Financial statements

Boryszew S.A.

for the period from 1 January to 31 December 2017

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(amounts expressed in PLN thousands unless specified otherwise)

STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01.2017 -31.12. 2017	01.01.2016 -31.12. 2016
Continuing operations			
Revenues from sales	6	1 512 908	1 445 961
Prime cost of sale	7	1 330 518	1 253 178
Gross profit on sales		**182 390**	**192 783**
Selling costs		30 440	44 548
General and administrative costs		77 419	78 694
Other operating revenue	8	42 034	31 761
Other operating expenses	9	19 127	53 887
Operating income		**97 438**	**47 415**
Financial revenues	10	29 707	23 191
Financial expenses	11	45 817	68 323
Financial profit/loss		**(16 110)**	**(45 132)**
Profit before taxation		**81 328**	**2 283**
Income tax	12	(3 176)	(1 424)
Net profit on continuing operations		**84 504**	**3 707**
Earnings/loss per share			
Weighted average number of shares		230 716 016	232 501 093
Earnings per one share (PLN)		0.37	0.02

Net profit	**84 504**	**3 707**
Earnings recognised in equity		
Earnings recognised in equity, to be transferred to profit and loss account	**(2 841)**	**2 491**
Hedge accounting	(3 507)	2 909
Available-for-sale financial assets	-	167
Income tax	*666*	*(585)*
Earnings recognised in equity, not to be transferred to income statement	**(246)**	**119**
Employee benefit capital reserve	(304)	147
Income tax	*58*	*(28)*
Total earnings recognised in equity	**(3 087)**	**2 610**
Total comprehensive income	**81 417**	**6 317**

(amounts expressed in PLN thousands unless specified otherwise)

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	As at 31.12.2017	As at 31.12.2016 restated data
Non-current assets			
Non-current assets	13	272 862	260 785
Investment property	14	16 525	144
Intangible assets	15	26 856	25 915
Shares in subsidiaries and associates	16	444 437	364 938
Financial investments	17	388 685	339 080
Long-term receivables	19	32 693	34 677
Deferred tax assets	12	6 038	-
Other assets	21	15 002	14 191
Total fixed assets		**1 203 098**	**1 039 730**
Current assets			
Inventory	20	181 956	134 259
Trade receivables and other receivables	19	289 688	314 869
Short-term financial assets	17	40 157	31 132
Derivative financial instruments	18	-	1 609
Current tax assets	12	-	-
Other assets	21	10 893	6 261
Cash and cash equivalents	22	36 081	60 932
Total current assets		**558 775**	**549 062**
Total assets		**1 761 873**	**1 588 792**

(amounts expressed in PLN thousands unless specified otherwise)

LIABILITIES AND EQUITY		As at 31.12.2017	As at 31.12.2016
Equity	23		
Share capital		248 906	248 906
Share premium		112 346	112 346
Own shares		(84 329)	(49 518)
Hedge accounting capital		(2 797)	44
Capital reserve on translating employee payables		(169)	77
Retained earnings		340 396	255 892
Total equity		**614 353**	**567 747**
Liabilities and long-term provisions			
Bank credits, loans, bonds	24	230 096	136 334
Lease liabilities	25	28 977	67 832
Payables on perpetual usufruct of investment land	26	1 957	61
Deferred tax provision	12	-	2 453
Employee benefit provisions	28	3 036	2 482
Other provisions	29	5 221	5 156
Other long term equity and liabilities	30	2 851	3 151
Liabilities and long-term provisions - total		**272 138**	**217 469**
Short-term liabilities			
Bank credits, loans, bonds	24	500 650	450 170
Lease liabilities	25	16 094	27 569
Payables on perpetual usufruct of investment land	26	67	-
Trade payables and other liabilities	27	337 377	311 333
Derivative financial instruments	18	4 530	-
Current tax liabilities	12	935	-
Employee benefit provisions	28	8 826	8 097
Other provisions	29	2 349	1 694
Other equity and liabilities	30	4 554	4 713
Liabilities and short-term provisions - total		**875 382**	**803 576**
Total liabilities and provisions		**1 147 520**	**1 021 045**
Total equity and liabilities		**1 761 873**	**1 588 792**

(amounts expressed in PLN thousands unless specified otherwise)

CASH FLOW STATEMENT

	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Cash flows from operating activities		
Profit before taxation	**81 328**	**2 283**
Adjustments for (+/-)	**21 868**	**103 614**
Amortisation and depreciation	29 882	25 861
Profit/loss on financial activity (including interest on financial liabilities)	11 731	21 829
Dividends from share in profit	(10 078)	(2 554)
Profit / loss on investment activities	(9 945)	23 856
Change in receivables	27 165	(2 921)
Change in inventories	(47 697)	42 406
Change in liabilities	26 044	5 604
Change in provisions and accruals as well as prepayments	(4 736)	(9 031)
Other items	3 132	(1 436)
Income tax paid	(3 630)	-
Net cash from operating activities	**103 196**	**105 897**
Cash flows from investment activities		
Proceeds from disposal of fixed assets	4 081	2 138
Proceeds from disposal of shares	2 948	13 215
Proceeds from bond issue	-	2 565
Proceeds from dividend	10 078	2 554
Proceeds from repayment of loans granted	220 000	-
Other expenditure on investing activities	(3 745)	-
Expenditure on acquisition of fixed assets	(23 833)	(40 626)
Acquisition of shares in capital group entities	(76 183)	(11 631)
Long term borrowings granted	(279 387)	(38 133)
Expenditure on bonds	(10 700)	-
Net cash from investing activities	**(156 741)**	**(69 918)**
Cash flows from financial activities		
Proceeds from credit and loan facilities	173 115	101 418
Loans received	37 998	37 361
Proceeds from bond issue	12 000	39 000
Share buy-back expense	(34 811)	(5 107)
Loans repaid	(40 398)	(131 426)
Borrowings repaid	(27 682)	(6 176)
Redemption of bonds	(8)	-
Interest paid on loans, bonds	(22 042)	(14 247)
Payment of liabilities under finance lease agreements	(69 478)	(18 601)
Net cash from financing activities	**28 694**	**2 222**
Net change in cash	**(24 851)**	**38 201**
Cash opening balance	60 932	22 731
Cash closing balance	**36 081**	**60 932**

(amounts expressed in PLN thousands unless specified otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Revaluation reserve	Retained earnings	Total equity
As at 01.01.2017	**248 906**	**112 346**	**(49 518)**	**44**	**77**	**-**	**255 892**	**567 747**
Valuation of hedge instruments				(2 841)				(2 841)
Valuation of employee benefits					(246)			(246)
Profit/loss for 2017							84 504	84 504
Total comprehensive income for 2017	**-**	**-**	**-**	**(2 841)**	**(246)**	**-**	**84 504**	**81 417**
Share buy-back			(34 811)					(34 811)
As at 12.31.2017	**248 906**	**112 346**	**(84 329)**	**(2 797)**	**(169)**	**0**	**340 396**	**614 353**

	Share capital	Share premium	Treasury shares	Hedge accounting	Profit/Loss on restatement of employee benefits	Revaluation reserve	Retained earnings	Total equity
As at 01.01.2016	**248 906**	**112 346**	**(44 411)**	**(2 312)**	**(42)**	**(135)**	**252 185**	**566 537**
Valuation of hedge instruments				2 356				2 356
Valuation of assets available for sale						135		135
Valuation of employee benefits					119			119
Profit/loss for 2016							3 707	3 707
Total comprehensive income for 2016	**-**	**-**	**-**	**2 356**	**119**	**135**	**3 707**	**6 317**
Share buy-back			(5 107)					(5 107)
As at 12.31.2016	**248 906**	**112 346**	**(49 518)**	**44**	**77**	**0**	**255 892**	**567 747**

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017

1. GENERAL INFORMATION

1.1 Company details

Boryszew Spółka Akcyjna (joint stock company)

Registered office: 03-301 Warsaw; Jagiellońska street No. 76

Registered with the National Court Register kept by the District Court for the capital city of Warsaw in Warsaw, 14th Commercial Division, under
KRS number 0000063824
Statistical registration number (REGON) 750010992
NIP (Tax ID) 837-000-06-34
The company has been established for an indefinite period of time.

Classification of the Company on the listing market

Company's shares are listed on the main market of Warsaw Stock Exchange in the continuous trading system, chemical sector.

Company's business includes manufacturing, services and trade.

These financial statements include combined figures.

SUPERVISORY BOARD OF BORYSZEW S.A.

As at 1 January 2017, the composition of the Supervisory Board was as follows:
Mr Janusz Siemieniec - Chairman of the Supervisory Board,
Mr Arkadiusz Krężel - Vice-Chairman of the Supervisory Board,
Mr Mirosław Kutnik – Secretary of the Supervisory Board
Mr Piotr Lisiecki – Member of the Supervisory Board,
Ms Małgorzata Waldowska - Member of the Supervisory Board.

On 18 May 2017 the Ordinary General Meeting of Shareholders of the Company appointed the Supervisory Board for a new three-year term of office in the following composition:
Mr Janusz Siemieniec
Mr Arkadiusz Krężel
Mr Piotr Lisiecki
Ms Małgorzata Waldowska
Mr Mirosław Kutnik
Mr Roman Wieczorek

On 27 June 2017 Mr Roman Wieczorek handed in his resignation from the position of a Member of the Supervisory Board

On 3 October 2017 the Supervisory Board of the Company resolved to appoint Mr Jarosław Antosik, as of 3 October 2017, as a member of Supervisory Board. Mr Jarosław Antosik was appointed to the Supervisory Board to replace Mr Roman Wieczorek who resigned from his membership in the Supervisory Board.
As at 31 December 2017 the composition of the Supervisory Board was 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,

No changes in the composition of the Supervisory Board occurred between 31 December 2017 and the date of publication of the financial statements.

MANAGEMENT BOARD OF BORYSZEW S.A.

As at 1 January 2017, the composition of the Management Board of Boryszew S.A. was as follows:
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 Management Board, Director for Automotive Sector Mergers and Development,
Mr Piotr Szeliga – Member of the Management Board, Director for the Metal Segment.

On 18 May 2017, the Supervisory Board of Boryszew S.A. appointed the Company's Management Board for a 3-years' term of office (joint term of office).
The following persons were appointed to the Management Board of the new term of office:
Mr Jarosław Michniuk as the President of the Management Board, General Director,
Mr Aleksander Baryś as Member of the Management Board, CFO,
Mikołaj Budzanowski as Member of the Management Board, Development Director,
Mr Cezary Pyszkowski as Member of the Management Board, Director for Mergers and Development, Automotive Sector,
Mr Piotr Szeliga – Member of the Management Board, Director for the Metal Segment.

On 19 January 2018 Mr Jarosław Michniuk, President of the Management Board, Chief Executive Officer, resigned from his function. No reasons for this resignation were revealed by Mr Michniuk.
Also on 19 January 2018 the Supervisory Board of the Company appointed Mr Piort Szeliga, Member of the Management Board, as acting President of the Management Board, Chief Executive Officer.
No changes in the composition of the Management Board occurred between 19 January 2018 and the date of publication of the financial statements.

1.2 Internal structure of the Company

In 2016 Boryszew S.A. carries out its activity through eight divisions, preparing separate financial statements:

Branch	Business segment
Headquarters	Other
Elana Branch in Toruń	Chemical products
Energy Branch in Toruń	Other
EDC Branch in Toruń	Other
ERG Branch in Sochaczew	Chemical products
Nylonbor Branch in Sochaczew	Chemical products
NPA Skawina Branch	Metals
Maflow Branch in Tychy	Automotive

1.3 Financial statements

Financial statements were drafted based on the International Financial Reporting Standards as approved by the European Union (UE).
Apart from these financial statements the company also drafted the consolidated financial statements of Boryszew Capital Group, for which it is a parent. These financial statements are separate financial statements and is mainly drafted for statutory purposes.

The financial statements have been prepared in PLN. PLN is the functional and reporting currency. All figures in the financial statements are presented in full thousands of PLN unless provided otherwise.

The financial statements were prepared on the assumption that the entity will continue as a going concern in the foreseeable future. As at the date of financial statements no circumstances exist which would indicate any threats to further business activity by the Company.

(amounts expressed in PLN thousands unless specified otherwise)

This report was approved for publication by way of the Management Board's resolution on 26 April 2018 and presents Boryszew S.A. situation pursuant to the legal requirements for the period from 1 January 2017 to 31 December 2017, including any events which occurred by the date of approval of this report for publication.

Financial statements were prepared in line with the historical cost concept, except for revaluation of some fixed assets and financial instruments that are measured at revalued value or fair value at the end of each reporting period in accordance with the accounting policy, outlined below.
The historical costs is determined based on fair value of the payment. A fair value is the price which can be obtained for a sale of an asset item or the price paid to transfer a liability in a common transaction on the primary (or most favourable) market on the valuation date under current market conditions, irrespective of whether the price is directly observable or estimated using another valuation technique.

1.4 Conversion of financial data

In 2017 the presentation of receivables from awarded loans was changed. Until the end of 2016 receivables from awarded loans were recognised in "trade and other receivables", in the present financial statements in "financial assets". This change had no impact of the balance sheet total.

ASSETS	**As at 31.12.2016** *data published*		**As at 31.12.2016** *restated data*
Fixed assets			
Non-current assets	260 785		260 785
Investment property	144		144
Intangible assets	25 915		25 915
Shares in subsidiaries and associates	364 938		364 938
Financial investments	19 036	320 044	339 080
Long-term receivables	354 721	(320 044)	34 677
Deferred tax assets	-		-
Other assets	14 191		14 191
Total fixed assets	**1 039 730**	-	**1 039 730**
Current assets			
Inventory	134 259		134 259
Trade receivables and other receivables	318 893	(4 024)	314 869
Short-term financial assets	27 108	4 024	31 132
Derivative financial instruments	1 609		1 609
Current tax assets	-	-	-
Other assets	6 261		6 261
Cash and cash equivalents	60 932		60 932
Total current assets	**549 062**	-	**549 062**
Total assets	**1 588 792**	-	**1 588 792**

1.5 Statement by the Management Board on compliance of accounting principles

The Management Board of Boryszew S.A. and its members: Piotr Szeliga, Aleksander Baryś, Mikołaj Budzanowski and Cezary Pyszkowski represent that to the best of their knowledge the financial statements and comparative data have been compiled in accordance with the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition as well as the financial result of Boryszew S.A. The Board confirms that the report on the activities of Boryszew S.A. presents a true picture of the development and accomplishments of the Group as well as its situation, including a description of fundamental risks and threats.

1.6 Statement by the Management Board on the selection of entity to audit financial statements

On 5 May 2017, the Supervisory Board of Boryszew S.A. appointed Deloitte Audyt Sp. z o.o. Sp. k. 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.

The Management Board of Boryszew S.A. represent that Deloitte Audyt Sp. z o.o. Sp.k., performing the audit of the financial statements for 2017 was selected in accordance with legal regulations and that Deloitte Audyt Sp. z o.o. Sp.k., as well as statutory auditors performing this audit met the conditions to issue an impartial and independent opinion on the audit of the financial statements in accordance with applicable regulations and professional standards.

1.7. Representation on preparation of non-financial report

The Management Board of Boryszew S.A. and its members: Piotr Szeliga, Aleksander Baryś, Mikołaj Budzanowski and Cezary Pyszkowski represent that the Company drafted a statement on non-financial disclosure, referred to in Art. 49b section 1 of the Accounting Act, as part of the statement on activity. Financial statements are drafted both at the standalone basis for Boryszew S.A. as well as for Boryszew Capital Group. The report is available on Company's website – www.boryszew.com.pl.

1.8. Dividend

Proposed distribution of profit for 2017
Management Board of the Company recommends to retain the 2017 profit with the Company to be allocated to supplementary capital – retained earnings.

2. PLATFORM OF APPLIED IFRS

Adjustment to existing standards used for the first time in the 2017 financial statements

The following amendments to the existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved by the European Union (EU), were adopted for the first time in Company's financial statements for 2017:

Amendments to IAS 7 "Statement of cash flows" - Initiative regarding disclosures - approved in the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

Amendments to IAS 12 "Income Taxes" – Recognition of deferred tax assets for unrealised losses - approved in the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017).

Amendments to IFRS 12 resulting from "Improvements to IFRS (2014-2016 cycle)" - amendments being part of the annual improvement procedure of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording - approved in the EU on 7 January 2018 (amendments to IFRS 12 effective for annual periods beginning on or after 1 January 2017).

These standards had no impact of Company's financial statements for 2017.

New standards and modification to existing standards already published by IASB and approved by the EU but not yet effective, that have not been adopted by the Company before:

When approving these financial statements the following new standards and amendments to standards were published by IASB and approved by the EU but have not yet been effective:

Amendments to IFRS 9 "Financial Instruments" – approved in the EU on 22 November 2016 (effective for annual periods as of 1 July 2018 and thereafter).

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial instruments - recognition and measurement".
IFRS 9 defines the requirements for **recognition and valuation, impairment, de-recognition** as well as hedge accounting.

Classification and valuation – IFRS 9 introduces a new approach to classification of financial assets, which is dependent on the characteristics of cash flows and business model relevant for the given assets.
The standard splits financial assets into three groups:
- financial assets measured at fair value with the possibility to recognise the change in the profit or loss,
- financial assets measured at fair value with the possibility to recognise the change in other comprehensive income,
- financial assets measured at amortised cost.

IFRS 9 introduces new approach to estimating loss on financial liabilities measured at amortised cost. This approach involves determination of expected loss rather than using the incurred loss model of IAS 39.

Value impairment - IFRS 9 introduces a new model of value impairment, determined based on the IAS 39 principles. This new mode unifies the value impairment model incorporating expected loses, where expected losses must be recognised on current basis. In particular, the new standard requires units to recognize expected credit losses when financial instruments are recognised for the first time and recognize any expected credit losses over the life of the instruments in a faster manner than before.

Hedge accounting - IFRS 9 modifies the hedge accounting model by introducing extended disclosure requirements on risk management. The new model is a significant change in hedge accounting aimed at adapting accounting principles to risk management practices.

Self credit risk - IFRS 9 removes volatility of profit or loss caused by changes in credit risk on liabilities being recognised at fair value. As a result, any gain on liabilities caused by deterioration of self credit risk is not recognised in profit or loss.

- The Company has decided to implement the standard on 1 January 2018 without adjusting comparable data, which means that data from a comparable period that are provided in the financial statements for 2018 will not be adjusted for changes arising from IFRS 9. Simultaneously, the Company has not identified significant values as differences between change resulting from the standard and the rules adopted on the basis of the previously applicable provisions of law.

Based on the factoring agreements in force, the Company sells receivables that, following evaluation for the purpose of classification in compliance with IFRS, have been classified within the asset sales model in order to recover cash flows, i.e. valuation to fair value. For balances of receivables that have not been assigned to factoring as of 31 December 2017, fair value is equal to the balance sheet value of these receivables owing to the short period between the deadline for assignment to factoring as well as receiving payment and the balance sheet date.

- All equity instruments held by the Company were measured at fair value through other comprehensive income. Proceeds arising from valuation to fair value will be recognized through comprehensive income, and the impairment loss write-off will be recognised in the profit or loss in the period; in case of sale of a given instrument, the profit/loss from sale will not be reclassified for the profit or loss and this value will be recognized through other total income. The Company holds listed equity instruments measured through revaluation reserve and not listed measured at acquisition cost less permanent impairment through profit or loss.

- The Company, following recommendations of IFRS 9, adopts the new approach do evaluation and loss estimation for financial assets measured at amortised cost. This approach involves estimating expected loss irrespective of its reasons or lack of reasons. The standard requires that financial assets are classified for value impairment to one of the following three stages:

stage one for items without significant increase in credit risk since initial recognition and the expected impairment is determined based on default probability over a 12-month perspective,
stage two for items with significant increase in credit risk since initial recognition and the expected impairment is determined based on default probability over the entire loan period,
stage three for items with value impairment.
To determine the expected impairment loss for trade receivables measured at amortised cost, the Company will use the simplified model by way of estimating the expected impairment loss over the entire life on the basis of historical data regarding delays in payment and will make write-downs on amounts receivable based on these data.
The influence of new rules concerning impairment of trade receivables measured at amortised cost is insignificant owing to the fact that a small percentage of trade receivables is not covered by an insurance policy.

The Company follows IFRS 9 for hedge accounting for open hedge transactions as at 1 January 2018 and for hedge transactions that will be concluded after 1 January 2018. In consequence of these changes, there is no need to change values or presentation as of the day of implementation of these provisions.

