.o., Impex – invest Sp. z o.o., Eastside Capital Investments Sp. z o.o., Elana Energetyka Sp. z o.o., S&I S.A. w likwidacji, SPV Boryszew 3 Sp. z o.o., Nowoczesne Produkty Aluminiowe Skawina Sp. z o.o. w likwidacji, SPV Boryszew 6 Sp. z o.o., SPV Boryszew 8 Sp. z o.o., SPV Boryszew 9 Sp.z o.o. w likwidacji.

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

Other entities are mainly involved in sale of gas and electrical energy (Boryszew S.A. Energy Branch and Elana Energetyka Sp. z o.o.) as well as rental of office and warehouse space and land (Eastside – Bis Sp. z o.o.).

## ANALYSIS OF MARKET SITUATION IN 2018

### ECONOMIC SITUATION

In EU countries as well as in Poland itself, the general macroeconomic sentiment in 2018 was less optimistic than in the previous year.

The average values of the PMI index, which determines the level of activity in industry of the most important economies for the Capital Group (the Euro zone, Germany, Poland) were at a much lower level compared to the previous year.

PMI	2018	2017
EU	51.4	60.6
Poland	47.6	55.0
Germany	51.5	63.3

The PMI for the EU and Germany reached 51.4 points and 51.5 points respectively, which is the lowest reading in about 2 years (in the same period last year the readings were 63.3 points for the EU and 60.6 points for Germany).

In the case of Poland, the PMI reading is also at a lower level than in the corresponding period of the previous year and, what is important, below the level of 50, which marks the border of crisis, i.e. 47.6 points (with a reading of 55.0 points in 2017).

Moreover, the downward trend of the index for both the EU and Germany continues in 2019 and in February 2019 the index reading dropped below 50 points. For Poland, however, after a slight rebound of PMI in January 2019, in February it declined to the level of December 2018.

The latest World Bank forecasts for January 2019 increase Poland's GDP growth to 4.0% for 2019 compared to those published earlier in October 2018. According to the World Bank, the GDP growth in Poland in 2019 will be 4.0% (compared to 3.9% forecast a few months ago), while for 2020 the forecast remains at the level previously presented, thus the growth will slow down slightly to 3.6% and it will be at levels similar to the NBP forecasts, which indicate the GDP growth for Poland in 2019 at the level of 4.0% and in 2020 at 3.6%.

The February 2019 forecasts by the European Commission for Poland's GDP growth are slightly less optimistic and assume growth of 3.5% for 2019 and 3.2% for 2020.

Forecast of GDP growth for Poland	2019	2020
NBP	4.0%	3.6%
World Bank	4.0%	3.7%
European Commission	3.5%	3.2%

## EXCHANGE RATES

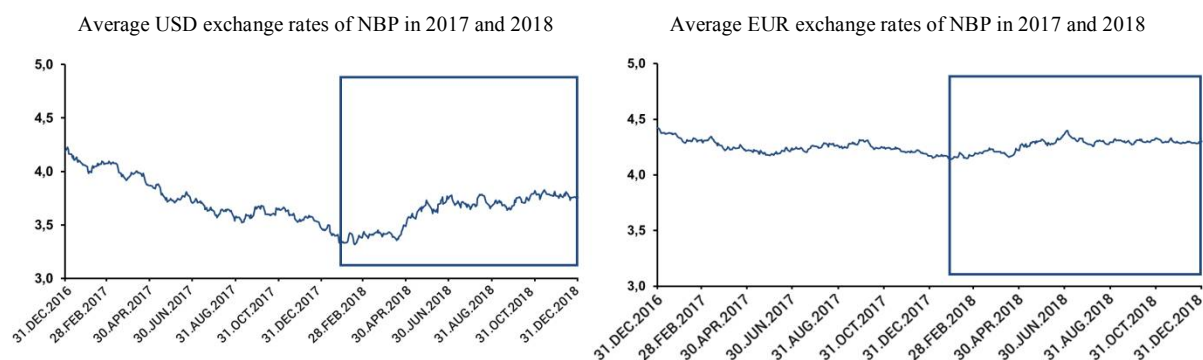
Due to the fact that transactions are mainly closed in foreign currencies, the impact of foreign exchange rates is of crucial importance.

The level of US dollar rates has an impact on revenues of the Group, as it is linked to metal rates, which are the major component of product price. In the discussed period, dollar weakened in relation to the PLN by 4.4%, which influenced a slight drop in quotations of the basic metals in PLN and improved profitability of sales.

The level of the Euro rate is important for the Group, given the predominance of the processing margins expressed in this currency and more than 64% share of export sales (most of the sales in the Automotive segment), mainly to the Euro zone. In 2018, the average EUR quotations to PLN were at a level similar to that in 2017.

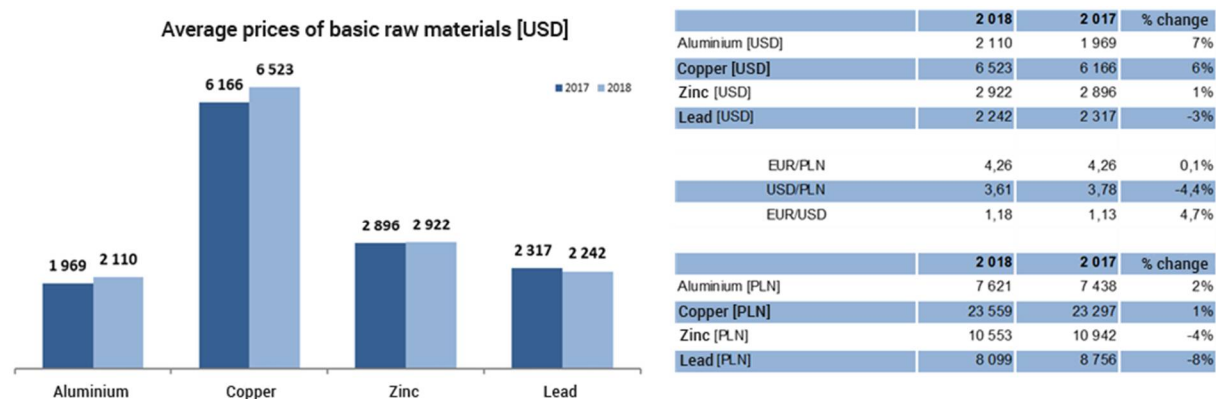
EUR/USD exchange rate remained on a slightly higher level, similarly to the same period of the last year, i.e. 1.18 compared 1.13 for EUR/USD in 2017.

The dynamics of daily changes in exchange rates in 2012-2013 is presented in the following charts:



## METAL PRICES

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



The metal price listings at the London Metal Exchange (LME) have a decisive impact on revenues from sales due to the fact that nearly 60% of revenue in Boryszew Capital Group is generated by companies operating in the non-ferrous metals sector. The level of metal listings is the primary component of products prices.

In the discussed period, average prices of most basic metals, that is aluminium (by 7%), copper (by 6%), zinc (by 1%), increased significantly, while lead prices dropped (by 3%).

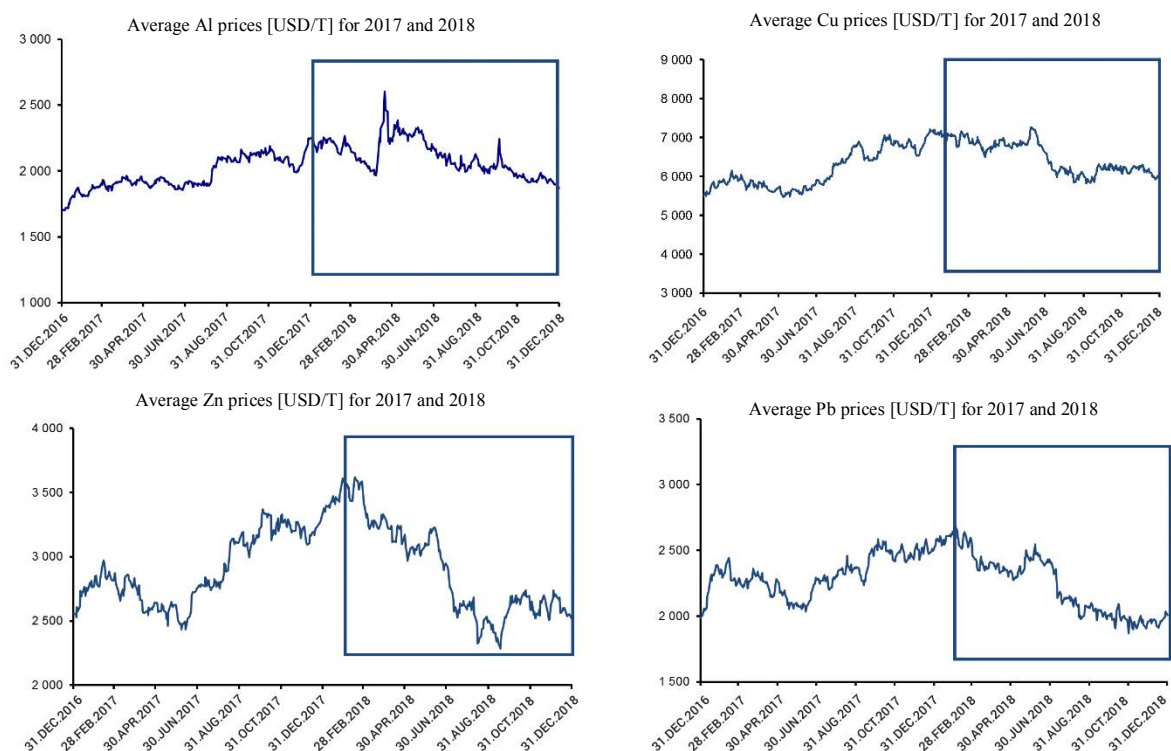
Metal prices expressed in PLN increased slightly in case of aluminium by 2% and copper by 1%, respectively, when compared to the same period of the previous year, while they decreased by 8% for lead and by 4% for zinc.

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

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

For most Capital Group companies (except Impexmetal S.A.), the base premium was higher than in 2017.

The dynamics of daily changes in metal prices in 2013-2014 is presented in the following charts:



## BORYSZEW SA

### ANALYSIS OF SELECTED ITEMS OF INCOME STATEMENT

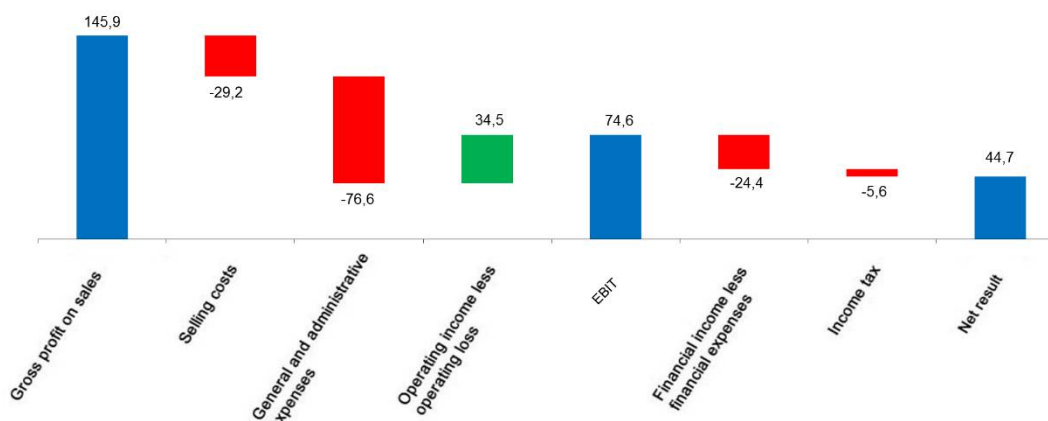
Selected items of the income statement of Boryszew S.A. for 2018, as compared to 2017, are presented in the table below:

in PLN million

	2018	2017
<b>Revenues from sale</b>	<b>1 540.9</b>	<b>1 512.9</b>
Gross profit on sales	145.9	182.4
Profit on sales	40.1	74.5
EBITDA	107.7	127.3
<b>Operating profit</b>	<b>74.6</b>	<b>97.4</b>
Gross profit	50.3	81.3
<b>Total net profit</b>	<b>44.7</b>	<b>84.5</b>

The following chart presents the impact of individual components of the income statement on the net result for 2018.

**Profit and loss account for Boryszew S.A. in 2018 (PLN million)**



**REVENUES FROM SALE**

in PLN million

	2018	2017
<b>Revenues from sale, including:</b>	<b>1 540.9</b>	<b>1 512.9</b>
Automotive Segment	642.4	676.8
Metal Segment:	399.7	401.8
Chemical products segment	240.9	229.4
Other Activities Segment	258.0	206.6
Consolidation adjustments	0.0	-1.8
<b>Export sales as % of total sales</b>	<b>60%</b>	<b>65%</b>

In 2018 revenues from sale amounted to PLN 1 540.9 million and increased by 1.9% for the following reasons:

- increase of sales prices in the chemicals segment with slightly decreasing sales volumes,
- a significant increase in the level of sales in the Others segments, i.e. Energy Branch for the sale of electricity and natural gas

**ECONOMIC CONDITION OF THE AUTOMOTIVE MARKET**

A crucial factor shaping the revenues level of Boryszew S.A. is the economic condition of the automotive sector. The main sales market for the Automotive Segment is that of the European Union countries. According to ACEA, in 2018 the automotive market in Europe was unstable, after the first 8 months of growth, the last 4 months of 2018 was decline of the market and thus in 2018 as a whole the market slightly increased, by 0.1% (including a 0.2% decrease in sales on the German market). The largest recipient – Boryszew S.A. Grupa VW – has recorded an increase in sales at the level of 0.9%. The European market remains the key market for the Automotive Segment. The following table presents the initial results of registration of new cars in the territory of the European Union and EFTA states.

	January-December				
	% shareholding <sup>2</sup>		quantity		% change
	'18	'17	'18	'17	18/17
VW Group	23.8	23.7	3 611 948	3 580 664	+0.9
PSA Group	16.2	12.2	2 459 841	1 852 333	+32.8
RENAULT Group	10.6	10.6	1 614 410	1 601 120	+0.8
FCA Group	6.6	6.8	1 001 972	1 025 942	-2.3
BMW Group	6.5	6.6	989 688	998 188	-0.9
FORD	6.4	6.6	974 856	998 259	-2.3
DAIMLER	6.2	6.3	935 057	953 614	-1.9
TOYOTA Group	4.8	4.6	731 228	698 592	+4.7
HYUNDAI	3.5	3.4	528 659	508 898	+3.9
KIA	3.2	3.0	483 680	460 980	+4.9
NISSAN	3.1	3.7	473 810	552 578	-14.3
VOLVO CAR CORP.	2.0	1.9	299 989	282 006	+6.4
JAGUAR LAND ROVER Group	1.4	1.4	206 932	215 744	-4.1
HONDA	0.9	0.9	130 557	134 618	-3.0
GM1	0.0	3.8	2 899	589 736	-99.5

source: ACEA MEMBERS

<sup>1</sup> following the acquisition of the Opel and Vauxhall brands, as of 1 August 2017, the Opel/Vauxhall registrations are included in the PSA Group

<sup>2</sup> estimation per ACEA

## SALES VOLUME

In 2018, Boryszew S.A. recorded a drop in the sales volume by 2.9%, i.e. 2.5 thousand tons. The main reasons included lower sales volumes at Boryszew Elana Branch by 1.9 thousand tons and at Boryszew NPA Skawina Branch by 1.6 thousand tons, which was not compensated by an increase in volumes at ERG Sochaczew Branch (by 0.5 thousand tons).

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

The decrease in volumes in Boryszew S.A. NPA Skawina Branch comes from the range of wire rods and wires and was caused by lower sales in the fourth quarter of 2018.

## OPERATING RESULTS

The gross result in 2018 dropped by PLN 36.5 million to PLN 145.9 million. Despite the increase in sales volumes, selling expenses decreased by PLN 1.3 million and general and administrative expenses decreased by PLN 0.9 million, following optimisation of fixed costs in the entire unit.

The balance of other operating income/expenses amounted to PLN 34.5 million and was by PLN 11.6 million higher as compared to previous year. The above mentioned increase comes mainly from a positive difference on the balance of revaluation write-downs on trade receivables, other receivables and inventories with an impact on the result in 2018 of plus PLN 34.0 million.

EBITDA for major operating segments was as follows:

in PLN million	2018	2017
<b>EBITDA, including:</b>	<b>107.7</b>	<b>127.3</b>
Automotive Segment	64.1	59.4
Metal Segment:	10.4	24.6
Chemical products segment	11.4	21.0
Other Activities Segment	21.9	22.3



The change in EBITDA of 2018 as compared to the previous year in individual segments was a consequence of:

- higher results in the **Automotive Segment** - despite lower revenues by 5.1% and a decrease in sales profitability, mainly due to high costs of "poor quality", Maflow Branch generated higher EBITDA compared to 2017, mainly due to one-off events involving the release of revaluation write-downs on trade receivables and inventories.
- lower results of **the Metals Segment** - Boryszew S.A. NPA Skawina Branch recorded worse results compared to the previous year as a result of lower sales volumes and a decrease in unit processing margins on almost all product ranges except for alloy rolled products and most of the offered wire products.
- lower results in **the Chemicals Segment** - Boryszew ERG Branch and Elana Branch are primarily responsible for the decrease in results. Nylonbor Branch saw an improvement in EBITDA.

The decrease of results in Boryszew S.A. Boryszew ERG Branch was mainly due to lower sales and unit trade margins, primarily on cooling liquids.

The decrease in the results of Boryszew S.A. Elan Branch came from lower sales volumes and lower unit processing margins resulting from a significant increase in the PET flake purchase prices.

In the case of Boryszew S.A. Nylonbor Branch the improvement in results came from higher sales of special production for the army, compared to 2017.

- slightly lower result in **the Other segment** is a result of lower result on sales of electricity and natural gas by Energy Branch despite the increase in sales, due to the difficult situation on the energy media market in 2018.

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

The balance of financial income and expenses amounted to PLN (24.4) million and was lower than last year by PLN 8.3 million. This was mainly due to recognition of revaluation write-downs on shares and stocks in Elana Branch related to the liquidation of Torlen S.A. with an impact on the result of minus PLN 13.2 million.

Net result from continuing operations amounted in 2018 to PLN 44.7 million which was a decline of PLN 39.8 million compared to 2017 net profit.

## BORYSZEW CAPITAL GROUP

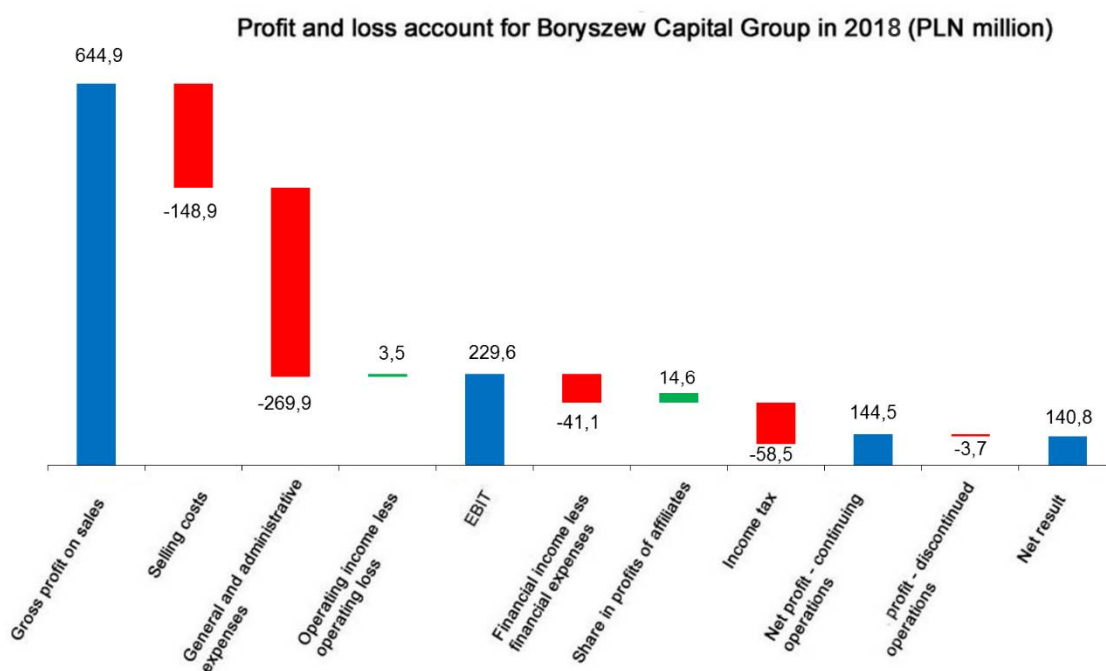
Selected items of the income statement of Boryszew Capital Group for 2018, as compared to 2017, are presented in the table below:

### ANALYSIS OF SELECTED ITEMS OF INCOME STATEMENT

in PLN million

	2018	2017
<b>Revenues from sale</b>	<b>6 099.6</b>	<b>6 290.3</b>
Gross profit on sales	644.9	732.7
Profit on sales	226.1	329.1
EBITDA	378.5	469.2
<b>Operating profit</b>	<b>229.6</b>	<b>335.4</b>
Gross profit	203.1	245.5
Net profit on continuing operations	144.5	201.6
Net profit on discontinued operations	-3.7	2.3
<b>Total net profit</b>	<b>140.8</b>	<b>203.9</b>

The following chart presents the impact of individual components of the income statement on the consolidated net result for 2018.



### REVENUES FROM SALES PER SEGMENTS

in PLN million

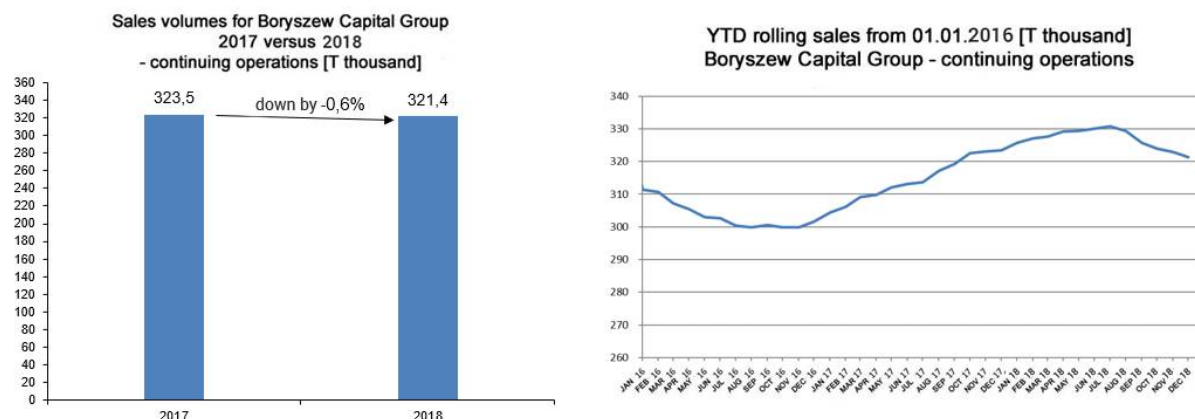
	2018	2017
<b>Revenues from sale, including:</b>	<b>6 099.6</b>	<b>6 290.3</b>
Metal Segment:	3 682.7	3 743.5
Automotive Segment	1 899.4	2 053.6
Chemical products segment	291.7	283.2
Segment Others and consolidation adjustments	225.8	210.1
<b>Export sales as % of total sales</b>	<b>64%</b>	<b>64%</b>

Revenues from sales in 2018 decreased by 3.0% to PLN 6 099.6 million. The decrease in revenues was mainly due to the effect of:

- decrease in sales volumes, decrease in sales in the Automotive Segment (due to the implementation of WLTP procedures, which resulted in lower purchase of parts by car manufacturers),

## VOLUME OF SALES

Boryszew Capital Group recorded a slight decrease in sales volumes in relation to the same period of the previous year (mainly in the Chemicals Segment).



Decrease in sales volumes occurred in most entities of the Capital Group, except for: Baterpol S.A. (Impexmetal S.A.) which recorded an increase of 9.0 thousand tons (23.2%), Zakład Aluminium Konin (Impexmetal S.A.) which recorded an increase of 3.0 thousand tons (3.1%), Hutmen S.A. and Boryszew S.A. Branch ERG Sochaczew.

The increase in sales volumes at Baterpol S.A. was primarily related to the change on the battery scrap market - increased supply enabled intensified purchase of raw materials and thus contributed to increased sales of the plant.

In the Aluminium Konin Plant the increase is mainly contributed to increased sales of highly processed products.

In Hutmen S.A. the increase came from higher sales of copper wires, rods, profiles and pipes.

## ECONOMIC CONDITION OF THE AUTOMOTIVE MARKET

A very important factor that shapes the level of revenues in the Boryszew Capital Group is the economic situation in the automotive industry. The main sales market for the Automotive Segment is that of the European Union countries. According to ACEA, in 2018 the automotive market in Europe was unstable, after the first 8 months of growth, the last 4 months of 2018 was decline of the market and thus in 2018 as a whole the market slightly increased, by 0.1% (including a 0.2% decrease in sales on the German market). The largest recipient – Boryszew S.A. Grupa VW – has recorded an increase in sales at the level of 0.9%. The European market remains the key market for the Automotive Segment. The table presenting preliminary results of registration of new cars in the European Union and EFTA countries was presented in the separate report for Boryszew S.A.

## ACHIEVED FINANCIAL RESULTS

The gross result in 2018 dropped by PLN 87.8 million to PLN 644.8 million. Comments on results by segments can be found in the "Operating result" section.

The costs of sales as well as general and administrative expenses increased by PLN 7.6 million compared to the previous year. The balance of operating income/costs amounted to PLN 3.5 million and was lower by PLN 2.8 million when compared to 2017.

## OPERATING RESULT

### 1. Consolidates figures:

In 2018 EBITDA on continuing operations amounted to PLN 378.5 million compared to PLN 469.3 million in the corresponding period of the previous year. In relevant operating segments, the EBITDA result was as follows:

in PLN million	2018	2017
<b>EBITDA, including:</b>	<b>378.5</b>	<b>469.3</b>
Metal Segment:	276.9	266.5
Automotive Segment	73.0	186.1
Chemical products segment	14.7	24.5
Segment Others and consolidation adjustments	14.0	-7.8

## 2. Automotive Segment

A significant impact on EBITDA result in the Automotive segment came from limitation in production and sales of cars due to the WLTP procedure, which directly resulted in significantly smaller orders for parts (than originally assumed). In particular, the vacation break at the German VW plants was extended, and shift systems were reduced at the operating plants.

Deterioration of EBITDA in the BAP Group came from lower sales of parts and tools (impact of WLTP), product mix and extended holiday period at BAP customers.

In case of Maflow Group, as in the case of BAP Group, the decrease in EBITDA was caused by lower turnover and additional costs of launching the plants in Mexico and Toruń.

## 3. Metals Segment

The Metals segment recorded an increase in results in relation to 2017. EBITDA growth was seen in most entities of this Segment.

Boryszew S.A. NPA Skawina Branch and ZM Silesia S.A. are the only entities from the Metals Segment that ended worse than in 2017.

In case of NPA Skawina, the main reason is lower sales volume and unfavourable change in the product mix.

The drop in the results of ZM SILESIA S.A. Branch Katowice came from the drop in sales volumes, in particular of all sheet metal assortments and unit processing margins for assortments with a higher degree of processing, mainly black and patinated sheet metal.

However, the decrease in the results of ZM SILESIA S.A. Branch Olawa is the effect of a significant decrease in sales volumes (of zinc white due to the delay in the launch of its production), and a higher cost of its purchase from outside for own production needs

Baterpol S.A. achieved better results, which mainly came from much higher sales volumes, significantly lower prices of purchased and consumed raw materials, due to higher scrap supply (including mainly battery and lead scrap).

In Impexmetal S.A. Aluminium Konin improvement of results came from higher sales of most product groups and higher unit processing profitability.

In case of FLT Group, the improvement in the result was mainly due to higher sales of virtually all FLT Group companies (except FLT France), including the largest increase in FŁT Polska Sp. z o.o., FŁT&Metals S.r.l., and FLT Walzlager GmbH, FŁT Polska Sp. z o.o., FŁT France SAS, FLT& Metals s.r.l.,

Hutmen S.A. also recorded better results mainly due to higher average processing margins on most of the offered assortments (except for copper wires, rods and profiles) and slightly higher sales volumes.

WM Dziedzice S.A., despite lower sales volumes against the corresponding period of the previous year, achieved higher unit processing margins in almost all product groups except for discs and keys.

#### 4. Chemical products segment

The deterioration of EBITDA in this segment was caused by majority of segment entities, in particular Boryszew ERG Branch and Elana Branch. Nylonbor Branch saw an improvement in EBITDA. The decrease of results in Boryszew S.A. Boryszew ERG Branch primarily came from lower sales and unit trade margins in the assortment group of cooling liquids.

The decrease in the results of Boryszew S.A. Elan Branch came from lower sales volumes and lower unit processing margins resulting from a significant increase in the PET flake purchase prices.

In the case of Boryszew S.A. Nylonbor Branch the improvement in results came from higher sales of special production for the army, compared to 2017.

#### 5. Other Activities Segment

In the Other Activities Segment EBITDA achieved a positive deviation due to the lack of significant negative one-off events in the other operating activities, in contrast to 2017 (including the recognition of a provision for tax liabilities at the Capital Group level, Other Activities segment). The result on core operating activities did not change significantly.

#### FINANCIAL REVENUES AND COSTS, NET RESULT

The balance of financial income/costs amounted to PLN (41.1) million and was higher by PLN 51.5 million when compared to the previous year's balance (financial costs of 2017 were increased by a write-down of Alchemia S.A. shares, partially dissolved in 2018, provision for potential tax risks and negative valuation of hedging transactions).

Net result from continuing operations amounted to PLN 144.5 million and was lower by PLN 57.1 million compared to the result for 2017, due to worse operating result. Considering the net result on discontinued operations in the amount of minus PLN 3.7 million, the net result in 2018 amounted to PLN 140.8 million.

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

### BORYSZEW SA

#### ANALYSIS OF SELECTED BALANCE SHEET ITEMS

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

in PLN million	2018	2017
<b>Non-current assets</b>	<b>1 207.5</b>	<b>1 203.1</b>
including:		
tangible assets	272.7	272.9
investment property	16.5	16.5
intangible assets	33.1	26.9
financial assets	382.3	388.7
Shares in related parties	463.5	444.4
other	39.3	53.7
<b>Current assets</b>	<b>651.5</b>	<b>558.8</b>
including:		
inventory	181.5	182.0
trade receivables	271.9	272.5
cash and cash equivalents	29.3	36.1
other	168.8	68.3
<b>Total assets</b>	<b>1 859.0</b>	<b>1 761.9</b>
<b>Equity</b>	<b>607.7</b>	<b>614.4</b>
<b>Total liabilities</b>	<b>1 251.3</b>	<b>1 147.5</b>

including:		
Long-term liabilities, including:	411.2	272.1
financial obligations	398.2	259.1
Short-term liabilities, including:	840.1	875.4
trade liabilities	234.5	278.2
financial obligations	543.9	516.7
<b>Balance sheet total</b>	<b>1 859.0</b>	<b>1 761.9</b>

Increase in assets (balance sheet total) level by PLN 97.1 million resulted from an increase of fixed assets by PLN 4.4 million PLN and current assets by PLN 92.7 million.

Fixed asset increase was primarily due to:

- PLN 19.1 million - an increase in the value of shares in subsidiaries and jointly controlled entities,
- PLN (14.4) million - decrease in other fixed assets (mainly balances of activated costs of new projects)

Current asset increase was primarily due to:

- PLN (100.5) million - an increase in other current assets (mainly bonds from related parties),
- PLN (6.8) million - decrease in cash balance.

The increase in liabilities was mainly driven by an increase in financial liabilities, including external financing and financing from related companies, in the amount of PLN 166.3 million, partially offset by a decrease in trade liabilities by PLN 43.7 million.

## ANALYSIS OF WORKING CAPITAL

in PLN million	2018	2017
<b>Non-cash working capital (PLN million)</b>	<b>218.9</b>	<b>176.4</b>
Inventory turnover (in days)	43	44
Turnover of trade receivables (in days)	64	66
Turnover of trade payables (in days)	56	67
<b>Working capital turnover (in days)</b>	<b>52</b>	<b>43</b>

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

Working capital at the end of 2018 amounted to PLN 218.9 million and increased by 24.1% or PLN 42.5 million against the end of 2017. The increase in working capital was mainly due to a decrease in trade payables. The turnover of inventories and trade receivables remained at a level similar to that of 2017.

## ANALYSIS OF INTEREST BEARING DEBT

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

in PLN million	2018	2017
<b>Interest liabilities, including:</b>	<b>942.1</b>	<b>775.8</b>
Long-term interest liabilities	398.2	259.1
including: bonds	100.4	47.0
including: loans, borrowings, leases	297.8	212.1
Short-term interest liabilities	543.9	516.7
including: bonds	67.0	53.4
including: loans, borrowings, leases	476.9	463.4

Cash and cash equivalents	29.3	36.1
Interest payable to related parties	342.7	215.7
Net debt	570.1	524.1
Net debt/EBITDA	5.3	4.1
Value of gross (total) debt to assets*	38.0%	37.5%

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

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

*\*liabilities to unrelated parties (financial institutions) from loans, borrowings, bonds, leasing (financial and operating), factoring (recourse and non-recourse factoring) and factoring by the supplier to assets, combined*

Net interest-bearing debt of Boryszew S.A. (less cash and cash equivalents and liabilities towards related parties) at the end of 2018 amounted to PLN 570.1 million and was higher by PLN 46.1 million than at the end of 2017, mainly due to an increase in the level of external financing in Boryszew S.A. Branch Maflow.

The gross (total) debt to assets ratio stood at 38.0% at the end of 2018 compared to 37.5% at the end of 2017

### ANALYSIS OF LIQUIDITY

Liquidity ratios are presented in the table below:

<b>in PLN million</b>	<b>2018</b>	<b>2017</b>
Current ratio	0.8	0.6
Quick ratio	0.6	0.4

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

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

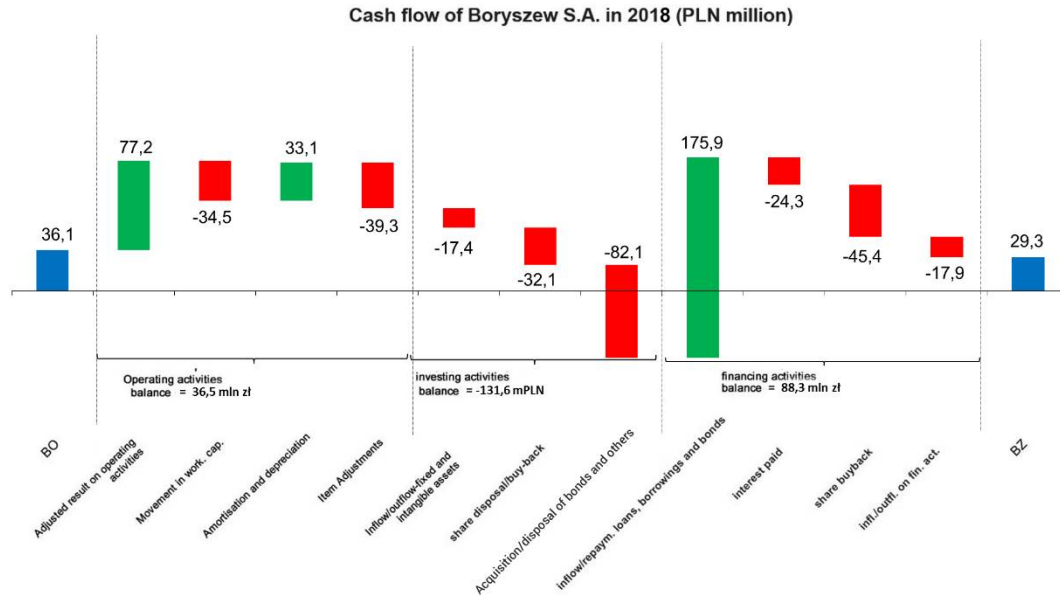
In 2018 the current ratio and the quick ratio were at a level similar to that of 2017.

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

Major item of separate statement of cash flows for Boryszew S.A. in 2018 is presented in the following table.

<b>in PLN million</b>	<b>2018</b>	<b>2017</b>
Net cash flow from operating activities	36.5	103.2
Net cash flow from investment activities	-131.6	-156.7
Net cash flow from financial activities	88.3	28.7
<b>Total net cash flow</b>	<b>-6.8</b>	<b>-24.9</b>

The chart below shows the main factors that shaped the cash flows of Boryszew S.A. in 2018.



In 2018 Boryszew S.A. generated positive inflows from direct operating activities and from financial activities, which were allocated mainly to investment activities (primarily to cover expenditure on acquisition of bonds in affiliated companies and shares in subsidiaries).

The largest items of investment activity include the acquisition of bonds in related companies with the balance of PLN 116.1 million, acquisition of shares and stocks in the Group companies of PLN 32.2 million and acquisition of fixed assets and intangible assets of PLN 29.8 million.

Investments in fixed assets and intangible assets took place mainly in Maflow Branch (for modernisation and machines) and in NPA Skawina Branch (mainly replacement investment tasks).

### **BORYSZEW CAPITAL GROUP ANALYSIS OF SELECTED BALANCE SHEET ITEMS**

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

in PLN million	2018	2017
<b>Non-current assets</b>	<b>2 104.2</b>	<b>2 075.0</b>
including:		
tangible assets	1 474.2	1 405.1
investment property	150.9	155.0
intangible assets	46.7	39.9
financial assets	4.4	64.7
Shares in related parties	316.6	281.8
other	111.5	128.5
<b>Current assets</b>	<b>2 121.9</b>	<b>2 033.0</b>
including:		
inventory	1 040.3	978.5
trade receivables	573.7	729.4
cash and cash equivalents	137.7	216.1
other	370.2	108.9
<b>Assets held for sale</b>	<b>10.7</b>	<b>1.6</b>



<b>Equity</b>	<b>1 794.9</b>	<b>1 722.1</b>
<b>Total liabilities</b>	<b>2 441.9</b>	<b>2 387.5</b>
including:		
Long-term liabilities, including:	747.6	670.5
financial obligations	511.4	464.8
Short-term liabilities, including:	1 674.0	1 697.0
trade liabilities	598.3	644.0
financial obligations	775.3	680.9
Liabilities associated with fixed assets held for sale	20.3	20.0
<b>Balance sheet total</b>	<b>4 236.8</b>	<b>4 109.6</b>

The increased level of assets resulted from:

- PLN 29.2 million - increase in fixed assets level,
- PLN 88.9 million – increase in current assets value,

The increase of the level of fixed assets resulted from the programs of investments in the fixed assets in question in the companies of the Capital Group. Expenditure on acquisition of fixed assets amounted to PLN 169.1 million, a decline of PLN 23.7 million against last year. The most important investment projects include the programme of increasing production capacity at the Aluminium Konin plant as well as the modernisation and machines for Maflow Group plants in Poland as well as at the Boryszew Kunststofftechnik GmbH plant. Further to that, the value of financial assets increased (acquisition of shares in associated companies, including mainly in Alchemia S.A.).

The increase in current assets came mainly from the increase in inventories in the metals segment resulting from higher prices of all metals.

The increase in the above mentioned value of assets was mostly financed by funds generated by the Group and through increase in debt. Relative debt measured as the net debt to EBITDA ratio increased from 2.0 (at the end of 2017) to 3.0 (at the end of 2018).

The gross (total) debt to assets ratio stood at 38.1% at the end of 2018 compared to 36.6% at the end of 2017

#### ANALYSIS OF INTEREST BEARING DEBT

<b>in PLN million</b>	<b>2018</b>	<b>2017</b>
<b>Interest liabilities, including:</b>	<b>1 286.7</b>	<b>1 145.7</b>
Long-term interest liabilities	511.4	464.8
including: bonds	0.0	0.0
including: loans, borrowings, leases	511.4	464.8
Short-term interest liabilities	775.3	680.9
including: bonds	0.0	0.0
including: loans, borrowings, leases	775.3	680.9
Cash and cash equivalents	137.7	216.1
Net debt	1 149.1	929.6
Net debt/EBITDA	3.0	2.0
Value of gross (total) debt to assets*	38.1%	36.6%

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

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

*\*\*liabilities to unrelated parties (financial institutions) from loans, borrowings, bonds, leasing (financial and operating), factoring (recourse and non-recourse factoring) and factoring by the supplier to assets, combined*

*Interest liabilities = long-term liabilities + short-term liabilities (for credits and loans + for debt securities + leasing)*  
*Net debt = interest liabilities – cash and cash equivalents*

The net interest debt of the Capital Group, less cash and cash equivalents, as at the end of 2018 amounted to PLN 1 149.1 million and was higher by PLN 219.4 million than at the end of 2017.

#### **ANALYSIS OF WORKING CAPITAL**

**in PLN million**

	<b>2018</b>	<b>2017</b>
<b>Non-cash working capital (PLN million)</b>	<b>987.8</b>	<b>1 042.2</b>
Inventory turnover (in days)	62	57
Turnover of trade receivables (in days)	34	42
Turnover of trade payables (in days)	37	39
<b>Working capital turnover (in days)</b>	<b>59</b>	<b>60</b>

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

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

The demand for working capital as at the end of 2018 amounted to PLN 987.8 million and increased as compared to the end of 2017 by 7%, i.e. by PLN 54.4 million.

The real level of working capital in Boryszew Capital Group, calculated as the turnover ratio (calculated on revenues) in days, decreased from 60 days at the end of 2017 to 59 days at the end of 2018. The greatest influence on the reduction of the working capital rotation coefficient was from shorter debt collection period.

#### **ANALYSIS OF LIQUIDITY**

Liquidity ratios are presented in the table below:

<b>in PLN million</b>	<b>2018</b>	<b>2017</b>
Current ratio	1.3	1.2
Quick ratio	0.6	0.6

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

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

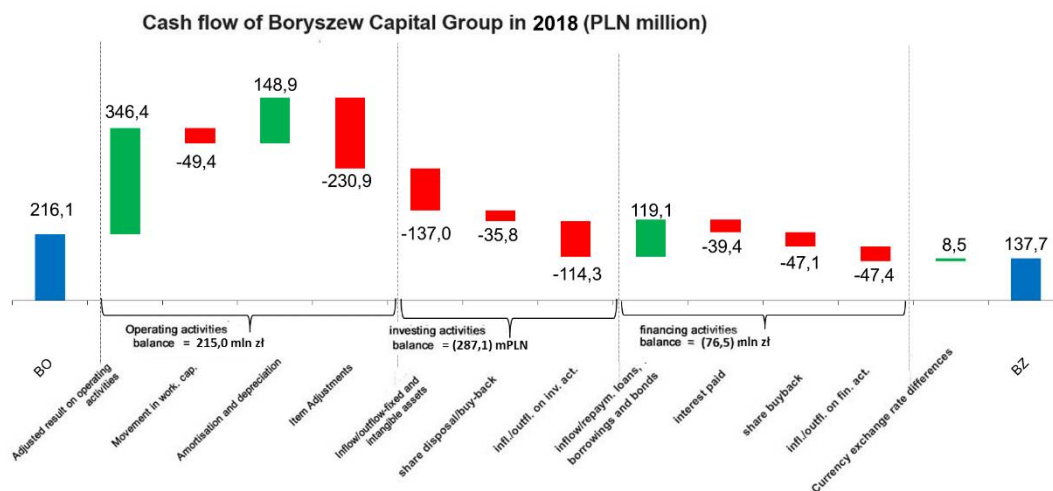
In 2018 the current liquidity ratio and the quick liquidity ratio remained at the level similar to that for the same period of the previous year. The above ratios confirm that the Group has sufficient financial liquidity to pay current and future liabilities.

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

Main items of the consolidated cash flow statement of Boryszew Group in 2018, as compared to the corresponding period of previous year, are presented in the table below:

<b>in PLN million</b>	<b>2018</b>	<b>2017</b>
Net cash flow from operating activities	215.0	321.5
Net cash flow from investment activities	-287.1	-231.5
Net cash flow from financial activities	-14.9	-76.5
<b>Total net cash flow</b>	<b>-87.0</b>	<b>13.5</b>

The following chart presents the main factors shaping the cash flow of Boryszew Capital Group in 2018:



In 2018 the Group generated positive cash flow from directly operational activity, which was allocated mainly to investments in non-current assets, buy-back of shares as well as debt service (payment of interest and redemption of financial lease liabilities).

The total value of investment expenditure in 2018 amounted to PLN 158.4 million. The table below presents the division of investment expenditure into segments:

in PLN million	2018
<b>CAPEX, including:</b>	<b>158.4</b>
Metal Segment:	80.2
Automotive Segment	54.1
Chemical products segment	18.1
Other Activities Segment	6.0

The largest investments in fixed assets in 2018 were made by companies in the Metals Segment. The Aluminium Konin Plant launched an investment under the so-called large investment programme for 2018-2023 as well as under the programme to increase productivity and improve the yield of the Processing Plant (PLN 52.0 million), and in Baterpol S.A., investment expenditure involved mainly replacement of assets (PLN 12.0 million). Moreover, in WM Dziedzice S.A. continued its vital modernisation and development investment of the total value of PLN 50 million (including PLN 30 million of the planned EU subsidy) to increase the production capacity of rods and pipes by about 7 thousand tonnes annually and to improve the quality of products.

In Maflow Group the majority of capital expenditure was allocated to production facilities in Poland, where PLN 20.9 million was spent on modernisation and additional equipment (PLN 28.9 million in the whole Group). A similar concentration of capital expenditure was seen in BAP Group, where Boryszew Kunststofftechnik Deutschland GmbH spent some PLN 10.0 million, mainly for new machines, and in the whole BAP Group spent PLN 24.0 million.

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

Apart from sureties described in pt. 14 GUARANTEES AND SURETIES below, the Capital Group Boryszew did not have any significant off-balance sheet items.

## 9. SIGNIFICANT CONTRACTS

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

In 2018 the following entities account for more than 10% of sales revenue generated by Boryszew S.A.:

Company	Conclusion date	Subject matter of the contract	Value of the agreement in 2018	Share [%]	Ties with the issuer
VW Group	Orders (nominations)	delivery of air-conditioning tubes	PLN 191.3 million	12.4%	none

In 2018 the following entities account for more than 10% of sales revenue generated Boryszew Capital Group:

Company	Conclusion date	Subject matter of the contract	Value of the contract in 2018	Share [%]	Ties with the issuer
VW Group	Orders (nominations)	delivery of air-conditioning tubes	PLN 1 196.5 million	19.6%	none

The value of purchase or sale contracts from other contractors of the Company or the Capital Group in 2018 remained below 10% of revenues from sales of Boryszew S.A. or Boryszew Capital Group respectively.

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

Conclusion date	Name of the party to the contract	Subject matter of the contract	Estimated value of the contract in 2018
orders	VW Group	sale of parts to automotive	PLN 191.3 million
orders	BMW:	sale of parts to automotive	PLN 120.9 million

### SIGNIFICANT AGREEMENTS OF THE CAPITAL GROUP

#### BORYSZEW AUTOMOTIVE PLASTICS GROUP

Conclusion date	Name of the party to the contract	Subject matter of the contract	Value of the agreement in 2018
orders	VW Group	sale of parts to automotive	PLN 811.5 million

#### MAFLOW GROUP

Conclusion date	Name of the party to the contract	Subject matter of the contract	Value of the agreement in 2018
orders	VW Group	sale of parts to automotive	PLN 385 million

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

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2018
Trafigura PTE LTD	3 agreements	purchase of primary aluminium	PLN 132.1 million
Guala Closures DGS Poland S.A.	06.02.2013 (with subsequent amendments)	sales of aluminium sheets	PLN 131.1 million
supplier of primary aluminium	21.09.2017 26.01.2018 17.07.2018	purchase of primary aluminium	PLN 117.5 million

**HUTMEN S.A.**

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2018
KGHM Polska Miedź S.A.	27.01.2014 (with subsequent amendments)	Cu ETP ingots, Cu DHP ingots, rolled products, processing service	PLN 261 million

**WALCOWNIA METALI DZIEDZICE S.A.**

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2018
KARO-BHZ Sp. z o.o.	28.01.2015	delivery of raw materials	PLN 99.9 million

**ZM SILESIA S.A.**

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2018
HC Miasteczko Śląskie	11.01.2018 06.02.2018	supplier of raw materials	PLN 118.8 million

**BATERPOL S.A.**

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2018
Exide Technologies SA	16.01.2018	sale of lead and alloys	PLN 92.8 million

**FŁT POLSKA SPÓŁKA Z O.O.**

Name of the party to the contract	Conclusion date	Subject matter of the contract	Estimated value of the contract in 2018
PBF (Warsaw) Sp. z o.o.	multi annual agreements	purchase of bearings	PLN 151.3 million

**INSURANCE CONTRACTS**

Boryszew S.A. and subsidiaries had insurance policies for 2018 within the framework of general agreements concluded by the Parent Company with several insurance companies for the entire Boryszew Group.

The insurance cover was contracted for:

- Boryszew Group property
- profit lost due to all risks
- machine damage
- loss of profit due to damage to machinery and equipment
- electronic equipment

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

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

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

### Acquisition of shares in FŁT Polska Sp. z o. o. o.

Impexmetal S.A. acquired 17 shares in FŁT Polska Sp. z o.o., accounting for 1.65% of the share capital. Currently, Impexmetal S.A. owns 100% of the shares in the share capital and the total number of votes at the General Meeting of Shareholders.

### Incorporation of Aluminium Konin Sp. z o.o. based in Konin

On 23 January 2018, Aluminium Konin Spółka z o. o. based in Konin was incorporated. The share capital of Aluminium Konin Spółka z o. o. amounts to PLN 100 000.00 and is divided into 100 shares with a value of PLN 1 000 each. The sole shareholder of Aluminium Konin Spółka z o. o. is Impexmetal S.A.

### Acquisition of shares in Boryszew Tensho Poland Sp. z o.o.

On 18 June 2018 Boryszew S.A., acting under the Joint Venture Agreement concluded on 17 June 2014 between Sanko & Co., Ltd., Tensho Electric Industries Co., Ltd., and Boryszew S.A., acquired from Sanko & Co., Ltd. 23 256 shares in Boryszew Tensho Poland Spółka z o.o., based in Ostaszewo, accounting for 13.68% of the share capital and total number of votes at the General Meeting of Shareholders.

As at the day of preparing the financial statements, Boryszew S.A. holds 159 256 shares in Boryszew Tensho Poland Spółka z o.o., accounting 93.68% of the share capital and total number of votes at the General Meeting of Shareholders.

### Merger of Boryszew Kunststofftechnik Deutschland GmbH and BRS YMOS GmbH

On 23 October 2018, BRS YMOS as the acquired company merged with BKD as the acquiring company, with effect from 1 January 2018. BRS YMOS was deleted from the register on 24 October 2018 and the merger was entered into the register of BKD on 30 October 2018. The head office of the company is in Gardelegen. BRS YMOS operates as a branch office, based in Idar-Oberstein.

### Sale of shares in MBO Hutmen Sp. z o. o. o. jv.

On 5 December 2018, an agreement was signed on the sale of 50% of shares in MBO-Hutmen Sp. z o.o. jv. held by Hutmen S.A. (the agreement came into force on 7 December 2018).

### Liquidation of S&I

In December 2018 the process of liquidation of S&I S.A. based in Switzerland was completed. As at the date of publication of this report, no decision on removing the company from the register was issued.

## EVENTS AFTER THE BALANCE SHEET DATE

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

EASTSIDE -BIS Sp. z o.o. acquired (through conversion of bonds into shares on 11 January 2019) 9 995 000 shares of Alchemia S.A., accounting for 4.99% (rounded off) of the share capital of Alchemia S.A. On 12 and 15 March 2019 Impexmetal S.A. acquired a total of 26 626 074 shares of Alchemia S.A., accounting for 13.31% (rounded) of the share capital of Alchemia S.A.

The total value of the acquired shares in Alchemia S.A. amounts to PLN 177 580 255.20.