IFRS 15 "Revenue from contracts with customers" and subsequent amendments to IFRS 15 “Effective date for IFRS 15” - approved in the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

The standard defines how and when revenues are recognised and requires more detailed disclosures. IFRS 15 replaces IAS 18 “Revenues”, IAS 11 “Construction contracts” and a number of interpretations on revenues recognition. The standard is applicable to nearly all agreements with clients (with the main exceptions being leasing agreements, financial instruments, and insurance agreements). The fundamental principle of the new standard is to recognise revenues in such a way as to reflect the transfer of goods or services to customers in such amount that reflects the amount of remuneration (i.e. payment) the right to which the company expects to obtain in exchange for goods or services.
The standard also provides guidelines for recognising transactions that have not been regulated in detail by previous standards (e.g. revenue from services or modifications of agreements) and offers more lengthy explanation of multiple-element arrangements recognition.
The company adopted IFRS 15 starting from 1 January 2018 using the modified retrospective method, which means that the cumulative effect of applying the standard for the first time should be recognized through retained earnings.

The Company has evaluated the influence of the adoption of the new standard on the financial statement, particularly as regards multiple-element arrangements, licensing agreements, trade bonuses, and services performed in cooperation with subcontractors. Based on the analysis, the Company estimates that IFRS 15 will not have any material effect on the time of recognition, the amount and type of revenue presented in the financial statements at the time of initial application. The Company estimates the likelihood of offering bonuses for clients and recognizes their value at the end of each month as adjustment of revenues from sales.

Simultaneously, the Company judges that the standard will not influence the manner of presentation of some balance-sheet items and will not broaden the scope of disclosures in the financial statements in compliance with the standard.

IFRS 16 „Leasing” - approved in the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019)

Under IFRS 16 the lessee recognises the right to use an asset item as well as lease liability. The right to use an asset item is considered as equivalent to other non-financial and depreciated accordingly. The lease liability is initially recognised based on current lease payments during the lease period, discounted using the interest rate agreed in the lease agreement if it can be determined. It such a rate is not easily determinable, the leaseholder will apply the marginal interest rate. Regarding the leasing classification of the lessors, it is carried out in the same way as in accordance with IAS 17 - i.e. as operating or financial leasing. According to the lessor, leasing is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership of the related assets. Otherwise, the lease is classified as an operational lease. In financial leasing, the lessor recognises financial revenues throughout the lease term based on constant periodic rate of return on net investment. The lessor recognises payments for operational leasing on a straight-line basis or other systematic basis, if it reflects the pattern of deriving benefits from the use of the relevant assets more accurately.

As a result of analysis of the stipulations of this standard, the Company has initially identified that the most significant asset item that must be introduced into the statement of financial position is the right to perpetual usufruct which is not currently recognised and received free of charge by administrative decision.
The company has started the process of assessing the impact of the application of the new standard on the financial statements. On the basis of initial analysis, the Company judges that part of fees for perpetual usufruct as well as office space rental and production agreements may be classified as leasing agreements in line with IFRS 16. In consequence, at the outset of adoption, i.e. in the period that starts on 1 January 2019, an increase in the value of assets and liabilities in the balance sheet may occur as well as an increase in depreciation cost and cost of interest in the income statement with simultaneous reduction in fee for SMA. It should be noted though that currently fees arising from operational leasing are recognized in accordance with IFRS 17, whereas as a result of changes produced by the adoption of IFRS 16, it is expected that while assets from rental will also be recognised on a straight-line basis though depreciation allowances, the cost of interest on liabilities will be recognised on the basis of an effective interest rate, which will result in increased liabilities in the initial period following conclusion of an agreement and a decrease in this respect over time. In 2018, the impact of IFRS 16 will continue to be analysed, especially with respect to agreements that give rise to future minimum fees resulting from operational leasing disclosed

Amendments to IFRS 2 “Financial Instruments” – Classification and valuation of share-based payments - approved in the EU on 27 February 2018 (effective for annual periods as of 1 July 2018 and thereafter).
The Company does not expect these changes to have impact on the financial statements

Amendments to IFRS 4 “**Insurance Contracts**” – Application of IFRS 9 “Financial instruments” with IFRS 4 “Insurance Instruments - approved in the EU on 3 November 2017 (effective for annual periods as of 1 January 2018 and thereafter or at the first use of IFRS 9 “Financial instruments”),
The changes concern the scope of application of IFRS 4 since the effective date of the IFRS 9 standard. The changes will have no impact on the consolidated financial statements.

IFRS 15 "Revenue from contracts with customers" – Clarification to IFRS 15 "Revenue from contracts with customers” - approved in the EU on 31 October 2017 (effective for annual periods as of 1 January 2018 and thereafter),

Amendments to IFRS 1 and IAS 28 resulting from “Improvements to IFRS (2014-2016 cycle)” - amendments being part of the annual improvement procedure of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording - approved in the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 effective for annual periods beginning on or after 1 January 2018)

The Company has not decided for an early adoption of the above new standards and amendments to existing standards. As per Company’s estimates, the above-mentioned new standards and modifications of existing standards would have had no material effect on the financial statements, had they been applied as at the balance sheet date.

New standards and amendments to existing standards issued by IASB but not yet approved in the EU

The Company chose not to early adopt new standards and interpretations, already published and approved in the EU or to be approved in near future, which will become effective after the balance sheet date.

IFRS, as approved by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and new interpretations that were not approved in the EU as at the date of publication of these financial statements:

IFRS 14 “Deferred balances on regulated activity” (applicable to annual period beginning on or after 1 January 2016) - the European Commission chose not to initiate the process of approval of this interim standard for use in the EU until the final version of IFRS 14 is published,
The Company does not expect these changes to have impact on the financial statements

IFRS 17 “Insurance Contracts” (applicable to annual periods as of 1 January 2021 and thereafter),
The Company does not expect these changes to have impact on the financial statements

IFRS 9 “Financial Instruments” - On prepayment option with negative compensation (effective for annual periods beginning on or after 1 January 2019),

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - sale or in-kind contribution of assets between an investor and its associated entity or joint venture and subsequent changes (the effective date was postponed until the research work on the ownership rights methodology are completed),

Amendments to IAS 19 "Employee benefits" - Change, limitation or settlement of the plan (effective for annual periods beginning on or after 1 January 2019),

The Company does not expect these changes to have impact on the financial statements

Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long term interest in associates and joint ventures (effective for annual periods as of 1 January 2019 and thereafter).
The Company does not expect these changes to have impact on the financial statements

Amendments to IAS 40 "Investment property" - Reclassification of investment property (effective for annual periods as of 1 January 2018 and thereafter).

The above changes may have an impact on the financial statements. Transfer to or from investment properties and changes in the manner of property usage may occur

Amendments to various standards "Improvements to IFRS (2015-2017 cycle)" - resulting from the annual improvement procedure of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods as of 1 January 2019 and thereafter).

Interpretation IFRIC 22 "Transactions in foreign currency and prepayments" (effective for annual periods as of 1 January 2018 and thereafter),

Interpretation IFRIC Interpretation 23 "Uncertainty over income tax treatments" (applicable to annual periods as of 1 January 2019 and thereafter),

As per Company's estimates, the above-mentioned new standards and modifications of existing standards would have had no material effect on the financial statements, had they been applied as at the balance sheet date.

The EU still has not regulated hedge accounting for the portfolio of financial assets and liabilities, whose principles have not yet been approved by the EU.

As per Company's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities under **IAS 39 "Financial Instruments: recognition and evaluation"** would not have had a material impact on the financial statements had it been approved by the EU as at the balance sheet date.

3. ACCOUNTING PRINCIPLES APPLIED

The adopted accounting principles conform with the International Financial Reporting Standards within the scope of regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning application of the International Financial Reporting Standards with subsequent amendments.
When preparing these financial statements no changes were made to previously applied accounting principles.

Principles and methods of valuating assets and liabilities

Model based on purchase price or production cost plus revaluation

The balance sheet value of an asset item is written down to the recoverable value only, if the retrievable value is lower than its balance sheet value. The above reduction is recognised as impairment write-off. This write-off is recognized immediately recognized in the income statement, unless such asset is recognized at revalued amount. Any impairment write-offs for restated asset item are considered as reduction of revaluation reserve.

Revaluation model

Upon initial recognition of the asset at cost, which fair value can be reliably estimated, such asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

Fair value

Fair value is the price that would be received for the disposal of an asset or paid for transferring a liability in a transaction carried out on normal terms in the primary (or most preferred) market at the valuation date under current market conditions (i.e., exit price) regardless of whether the price this is directly observable or estimated using a different valuation technique.

Purchase price or production cost of an asset item

Purchase cost or cost of manufacturing is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. The purchase price covers the amount payable to the seller, without deductible: VAT and excise duty tax, and in case of import - increased by relevant charges and costs directly associated with the purchase and adaptation of the asset item to a condition suitable for use or introduction into trade, along with the costs of transport, loading, unloading, storage or introduction into trade, and decreased by discounts, allowances and other similar decreases or recoveries.

Tangible assets

After the initial recognition at purchase price or production cost, the components of tangible fixed assets are measured by a valuation model based on purchase price or production cost and the revaluation for impairment loss.
Tangible fixed assets, which value has been determined as at the day of transition to IFRS, i.e. 01.01.2014 by fair value, after this date will be measured by the valuation model based on purchase price or production cost and the revaluation for impairment loss.

Tangible fixed assets, which are owned or jointly owned by the Company, purchased or produced in-house, under a finance lease and usable on the day of commissioning, with an expected use period longer than one year, used by the company for the purposes associated with business activity or let to use based on rental, tenancy or lease agreement, are subject to amortisation. The value, which is either a purchase price or cost of production of specific assets, reduced by the final value of this asset, should be amortised. The final value of the asset is the amount, which according to the forecast the company could currently obtain taking into consideration the age and state at the end of its life (after deducting the estimated selling costs). Amortisation begins in the month in which the asset is available for use. Amortisation of fixed assets is made on the basis of planned, systematic spread of the depreciable value over estimated life of the specific asset item. Amortisation ends in the month, in which the asset was classified as held for sale (in accordance with IFRS 5 Fixed Assets held for sale and discontinued operation) or in the month in which the asset is no longer disclosed, taking into consideration the earlier of these dates.

Depreciation rates applied for individual groups of tangible fixed assets:

Land	-
Buildings, premises, civil and water engineering structures	2.5% - 50%
Technical equipment and machines	5% - 50%
Means of transportation	10% - 33%
Other tangible fixed assets	6% - 50%

Investment outlays

Fixed assets under construction are recognised at the price of purchase or cost of manufacturing less impairment write-offs. Until completion of construction and handing over for use they are recognised in individual groups of fixed assets and are not amortised until handed over for use.

The right for perpetual usufruct of land acquired on the market

The cost of acquisition of the right for perpetual usufruct of land is depreciated on a straight-line basis over the period for which the right is granted. An average depreciation rate for the right for perpetual usufruct of land is 1.1%-1.2%.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical form, which is in entity's possession to use or to put into gratuitous use. Intangible assets purchased in a separate transaction are capitalised at purchase price or production cost, reduced by accumulated depreciation and accumulated revaluation write-offs.

Life of intangible assets is estimated and found to be limited or unlimited. Intangible assets with unlimited life are not amortised, neither are they subject to annual impairment evaluation. An example of intangible assets with unlimited life are concessions, licenses and purchased trademarks, which can be renewed without any time limit for a small fee and the company plans to renew them and it is expected that they will generate cash flow without any time restrictions. At the balance-sheet day, the company did not reveal such intangible assets.

Limited life assets are amortised over their life.

Amortisation ends in the month, in which the asset was classified as held for sale (in accordance with IFRS 5 Fixed Assets held for sale and discontinued operation) or in the month in which the asset is no longer disclosed, taking into consideration the earlier of these dates.

Life of intangible assets should not be longer than 20 years from the date when the asset is ready to use, unless this is possible to prove longer period.

Depreciation rates applied for intangible fixed assets:

Patents, licenses, software	10% - 50%
Other intangible fixed assets	10% - 50%

Leasing

Financial leasing agreements where the Company retains substantially all the risks and rewards of ownership of the leased item are recognised, as at the date of leasing commencement, at the lower of: fair value of leased asset or current value of minimum lease payments. Leasing fees are divided into financial costs and decrease of the liability balance against leasing (represented in the balance sheet as trade payables and other long term and short term liabilities) - so as to obtain a fixed interest rate on the outstanding liability amount.

If there is no certainty that the leaseholder will receive ownership before the end of the lease agreement, the activated tangible assets used under lease agreements are amortised throughout shorter of the two periods: estimated life of fixed asset or lease period.

If the lease agreement is so favourable that it is highly probable that after the lease agreement the asset will become leaseholder's property and will be used, then this asset is amortised over life.

Investment property

Investment property is a property (land, building or a part of building or both), which the company, as owner or leaseholder treats as a source of income from rent including operating lease or owns due to the increase in its value, or both, the property should not be used neither for production activities, deliveries, services or for administrative purposes nor should it be held for sale as part of company's ordinary activity.

Investment property is initially valued according to its purchase price or construction cost.

Leased investment properties are recognised at the lower of the two values: property fair value or current value (discounted) of lease payments with simultaneous recognition of lease liability.

After the initial recognition, investment properties are valued by the company according to fair value and fixed differences of value, both increase and decrease are recognised directly in the income statement.

Impairment loss for tangible and intangible fixed assets.

As on each balance date, the Company reviews its tangible and intangible fixed assets in order to verify if premises exist that would suggest any loss of value of these assets. Should such premises be found, the retrievable value of an asset is estimated in order to determine a potential write-off. If a given asset does not generate any cash flows which would be substantially independent from cash flows generated by other assets, the analysis is performed for the group of assets generating cash flows to which such asset belongs.
In the case of intangible assets with undefined usability period, the loss of value test is carried out every year and, additionally, if there are any premises that the loss of value could have occurred.
The retrievable value is the higher of the two following values: fair value less sales costs or usable value. The latter corresponds to the current value of the estimated future cash flows expected by the company from the assets, discounted at the discount rate which takes into account the current money value in time and the asset-specific risk.

If the retrievable value is lower than the balance sheet value of an asset (or a cash flow generating unit), the balance sheet value of the asset or unit is written-down to the retrievable value. The amount of impairment loss is immediately recognised as a cost for the period.

When the loss of value is subsequently reversed, the net value of the asset (or cash flow generating unit) is increased to the new estimated retrievable value, however not higher than the balance sheet value of the asset which would have been determined had the loss of value of the asset/cash flow generating unit not been recognized in the previous years. The amount of impairment loss reversal is recognised in the income statement.

Shares in associates and subsidiaries

Investments in subsidiaries are measured at acquisition cost

Financial instruments

Financial instrument means every agreement which results in creation of a financial asset of one of the parties and a financial obligation or a capital instrument of the other party.

Financial investments

Financial investment is any asset in the form of cash, equity instrument issued by other entities as well as a contract (agreement) based right to receive financial assets or the right to exchange financial instruments with another entity under favourable conditions.

Based on the timeliness criterion, they can be divided into:

- long-term,
- short-term.

When the deadline for disposal of long-term financial assets becomes less than one year, these assets are reclassified to short-term investments.

The entity classifies its assets under the following categories: assets disclosed at the fair value through profit and loss and financial assets available for sale or held to maturity. The classification is based on the purpose of the purchase of financial investments. The Management Board determines the classification of financial investments at initial recognition.

a) Financial assets disclosed at the fair value through the profit and loss account
This category includes financial assets held for trading. A financial asset is included in this category, if it is purchased primarily for short-term sale. Derivative instruments are also classified as "held for trading," unless they are used hedging accounting. These assets are classified as current assets.

b) Loans and receivables
Loans and receivables are financial assets with determined or determinable payments, not classified as derivative instruments, not traded on an active market. These assets are classified as current assets. They are included into non-current assets if their maturity date exceeds 12 months after the balance sheet date. Loans and receivables of the Company are included in "Trade and other receivables."

c) Financial assets available for sale
Financial assets available for sale are those not constituting derivative instruments designated for this category or not classified in any other category. They are included into non-current assets unless the Board intends to sell them within 12 months after the balance sheet date.

d) Financial assets held to maturity
Financial assets held to maturity are financial assets which are not derivative instruments with determined or determinable payments and fixed maturity, where the Group companies have a strong intention and ability to hold such assets to maturity.

Financial assets are recognised on the purchase date and are excluded from the financial statements on the date of sale, if the agreement requires delivering them within the time set by a specific market and their initial value is estimated at fair value increased by transactions costs, excluding those assets, which are classified as financial assets initially measured at fair value through income statement.

The rules of valuation in later period depend on the group to which individual assets were qualified.

- financial assets held for trade, assets available for sale are recognised at fair value

Financial assets held for trade are recognised at fair value and the resulting profits or losses are recognised in the income statement. Net profit or loss recognised in the income statement take into consideration dividends or interest generated by a specific financial asset.
Financial assets held for sale – profits and losses arising from changing the fair value are recognised directly in the equity as revaluation reserve, excluding impairment loss, interest calculated using the effective interest rate and gains and losses on exchange rates differences of the financial assets originating from these assets in accordance with amortised cost, recognised directly in the income statement. If the investment is disposed of or determined to be impaired, the cumulative profit or loss previously recognised in revaluation reserve is included in the profit or loss in the particular reporting period. Dividends from equity instruments available for sale are recognised in the income statement when the company obtains the right to receive them.

- borrowings and receivables are recognised at amortised cost using the effective interest rate
- investments held to maturity at amortised cost using the effective interest rate
- investments in equity instruments, which do not have market price quotation on the active market and which fair value cannot be reliably measured are recognised at the purchase price

Valuation according to fair value is based on the current market data, including instrument characteristics.

Financial asset impairment loss

Financial assets, except for those disclosed at the fair value through the income statement, are subject of evaluation for impairment loss as at the each balance sheet date. Financial assets are impaired when there is an objective evidence that the events, which happened after the initial recognition of a particular asset, have negatively affected the estimated future cash flow. For financial assets recognised at amortised historical cost, the impairment loss amount constitutes the difference between the carrying amount and the present value of estimated cash flow discounted using the initial effective interest rate.

Carrying amount of the financial asset is directly reduced by an impairment loss write-down. Impairment write-off is recognised as cost in the income statement.

If in the subsequent period the impairment loss amount is reduced and the reduction can be objectively related to an event, which happened after the impairment loss initial recognition, the impairment loss is reversed through the income statement to the extent of carrying amount reversal for the impairment loss date to the degree not exceeding the amortised historical cost, which would have been recognised if the impairment loss never happened. This applies to all assets, excluding equity instruments held for sale. In this case, the increase of the fair value after impairment loss is recognised directly in equity. For equity instruments valuated at cost, performed impairment loss write-off cannot be reversed.

Valuation of financial liabilities in later period

Liabilities are measured at fair value through profit or loss are measured at fair value, e.g. derivative instruments, except for hedging instruments, short sale is recognised at fair value. The effects of the valuation are recognised in the income statement. If a reliable fair value cannot be determined, these liabilities are held at the initial value.

Other financial liabilities (borrowings and bank loans, liabilities arising from issued debt securities or supplies and services) are valuated at the amortised cost using the effective interest rate.

Derivatives and hedging

Changes in the fair value of derivatives selected to hedge the cash flows in such part in which they operate as effective hedge are charged against or credited towards the equity. Changes in the fair value of derivatives for cash flow hedging in such part in which they do not operate as effective hedge are recognized as financial profits or costs of a reporting period.

If the cash flow hedge (connected with future liabilities or planned transactions) involves recognition of an asset or liability, then, at the moment of initial recognition of such asset or liability, profits or loss on financial instrument previously recognized in the capitals result in adjustment of the initial value of the asset or liability. If the cash flow hedge does not involve recognition of an asset or liability, the value deferred in capitals is recognized in the profit and loss account in the period in which the settlement of the hedge position is recognized in the profit and loss account.

In case of fair value is hedge, the value of the hedged position is adjusted by the changes in the fair value of the hedged risk recognized in the income statement. Profits and losses resulting from revaluation of a derivative are recognized in the income statement.

Changes in the fair value of derivatives other than hedging instruments are recognized in the income statement for the reporting period in which the revaluation occurred.

The Group discontinues the use of hedge accounting if a hedge instrument expires, is sold, terminated or executed or if it does not comply with the hedge accounting criteria. On that date, cumulative profits or loss on that hedge instrument recognized in the capitals remain a capital item until the hedged transaction is executed. If the hedged transaction is not executed, cumulative net result recognized in the capitals is carried to the income statement for a given period.

Derivatives embedded in other financial instruments or agreements, which are not instruments, are treated as separate derivatives if the character of the embedded instrument and the related risks are not closely associated with the nature of the primary agreement and the related risks and if the primary agreements are not measured according to the fair value, which alterations are recognised in the income statement.