As at the date of acquisition of control, the share of Boryszew Capital Group in Alchemia S.A. accounted for 51.29% of the share capital. Also, Alchemia S.A. held 26 550 000 treasury shares, which accounted for 13.28% of its share capital.

As at the date of publication of the financial statements, Boryszew Capital Group holds 59.14% shares in Alchemia S.A.

(more information on the acquisition of Alchemia S.A. shares can be found in point 4 of the financial statements).

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

## 11. RESEARCH AND DEVELOPMENT

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

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

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

Major R&D achievements in 2018 include:

- development, together with Fraunhofer Institute, of laser welding technology for components of products manufactured by Maflow Branch. The invention covers the design of the geometry of connecting components, the process and procedure of physical tests confirming the legitimacy of the designed process. The achievement is the definition of the process and process parameters as well as the geometry of connection confirmed by welding tests under laboratory conditions. Physical testing covered a range of different parameters to select the future technology in a way that eliminates defects and ensures high efficiency of the future process and product. The achieved process parameters will help use, in the future, a technology 10 times faster than those currently used, reducing manufacturing costs and improving product quality.
- development and implementation of 3D scanning technology in combination with bending machines to replace the complicated work of the setter with automatic setting of machine parameters after product scanning. The first 2 months of machine operation show a 40 minute reduction in the set-up time and a 50% reduction in waste from machine set-up after set-up. Process automation with a scanner reduces human error and increases efficiency. Maflow branch is currently the only company in the world using such machines in the process.
- achieving high status of the development of connection to the new CO2 project for the high temperature and high pressure line. Product designed and prototyped on a stainless steel material, approved by the customer. Currently, test cars with our prototype product are in the process of road tests, confirming the high ability of the product to proper functioning of air conditioning system based on CO2.

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

Research and development works of the Branch in 2018:

- project Ecological Nano liquid for car radiators with innovative utility parameters (POIR.01.02.00-00-00-0031/17) co-financed by European Funds under the framework of the Operational Programme Smart Growth for 2014-2020.
- The project involves developing a new recipe and technology for production of a completely new fluid and coolant concentrate for internal combustion engines, currently not available on the market. The innovation in the project is based on the application of Nano additives, increasing conductivity and thermal capacity. Changing the volume and thermal conductivity of the above mentioned coolant will significantly affect its ability to remove heat from the engine, increasing its efficiency and lifetime.
- development work on a formula for liquid to protect aircraft from icing. Winter conditions, in particular temperatures below 0°C, require appropriate safety procedures at airports. The anti-icing agent developed by the Branch contains an aqueous solution of propylene glycol, enriched with an innovative package of corrosion inhibitors dedicated to metals and alloys used in aircraft construction and appropriate additives changing rheological properties, that is thickeners and surfactants. The final recipe of the formulation will be tested in accordance with strict aeronautical and aviation standards by three independent certification bodies.
- de-icing fluids and fluids preventing repeated icing dedicated for the railway sector are the latest product from Boryszew ERG's portfolio. The de-icing of rolling stock is one of the basic activities in the winter season. The preparations under development will be mainly intended for de-icing rolling stock drive elements, which are most often iced and thus immobilised.

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

Research and development works of the Branch in 2018:

- development of a new generation of overhead power cables that feature limited transmission losses. Low loss cables feature a new material technology and design, to offer our customers an attractive solution to the planned changes in prices on the electricity market.

- The portfolio of products dedicated to the automotive segment was consistently developed. In this segment, the development work helped increase the sales volumes of class V aluminium conductors as well as develop and launch the technology for production of pipes made of aluminium and aluminium alloys.

## **BORYSZEW CAPITAL GROUP COMPANIES**

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

In 2018, the implementation of the following projects co-financed by the National Centre for Research and Development was being carried on:

- Development of a highly advanced production technology of multi-layer HSAA-P30 aluminium tape for the new generation of automotive heat exchangers" (POIR.01.02.00-00-0298/16) – as the result of the project the offer will include new clad products containing 3 or 4 layers, featuring improved corrosion resistance and enhanced functional parameters,
- "Implementation of an innovative AlMg-VHS metal alloy sheet and tapes production technology to press car body parts and structural elements parts" (POIR.01.01.01-00-0292/17). Implementation of this project will enable to introduce new aluminium and magnesium alloys to the offered range of products, with high, more than 5.5%, concentration of magnesium. With regard to the implementation of this project, on 23 August 2018 a license agreement was signed with KITECH Institute of Korea (Korea Institute of Industrial Technology) leading to the purchase of EMMA mortar (magnesium mortar), which will be used during the project.
- launch of "Development and implementation of a production technology of an innovative aluminium alloy designed for the production of high-pressure resistant caps in the packaging industry" project (POIR.01.01.01-00-00-0025/18) - the project will involve development of an innovative product: aluminium alloy sheet for production of deep-pressed caps for high-pressure food applications.

2018 also saw continuation of the project referred to as "Development of the open and closed section production technology from aluminium alloy ECO-ALSi coming entirely from recycling of aluminium car parts" (RPWP.01.02.00-30-0027/16). The project is being implemented under the Greater Poland Regional Operational Programme for years 2014 – 2020.

Moreover, in 2018 the research and development work were carried on. In particular, for the automotive and packaging industry - launch of new products of the LH435 alloy dedicated for production of automotive heat exchanger components (the material undergoes final validation investigations performed by final customers). Due to the increasing requirements of customers, some internal research and development works were aimed at improving the current products, for instance the LH436 alloy (increasing the corrosion resistance, increasing the level of mechanical properties).

Research and development works are carried on for the packaging industry with the objective of preparing new alloys to serve as materials for bottle caps.

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

In 2018 WM Dziedzice S.A. implemented a project referred to as "BRASS CAST&DRAW® Tech - Innovative technology of product forming from copper alloys complying with new geometrical quality standards to be machined with high rotation frequency".

Under the "BRASS CAST&DRAW® Tech" project the Foundry Department was retrofitted with a modernised melting and casting unit, on which all the tests of casting alloys took place. As per the schedule, a full report with the results and guidelines for the new technology was submitted to Walcownia Metali "Dziedzice" S.A. by the end of June 2018, thus meeting the requirements for reaching the project milestone. Apart from the research work mentioned above, the Foundry Department saw some modernisation works, including:

Unification of the power supply systems in all induction furnaces of the foundry with a capacity of 4 tons.

Upgrade of the system for cleaning the brass sheath from steel elements on the loading line of the Induga furnace, improving the efficiency of the cleaning system to over 99%.

The process of recovery of brass residues from furnace slag was refined to increase the efficiency of the system.

Implementation of a steel plate of the reusable furnace chamber for repair of melting units with a capacity of 4 tons.

Initiation of initial testing of ingot casting on the fi250x320 crystalliser to improve the structure of lead brass; testing will continue in 2019.

For the Pressing and Drawing Department, 2018 was the year in which the research and development works were focused mainly on the implementation of the "BRASS CAST&DRAW® Tech" project. The construction of a demonstration stand for this project, featuring a complex production line, dominated the events at the Department. In addition to the above:

Brass grade CW626N (CuZn33Pb1,5AlAs) - improved size of dezincification by changing the technology.



Launch of works on the introduction of a new CW625N (CuZn35Pb1.5AlAs) grade.  
Further tests of production of copper alloy CW505L (CuZn30) fi12.0mm diameter thin bars.  
Further research to improve the structure and properties of drawn and coiled material on spools for the power industry.

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

In 2018, the branch of Huta Oława finalised the research and development work co-financed by the National Center for Research and Development (NCRD) under the GEKON II program consisting in the development of a new energy-saving zinc oxide production technology. The value of the program amounted to PLN 3,176 with an acquired subsidy of PLN 2,177. As a result of the tests, the assumptions were made for the construction of a new crucible furnace of a 15 tons ZnO/day, capacity at the Feniks Plant in Będzin which will eventually replace the currently operated rotary furnace. The plant is currently at the stage of preparing the necessary documents to submit an application for the integrated permit amendment. The Huta Oława branch is planning to start the investment this year.

In 2018 ZM SILESIA S.A. signed a material agreement with NCRD for co-financing of a research project referred to as: "Development of technology and implementation into production of a full assortment range of Zn-Al alloy wires intended for corrosion protection by spray metallisation" implemented under the Smart Growth Operational Programme.

Project implementation period: 01.01.2018 – 31.12.2020

The project involves the development and validation in industrial of ZM SILESIA S.A. conditions of the technology of production of Zn-Al alloy wires used for anticorrosive protection of steel structures by spray metallisation method for wind turbine manufacturers, manufacturers of steel pipes, steel structures, automotive parts and capacitor as well as metallised foils.

The implementation of the new technology will help in a dramatic change in the production of Zn-Al wires and expand the assortment range by 77 product items.

In January 2018 a new furnace was implemented at Silesia for wire manufacturing, capacity 15-17 tons. This will increase the production of zinc wire by approx. 35%.

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

## **12. TRANSACTIONS WITH AFFILIATED ENTITIES**

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

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

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

On 11 January 2018, SPV Impexmetal Sp. z o.o. acquired 12 - A16 series bonds with a nominal value of PLN 1 000 000.00 each for the total amount of PLN 12 000 000. The interest was determined on the arm's length basis. Redemption date: 31 December 2020.

On 14 February 2018, SPV Impexmetal Sp. z o.o. acquired 16 - A17 series bonds with a nominal value of PLN 1 000 000.00 each for the total amount of PLN 17 000 000. The interest was determined on the arm's length basis. Redemption date: 31 December 2018.

On 1 March 2018, Zakład Utylizacji Odpadów Sp. z o.o. acquired 25 - A18 series bonds with a nominal value of PLN 1 000 000.00 each for the total amount of PLN 25 000 000. The interest was determined on the arm's length basis. Redemption date: 28 February 2021.

On 18 June 2018 SPV Impexmetal Sp. z o.o. acquired 8 - A19 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 8 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2020.

On 19 June 2018 SPV Impexmetal Sp. z o.o. acquired 2 - A20 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 2 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2020.

On 18 June 2018 Eastside – Bis Sp. z o.o. acquired 2 - A21 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 2 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2020.

On 2 July 2018 WM Dziedzice S.A. acquired 16 - A22 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 16 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 30 June 2019. These bonds replace 16 - A7 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 16 000 000 acquired on 30 June 2017 by WM Dziedzice S.A. based in Czechowice-Dziedzice, with redemption date of: 30 June 2018.

On 1 October 2018 Hutmen S.A. acquired 7 - A23 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 7 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 30 September 2019. These bonds replace 7 A9 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 7 000 000 acquired on 2 October 2017 by Hutmen S.A. based in Wrocław.

On 1 October 2018 Polski Cynk Sp. z o.o. acquired 3 - C1 series registered bonds with a nominal value of EUR 500 000.00 each, for the total amount of EUR 1 500 000.00. The interest on the bonds was determined on the arm's length basis. Redemption date: 30 September 2019. These bonds replace 3 - BE series registered bonds with a nominal value of EUR 500 000 each, for the total amount of EUR 1 500 000.00 acquired on 30 June 2017 by Polski Cynk Sp. z o.o. based in Oława.

On 8 October 2018 Torlen Spółka z o.o. acquired 2 - A24 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 2 000 000.00. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2019.

On 16 October 2018 SPV Impexmetal Sp. z. o.o. acquired 2 - A25 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 2 000 000.00. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2020.

On 18 October 2018 Polski Cynk Spółka z o.o. acquired 9 - A26 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 9 000 000.00. The interest on the bonds was determined on the arm's length basis. Redemption date: 30 September 2019.

On 18 July 2018 WM Dziedzice S.A. acquired 6 - A27 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 6 000 000.00. The interest on the bonds was determined on the arm's length basis. Redemption date: 30 June 2019.

On 29 October 2018 Hutmen S.A. acquired 15 - A28 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 15 000 000.00. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2019.

On 31 October 2018 Hutmen S.A. acquired 2 - A29 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 2 000 000.00. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2019.

On 23 November 2018 WM Dziedzice S.A. acquired 3 - A30 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 3 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date: 30 June 2019.

On 5 December 2018 SPV Impexmetal Sp. z. o.o. acquired 4 - A31 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 4 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date: 31 December 2020.

On 17 December 2018 Eastside Capital Investments Sp. z o.o. acquired 1 - A32 series registered bond and Eastside - Bis Sp. z o.o. acquired 1 - A32 series registered bond with a nominal value of PLN 1 000 000 each, for the total amount of PLN 2 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date: 31 December 2020.

On 31 December 2018 SPV Impexmetal Sp. z o.o. acquired 8 - A33 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 8 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date: 31 December 2020. These bonds replace 5 - A10 series registered bonds with a nominal value of PLN 1 000 000.00 each, acquired on 20 October 2017 as well as 3 - A11 series registered bonds with a nominal value of PLN 1 000 000.00 each, acquired on 25 October 2017 by SPV Impexmetal Sp. z o.o. based in Warsaw.

On 31 December 2018 Hutmen S.A. acquired 14 - A34 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 14 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date: 31 December 2019. These bonds replace 14 - A13 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 14 000 000 acquired on 29 December 2017 by Hutmen S.A. based in Wrocław.

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

On 29 October 2018 Boryszew S.A. carried out an early redemption of 15 - A1 series registered bonds, issued on 29 July 2016 and acquired by WM Dziedzice S.A., with a nominal value of PLN 1 000 000 each; the total amount of redemption was PLN 15 000 000, plus due interest.

On 29, 30 and 31 October 2018 Boryszew S.A. carried out an early redemption of 16 - A22 series registered bonds, issued on 2 July 2018 and acquired by WM Dziedzice S.A., with a nominal value of PLN 1 000 000 each; the total amount of redemption was PLN 16 000 000, plus due interest.

On 31 October 2018 Boryszew S.A. carried out an early redemption of 1 - A15 series registered bond, issued on 29 December 2017 and acquired by WM Dziedzice S.A., with a nominal value of PLN 1 000 000 each; the total amount of redemption was PLN 1 000 000, plus due interest.

#### **BONDS ISSUED BY SPV BORYSZEW 3 SP. Z O.O.**

On 2 October 2018 Hutmen S.A. acquired 6 - N series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 6 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 30 June 2019. These bonds replace 6 - K series registered bonds with a nominal value of PLN 1 000 000.000 each and the total value of PLN 6 000 000, acquired on 30 June 2017 by Hutmen S.A. based in Wrocław, with redemption date of: 30 June 2018.

On 2 July 2018, WM Dziedzice S.A. acquired 20 - O series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 20 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 30 June 2019. These bonds replace 6 - L series registered bonds with a nominal value of PLN 1 000 000.000 each and the total value of PLN 20 000 000 acquired on 30 June 2017 by WM Dziedzice S.A. based in Czechowice-Dziedzice, with redemption date of: 30 June 2018.

On 31 October 2018, Hutmen S.A. acquired 20 - P series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 20 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2019.

On 31 December 2018, Hutmen S.A. acquired 5 - R series registered bonds, with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 5 000 000. The interest on the bonds was determined on the arm's length basis. Redemption date: 31 December 2019. These bonds replace 5 - M series registered bonds with a nominal value of PLN 1 000 000.000 each, acquired on 29 December 2017 by Hutmen S.A. based in Wrocław.

#### **ACQUISITION OF BONDS ISSUED BY IMPEXMETAL S.A.**

On 2 January 2018 Metal Zinc Sp. o.o. based in Katowice acquired 7 R series registered bonds with nominal value of PLN 1 000 000.00 and total nominal value of PLN 7 000 000.00 and redemption date of 31 December 2018. The interest was determined on the arm's length basis. On 1 March 2018 these bonds were redeemed at their nominal value plus interest due. The bonds were acquired for redemption as part of the optimisation scheme of financing structure and cash management at Impexmetal Capital Group.

On 2 January 2018 S and I S.A. established in St. Sulpice, Switzerland, has acquired 16 registered bonds of S series of nominal value of PLN 1 000 000.00 each of the total nominal value of PLN 16 000 000.00 with maturity date of 31 December 2018. The interest was determined on the arm's length basis. The bonds were redeemed at their nominal value plus accrued interest.

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

On 26 February 2018 Baterpol S.A. issued J series bonds for a total amount of PLN 4 000 000.00, which were acquired by Polski Cynk Sp. z o.o. The maturity date of the bonds was set at 26 February 2023. The interest was determined on the arm's length basis.

On 26 February 2018 (in accordance with the maturity date) Baterpol S.A. redeemed E series bonds acquired by Polski Cynku Sp. z o.o. for a total amount of PLN 4.5 million and on 15 October 2018 Baterpol S.A. early redeemed G series bonds for a total amount of PLN 6.9 million.

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

On 5 February 2018 Boryszew S.A. acquired 1 BO4 series registered bond with nominal value of PLN 500 000.00. The total nominal value of bonds acquired in this series was PLN 500 000.00. Bond redemption date was set at 31 December 2018.

On 14 February 2018 Boryszew S.A. acquired 18 BO5 series registered bonds with a nominal value of PLN 1 000 000.00 each bond. The total nominal value of bonds acquired in this series was PLN 18 000 000.00. Bond redemption date was set at 31 December 2018.

On 2 March 2018 Boryszew S.A. acquired 27 BO6 series registered bonds with a nominal value of PLN 1 000 000.00 each bond. The total nominal value of bonds acquired in this series was PLN 27 000 000.00. Bond redemption date was set at 31 December 2018.

On 19 April 2018 Boryszew S.A. acquired 1 BO7 series registered bond with nominal value of PLN 500 000.00. The total nominal value of bonds acquired in this series was PLN 500 000.00. Bond redemption date was set at 31 December 2018.

On 24 May 2018, Boryszew S.A. acquired 1 - BO8 series registered bond with a nominal value of PLN 200 000.00. The total nominal value of bonds acquired in this series was PLN 200 000.00. Bond redemption date was set at 31 December 2018.

On 28 June 2018, Boryszew S.A. acquired 1 - BO9 series registered bond with a nominal value of PLN 300 000.00. The total nominal value of bonds acquired in this series was PLN 300 000.00. Bond redemption date was set at 31 December 2018.

On 19 September 2018 Boryszew S.A. acquired 5 - B10 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 5 000 000.00. Bond redemption date was set at 31 December 2019.

On 9 October 2018 Boryszew S.A. acquired 1 - B11 series registered bond with nominal value of PLN 300 000.00. The total nominal value of bonds acquired in this series was PLN 300 000.00. Bond redemption date was set at 31 January 2022.

On 18 October 2018 Boryszew S.A. acquired 5 - B12 series registered bonds with a nominal value of PLN 2 000 000.00 each bond. The total nominal value of bonds acquired in this series was PLN 10 000 000.00. Bond redemption date was set at 31 December 2019.

On 25 October 2018 Boryszew S.A. acquired 2 - B13 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 2 000 000.00. Bond redemption date was set at 31 December 2019.

On 29 October 2018 Boryszew S.A. acquired 1 - B14 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 1 000 000.00. Bond redemption date was set at 31 December 2019.

On 31 October 2018 Boryszew S.A. acquired 1 - B15 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 1 000 000.00. Bond redemption date was set at 31 December 2019.

On 7 November 2018 Boryszew S.A. acquired 1 - B16 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 1 000 000.00. Bond redemption date was set at 31 December 2019.

On 8 November 2018 Boryszew S.A. acquired 1 - B17 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 1 000 000.00. Bond redemption date was set at 31 December 2019.

On 15 November 2018 Boryszew S.A. acquired 2 - B18 series registered bonds with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 2 000 000.00. Bond redemption date was set at 31 December 2019.

On 16 November 2018 Boryszew S.A. acquired 8 - B19 series registered bonds with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 8 000 000.00. Bond redemption date was set at 31 December 2019.

On 20 November 2018 Boryszew S.A. acquired 5 - B20 series registered bonds with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 5 000 000.00. Bond redemption date was set at 31 December 2019.

On 23 November 2018 Boryszew S.A. acquired 19 - B21 series registered bonds with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 19 000 000.00. Bond redemption date was set at 31 December 2019.

On 5 December 2018 Boryszew S.A. acquired 5 - B22 series registered bonds with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 5 000 000.00. Bond redemption date was set at 31 December 2019.

On 11 December 2018 Boryszew S.A. acquired 6 - B23 series registered bonds with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 6 000 000.00. Bond redemption date was set at 31 December 2019.

On 21 December 2018 Boryszew S.A. acquired 1 - B24 series registered bond with nominal value of PLN 300 000.00. The total nominal value of bonds acquired in this series was PLN 300 000.00. Bond redemption date was set at 31 January 2022.

The interest on the above mentioned bonds was determined on the arm's length basis.

#### **CONCLUSION OF AMENDING AGREEMENT WITH UNIBAX SP. Z O.O.**

On 21 December 2018 Boryszew S.A. signed an Amending Agreement with Unibax Sp. z o.o. based in Toruń, under which the redemption date of the following series of registered bonds was extended:

- AW series registered bonds with a total nominal value of PLN 1 000 000, issued on 9 December 2016 with maturity date of 31 December 2018,
- AW2 series registered bonds with a total nominal value of PLN 770 000.00, issued on 15 March 2017 with maturity date of 31 December 2018,
- B02 series registered bonds with a total nominal value of PLN 5 000 000.00, issued on 20 October 2017 with maturity date of 31 December 2018,
- B03 series registered bonds with a total nominal value of PLN 3 000 000.00, issued on 25 October 2017 with maturity date of 31 December 2018,
- B04 series registered bonds with a total nominal value of PLN 500 000.00, issued on 5 February 2018 with maturity date of 31 December 2018,
- B05 series registered bonds with a total nominal value of PLN 18 000 000.00, issued on 14 February 2018 with maturity date of 31 December 2018,
- B06 series registered bonds with a total nominal value of PLN 27 000 000.00, issued on 2 March 2018 with maturity date of 31 December 2018,
- B07 series registered bonds with a total nominal value of PLN 500 000.00, issued on 19 April 2018 with maturity date of 31 December 2018,
- B08 series registered bonds with a total nominal value of PLN 200 000.00, issued on 24 May 2018 with maturity date of 31 December 2018,

with the total nominal value of PLN 55 970 000.00 and redemption date of 31 December 2018, until 31 December 2019, and the remaining terms and conditions of the bond issue maintained unchanged.

#### **REDEMPTION OF BONDS ISSUED BY BORYSZEW AUTOMOTIVE PLASTICS GROUP**

On 22 February 2018 Boryszew Tensho Poland Sp. z o.o. acquired from Boryszew Automotive Plastics Sp. z o.o. 1 registered bond for the amount of PLN 1 000 000.

On 19 March 2018, Boryszew Automotive Plastics Sp. z o.o. acquired from ZM SILESIA S.A. 5 registered bonds for the total amount of PLN 1 000 000.

On 19 March 2018 and 24 April 2018 Boryszew HR Service Sp. z o.o. acquired 3 registered bonds from Boryszew Automotive Plastics Sp. z o.o. for the total amount of PLN 1 500 000.

On 27 June 2018 Boryszew Automotive Plastics Sp. z o.o. acquired from S&I S.A. in liquidation 10 registered bonds for the total amount of PLN 2 000 000.

#### **REDEMPTION OF BONDS ISSUED BY EASTSIDE - BIS SP. Z O.O.**

On 24 April 2018 Eastside - Bis Sp. z o.o. repurchased from SPV LAKME INVESTMENT Sp. z o.o. 4 - A2 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 4 000 000 plus interest due, acquired by SPV LAKME INVESTMENT Sp. z o.o. on 29 December 2017 (redemption date: 31 December 2018).

#### **MODIFICATION OF THE DEADLINE OF REDEMPTION OF BONDS EMITTED BY UNIBAX SP. Z O.O.**

Redemption date for 25 registered bonds with a total nominal value of PLN 56 000 000.00, issued by Unibax Sp. z o.o. based in Toruń and subscribed for by Eastside - Bis Spółka z o.o., that is:

- 10 EB1 Series registered bonds with a nominal value of PLN 3 000 000.00 each, on 15 November 2016,
  - 10 EB2 Series registered bonds with a nominal value of PLN 2 123 500.00 each, on 15 November 2016,
  - 5 EB3 Series registered bonds with a nominal value of PLN 953 000.00 each, on 18 November 2016,
- was changed from 31 March 2018 to 30 September 2019.

#### **REDEMPTION OF BOND ISSUED BY SPV BORYSZEW 3 SP. Z O.O.**

On 2 July 2018 (in accordance with the maturity date) SPV Boryszew 3 Sp. z o.o. repurchased from Baterpol S.A. 8 - J series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 8 000 000 plus by interest due.

#### **PURCHASE OF BONDS ISSUED BY SKOTAN S.A.**

On 24 May 2018 Boryszew S.A. Elana Branch in Toruń acquired 10 - J series registered bonds with a nominal value of PLN 100 000. The total nominal value of bonds acquired in this series was PLN 1 000 000. Bond redemption date was set at 31 December 2019.

#### **CONCLUSION OF AMENDING AGREEMENT WITH SKOTAN S.A.**

On 21 December 2018, Boryszew S.A. and Skotan S.A. based in Chorzów signed an Amending Agreement on the redemption of 15 - H series registered bonds (from 001 to 015) with a nominal value of PLN 50 000.00 each and a total nominal value of PLN 750 000.00, issued by Skotan S.A. and acquired by Boryszew S.A. on 31 October 2017, which modified the date of redemption of the bonds from 31 December 2018 to 31 December 2018.

#### **TRANSACTION AFTER THE BALANCE SHEET DATE:**

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

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

Under the provisions of point 3<sup>1</sup> of the Terms and Conditions of the Issue of each series of Bonds, the claims arising from the Bonds became due and payable upon delivery to Unibax Sp. z o.o. ("**Unibax**") of the following requests for early redemption, i.e. on 2 January 2019:

- request for early redemption of 9 - EB1 series bonds, with a nominal value of PLN 3 000 000.00 each and the total nominal value of PLN 27 000 000.00, issued by Unibax in accordance with the bond issue terms of 15 November 2016;
- request for early redemption of 9 - EB2 series bonds, with a nominal value of PLN 2 123 500.00 each and the total nominal value of PLN 19 111 500.00, issued by Unibax in accordance with the bond issue terms of 15 November 2016; and
- request for early redemption of 4 - EB3 series bonds, with a nominal value of PLN 953 000 each and the total nominal value of PLN 3 812 000.00, issued by Unibax in accordance with the bond issue terms of 18 November 2016;

Following the settlement of the transaction referred to above, Eastside - Bis holds the following bonds issued by Unibax:

- 1 EB1 series registered bond with nominal value of PLN 3 000 000;
- 1 EB2 series registered bond with nominal value of PLN 2 123 500.00;
- 1 EB3 series registered bond with nominal value of PLN 953 000.00;

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

On 3 January 2019 Boryszew S.A. acquired 3 - B25 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 3 000 000.00. Bond redemption date was set at 31 December 2019.

On 16 January 2019 Boryszew S.A. acquired 4 - B26 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 4 000 000.00. Bond redemption date was set at 31 December 2019.

On 21 February 2019 Boryszew S.A. acquired 3 - B27 series registered bond with nominal value of PLN 1 000 000.00. The total nominal value of bonds acquired in this series was PLN 3 000 000.00. Bond redemption date was set at 31 December 2019.

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

In March 2019, Unibax Spółka o.o. redeemed bonds with a total nominal value of PLN 75 970 000 prematurely.

## 13. LOANS AND BORROWINGS

### Change in liabilities due to loans and factoring in 2018

#### BORYSZEW S.A.

Loan details	Loan liabilities 31.12.2018	Loan liabilities 31.12.2017	Movement between periods	Currency	Date of loan repayment as per the agreement	interest rate (%)	Loan collateral
ALIOR Bank	11 994	11 961	33	PLN	24.03.2020	WIIBOR + margin	Authorisation to bank account, registered pledge on shares
ALIOR Bank	14 000	14 000	0	PLN	24.05.2020	WIIBOR + margin	Registered pledge on shares
ALIOR Bank	33 379	34 777	-1 398	EUR	03.03.2019	EURIBOR + margin	Authorisation to access funds in bank account, registered pledge on shares
BGK	47 429	59 195	-11 766	EUR	31.12.2022	EURIBOR + margin	Mortgage on fixed assets, assignment of loan framework agreement, Pledge on bank accounts, pledge agreement on borrower's accounts, pledge agreement on shares
BGK	21 480	0	21 480	EUR	30.06.2021	EURIBOR + margin	Mortgage on fixed assets, assignment of loan framework agreement, Pledge on bank accounts, pledge agreement on borrower's accounts, pledge agreement on shares
BGŻ BNP Paribas	4 413	3 268	1 145	PLN	04.01.2019	WIBOR + margin	Authorisation to current bank account and other accounts, Blank promissory note with declaration, Assignment of existing and future receivables, Cap (ceiling) mortgage on developed land with assignment of right from insurance policy on that property.
BGŻ BNP Paribas	15 524	7 859	7 665	PLN	30.01.2019	WIBOR + margin	Authorisation to current bank account and other accounts, Blank promissory note with declaration, Assignment of existing and future receivables, Cap (ceiling) mortgage on developed land with assignment of right from insurance policy on that property.
Credit Agricole Bank	19 111	20 855	-1 744	EUR	19.12.2022	EURIBOR + margin	Registered pledge on machines, assignment of rights under an insurance policy, registered pledge on stocks
DNB Bank	0	2 127	-2 127	PLN	31.08.2019	WIIBOR + margin	Registered pledge on shares, mortgages on real estate properties in Germany
DNB Bank	10 700	8 510	2 190	PLN	30.08.2019	WIBOR + margin	joint mortgage, assignment of rights under insurance policy, pledge on machinery
DNB Bank	24 997	25 000	-3	PLN	31.08.2019	WIIBOR + margin	Registered pledge on shares, mortgages on real estate properties in Germany
HSBC Bank	22 547	19 264	3 283	EUR	31.12.2019	EURIBOR + margin	Authorisation to bank accounts
HSBC Bank	15 000	15 000	0	PLN	12.06.2021	WIBOR + margin	Joint contractual mortgage on real estate property, assignment of rights under insurance policy, authorisation for a bank, pledge on machines, submission to enforcement, registered pledge on shares
HSBC Bank	50 000	50 000	0	PLN	12.06.2021	WIBOR + margin	Joint contractual mortgage on real estate property, assignment of rights under insurance policy, authorisation for a bank, pledge on machines, submission to enforcement, registered pledge on shares



ING Bank Śląski	15 351	4 037	11 314	EUR	30.06.2019	EURIBOR + margin	registered pledge on materials, assignment of rights under insurance policies, registered pledge on claim from bank account,
ING Bank Śląski	0	4 516	-4 516	PLN	31.05.2021	WIBOR + margin	Capped mortgage on property plus assignment of rights under an insurance policy
ING Bank Śląski	0	13 932	-13 932	PLN	30.06.2018	WIBOR + margin	pledge on materials, pledge on finished products, assignment of rights arising from trade contract, joint mortgage on real property, assignment of rights under insurance policy, lock on shares
ING Bank Śląski	0	31 258	-31 258	EUR	30.06.2018	EURIBOR + margin	Cap (ceiling) mortgage on real estate, register pledge on stocks, lock on shares
ING Commercial Finance	-64	-168	104	EUR	unspecified period of time	EURIBOR + margin	Own promissory note with promissory note declaration
mBank	8 000	8 000	0	PLN	14.10.2020	WIBOR + margin	joint mortgage on property, assignment of rights under insurance policy,
mBank	0	9 708	-9 708	PLN	12.10.2018	WIBOR + margin	joint mortgage on real estate properties, assignment of rights under insurance policy on assets
mBank faktoring	23 584	24 664	-1 080	EUR	unspecified period of time	EURIBOR + margin	Own promissory note with promissory note declaration, assignment of funds on bank account
PKO BP	10 000	2 642	7 358	PLN	31.12.2021	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	0	3 610	-3 610	PLN	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	0	5 719	-5 719	PLN	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	0	7 879	-7 879	PLN	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	0	9 790	-9 790	PLN	31.12.2018	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	13 273	12 000	1 273	PLN	31.12.2019	WIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	19 437	0	19 437	EUR	31.12.2019	EURIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	40 850	27 443	13 407	EUR	31.12.2021	EURIBOR + margin	Authorisation to access funds in bank account, Registered pledge on fixed assets; Cap (ceiling) mortgage, Assignment of rights under insurance policy, Lock on shares
PKO BP	20 240	20 215	25	PLN	31.05.2019	WIBOR + margin	Assignment of receivables from insurance agreement, Registered pledge on stocks, cap contractual mortgage on real estate properties, Registered pledge on machines
PKO FAKTORING	5 252	6 540	-1 288	EUR	25.07.2019	EURIBOR + margin	Blank promissory notes, Authorisation to bank accounts

Santander Bank	29 974	29 994	-20	PLN	31.05.2019	WIBOR + margin	Cap (ceiling) mortgage on perpetual usufruct of developed land and legal ownership of buildings and structures on real estate, lock, registered pledge on shares
Santander Bank	4 614	0	4 614	PLN	31.05.2019	WIBOR + margin	Cap (ceiling) mortgage on perpetual usufruct of developed land and legal ownership of buildings and structures on real estate, lock, registered pledge on shares
Santander Bank	61 986	0	61 986	PLN	27.06.2019	WIBOR + margin	Mortgage, assignment of receivables in favour of the Bank under building insurance agreement, registered pledge on inventories, assignment of receivables in favour of the Bank under insurance agreement regarding a subject of registered pledge
Santander Factor	-362	-340	-22	EUR	unspecified period of time	EURIBOR + margin	Own promissory note with promissory note declaration, Authorisation to bank account, lock on funds on bank account, registered pledge
DM PKO BP - deferred payment date for shares		816	-816	PLN	03.01.2018		
<i>unpaid interest as at the balance sheet date</i>		478	-478	PLN			
<i>Exchange differences</i>	12		12				
	<b>542 720</b>	<b>494 549</b>	<b>48 171</b>				

#### Termination of credits or loans

In 2018 no loans granted to Boryszew S.A. terminated.

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

As at 31 December 2018 no overdue liabilities occurred due to borrowings and loans and no breach occurred of material provisions of borrowing and loan agreements.

A subsidiary of the Automotive segment (BAP Group) failed to deliver a financial indicator at the agreed level, and thus one of the terms and conditions of a loan agreement guaranteed by Boryszew S.A. (the value of liability under this agreement as at the balance sheet date - approximately EUR 12 million) was breached. The reason for the failure to achieve the agreed level of the indicator was primarily the deterioration of the operating results in the Automotive segment due to a drop in sales as a result of the introduction of the WLTP procedure. After the balance sheet date the company in breach started negotiations with the financing institution on the rules of further cooperation under the concluded loan agreement. The Parent Company defines the risk of failure to reach an agreement with a bank as low. If a liability has to be repaid, the loan will be settled using Group's available cash.

**BORYSZEW CAPITAL GROUP**

Loan details	Loan liabilities 31.12.2018 (in PLN)	Loan liabilities 31.12.2017 (in PLN)	Movement between periods	Date of loan repayment as per the agreement
<b>Lenders:</b>				
ALIOR Bank	8	22	-14	30.09.2019
ALIOR Bank	1 842	460	1 382	31.12.2019
ALIOR Bank	11 994	11 961	33	24.03.2020
ALIOR Bank	14 000	14 000	0	24.05.2020
ALIOR Bank	24 680	3 007	21 673	31.07.2019
ALIOR Bank	33 379	34 777	-1 398	03.03.2019
Banco Desio c/anticipo export	0	1 356	-1356	31.12.2018
Banco Popular	1 510	1 789	-279	19.04.2023
Banco Popular	2 475	4 266	-1791	31.12.2019
Bank Gospodarstwa Krajowego	3 043	1 061	1 982	31.05.2019.
Bank Gospodarstwa Krajowego	6 638	448	6 190	31.05.2019
Bank Gospodarstwa Krajowego	15 050	14 598	452	31.05.2021
Bank Gospodarstwa Krajowego	21 480	0	21 480	30.06.2021
Bank Gospodarstwa Krajowego	21 500	0	21 500	31.12.2020
Bank Gospodarstwa Krajowego	24 000	24 005	-5	31.05.2021
Bank Gospodarstwa Krajowego	30 620	34 652	-4 032	31.12.2024
Bank Gospodarstwa Krajowego	47 429	59 195	-11 766	31.12.2022
Bank Gospodarstwa Krajowego	57 291	74 013	-16 722	30.09.2022
Bank Handlowy	0	4 674	-4 674	02.08.2018
Bank Handlowy	0	17 913	-17913	02.08.2018
Bank IFIS	499	1 297	-798	31.12.2019
Bank Intesa	0	542	-542	30.03.2022
Bank Millennium	0	12	-12	19.10.2019
Bank Millennium	0	46	-46	19.10.2019
Bank Millennium	0	1 629	-1 629	12.02.2020
Bank Millennium	3 722	916	2806	19.10.2019
Bank Millennium	9 889	0	9 889	26.02.2019
Bank Millennium	14 228	39 450	-25222	19.10.2019
Bank Millennium	14 666	0	14666	28.02.2019
Bank Millennium	20 267	37 805	-17 538	28.02.2019
Bank Ochrony Środowiska	2 208	0	2 208	20.03.2019
Bankinter	367	774	-407	20.10.2020
Bankinter	1 820	1 480	340	30.11.2019
Banque Populaire	1 819	1 960	-141	31.12.2026
BBVA	245	2 198	-1953	16.09.2020
BBVA	466	1 250	-784	02.03.2020
BBVA	1 919			unspecified period of time
BNP Paribas Polska S.A.	4 413	3 268	1 145	04.01.2019
BNP Paribas Polska S.A.	5 327	1 538	3789	30.11.2019
BNP Paribas Polska S.A.	11 469		11469	28.02.2019
BNP Paribas Polska S.A.	15 524	7 859	7 665	30.01.2019
Coface Poland		28	-28	open-ended
Commerzbank	21 285	7 478	13 807	open-ended
Credit Agricole	4 106	5 732	-1 626	28.02.2019
Credit Agricole	6 480	1 469	5 011	28.02.2019

Credit Agricole	21 011	23 608	-2 597	28.02.2019
Credit Agricole	21 757	18 743	3 014	28.02.2019
Credit Agricole Bank Polska	19 111	20 855	-1 744	19.12.2022
DM PKO BP - deferred payment date for shares		816	-816	03.01.2018
DNB Bank	0	2 127	-2 127	31.08.2019
DNB Bank	2 901	1 212	1689	30.08.2019
DNB Bank	5 716			30.08.2019
DNB Bank	6 877			30.08.2019'
DNB Bank	10 700	8 510	2 190	30.08.2019
DNB Bank	10 832	0	10832	31.08.2019
DNB Bank	11 146	0	11146	31.08.2019
DNB Bank	21 539	0	21539	31.01.2019
DNB Bank	24 997	25 000	-3	31.08.2019
GE Capital Bank AG	0	530	-530	30.09.2018
Hewlett-Packard	34	405	-371	31.05.2019
HSBC Bank Polska	1 323	191	1132	05.11.2020
HSBC Bank Polska	10 000	10 000	0	12.06.2021
HSBC Bank Polska	15 000	15 000	0	12.06.2021
HSBC Bank Polska	22 547	19 264	3 283	31.12.2019
HSBC Bank Polska	50 000	50 000	0	12.06.2021
ING Bank Śląski	0	4 516	-4 516	31.05.2021
ING Bank Śląski	0	13 932	-13 932	30.06.2018
ING Bank Śląski	0	31 258	-31 258	30.06.2018
ING Bank Śląski	15 351	4 037	11 314	30.06.2019
ING Commercial Finance	-64	-168	104	unspecified period of time
La Caixa	3 695	4 554	-859	30.11.2022
Liberbank	651	967	-316	20.11.2020
Liberbank	1 564	2 904	-1340	31.12.2019
LIBERBANK	2 304			unspecified period of time
mBank	0	1 200	-1 200	30.06.2018
mBank	1 045	9 708	-8 663	02.08.2019
mBank	1 107			27.08.2019
mBank	8 000	8 000	0	14.10.2020
mBank	32 682	35 870	-3 188	30.04.2024
mBank faktoring	23 584	24 664	-1 080	unspecified period of time
<i>unpaid interest as at the balance sheet date</i>		478	-478	
Pekao	1 189		1189	30.06.2019
Pekao	2 174	2 216	-42	30.06.2019
Pekao	4 384	2 389	1995	30.06.2019
Pekao	8 184	6 745	1 439	30.06.2019
Pekao	13 246	18 798	-5 552	30.06.2019
PKO BP	8 727	12 963	-4 236	19.02.2019
PKO BP	29 826	19 196	10630	31.05.2019
PKO BP	0	3 610	-3 610	31.12.2018
PKO BP	0	5 719	-5 719	31.12.2018
PKO BP	0	7 879	-7 879	31.12.2018
PKO BP	0	9 790	-9 790	31.12.2018
PKO BP	3 358	349	3 009	31.01.2019
PKO BP	3 525	749	2 776	31.01.2019
PKO BP	10 000	2 642	7 358	31.12.2019

PKO BP	13 273	12 000	1 273	31.12.2021
PKO BP	13 391	18 042	-4 651	31.05.2019
PKO BP	19 437	0	19 437	31.12.2019
PKO BP	20 240	20 215	25	31.05.2019
PKO BP	40 000	40 000	0	31.01.2020
PKO BP	40 850	27 443	13 407	31.12.2021
PKO FAKTORING	5 252	6 540	-1 288	25.07.2019
Santander Bank	-362	-340	-22	unspecified period of time
Santander Bank	0	0	0	31.05.2019
Santander Bank	0	22 760	-22 760	31.05.2019
Santander Bank	230	72	158	31.05.2019
Santander Bank	4 614	0	4 614	31.05.2019
Santander Bank	29 974	29 994	-20	31.05.2019
Santander Bank	61 986	0	61 986	27.06.2019
Société Générale	0	1 022	-1 022	14.06.2018
UniCredit	22 008	12 216	9 792	30.09.2020
Unicredit Factoring	0	5 193	-5193	open-ended
VW Bank Braunschweig	0	29	-29	15.03.2019
Exchange differences	2 732		2732	
<b>Total loans</b>	<b>1 161 306</b>	<b>1 045 340</b>	<b>115 966</b>	

#### Termination of credits or loans

In 2018, no loans or borrowings granted to Boryszew Capital Group companies of the were terminated.

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

In the reporting period and until the date of preparation of these financial statements, no breach of covenants relating to loan agreements occurred at the Parent Company level.

A subsidiary of the Automotive segment (BAP Group) experienced a situation occurred where the financial indicator was not attained at the agreed level, and thus one of the terms and conditions of a loan agreement guaranteed by Boryszew S.A. (the value of liability under this agreement as at the balance sheet date - approximately EUR 12 million) was breached. The reason for the failure to achieve the agreed level of the indicator was primarily the deterioration of the operating results in the Automotive segment due to a drop in sales as a result of the introduction of the WLTP procedure. After the balance sheet date the company in breach started negotiations with the financing institution on the rules of further cooperation under the concluded loan agreement. The Parent Company defines the risk of failure to reach an agreement with a bank as low. If a liability has to be repaid, the loan will be settled using Group's available cash.

As at the date of drafting of these financial statements, this circumstance has no impact on the financial agreements of the Parent Company or other subsidiaries of the Capital Group.

#### LOANS GRANTED TO BORYSZEW S.A. AS AT 31.12.2018

Name of the lender	Loan liabilities 31.12.2018	Loan liabilities 31.12.2017	Movement between periods	Currency	Date of loan repayment as per the agreement	interest rate (%)	Loan collateral
Impexmetal S.A.		42 500	-42 500	PLN	31.12.2018	WIBOR + margin	
Impexmetal S.A.		24 256	-24 256	PLN	31.12.2018	WIBOR + margin	
Impexmetal S.A.		20 000	-20 000	PLN	31.12.2018	WIBOR + margin	

Impexmetal S.A.		10 000	-10 000	PLN	31.12.2018	WIBOR + margin	
Impexmetal S.A.		5 000	-5 000	PLN	31.12.2018	WIBOR + margin	
Impexmetal S.A.		5 000	-5 000	PLN	31.12.2018	WIBOR + margin	
Metal Zink		800	-800	PLN	31.12.2017	WIBOR + margin	
Boryszew SPV 3	0	8 024	-8 024	PLN		WIBOR + margin	
IBM Poland	24	187	-163	PLN	01.03.2019		surety by Boryszew S.A.
mLeasing	11 878	14 998	-3 120	PLN	30.06.2022	WIBOR + margin	blank promissory note with promissory note declaration
Siemens	4 398	5 345	-947	EUR	31.03.2023	EURIBOR + margin	blank promissory note with promissory note declaration
mLeasing	2 341		2 341	EUR	15.04.2024	EURIBOR + margin	blank promissory note with promissory note declaration, registered pledge, mortgage
Impexmetal S.A.	6 000		6 000	PLN	30.06.2019	WIBOR + margin	
Impexmetal S.A.	25 000		25 000	PLN	31.12.2019	WIBOR + margin	
Impexmetal S.A.	90 256		90 256	PLN	31.12.2019	WIBOR + margin	
Impexmetal S.A.	14 000		14 000	PLN	31.12.2020	WIBOR + margin	
Impexmetal S.A.	13 000		13 000	PLN	31.12.2020	WIBOR + margin	
Impexmetal S.A.	12 000		12 000	PLN	31.12.2020	WIBOR + margin	
Impexmetal S.A.	15 000		15 000	PLN	31.12.2020	WIBOR + margin	
impact of exchange rate differences	1	-306	307	PLN			
	<b>193 898</b>	<b>135 804</b>	<b>58 094</b>				

#### **EXTENSION OF THE DEADLINE FOR REPAYMENT OF LOANS GRANTED BY BORYSZEW S.A.**

On 19 March 2018 Boryszew S.A. extended the repayment dates of loans granted to the following companies:

- 1) Boryszew Kunststofftechnik Deutschland GmbH
  - loan, granted on 02.08.2011 in the amount of EUR 14 500 000 (as amended) until 31.12.2018.
  - loan, granted on 01.09.2011 in the amount of EUR 3 000 000 (as amended) until 31.12.2018.
- 2) BRS YMOS GmbH:
  - loan, granted on 07.06.2016 in the amount of EUR 460 000 until 31.12.2018
- 3) Polish Wind Holdings B.V.
  - loan, granted on 19.04.2015 in the amount of PLN 1 100 000 (as amended) until 31.12.2018. On 17 December 2018 the loan repayment date was extended until 31 December 2019.
  - loan, granted on 20.12.2016 in the amount of PLN 550 000 until 31.12.2018. On 17 December 2018 the loan repayment date was extended until 31 December 2019.

#### **LOANS GRANTED TO BORYSZEW S.A. BY IMPEXMETAL S.A. IN 2018**

On 2 July 2018 Impexmetal S.A. granted a loan to Boryszew S.A. based in Warsaw in the amount of PLN 8 500 000 with repayment date until 31 December 2018.

On 23 October 2018 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 14 000 000 with repayment date until 31 December 2020.

On 29 October 2018 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 13 000 000 with repayment date until 31 December 2020.

On 15 November 2018 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 12 000 000 with repayment date until 31 December 2020.

On 20 November 2018 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 15 000 000 with repayment date until 31 December 2020.

On 11 December 2018 Impexmetal S.A. granted a loan to Boryszew S.A. in the amount of PLN 6 000 000 with repayment date until 30 June 2019.

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

## **BORYSZEW AUTOMOTIVE PLASTICS GROUP**

### **Loans granted**

On 16 January 2018 Boryszew Kunststofftechnik Deutschland GmbH granted a loan to BRS Ymos GmbH in the amount of EUR 3 000 000 with repayment date until 31 December 2020. The interest was determined on the arm's length basis. On 28 March 2018 the loan amount was increased by EUR 1 000 000 from EUR 3 000 000 to EUR 4 000 000. Other terms and conditions of the loan agreement remained unchanged.

On 12 February 2018 Boryszew Oberflächentechnik Deutschland GmbH granted a loan to Boryszew Automotive Plastics Sp. z o.o. in the amount of EUR 500 000 with repayment date until 31 December 2020. The interest was determined on the arm's length basis. On 24 April 2018 the loan amount was increased by EUR 300 000 from EUR 500 000 to EUR 800 000. Other terms and conditions of the loan agreement remained unchanged.

On 19 March 2018 Boryszew Kunststofftechnik Deutschland GmbH granted a loan to Boryszew Automotive Plastics Sp. z o.o. in the amount of EUR 500 000 with repayment date until 31 December 2020. The interest was determined on the arm's length basis. By 30 June 2018, the loan amount had been increased to EUR 5 808 229. Other terms and conditions of the loan agreement remained unchanged.

### **Repayment of loans**

In January 2018 THEYSOHN Kunststoffstoff GmbH repaid the loan granted on 14 August 2014 by Boryszew Formenbau Deutschland GmbH in the amount of EUR 100 000.

On 9 January 2018 Boryszew Kunststofftechnik Deutschland GmbH repaid the loan granted on 26 November 2014 by Boryszew Deutschland GmbH in the amount of EUR 390 870.

On 18 January 2018 BRS Ymos GmbH repaid the loan granted on 5 May 2017 by Boryszew S.A. in the amount of EUR 1 300 000.

On 18 January 2018 BRS Ymos GmbH repaid the loan granted on 7 June 2017 by Boryszew S.A. in the amount of EUR 460 000.

On 24 January 2018 Boryszew Automotive Plastics Sp. z o.o. repaid the loans granted on 27 November 2017 by THEYSOHN Kunststoffstoff GmbH and THEYSOHN Formenbau GmbH in the total amount of EUR 5 100 000.

On 24 January 2018 ICOS GmbH repaid the loan granted on 27 November 2017 by Boryszew Automotive Plastics Sp. z o.o. in the amount of EUR 650 342 euros.

### **LOANS GRANTED BY METAL ZINC SP. Z O. O.**

On 28 September 2018 Metal Zinc Sp. z o.o. granted a loan to ZM SILESIA S.A. based in Katowice in the amount of PLN 19 000 000 with repayment date until 31 December 2020. The interest was determined on the arm's length basis.

## **TRANSACTION AFTER THE BALANCE SHEET DATE**

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

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

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

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

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

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

## BORYSZEW S.A.

On 14 March 2019 Boryszew S.A. repaid the following loans to Impexmetal S.A. in the total amount of PLN 33 000 000.00:

- early total repayment of the loan of 10 December 2018 in the amount of PLN 6 000 000.00,
- partial repayment of the loan (consolidated under the Agreement of 6 March 2019) in the amount of PLN 27 000 000.00.

On 20 March 2019 Boryszew S.A. made a partial repayment of the loan (consolidated under the Agreement of 6 March 2019) to Impexmetal S.A. in the amount of PLN 30 000 000.00.