Equity instruments

An equity instrument is any agreement which is the evidence of residual interest in assets of an entity after deducting all of the entity's liabilities.

If the entity purchases its own equity instruments, they are deducted from the equity (own shares). Purchase, sale, issue or destruction of own equity instruments are not recognised in financial result and paid or received amounts are recognised directly in the equity.

Interest, dividends and profits and losses connected with the financial instrument or financial liability are recognised as revenue or costs in the financial result.

Amounts given to the equity instruments owners, which do not take into account the income tax benefit, directly reduce the equity. Costs of transactions on equity (excluding emissions associated with acquisition) directly reduce the equity.

Compound instruments

Financial instruments featuring both a capital and financial liability, such as bonds convertible into shares.
Division into capital and financial liability should be done, consisting of:

- valuation of financial liability by using discounted cash flow method
- determining capital liability as a difference between the value of compound instrument and the financial liability.

If the holder of the instrument does not exercise the conversion option into shares the equity portion is transferred to retained earnings. In case of using the conversion, an issue of shares takes place and the capital liability of the compound instrument is reconciled against share capital or issue premium.

The fair value of financial instruments traded on an active market is the market value less transaction costs should they be considerable.

The market price of financial assets held by the Company and financial liabilities that the Group intends to take out, is the current purchase offer placed on market while the market price of financial assets, which the Group intends to purchase and financial liabilities is the current sales offer placed on the market.

Inventories
Inventories are valued at the lower of purchase price and net realisable value.

Goods and materials
They are valuated at the purchase price not higher that their net realisable value.
The difference between higher net purchase and lower net sale price is written off to manufacturing costs. For inventories which are unnecessary or lost their commercial value, the Group creates write-downs recognised as production.

Goods and materials issue methodology
Due to the fact that the purchase prices of materials and goods fluctuate throughout the fiscal year, issue of materials and goods is recorded according to "first in, first out" (FIFO) method and according to weighted average price

Products and work in progress
Products are recognised at their cost of manufacture which covers the costs in direct connection with the product plus justified part of costs directly associated with the manufacture of the product.
On the balance-sheet day, the value of the products accounted for in the ledgers at fixed price is adjusted to the effective cost of their manufacture, not higher than the realisable market prices.
The effects of write-downs on the finished products and their reversal, refers to the cost of sales.

Product issue methodology

If the costs of manufacturing of identical products or products considered as identical due to similarity of nature and purpose, are different then the final value of these assets, depending on the method the Company chose to determine the issue value of particular kind of products, sale or use is measured:

- according to FIFO ("first in, first out") method
- according to average manufacturing costs set by weighted average for a given product.

Various methods of determining the issue in case of inventories with a different nature and purpose are allowed.
Items in the work in progress are measured at the direct manufacturing cost.

Inventory impairment write-offs

The Group accounts for impairment write-offs recognised in the profit and loss account for all inventories being unjustifiably obsolete. The Group takes into account the requirement that the carrying value cannot exceed net sales prices.

Cash and cash equivalents

Cash is considered as cash in hand, on bank accounts and deposits payable on demand.
Cash disbursement in foreign currency is determined by using average weighted cost method.
Bank deposits, bonds, treasury and commercial bills with payment date of up to 3 months from the purchase date are considered by the Group as cash.

Accruals

The Group recognises accruals and prepayments as well as their financial impact as follows:

- prepayments (included in trade and other receivables) are recognised if expenses incurred relate to future reporting periods;
- accruals (included in trade and other payables) are recognised at the amount of probable liabilities in the current reporting period, arising in particular:
  - from services provided to the Company by its suppliers (contractors), where the amount of liabilities can be reliably estimated,
  - from the obligation to provide future services to unknown persons, where such services related to current activity and where the amount can be estimated even though the date of the liability is not yet known, in particular for warranty and guarantee repairs of sold durable products.

Provisions, contingent liabilities and contingent assets

Provisions are determinable liabilities with uncertain maturity date or of uncertain amount.

Contingent liabilities - possible liability that arises from past events and whose existence will be confirmed only by occurrence or not of one or more uncertain future events beyond the Company's control or an existing liability, which is not recognised in the balance sheet, because disbursement of beneficial funds is unlikely or the amount of the liability cannot be reasonably estimated.

The Group recognises provisions, if:

- legal or constructive obligation resulting from past events exists
- outflow of resources is probable
- reliable estimate is possible

Provisions are measured at least at the balance sheet date in a reasonable, estimated value. The Group discounts a provision when the time value of money significantly affects the amount of such provision.

Shareholders' equity

Shareholders' equity is measured at least at the balance sheet date in the nominal value and is recognised in the ledgers according to their nature and rules set by law or the Company's statute or agreement. In accordance with IFRS 29, art. 24 items of equity (except retained earnings and capital from revaluation of assets) were calculated at the date of transition to IFRS i.e. 01.01.2004 using general price indices since their contribution or otherwise. The amount arising from the hyperinflation revaluation increased share capital and the issue premium.

State subsidies

Subsidies are divided into:
capital subsidies - for acquisition, financing of fixed tangible and intangible assets
revenue/cost subsidies - for financing of expenses in a given area.
State subsidies including non-cash subsidies accounted for in their fair value are not recognized unless a reasonable certainty exists that the Group will comply with the subsidy-related conditions and will receive such subsidies.

Revenue from cash subsidies are accounted for in the profit and loss account parallel to the associated subsidy expenses. Costs and subsidies amounts are recognised separately in the income statement.
Revenue from capital grants is accounted for as deferred income in the "State subsidies" section and is settled parallel to the associated amortisation of fixed or intangible assets.

Revenues

Revenues are economic benefits of the given period arising from the Company's activity, resulting in equity increase, other than increase resulting from shareholders' contribution.
Revenues from the Company's activity are accounted for and presented according to the IAS 18 "Revenue." The fair value of the received or due economic benefits from goods and services sale within the basic Company's activity, less income tax and discounts, is treated as revenue.

Sales of traded goods and products

Revenues from sales are recognized if the following conditions are satisfied:

- The Group has transferred to the buyer significant risks and benefits resulting from ownership rights to goods or products. The Group ceases to be permanently involved in the management of sold goods or products, to the extent that such function is carried out in relation to goods or products to which the ownership is owned or effective control is exercised over.
- the amount of revenues may be assessed in a reliable way
- it is likely that the Group will generate economic benefits from the transaction
- costs incurred as well as costs to be incurred by the Company in connection with the transaction may be reliably estimated.

Interest and dividends

Income generated as a result of use of the Company's assets generating interest and dividends by other entities is recognized by the Group in so far as it is probable that the Group will obtain economic benefits and the amount of revenues may be reliably measured

Interest are disclosed gradually to the time passage taking into account the effective yield.

Dividends are accounted for when shareholders receive the right to obtain them in the Other revenue section.

Principle of substance over form

For each transaction, the Group analyses whether the transaction raises the economic effects, which would be expected for this kind of transaction. This rule is applied in case of sales, leasing, consignment or sales with recourse to the seller.
To demonstrate the sales, transfer of significant risks and profits for the buyer, the lack of ability to control by the seller and high probability of benefits impact should be taken into account.

Costs of external financing

Costs of external financing include interest and other costs incurred by the entity in connection with borrowing of funds.
Costs of external financing include:

- interest on loans and borrowings
- amortisation of discount or bonus related to loans and borrowings
- amortisation of costs associated with obtaining borrowings and loans
- financial leasing costs
- foreign exchange rate differences related to loans and credits in foreign currencies in the part relating to the interest valuation

External financing costs are the costs of period in which they were incurred, with the exception of external financing costs that can be directly assigned to the adjusted assets. Costs of external financing for the period of adjusting the asset increase the cost of production of fixed assets or real estate investments.

Employee benefits

Employee benefits are all the benefits offered in exchange for employees' work. The working period should absorb the full cost of work.

Holiday provision – employees of the Company are entitled to holiday according to the Labour Code regulations. The costs of employees' holiday are recognised on accrual basis. Employee holiday liability is determined based on the difference between the actual status of employees' holiday usage and the status, which would result from use proportional to the passage of time.

Retirement provision – they result from the Labour Code regulations, collective labour agreement or in-company regulations. The estimation of the provision amount requires several premises:

- salary – indication of salary increase, bonuses and grading
- staff turnover
- risk of survival
- interest rates associated with discounting
- the necessity for estimation for a large number of people

Retirement provisions are determined each year by an independent pensions actuary and the actuarial differences are included in the income statement in the Administration costs or Cost of Goods Sold. All the actuarial profits and losses relating to demographic changes and discount rate changes are recognised directly in other comprehensive income.

Restructuring provision

Restructuring provision is recognised when the Group is certain that the cash outflow will be needed and that its amount was reliably estimated. Provisions include, in particular, severance pay for dismissed employees. Restructuring provision is recognised only when the Group announced a detailed and formal restructuring plan to all interested parties.

Accrued income

Accrued income is recognised prudently and includes the equivalent of amounts received or receivable from customers for services that will be performed in future reporting periods.

Impact of foreign exchange rate changes

Functional and presentation currency of the Company is the Polish currency.

Valuation as at transaction date

Transactions in currency different than PLN are posted at the average exchange rate announced by the National Bank of Poland for the day preceding the transaction. For purchase or sale of the foreign currency in a bank, Group Companies use the exchange rates negotiated with the bank.

Non-monetary assets and liabilities are measured at fair value and denominated in foreign currency, are valuated according to the average exchange rate set by the National Bank of Poland on the date of setting the fair value.

Valuation as at balance sheet date

As at the balance sheet date, foreign-currency assets and liabilities are converted at the average exchange rate of the National Bank of Poland (NBP) applicable on the balance sheet date.
Cash items – according to the average exchange rate of the National Bank of Poland as at the balance sheet date
Non-cash items at historical cost - at exchange rate as at the transaction date
Non-cash items in foreign currency at fair value - translated at the exchange rate effective as at the date of fair value determination.

Disclosure of exchange rate differences

Exchange rate differences arising from implementation or conversion of monetary items are accounted for in the profit and loss account and are presented in net amount (exchange rate profit or loss).
If the non-monetary profits or losses are recognised in the profit and loss account then the associated exchange rates are also recognised in the same account.
If the profits and losses from non-monetary items are recognised directly in the equity, then the exchange rates associated with them are also recognised directly in the equity.

The selected financial data in the initial part of the report were presented in EUR according to § 91 section 1 of the Minister of Finance Regulation of 19 February 2009 (Journal of Laws No. 33, item 259 of 2009).

The exchange rate on the last day for balance sheet items and average exchange rate for the income statement and cash flow statement were used for conversion.

Events after the balance sheet date

Adjusting events after the balance sheet date- those that provide evidence of conditions that existed at the balance sheet date.

Non-adjusting events after the balance sheet date- those that are indicative of conditions that arose after the balance sheet date. If they are significant, the Group discloses them in the additional information, giving the nature of the event and its financial effect or stating that the determination of such an effect is impossible or unreliable.

Each event causing the going concern principle cannot be continued is the event causing adjustments in the accounting books and financial statements. An entity shall not prepare its financial statements on a going concern basis, if management determines after the balance sheet date either that it intends to liquidate the Company or to cease trading, or that it has no realistic alternative but to do so.

Income tax

Net book and tax value of assets and liabilities

The Group accounts for provisions and recognises deferred income tax assets as a result of temporary differences between the book value of assets and liabilities and their tax value and tax loss or tax exemption deductible from taxable income in the future.

Deferred tax assets are determined by the Group as the future foreseeable amount, deductible from income tax in respect of deductible temporary differences, tax loss or tax exemption which will result in future reduction of the tax base, calculated in accordance with the prudence principle.

Deferred income tax provision is recognised by the Group in the amount of the income tax payable in future due to occurrence of taxable temporary differences which will increase the income tax base in the future.

The amount of deferred tax provision and deferred tax assets is determined by the Group according to income tax rates applied during the year, in which the tax obligation arose.

Special funds

The contributions to the Company Social Benefits Fund are calculated in compliance with the Act of 04.03.1994 on Company Social Benefits Fund. Assets and liabilities related to this fund are not recognized in the financial statements, because they are not controlled by the Company.

The Company Fund for Rehabilitation of the Disabled is accounted for by Group in accordance with the Ordinance of the Minister of Labour and Social Policy of 31 December 1998 on the Company's Fund for Rehabilitation of the Disabled (Journal of Laws of 1999 No. 3, item 22) and internal rules drafted pursuant to this Ordinance, with funds raised under tax exemptions and fees; the fund is recognised in nominal value.

Events after the balance sheet date

Adjusting events after the balance sheet date- those that provide evidence of conditions that existed at the balance sheet date.

Non-adjusting events after the balance sheet date- those that are indicative of conditions that arose after the balance sheet date. If they are significant, the Company discloses them in the additional information, giving the nature of the event and its financial effect or stating that the determination of such an effect is impossible or unreliable.

Each event causing the going concern principle cannot be continued is the event causing adjustments in the accounting books and financial statements. An entity shall not prepare its financial statements on a going concern basis, if management determines after the balance sheet date either that it intends to liquidate the Company or to cease trading, or that it has no realistic alternative but to do so.

Assets held for sale and discontinuation of operations

The company recognised a non-current assets item (or group of items) as held for sale in the lower amount of its carrying value or fair value less selling costs. It is assumed that an item is intended for sale if management decisions have been made and an active buyer search program has been launched

FINANCIAL STATEMENTS

1. Statement of comprehensive income

The profit/loss on sales is the difference between the sum of due revenues from the sale of products, services and goods, including rebates, discounts and other increases and decreases, excluding value added tax and the value of goods sold at purchase prices and manufacturing costs of products and services sold, and all sales and general and administrative costs incurred during the current period.

Other income include dividends received, redundant provisions redeemed, compensations received and reversals of impairment write-offs on assets and profits on the sales of non-current assets (fixed assets, intangible assets, investment properties and shares in subsidiaries)

Other costs - mainly created provisions, compensation penalties paid, revaluation write-offs of assets and losses on the sale of non-current assets (fixed assets, intangible assets, investment properties and shares in subsidiaries), subsidies to the capital of subsidiaries

Financial revenues - interest received, the result on the sales of receivables, profits on derivative instruments, profits on exchange rates and revaluation gains and sales of financial assets

Cost of financing - interest paid, loss on receivables sales, loss on derivatives, foreign exchange losses, loss on revaluation and sales of financial assets

Income tax - statutory encumbrances of profit/loss due to income tax (including income tax provisions).

2. Other income recognized directly in equity - income from revaluation of assets available for sales reduced by tax and profits/losses on revaluation of employee benefit provisions

Statement of financial position

In the statement of financial position, the Company recognizes the state of assets and liabilities as at the last day of the current and previous reporting period. The value of particular groups of assets recognized in the balance sheet assets results from their net book value adjusted by depreciation, the effects of revaluation and write-offs revaluating the value of assets due impairment loss. Financial assets and liabilities are recognized in the report as net amount if the Company has an unconditional right to the compensation of assets and liabilities of a given type and intends to settle them on a net basis or simultaneously spend a financial asset and settle a financial liability.

Other financial statements applicable to the Company

Statement of changes in equity
Cash flow statement
Additional information in the form of additional explanatory notes
Declaration on non-financial information
Report in accordance with the provisions of Article 44 of the Energy Law Act

Statement of changes in equity includes information about changes in individual components of equity for the current and previous reporting period.

Statement of cash flows is prepared by the Company using the indirect method. It includes all cash inflows and outflows from operating, investing and financing activities, excluding inflows and outflow resulting from the purchase or sale of cash, for the current and previous periods.

Notes to the financial statement contain significant data and explanations necessary to ensure that the financial statements present reliably and clearly the property and financial situation as well as the financial result and the yield of the Company.

Report on Company's activities

Along with the semi-annual and annual financial statements, the Company prepares a report of the management board for the period. The management board report on the company's activities is not a part of the financial statement.

This report includes material information on the Company's property and financial condition, including an assessment of the achieved results and an indication of risk factors and a description of risks.

4. BASIC ACCOUNTING JUDGMENTS AND BASES FOR UNCERTAINTY ESTIMATION

Basic accounting judgments and bases for uncertainty estimation

Estimates of the Management Board

Preparation of financial statements in compliance with IFRS requires the Management Board to make professional judgements, estimates and assumptions that impact the adopted accounting principles and the presented value of assets, liabilities, revenues and costs. The estimates and the underlying assumptions are based on historical experience and other factors considered reasonable under given circumstances and the results of such estimates are the basis for professional judgement of the carrying value of assets and liabilities, which cannot be determined using other sources. Actual results may differ from the assumed estimated values. The estimates and the underlying assumptions are reviewed on an on-going basis. A change in estimated values is recognized in the period in which the verification occurred if it concerns that period only, or in the current period and future periods, if the change concerns both the current period and future periods.

The main accounting estimates and the assumptions adopted refer to:

- estimated useful life of the asset - the subject matter of the estimation is to determine the estimated useful life, which may be shortened or extended in use. The end value and amortisation/depreciation methods are verified by the Company once per fiscal year. The verification includes among others: economic useful life, end value of asset, expected method of consuming the economic benefits from an intangible asset, expected physical wear and tear estimated on the basis of the present average useful life, reflecting the speed of physical wear and tear and intensity of use etc., technical or market obsolescence, legal and other limitations to the use of the asset, expected use of the asset estimated under the expected production capacity or production size and other circumstances effecting the useful life of assets.

- Impairment losses- are made if there are any external or internal indications of no possible recovery of the carrying amount of the non-current assets. If the carrying amount assets exceeds the recoverable amount of the asset , the value of asset is lowered to the recoverable amount by the appropriate impairment and recognition of the costs in the income statement.

- allowances of current assets (inventories and receivables), for inventories the allowance is estimated on the basis of the difference between net realizable amount and expected amount of future cash-flows. On the other hand estimate of accounts receivable write-off is the difference between the carrying value of given asset item and the current value of future cash flows discounted at the effective interest rate.

- employee benefits and provisions for retirement benefits and similar- the current amount of benefits and provisions depend on many factors determined by actuarial methods. The assumptions adopted to establish the net amount (income) for the retirement benefit include the discount rate. Any and all changes of such assumptions shall affect the amount of the retirement liabilities. The Group determines relevant discount rate at the end of each year. It is the interest rate applied to determine the present value of the estimated future outflows of cash assessed as necessary to meet the liabilities.

- provisions for expected liabilities due to the business activities- they are established in the amount representing the best estimate of the expenditure required to settle the present obligation or substantiation of the future obligation at the end of the reporting period.

5. OPERATING SEGMENTS

Branch	Business segment
Headquarters	Other
Elana Branch in Toruń	Chemical products
Energy Branch in Toruń	Other
EDC Branch in Toruń	Other
ERG Branch in Sochaczew	Chemical products
Nylonbor Branch in Sochaczew	Chemical products
NPA Skawina Branch	Metals
Maflow Branch in Tychy	Automotive

The applied principle is that each division belongs to only one operating segment.

Comparable data for 2016 were converted. In 2017 the Holding Activity Segment was integrated into “Other”.