## 14. GUARANTEES AND SURETIES

### GUARANTEES AND SURETIES ISSUED BY BORYSZEW S.A. AS AT 31.12.2018

Entity for which guarantee or surety was issued	Issue date of guarantee or surety	Subject of liability	Value of guarantee	Expiry date of guarantee
			PLN	
Torlen Sp. z o.o.	24.07.2017	Surety regarding trade liabilities, granted to Polytrade GmbH	6 450 000	31.07.2020
	11.12.2017	Surety regarding trade liabilities, granted to MB Barter & Trading SA	2 150 000	31.12.2020
Boryszew Kunststofftechnik Deutschland GmbH	31.01.2013	Guarantee granted to Commerzbank	21 500 000	indefinite validity
	23.07.2013	Guarantee granted to GE Capital Bank AG	4 267 204	30.08.2021
	12.03.2014	Guarantee granted to Hewlett-Packard International Plc.	1 279 250	28.02.2019
	06.06.2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 279 250	31.05.2019
	25.09.2014	Guarantee granted to Hewlett-Packard International Bank Plc.	1 151 325	31.05.2019
	22.01.2015	Guarantee granted to Hewlett-Packard International Bank Plc.	430 000	31.08.2019
	24.07.2017	Guarantee granted to ALD AutoLeasing D GmbH	860 000	30.06.2022
	23.11.2017	Guarantee granted to DNB Bank Polska SA	32 250 000	28.03.2019
	07.08.2017	Guarantee granted to Deutsche Leasing International GmbH	6 020 000	indefinite validity



	08.06.2018	Guarantee granted to Deutsche Leasing International GmbH	2 580 000	08.06.2023
	19.07.2018	Guarantee granted to DNB Bank Polska SA	41 280 000	29.01.2020
<b>Theysohn Formenbau GmbH</b>	06.09.2017	Guarantee granted to akf Leasing GmbH	10 059 674	31.08.2023
<b>Boryszew Oberflächentechnik Deutschland GmbH</b>	26.01.2016	Guarantee granted to Bank Gospodarstwa Krajowego	54 674 500	31.12.2026
<b>Boryszew Plastic RUS</b>	11.07.2013	Guarantee granted to ZAO Hewlett-Packard AO	751 940	indefinite validity
	27.08.2013	Guarantee granted to RB Leasing Ltd.	1 933 280	15.06.2019
	29.01.2013	Guarantee granted to Deutsche Leasing Vostok ZAO	36 491 725	07.10.2019
	08.04.2013	Guarantee granted to Deutsche Leasing Vostok ZAO	1 138 568	07.10.2019
	30.04.2014	Guarantee granted to ZAO Hewlett-Packard AO	375 970	indefinite validity
	13.02.2017	Guarantee granted to Volvo Group Trucks Operations	21 500 000	indefinite validity
<b>BRS YMOS GmbH</b>	27.05.2015	Guarantee granted to Wurth Leasing GmbH & Co. KG	1 332 192	30.11.2020
	15.03.2016	Guarantee granted to Wurth Leasing GmbH	1 526 079	15.03.2022
<b>Boryszew Tensho Poland Sp. z o.o.</b>	13.06.2016	Guarantee granted to HSBC Bank Polska S.A.	10 000 000	11.09.2021
	14.03.2017	Guarantee granted to SPV Impexmetal Sp.z o. o for payment of financial liabilities	41 000 000	indefinite validity
	24.10.2017	Aval of lease agreement for mLeasing	772 385	15.04.2021
	24.10.2017	Aval of lease agreement for mLeasing	6 449 654	15.11.2020
	6.12.2017	Guarantee granted to PGE Obrót S.A.	1 800 000	indefinite validity
	19.07.2018	Guarantee granted to DNB Bank Polska SA	10 320 000	29.01.2020
	22.10.2018	Bill of exchange guarantee for SGB Leasing Sp. z o.o.	357 100	30.09.2025
<b>Maflow BRS s.r.l.</b>	26.04.2016	Guarantee granted to Banka IFIS	3 225 000	open-ended
	01.01.2017	Guarantee granted to CORDTECH INTERNATIONAL SAS	1 290 000	31.12.2018
	01.01.2017	Guarantee granted to Mehler Engineered Products GmbH for repayment of commercial debts	1 720 000	31.12.2018
	16.05.2017	Guarantee granted to Cover	430 000	31.12.2018
<b>Maflow France Automotive S.A.S.</b>	07.07.2016	Guarantee granted to Natixs Lease	1 621 100	07.07.2021
<b>Boryszew Commodities</b>	12.12.2017	Guarantee granted to Borealis AG for commercial liabilities	1 075 000	31.12.2019

	23.07.2018	Bill of exchange guarantee against a loan agreement for mBank S.A.	70 950 000	01.02.2019
<b>BAP Group companies - customers of Volkswagen AG</b>	16.12.2016	Volkswagen AG	86 000 000	open-ended
<b>Impexmetal S.A.</b>	1.02.2017	Guarantee granted to the Marshal Office of Wielkopolskie province	5 814 361	31.12.2018
<b>Alchemia S.A.</b>	01.10.2018	Guarantee granted to Arcelormittal Poland S.A.	21 500 000	31.12.2019
<b>Eastside-Bis</b>	01.09.2017	The Provincial Funds for Environmental Protection and Water Management in Toruń	3 801 471	open-ended
<b>Boryszew HR Service Sp. z o.o.</b>	30.08.2016	Bill of exchange guarantee against a loan to mBank	2 000 000	27.08.2019
<b>Elana Energetyka</b>	01.12.2015	PGE Obrót S.A.	3 000 000	open-ended
<b>ZM Silesia S.A.</b>	26.09.2018	Surety granted to PKO BP S.A.	10 800 000	28.02.2022
	26.10.2018	Guarantee granted to BGŻ BNP Paribas S.A.	14 400 000	31.12.2020
<b>Total guarantees and sureties granted by Boryszew SA</b>			<b>549 607 027</b>	

#### GUARANTEES AND SURETIES GRANTED BY INVESTMENT S.A. AS AT 21.12.2017

Item	Entity receiving guarantee or surety	Amount in PLN thousand		Entity issuing guarantee or surety	Date of execution
1.	Baterpol SA	1 772	PLN thousand	Impexmetal S.A.	open-ended
2.	Boryszew SA	5 318	PLN thousand	Impexmetal S.A.	open-ended
3.	SPV Boryszew 7 Sp. z o.o.	407	PLN thousand	Impexmetal S.A.	open-ended
4.	WM Dziedzice S.A.	5 800	PLN thousand	Impexmetal S.A.	28.02.2025
5.	WM Dziedzice S.A.	12 900	PLN thousand	Impexmetal S.A.	Under the agreement
6.	ZM Silesia S.A.	32 002	PLN thousand	Impexmetal S.A.	28.05.2022
	<b>Total</b>	<b>58 199</b>	<b>PLN thousand</b>		

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

## 15. TREASURY SHARES

Acting within the limits of the authorisation granted by Resolution no. 19 of the Ordinary General Assembly of Shareholders of Boryszew S.A. dated 25 June 2014 on authorising the Company's Management Board to buy back Boryszew S.A. own shares as well as pursuant to Art. 362 § 1 point 8) and Art. 362 § 4 of Commercial Companies Code in 2018 Boryszew S.A. acquired a total of 7 183 926 own shares which together with the shares already held by the Company makes a total of 18 323 831 own shares, accounting for 7.6350% of share capital and total number of votes during the General Assembly of Boryszew S.A.

As at 31 March 2018 Boryszew Capital Group held 33 840 000 shares of Boryszew S.A., accounting for 14.1000% of total votes at the General Meeting of Boryszew S.A., including:

- Boryszew S.A. : 18 323 831 own shares, accounting for 7.6350% of share in the share capital and overall number of votes at the General Meeting of Boryszew S.A.,
- Impexmetal S.A.: 13 346 169 shares, accounting for 5.5609% of share in the share capital and overall number of votes at the General Meeting of Boryszew S.A.,
- SPV Boryszew 3 Sp. z o.o. 2 165 000 shares, accounting for 0.902% share in share capital and votes during General Assembly of Impexmetal S.A.,
- Polski Cynk Sp. z o.o. 5 000 shares, accounting for 0.002% share in the share capital and votes during the General Assembly of Boryszew S.A.,

As at 31 December 2018 Alchemia, an associated entity, held 3 200 000 shares of Boryszew S.A., which represented a 1.3333% share in share capital and total number of votes during the General Assembly of Boryszew S.A. shareholders.

At the time of publication of the report, Boryszew Capital Group holds 38 000 000 shares of Boryszew S.A., accounting for 15.8333% of the total number of votes at the General Meeting of Boryszew S.A., including:

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

## **16.ISSUES OF SECURITIES**

### **DEBT SECURITIES**

#### **ISSUES OF BONDS**

I. Under registered bond issue scheme adopted under Resolution No. 153/2016 of the Management Board for Boryszew S.A, dated 28 July 2016 (with amendments), Boryszew S.A. issued:

- on 11 January 2018 - 12 A16 series registered bonds with a nominal value of PLN 1 000 000 each bond and average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 12 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020.
- on 14 February 2018 - 16 A17 series registered bonds with a nominal value of PLN 1 000 000 each bond and average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020.
- on 1 March 2018, 25 - A18 series registered bonds with a nominal value of PLN 1 000 000 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 25 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 28 February 2021.
- on 18 June 2018, 8 - A19 series registered bonds with a nominal value of PLN 1 000 000 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020.
- on 19 June 2018, 2 - A20 series registered bonds with a nominal value of PLN 1 000 000 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was

- PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020.
- on 18 June 2018, 2 - A21 series registered bonds with a nominal value of PLN 1 000 000 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020.
  - on 2 July 2018, 16 - A22 series registered bonds with a nominal value of PLN 1 000 000 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 30 June 2019. These bonds replace 16 - A7 series registered bonds with a nominal value of PLN 1 000 000 each, for the total amount of PLN 16 000 000 acquired on 30 June 2017 by WM Dziedzice S.A. based in Czechowice-Dziedzice, with redemption date of: 30 June 2018.
  - on 1 October 2018, 7 - A23 series registered bonds with a nominal value of PLN 1 000 000.00 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 30 September 2019. These bonds replace 7 - A9 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 7 000 000 acquired on 2 October 2017 by Hutmen S.A. based in Wrocław.
  - on 8 October 2018, 2 - A24 series registered bonds with a nominal value of PLN 1 000 000.00 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2019. The bond subscription offer was made to Torlen Sp. z o.o. based in Toruń.
  - on 16 October 2018, 2 - A25 series registered bonds with a nominal value of PLN 1 000 000 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020. The bond subscription offer was made to SPV Impexmetal Sp. z o.o. based in Warsaw.
  - on 18 October 2018, 9 - A26 series registered bonds with a nominal value of PLN 1 000 000.00 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 30 September 2020. The bond subscription offer was made to Polski Cynk Spółka z o.o. based in Oława.
  - on 18 October 2018, 6 - A27 series registered bonds with a nominal value of PLN 1 000 000.00 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 30 June 2019. The bond subscription offer was made to WM Dziedzice S.A. based in Czechowice-Dziedzice.
  - on 29 October 2018, 15 - A28 series registered bonds with a nominal value of PLN 1 000 000.00 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 15 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2019. The bond subscription offer was made to Hutmen S.A. based in Wrocław.
  - on 31 October 2018, 2 - A29 series registered bonds with a nominal value of PLN 1 000 000.00 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2019. The bond subscription offer was made to Hutmen S.A. based in Wrocław.
  - on 23 November 2018, 3 - A30 series registered bond with nominal value of PLN 1 000 000.00 each bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 30 June 2019. The bond subscription offer was made to WM Dziedzice S.A. based in Czechowice-Dziedzice.
  - on 5 December 2018, 4 - A31 series registered bond with nominal value of PLN 1 000 000 each bond. The total nominal value of bonds issued in this series was PLN 4 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020. The bond subscription offer was made to SPV Impexmetal Sp. z o.o. based in Warsaw.

- on 17 December 2018, 2 - A32 series registered bond with nominal value of PLN 1 000 000 each bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020. The bond subscription offer for 1 bond was made to SPV Impexmetal Sp. z o.o. based in Warsaw as well as for 1 bond to Eastside Bis Sp. z o.o. based in Warsaw.
- on 31 December 2018, 8 - A33 series registered bonds with a nominal value of PLN 1 000 000 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2020. These bonds replace 5 - A10 series registered bonds with a nominal value of PLN 1 000 000.00 each, acquired on 20 October 2017 as well as 3 - A11 series registered bonds with a nominal value of PLN 1 000 000.00 each, acquired on 25 October 2017 by SPV Impexmetal Sp. z o.o. based in Warsaw.
- on 31 December 2018, 14 - A34 series registered bonds with a nominal value of PLN 1 000 000.00 each, for an average unit price of PLN 1 000 000 per bond. The total nominal value of bonds issued in this series was PLN 16 000 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 31 December 2019. These bonds replace 14 - A13 series registered bonds with a nominal value of PLN 1 000 000.00 each, for the total amount of PLN 14 000 000 acquired on 29 December 2017 by Hutmen S.A. based in Wrocław.

II. Under registered 3-year bond issue scheme adopted under Resolution No. 129/2018 of the Management Board for Boryszew S.A, dated 27 September 2018, Boryszew S.A. issued on 1 October 2018 3 - C1 series registered bonds with a nominal value of EUR 500 000.00 each. The total nominal value of the bonds issued in this series is EUR 1 500 000.00. The interest on the bonds was determined on the arm's length basis. Bond redemption date was set at 30 September 2020. These bonds replace 3 - BE series registered bonds with a nominal value of EUR 500 000 each, acquired on 30 June 2017 by Polski Cynk Sp. z o.o. based in Oława.

Proceeds from the issue of the above mentioned bonds were used to finance operating activity of Boryszew S.A.

#### **REDEMPTION OF BONDS**

On 29 October 2018 Boryszew S.A. carried out an early redemption of 15 - A1 series registered bonds, issued on 29 July 2016 and acquired by WM Dziedzice S.A., with a nominal value of PLN 1 000 000 each; the total amount of redemption was PLN 15 000 000, plus due interest.

On 29, 30 and 31 October 2018 Boryszew S.A. carried out an early redemption of 16 - A22 series registered bonds, issued on 2 July 2018 and acquired by WM Dziedzice S.A., with a nominal value of PLN 1 000 000 each; the total amount of redemption was PLN 16 000 000, plus due interest.

On 31 October 2018 Boryszew S.A. carried out an early redemption of 1 - A15 series registered bond, issued on 29 December 2017 and acquired by WM Dziedzice S.A., with a nominal value of PLN 1 000 000 each; the total amount of redemption was PLN 1 000 000, plus due interest.

#### **EQUITY SECURITIES**

In 2018 and until publication of the report the Company did not issue any equity securities.

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

#### **Proposed distribution of profit for 2018**

Management Board of the Company recommends to retain the 2018 profit of PLN 44 720 thousand with the Company to be allocated to supplementary capital.

#### **Distribution of profit for 2017**

On 14 June 2018, the Ordinary General Meeting of Shareholders of Boryszew S.A., by Resolution No. 19, decided that the net profit of the Company for 2017 of PLN 84 504 thousand should be allocated to reserve capital for the purpose of financing the buy-back of own shares.

### **18. FINANCIAL RESULT FORECAST**

In 2018 the Management Board of Boryszew S.A. published no forecasts of the financial result for the current year.

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

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

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

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

### **BORYSZEW CAPITAL GROUP**

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

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

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

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

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

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

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

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

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

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

Significant one-off factors affecting the results in 2018 are described in the commentary to relevant segments.

### **CAPITAL GROUP**

Major one-off factors and unusual events having a significant impact on the results of 2018 should include:

- Implementation of the WLTP procedure having a significant impact on the decrease in orders for parts from car manufacturers (described in detail in the commentary to the Automotive segment),
- Costs incurred on the launch of the Maflow Group facilities in Mexico and Toruń,
- Partial reversal of impairment write-downs on Alchemia S.A. shares

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

The purpose of the long-term growth strategy assumptions adopted by Boryszew Capital Group is to strengthen its market positions in the sectors in which the Capital Group operates. The intended effect should be an increase in the companies' assets and their profitability, and thus increase in value for the shareholders in the long run. The increase in value may also be generated through the sale of selected business lines of the Capital Group.

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

### **AUTOMOTIVE SEGMENT**

#### **BORYSZEW AUTOMOTIVE PLASTICS GROUP**

The BORYSZEW AUTOMOTIVE PLASTICS Group is implementing both development plans and saving plans aimed at continuous improvement of the operating profitability of the plants. Among the ongoing tasks there is, for instance, an innovation project of over PLN 33,000,000 worth. "The Development and implementation of advanced technologies for components production and integration in the form of an innovative door panel for motor vehicles" co-financed from EU funds under the so-called "fast track" scheme of the National Center for Research and Development. The Group expects to obtain new nominations at a similar or faster pace than in the previous two years. Also analytical work on further production sites is being carried out.

#### **MAFLOW GROUP**

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

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

Due to the constant increase of labour costs in key locations of the Maflow Group, it will be crucial for the Company to find competitive methods of production, therefore the company will evaluate the profitability of

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

Maflow Branch, together with the change in the destination of car sales, will carry out an organised monitoring of business activities of its customers and competitors, a review of the global automotive market situation and analysis of the potential of individual local markets, supporting business decisions. Maflow intends to focus its attention on the North American market, for optimal use of the production capacity of the facility in Mexico. Maflow Sales Division will focus more on developing marketing functions as well as building and strengthening relations with existing and future customers.”

## **METAL SEGMENT**

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

In 2019 - 2022 the Company intends to implement the Development Programme, aimed at increasing sales of rolled products from 100 000 to 135 000 tonnes per year, as well as to develop and launch production and sales of innovative products for the automotive and packaging industries.

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

The project implementation will involve two basic investment tasks:

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

#### **Extension of the Foundry Division**

The scheme provides for construction of a modern melting and casting centre with an annual production capacity of approx. 60 000 tonnes of finished products in the form of ingots (intended for further processing) together with a melting charge preparation department. The melting and casting centre features 2 melting furnaces, casting furnace, equipment for refining and filtration of metal and 4-strand equipment for semi-continuous casting. A band saw for cutting ingots will also be installed in that centre.

#### **Extension of the Rolling Mill Division**

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

- Extending the existing rolling mill hall
- Installation of cold rolling mill
- Installation of heat treatment furnaces
- Installation of finishing machines

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

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

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

The following assumption is included in the 2018-2022 long-term plan drafted by the company:

- increase in production capacity and sales volume in 2022 by approx. 6 300 tonnes/year,



## **HUTMEN S.A.**

The main objectives of the policy of Hutmen S.A. in 2019 are the following planned projects:

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

## **BATERPOL S.A.**

The budget for 2019 provides for the launch of investment tasks to adapt the company to the BAT requirements, particularly with regard to waste/raw materials storage, which will enable the company to continue its operations after June 2020. Approximately PLN 7 million is planned for 2019.

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

The objectives of the development strategy for 2019 adopted by the Company include:

### **Silesia plant**

- achieving the assumed operating EBIT at the level of PLN 5 696 thousand and net result at the level of PLN 3 823 thousand, achieving sales volume at the level of 16 675 t, with simultaneous increase, against 2018, the sales volume of highly processed products - natural metal sheets, patinated metal sheets and zinc wires,
- optimisation of operating costs, for instance contracting suppliers of batch raw materials offering purchases with the lowest possible premium.

### **Huta OŁAWA Branch**

- achieving the assumed operating EBIT at the level of PLN 6 143 thousand and net result at the level of PLN 3 671 thousand,
- achieving sales volumes at the level of 26 559 t,
- launching production and sale of zinc oxides using the new technology, from waste materials.

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

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

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

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

market risks, including, but not limited to:

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

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

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

<b>Net debt to equity ratio</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
Loan, lease, borrowings debt	1 286 719	1 145 728
Cash and cash equivalents	(137 667)	(216 120)
<b>Net debt</b>	<b>1 149 052</b>	<b>929 608</b>
<b>Equity</b>	<b>1 794 907</b>	<b>1 722 090</b>
Net debt to equity	64.0%	54.0%

<b>Debt ratio</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
Liabilities	2 421 563	2 367 468
Assets	4 236 757	4 109 581
Debt rate	56.2%	57.6%

<b>Liquidity ratios</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
current ratio	1.75	1.74
quick ratio	0.78	0.74
current ratio	0.09	0.14

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

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

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

<b>Impairment write-off for receivables</b>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
doubtful debt allowance on trade receivables	49 100	46 373
doubtful debt allowance on other receivables	13 856	13 463
<b>Total</b>	<b>62 956</b>	<b>59 836</b>

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

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

## Liquidity risk

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

### **Analysis of contractual maturity dates of undiscounted cash flows due to financial liabilities as at 31.12.2018.**

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	178 101	170 733	325 426	395 394	77 512	14 140	1 161 306	1 161 306
Maturities of borrowings	7 578	1 093	2 206	9 109	2 707	0	22 693	22 693
Maturities of leasing liabilities	8 598	8 547	16 121	43 506	27 436	4 992	109 200	102 720
Maturity of PMA fees	1 985	0	0	4 064	4 111	132 127	142 287	57 327
payment of trade liabilities and other items							0	
<b>Total</b>	<b>196 262</b>	<b>180 373</b>	<b>343 753</b>	<b>452 073</b>	<b>111 766</b>	<b>151 259</b>	<b>1 435 486</b>	<b>1 344 046</b>

### **Analysis of contractual maturity dates of undiscounted cash flows due to financial liabilities as at 31.12.2017**

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loans maturities	86 800	155 955	377 147	307 576	110 422	7 440	1 045 340	1 045 340
Maturities of borrowings	993	992	4 259	13 123	3 480	1 478	24 325	24 325
Maturities of leasing liabilities	9 332	8 350	12 247	27 963	15 384	8 479	81 755	76 063
Maturity of PMA fees	1 985	0	0	4 064	4 111	132 174	142 334	60 969
payment of trade liabilities and other items	761 285	18 479	876	46 968			827 608	827 608
<b>Total</b>	<b>860 395</b>	<b>183 776</b>	<b>394 529</b>	<b>399 694</b>	<b>133 397</b>	<b>149 571</b>	<b>2 121 362</b>	<b>2 034 305</b>

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

## Foreign exchange rate change risk

Currency risk is an inevitable element of a business activity denominated in foreign currencies. The sources of currency risk to which companies of Boryszew Group were exposed in 2018 included: transactions of raw materials purchase, transactions of product sales, loans and borrowings incurred and cash denominated in foreign currencies. Adverse changes in exchange rates may lead to decrease in the financial results of Boryszew Group.

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

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

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

	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
<b>Receivables and payables in EUR</b>			
trade and other receivables	94 399	20 296	(20 296)
trade and other liabilities	86 823	(18 667)	18 667
borrowings and loans	85 474	(18 377)	18 377
bonds	0	0	0
leasing	14 612	(3 142)	3 142
<b>Result</b>		<b>(19 890)</b>	<b>19 890</b>

<b>Receivables and payables in USD</b>			
trade receivables	8 691	1 634	(1 634)
other liabilities	22 459	(4 222)	4 222
loans, borrowings, leasing	505	(95)	95
<b>Result</b>		<b>(2 683)</b>	<b>2 683</b>

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

Currency	Exchange rate as at 31.12.2017 (PLN)	5% exrate change (PLN)
EUR	4.1709	0.2085
USD	3.4813	0.1741

	Value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
<b>Receivables and payables in EUR</b>			
trade and other receivables	63 482	13 236	(13 236)
trade and other liabilities	69 780	(14 549)	14 549
borrowings and loans	71 902	(14 992)	14 992
bonds	0	0	0
leasing	13 643	(2 845)	2 845
<b>Result</b>		<b>(19 150)</b>	<b>19 150</b>

<b>Receivables and payables in USD</b>			
trade receivables	4 567	795	(795)
other liabilities	26 657	(4 641)	4 641
loans, borrowings, leasing	359	(63)	63
<b>Result</b>		<b>(3 909)</b>	<b>3 909</b>

## Market risk - metal prices and currency exchange rates

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

### Description of exposure

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

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

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

Risk of changes in metal prices exists at the operational level while risk of changes in currency exchange rates occurs at the strategic / fundamental / and operational level.

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

Strategic risk involving currencies is associated with throughput bonus (USD/PLN and EUR/PLN) This risk exists in case of: Boryszew S.A. branch NPA Skawina, Impexmetal S.A., Baterpol S.A., Hutmen S.A., Walcowania Metali Dziedzice S.A., Zakłady Metalurgiczne Silesia S.A.1

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

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

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

### Interest rate risk

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

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

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

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

## Analysis of sensitivity to interest rate changes

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

	As at 31.12.2018	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
<b>Interest-bearing (variable %) financial assets</b>	<b>198 023</b>	<b>990</b>	<b>(990)</b>
Loans granted	1 995	10	(10)
Debt instruments other	196 028	980	(980)
<b>Interest-bearing (variable %) financial liabilities</b>	<b>1 344 046</b>	<b>(6 721)</b>	<b>6 721</b>
Loans	1 091 552	(5 458)	5 458
Factoring	69 754	(349)	349
Borrowings	22 693	(113)	113
Debt instruments financial leasing	0	0	0
Other	102 720	(514)	514
	57 327	(287)	287
<b>Impact on future profit/loss before tax</b>		<b>(5 731)</b>	<b>5 731</b>
<b>Impact on future net profit/loss</b>		<b>(4 642)</b>	<b>4 642</b>

	As at 31.12.2017	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
<b>Interest-bearing (variable %) financial assets</b>	<b>80 098</b>	<b>400</b>	<b>(400)</b>
Loans granted	1 820	9	(9)
Debt instruments other	78 278	391	(391)
<b>Interest-bearing (variable %) financial liabilities</b>	<b>1 206 697</b>	<b>(6 033)</b>	<b>6 033</b>
Loans	973 480	(4 867)	4 867
Factoring	71 860	(359)	359
Borrowings	24 325	(122)	122
Debt instruments financial leasing	-	-	-
Other	76 063	(380)	380
	60 969	(305)	305
<b>Impact on future profit/loss before tax</b>		<b>(5 633)</b>	<b>5 633</b>
<b>Impact on future net profit/loss</b>		<b>(4 563)</b>	<b>4 563</b>

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

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

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

## Fair value

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

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

In the reporting period as well as in the comparable period, no shift of instruments between level 1 and 2 occurred.

In the reporting period as well as in the comparable period, level 3 instruments were not reclassified to level 1 and 2

### Fair value of financial assets and liabilities

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2018	As at 31.12.2017	
<b>Financial assets</b>			
Listed shares	1 819	8	Level 1
Derivative financial instruments	23 907	33 750	Level 2
<b>Financial obligations</b>			
Derivative financial instruments	5 170	25 250	Level 2

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

	Fair value as at		Hierarchy of fair value
	As at 31.12.2018	As at 31.12.2017	
<b>Financial assets</b>			
Not listed shares	77	1 890	Level 3
Shares held for trading	0	25 068	Level 3
Bonds	196 028	78 278	Level 3
Borrowings	1 995	1 820	Level 3
Trade receivables	669 250	734 472	Level 3
Investment property	150 906	154 984	Level 3
Cash and cash equivalents	137 667	216 120	Level 3
<b>Financial obligations</b>			
Loans and borrowings	1 183 999	1 069 665	Level 3
Leasing	102 720	76 063	Level 3
Trade liabilities	636 876	680 348	Level 3
SMA liabilities	57 327	60 969	Level 3

### Insurance of risks

Boryszew S.A. and subsidiaries had insurance policies for 2018 within the framework of general agreements concluded by the Parent Company with several insurance companies for the entire Boryszew Group. The insurance cover was contracted for:

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

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

## **24. FACTORS WHICH WILL INFLUENCE THE ISSUER'S FINANCIAL PERFORMANCE IN 2019**

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

- global economic situation, especially in the key sectors (automotive and construction) as well as in the main sales markets (the European Union, including Germany).
- demand for new cars, especially for products of the VW Group, which is the most important customer of the Boryszew Capital Group,
- cost of energy carriers given the announcement of a significant price increase, particularly in the energy-intensive metal processing industry and in chemistry,
- legislation in energy prices (mainly in Poland),
- 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,
- sanctions imposed by the US government on entities operating on the international non-ferrous metals market (contractors of Capital Group companies),
- 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.

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 effects of optimisation of production processes and quality improvement in all market segments,
- the effects of development investments, including to the greatest extent in Impexmetal S. A., which reached production capacity of 100 thousand tons/year,
- the effects of subsidies granted for implementation of investment projects and improvement of energy efficiency.

## **25. EMPLOYMENT**

### **EMPLOYMENT AT BORYSZEW S.A**



	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
<b>Employment structure (in full-time equivalents)</b>		
Blue-collar workers	2 544	2 605
White-collar workers	674	686
<b>Total</b>	<b>3 218</b>	<b>3 291</b>

#### **EMPLOYMENT AT BORYSZEW CAPITAL GROUP**

	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
<b>Employment structure</b>		
Blue-collar workers	7 125	7 663
White-collar workers	2 395	2 472
<b>Total</b>	<b>9 520</b>	<b>10 135</b>

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

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

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

Organizational units not belonging to the business segments will be presented in the Remaining Segment.

A graphical representation of the Management Board responsibilities for individual areas of the Company's and the Capital Group's operations is presented in point 3 of the report.

In 2018, no changes occurred in the basic principles of management of the Issuer enterprise and its Capital Group.

In 2019 the Management Board of Boryszew S.A. appointed a Compliance Officer, who is responsible for managing the risk of non-conformity of Company's operations with internal regulations and applicable laws.

## **27.AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND ITS OFFICERS, PROVIDING FOR COMPENSATION IN THE EVENT OF RESIGNATION OR DISMISSAL OF SUCH PERSONS FROM THE POSITIONS HELD WITHOUT CAUSE, OR WHERE SUCH DISMISSAL IS CAUSED BY MERGER OR TAKEOVER.**

Agreements concluded between Boryszew S.A. and its officers do not provide for any payments other than those stipulated in the Polish Labour Code.

## **28.REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD**

### **Gross remuneration of the Management Board for the Parent Company**

Aleksander Baryś	595.73
Mikołaj Budzanowski	600.00
Jarosław Michniuk	290.67
Piotr Lisiecki	119.00
Cezary Pyszkowski	600.00
Piotr Szeliga	517.5
<b>Total</b>	<b>2 722.90</b>

#### Gross remuneration of the Members of the Supervisory Board for the Parent Company

	<b>2018</b>
Jarosław Antosik	60.00
Arkadiusz Krężel	60.00
Mirosław Kutnik	60.00
Piotr Lisiecki	51.00
Janusz Siemieniec	120.00
Małgorzata Iwanejko	60.00
<b>Total</b>	<b>411.00</b>

#### Gross remuneration for members of subsidiaries' bodies

	<b>2018</b>
<b>Management Board Members of the Parent Entity</b>	<b>10</b>
including:	
Piotr Szeliga	10

	<b>2018</b>
<b>Supervisory Board Members of the Parent Entity</b>	<b>204</b>
including:	
Janusz Siemieniec	36
Małgorzata Iwanejko	36
Arkadiusz Krężel	132

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

## 29. COMPANY'S SHARES AND SHARES IN SUBSIDIARY ENTITIES HELD BY MEMBERS OF GOVERNING AND SUPERVISORY BODIES

THE COMPANY'S SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AS AT 31.12.2017 AND AS AT THE DATE OF THIS REPORT

Person	Function	As at the date of publication of the report for Q3 '2018	As at 31.12.2018	Face value [in PLN]
Aleksander Baryś	Member of the Management Board	3 000	3 000	3 000

As at the date of submitting the report for publication, no other members of managing and supervising bodies hold any shares of Boryszew S.A.

**SHARES IN ENTITIES AFFILIATED WITH THE ISSUER, HELD BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD MEMBERS AS AT 31.12.2018 AND AS AT THE DATE OF DRAFTING THIS REPORT.**

Members of managing and supervisory bodies of the Company do not hold any shares in subsidiaries.

**30. INFORMATION ON KNOWN AGREEMENTS UNDER WHICH FUTURE CHANGES MAY OCCUR IN THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS AND BONDHOLDERS**

The Company has no information on such agreements.

**31. INFORMATION ON THE SYSTEM OF CONTROLLING EMPLOYEE SHARES**

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

**32. AGREEMENT WITH INDEPENDENT STATUTORY AUDITOR**

**Agreement concluded in 2018:**

On 28 June 2018, the Supervisory Board appointed BDO Spółka z ograniczoną odpowiedzialnością sp. k. based in Warsaw to:

- a) conduct review of separate interim financial statements of Boryszew S.A. and the interim consolidated financial statements of Boryszew Capital Group drafted in accordance with the International Financial Reporting Standards and regulations on public trading in securities for the periods of 6 months ended 30 June 2018 and 30 June 2019,
- b) conduct audit of separate annual financial statements of Boryszew S.A. and the annual consolidated financial statements of Boryszew Capital Group drafted in accordance with the International Financial Reporting Standards and regulations on public trading in securities for the periods ending on 31 December 2018 - 2019.

On 30 July 2018 an Audit Service Agreement was signed. Per the agreement, the net remuneration for its performance will amount to PLN 200 000, including:

- PLN 81 000 as remuneration for the review of interim separate and consolidated financial statements prepared as at 30 June 2018, drafted in accordance with International Accounting Standards (IAS 34).
- PLN 119 000 as remuneration for audit of separate and consolidated financial statements drafted as at 31 December 2018, in accordance with International Financial Reporting Standards.

The Company did not use the services of the above-mentioned auditor, involving the audit and review of financial statements.

**Agreement concluded in 2017:**

On 5 May 2017, the Supervisory Board appointed Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (limited partnership) to audit the financial statements of Boryszew S.A. and Boryszew Capital Group for the period from 1 January 2017 to 31 December 2017.

On 14 June 2017 an Agreement on audit and review of the financial statements was signed. Per the agreement, the net remuneration for its performance will amount to PLN 215 000, including:

- PLN 100 000 for the review of condensed interim consolidated financial statements for the period of 6 months, and the review of condensed interim financial statement for the period of 6 months ended on 30 June 2017,
- PLN 115 000 for the audit of consolidated financial statement for the period of 12 months, and the audit of financial statements for the period of 12 months ended on 31 December 2017.

### **33.LITIGATIONS UNDERWAY**

#### **TAX PROCEEDINGS IN THE CAPITAL GROUP COMPANIES**

Boryszew Capital 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.

#### **Significant proceedings closed at first instance**

1. On 12 March 2018, ZM SILESIA S.A. received a decision of the Head of the Customs and Tax Office (Office) in Opole dated 28 February 2018, determining the outstanding VAT liability for 2012 in the amount of PLN 28.9 million plus interest on tax arrears in the amount of PLN 15.5 million. According to the position of the Office, ZM SILESIA S.A. failed to exercise due diligence in verifying the tax reliability of some of its suppliers, who, as it turned out, failed pay the due VAT to the state budget. As a result, ZM SILESIA S.A. should not have reduced its output tax by the input tax shown on invoices issued by dishonest contractors. Due to its different assessment of the facts from that of the inspection bodies, the subsidiary appealed against the decision of the Office.
2. On 3 April 2018, HUTMEN S.A. received the decision issued on 26 March 2018 by the Head of the Lower Silesian Tax and Customs Office (Office), which sets out HUTMEN S.A.'s VAT arrears for Q4 of 2014 amounting to PLN 3.04 million plus interest on tax arrears. As claimed by the Office, HUTMEN S.A. failed to observe due diligence in verifying the tax reliability of some of its contractors, and consequently had no right to apply the VAT rate of 0% for the intra-Community supply of goods. Due to its different assessment of the facts from that of the inspection bodies, Hutmen S.A. appealed with the Tax Chamber against the decision of the office.

On 10 September 2018 HUTMEN S.A. received a decision of the Tax Administration Chamber (Office) in Wrocław dated 4 September 2018 determining the outstanding VAT liability of HUTMEN S.A. for Q4 2012 in the amount of PLN 1.1 million plus interest on tax arrears. As claimed by the Office, HUTMEN S.A. failed to observe due diligence in verifying the tax reliability of some of its contractors, and as a consequence did not have the right to deduct input VAT.

Due to its different assessment of the facts from that of the inspection bodies, Hutmen S.A. appealed with the Provincial Administrative Court against the negative decision of the Tax Chamber. At the same time, the company paid a liability with due interest in the amount of PLN 1.7 million. On 13 March 2019 the Provincial Administrative Court issued a decision in favour of HUTMEN S.A.

3. Baterpol Recycler Sp. z o.o received a decision of the Head of the Lower Silesian Customs and Tax Office (Office) in Wrocław dated 8 June 2018, determining its outstanding VAT liability for the period March to June 2016, resulting in a negative impact on Company's financial result amounting to PLN 3.0 million. The decision is not valid and the Company has appealed against the decision within the statutory period. Due to its different assessment of the facts from that of the inspection bodies, the subsidiary appealed against the decision of the Office. On 12 July 2018, the Head of the Lower Silesian Customs and Tax Office in Wrocław referred the case to the Director of the Tax Administration Chamber in Wrocław for decision. The date of issuing the decision in the aforementioned case by the Director of the Tax Administration Chamber in Wrocław was set at 15 May 2019. Further to that, Baterpol Recycler Sp. z o. o. received a decision of the Head of the Lower Silesian Customs and Tax Office (Urząd) in Wrocław dated 30 November 2018 determining its outstanding VAT liability for the period July to September 2016, resulting in a negative impact on Company's financial result amounting to PLN 2.8 million. The decision is not valid and the Company has appealed against the decision within the statutory period. Due to its different assessment of the facts from that of the inspection bodies, the subsidiary appealed against the decision of the Office. On 4 January 2019,

the Head of the Lower Silesian Customs and Tax Office in Wrocław referred the case to the Director of the Tax Administration Chamber in Wrocław for decision. The date of issuing the decision in the aforementioned case by the Director of the Tax Administration Chamber in Wrocław was set at 10 May 2019. On 26 July 2018, the Head of the Lower Silesian Tax Office in Wrocław seized the bank accounts of Baterpol Recycler Sp. z o.o. for the total amount of PLN 2.1 million as a security for enforcement of Company's due VAT liabilities for March 2017 as well as July - December 2017.

#### **Other significant pending VAT proceedings in the Capital Group companies**

Apart from the inspection proceedings described above, the Capital Group companies are subject to audit proceedings which are at an initial stage (pending decisions). These proceedings may result in a negative stance of the authorities towards the Company, however this risk is difficult to estimate.

Proceedings in progress:

1. ZM SILESIA S.A. - VAT audit proceedings for 2013-2014, in progress,
2. Hutmen S.A. - VAT audit proceedings for 2015, in progress.
3. Baterpol S.A. received a VAT audit protocol - audited period: July 2013 - December 2015. Based on that protocol, the Company estimated the risk of questioning the deductible VAT to be PLN 3.2 million plus interest (as at 31 December 2018 - PLN 1.1 million). Audit by the First Silesian Tax Office in Sosnowiec. On 20 March 2019, the Head of the First Tax Office in Sosnowiec initiated tax proceedings in the case in question.

#### **Other tax proceedings**

1. Eastside - Bis SP. z o.o. - on 9 March 2018, a customs and fiscal audit was initiated on the correctness of corporate income tax settlement for the period between 1 December 2015 and 30 November 2016. By the date of publication of the financial statements, the company has not received the audit protocol.
2. Eastside Capital Investments Sp. z o. o. - on 9 March 2018, a customs and fiscal audit was initiated on the correctness of corporate income tax settlement for the period between 1 December 2014 and 30 November 2016. By the date of publication of the financial statements, the company has not received the audit protocol.
3. SPV Lakme Investment Sp. z o.o. - on 9 March 2018, an audit for the period between 1 January 2015 and 31 December 2015 was initiated and on 2 July 2018 - for the period between 1 January 2016 and 31 December 2016. The subject of these audits is the correctness of the corporate income tax settlement. By the date of publication of the financial statements, the company has not received the audit protocol.

As at the date of publication of the consolidated financial statements, the audits were not completed with a decision.

Due to a risk of initiating further audits, which may potentially result in decisions determining tax liabilities of these companies, the Management Board of the Parent Company assessed the documentation on the ongoing proceedings and estimated the risks, rating them according to the probability of their occurrence:

- a) **probable risk** (high risk) - a high probability of negative tax consequences (negative consequences are more probable to occur than not),
- b) **possible risk** (medium risk) - risk of negative tax consequences, however, their occurrence or not is not equally probable,
- c) **potential risk** (low risk) - some risk of negative tax consequences, but this risk is less probable than probable.

The balance of provisions in the consolidated financial statements for the risk described above as at the balance sheet date amounts to PLN 72.3 million (high risk), of which PLN 6.9 million was recognised in 2018. Moreover, an amount of PLN 38.9 million as a contingent liability (medium or low risk) was recognised. The Management Board of the Parent Company estimated the provisions considering the probability of cash outflow from the Group and chose to leave such provisions out in cases where the probability of cash outflow is low.

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

#### **Other important proceedings in the Group**

##### **HMN SZOPIENICE S.A.**

##### **Settlements regarding legally finalised proceedings of HMN Szopienice S.A. in liquidation**

The court proceedings of HMN Szopienice S.A. in liquidation against the State Treasury - the Minister of the State Treasury - for establishing the non-existence of the State Treasury's right to demand payment of PLN 10 342.9 thousand from the Company together with interest due as reimbursement of aid granted to the Company under the agreement of 6 March 2003, amended by Annex No. 1 of 28 December 2005, are described in previously published periodical reports. As a result, the Company was made obligated to return the granted public aid.

The Company concluded an agreement with the State Treasury on repayment of the principal amount in instalments and on deferring the payment date of the amount of public aid due for repayment. Under that agreement, from the date of its conclusion no interest on the principal amount is accrued and the date of final payment of interest is set at 31 December 2025. The main receivable will be repaid partly from the funds obtained from the sale of company's assets.

## **34.SPONSORING AND CHARITY ACTIVITIES**

The sponsoring activity of Boryszew S.A. is focused on promoting the image of the Company and Boryszew Capital Group. The activities carried out are aimed at supporting the organization of cultural events, including exhibitions, concerts and festivals, primarily on the local level, at the operation locations of the Group and its members.

The Group also helps local communities in charity activities, supporting them, inter alia, through donations. The Group companies are also supported by institutions hosting, inter alia, thematic conferences related to the Boryszew Capital Group activity area.

## **35.REMUNERATION POLICY**

The remuneration policies at Boryszew SA are aimed at increasing the human capital management efficiency through effective employee engagement, supporting the implementation of the assumed strategic and business objectives and increasing the competitive advantage of the Boryszew Capital Group.

The remuneration rules are implemented by defining a remuneration and incentive system for employees, including defining the goals the Capital Group sets in the area of remuneration and financial and non-financial incentives, motivating people to increase engagement and improve work efficiency by combining motivational elements with employee effectiveness and ensuring a remuneration system corresponding to the type of work performed, competences, skills and the market remuneration levels.

Internal regulations defining the remuneration rules applicable in the Boryszew Capital Group Companies/Branches are the Remuneration Rules and the Collective Labour Agreements in individual Capital Group Companies/Branches, defining the principles of remuneration for work, remuneration and benefits related to work as well as remuneration rules.

1. The Rules and Corporate Collective Labour Agreement contain the following remuneration rules:
  - a. employees are entitled to remuneration appropriate to the type of work and qualifications held,
  - b. the remuneration received for full-time employment cannot be lower than the minimum wage applicable for a given year – as defined in the national regulations,
  - c. part-time employees receive the reference salary and other remuneration components for work proportional to the working time determined in the employment contract,
  - d. remuneration is payable for work actually performed. The employees retain the right to remuneration for the period of non-performed work only when the labour law regulations provide so.
2. Bonus and/or award rules defining the manner, form and type of incentives and the value of awarded bonuses/awards, diversified according to the organization's goals and expectations. The bonus and/or award rules define:
  - a. the basis for calculating the bonus/award,
  - b. goals for implementation,
  - c. percentage or value of the bonus/award amount depending on the degree of the goal completion,
  - d. rules for determining the amount of bonuses/awards reduction for a given period (sick leave, penalty for breach of order, employment/dismissal of a worker during the month),
  - e. rules and dates of bonus/award payment.
3. The Boryszew Capital Group uses fixed and variable remuneration.
  - a. Reference salaries are permanent and determined for a given position in a given Company/Branch of the Boryszew Capital Group in relation to tasks performed in a given organizational unit and the level of responsibility of a given employee. They are awarded to the employees for their work and do not depend on criteria related to work results.

- b. Variable remuneration is defined separately for individual employee/professional groups – depending on the achieved work results and business goals set for a given organizational unit, including financial and non-financial criteria. They are awarded on the basis of work quality and the degree of commitment to achieve the objectives set for the employees.
  - c. A separate group of remuneration components are compulsory components resulting from the legal national regulations in force. With regard to companies in Poland, these are the components specified in the Labour Code, including, among others, overtime allowance, night work allowance, annual leave remuneration, retirement and disability packages and benefits due to temporary inability to work.
4. The following rules apply to the remuneration of the Boryszew SA Management Board management members:
- a. the Management Board members are employed under management or employment contracts,
  - b. contracts/agreements with the Management Board members are concluded on behalf of the Company by the Chairman of the Supervisory Board or another representative of the Supervisory Board, based on the authorization granted by way of a resolution,
  - c. when determining the remuneration amount for Management Board members, the Supervisory Board takes into account the experience, workload necessary to properly perform the duties of a Management Board member, the scope of duties and responsibilities related to the function of Management Board members and the level of remuneration in a similar position offered by other entities operating on the market,
  - d. the remuneration of Management Board members consists of the following elements:
    - i. permanent reference remuneration,
    - ii. annual bonus depending on the results of the Capital Group and/or the Company/Branch and implementation of quantitative and qualitative objectives of the Management Board members (variable part),
  - e. the terms of the variable remuneration component payment for Management Board members are determined annually by the Supervisory Board by setting short-term and long-term goals,
  - f. detailed rules for remunerating the Management Board members are specified in the Resolutions undertaken by the Supervisory Board,
  - g. additional benefits for Management Board members include a company car, technical equipment and tools necessary to perform official duties, covering travel and representation expenses in the scope and amount appropriate to the functions entrusted.

In 2018, no significant changes in the remuneration policies implemented in the Group occurred.

In the opinion of the Boryszew Management Board, the remuneration policies applied in the Group contributes to the long-term growth of the Company's value for shareholders and the stability of the company's operations.

## **36. CORPORATE GOVERNANCE PRINCIPLES STATEMENT**

As per § 70 section 6 item 5 and § 29 section 3 of the Regulations of the Warsaw Stock Exchange S.A., the Management Board of Boryszew S.A submits its Statement on application of corporate governance rules in 2018.

Boryszew Spółka Akcyjna listed on the Warsaw Stock Exchange was bound to observe in 2018 the rules of corporate governance specified in the “Code of Best Practice for WSE Listed Companies 2016” (attachment to Resolution No 26/1413/2015 of the Warsaw Stock Exchange Supervisory Board of 13 October 2015.) The content of the rules is available on the website of the Warsaw Stock Exchange.

The Company is making every effort to follow the corporate governance principles in all aspects of its activity. Moreover, in order to pursue a clear and efficient information policy, it ensures its shareholders, analysts and investors s fast and secure access to information, utilising both the traditional as well as modern technologies for publishing information on the Company to the widest possible extent.

### **THE CORPORATE GOVERNANCE RULES WHICH APPLY TO BORYSZEW S.A., WHERE THESE RULES ARE AVAILABLE, THE EXTENT OF THE COMPANY'S DEPARTURE FROM THE SET OF CORPORATE GOVERNANCE RULES AND THE REASONS FOR THIS.**

In 2018, the Company complied with the general corporate governance standards included in the “Code of Best Practice of WSE Listed Companies”, except for the following rules/recommendations:

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

	<b>Recommendation / Principle</b>	<b>Explanation of non-compliance with specific rules in 2018</b>
<b>I.Z.1.20.</b>	A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, the course of general assembly in audio or video form	<i>The Company has not so far recorded the course of general assembly in audio or video form. Due to the failure to register the course of the general meeting in any other method than by preparing the protocol required by law, the Company does not publish the course of the general meeting in its audio or video form on its website.</i>
<b>IV.R.2.</b>	If justified due to the shareholder structure or the shareholders' expectations reported to the company, provided that the company is able to provide the technical infrastructure necessary for the orderly conduct of the general meeting by means of electronic communication, it shall enable shareholders to participate in the general meeting using such means	<i>In 2018, the Company did not follow the recommendation. Some risks are involved in the implementation of this recommendation at present, including the quality of transfer, delay in the data transfer etc and also it would undermine the effectiveness of the Resolutions adopted by the General Meeting. The Company does not rule out the possibility of implementing this rule the future.</i>
<b>IV.Z.2.</b>	If justified due to the company's shareholder structure, the company shall provide a real-time generally available broadcast of the general meeting	<i>According to the Company, a real-time generally available transmission of the general meeting is not expected by shareholders. In addition, the current form of documenting the debates of the General Meeting allowed for transparency and protection of shareholders' rights. In addition, the Company provides information on the adopted resolutions in the form of current reports, and publishes it on its website <a href="http://www.boryszew.com">www.boryszew.com</a></i>
<b>V.Z.6.</b>	In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise	<i>In its internal regulations, the company does not currently define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. After verification of the practices in this area, the company will consider the possibility of introducing such regulations in the future.</i>

#### **THE MAIN CHARACTERISTICS APPLIED IN THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCEDURE OF COMPILING FINANCIAL REPORTS AND CONSOLIDATED FINANCIAL REPORTS**

As the binding procedures in Boryszew Capital Group relating to the capital market and publishing information must be adapted in line with the current legal provisions, that is new regulations on disclosure duties for companies listed at the Warsaw Stock Exchange, the Management Board of Boryszew S.A. adopted resolution on 27 June 2016 on the matter of accepting: "The regulations for cooperation in fulfilling information obligations within the Boryszew Capital Group", specifying:

- requirements regarding the scope and form of fulfilling information obligations by Boryszew SA with the participation of companies from the Boryszew Capital Group,
- correct process of identification, circulation and protection of information as part of fulfilment of information obligations required by the MAR Regulation, Act on Public Offering and other regulations, in particular by defining the rules of conduct for entities obliged to apply the Regulations in connection with the possession of information subject to reporting; dates of performing information obligations,



- model of cooperation between the companies from the Boryszew Capital Group and all organizational units of Boryszew S.A., including the bodies of the companies from the Boryszew Capital Group and the Boryszew S.A. management Board Office,
- duties of managing and supervising persons as well as persons having access to confidential information related to access to confidential information and transactions on Boryszew S.A. securities and related financial instruments.

Also the Regulations define in a transparent manner the responsibility of persons who are involved in compiling and verification of the Company's financial report.

Responsibility for preparation of financial statements and formal verification of the same lies with the Financial Director (CFO).

The manner and schedule of preparation of financial statements are each and every time defined in a separate document drafted by the Chief Accountant.

Works on preparation of financial statements are supervised by the Chief Accountant.

The various Department Managers in Boryszew S.A. are responsible for submitting information which is the subject of financial reports to the Chief Bookkeeper on time and reliably.

The Presidents of affiliated and jointly controlled companies, Branch Managing Directors are responsible for designating persons responsible (entrusted persons) for ensuring that information which is the subject of financial reports is submitted to the Chief Bookkeeper on time and reliably.

The Company's annual and six-monthly financial reports are subject to independent examination and review as appropriate by a chartered accountant.

The Company manages risk involved in the process of compiling financial reports also by at all times keeping abreast of the changes in provisions and internal regulations relating to the reporting requirements of companies and prepares their implementation well in advance of time.

The Company updates the accountancy rules on an on-going basis, based on which it prepares financial reports.

In order to ensure the stability of Boryszew Capital Group, the Company co-ordinates and influences the activities of its subsidiaries through representatives of the Company in statutory bodies of companies

**SHAREHOLDERS WHO, DIRECTLY OR INDIRECTLY, HOLD SUBSTANTIAL PACKETS OF SHARES WITH INDICATION OF THE NUMBER OF SHARES HELD BY SUCH PARTIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, THE NUMBER OF VOTES RESULTING FROM THE SHARES AND THEIR PERCENTAGE SHARE IN THE OVERALL NUMBER OF VOTES AT THE GENERAL MEETING.**

The table below presents Shareholders holding more than 5% of the share capital and of the total number of votes as at 31.12.2018:

Shareholders	Number of shares	% of capital	Number of votes	% of votes
Roman Krzysztof Karkosik (*)	156 832 020	65.347%	156 832 020	65.347%
including subsidiaries	154 144 622	64.227%	154 144 622	64.227%
Impexmetal S.A.	13 346 169	5.561%	13 346 169	5.561%
Boryszew S.A.	15 430 453	6.429%	15 430 453	6.429%
RKKK Investments Sp. z o.o.	119 998 000	49.999%	119 998 000	49.999%
Nationale - Nederlanden Open Pension Fund	14 773 261	6.156%	14 773 261	6.156%
Others	68 394 719	28.498%	68 394 719	28.498%
<b>Total:</b>	<b>240 000 000</b>	<b>100.00%</b>	<b>240 000 000</b>	<b>100.000%</b>

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

The table below presents Shareholders holding more than 5% of the share capital and of the total number of votes as at the report publication date:

Shareholders	Number of	% of capital	Number of	% of votes
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	shares		votes	
Roman Krzysztof Karkosik (*)	156 832 020	65.347%	156 832 020	65.347%
including subsidiaries:	154 144 622	64.227%	154 144 622	64.227%
Impexmetal S.A.	13 346 169	5.561%	13 346 169	5.561%
Boryszew S.A.(**)	19 283 831	8.03%	19 283 831	8.03%
RKKK Investments Sp. z o.o.	119 998 000	49.999%	119 998 000	49.999%
Nationale - Nederlanden Open Pension Fund	14 773 261	6.156%	14 773 261	6.156%
Others	68 394 719	28.498%	68 394 719	28.498%
<b>Total:</b>	<b>240 000 000</b>	<b>100.00%</b>	<b>240 000 000</b>	<b>100.000%</b>

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

(\*\*) *As per the notification of Boryszew S.A. of 18 March 2019*

The Company is not aware of any agreements other than those disclosed in point 30 under which changes might occur in future in the proportions of shares held by the existing Shareholders.