(amounts expressed in PLN thousands unless specified otherwise)

01.01.2017 - 31.12. 2017	Chemical products	Automotive	Metals	Other	Total	exclusions between segments	Total
Revenues from sales	229 439	676 833	401 809	206 611	1 514 692	(1 784)	1 512 908
Cost of sales for the segment	189 670	579 570	368 375	194 604	1 332 219	(1 701)	1 330 518
Result on sales within segment	**39 769**	**97 263**	**33 434**	**12 007**	**182 473**	**(83)**	**182 390**
General, administrative and sales expenses	28 811	47 722	14 476	16 933	107 942	(83)	107 859
Other operating profit/loss	4 691	(8 690)	419	26 487	22 907		22 907
Segment profit/loss	**15 649**	**40 851**	**19 377**	**21 561**	**97 438**	**0**	**97 438**
Amortisation and depreciation	5 324	18 535	5 243	780	29 882		29 882
Segment assets	182 372	585 778	187 261	959 881	1 915 292	(153 419)	1 761 873
Segment liabilities	64 796	660 287	123 674	452 182	1 300 939	(153 419)	1 147 520
	117 576	**-74 509**	**63 587**	**507 699**	**614 353**		

01.01.2016 - 31.12. 2016 - rested data	Chemical products	Automotive	Metals	Other	Total	exclusions between segments	Total
Revenues from sales	261 617	619 725	300 541	270 028	1 451 911	(5 950)	1 445 961
Cost of sales for the segment	224 166	516 616	266 080	251 740	1 258 602	(5 424)	1 253 178
Result on sales within segment	**37 451**	**103 109**	**34 461**	**18 288**	**193 309**	**(526)**	**192 783**
General, administrative and sales expenses	28 559	64 348	12 559	18 306	123 772	(530)	123 242
Other operating profit/loss	2 731	10 994	(10 745)	(25 106)	(22 126)		(22 126)
Segment profit/loss	**11 623**	**49 755**	**11 157**	**(25 124)**	**47 411**	**4**	**47 415**
Amortisation and depreciation	4 577	15 947	4 904	433	25 861		25 861
Segment assets	225 497	469 777	149 725	847 965	1 692 964	(104 172)	1 588 792
Segment liabilities	77 538	584 772	94 487	368 420	1 125 217	(104 172)	1 021 045

(amounts expressed in PLN thousands unless specified otherwise)

6. REVENUES FROM SALE

Revenues from sale	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Revenues from sale of products	1 191 564	1 034 059
Revenues from sales of services	40 931	39 387
Revenues from the sale of goods and materials	280 413	372 515
Total	**1 512 908**	**1 445 961**

Revenues from sales by geographies	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Continuing operations		
Domestic sales	598 386	508 426
Sales to EU countries	825 519	862 577
Sales to other European countries	27 933	37 076
Export outside Europe	61 070	37 882
Total	**1 512 908**	**1 445 961**

	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Share of EU member states in intra-Community sales:		
Germany	30%	34%
Czech Republic	7%	11%
France	4%	4%
Slovakia	3%	3%
Italy	8%	3%
Spain	8%	8%
Great Britain	14%	13%

(amounts expressed in PLN thousands unless specified otherwise)

7. OPERATING EXPENSES

Operating expenses by type	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Amortisation and depreciation	29 882	25 861
Consumption of materials and energy	825 793	691 642
External services	129 271	106 716
Taxes and charges	10 336	9 675
Costs of employee benefits, including:	212 532	198 971
costs of remuneration	*170 439*	*162 392*
costs of social insurance	*31 400*	*27 138*
other employee benefits	*10 693*	*9 441*
Other expenses	8 619	7 601
Value of sold goods and materials	263 503	351 670
Total expenses by type	**1 479 936**	**1 392 136**
Movements in products (+/-)	(41 187)	(21 654)
Capitalised costs by type (-) benefits used internally	(372)	4 381
Impairment write-offs on inventories in COGS	0	1 557
	1 438 377	**1 376 420**
Selling costs	(30 440)	(44 548)
General and administrative costs (-)	(77 419)	(78 694)
Cost of sales	**1 330 518**	**1 253 178**

8. OTHER OPERATING REVENUES

	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Profit from sale of non-current assets	4 598	3 166
Assets revaluation profit *)	12 029	12 393
Reversal of unnecessary provisions	65	12
Dividend	10 078	2 554
Subsidies	4 742	2 863
Revenues from trademark	7 573	8 347
Other revenue	2 949	2 426
Total	**42 034**	**31 761**
	-	-

*) Assets revaluation profit	2017	2016
Reversal of tangible fixed assets impairment write-offs	1 469	
Valuation to fair value of investment property	9 743	
Reversal of write-downs on accounts receivable (-)	72	12 204
Value impairment write-offs for inventories	745	189

(amounts expressed in PLN thousands unless specified otherwise)

9. OTHER OPERATING EXPENSES

	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Loss on sale of non-current assets, including:	43	23 856
Loss on sale of shares		*23 856*
Assets revaluation loss, including:	16 809	27 074
Impairment write-offs on shares		*12 210*
Write-downs on trade and other receivables *)	14 356	*14 864*
Inventory impairment write-offs	2 055	-
Creation of provisions	400	-
Other expenses	1 875	2 957
Compensation, fines paid	313	*281*
Stock count shortage	228	*162*
Other expenses	1 334	*2 514*
Total	**19 127**	**53 887**

*) Write-downs on trade receivables was recognised against receivables from Maflow China and Maflow Brasil.

10. FINANCIAL REVENUES

	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Interest income, including:	15 854	15 449
Interests on loans	13 707	14 431
Interest on bonds	739	578
Other interest	1 408	440
Exchange rate differences		6 488
Profit on sales of financial assets	41	
Profit on derivative financial instruments		842
Reversal of write-downs on financial assets *)	13 812	412
Total	**29 707**	**23 191**

*) The Company reversed a provision on loans granted on 13 812 BAP paid the loan so the provision was removed from the balance sheet along with the loan.

(amounts expressed in PLN thousands unless specified otherwise)

11. FINANCIAL EXPENSES

	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Interest expense, including:	24 368	22 753
Interest on loans	10 252	8 623
Interest on factoring	1 573	1 594
Interest on borrowings	3 603	2 369
Interest from issued bonds	2 421	1 661
Interest on lease	4 193	3 990
Interest on other liabilities	2 326	4 516
Write-downs on loans granted	2 000	40 431
Write-downs on other financial assets	1 427	3 624
Loss on sales of financial assets	-	-
Other financial expenses, including:	18 022	1 515
Exchange rate differences	14 805	-
Loss on derivative financial instruments	1 585	
Other	1 632	*1 515*
Total	**45 817**	**68 323**

12. INCOME TAX

12.1. Current tax

Income tax	**01.01.2017 - 31.12. 2017**	**01.01.2016 - 31.12. 2016**
Gross profit (loss)	**81 328**	**2 283**
Permanent difference in tax base	(27 136)	48 454
Temporary difference in tax base	12 050	(9 079)
Income after permanent and temporary differences	**66 242**	**41 658**
Taxation exempt income due to business activity in the Special Economic Zone) (-)	(40 933)	(40 079)
Income tax base	**25 309**	**1 579**
Tax rate	**19.0%**	**19.0%**
Income tax	**4 809**	**300**
Tax reductions - adjustments	(1 982)	
Tax for current year	**2 827**	**300**
Tax advances during the year	1 892	
Current tax liabilities	**935**	**300**

(amounts expressed in PLN thousands unless specified otherwise)

12.2. Deferred tax

Deferred tax in the balance sheet	**As at 31.12.2017**	**As at 31.12.2016**
Deferred tax provision	42 397	34 621
Deferred tax asset	(48 435)	(32 168)
Deferred tax balance in the balance sheet	**(6 038)**	**2 453**

2017 change in deferred tax

Change in deferred tax asset	**As at 01.01.2017**	**change recognised in current year**	*tax recognised in profit and loss*	*tax recognised in other comprehensive income*	**As at 31.12.2017**
Tax asset on provisions for employee benefits	**2 464**	**(1 112)**	*(1 196)*	*84*	**1 352**
Tax asset on other provisions	**329**	**2 478**	*2 478*		**2 807**
Impairment write-offs on assets	**8 858**	**7 664**	*7 664*		**16 522**
Valuation of derivative instruments	-	**361**	*(305)*	*666*	**361**
Unrealised negative currency exchange differences	**2 235**	**(992)**	*(992)*		**1 243**
Amortisation and depreciation	**5 593**	**12 221**	*12 221*		**17 814**
Tax asset on tax loss BF	**579**	**235**	*235*		**814**
Tax asset on SSE exemption	**0**	**7 000**	*7 000*		**7 000**
Other deferred tax assets	**12 110**	**(11 588)**	*(11 588)*		**522**
Total	**32 168**	**16 267**	***15 517***	***750***	**48 435**

Changes in deferred tax provisions	**As at 01.01.2017**	**change recognised in current year**	*tax recognised in profit and loss*	*tax recognised in other comprehensive income*	**As at 31.12.2017**
Valuation of Assets	**10 861**	**129**	*129*		**10 990**
Balance sheet valuation of derivatives	**1 178**	**(1 178)**	*(1 178)*		**0**
Unrealised currency exchange rate differences	**3 547**	**(2 496)**	*(2 496)*		**1 051**
Depreciation of PP&E	**17 060**	**6 692**	*6 692*		**23 752**
Other deferred tax provisions	**1 975**	**4 629**	*4 629*		**6 604**
Total	**34 621**	**7 776**	***7 776***	-	**42 397**

In the current year, the company created an asset for tax exemption for activities in SSE. The company will use this asset when the income is generated in SSE. In 2017, the income from SSE amounted to PLN 40 933 (in 2016 it was PLN 40 079).

(amounts expressed in PLN thousands unless specified otherwise)

2016 change in deferred tax

Deferred tax assets	As at 01.01.2016	Movement (+ / -) recognized in equity	Movement (+ / -) recognized in the profit/loss for the current period	As at 31.12.2016
Employee benefit provisions	1 078	(28)	1414	2 464
Creation of other provision	329			329
Write-downs/valuation on assets	8 901		(43)	8 858
Valuation of derivative instruments	503		(503)	-
Unrealised negative currency exchange differences	181		2 054	2 235
Amortisation and depreciation	4 054		1 539	5 593
	-			-
Tax on dividends	579			579
Other assets	8 367		3 743	12 110
Total	**23 992**	(28)	**8 204**	**32 168**

Deferred tax provisions	As at 01.01.2016	Movement (+ / -) recognized in equity	Movement (+ / -) recognized in the profit/loss for the current period	As at 31.12.2016
Valuation of Assets	6 349		4512	10 861
Valuation of derivative instruments	-	587	591	1 178
Unrealised negative currency exchange differences	1 054		2493	3 547
Amortisation and depreciation	17 879		(819)	17 060
Other	1 975			1 975
Total	**27 257**	**587**	**6 777**	**34 621**

13. NON-CURRENT ASSETS

Tangible fixed assets (by type groups)	**As at 31.12.2017**	**As at 31.12.2016**
Fixed assets by type:	**272 363**	**260 070**
land	*9 303*	*9 303*
buildings, premises, civil and water engineering structures	*60 682*	*65 417*
technical equipment and machines	*191 160*	*176 801*
vehicles	*4 346*	*2 930*
other tangible fixed assets	*6 872*	*5 619*
Advances for tangible fixed assets	**499**	**715**
Total property, plant and equipment	**272 862**	**260 785**

The company insures its entire non-current assets. The insurance is described in detail in note 32.

(amounts expressed in PLN thousands unless specified otherwise)

Change in fixed assets for the period of 01.01.2017 to 31.12.2017 2017	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	vehicles	Other tangible fixed assets	Total
Gross value of fixed assets at the beginning of the period	**9 303**	**95 646**	**301 991**	**6 883**	**16 844**	**430 667**
Additions (acquisition, reclassification from assets under construction) (+)		8 161	12 320	538	2 082	23 101
Additions - under lease agreements (+)			49 146	2 189	558	51 893
Disposal (-)		(118)	(2 542)	(189)		(2 849)
Tangible fixed assets under construction (+/-)		(6 758)	(24 273)		(42)	(31 073)
Liquidation (-)			(1 098)	(147)	(353)	(1 598)
Other (+/-)		(4 569)				(4 569)
Gross value of fixed assets at the end of the period	**9 303**	**92 362**	**335 544**	**9 274**	**19 089**	**465 572**
Accumulated depreciation at the beginning of the period	-	**25 816**	**120 677**	**3 687**	**10 934**	**161 114**
Planned depreciation of fixed assets (+)		2 842	14 018	203	1 311	18 374
Planned depreciation of leased fixed assets (+)			7 338	1 110	43	8 491
Decrease due to disposal (-)		(37)	(1 537)	(204)	(121)	(1 899)
Other (+/-)		(147)	(426)	(58)	(146)	(777)
Accumulated depreciation at the end of the period	-	**28 474**	**140 070**	**4 738**	**12 021**	**185 303**
Impairment write-offs at the beginning of the period	-	**4 413**	**4 513**	**266**	**291**	**9 483**
Creating a write-down (+)			644	30	39	713
Reversal of a write-down (-)		(683)	(842)	(90)	(125)	(1 740)
Decrease due to disposal (-)		(82)				(82)
Other (+/-)		(442)	(1)	(16)	(9)	(468)
Impairment write-offs at the end of the period	-	**3 206**	**4 314**	**190**	**196**	**7 906**
Net fixed assets as at the end of period	**9 303**	**60 682**	**191 160**	**4 346**	**6 872**	**272 363**

Change in fixed assets for the period of 01.01.2016 to 31.12.2017 2016	Land	Buildings, premises, civil and water engineering structures	Technical equipment and machines	vehicles	Other tangible fixed assets	Total
Gross value of fixed assets at the beginning of the period	**9 303**	**86 135**	**260 897**	**5 157**	**13 132**	**374 624**
Additions (acquisition, reclassification from assets under construction) (+)		6 484	11 007	16	1 190	18 697
Additions - under lease agreements (+)			17 546	1 402		18 948
Disposal (-)		(562)	(8 005)	(129)	(57)	(8 753)
Tangible fixed assets under construction (+/-)		3 839	21 906		1 029	26 774
Liquidation (-)			(1 306)	(3)	(313)	(1 622)
Other (+/-)		(250)	(54)	440	1 863	1 999
Gross value of fixed assets at the end of the period	**9 303**	**95 646**	**301 991**	**6 883**	**16 844**	**430 667**
Accumulated depreciation at the beginning of the period	**-**	**23 639**	**108 180**	**2 658**	**9 427**	**143 904**
Planned depreciation of fixed assets (+)		2 554	19 632	871	1 303	24 360
Decrease due to disposal (-)		(78)	(6 175)	(34)	(234)	(6 521)
Other (+/-)		(299)	(960)	192	438	(629)
Accumulated depreciation at the end of the period	**-**	**25 816**	**120 677**	**3 687**	**10 934**	**161 114**
Impairment write-offs at the beginning of the period	**-**	**4 421**	**4 538**	**266**	**316**	**9 541**
Decrease due to disposal (-)		(8)	(1)			(9)
Other (+/-)			(24)		(25)	(49)
impairment write-offs at the end of the period	**-**	**4 413**	**4 513**	**266**	**291**	**9 483**
Net fixed assets as at the end of period	**9 303**	**65 417**	**176 801**	**2 930**	**5 619**	**260 070**

(amounts expressed in PLN thousands unless specified otherwise)

14. INVESTMENT PROPERTY

Investment real estate property at fair value	As at 31.12.2017	As at 31.12.2016
Real estate property located in Toruń	**16 525**	**144**
Revenues from investment property (rental agreements)	314	378
Maintenance cost of investment property	67	127

	As at 31.12.2017	As at 31.12.2016
Balance at the beginning of the period	**144**	**144**
Additions	**16 525**	-
valuation to fair value (+/-)	12 210	
reclassification from fixed assets	4 315	
Reductions (-)	**(144)**	-
sale (-)	(144)	
Balance as at period end	**16 525**	**144**

In the current year, the Company reclassified the land in perpetual usufruct (previously reported off balance sheet) and the hall located there (last year presented as fixed assets under construction - PLN 4 315) to investment property. This hall has been assigned as rentable. An independent appraiser has valued the property. Fair value as at 31.12.2017 amounts to PLN 16 625. Together with the investment property, a discounted liability for the perpetual usufruct fee in the amount of PLN 2 024 was introduced to the balance sheet as presented in note 26. Profit of PLN 9 743 was recognized in other operating revenues note 8.

15. INTANGIBLE ASSETS

Intangible assets	As at 31.12.2017	As at 31.12.2016
Costs of completed development works	5 553	5 249
Patents, licenses, software	14 726	16 874
Perpetual land usufruct right	1 821	1 860
Other intangible assets	4 756	1 932
Total	**26 856**	**25 915**

(amounts expressed in PLN thousands unless specified otherwise)

Change in intangible assets for the period of 01.01.2017 to 31.12.2017 2017	Costs of completed development works	Patents, concessions, licence, software	Perpetual land usufruct right	Other intangible assets	Total
Gross value at the beginning of the period	**9 341**	**19 750**	**2 198**	**4 343**	**35 632**
Additions (purchase)	1 943	**180**	-	4 551	6 674
Liquidation	-	(1 031)	-	-	(1 031)
Introduced as in-kind contribution (-)	-	-	-	-	-
Other	-	-	25	(1 712)	(1 687)
Gross value of intangible assets at the end of the period	**11 284**	**18 899**	**2 223**	**7 182**	**39 588**
Accumulated depreciation at the beginning of the period	**4 092**	**2 876**	**338**	**2 411**	**9 717**
Planned depreciation of intangible assets	1 639	**1 297**	**64**	15	3 015
Accumulated depreciation at the end of the period	**5 731**	**4 173**	**402**	**2 426**	**12 732**
Impairment write-offs at the beginning of the period	-	-	-	-	-
impairment write-offs at the end of the period	-	-	-	-	-
Net value of intangible assets at the end of the period	**5 553**	**14 726**	**1 821**	**4 756**	**26 856**

Change in intangible assets for the period of 01.01.2016 to 31.12.2017 2016	Costs of completed development works	Patents, concessions, licence, software	Perpetual land usufruct right	Other intangible assets	Total
Gross value at the beginning of the period	**4 266**	**13 573**	**2 198**	**7 177**	**27 214**
Additions (purchase)	5 075	**6 272**	-	1 712	13 059
Liquidation		(95)	-		(95)
Introduced as in-kind contribution (-)		-	-		-
Other		-	-	(4 546)	(4 546)
Gross value of intangible assets at the end of the period	**9 341**	**19 750**	**2 198**	**4 343**	**35 632**
Accumulated depreciation at the beginning of the period	**3 097**	**2 506**	**304**	**2 410**	**8 317**
Planned depreciation of intangible assets	995	472	34	1	1 502
Other		(102)	-		(102)
Accumulated depreciation at the end of the period	**4 092**	**2 876**	**338**	**2 411**	**9 717**
Impairment write-offs at the beginning of the period		-	-		-
impairment write-offs at the end of the period	-	-	-	-	-
Net value of intangible assets at the end of the period	**5 249**	**16 874**	**1 860**	**1 932**	**25 915**

(amounts expressed in PLN thousands unless specified otherwise)

16. SHARES IN SUBSIDIARIES AND ASSOCIATES

	As at 01.01.2017				change			As at 31.12.2017			
Company name	*share of the parent in share capital (%)*	*Value of shares*	*Impairment write-off*	*Net value*	*acquisition*	*disposal*	*change in write-downs*	*share of the parent in share capital (%)*	*Value of shares*	*Impairment write-off*	*Net value*
Direct subsidiaries:											
Elimer Sp. z o.o.	52.44	53	-	53				52.44	53	-	53
Torlen Sp. z o.o.	100	15 808	*2 555*	13 253				100	15 808	*2 555*	13 253
Elana Pet Sp. z o.o.	100	4 707	-	4 707				100	4 707	-	4 707
Nylonbor Sp. z o.o.	-	-	-	-	50			100	50	-	50
Elana Energetyka Sp. z o.o.	100	1 500	*1 500*	-				100	1 500	*1 500*	-
SPV Boryszew 3 Sp. z o.o.	100	9 086	-	9 086				100	9 086	-	9 086
Nowoczesne Produkty Aluminiowe Skawina	100	17	-	17				100	17	-	17
Boryszew Commodities Sp. z o.o.	-	-	-	-				-	-	-	-
SPV Boryszew 6 Sp. z o.o.	100	25	-	25				100	25	-	25
SPV Maflow (d.SPV Boryszew 8) Sp. z o.o.	100	25	-	25				100	25	-	25
SPV Boryszew 9 Sp. z o.o.	100	25	-	25				100	25	-	25
Boryszew Automotive Plastics Sp. z o.o.	100	27 214	*11 119*	16 095	32 536			100	59 750	*11 119*	48 631
Boryszew Tensho Poland Sp. z o.o.	80	6 736	-	6 736				80	6 736	-	6 736
BOR Plastic RUS Sp. z o.o., Rosja	-	-	-	-	2 242			11	2 242	-	2 242
HR Service Sp. z o.o. Toruń	-	-	-	-	354			100	354	-	354
Maflow Polska Sp. z o.o.	100	5	-	5				100	5	-	5
Maflow BRS s.r.l	100	40	-	40				100	40	-	40
Maflow Spain Automotive S.L.U	100	6 080	-	6 080				100	6 080	-	6 080

(amounts expressed in PLN thousands unless specified otherwise)

Maflow France Automotive S.A.	100	3 951	*3 951*	-						100	3 951	*3 951*	-
Maflow India	100	14 294	-	14 294						100	14 294	-	14 294
Eastside Bis Sp. z o.o.	65.02	58 662	-	58 662		6				65.02	58 668	-	58 668
Boryszew Energy Sp. z o.o.	100	-	-	-						100	-	-	-
Elana Ukraina Sp. z o.o.,	90	338	*338*	-						90	338	*338*	-
Impexmetal S.A.	50.7	229 917	-	229 917		32 439				55.07	262 356	-	262 356
		378 483	***19 463***	**359 020**	-	67 627	-	-	-		**446 110**	***19 463***	**426 647**
Indirect subsidiaries:													
Hutmen S.A.	0.42	535	-	535		13 566				10,38	14 101		14 101
Walcownia Metali Dziedzice S.A.	1.92	1 529	-	1 529						1.92	1 529	-	1 529
	-	**2 064**	-	**2 064**	-	13 566	-	-	-		**15 630**	-	**15 630**
Affiliated entities													
Zavod Mogiliew – Sp. z o.o. Belarus	30	1 091	*1 091*	-						30	1 091	*1 091*	-
Alchemia		3854		3854			(1 351)		343	0.25	2 503	343	2 160
		4 945	**1 091**	**3 854**		-	(1 351)		**343**	**30**	**3 594**	**1 434**	**2 160**
Total shares and interests		**385 492**	**20 554**	**364 938**		81 193	(1 351)		**343**	**30**	**465 334**	**20 897**	**444 437**

The company made a write-down revaluating Alchemia's shares. Alchemia is a Warsaw Stock Exchange listed company. The valuation was based on the share price as at the balance sheet date, amounting to PLN 4.11 per share. The company has 500 000 shares, acquired for the amount of PLN 2 503. The write-off to fair value (-343 000 PLN) was recognized in the result of Chemistry segment.