The Company did not issue any securities that would confer any special controlling rights on any of its shareholders. All shares are equal, each share entitles to one vote at the General Meeting.

#### **LIMITATIONS ON VOTING RIGHTS ON SECURITIES ISSUED BY BORYSZEW S.A.**

No restrictions exist regarding exercise of voting rights attached to securities such as restrictions on exercise of voting rights by holders of any particular part or number of votes, timing restrictions regarding exercise of the voting rights or provisions under which, with the Company's co-operation, equity rights attached to securities are separated from the holding of securities.

Boryszew S.A. and subsidiaries do not exercise voting rights from the shares held in Boryszew S.A.

#### **LIMITATIONS ON TRANSFER OF PROPRIETARY RIGHTS TO SECURITIES ISSUED BY BORYSZEW S.A.**

Company's shares are transferable. No limitations exist on the transfer of proprietary rights to securities issued by Company.

#### **PRINCIPLES OF APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND THEIR POWERS**

Pursuant to the Company's Articles of Association, duties of the Supervisory Board include appointing and recalling from office the Management Board Members. the Supervisory Board first appoints a President and on his proposal the remaining Management Board Members.

The term of office of the Management Board is three years and is common for all members of the Management Board.

The Management Board, under the chair of the President, manages the Company's affairs and represents the Company.

The powers of the Management Board include all matters which are not reserved either by law or by provisions of the Company's Articles of Association.

The Management Board of the Company has no special rights to make decisions on the issue or redemption of shares.

#### **RULES ON AMENDING ARTICLES OF ASSOCIATION**

Amendments to the Articles of Association require resolution of the General Meeting of Shareholders and must be registered with the National Court Register.

In order to amend the Articles of Association, the Management Board quotes, in the notification on General Meeting of the Company's Shareholders, the provisions then in force and the proposed amendments. If the intended amendments are extensive, the Management Board must also include the proposed consolidated text of the entire Articles of Association in the notification along with a list of its new or amended provisions.

Any amendment to the Articles of Association must be adopted by the General Meeting with the majority of  $\frac{3}{4}$  of votes.

An amendment to the Articles of Association becomes effective upon its registration with the National Court Register. The responsibility for registration of any such amendments lies with the Company's Management Board. The Management Board is obliged to file an amendment to the Articles of Association within 3 months after

adoption of relevant resolution. If the given amendment to the Articles of Association consists in increase in the Company's share capital, it may be filed within 6 months of resolving to increase the Company's share capital, and in the event that the consent has been granted to the introduction of a new issue to public trading – within 6 months of the date of such consent being granted, provided that the application for granting of the same is filed no later than four months after resolving to increase the Company's share capital. Resolution on reduction of the share capital should be filed with the National Court Register no later than 6 months after adoption of the same. While filing an amendment with the registration Court, the Management Board must include the full consolidated text of the Articles of Association.

#### **DESCRIPTION OF THE MANNER IN WHICH THE GENERAL MEETING ACTS, AS WELL AS OF ITS PRINCIPAL POWERS AND THE MANNER OF EXERCISING THE SAME**

General Meeting of Shareholder is the ultimate body of the Company.

The General Meeting acts pursuant to the provisions of the Commercial Companies Code and of the Company's Articles of Association. The Company's Articles of Association provide that the General Meeting of Shareholders may adopt the General Meeting Regulations, which stipulate the principles of its functioning. The Regulations of the General Meeting were adopted in the Company. The Company's Articles of Association and the Regulations of the General Meeting of Shareholders are available on the Company's website [www.boryszew.com](http://www.boryszew.com).

The General Meeting is convoked by the Management Board. The Supervisory Board may convoke an Ordinary General Meeting in the event that the Management Board should fail to convoke the same at the prescribed time, and an Extraordinary General Meeting where they deem it appropriate. Shareholders representing at least half of the share capital or at least half of all votes in the Company may convoke an Extraordinary Meeting of Shareholders. Shareholders appoint the chairman of the Meeting. A Shareholder or Shareholders representing at least 1/20 of the share capital may demand convocation of an Extraordinary Meeting of Shareholders and placement of specific matters on the agenda of that Meeting.

The General Meeting convoked by the Management Board as an Ordinary General Meeting takes place once per year, no later than in June. In 2016 the Ordinary General Meeting of Boryszew S.A. took place on 15 June.

The agenda of the General Meeting is determined by the Management Board. A Shareholder or Shareholders representing at least 1/20 (one-twentieth) of the share capital may demand placement of specific matters on the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than twenty-one days prior to the date of the Meeting.

The General Meeting is convoked by way of notification published on the Company's website and in the manner prescribed for passing current information according to the provisions of law. Such notification must be published at least twenty-six days before the date of the General Meeting.

The General Meeting of Shareholders is valid regardless of the number of shares represented and resolutions of the General Meeting are adopted with absolute majority of votes cast, unless the Commercial Companies Code or the Articles of Association provide otherwise.

Pursuant to the Articles of Association of Boryszew S.A., apart from other matters stipulated by the Commercial Companies Code, the following matters require a resolution of the General Meeting of Shareholders:

- considering and approval of the Management Board's report on the Company's activities and financial statements for the previous year,
- adopting a resolution on distribution of profit or covering of loss,
- acknowledgement of fulfilment of duties by member of the Company's governing bodies,
- amending the Company's Articles of Association, including increasing and decreasing the share capital and changing the object of the Company's activities,
- decisions concerning claims to remedy a loss inflicted upon incorporation of the Company or upon exercising management or supervision of the same.
- appointment and dismissal of members of the Supervisory Board,
- determining the principles of remuneration for members of the Supervisory Board and the amount of their remuneration,
- redemption of shares or determining terms of such redemption,
- issue of senior bonds or convertible bonds,
- disposal or lease-out of the enterprise or of an organized part of the same, and establishing a limited right in rem on the same,
- dissolution of the Company and appointment of liquidators,
- establishing the record date for the purposes of dividend and the date of dividend payment.

The General Meeting of Shareholders may resolve to refrain from considering a matter placed on the agenda only for important reasons. Resolutions on removal of a matter from the agenda or on refraining from consideration of any matter placed on the agenda at the request of Shareholders require the majority of 75% of votes cast, provided that those Shareholders present at the General Meeting who petitioned that the matter be placed on the agenda have already granted their consent to removal of the same from the agenda or to refraining from consideration of the same.

All matters raised at the General Meeting are first presented to the Supervisory Board for consideration. Shareholders participate in the General Meeting in person or by a proxy.

The power of attorney to participate in the General Meeting and to exercise the voting right must be made in writing to be valid.

The power of attorney to participate in the General Meeting of a public corporation and to exercise the voting right must be granted in writing or in an electronic form. Power of attorney granted in an electronic form does not require confirmation with a secure electronic signature having a valid qualified certificate.

A member of the Management Board and an employee of the Company may serve as proxies at the General Meeting of a public corporation.

If a member of the Management Board, a member of the Supervisory Board, a liquidator, an employee of a public corporation, or a member of governing bodies or an employee of a company or a cooperative being a subsidiary of that corporation serves as a proxy at the General Meeting, the power of attorney may authorise such person to participate in only one General Meeting. The proxy is obliged to disclose to the Shareholder any circumstances indicating existence of a possible conflict of interests. Granting of a further power of attorney shall be excluded.

The proxy votes in accordance with instructions given by the Shareholder.

The principles of participation in General Meetings and of exercising the voting rights are regulated by the Rules of the General Meeting of Shareholders of Boryszew S.A.

Voting at the General Meeting of Shareholders is open. A secret ballot is to be ordered at elections of and upon voting upon motions to dismiss members of the Company's governing bodies or liquidators of the Company, or on holding them accountable, as well as in personnel matters. Also, a secret ballot is to be ordered when requested by at least one of the Shareholders present or represented at the General Meeting.

Resolutions of the General Meeting of Shareholders are passed with simple majority of votes, unless provisions of the Commercial Companies Code stipulate otherwise.

As per the practice implemented at the Company, all relevant materials for the General Meeting of Shareholders are made available to the shareholders in accordance with the applicable provisions of Polish Commercial Companies Code and of the Regulation of the Council of Ministers dated 19 February 2009 on current and periodical information to be provided by issuers of securities and on conditions under which information required by laws of another state, other than a Member State, can be considered equivalent (Official Journal of Laws no. 33, item 259 of 2009). No. 33, item 259 of 2009 with subsequent amendments)

Pursuant to the Rules of the Sessions of General Meeting of Shareholders, the Chairperson oversees proper and efficient proceedings of the Meeting. Chairperson of the General Meeting of Shareholders also ensures that rights and interests of all Shareholders are respected. The Chairperson must not resign the position without important reason.

The shareholders of Boryszew S.A. are entitled to no rights other than those resulting from generally applicable laws.

## **PERSONAL COMPOSITION AND PRINCIPLES OF FUNCTIONING OF MANAGING AND SUPERVISORY BODIES AND THEIR COMMITTEES**

### **SUPERVISORY BOARD**

Pursuant to the Company's Articles of Association, the Supervisory Board is composed of at least five members. Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders. Any member of the Supervisory Board whose mandate expired during the Board's term of office must be compulsorily replaced by the Supervisory Board with another person appointed to hold the position. Appointment of members of the Supervisory Board during the Supervisory Board's term of office must be approved by the next General Meeting of Shareholders. Should the General Meeting of Shareholders refuse to approve any of the new members of the Supervisory Board appointed during the Supervisory Board's term of office, the General Meeting will elect a new member of the Supervisory Board to replace the person who was not approved.

The term of office of a member of the Supervisory Board is three years and is common for all members of the Supervisory Board.

The Supervisory Board, on its first meeting, elects its Chairperson, Deputy Chairperson and Secretary from among its members, in secret ballot.

The Supervisory Board exercises continuous supervision over the Company's operation in all fields of its activity. Members of the Supervisory Board when performing their functions have regard to the interests of the Company. The emphasis of the Supervisory Board includes measures to improve the efficiency of management of the Company to obtain maximum financial performance of the Company as well as increase its stock market value and ensure its long-term development.

The tasks of the Supervisory Board include:

- approving annual business plans of the Company and long-term Company's growth plans,
- assessment of the Management Board's report and financial statements for previous financial year in terms of compliance with books, documents and facts as well as proposals of the Management Board on distribution of profit or coverage of loss and submitting annual written report to the General Meeting of Shareholders on the results of the assessment,
- determining the number of the Management Board members, appointing and dismissing any or all Members of the Company's Management Board,
- suspending from service, for important reasons, of any or all Members of the Company's Management Board
- determining the remuneration for Management Board members,
- delegating Members of the Supervisory Board, for a period not longer than three months, to temporarily perform duties of Members of the Management Board who have been dismissed, resigned or are unable to perform their duties for other reasons.
- selecting statutory auditors for conducting the audit of the financial statements,
- approving proposals of the Management Board to establish and discontinue branches and other organized units of the Company,
- approving acquisition and disposal of real estate property, perpetual usufruct or share in real estate,
- approving transactions concerning subscribing to, disposal or acquisition of shares and stocks where the transaction value exceeds 1/20th of the Company's share capital,
- approving acquisition and disposal of fixed assets the value of which exceeds 1/20th of the Company's share capital,
- approving conclusions by the Company of loan, borrowing agreements, grating guarantees and sureties if the value exceeds in each case 1/20th of the Company's share capital,
- adopting the consolidated text of the Company's Articles of Association for internal purposes of the Company,
- approving draft resolutions submitted by the Management Board to the General Meeting of Shareholders,
- determining the issue price of new shares approving proposals of the Management Board on concluding an agreement with a sub-issuer,
- adoption of the Regulations of Management Board and Company's Organizational Rules,

The Supervisory Board holds its meetings as required, but not less than three times a year. Meetings of the Supervisory Board are convened by its Chairman on his or her own initiative or at the request of the authorised parties. Should a meeting be requested by the Management Board or a member of the Supervisory Board, the Chairman of the Supervisory Board is obliged to convene a meeting within two weeks of receipt of such request. If the Chairman fails to convene a meeting of the Supervisory Board the applicant may convene such independently specifying the date, time and proposed agenda.

Validity of resolutions of the Supervisory Board requires proper notice of the meeting of all the members of the Supervisory Board and presence of at least half of the members of the Supervisory Board, including the Chairman or Vice-Chairman.

The agenda of the meeting of the Supervisory Board is determined 5 days before the scheduled date of the meeting and approved by the Chairman and then submitted to the members of the Supervisory Board along with other materials, unless extraordinary circumstances exist justifying shortening of this period. The agenda may be amended or supplemented if all members of the Supervisory Board are present and express consent.

In emergency, the Chairman of the Supervisory Board may order another way to notify members of the Board on the date of the meeting.

In order to enable the Supervisory Board to exercise constant supervision over the Company, the Management Board provides basic financial information on the Company and Boryszew Capital Group as well as information on any events that could significantly affect the results of operations or the state of the Company's assets.

Management Board members are invited to attend meetings of the Supervisory Board and in the case of discussing matters concerning them directly, in particular: removal, responsibilities and remuneration of the

Management Board Members, Supervisory Board meetings held without participation of the Management Board members. Meetings of the Supervisory Board may also be held without formal convocation if all members of the Supervisory Board were notified and agree to hold a meeting and include specific items on the agenda. The Supervisory Board adopts resolutions only on matters included in the agenda. The Chairman administers and leads the work of the Supervisory Board and represents it to other bodies of the Company and other parties.

At each meeting of the Supervisory Board the Management Board reports on all relevant matters associated with Company's operations. In urgent matters the members of the Supervisory Board are notified by the Management Board by circulation. The President may, on their own initiative or upon a written motion of Management Board or members of the Supervisory Board, invite other persons to the meeting, in particular employees of the Company, who are responsible for the issues discussed.

The Supervisory Board may - without prejudice to the competences of other bodies of the Company - express opinions on all matters of the Company, including motions and proposals to the Management Board, which, in such case, is obliged to submit to the Chairman information on the intended use of these motions and proposals within twenty one days from the date of submission.

Members of the Supervisory Board may exercise their rights and carry out their duties in person.

Supervisory Board resolutions are adopted by an absolute majority of votes, i.e. with the number of votes exceeding half of valid votes when at least half of the Supervisory Board members are presents and all members were invited.

In the event of a tie in the voting the Chairman has the casting vote.

The Supervisory Board may pass resolutions in writing or using direct means of distance communication. The resolution is valid if all member of the Supervisory Board have been notified of the contents of the draft resolution.

Members of the Supervisory Board may participate in adopting resolutions by casting their votes in writing, acting through another Member of the Supervisory Board who attends the meeting.

The procedure of casting a vote in writing cannot be applied with respect to matters added to the agenda in the course of the given meeting of the Supervisory Board. The voting is open.

A secret ballot is ordered for elections and dismissal of the Chairman, Vice Chairman or Secretary of the Board as well as on appointment and dismissal of members of the Management Board and on suspending duties, for important reasons, of individual members or the entire Management Board, and also at the request of any member of the Board, participating in the meeting.

Meetings of the Supervisory Board are recorded. The minutes are to be signed by all members present during the meeting. List of attendance at the meeting is attached to the minutes.

The administrative and technical support for the Supervisory Board is provided by the Management Board, by appointing from employees of the Company the person directly responsible for handling and documentation of meetings of the Board.

Members of the Management Board must notify the Supervisory Board on any existing conflict of interest resulting from their performed functions. Statement format is determined by the Regulations of the Supervisory Board.

Remuneration of the members of the Supervisory Board is determined by the General Meeting, subject to the remuneration of Supervisory Board members, delegated to temporarily perform the duties of a member of the Management Board, being determined by resolution of the Supervisory Board.

The total remuneration of all members of the Supervisory Board, as well as each of individual members of the Board, is disclosed in the annual report.

Detailed principles of operation of the Supervisory Board are determined in the Rules for Supervisory Board of Boryszew S.A.

### **Supervisory Board Committees**

The following function in the structure of the Supervisory Board: Audit Committee and Remuneration Committee.

#### **Audit Committee**

##### **Composition of the Audit Committee as at 1 January 2018:**

Mr Piotr Lisiecki

Mr Jarosław Antosik

Mr Arkadiusz Krężel

Following the resignation of Mr Piotr Lisiecki from his function of a Member of the Supervisory Board, submitted on 7 November 2018, on 21 January 2019 the Supervisory Board appointed Mr Janusz Wiśniewski to the Audit Committee with.

##### **The composition of the Audit Committee as of day of publication of the statement:**

Mr Jarosław Antosik - Chairman

Mr Janusz Wiśniewski  
Mr Arkadiusz Krężel

The Audit Committee operates on the basis of applicable laws and regulations, including but not limited to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (the Act), Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the Regulation), the Company's Articles of Association and the Regulations of the Supervisory Board of Boryszew S.A.

The Audit Committee meets the independence criteria and other requirements of Article 128 and Article 129 of the aforementioned Act, namely at least one member of the Audit Committee has knowledge and skills in accounting or auditing financial statements:

- 1)
  - a. Mr Jarosław Antosik is a graduate of the Warsaw School of Economics, Higher School of Finance and Banking (1997). In 1998 he graduated a post graduate program with the French Institute of Management earning his International Management Diploma. In 2002 he obtained a tax advisor's certificate.
  - b. Mr Janusz Wiśniewski has knowledge and skills in accounting and auditing gained during his long managerial experience, in roles that include Vice-President of the Management Board and Commercial Director for Zakłady Azotowe in Tarnów-Mościce, Vice-President and then President of the Management Board of Zakłady Azotowe w Kędzierzynie-Koźlu S.A., Vice-President of the Management Board and acting President of the Management Board for PKN Orlen S.A., partner in Ernst & Young Polska, Vice-President of the Management Board for DGA S.A. Mr Janusz Wiśniewski was a member of Supervisory Boards for Basell Orlen Polyolefins Sp. z o.o., Anwil S.A., ZA Tarnów S.A. and Rafineria Trzebinia S.A.
- 2) at least one member of the Audit Committee has knowledge and skills in the industry in which the Company or its individual members operate; in accordance with certain rules, this knowledge and these skills are:
  - a. Mr Arkadiusz Krężel has knowledge and skills in the industry in which the Company operates gained during his long years in the Supervisory Board of the Company and also as the of President of the Management Board for Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency).
  - b. Mr Janusz Wiśniewski has many years of experience gained in his functions in management and supervisory boards for commercial law companies, including public companies, operating in the processing industry.
- 3) The majority of the members of the Audit Committee, including the Chairman, are independent of the Company:
  - a. Mr Jarosław Antosik - Chairman of the Audit Committee, according to the statement submitted to the Company, meets the independence criteria in the Act of 11 May 2017 on certified auditors, audit firms and public supervision.
  - b. Mr Janusz Wiśniewski - according to the statement submitted to the Company, meets the independence criteria in the Act of 11 May 2017 on certified auditors, audit firms and public supervision.

The Audit Committee is an advisory and consultative body of the Supervisory Board for the correct financial reporting, internal control and internal audit principles applied in the Company as well as the risk management system. The Audit Committee cooperates with the Management Board and employees of the Company and the certified auditor for a good understanding of the company's operating principles and to form its own opinion on the Company's financial statements integrity.

The tasks of the Audit Committee include:

- 1) monitoring:
  - financial reporting process,
  - effectiveness of internal control and risk management systems as well as internal audit, including financial reporting,
  - performing financial auditing activities, in particular audits by an audit company, including all conclusions and findings of the Polish Financial Supervision Authority resulting from inspections carried out in the audit firm;
- 2) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the audit firm provides services to the public interest entity other than audit of financial statements;

- 3) notifying the supervisory board or other supervisory body or control body of public interest entity about the results of the audit and explaining how this audit contributed to the reliability of financial reporting in the public interest entity, and what was the role of the audit committee in the audit process;
- 4) evaluating the independence of the auditor and consenting to the provision by the auditor of permitted non-audit services to the public interest entity;
- 5) drafting a policy of selecting an audit firm to conduct the audit;
- 6) drafting a policy on provision of permitted non-audit services by the audit company engaged to carry out audits of financial statements, by economic operators associated with that audit firm as well as by a member of the audit firm's network;
- 7) determining the procedure for selecting an audit firm by a public interest entity;
- 8) presenting to the supervisory board or other supervisory or control body, or to the body referred to in art. 66 par. 4 of the Accounting Act of 29 September 1994, recommendation referred to in art. 16 sec. 2 of Regulation No. 537/2014, in accordance with the policies referred to in points 5 and 6;
- 9) submitting recommendations aimed at ensuring the reliability of the financial reporting process in a public interest entity.

The Committee holds its meetings as required, but not less than once every quarter. The meetings of the Audit Committee shall be convened by its Chairman and in his absence – by the Vice-Chairman or another Committee member indicated by the Chairman. The Meetings of the Audit Committee may also be convened by the Chairman of the Supervisory Board.

The Audit Committee has access to all Company documents and is entitled to request specific information and explanations from the Company and its employees.

The Audit Committee may conduct or commission (with the consent of the Supervisory Board) the execution of specific assessments or monitoring activities within the scope of its responsibility.

The Audit Committee shall submit the following to the Supervisory Board:

- annual reports on its activities in a given financial year and a situation assessment for the Company and the Capital Group in areas within its competence,
- the conclusions, positions and recommendations developed in relation to the performance of the Audit Committee functions in a timely manner enabling the Supervisory Board to take appropriate actions.

#### **Audit firm selection policy**

The Audit Committee of the Supervisory Board for Boryszew S.A. recommends an entity authorised to audit financial statements of Boryszew S.A. on the basis of adopted policies and procedures. The auditor is selected by the Supervisory Board on the basis of a recommendation by the Audit Committee.

In the course of preparing recommendations for the Supervisory Board by the Audit Committee, the following is considered:

- whether the auditing firm meets the independence requirements referred to in Articles 69-73 of the Act on certified auditors;
- the existence of threats to the independence of the audit firm and the application of safeguards to minimise them;
- knowledge of the industry in which the Company operates;
- the price conditions of the offer,
- whether the audit firm has competent staff, time and other resources at its disposal to conduct the audit properly;
- whether the person designated as the key auditor has the qualifications to carry out mandatory audits, obtained in the European Union member state where the audit is required, including whether that person is registered in the relevant registers of auditors maintained of the European Union member state where the audit is required.
- independence of the audit firm and persons involved in financial audit activities in the light of Articles 69-73 of the Act on certified auditors;
- statutory restrictions on providing services to the Company, possible conclusions and guidelines contained in the annual audit report issued by the Audit Supervision Committee, referred to in Article 90 section 5 of the Act on certified auditors that may influence the appointment of an audit firm.

The selection is made from any audit firms which submitted a bid to provide the statutory audit service in accordance with accepted procedures, provided that:

- the audit firm that audited the Financial Statements of the Company after the expiry of the maximum duration of the mandate may not undertake the audit of the Company's financial statements within four consecutive years,



- the organisation of the procurement procedure may not exclude from participation in the selection procedure companies which have received less than 15% of their total audit fees from public-interest entities in the European Union member state concerned, in the previous calendar year, included on the list of audit firms,

#### **Restrictions on choice**

- the maximum continuous duration of statutory audit engagements carried out by an audit firm or any member of the network established in the European Union to which these audit firms belong may not exceed 5 years;
- The key certified auditor may not conduct an audit of the annual financial statements in the Company for a period longer than 5 years;
- The key certified auditor may again perform audits of the Company's annual financial statements after at least 3 years from the end of the last audit.
- the first agreement on auditing the Financial Statements is concluded with the Eligible Entity for a period of not less than two years with the possibility of extension for further periods of at least two years.

#### **Remuneration rules:**

Remuneration for the audit work received by the audit firm, its statutory auditors and subcontractors acting in their name and on their behalf may not be:

- dependent on any conditions, including the result of the audit;
- shaped or dependent on the provision to the Company or its related entities of additional services which are not audited by an Entitled Entity or any entity related to an audit firm or belonging to a network.

The audit fees must reflect the workload and complexity of the work and the qualifications required.

#### **Appointment of an audit firm to audit financial statements for 2018**

During the meeting held on 14 June 2018, the Audit Committee recommended to the Supervisory Board four entities authorised to audit financial statements, indicating BDO Sp. z o. o. sp. k.

The recommendation of an entity authorised to audit financial statements was prepared in accordance with the requirements of the Act of 11 May 2017 on certified auditors, audit firms and public supervision, Company's policy and procedure on selection of an entity authorised to audit financial statements in Boryszew S.A.

#### **Services allowed**

**Policy on provision of permitted non-audit services by the audit company engaged to carry out audits of financial statements, by economic operators associated with that audit firm as well as by a member of the audit firm's network;**

The policy of providing permitted services was prepared by the Audit Committee operating within the Supervisory Board of the Company. In accordance with the policy adopted by the Company, the provision of permitted services is possible only after the Audit Committee has carried out an assessment of threats and safeguards of independence referred to in Articles 69-73 of the Act on certified auditors.

In 2018, the Company did not conclude any agreements for services permitted by a certified auditor.

#### **Audit Committee meetings**

In 2018, the Audit Committee held 7 meetings, whose main topics were related to the selection of the entity authorised to audit financial statements of Boryszew S.A., summary of the report on the audit of financial statements for 2017 and the first half of 2018 as well as current issues related to cooperation with the auditor.

#### **Remuneration Committee**

##### **Composition of the Remuneration Committee in 2018:**

Mr Janusz Siemieniec

Mr Arkadiusz Krężel

The tasks of the Compensation Committee include in particular: presenting to the Supervisory Board opinions and proposals on shaping the management structure, including the organizational solutions, the remuneration system and selection of staff with qualifications relevant to the implementation of the Company's strategy.