(amounts expressed in PLN thousands unless specified otherwise)

As at December 31, 2017, tests for permanent impairment of assets in subsidiaries were carried out. When testing assets at Boryszew Automotive Plastics Sp. z o. o. all companies from GAP BAP for which the above-mentioned company is the parent were included.

The analysis assumes valuation based on discounted future cash income (DCF) and capital asset pricing model (CAPM). The time span of the forecast was 5 years – based on the budget data of the companies. In order to calculate the weighted average cost of capital (WACC), publicly available data were used. The adopted WACC was calculated separately for all countries and amounted to 9.6% for Czech Republic; 7.5% for Germany; 11% for Poland; 14.5% for Russia respectively.

The test shown that there was no premise to create an impairment write-off for assets.

	as at 01.01.2016				**change**			**as at 31.12.2016**			
Company name	share of the parent in share capital (%)	Value of shares	Impairment write-off	Net value	*acquisition*	*disposal*	*change in write-downs*	share of the parent in share capital (%)	Value of shares	Impairment write-off	Net value
Direct subsidiaries											
Elimer Sp. z o.o.	52.44	53		53				52.44	53	-	53
Torlen Sp. z o.o.	100	15 808	2 555	13 253				100	15 808	2 555	13 253
Elana Pet Sp. z o.o.	100	4 707		4 707				100	4 707	-	4 707
Elana Energetyka Sp. z o.o.	100	1 500	1 500	-				100	1 500	1 500	-
SPV Boryszew 3 Sp. z o.o.	100	9 086		9 086				100	9 086	-	9 086
Boryszew Commodities Sp. z o.o.	100	246		246	350	(596)		-	-	-	-
SPV Boryszew 5 Sp. z o.o.	100	5		5	12			100	17	-	17
SPV Boryszew 6 Sp. z o.o.	100	25		25				100	25	-	25
SPV Boryszew 7 Sp. z o.o.	100	25		25		(25)		-	-	-	-
SPV Boryszew 8 Sp. z o.o.	100	25		25				100	25	-	25
SPV Boryszew 9 Sp. z o.o.	100	25		25				100	25	-	25
Boryszew Automotive Plastics Sp. z o.o.	100	11 119		11 119	16 095		11 119	100	27 214	11 119	16 095

(amounts expressed in PLN thousands unless specified otherwise)

AKT Plastikarska Technologie	100	56 463		56 463		(56 463)		-	-	-	-
Boryszew Tensho Poland Sp. z o.o.	80	6 736		6 736				80	6 736	-	6 736
Maflow Polska Sp. z o.o.	100	5		5				100	5	-	5
Maflow BRS s.r.l	100	40		40				100	40	-	40
Maflow Spain Automotive S.L.U	100	6 080		6 080				100	6 080	-	6 080
Maflow France Automotive S.A.	100	3 951	3 951	-				100	3 951	3 951	-
Maflow India	100	14 294		14 294				100	14 294	-	14 294
Eastside Bis Sp. z o.o.	65.02	58 662		58 662				65.02	58 662	-	58 662
Boryszew Energy Sp. z o.o.	100	-		-				100	-	-	-
Elana Ukraina Sp. z o.o.,	90	338	338	-				90	338	338	-
Impexmetal S.A.	50.7	235 692		235 692	7 353	(13 128)		50.7	229 917	-	229 917
		424 885	**8 344**	**416 541**	**23 810**	**(70 212)**	**11 119**		**378 483**	**19 463**	**359 020**
Indirect subsidiaries:											
Hutmen S.A.		111		111	424				535	-	535
Walcownia Metali Dziedzice S.A.	1.92	1 529		1 529					1 529	-	1 529
		1 640	-	**1 640**	**424**	-	-	-	**2 064**	-	**2 064**

Affiliated entities

Zavod Mogiliew – Sp. z o.o. Belarus	30	1 091		1 091			1 091	30	1 091	*1 091.00*	0
Alchemia					3 854				3 854	-	3 854
		1 091	-	**1 091**	**3 854**	-	**1 091**		**4 945**	*1 091.00*	**3 854**
Total shares and interests		**427 616**	**8 344**	**419 272**	**28 088**	**(70 212)**	**12 210**	-	**385 492**	**20 554**	**364 938**

(amounts expressed in PLN thousands unless specified otherwise)

17. FINANCIAL ASSETS

Financial investments	As at 31.12.2017	As at 31.12.2016
Shares valued to fair value through by other comprehensive income	-	2 615
Shares at fair value through profit and loss	-	-
Shares at fair value held for trading	25 068	25 068
Debt instruments (bonds)	29 161	18 461
Loans granted	374 613	324 068
In total, including:	**428 842**	**370 212**
Long-term financial assets	*388 685*	*339 080*
Short-term financial assets	*40 157*	*31 132*
	-	-

17.1. Financial assets - bonds purchased	As at 31.12.2017	As at 31.12.2016
bonds acquired from subsidiaries	27 161	16 421
bonds acquired from non-affiliated entities	2 000	2 040
Total	**29 161**	**18 461**
bonds of maturity up to one year	11 060	2 040
bonds of maturity exceeding one year	18 101	16 421
Interest income on bonds	739	578

The company did not make write-downs on the value of bonds due to the lack of premises.

List of purchased bonds	As at 31.12.2017	As at 31.12.2016
Chemicals Advisory & Trade	2 000	2 000
Unibax Sp. z o.o.	10 303	2 279
Maflow India Private Ltd	15 101	14 182
Skotan S.A.	1 757	-
Total	**29 161**	**18 461**
	-	-

17.2. Receivables on loans granted (including payable interest)	As at 31.12.2017	As at 31.12.2016
Loans granted to subsidiaries	374 613	324 068
Loans granted to other entities	**-**	**-**
Loans of maturity up to one year	4 029	4 024
Loans of maturity up to one year	370 584	320 044
Interest income on loans granted	13 707	14 431

(amounts expressed in PLN thousands unless specified otherwise)

Summary of receivables on loans granted (including payable interest) by borrowers	As at 31.12.2017	As at 31.12.2016
Theysohn Kunststoff GmbH	266	3 272
Boryszew Kunststofftechnik Deutschland GmbH	106 779	201 851
Boryszew Automotive Plastics Sp.z o.o.	208 705	-
BRS YMOS GmbH	6 808	6 868
Boryszew SPV 3 Sp.z.o.o.	-	**21 312**
Boryszew Formenbau GmbH	409	434
Boryszew Oberflächentechnik Deutschland GmbH	-	13 973
Boryszew Deutschland GmbH	476	37 274
Maflow BRS Srl	8 033	8 843
Maflow Sp. Zo.o.		4 586
Mafmex Servicios S de.RL.de.C	37 332	19 869
Boryszew Energy Sp. z o.o.	-	21
Boryszew HR Service Sp. z o.o.	-	159
Elana Petp. Zo.o.	-	4 023
Boryszew Commodities Sp. z o.o.	14	**-**
Polish Wind Holdings B.V.	1 740	1 569
Boryszew SPV 4 Sp. zo.o.	-	14
Elana Pet Sp. Zo.o.	4 029	-
Nylonbor Sp. Zo.o.	22	-
Total	**374 613**	**324 068**

The above summary includes net receivables included in the balance sheet, including write-downs.

Accumulated loan write-downs	95 977	149 665
Accumulated interest write-downs	25 004	32 827

Accumulated write-offs for receivables under loans granted at the beginning of the year	**168 028**	**127 597**
Write-offs of the current period recognized in the income statement	2 000	40 431
Reversal of write-downs on loans included in P&L (-)	(13 812)	-
Removal of write-off due to receivable payment/depreciation	(35 255)	-
Write-offs as at balance sheet date	**120 961**	**168 028**

In 2017, loans granted to Maflow China in the amount of PLN 39 870 were remitted, for which in the previous year's write-downs were created. Also the write-down in the amount of PLN 13,812 due to payment of liabilities by Boryszew Automotive Plastics was reversed.
The premise for creating write-downs for loan receivables is the poor financial situation of the borrower. The Company analyses the possibility of loss of each loan individually and makes a write-off only if premises arise.

(amounts expressed in PLN thousands unless specified otherwise)

18. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31.12.2017	assets	liabilities
Cash flows hedging instruments	**0**	**4 530**
Commodity swaps	-	*2 282*
Currency contracts	-	*2 248*
Fair value hedges	**0**	**0**
Interest swaps	-	-
Currency contracts	-	-
Commodity swaps	-	-
Instruments held for trading	**0**	**0**
Currency contracts	-	-
Commodity swaps	-	-
Total	**0**	**4 530**
long-term part	-	-
short-term part	-	*4 530*
negative net out (-)	-	**(4 530)**

As at 31.12.2016	assets	liabilities
Cash flows hedging instruments	**1 609**	**0**
Commodity swaps	*181*	-
Currency contracts	*1 428*	-
Fair value hedges	**0**	**0**
Interest swaps	-	-
Currency contracts	-	-
Commodity swaps	-	-
Instruments held for trading	**0**	**0**
Currency contracts	-	-
Commodity swaps	-	-
Total	**1 609**	**0**
long-term part		
short-term part	*1 609*	-
positive net out	**1 609**	

(amounts expressed in PLN thousands unless specified otherwise)

19. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivable	**As at 31.12.2017**	**As at 31.12.2016**
Trade receivables from the sales of products, goods and services	272 472	271 971
Budget receivables	12 268	7 374
Other debtors	37 641	70 201
Total trade and other receivables	**322 381**	**349 546**
long-term	32 693	*34 677*
short-term	289 688	*314 869*
	-	-
Accumulated write-downs on receivables		
Write-downs on receivables from sales	87 232	75 885
Doubtful debt allowance on other receivables	27 964	36 722
Total allowances	**115 196**	**112 607**
Gross accounts receivable	**437 577**	**462 153**

Write-downs on trade receivables at risk	**01.01.2017 - 31.12. 2017**	**01.01.2016 -31.12. 2016**
Balance as at the beginning	75 885	74 092
Creation of provision (+)	14 356	14 864
Write – downs created together with receivable as uncollectible (-)	(2 785)	(556)
Write-downs derecognized from recovered receivables (-)	(152)	(330)
Reversal of write-downs on accounts receivable (-)	(72)	(12 185)
Write-downs at the end of the period	**87 232**	**75 885**
	-	-

Trade receivables aging	**As at 31.12.2017**	**As at 31.12.2016**
Net accounts receivable with the remaining repayment period from the balance sheet date	**156 054**	**148 082**
up to 3 months	155 359	147 668
up to 6 months	413	414
up to 1 year	226	
above 1 year	56	
Overdue accounts receivable	**116 418**	**123 889**
up to 3 months	53 951	58 903
up to 6 months	16 751	2 662
up to 1 year	23 965	38 069
above 1 year	21 751	24 255
Total trade receivables	**272 472**	**271 971**

(amounts expressed in PLN thousands unless specified otherwise)

Accumulated write-downs on trade receivables value		
up to 3 months	17 485	6 122
up to 6 months	4 345	8 518
up to 1 year	8 596	9 723
above 1 year	56 806	51 522
Write-downs at the end of the period	**87 232**	**75 885**

Write-downs mainly refer to receivables due to loans granted to Maflow China and Maflow Brazil, that are subsidiaries. The company monitors the financial situation of these subsidiaries on an on-going basis. Maflow Brazil's financial situation has improved and a portion of the debt has been repaid, therefore in 2016 the Company ceased to create write-downs on receivables from Maflow Brazil.

20. INVENTORIES

Structure of inventories	**As at 31.12.2017**	**As at 31.12.2016**
Materials and raw materials	79 978	67 951
Work in progress	19 829	14 298
Finished products	73 058	29 802
Traded goods	6 834	19 715
Total	**179 699**	**131 766**
Advances on supplies	2 257	2 493
Carrying value of inventories	**181 956**	**134 259**
	-	-
Impairment losses	13 063	12 373
Gross value of inventories	**195 019**	**146 632**

	01.01.2017 - 31.12. 2017	**01.01.2016 - 31.12. 2016**
Revaluation write-offs for inventories at the beginning of the period	**12 373**	**9 573**
Increase of impairments in the period	10 385	**5 872**
Reversal of write-downs in the period (-)	(9 721)	(3 072)
Valuation of the fair value of energy certificates (+/-)	26	-
Revaluation write-offs for inventories at the end of the period	**13 063**	**12 373**

Creation of impairments for inventories results from comparing the carrying value of inventories with their recoverable value by use or sale. Write-downs are also created for stocks that fall due in accordance with the accounting policy. A write-down is charged to particular period's costs. Reversal of write-downs occurs during cessation of the cause for creation and it is credited to the particular period's incomes.

(amounts expressed in PLN thousands unless specified otherwise)

21. OTHER ASSETS

Other assets	As at 31.12.2017	As at 31.12.2016
Prepayments - other than financial expenses	8 234	4 920
Quick savings (only automotive)	8 113	14 191
Capitalised costs of new projects	9 548	1 341
Other		892
Total	**25 895**	**20 452**
Long-term part	15 002	14 191
Short-term part	10 893	6 261

22. CASH

Cash and cash equivalents	As at 31.12.2017	As at 31.12.2016
Cash in hand and at bank	36 081	60 932
Other,	-	-
	36 081	**60 932**
Unused credits in current bank accounts	8 658	8 988
Restricted access funds *)	2 360	2701

*) Measures concerning special funds included in liabilities and associated with the National Fund for the Rehabilitation of Disabled

23. EQUITY

Shareholders	Number of shares	% of capital	Number of votes	% of votes
(*)Roman Krzysztof Karkosik	153 101 002	63.79%	153 101 002	63.79%
including: subsidiaries	47 814 905	19.92%	47 814 905	19.92%
Nationale - Nederlanden Otwarty Fundusz Emerytalny	14 773 261	6.16%	14 773 261	6.16%
Others	72 125 737	30,05%	72 125 737	30,05%
Total:	**240 000 000**	**100,00%**	**240 000 000**	**100,00%**

The Company holds no preferred shares. Each share carries one vote at the Shareholders' Meeting.

In accordance with IFRS 29, art. 24 items of equity (except retained earnings and capital from revaluation of assets) were calculated at the date of transition to IFRS i.e. 01.01.2004 using general price indices since their contribution or otherwise. The amount of the hyperinflationary revaluation increased the share capital and the issue premium while the value of the retained earnings was reduced.

(amounts expressed in PLN thousands unless specified otherwise)

Change in equity	As at 31.12.2017	As at 31.12.2016
Number of shares as at balance sheet date	**240 000 000**	**240 000 000**
number of own shares	*11 139 905*	*7 830 000*
the number of shares entitled to dividend	*228 860 095*	*232 170 000*
Share capital at the beginning of the year, including:	248 906	248 906
Redemption of shares (-)		
issue of new shares		
Share capital as at the end of the year	**248 906**	**248 906**
Share premium as at the beginning of the year	112 346	112 346
share premium in 2014		
Balance as at the end	**112 346**	**112 346**
Own shares (-)		
Balance as at the beginning of the year	**(49 518)**	**(44 411)**
share buy-back	(34 811)	(5 107)
Redemption of treasury shares		
Balance as at the end	**(84 329)**	**(49 518)**
Reserve capital - hedge accounting		
Balance as at the beginning	**44**	**(2 312)**
Recognised profit/loss	(3 507)	2 909
Income tax (+/-)	666	(553)
Balance as at the end	**(2 797)**	**44**
Revaluation reserve on assets available for sale		
Balance as at the beginning of the year		**(135)**
Valuation to fair value (+/-)		
Income tax (+/-)		
Transfer of accumulated valuation to profit and loss		166
Transfer of deferred tax to profit and loss		(31)
Balance as at the end		
Restatement of employee benefits		
Balance as at the beginning of the year	**77**	**(42)**
Valuation of liabilities against retirement benefits in the period (+/-)	(304)	147
income tax (+/-)	58	(28)
Balance as at the end	**(169)**	**77**
Retained earnings		
Balance as at the beginning of the year	**255 892**	**252 185**
Result of the current year	84 504	3 707
Balance as at the end	**340 396**	**255 892**
Total equity	**614 353**	**567 747**

(amounts expressed in PLN thousands unless specified otherwise)

24. BANK LOANS, BORROWINGS AND BONDS

Liabilities on loans and bonds	As at 31.12.2017	As at 31.12.2016
Bank credits	494 549	371 556
Loans received	135 804	126 547
Bonds	100 393	88 401
In total, including:	**730 746**	**586 504**
long-term liabilities	*230 096*	*136 334*
short-term liabilities	*500 650*	*450 170*

The amount of the loan liability includes factoring incomplete with recourse: as at 31.12.2017. it is an amount of PLN 49 881 and as at 31.12.2016 it amounted to PLN 33 492

Interest expense of external financing sources	As at 31.12.2017	As at 31.12.2016
Interest on loans	11 825	10 217
effective interest rate on credits	*2.73%*	*2.64%*
Interests on loans	3 603	2 369
effective interest rate on loans	*2.75%*	*2.14%*
Interest on bonds	2 421	1 661
effective interest rate on bonds	*2.56%*	*2.41%*

Movement of liabilities due to loans

The nominal value of loans at the beginning of the year	**371 556**	**399 719**
raising new loans (+)	173 259	104 324
loan repayments (-)	(40 398)	(132 487)
unpaid interest at period end (+)	(144)	-
impact of exchange rate differences (+/-)	(9 724)	-
Carrying value of loans	**494 549**	**371 556**
Interest accrued during the year, recognised in profit or loss, including:	11 825	10 217
Interest paid	*11 969*	*10 217*

(amounts expressed in PLN thousands unless specified otherwise)

Movement of liabilities due to loans and factoring

Loan details	Loan liability as at 31.12.2017	Loan liability as at 31.12.2016	Movement between periods	Loan repayment date as per agreement	interest rate (%)	Loan collateral
BANK HANDLOWY	-	10 000	(10 000)	20.10.2017	WIBOR + margin	joint mortgage, assignment of rights under insurance policy
DNB Bank	8 510	11 000	(2 490)	30.08.2018	WIBOR + margin	joint mortgage, assignment of rights under insurance policy, pledge on machinery
ING Bank Śląski	13 932	13 736	196	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	4 037	-	4 037	30.06.2018	EURIBOR 1M + margin	registered pledge on materials, assignment of rights under insurance policies, registered pledge on claim from bank account,
mBank	9 708	-	9 708	12.10.2018	WIBOR ON+margin	joint mortgage on property, assignment of rights under insurance policy for property
mBank	8 000	-	8 000	14.10.2020	WIBOR1M+ margin	joint mortgage on property, assignment of rights under insurance policy,
PKO BP	9 790	9 790	-	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	5 719	10 972	(5 253)	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	27 443	-	27 443	31.12.2018	EURIBOR 1M + 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
DNB Bank	25 000	24 946	54	31.08.2018	WIBOR + margin	Registered pledge on shares mortgage on real estate in Germany
Alior Bank	11 961	11 994	(33)	24.03.2020	WIBOR + margin	Authorisation to bank account, registered pledge on shares
ING Bank Śląski	31 258	17 736	13 522	30.06.2018	EURIBOR + margin	Cap (ceiling) mortgage on real estate, register pledge on stocks, lock on shares

(amounts expressed in PLN thousands unless specified otherwise)

ING Bank Śląski	4 516	5 704	(1 188)	31.05.2021	WIBOR + margin	Capped mortgage on property plus assignment of rights under an insurance policy
BGK	59 195	46 222	12 973	30.06.2020	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
Credit Agricole Bank Polska	20 855	-	20 855	19.12.2022	3M EURIBOR + margin	Registered pledge on machines, assignment of rights under an insurance policy, registered pledge on stocks
Alior Bank	34 777	38 821	(4 044)	03.03.2019	EURIBOR + margin	Authorisation to access funds in bank account, registered pledge on shares
BZ WBK	29 994	25 972	4 022	31.05.2018	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
BZ WBK Faktor	-340	2 402	(2 742)	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
ING Commercial Finance	-168	7 101	(7 269)	unspecified period of time	EURIBOR + margin	Own promissory note with promissory note declaration
mBANK faktoring	24 664	23 991	673	unspecified period of time	EURIBOR + margin	Own promissory note with promissory note declaration, assignment of funds on bank account
PKO FAKTORING	6 540	-	6 540	25.07.2019	EURIBOR 1M + margin	Blank promissory notes, Authorisation to bank accounts
HSBC	19 264	-	19 264	23.08.2018	EURIBOR 1M + margin	Authorisation to bank accounts
PKO BP	20 215	20 321	(106)	31.05.2018	WIBOR + margin	Assignment of receivables from insurance agreement, Registered pledge on stocks, cap contractual mortgage on real estate properties, Registered pledge on machines
Raiffeisen Bank	7 859	7 574	285	30.11.2018	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.
Raiffeisen Bank	3 268	3 117	151	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.