#### **CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD**

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

As at 1 January 2018, the composition of the Supervisory Board was as follows:

Mr Janusz Siemieniec - Chairman of the Supervisory Board,  
Mr Piotr Lisiecki – Vice-Chairman of the Supervisory Board,  
Mr Mirosław Kutnik – Secretary of the Supervisory Board  
Mr Jarosław Antosik - – Member of the Supervisory Board,  
Mr Arkadiusz Krężel – Member of the Supervisory Board,  
Ms Małgorzata Waldowska - Member of the Supervisory Board,

On 7 November 2018, Mr Piotr Lisiecki handed in his resignation from the position of the Member of the Supervisory Board for Boryszew S.A.

On 17 January 2019, the Supervisory Board of the Company adopted a resolution on appointing Mr Janusz Wiśniewski to the Supervisory Board. Mr Janusz Wiśniewski was appointed to the Supervisory Board, replacing Mr Piotr Lisiecki, who resigned from his membership in the Supervisory Board on 7 November 2018.

On 1 April 2019 the Company was informed that on 31 March 2019 Mr Janusz Siemieńca, Chairman of the Supervisory Board of the Company, filed a resignation from the position of the Member of the Supervisory Board, effective as of the same day.

Mr Janusz Siemieniec resigned due to exceeding by subsidiary of Boryszew S.A. (Impexmetal S.A.) the threshold of 50% of votes at the General Meeting of Alchemia S.A., pursuant to Article 387 of the Code of Commercial Companies (Mr Janusz Siemieniec is the Vice President of the Management Board for Alchemia S.A.)

On 8 April 2019 the Supervisory Board appointed Mr Arkadiusz Krężel as Chairman and Mr Janusz Wiśniewski as Vice Chairman of the Supervisory Board for Boryszew S.A.

As at the date of submitting the report for publication, the Supervisory Board was composed of the following persons:

Mr Arkadiusz Krężel – Chairman of the Supervisory Board  
Mr Janusz Wiśniewski - Deputy Chairman of the Supervisory Board,  
Mr Mirosław Kutnik – Secretary of the Supervisory Board  
Mr Jarosław Antosik - – Member of the Supervisory Board,  
Ms Małgorzata Waldowska - Member of the Supervisory Board.

#### **CVs of MEMBERS OF THE SUPERVISORY BOARD OF BORYSZEW S.A.:**

##### **JANUSZ SIEMIENIEC - CHAIRMAN OF THE SUPERVISORY BOARD OF BORYSZEW S.A.**

Member of the Supervisory Board for Boryszew S.A. from 2014 to 31 March 2019.

Mr Janusz Siemieniec is a graduate from Wrocław University of Technology, Faculty of Electrical Engineering. He completed training courses at the French Institute of Management (IGF) in management of enterprises and training courses for members of management and supervisory boards of commercial companies, organized by the Ministry of Treasury.

In 1981 - 1990 he worked on management positions in the energy and mining industry.

In 1990 - 2000 he was employed as director of KWK Nowa Ruda in Nowa Ruda and Chairman of the Supervisory Board of Węglózbyt SA.

In 2000 - 2006 he served as President of the Management Board for Spółka Restrukturyzacji Kopalń SA in Katowice, member of the Supervisory Board of Kopex SA.

In 2006 - 2013 he managed investment projects in renewable energy sector, member of management board of investment companies NordWind sp. z o.o., NordEnergy sp. z o.o.

Since 2014 as Vice-President of Management Board of Alchemia S.A., responsible for operations

From December 2018 onwards - President of the Management Board for Huta Bankowa Spółka z o.o.

Mr Janusz Siemieniec is a member of Hutmen Hutmen S.A Supervisory Board,

##### **PIOTR LISIECKI – VICE-CHAIRMAN OF BORYSZEW S.A. SUPERVISORY BOARD,**

Member of the Supervisory Board for Boryszew S.A. between 15 June 2016 and 7 November 2018.

Mr Piotr Lisiecki graduated from the Physics and Astronomy Faculty of Nicolaus Copernicus University in Toruń. He obtained a scholarship at Leeds University and graduated from PhD studies at the Faculty of Management and Marketing, Poznań University of Economics and Business.

In the period from August 1999 to June 2000 delegated to AIB Bank in Dublin.

Between July 1995 and August 2010 employed at BZ WBK S.A. (previously WBK S.A.), where he passed a professional path from the IT System Administrator, Team Manager, Branch Director to Corporate Banking Center Director.

Between September 2010 and April 2012 – Managing Director, Department of Corporate Banking Centre Networks at Kredyt Bank S.A.

Between April 2012 and May 2013 – Director, Department of Corporate Client at DZ Bank S.A.

Between June 2013 and March 2016 Mr Piotr Lisiecki was employed at Bank Ochrony Środowiska S.A., initially as Managing Director, Department of Corporate Sale, then as Vice-President of the Management Board for Bank Ochrony Środowiska S.A.

Between July 2017 and December 2018 - President of the Management Board for Huta Bankowa Sp. z o.o. based in Dąbrowa Górnicza.

**MIROSLAW KUTNIK – SECRETARY OF BORYSZEW S.A. SUPERVISORY BOARD**

Member of the Supervisory Board of Boryszew S.A. since 2011.

Mr Mirosław Kutnik graduated in 1989 from the Faculty of Law at the Nicolaus Copernicus University in Toruń, earning his master's degree in law. In 1994 he was entered in the list of legal advisers under TR - 467 of the District Chamber of Legal Advisers in Toruń.

In 1995 - 2005 was ran a General Counsel Practice in Toruń, and since 2005 he has been the Managing Partner of "Kutnik, Kalinowski and Partners" in Toruń.

Since 2005 he has been an advisor to the President of the Confederation of Polish Employers for the promotion of employment and vocational and social rehabilitation of persons with disabilities. Furthermore, he is an expert of the Tripartite Commission for the amendment of legislation on professional rehabilitation and employment of disabled persons.

Since 2002 he sits on boards of public companies.

Mr Mirosław Kutnik in an expert in tax law, constitutional law, aid law. He was an attorney in a number of proceedings before the Constitutional Court.

**JAROSLAW ANTOSIK – MEMBER OF BORYSZEW S.A. SUPERVISORY BOARD**

Member of the Supervisory Board of Boryszew S.A. since 3 October 2017.

Mr Jarosław Antosik holds a university diploma. He graduated Warsaw School of Economics, University of Finance and Banking (1997) In 1998 he graduated a post graduate program with the French Institute of Management earning his International Management Diploma. In 2008 Mr Jarosław Antosik graduated a PhD program at the School of Law and Administration, Łódź University. In 1997 Mr Jarosław Antosik commenced his employment with Arthur Andersen Sp. z o.o. to earn a tax advisor certificate in 2002. In 2002 - 2005 Mr Jarosław Antosik was an employee of the tax department at Ernst &Young Sp. z o.o. Currently he is a Partner at Accreo Sp. z o.o., and a Management Board member as well. Mr Jarosław Antosik holds the Certificate of English for Business awarded by the London Chamber of Commerce and Industry as well as the Certificate of Russian for Business awarded by the Pushkin Institute and the Russian Chamber of Commerce and Industry.

Mr Jarosław Antosik in a Member of the Supervisory Board, which he joined in 2009.

**ARKADIUSZ KRĘŻEL - CHAIRMAN OF THE SUPERVISORY BOARD FOR BORYSZEW S.A.**

Member of the Supervisory Board of Boryszew S.A. since 2006. Chairman of the Supervisory Board since 8 April 2019

Mr Arkadiusz Krężel graduated from the Silesian University of Technology in Gliwice, majoring in Automation and Electrification of Mining.

In 1981 - 1992 he worked for "Kazimierz – Juliusz" Coal Mine in Sosnowiec.

In 1981 - 1992 he worked for "Kazimierz – Juliusz" Coal Mine in Sosnowiec.

In 1992 - 2006 he served as President of the Industrial Development Agency S.A.

Since 1991, he has served on Supervisory Boards of a number of companies from different industries, including: Państwowa Agencja Węgla Kamiennego S.A., Polski Bank Rozwoju S.A., Polskie Koleje Państwowe S.A., PLIVA Kraków Zakłady Farmaceutyczne S.A., Centrala Zaoatrzenia Hutnictwa S.A..

He is a member of the Management Board of the Franco - Polish Chamber of Commerce in Paris and Polish - Japanese Economic Committee.

**MS MAŁGORZATA WALDOWSKA - MEMBER OF BORYSZEW S.A. SUPERVISORY BOARD.**

Member of the Supervisory Board of Boryszew S.A. since 2015.

Ms Małgorzata Waldowska graduated from the Law and Administration Faculty of Nicolaus Copernicus University in Toruń.

Since 2012 she has held of office of the President of Management Board for Przedsiębiorstwo Badań Geofizycznych Sp. z o.o. based in Warsaw. In recent years she was temporarily the President of the Management Board for NFI Krezus S.A., Taleja Sp. z o.o. and Nova Capital Sp. z o.o. and a Member of the Supervisory Board for NPA Skawina Sp. z o.o., Krezes S.A.

Member of the Supervisory Board for Hutmen S.A. Eastside - Bis Sp. z o.o. and Skotan S.A.

**JANUSZ WIŚNIEWSKI - DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD FOR BORYSZEW S.A.**

Member of the Supervisory Board of Boryszew S.A. since 17 January 2019. Vice Chairman of the Supervisory Board since 8 April 2019.

Mr Janusz Wiśniewski is a graduate of Foreign Trade at the University of Łódź and a Princeton University scholarship holder - The Graduate School. He participated numerous managerial courses, including Stanford University Graduate School of Business and University of Chicago Graduate School.

In 1990-2009 he held positions of: Vice-President of the Management Board and Commercial Director for Zakłady Azotowe in Tarnów-Mościce, Vice-President and then President of the Management Board of Zakłady Azotowe w Kędzierzynie-Koźlu S.A., Vice-President of the Management Board and acting President of the Management Board for PKN Orlen S.A., partner in Ernst & Young Polska, Business Advisory (oil, gas, chemicals), Vice-President of the Management Board for DGA S.A. Former chairman of supervisory boards, including for Basell Orlen Polyolefins Sp. z o.o., Anwil S.A., ZA Tarnów S.A., Rafineria Trzebinia S.A.

In 2004-2008 - president of the Association of Engineers and Technicians of the Oil and Gas Industry.

Currently, he runs his own consulting company JWBS, is a Vice President of the Polish Chamber of Commerce and President of the Polish-Brazilian Chamber of Commerce.

Mr Janusz Wiśniewski joined the Supervisory Board of Impexmetal S.A. on 18 June 2018.

**MANAGEMENT BOARD OF THE COMPANY**

Pursuant to the Company's Articles of Association of Boryszew S.A., the Company's Management Board is composed of one to five persons, including: President of the Management Board, up to two Vice-Presidents and members of the Management Board.

The term of office of the Management Board is three years and is common for all members of the Management Board.

The Management Board, under the chair of the President, manages the Company's affairs and represents the Company.

The Board is responsible for the fair conduct of the Company's affairs and implementation of its statutory functions, in accordance with law and good practice.

All matters that are not reserved for the competence of the General Meeting of Stockholders and the Supervisory Board fall within the competence of the Management Board. The Management Board prepares the strategy of the Company and is responsible for its implementation and execution. The strategy is subject to approval by the Supervisory Board. The Management Board of the Company carefully analyses all actions and decisions.

A resolution of the Management Board is required in matters falling beyond the scope of ordinary management, in particular on:

- incurring loans,
- issuing sureties and guarantees
- disposal and acquisition of fixed assets,
- approval for publication of midyear and annual Management Board's reports on the activities of the Company and of the Capital Group, as well as financial statements of the Company and consolidated statements of the Capital Group,
- proposals for profit distribution or loss coverage,
- adoption of the growth programme for the Company and for the Capital Group,
- adoption of the budget of the Company and of the Capital Group,
- establishing of proxies,
- appointing, on the basis of civil law, representatives to perform certain tasks within the limits of their authorisation (with the exception of one-time power of attorney to perform certain legal actions and powers of attorney to sign the papers and documents that do not result in incurring liabilities by the Company or disposing property rights of the Company as well as power of attorney ad litem)
- approving the remuneration system and work regulations based on agreements with the trade unions,
- taking a position on issues commissioned by the Supervisory Board in the form of a resolution.

Subject to the pending share buyback, the Management Board holds no individual rights to buy back own shares. The Management Board may not resolve on share issue.

The Board recommends to the Supervisory Board the appointment of an auditor, upon analysis of the tenders submitted.

Authorized to make declaration of will and sign documents on behalf of the Company are: the President of the Management Board acting independently or two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a commercial proxy.

The Management Board convenes on as-needed basis. Management Board meeting can be participated by employees of the Company or other persons, competent for the matters discussed.

Statutory functions of the Management Board are implemented in the form of:

- resolutions passed during the meetings of the Management Board,
- motions to the Supervisory Board, General Meeting of Shareholders or court,
- declarations of will,
- implementing resolutions of the Supervisory Board and the General Meeting of Shareholders.

Resolutions of the Management Board are adopted by an absolute majority of votes. In case of a tied vote, the President has the casting vote.

A member of the Management Board, absent during a meeting, shall acknowledge and follow, on the first day at work after absence, resolutions passed during his or her absence, confirming it with a signature on the original copy of the minutes.

Meetings of the Management Board are recorded and signed by members of the Management Board present during the meeting.

Members of the Management Board must notify the Supervisory Board on any existing or potential conflict of interest resulting from their performed functions.

The principles of remuneration of the Management Board members are determined by the Supervisory Board of the Company, considering the responsibilities and function as well as the economic and financial situation of the Company.

The aggregate remuneration of all members of the Management Board and of individual members of the Management Board, with details on individual elements of remuneration, is disclosed in the annual report.

The Management Board makes every effort to ensure that the Company conducts an effective economic activity, respecting the interests of all groups of shareholders and other groups associated with the Company's interest.

#### **CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD**

As at 1 January 2018 the Company's Management Board was composed of the following persons:

Mr Jarosław Michniuk – President of the Management Board, Chief Executive Officer,

Mr Aleksander Baryś – Member of the Management Board, Finance Director,

Mr Mikołaj Budzanowski – Member of the Management Board

Mr Cezary Pyszkowski - Member of the Board, Director for Automotive Sector Development,

Mr Piotr Szeliga - Member of the Management Board, Director, Metals Segment.

On 19 January 2018 Mr Jarosław Michniuk, President of the Management Board of the Company, Chief Executive Officer, resigned from his function. Mr Jarosław Michniuk did not give reasons for his resignation.

At the same time, on 19 January 2018, the Supervisory Board of the Company decided to temporarily appoint Mr Piotr Szeliga, Member of the Management Board, to perform the duties of President of the Management Board, Chief Executive Officer.

On 7 November 2018, Mr Piotr Szeliga, acting President of the Management Board of the Company, Chief Executive Officer, resigned from his function, effective immediately.

On 7 November 2018 the Supervisory Board decided to appoint Mr Piotr Lisiecki as the President of the Management Board, Chief Executive Officer of Boryszew S.A.

As at 31 January 2018, the composition of the Management Board of the Company was as follows:

Mr Piotr Lisiecki - President of the Management Board, CEO,

Mr Aleksander Baryś – Member of the Management Board, CFO,

Mr Mikołaj Budzanowski – Member of the Management Board

Mr Cezary Pyszkowski - Member of the Board, Director for Automotive Sector Development,

From 31 December 2018 to the date of submitting the report for publication, no changes took place in the composition of the Company's Management Board.

## **CVs of MEMBERS OF BORYSZEW S.A. MANAGEMENT BOARD**

### **JAROSŁAW MICHNIUK – PRESIDENT OF BORYSZEW S.A. MANAGEMENT BOARD**

President of the Management Board, Managing Director of Boryszew S.A. between 1 October 2016 and 19 January 2018.

Mr Jarosław Michniuk graduated Warsaw University of Technology, earning his MA Eng., title in Processing of Plastics.

In 1982 - 1984 - employed as process engineer for Polskie Nagrania.

Between 1985 and 1989 - employed as scientific worker and process specialist for Instytut Technologii Elektronowych in Warsaw;

In 1988 - 1989 - Chief Process Specialist for Zakłady Elektronicznych Układów Specjalizowanych in Toruń.

In 1990 - technical and commercial advisor for Plaskon, Rohm and Hass Group in Central and Eastern Europe.

1991 marks the start of his 20-year career at BASF; initially employed as sales representative, product manager to move to the position of Director and BASF Management Board member responsible for BASF and Basell plastics sales in Poland.

In 2001 - 2004 still at BASF, as Regional Sales Director, styrene plastics in Central and Eastern Europe;

2004 - 2008 also BASF, as Marketing Director, Europe (Germany), then acting Group Vice President Northern America (Mexico);

2008 - 2011 BASF, Senior Vice President, styrene plastics in Europe, Africa and the Middle East.

Between July 2011 and August 2016 - President of Management Board of Selena FM SA, a parent for Selena Group, global manufacturer for construction chemical products, based in Wrocław.

### **ALEKSANDER BARYŚ – MEMBER OF THE MANAGEMENT BOARD**

Member of the Management Board, CFO for Boryszew S.A. since 1 October 2016.

Mr Aleksander Baryś graduated Warsaw School of Economics (Finance and Banking) earning his MA title in economics, he also graduated Mannheim University (Germany). Earned his Chartered Financial Analyst certificate in 2008, CFA Society Poland, member of the Association of Chartered Certified Accountants since 2017.

In 2003 - 2008 employed at PKN ORLEN Capital Group (Financial Controller for Basell Orlen Polyolefins Sp. z o.o. and Deputy Director for Unipetrol at PKN ORLEN S.A.).

In 2009 - 2016 at Ciech Group as: CFO at CIECH S.A. (2009 – 2014), President of the Management Board for CIECH Soda Deutschland (2014– 2016), Management Office Director for CIECH S.A. (2016), member of supervisory boards for CIECH Group companies.

Since 2018 - member of Zortrax S.A. Supervisory Board, also appointed to Magellan S.A. Supervisory Board and Elemental Holding S.A. Supervisory Board.

### **MIKOŁAJ BUDZANOWSKI – MEMBER OF THE MANAGEMENT BOARD**

Member of the Management Board, Development Director for Boryszew S.A. since 26 July 2013.

Mr Mikołaj Budzanowski is a graduate of the Jagiellonian University in Krakow. In 2004 he received the degree of Doctor of Humanities.

He was a listener at Stanford Executive Institute, Stanford University (Management Science and Engineering) and received scholarship from the Japanese Sasakawa Foundation (Nippon Foundation), Deutsch Akademischer Austausch Dienst (DAAD).

From July 2004 to December 2007, he was an adviser to the Polish delegation to the European Parliament in Brussels.

In 2008 he served as Director of the Department of Climate Change in the Ministry of Environment.

In 2008 - 2009 - Director in the Ministry of State Treasury, supervising strategic companies in the oil and gas sector. He was responsible for, inter alia, preparation of special act for the construction of the LNG terminal in Świnoujście and associated investments.

Between 2009 and 2011 – Vice-Minister for State Treasury.

In 2011 - 2013 - Minister of Treasury, responsible for overseeing strategic companies in the oil and gas sector and diversification projects, including construction of the LNG terminal in Świnoujście, shale gas exploration and development of infrastructure for exploitation and transmission of energy resources. Initiator of new energy and mining projects in Poland. Responsible for the integration of the chemical sector around Azoty Group. He oversaw and completed the process of price negotiations for the Yamal contract in 2012.

### **CEZARY PYSZKOWSKI – MEMBER OF THE MANAGEMENT BOARD**

Member of the Management Board, Director, Automotive Sector Development for Boryszew S.A. since 1 January 2015.

Mr Cezary Pyszkowski hold the title of Master of Arts in Economics. He graduate a post graduate programme at SGH in Warsaw. He is also a bachelor of Zachodniopomorska Szkoła Biznesu. He also studied at Banking and Management Academy, Bocconi University, Milano.

Mr Cezary Pyszkowski has years of experience in investment banking. In 2008 - 2014 he worked for UniCredit CAIB Poland SA, where he held several leadership positions, and where from 2012 he worked as Managing Director, Corporate & Investment Banking. Before that he was employed by CDM Pekao S.A. (2008 – 1997) and by Pomorski Bank Kredytowy S.A. (1997 – 1995).

**PIOTR SZELIGA - MEMBER OF THE MANAGEMENT BOARD /ACTING PRESIDENT OF THE MANAGEMENT BOARD**

Member of the Management Board, Director, Metals Segment of Boryszew S.A. between 1 October 2016 and 18 January 2018.

Between 19 January 2018 and 7 November 2018 also acting President of the Management Board, Managing Director. Mr Piotr Szeliga resigned on 7 November 2018.

Mr Piotr Szeliga is a graduate the Cracow University of Economics in Cracow and Stockholm University/Stockholm International Banking Institute. A certified auditor (registered under No. 10363) and holder of the ACCA Diploma in International Financial Reporting.

In 1996 - 2000 he was employed in Arthur Andersen Sp. Ltd., most recently as Experienced Senior Consultant - Project Manager.

Between 2000 and 2003 he held the position of Financial Controller for ce-market.com.

Between 2003 and 2012 he was employed with Impexmetal S.A. in turn as: Finance Director for Planning and Development of the Capital Group, Accounting Director; acting CFO as well as CFO and Management Board member Finance Director for Planning and Development of the Capital Group, Accounting Director; acting CFO as well as CFO and Management Board member In September 2007 he was appointed the President of the Management Board, General Manager of Impexmetal S.A.

Joined Boryszew in 2006, as President of the Management Board of the Company, Accounting Director, acting CFO and Management Control Advisor.

Mr Piotr Szeliga performs supervisory duties in companies of Boryszew Capital Group: Impexmetal S.A., Hutmen S.A., HMN Szopienice S.A. in liquidation, ZM Silesia S.A., SPV Lakme Investment Sp. z o.o., Baterpol S.A., FŁT Polska Spółka z o.o., Eastside – Bis Sp. z o.o.

**PIOTR LISIECKI-PRESIDENT OF THE MANAGEMENT BOARD**

President of the Management Board, General Director of Boryszew S.A. since 7 November 2018.

Mr Piotr Lisiecki graduated from the Physics and Astronomy Faculty of Nicolaus Copernicus University in Toruń. He obtained a scholarship at Leeds University and graduated from PhD studies at the Faculty of Management and Marketing, Poznań University of Economics and Business.

Between July 2017 and December 2018 - President of the Management Board for Huta Bankowa Spółka z o.o.

Between June 2016 and 7 November 2018 - member of the Supervisory Board for Boryszew S.A.

Between June 2013 and March 2016 Mr Piotr Lisiecki was employed at Bank Ochrony Środowiska S.A., as Managing Director, Department of Corporate Sale, then as Vice-President of the Management Board for Bank Ochrony Środowiska S.A.

Between April 2012 and May 2013 – Director, Department of Corporate Client at DZ Bank S.A.

Between September 2010 and April 2012 – Managing Director, Department of Corporate Banking Centre Networks at Kredyt Bank S.A.

Between July 1995 and August 2010 employed at BZ WBK S.A. (previously WBK S.A.), where he passed a professional path from the IT System Administrator, Team Manager, Branch Director to Corporate Banking Center Director.

In the period from August 1999 to June 2000 delegated to AIB Bank in Dublin.

**DESCRIPTION OF DIVERSITY POLICY**

No formal document has been drafted by the Company on its diversity policy in relation to the management body and management team. Recruitment of Management Board members and key managers is based on experience, qualifications and competences of candidates, in line with legislation on equal treatment of employees. The Company is committed to ensure diversity of gender, education, age, professional experience for all its employees, with particular emphasis on senior management and key managers.

**37. DECLARATIONS OF THE MANAGEMENT BOARD**

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

- a) to the best of their knowledge the annual financial statements of Boryszew S.A. and the comparable data were compiled as per the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition as well as the financial result Boryszew S.A.

- b) the annual consolidated financial statements of Boryszew Capital Group for the first six months and the comparable data were compiled as per the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition as well as the financial result of Boryszew Capital Group.
- c) this annual report on operations presents a true view of development, accomplishments and situation Boryszew S.A. and Boryszew Capital Group, including a description of fundamental risks and threats.

### **38. INFORMATION OF THE MANAGEMENT BOARD ON THE SELECTION OF THE AUDIT FIRM TO CARRY OUT THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH THE PROVISIONS, INCLUDING THOSE CONCERNING THE SELECTION AND PROCEDURE FOR THE SELECTION OF THE AUDIT FIRM**

The Management Board for Boryszew S.A. based on the statement of the Supervisory Board for Boryszew S.A. of 24 April 2019 on the selection of BDO Spółka z ograniczoną odpowiedzialnością sp. k., based in Warsaw, to audit the annual financial statements in accordance with the regulations, including the selection and selection procedure of the auditing firm, declares that:

- a) BDO Spółka z ograniczoną odpowiedzialnością Sp.k. and members of the team auditing the separate and consolidated financial statements for 2018 met the conditions for the preparation of an impartial and independent report on the audit of the annual financial statements in accordance with the applicable regulations, professional standards and rules of professional ethics,
- b) Boryszew S.A. observes the applicable regulations on the rotation of the audit firm and the key statutory auditor as well as on the mandatory grace periods,
- c) The Company pursues the "Policy for selection of the entity authorized to audit financial statements of Boryszew S.A." and the "Policy for the provision of permitted non-audit services by the auditing firm conducting the audit, by entities affiliated with the auditing firm and by a member of the auditing firm's network"

Visit [www.boryszew.com](http://www.boryszew.com) for all corporate documents of the Company, as well as current and periodical information.

The Company also runs its website in English.

#### **SIGNATURES OF THE PERSONS REPRESENTING THE COMPANY AND APPROVING THIS REPORT FOR PUBLICATION:**

Piotr Lisiecki - President of the Management Board

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Aleksander Baryś—Member of the Management Board

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Mikołaj Budzanowski – Member of the Management Board

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Cezary Pyszkowski— Member of the Management Board

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Warsaw, 25 April 2019