(amounts expressed in PLN thousands unless specified otherwise)

PKO BP	2 642	5	2 637	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
HSBC Bank Polska	50 000	50 000	-	12.06.2020	WIBOR + margin	Contractual mortgage on property, assignment from insurance policy, authorisation for the bank, pledge on machinery, submission to enforced collection Registered pledge on shares
HSBC Bank Polska	15 000	15 000	-	12.06.2020	WIBOR + margin	Contractual mortgage on property, assignment from insurance policy, authorisation for the bank, pledge on machinery, submission to enforced collection Registered pledge on shares
PKO BP	7 879	15 152	(273)	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	3 610	-	3 610	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	12 000	-	12 000	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
DNB Bank	2 127	-	2 127	31.08.2018	WIBOR + margin	Registered pledge on shares mortgage on real estate in Germany
Alior Bank	14 000	-	14 000	24.05.2020	WIBOR + margin	Registered pledge on shares
DM PKO BP - deferred payment for shares	816	-	816	03.01.2018		
interest unpaid as at the balance sheet date	478		478			
	494 549	**371 556**	**122 993**			

(amounts expressed in PLN thousands unless specified otherwise)

Movement of liabilities due to loans

Loan date/lender name	Loan liability as at 31.12.2017	Loan liability as at 31.12.2016	Movement between periods	Loan repayment date as per agreement	interest rate (%)	Loan collateral
IBM Polska	187	331	(144)	01.03.2019		surety by Boryszew S.A.
IBM Polska	-	217	(217)			
Impexmetal S.A.	42 500	29 500	13 000	31.12.2018	WIBOR + margin	
Impexmetal S.A.	-	10 000	(10 000)			
Impexmetal S.A.	-	3 000	(3 000)			
Impexmetal S.A.	24 256	24 256	-	31.12.2018	WIBOR + margin	
Impexmetal S.A.	20 000	20 000	-	31.12.2018	WIBOR + margin	
Impexmetal S.A.	10 000	-	10 000	31.12.2018	WIBOR + margin	
Impexmetal S.A.	5 000	5 000	-	31.12.2018	WIBOR + margin	
Impexmetal S.A.	5 000	5 000	-	31.12.2018	WIBOR + margin	
Metal Zink	800	800	-	31.12.2017	WIBOR + margin	
mLeasing	14 998	0	14 998	30.06.2022		blank promissory note with promissory note declaration
Siemens	5 345	6 245	(900)	31.03.2023	EURIBOR + margin	blank promissory note with promissory note declaration
Boryszew SPV3 Sp. Zo.o.	8 024	21 445	(13 421)			
impact of exchange rate differences	-306	753	(1 059)			
	135 804	**126 547**	9 257			

(amounts expressed in PLN thousands unless specified otherwise)

Movement of liabilities due to loans

Loan nominal value brought forward	**126 547**	**123 529**
new loans taken (+)	37 998	26 473
repayment of loans (-)	(27 682)	(23 547)
unpaid interest at period end (+)	-	185
impact of exchange rate differences (+/-)	(1 059)	(93)
Balance sheet value of loans	**135 804**	**126 547**
Interest accrued during the year, recognised in profit or loss	11 825	10 217
Interest paid	11 825	10 032

Summary of movement in issued bonds

Series and issue date of bonds	Liabilities due to issued bonds as at 31.12.2017	Liabilities due to issued bonds as at 31.12.2016	Movement between periods	Bond redemption date	interest rate (%)
BD Series - Polski Cynk	-	6 393	*(6 393)*	30.06.2017	EURIBOR + margin
H series registered bonds - ZUO	-	1 000	*(1 000)*	30.06.2017	WIBOR + margin
J series registered bonds - HTM	-	15 000	*(15 000)*	31.12.2017	WIBOR + margin
K series registered bonds - Metal Zinc	-	11 000	*(11 000)*	30.06.2017	WIBOR + margin
F series registered bonds - WM Dziedzice	-	5 000	*(5 000)*	30.06.2017	WIBOR + margin
G series registered bonds - WM Dziedzice	-	10 000	*(10 000)*	01.07.2017	WIBOR + margin
L series registered bonds - S and I	-	1 000	*(1 000)*	31.12.2017	WIBOR + margin
A2 series registered bonds - Eastside Bis	12 000	12 000	-	30.06.2019	WIBOR + margin
A1 series registered bonds - WM Dziedzice	15 000	15 000	-	30.06.2019	WIBOR + margin
A3 series registered bonds - HTM	0	7 000	*(7 000)*	30.06.2017	WIBOR + margin
A4 series registered bonds - Eastside Bis	5 000	5 000	-	30.06.2019	WIBOR + margin
A7 series registered bonds - WM Dziedzice	16 000	-	*16 000*	30.06.2018	WIBOR + margin
A8 series registered bonds - Metal Zinc	11 000	-	*11 000*	30.06.2019	WIBOR + margin
A9 series registered bonds - HTM	7 000	-	*7 000*	30.09.2018	WIBOR + margin
A10 series registered bonds - SPV IPX	5 000	-	*5 000*	31.12.2018	WIBOR + margin
A11 series registered bonds - SPV IPX	3 000	-	*3 000*	31.12.2018	WIBOR + margin
A12 series registered bonds - Eastside Bis	4 000	-	*4 000*	31.12.2020	WIBOR + margin
A13 series registered bonds - HTM	14 000	-	*14 000*	31.12.2018	WIBOR + margin
A14 series registered bonds - S and I	1 000	-	*1 000*	31.12.2018	WIBOR + margin
A15 series registered bonds - WM Dziedzice	1 000	-	*1 000*	31.12.2018	WIBOR + margin
BE series - Polski Cynk	6 340	-	*6 340*	30.09.2018	EURIBOR + margin
Currency exchange rate differences	*53*	*8*	*45*		
	100 393	**88 401**	*11 992*		

(amounts expressed in PLN thousands unless specified otherwise)

All issued bonds were acquired by subsidiary companies. The company issued new bonds for the amount of PLN 12 000 000, the remaining ones were rolled.

Change of liabilities due to bonds

The nominal value of bonds at the beginning of the year	88 401	48 393
issuing new bonds (+)	12 000	40 000
redemption of bonds (-)	-	-
unpaid interest at period end (+)	45	8
impact of exchange rate differences (+/-)	(53)	-
	-	
carrying value of bonds	**100 393**	**88 401**
	-	-
Interest accrued during the year, recognised in profit or loss	2 421	1 661
Interest paid	2 376	1 653

Conditions for credit agreements

Agreements signed with banks impose on the Company legal and financial liabilities (covenants), used for such transactions as a standard, including, inter alia:

- maintaining financial ratios at a specified level (calculated at the individual and consolidated level), the most frequent of which is the net debt to EBITDA ratio,
- performing cash-flows by specified bank accounts,
- limitations related to granting loans and sureties, as well as incurring investment expenditures,
- equal treatment of credit obligations.

25. LEASE LIABILITIES

Liabilities due to lease	As at 31.12.2017	As at 31.12.2016
Liabilities due to lease, including:	**45 071**	**95 401**
long-term lease	*28 977*	*67 832*
short-term lease	*16 094*	*27 569*

The subject of the lease are machines and equipment in the Maflow Tychy and NPA Skawina branch as well as the vehicle fleet.

Liabilities due to finance leases	As at 31.12.2017	As at 31.12.2016
up to 3 months	4 982	7 924
up to 6 months	5 791	7 093
up to 1 year	5 871	16 673
between 1 year and 3 years	20 950	46 513
from 3to 5 years	8 845	21 508
over 5 years	1 654	6 077
Total amount of undiscounted lease payments remaining until the end of the lease	**48 093**	**105 788**
future interest payments (-)	(3 022)	(10 387)
Carrying value of liabilities due to lease	**45 071**	**95 401**

(amounts expressed in PLN thousands unless specified otherwise)

Liabilities due to leasing at the beginning of the year	95 401	78 690
raising new liabilities	22 066	45 434
repayment of capital lease payments (-)	(69 478)	(30 950)
impact of exchange rate differences (+/-)	(2 918)	2 227
Carrying value of lease liabilities	**45 071**	**95 401**

26. PAYABLES ON PERPETUAL USUFRUCT OF INVESTMENT LAND

Discounted liability due to WUG for investment property	As at 31.12.2017	As at 31.12.2016
long-term accounts payable	1 957	61
short-term liabilities	67	-
Total	**2 024**	**61**

SMA liabilities - opening balance	**61**	**122**
WUG's liability due to investment property entered into the balance sheet	2 024	-
Repayment during the period (-)	(61)	(61)
Carried amount of liabilities as at the end of period	**2 024**	**61**

27. TRADE PAYABLES AND OTHER LIABILITIES

Trade and other liabilities	As at 31.12.2017	As at 31.12.2016
Trade liabilities for supplies and services	279 384	237 992
Budget liabilities (except income tax)	16 675	13 625
Other Liabilities	28 491	48 231
Payroll liabilities	10 709	9 066
Special funds	2 118	2 419
In total, including:	**337 377**	**311 333**
	-	-
Liabilities towards related parties	*60 279*	*77 200*
Liabilities towards third parties	*277 098*	*234 133*
Liabilities prior to the payment due date of specified maturity date:	**233 396**	**174 130**
up to 3 months	232 398	174 130
up to 6 months	-	-
up to 1 year	2	-
above 1 year	996	-
Overdue trade liabilities:	**45 988**	**63 862**
up to 3 months	30 115	52 604
up to 6 months	2 376	4 395
up to 1 year	3 097	3 751
above 1 year	10 400	3 112
Total trade liabilities:	**279 384**	**237 992**

(amounts expressed in PLN thousands unless specified otherwise)

28. PENSION AND SIMILAR EMPLOYEE BENEFITS LIABILITIES

Change in provisions for employee benefits

Provision for employee benefits	Retirement severance pay	Disability severance pay	Death benefits	Provision for payments in lieu of leaves not taken	Other provisions	Total
As at 01.01.2017	**984**	**279**	**1 537**	**5 695**	**2 084**	**10 579**
Movement:	**740**	**32**	**(1)**	**(231)**	**743**	**1 283**
Interest expense	24	11	56			**91**
Current employment costs (+/-)	164	51	128	(231)	873	**985**
Future employment costs (+/-)	454	(34)	(267)	-	-	**153**
Benefits paid (-)	(132)	(13)	3	-	(130)	(272)
Actuarial gains and losses - demographic changes (+/-)	29	(20)	(55)	-	-	(46)
Actuarial gains and losses - financial changes (+/-)	201	37	134	-	-	**372**
As at 31.12.2017	**1 724**	**311**	**1 536**	**5 464**	**2 827**	**11 862**

Provision for employee benefits	Retirement severance pay	Disability severance pay	Death benefits	Provision for payments in lieu of leaves not taken	Other provisions	Total
As at 01.01.2016	**977**	**404**	**1 510**	**5 158**	**55**	**8 104**
Movement:	**7**	**-125**	**27**	**537**	**2029**	**2 475**
Interest expense	21	9	41			**71**
Current employment costs (+/-)	106	(74)	38	537	2 029	**2636**
Future employment costs (+/-)	-	-	-	-	-	-
Benefits paid (-)	(74)	(9)	-	-	-	(83)
Actuarial gains and losses - demographic changes (+/-)	84	(19)	280	-	-	345
Actuarial gains and losses - financial changes (+/-)	(130)	(32)	(332)			(494)
As at 31.12.2016	**984**	**279**	**1 537**	**5 695**	**2 084**	**10 579**

Calculations of provisions for employee benefits were carried out by an independent actuary and involved establishing current (discounted) value of retirement or similar benefit to which the employee became entitled as of the date of calculation, proportionally to the quotient of the employee's service period at the moment of calculation in relation to the service period at the date of payment of the benefit.

As at 31.12.2017 for the calculation of provisions for liabilities to employees, the following parameters and assumptions were adopted: the rate of mobility (rotation) of employees at the level of 1-5%, depending on age, the rate of return on investment at 3.3% and wage growth rate at 2.3%. In the previous year, the adopted actuarial valuation parameters were similar to those used in the current year, except for the interest rate of return on investment, which in the previous year was 3.7%. Using the last year’s parameters in the current year differences are irrelevant

(amounts expressed in PLN thousands unless specified otherwise)

29. OTHER PROVISIONS

Change in provisions as at 01.01.2017 - 31.12.2017. 2017	**As at 01.01.2017**	creation of provision (+)	provisions utilised during the year (-)	reversal of unnecessary provisions	**As at 31.12.2017**
Provisions for liquidation of fixed assets	**5 156**	65			**5 221**
Provisions for warranty repairs,	**1 694**	655			**2 349**
Total	**6 850**	**720**	-		**7 570**
					-
Short-term provisions					*2 349*
Long-term provisions					*5 221*

Change in provisions as at 01.01.2016 - 31.12.2016. 2016	**As at 01.01.2016**	creation of provision (+)	provisions utilised during the year (-)	reversal of unnecessary provisions	**As at 31.12.2016**
Provision for disposal of fixed assets	5 166	2	(12)		**5 156**
Provision for warranty repairs	1 387	307			**1 694**
Other provisions	307			(307)	-
Total	**6 860**	**309**	**(12)**	**(307)**	**6 850**
Short-term provisions					*1 694*
Long-term provisions					*5 156*

The provision for the liquidation of fixed assets concerns the costs of liquidation of fixed assets in NPA Skawina Branch after their use.

30. DEFERRED INCOME

	As at 31.12.2017	**As at 31.12.2016**
State subsidies	7 372	7 830
Other (deferred revenues)	33	34
In total, including:	**7 405**	**7 864**
long-term	*2 851*	*3 151*
short-term	*4 554*	*4 713*

State subsidies		
Subsidies, refund from the National Fund for the Rehabilitation of Disabled	*3 354*	3 800
Environment protection	*48*	94
Development and new technologies	*3 970*	3 936
Total	**7 372**	**7 830**

(amounts expressed in PLN thousands unless specified otherwise)

31. FINANCIAL INSTRUMENTS

Financial instruments list by balance sheet item and instrument category

Financial assets as per the balance sheet at 31.12.2017

	Loans and receivables	Financial assets measured at fair value through profit or loss	Derivatives used for hedges	Financial assets available for sale	Carrying value
Assets available for sale					-
Shares held for trading		25 068			25 068
Trade receivables	272 472				272 472
Bonds	29 161		-		29 161
Loans granted	374 613				374 613
Other debtors	36 541				36 541
Cash and cash equivalents	36 081				36 081
Total	748 868	25 068	-	-	773 936

Financial assets as per the balance sheet at 31.12.2016

	Loans and receivables	Financial assets measured at fair value through profit or loss	Derivatives used for hedges	Financial assets available for sale	Carrying value
Assets available for sale				2 615	2 615
Shares held for trading		25 068			25 068
Trade and other receivables	304 506				304 506
Derivative financial instruments			1 609		1 609
Loans granted	324 068				324 068
Other debtors	37 596				37 596
Cash and cash equivalents	60 932				60 932
Total	727 102	25 068	1 609	2 615	756 394

(amounts expressed in PLN thousands unless specified otherwise)

Financial liabilities as at 31.12.2017

	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Derivatives used for hedges	Total
Bank loans, factoring, borrowings		630 353		630 353
Debt securities		100 393		100 393
Derivative financial instruments			4 530	4 530
Leasing liabilities		45 071		45 071
SMA liabilities		2 024		2 024
Trade and other liabilities		307 875		307 875
Total	-	1 085 716	4 530	1 090 246

Financial liabilities as at 31.12.2016

	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Derivatives used for hedges	Total
Bank loans, factoring, borrowings		498 103		498 103
Debt securities		88 401		88 401
Derivative financial instruments	-		-	-
Leasing liabilities		95 401		95 401
SMA liabilities		61		61
Trade and other liabilities		285 620		285 620
Total	-	967 586	-	967 586

(amounts expressed in PLN thousands unless specified otherwise)

32. BUSINESS RISKS

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

- credit risk
- foreign exchange rate risk (change in PLN exchange rate to other currencies);
- interest rate risk (increase in interest rates);
- liquidity risk;

Credit risk

The company supplies products to customers in the automotive industry (45% of sales in the reporting period) as well as aluminium products (27%) and chemicals (15% of sales in the reporting period). Payment terms used in the sale range from 14 to 90 days.

For the Automotive segment, the recipients are acknowledged global manufacturers of vehicles and their production components. In this case the credit policy on payment terms and limits is determined within the framework of general terms of cooperation. The company has the possibility of flexible payment management in this segment, inter alia thanks to cash discount instruments. Receivables from Automotive customers are not insured.

In the Aluminium and Chemical segment, the credit policy regarding the terms, limits and hedges for payments is regulated by a periodically verified order of the Company Management Board. The order applies to the terms of contracts with customers negotiated by these segments. When verifying new customers, the Company uses the opinions of leading rating companies and companies insuring trade receivables. Periodic receivables aging reports are the main tool for credit monitoring. The company insures receivables in the Aluminium and Chemical segment.

The company also grants long-term loans to subsidiaries or includes bonds issued by subsidiaries. In the case of uncertain repayment, the Company periodically makes write-downs updating the value of a loan or bond.

Accumulated write-downs on receivables	As at 31.12.2017	As at 31.12.2016
doubtful debt allowance on trade receivables	87 232	75 885
doubtful debt allowance on loans	120 981	187 084
doubtful debt allowance on other receivables	27 964	36 722
Total	**236 177**	**299 691**

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 coupon 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 Company 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.

(amounts expressed in PLN thousands unless specified otherwise)

Sensitivity analysis

	As at 31.12.2017	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
Interest-bearing (variable %) financial assets	**403 774**	**2 019**	**(2 019)**
Loans granted	374 613	*1 873*	*(1 873)*
Debt instruments	29 161	*146*	*(146)*
other		-	-
Interest-bearing (variable %) financial liabilities	**777 841**	**(3 888)**	**3 888**
Loans	444 668	(2 223)	2 223
Factoring	49 881	(249)	249
Borrowings	135 804	(679)	679
Debt instruments	100 393	(502)	502
Financial lease	45 071	(225)	225
Other	2 024	(10)	10
Impact on future profit/loss before tax		**(1 869)**	**1 869**
Impact on future net profit/loss		**(1 514)**	**1 514**

	As at 31.12.2016	Interest rate increase by 0.5 p.p.	Interest rate decrease by 0.5 p.p.
Interest-bearing (variable %) financial assets	**342 529**	**1 712**	**(1 712)**
Loans granted	324 068	*1 620*	*(1 620)*
Debt instruments	18 461	*92*	*(92)*
other		-	-
Interest-bearing (variable %) financial liabilities	**681 905**	**(3 409)**	**3 409**
Loans	338 064	(1 690)	1 690
Factoring	33 492	(167)	167
Borrowings	126 547	(633)	633
Debt instruments	88 401	(442)	442
Financial lease	95 401	(477)	477
Other	-	-	-
Impact on future profit/loss before tax		**(1 697)**	**1 697**
Impact on future net profit/loss		**(1 375)**	**1 375**

All significant items of the Company’s interest debt and granted loans are based on variable interest rates (1M WIBOR, 3M WIBOR, 1M EURIBOR). Therefore, the fair value of financial assets and liabilities is not exposed to changing rates of interest. However, changes in interest rates affect the volume of future cash flows associated with assets and liabilities.

The above table illustrates the sensitivity of the Company's results to interest rate changes. 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).

(amounts expressed in PLN thousands unless specified otherwise)

Foreign exchange rate risk

Foreign exchange rate risk arises primarily from the fact that approximately 55% of the Company's revenue is from sales to European Union countries and other European countries and the contracts are concluded in EUR. The company granted the Group entities with loans in EUR for their operating activities. The change (decrease) in the EUR exchange rate may have a substantial impact on sales revenues and foreign exchange differences on the receivables valuation. In 2017, the company was not involved in currency options or any other speculative derivative instruments. The Company does not hedge its currency risk by entering into long-term transaction hedging foreign exchange risk, the Company does not exclude the conclusion of such currency contracts in the future.

Analysis of sensitivity to risk of foreign exchange rates changes 2017

Sensitivity analysis was prepared on the assumption of changes in exchange rates, as shown below

Currency	Exrate as at 31.12.2017 (PLN)	5% exrate change (PLN)
EUR	4,1709	0.2085
USD	3.4813	0.1741

Receivables and payables in EUR	Net value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
trade and other receivables	48 646	10 143	(10 143)
borrowings	87 430	18 229	(18 229)
bonds	-	-	-
other liabilities	33 017	(6 884)	6 884
loans and advances	58 220	(12 139)	12 139
bonds	1 500	(313)	313
lease	5 583	(1 164)	1 164
Result		**7 872**	**(7 872)**
Receivables and payables in USD			
trade receivables	2 451	427	(427)
other liabilities	7 082	(1 233)	1 233
borrowings and loans and lease	0	0	0
Result		**(806)**	**806**

Analysis of sensitivity to risk of foreign exchange rates changes 2016

Sensitivity analysis was prepared on the assumption of changes in exchange rates, as shown below

Currency	Exrate as at 31.12.2016 (PLN)	5% exrate change (PLN)
EUR	4,424	0.2212
USD	4,1793	0.2090

(amounts expressed in PLN thousands unless specified otherwise)

Receivables and payables in EUR	Net value in currency	effect of increase in exchange rate 5%	effect of decrease in exchange rate 5%
trade and other receivables	42 842	9 477	(9 477)
borrowings	68 505	15 153	(15 153)
bonds	2 578	570	(570)
other liabilities	27 732	(6 134)	6 134
loans and advances	31 664	(7 004)	7 004
bonds	1 500	(332)	332
lease	13 534	(2 994)	2 994
Result		**8 736**	**(8 736)**
Receivables and payables in USD			
trade receivables	6 865	1 435	(1 435)
other liabilities	6 267	(1 310)	1 310
loans and advances	5	(1)	1
Result		**124**	**(124)**

Capital management

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 Company first and foremost seeks to allocate funds, thus building long-term value for shareholders through acquisitions and new projects.

Net debt to equity ratio	**As at 31.12.2017**	**As at 31.12.2016**
Loan, lease, borrowings debt	777 841	681 905
Cash and cash equivalents	(36 081)	(60 932)
Net debt	**741 760**	**620 973**
Equity	**614 353**	**567 747**
Net debt to equity	120.7%	109,4%

Debt ratio	**As at 31.12.2017**	**As at 31.12.2016**
Liabilities	1 147 520	1 021 045
Assets	1 761 873	1 588 792
Debt rate	64%	63%

(amounts expressed in PLN thousands unless specified otherwise)

Liquidity risk

Liquidity risk is the risk of difficulties in meeting the obligations of the Company related to financial liabilities, settled by the expenditure of cash or other financial assets. Company's liquidity management is about ensuring, as far as possible, that the Company always enjoys sufficient liquidity to settle the required commitments, both in normal and crisis situation, without exposure to unacceptable loss or undermining the Company's reputation.
The Company has secured cash payable on demand in the amount which is sufficient to cover the expected operating expenses, including the handling of loan liabilities

Liquidity ratios	As at 31.12.2017	As at 31.12.2016
current ratio	0.65	0.68
quick ratio	0.45	0.52
current ratio	0.04	0.08

Plans for financing Boryszew S.A.

As at 31.12.2017 net working capital was negative and amounted to PLN -316 607 thousand. In 2017, activities were undertaken in order to improve the Company's liquidity, which will be continued in the subsequent period, namely:

Management Board has taken action to change the debt structure, which involve
- refinancing a part of the short-term debt for credits, loans and/or long-term bonds,
- financing investment expenditures based on new long-term investment loans,
- the use of leasing in the financing activities in order to finance investment expenditures.

The company, running its holding business, owns Impexmetal SA shares of a fair value of PLN 475 844, which may be sold in part without causing any loss of control in this Company.

The Company has no arrears in payments of its financial liabilities and interest.

Management Board believes that the current financial situation and the actions justify preparation of financial statements on the going concern basis and there is no need to change the valuation of assets and liabilities that would have been necessary if the Company was not able to its business in the same or similar scope.

(amounts expressed in PLN thousands unless specified otherwise)

The analysis of contractual maturities 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 loan and factoring maturities	60 206	76 599	179 940	148 592	29 212	0	494 549	494 549
Maturities of borrowings	2 276	1 080	116 581	8 718	7 136	13	135 804	135 804
Maturities of liabilities on issued bonds	0	15 000	31 999	53 393	0	0	100 392	100 393
Maturities of leasing liabilities	4 982	5 791	5 871	20 950	8 845	1 654	48 093	45 071
The maturity of WUG charges	67	0	0	134	134	4 355	4 690	2 024
payment of trade liabilities and other items	278 556			996			279 552	309 993
Total	346 087	98 470	334 391	232 783	45 327	6 022	1 063 080	1 087 834

Analysis of contractual maturity dates of non-discounted cash flows from financial liabilities as at 31.12.2014

	1-3 months	4-6 months	7-12 months	1-3 years	3-5 years	>5 years	Total	Carrying value
Bank loan and factoring maturities	16 253	40 930	81 859	197 578	48 432	0	385 052	371 556
Maturities of borrowings	5 476	7 470	14 941	95 727	5 496	-	129 110	126 547
Maturities of liabilities on issued bonds	204	18 934	37 867	33 311	931	-	91 247	88 401
Maturities of leasing liabilities	7 924	7 093	14 187	45 238	22 252	8 926	105 620	95 401
payment of trade liabilities and other items	173 330	29 511	59 021	24 361	0	0	286 223	286 223
Total	203 187	103 938	207 875	396 215	77 111	8 926	997 252	968 128

(amounts expressed in PLN thousands unless specified otherwise)

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 valued at fair value on the on-going basis

	Fair value as at		Hierarchy
	As at 31.12.2017	As at 31.12.2016	of fair value
Financial assets			
Listed shares		2 615	Level 1
Derivative financial instruments	0	1 609	Level 2
Financial obligations			
Derivative financial instruments	4 530	0	Level 2

Impexmetal S.A. shares, a subsidiary, listed at WSE, are valued at acquisition price. Fair value is important for these shares are used as loan collaterals.
Fair value of shares as at 31.12.2017 amounts to 475 834 (carrying value at the purchase price amounts to 262 356).
As at 31.12.2016 it amounted to PLN 328 707 (according to the purchase price of PLN 229 917)

(amounts expressed in PLN thousands unless specified otherwise)

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
	As at 31.12.2017	As at 31.12.2016	of fair value
Financial assets			
Shares held for trading	25 068	25 068	Level 3
Bonds	29 161	18 461	Level 3
Borrowings	374 613	324 068	Level 3
Trade and other receivables	306 265	271 971	Level 3
Investment property	16 525	144	Level 3
Cash and cash equivalents	36 081	60 932	Level 1
Financial obligations			
Borrowings and loans and lease	759 723	681 905	Level 2
Trade liabilities	309 993	288 642	Level 3

Insurance of the Company's property and risks

Boryszew S.A. and subsidiaries had insurance policies for 2017 within the framework of general agreements concluded by the Parent Company with several insurance companies for the entire Boryszew Group.
The scope of these agreements covers:

- own property,
- loss of profit due to any risk,
- machinery against damage,
- machinery loss of profit
- electronic equipment
- business activity and property owners civil liability insurance
- directors and officers liability insurance.

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.

33. SIGNIFICANT EVENTS REGARDING OPERATIONS OF THE ISSUER

Distribution of profit for 2016

On 18 May 2017, the Ordinary General Meeting of Shareholders of Boryszew S. A. adopted resolution No. 18, on the basis of which it was decided to allocate the Company's net profit for 2016 in the amount of PLN 3 707 thousand to increase the Company's supplementary capital.

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Forced buyout of Hutmen S.A. shares

As a result of the forced buyout demand of minority shareholders holding 2 549 980 shares accounting for approximately 9.96% of the share capital and votes at the General Meeting of Shareholders of Hutmen S.A. by Boryszew S.A., announced on 12 January 2017, Boryszew S.A. and subsidiaries of Boryszew Capital Group, i.e. the company under the name SPV Boryszew 3 Sp. z o.o., the company under the name of Impex - Invest Sp. z o.o., the company under the name of Impexmetal S.A. and SPV Impexmetal Sp. with o.o. (Boryszew Group) , on 17 January 2017 Boryszew S.A. acquired all shares under forced buyout.

Upon completion of the forced buyout Boryszew Capital Group now holds 25 596 270 shares of Hutmen S.A. accounting for 100.00% of share capital and votes at the General Meeting of Shareholders of Hutmen S.A.

On 6 October 2017 Hutmen S.A. held the Extraordinary General Assembly that adopted a resolution on revocation of dematerialisation of shares of Hutmen S.A. and their withdrawal from trade on the regulated market conducted by Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange].

On 10 February 2017, the Management Board of Hutmen S. A. filed a motion with the Polish Financial Supervision Authority (KNF) to grant the Polish Financial Supervision Authority a permit for restoring the form of a document to the shares of Hutmen S. A. (removal of dematerialisation of shares).

On 28 March 2017, the Polish Financial Supervision Authority (KNF) allowed Hutmen S. A. to reinstate the shares in the form of a document (removal of dematerialization of shares) on 18 April 2017.

By resolution of 11 April 2017, the Management Board of Warsaw Stock Exchange S.A. decided to exclude shares of Hutmen SA from the stock exchange as of 18 April 2017.

As at December 31, 2017, the Boryszew Capital Group held 25,967,270 shares of Hutmen SA, which represented a 100.00% share in the share capital of Hutmen SA, including:

- Boryszew S.A. : 2 657 532 shares of Hutmen S.A., accounting for 10.38% share in share capital and votes during General Assembly of Hutmen S.A.,
- Impexmetal S.A.: 695 159 shares, accounting for 2.72% share in share capital and votes during General Assembly of Hutmen S.A.,
- SPV Boryszew 3 Sp. z o.o.: 6 165 383 shares, accounting for 24.09% share in share capital and votes during General Assembly of Hutmen S.A.
- SPV Impexmetal Sp. z o.o.: 3 528 196 shares, accounting for 13.78% share in share capital and votes during General Assembly of Hutmen S.A.,
- Impex – Invest Sp. z o.o.: 12 550 000 shares, accounting for 49.03% share in share capital and votes during General Assembly of Hutmen S.A.,

34. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Tax proceedings in Capital Group companies

The Group operates in a sector which is particularly vulnerable to extortion of VAT on the part of dishonest contractors. Group companies are subject to control proceedings, at various stages, on the correctness of VAT settlements. Hence the Parent Entity took measures to capture the risks that could be estimated and which are associated with these on-going proceedings.

Significant proceedings closed at first instance

1. On 12 March 2018, ZM SILESIA S.A. received the decision issued on 28 February 2018 by the Head of the Tax and Customs Office in Opole (Office), which sets out VAT arrears for 2012 amounting to PLN 28.9 million plus interest on tax arrears amounting to PLN 15.5 million. The Office claims that ZM SILSIA S.A. did not exercise due diligence in verifying the tax accuracy of some of its suppliers, who, as it turned out, did not pay the due VAT to the budget.
2. Consequently, ZM SILESIA S.A. was not entitled to a reduction in output tax by input tax shown on invoices issued by dishonest suppliers. Since the Company subject to control construes the facts distinctly from the controlling authorities, it has appealed from the Office's decision.
3. 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. The Office claims that HUTMEN S.A. did not exercise due diligence in verifying the tax accuracy of some of its suppliers and consequently was not entitled to use the 0% VAT rate in intra-Community supply of goods.

Since the Company subject to control construes the facts distinctly from the controlling authorities, it has appealed from the Office's decision.

Other significant on-going tax procedures regarding VAT in companies of the Capital Group

Apart from the procedures described above, control procedures have been established in companies of the Capital Group, which are in an initial phase (no decisions have been issued). These procedures may result in negative authorities' decisions about the Company, however this risk is difficult to estimate.
On-going proceedings:

1. ZM SILESIA S.A. - on-going audit proceedings regarding VAT for 2013 to 2014 period,
2. Baterpol Recycler Spółka z o.o. - on-going proceedings regarding VAT for March to September 2016 period,
3. Baterpol S.A. - on-going proceedings regarding VAT for the July 2013 to December 2015 period,
4. Baterpol S.A. - on-going proceedings regarding VAT for 2015.

As of the date of publication of the consolidated financial statement, the established controls have not been concluded with a decision.
Due to the fact that there is a risk of instituting new controls that might potentially result in issuing decisions determining tax liabilities of these companies, the Management Board of the Parent Company analysed documentation relevant for the on-going procedures and estimated risks by classifying them according to the likelihood of emergence:

a. probable (high) risk – there is strong likelihood of emergence of negative tax consequences (i.e., suffering consequences is more likely than not suffering them);

b. possible (average) risk – there is a risk of suffering negative tax consequences, however, it is equally likely that they might arise and that they might not;

c. potential (low) risk – there is some risk of suffering negative tax consequences, however, it more unlikely than likely to happen.

These risks are recognised in the consolidated financial statement partially as provisions for liabilities (for those considered highly risky), i.e., amounting to PLN 65 million, and partially as contingent liabilities (for those with average or low risk) amounting to PLN 38 million. The Management Board of the Parent Company estimated the provisions by also taking into account the probability of cash outflow from the Group and decided not to provide for events, if the likelihood of cash outflow in connection with them is low.
The Parent Company's Management Board may not rule out that if new circumstances arise, the risk estimation provided above might change.

Information on evaluation of strategic options for Boryszew S.A.
On January 10, 2018, Boryszew SA (the "Company") received information from a financial advisor cooperating with the Company on the potential investor's initial interest in substantial assets of the Boryszew Capital Group from the automotive and aluminium processing sectors.
On the basis of the foregoing, the Management Board of Boryszew S.A. made a decision on the same day about the Company's intention to consider, as part of a review of strategic options, a scenario of possible sale of assets in the above mentioned industries and enter into initial discussions on terms and conditions, scope, and mode of a potential transaction.

On April 16, 2018, the Management Board of Boryszew S.A. decided to close the proceeding regarding the possible sales of assets of the Boryszew Capital Group from the automotive and aluminium processing sectors to a potential investor. Simultaneously, the Management Board of Boryszew S.A. has decided that the review process of strategic options will continue.

As of the day of compiling this statement, the Company has not received an offer in this respect and has not made any binding decisions or arrangements neither in terms of altering the corporate strategy nor potential transaction, nor the adoption of any other strategic option, and it is not certain whether such decisions will be made in the future. Notwithstanding, the Company believes that the fact that Boryszew S.A. undertakes action intended to potentially adopt such strategic options in case a potential buyer turns up may be significant information for investors regardless of the result of conversations and analyses or the final outcome of the potential process.

Information on potential disposal of a subsidiary
On 15 January 2018, Boryszew S.A. received an offer from Krezus S.A. with a registered office in Toruń (hereinafter: the Investor) to enter into discussions on the possibility of Boryszew S.A. and its subsidiaries selling 100% shares in Walcownia Metali Dziedzice S.A. with a registered office in Czechowice-Dziedzice (Disposed Company) for about PLN 160 million.
On the basis of the foregoing, the Management Board of Boryszew S.A. along with the remaining shareholders of the Disposed Company made a decision to enter into initial discussions with the Investor in order to set out the terms and conditions (including the final price), scope, and mode of the potential transaction.

On 18 January 2018, the Company signed a Letter of intent with Krezus S.A. with a registered office in Toruń regarding purchase of 100% shares in Walcownia Metali Dziedzice S.A. with a registered office in Czechowice-Dziedzice by the Investor.
In accordance with the Letter of intent, the parties committed themselves to endeavour to sale of 100% of the shares in the Disposed Company to the Investor, whereas Boryszew S.A., which is one of the three shareholders in the Disposed Company, undertook to take action that are to result in the remaining shareholders in the Disposed Company, i.e. Impexmetal S.A. (holding 71.30% of shares in the Disposed Company) and Hutmen S.A. (holding 26.78% of shares in the Disposed Company), entering into a potential transaction.
Following due diligence analysis, technical audit, and obtaining all corporate approvals necessary to conclude the final agreement, transfer of the title of ownership of shares will take place on the basis of a separate sale agreement.
The parties are bound by the arrangements set out in the Letter of intent until 31 May 2018.
As of the day of publication of the statement, the Company has not made any binding decisions or arrangements regarding the possible transaction.

Signing agreements on the acquisition of assets of significant value
On 19 January 2018, Impexmetal SA signed with Achenbach Buschhutten with its registered office 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 NCBiR 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 to 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 Impexmetal SA plans to raise for this purpose.

35. CONTINGENT LIABILITIES

	As at 31.12.2017	As at 31.12.2016
Contingent liabilities:	**574 672**	**220 030**
Guarantees and avails for repayment of financial liabilities granted to subsidiaries and joint subsidiaries	574 672	220 030

Sureties as at 31.12.2017

Entity for which guarantee or surety was issued	Issue date of guarantee or surety	Number of guaranteed contract/agreement	Subject of liability	Value of guarantee PLN '000	Expiry date of guarantee
Torlen Sp. z o.o.	24.07.2017	Guarantee 11/2017	Surety regarding liabilities, granted to Polytrade GmbH	6 256	31.07.2020
	11.12.2017	Guarantee 25/2017	Surety regarding liabilities, granted to MB Barter & Trading SA	2 085	31.12.2020
Boryszew Kunststofftechnik Deutschland GmbH	06.09.2012	Guarantee 20/2012	Guarantee granted to Deutsche Leasing International GmbH	3 712	02.05.2018
	31.01.2013	Guarantee 4/2013	Guarantee granted to Commerzbank	20 855	indefinite validity
	20.04.2013	Guarantee 12/2013	Guarantee granted to Hewlett-Packard International Plc.	626	30.04.2018
	23.07.2013	Guarantee 18/2013	Guarantee issued as security for loans granted by GE Capital Bank AG	4 139	30.08.2021
	24.07.2017	Guarantee 10/2017	Guarantee issued as security for repayment to ALD AutoLeasing D GmbH	834	30.06.2022
	11.12.2013	Guarantee 38/2013	Guarantee granted to Hewlett-Packard International Plc.	1 241	28.02.2018
	12.03.2014	Guarantee 4/2014	Guarantee granted to Hewlett-Packard International Plc.	1 241	28.02.2019
	06.06.2014	Guarantee 12/2014	Guarantee granted to Hewlett-Packard International Plc.	1 241	31.05.2019
	25.09.2014	Guarantee 16/2014	Guarantee granted to Hewlett-Packard International Plc.	1 117	31.05.2019
	22.01.2015	Guarantee 2/2015	Guarantee granted to Hewlett-Packard International Plc.	417	31.08.2019
	23.11.2017	Guarantee /2017	Guarantee issued as security for loan granted by DNB Bank Polska SA	95 722	28.03.2018
	23.11.2017	Guarantee /2017	Guarantee issued as security for loan granted by DNB Bank Polska SA	31 282	31.01.2019
	07.08.2017	Guarantee 12/2017	Guarantee granted to Deutsche Leasing International GmbH	5 839	indefinite validity
Theysohn Formenbau GmbH	06.09.2017	Guarantee 13 and 14 /2017	Guarantee granted to akf Leasing GmbH	9 758	31.08.2023

(amounts expressed in PLN thousands unless specified otherwise)

Boryszew Oberflächentechnik Deutschland GmbH	26.01.2016	Guarantee 1/2016	Guarantee issued as security for loans granted by Bank Gospodarstwa Krajowego	91 084	31.12.2026
	27.03.2017	Guarantee 5/2017	Helag Electronic GmbH	834	31.12.2017
Boryszew Plastic RUS	11.07.2013	Guarantee 17/2013	Guarantee granted to ZAO Hewlett-Packard AO	696	indefinite validity
	27.08.2013	Guarantee 20/2013	Guarantee granted to RB Leasing Ltd.	1 875	15.06.2019
	29.01.2013	Guarantee 3/2013	Guarantee granted to Deutsche Leasing Vostok ZAO	35 396	07.10.2019
	08.04.2013	Guarantee 8/2013	Guarantee granted to Deutsche Leasing Vostok ZAO	1 104	07.10.2019
	30.04.2014	Guarantee 7/2014	Guarantee granted to ZAO Hewlett-Packard AO	348	indefinite validity
	13.02.2017	Guarantee 3/2017	Guarantee granted to Volvo Group Trucks Operations	20 855	indefinite validity
BRS YMOS GmbH	27.05.2015	Guarantee 17/2015	Guarantee granted to Wurth Leasing GmbH & Co. KG	1 292	30.11.2020
	15.03.2016	Guarantee 12/2016	Wurth Leasing GmbH	1 480	15.03.2022
Boryszew Tensho Poland Sp. z o.o.	06.12.2017	Guarantee 24/2017	Guarantee granted to PGE Obrót S.A.	1 800	indefinite validity
	14.03.2017	Guarantee /2017	Guarantee granted to SPV Impexmetal Sp.z o. o for payment of financial liabilities	41 000	indefinite validity
	24.10.2017		Avail of lease agreement for mLeasing	749	15.04.2021
	24.10.2017		Avail of lease agreement for mLeasing	6 256	15.11.2020
	13.06.2016		Guarantee granted as collateral for a credit granted by HSBC Bank Polska	10 000	12.09.2020
Maflow BRS s.r.l.	01.01.2017	Letter of Comfort	Guarantee granted to Evercompounds S.p.A.	4 171	31.12.2017
	01.01.2017	Letter of Comfort	Guarantee granted to Arkema	417	31.12.2017
	01.01.2017	Letter of Comfort	Guarantee granted to CORDTECH INTERNATIONAL SAS	1 251	31.12.2018
	01.01.2017	Letter of Comfort	Guarantee granted to Mehler Engineered Products GmbH	1 668	31.12.2018
	01.01.2017	Letter of Comfort	Guarantee granted to Softer Spa	1 043	31.12.2017
	26.04.2016	Guarantee 16/2016	Banka IFIS	3 128	no time limit
	16.05.2017	Letter of Comfort	Guarantee granted to Cover	417	31.12.2018
Maflow France Automotive S.A.S.	07.07.2016	Letter of Comfort	Guarantee against a Leasing agreement in favour of Natixs Lease	1 572	07.07.2021
Boryszew Commodities	12.12.2017	Guarantee 23/2016	Borealis AG	1 043	31.12.2018
	08.02.2016	Guarantee 7/2016	BSB Recycling GmbH	10 427	31.12.2017
	19.12.2016	Guarantee 29/2016	Trinseo Europe GmbH	1 668	31.12.2017
	19.12.2016	Guarantee 28/2016	WMK Plastics GmbH	834	31.12.2017
	30.05.2016	Guarantee 20/2016	Guarantee granted to Basell Sales and Marketing Company B.V.	6 256	31.12.2017

(amounts expressed in PLN thousands unless specified otherwise)

	24.04.2017	Guarantee 6/2017	Guarantee granted to Sabic Sales Europe B.V., Sabic Innovative Plastics B.V.	2 085	01.05.2018
BAP Group companies - customers of Volkswagen AG	16.12.2016	Guarantee 31/2016	Volkswagen AG	83 418	no time limit
Elana Energetyka	01.12.2015	Guarantee 26/2015	PGE Obrót S.A.	3 000	no time limit
Impexmetal S.A.	01.02.2017	Guarantee 1/2017	Marshal Office of Wielkopolskie province	5 814	31.12.2018
Alchemia S.A.	01.10.2017	Guarantee 22/2017	Arcelormittal Poland S.A.	37 538	30.09.2018
Eastside-Bis	01.09.2017	Guarantee No. 15/2017	The Provincial Funds for Environmental Protection and Water Management in Toruń	3 284	no time limit
	11.07.2017		Avail for credit granted by mBank	4 500	29.06.2018
Total guarantees and sureties granted by Boryszew SA				**574 672**	

(amounts expressed in PLN thousands unless specified otherwise)

36. TRANSACTIONS WITH AFFILIATED ENTITIES AND BENEFITS FOR KEY PERSONNEL

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.

Transactions and balances with subsidiaries and jointly controlled entities (GK BOR)	**01.01.2017 - 31.12. 2017**	**01.01.2016 - 31.12. 2016**
Revenues		
Revenues from sales	231 528	236 136
Interest income	14 446	14 430
Dividends received	10 078	2 554
Purchase		
Purchase	109 000	120 638
Interest expense	4 165	6 783
Gross accounts receivable		
Trade receivables	146 301	192 075
Loans granted	488 960	322 479
Bonds purchased	15 101	14 295
Liabilities		
Trade and other liabilities	34 942	48 633
Liabilities arising from loans and borrowings	115 275	89 401
Liabilities arising from issued bonds	100 339	118 660

Transactions with affiliated entities	**01.01.2017 - 31.12. 2017**	**01.01.2016 - 31.12. 2016**
Revenues		
Revenues from sales (good, services, products)	48 828	30 844
Purchase/cost		
Purchase (materials, goods, services)	-	460
Gross accounts receivable		
Trade receivables	2 246	444
Other receivables (advances, deposits)	1 030	-
Liabilities		
Trade liabilities	97	1 564

(amounts expressed in PLN thousands unless specified otherwise)

Transactions with personally related entities	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Revenues		
Revenues from sales (good, services, products)	4 394	4 589
Interest income	551	40
Dividends received	-	-
Purchase/cost		
Purchase (materials, goods, services)	2 267	14 041
Gross accounts receivable		
Trade receivables	2 616	-
Bonds purchased	12 079	2 279
Other receivables (advances, deposits)	370	-
Liabilities		
Other liabilities (advances, deposits)	25 240	25 240

Commercial transactions between subsidiaries regarding the sale or purchase of goods and services are concluded on market conditions.

Remuneration of Management Board and Supervisory Board	01.01.2017 - 31.12. 2017	01.01.2016 - 31.12. 2016
Remuneration of Management Board members	4 603	2 540
Remuneration of Supervisory Board members	377	331

Members of the Management Board and the Supervisory Board were not granted any loans or paid no advances

37. EMPLOYMENT

Employment	As at 31.12.2017	As at 31.12.2016
Employment structure (in full-time equivalents)		
Blue-collar workers	2 605	2 553
White-collar workers	686	630
Total	**3 291**	**3 183**

(amounts expressed in PLN thousands unless specified otherwise)

38. STATEMENT DRAFTED UNDER THE PROVISIONS OF ARTICLE 44 OF THE ACT ON ENERGY LAW FOR THE PERIOD FROM 01.01.2017 TO 31.12.2017

Statement of comprehensive income for the period between 01.01.2016 and 31.03.2017

	Distribution of gas fuels	*Trading of gas fuels*	*Supply of electricity*	*Trading of electricity*	**Total operations regulated by Energy Law**	***Other activity***	**Total**
Revenues from sales	14 718	104 247	2 930	88 278	210 173	1 302 735	1 512 908
Prime cost of sale	14 549	98 125	3 139	86 426	202 239	1 128 279	1 330 518
Profit on sale	**169**	**6 122**	**(209)**	**1 852**	**7 934**	**174 456**	**182 390**
Sales and management costs	216	1 497	337	1 686	3 736	104 123	107 859
Other operating profit/loss	1	6	0	5	12	22 895	22 907
Financial revenues	0	255	0	0	255	29 452	29 707
Financial expenses	10	71	0	80	161	45 656	45 817
Profit (loss) before income tax	**(56)**	**4 815**	**(546)**	**91**	**4 304**	**77 024**	**81 328**
Income tax	(11)	915	(104)	17	817	(3 993)	(3 176)
Net profit/loss	**(45)**	**3 900**	**(442)**	**74**	**3 487**	**81 017**	**84 504**
Net profit/loss	**(45)**	**3 900**	**(442)**	**74**	**3 487**	**81 017**	**84 504**
Other income recognised in equity					0	(3 087)	(3 087)
Total comprehensive income	**(45)**	**3 900**	**(442)**	**74**	**3 487**	**77 930**	**81 417**

(amounts expressed in PLN thousands unless specified otherwise)

Statement of comprehensive income for the period between 01.01.2016 and 31.03.2016

	Distribution of gas fuels	*Trading of gas fuels*	*Supply of electricity*	*Trading of electricity*	**Total operations regulated by Energy Law**	***Other activity***	**Total**
Revenues from sales	18 893	121 130	2 567	45 753	188 343	1 257 618	1 445 961
Prime cost of sale	18 958	108 858	2 651	44 190	174 657	1 078 521	1 253 178
Profit on sale	**(65)**	**12 272**	**(84)**	**1 563**	**13 686**	**179 097**	**192 783**
Sales and management costs	151	2 382	65	1 089	3 687	119 555	123 242
Other operating profit/loss	-	-	-	-	-	(22 126)	(22 126)
Financial revenues	-	-	-	-	-	23 191	23 191
Financial expenses	33	214	-	99	346	67 977	68 323
Profit (loss) before income tax	**(249)**	**9 676**	**(149)**	**375**	**9 653**	**(7 370)**	**2 283**
Income tax	(47)	1 838	(28)	71	1 834	(3 258)	(1 424)
Net profit/loss	**(202)**	**7 838**	**(121)**	**304**	**7 819**	(4 112)	**3 707**
Net profit/loss	**(202)**	**7 838**	**(121)**	**304**	7 819	(4 112)	**3 707**
Other income recognised in equity	-	-	-	-	-	2 610	2 610
Total comprehensive income	**(202)**	**7 838**	**(121)**	**304**	**7 819**	**(1 502)**	**6 317**

(amounts expressed in PLN thousands unless specified otherwise)

Statement of financial position as at 12.31.2017

ASSETS at 12.31.2017	*Distribution of gas fuels*	*Trading of gas fuels*	*Supply of electricity*	*Trading of electricity*	**Total operations regulated by Energy Law**	***Other activity***	**Total**
Non-current assets							
Non-current assets	327	13	2 139	208	2 687	286 700	289 387
Intangible assets	86	72	124	8	290	26 566	26 856
Other non-current assets	0	363		0	363	886 492	886 855
Total fixed assets	**413**	**448**	**2 263**	**216**	**3 340**	**1 199 758**	**1 203 098**
Current assets					0		
Trade receivables and other receivables	1 771	12 093	259	9 423	23 546	306 299	329 845
Other assets	855	6 539	0	5 152	12 546	216 384	228 930
Total current assets	**2 626**	**18 632**	**259**	**14 575**	**36 092**	**522 683**	**558 775**
Assets classified as held for sale					0	0	0
Total assets	**3 039**	**19 080**	**2 522**	**14 791**	**39 432**	**1 722 441**	**1 761 873**

EQUITY and LIABILITIES as at 31.12.2017	*Distribution of gas fuels*	*Trading of gas fuels*	*Supply of electricity*	*Trading of electricity*	**Total operations regulated by Energy Law**	***Other activity***	**Total**
Equity							
Share capital					0	248 906	248 906
Retained profit and other capitals	-484	11 869	-1 312	3 475	13 548	267 395	280 943
Current year's profit	-45	3 900	-442	74	3 487	81 017	84 504
Total equity	**-529**	**15 769**	**-1 754**	**3 549**	**17 035**	**597 318**	**614 353**
Long-term liabilities					0	272 138	272 138
Short-term liabilities					0	0	0
Trade payables and other liabilities	1 393	10 410	265	26 953	39 021	827 535	866 556
Employee benefit provisions					0	8 826	8 826
Total short-term liabilities	**1 393**	**10 410**	**265**	**26 953**	**39 021**	**836 361**	**875 382**
Total liabilities	**1 393**	**10 410**	**265**	**26 953**	**39 021**	**1 108 499**	**1 147 520**
Total equity and liabilities	**864**	**26 179**	**-1 489**	**30 502**	**56 056**	**1 705 817**	**1 761 873**

(amounts expressed in PLN thousands unless specified otherwise)

Statement of financial position as at 12.31.2016

ASSETS at 12.31.2016	*Distribution of gas fuels*	*Trading of gas fuels*	*Supply of electricity*	*Trading of electricity*	**Total operations regulated by Energy Law**	***Other activity***	**Total**
Non-current assets							
Non-current assets	367	11	2 165	165	**2 708**	*258 077*	**260 785**
Intangible assets	128	98	102	9	**337**	*25 578*	**25 915**
Other non-current assets	-	228	-	-	**228**	*752 802*	**753 030**
Total fixed assets	**495**	**337**	**2 267**	174	**3 273**	***1 036 457***	**1 039 730**
Current assets							
Trade receivables and other receivables	2 032	16 154	259	4 671	**23 116**	*295 777*	**318 893**
Other assets	1 442	9 996	0	3 177	**14 615**	*215 554*	**230 169**
Total current assets	**3 474**	**26 150**	**259**	**7 848**	**37 731**	***511 331***	**549 062**
Assets classified as held for sale					**-**		
Total assets	**3 969**	**26 487**	**2 526**	**8 022**	**41 004**	***1 547 788***	**1 588 792**

EQUITY and LIABILITIES as at 31.12.2016	*Distribution of gas fuels*	*Trading of gas fuels*	*Supply of electricity*	*Trading of electricity*	**Total operations regulated by Energy Law**	***Other activity***	**Total**
Equity							
Share capital							
Retained profit and other capitals	-282	4 031	-1 191	3 171	**5 729**	558 311	564 040
Current year's profit	(202)	7 838	(121)	304	**7 819**	(4 112)	3 707
Total equity	**(484)**	**11 869**	**(1 312)**	**3 475**	**13 548**	***554 199***	**567 747**
Long-term liabilities	-	-	2	-	**2**	***217 467***	**217 469**
Short-term liabilities							
Trade payables and other liabilities	231	12 520	251	14 790	**27 792**	***283 541***	**311 333**
Employee benefit provisions	6	40	5	14	**65**	***8 032***	**8 097**
Total short-term liabilities	**237**	**12 560**	**256**	**14 804**	**27 857**	***291 573***	**803 576**
Total liabilities	**237**	**12 560**	**258**	**14 804**	**27 859**	***509 040***	**1 021 045**
Total equity and liabilities	**-247**	**24 429**	**(1 054)**	**18 279**	**41 407**	***1 063 239***	**1 588 792**

Additional information

1.1 Company details

Boryszew Spółka Akcyjna (joint stock company)

Concessionaire number: DKN 807

Concession type: DEE, OEE, DPG, OPG

Activities covered by the energy law are carried out in the following branches:

Branches of Boryszew SA:	2017	2016
Energy Branch in Toruń	DPG,OPG, OEE	DPG,OPG, OEE, DEE
ERG Branch in Sochaczew	DEE, OEE	DEE, OEE
NPA Skawina Branch	DEE, OEE,DPG,OPG	DEE, OEE,DPG,OPG

These financial statements include combined figures.

Financial statements

The financial statements have been prepared in PLN. PLN is the functional and reporting currency. All figures in the financial statements are presented in full thousands of PLN unless provided otherwise.

1. Statement by the Management Board on compliance of accounting principles

The Management Board of Boryszew S.A. and its members: Piotr Szeliga, Aleksander Baryś, Mikołaj Budzanowski and Cezary Pyszkowski, declare that according to their best knowledge, the financial statements and the comparable data were developed according to article 44 of the Energy Law.

2. ACCOUNTING PRINCIPLES APPLIED

The report was prepared based on the separate financial statements presented by Boryszew SA, prepared in accordance with International Financial Reporting Standards in the scope determined by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards with amendments.
When preparing these financial statements no changes were made to previously applied accounting principles.

The statement of comprehensive income was prepared in accordance with art. 44 section 1 of Energy Law. The company keeps accounting records in a way that allows a separate calculation of variable costs and revenues for individual types of activities. If fixed costs relate to several types of activity, they are assigned according to the percentage share of sales revenues from a given activity in the total sales revenues referred to in the energy law.

Bearing in mind that it is also required to divide items of the statement of financial position, the same accounting principles apply to the balance sheet items.

The structure of the prepared financial statements is based on the following general classification:

- **Licensed operations regulated by Energy Law** - gainful activity consisting in the sales and distribution of electricity and gas fuels
- **other activity** - activities in the following segments: automotive, chemical products, aluminium products, holding activities
.

In the licensed activity, the following have been specified:

- Electricity with segments:
  - Distribution:
  - Rotation
- Gas fuels with segments:
  - Distribution:
  - Rotation

<u>Statement of comprehensive income</u>

2.1. Licensed operations regulated by Energy Law

Total revenues from the distribution and trading of electricity and gas fuels have been determined by the use of a direct method and they result from invoices issued for the sale and distribution of electricity and gas fuels.
Variable costs for the electricity and gas fuels trading segment are directly related to invoices for the purchase of electricity and gas purchased for resale.
Fixed costs are the result of the cost allocation related to the maintenance of infrastructure for the distribution of electricity and gas fuels as well as the management and sales costs. Management and sales costs assigned to licensed activities are allocated to individual segments according to the percentage share of sales revenues for individual segments in the total sales revenues referred to in the energy law.

Financial revenues include interest received from customers and costs include the interest paid to suppliers as well as expenditure on the purchase of stock certificates

Comprehensive income on licensed operations for 2016 and 2017 segments are as follows:

	2017	2016
Distribution of gas fuels	(45)	(202)
Trading of gas fuels	3 900	7 838
Supply of electricity	(442)	(121)
Trading of electricity	74	304

2.2. Other operations (outside the scope of Energy Law)

The items of revenues and costs on other activities constitute all revenues and costs of Boryszew SA not assigned to activities covered by the Energy Law, i.e. operating in the following segments: automotive, chemical products, aluminium products, holding activities.

The total revenue from other activities in 2017 amounted to **77 930** PLN '000

Total

The items shown in the Total column comprise the sum of individual items of the licensed activity described in paragraph 2.1, covered by Energy Law, and activities not covered by the Energy Law described in item 2.2.

Statement of financial position

2.3. Licensed operations regulated by Energy Law

- Distribution and trading of electricity

Tangible fixed assets for the distribution are the sum of the book value of fixed assets as of 31 December 2017 allocated in the financial and accounting system to distribution of electricity. This is mainly the infrastructure used for the transmission of electricity. Fixed assets are not used in the trading segment, and were not separated for this part of the statement.

Intangible assets include software calculated based on the percentage share of revenues from the distribution/trading of electricity in total revenue.

Trade and other receivables for the distribution and trading of electricity are the actual amounts arising from issued, outstanding as of 31 December 2017 sales invoices and receivables due to the surplus of input VAT over output VAT.

No stocks for the distribution and trading of electricity are recognised.

The equity for the distribution and trading operations represents only the net profit for 2013 - 2016 resulting from the statement on total incomes for the segment of an operation. Other equity items were shown as operations outside of energy law.

Long-term liabilities include employee benefit provisions benefits for employees in the electricity distribution segment. Trade and other liabilities are outstanding suppliers' invoices for the purchase and distribution of electricity and surplus of output VAT over input VAT as well as excise liabilities. Liabilities do not cover the part of liabilities for purchases of electricity for own consumption.

- Distribution and trading of gas fuels

Tangible fixed assets for the distribution are the sum of the book value of fixed assets as of 31 December 2017 allocated in the financial and accounting system to distribution of gas fuels. This is mainly the infrastructure used for the transmission of gas. Fixed assets are not used in the trading segment, and were not separated for this part of the statement.

Intangible assets include software calculated based on the percentage share of revenues from the distribution/trading of gas in total revenue.

Trade and other receivables for the distribution and trading of gas are the actual amounts arising from issued, outstanding as of 31 December 2017 sales invoices and receivables due to the surplus of input VAT over output VAT.

No stocks for the distribution and trading of gas are recognised.

The equity for the distribution and trading operations represents only the net profit for 2013 - 2016 resulting from the statement on total incomes for the segment of an operation. Other equity items were shown as operations outside of energy law.

Short-term trade and other liabilities are outstanding suppliers' invoices for the purchase and distribution of gas and surplus of output VAT over input VAT as well as excise liabilities. Liabilities do not cover the part of liabilities for purchases of gas for own consumption.

2.4. Operations outside the scope of Energy Law

Balance sheet items from operations outside Energy Law are all items arising from the financial statements of Boryszew S.A. related to operations in the following segments: automotive, chemical products, aluminium products, holding operations, trade and others.

2.5. Total

Items shown in the Total column consist of the sum of the individual items of licensed operations regulated by Energy Law and operations in the segments: automotive, chemical, aluminium products, holding activities.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for publication by way of the Management Board's resolution on 26 April 2018 and presents Company's situation pursuant to the legal requirements for the period from 1 January 2017 to 31 December 2017, including any events which occurred by the date of approval of these financial statements for publication.

Piotr Szeliga	–	President of the Management Board	………………………………………….
Aleksander Baryś	–	Member of the Management Board	………………………………………….
Mikołaj Budzanowski	–	Member of the Management Board	………………………………………….
Cezary Pyszkowski	–	Member of the Management Board	………………………………………….

Chief Accountant	–	Elżbieta Słaboń	………………………………………….