

**GRUPA KAPITAŁOWA IMPEXMETAL
WARSZAWA, JAGIELLOŃSKA 76**

**CONSOLIDATED FINANCIAL
STATEMENT FOR THE
FINANCIAL YEAR 2016**

**WITH
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THE OPINION OF THE INDEPENDENT STATUTORY AUDITOR

For the Shareholders and the Supervisory Board of Impexmetal S.A.

The report of the audit of the consolidated financial statement

We audited the attached consolidated financial statement of Grupa Kapitałowa Impexmetal (hereinafter the "Capital Group"), in which Impexmetal S.A. is the parent company (hereinafter the "Parent Company") with its registered office in Warsaw, at ul. Jagiellońska 76. The statement consists of: the consolidated statement on financial situation developed on 31 December 2016, the consolidated profit and loss account, the consolidated statement on comprehensive income, the consolidated statement of changes in equity, the consolidated statement on cash flow for the year from 1 January to 31 December 2016 and additional information, including information about the adopted accounting policies and other explanatory information.

Responsibility of the manager of the Parent Company and supervisors for the consolidated financial statement

The Management Board of the Parent Company is responsible for the development of the consolidated financial statements and for the fair presentation in accordance with the international accounting standards, the international financial reporting standards and related interpretations published in a form of regulations of the European Commission and other applicable laws. The Management Board of the Parent Company is also responsible for internal control which it considers necessary for the development of the financial statement which does not involve significant distortion due to fraud or error.

In accordance with the act of 29 September 1994 on accountancy (the Journal of Laws of 2016, item 1047 as amended), hereinafter referred to as the "Act on accounting", the Management Board of the Parent Company and members of the Supervisory Board are obliged to ensure that the financial statement complies with the requirements provided for in the Act on accounting.

Responsibility of the statutory auditor

We are responsible for the opinion on the consolidated financial statement based on the carried out audit.

The audit was carried out pursuant to the provisions of Chapter 7 of the Act on accounting and in accordance with the national standards on auditing as amended by the international standards adopted by resolution no. 2783/52/2015 of the National Council of expert auditors of 10 February 2015, as amended. These standards require compliance with the ethical requirements as well as planning and carrying out the audit in such a way as to obtain reasonable assurance that the financial statement does not contain significant distortion.

The audit involved the implementation of the procedures to obtain an evidence in terms of the amounts and disclosures in the consolidated financial statement. The procedures were selected depending on the auditor's judgement, including the assessment of risks of significant distortion of the financial statement due to fraud or error. In making those risk assessments, the statutory auditor takes into account the activities of internal control in relation to the development and reliable presentation of the financial statement by the Parent Company in order to design audit procedures appropriate in the circumstances, rather than expressing an opinion on the effectiveness of the internal control of the Parent Company. The audit also includes the assessment of the appropriateness of the adopted accounting principles (policy), reasonableness of estimates made by the Management Board of the Parent Company, as well as the assessment of the overall financial statement presentation.

We believe that our audit evidences are sufficient and appropriate basis for expressing an opinion.

Opinion on the consolidated financial statement

In our opinion, the attached consolidated financial statement:

- provides a fair and clear view of the assets and financial position of the Capital Group as of 31 December 2016, as well as its financial result and cash flows for the period from 1 January 2016 to 31 December 2016 in accordance with the International Accounting Standards, the International Financial Reporting Standards and the related interpretations published in a form of regulations of the European Commission and accepted accounting principles (policy) of the Parent Company,
- its form and content comply with the applicable laws related to the Capital Group and the provisions of the Association of the Parent Company.

The report on other legal requirements and regulations

Opinion on the report on operations

Our opinion based on the audit of the consolidated financial statement does not include the report on business activities of the Capital Group.

The Management Board of the Parent Company is responsible for the development of the statement on business activities in accordance with the Act on accounting and other applicable laws. In addition, the Management Board of the Parent Company and the members of the Supervisory Board are required to ensure that the statement on business activities of the Capital Group complies with the requirements provided in the Act on accounting.

With reference to the audited consolidated financial statement, our responsibility was to read the content of the statement and indicate whether the information contained therein includes the provisions of art 49 of the Act on accounting and Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (the Journal of Laws of 2014, item 133, as amended), and are consistent with the information in the attached consolidated financial statements. Our duty was also to make a statement, whether according to our knowledge about the Capital Group and its environment, obtained during the audit of the consolidated financial statement, we found any significant distortions in the statement on the activities of the Capital Group.

In our opinion, this statement contains information about the activities of the Capital Group, the scope of which is specified in § 49 of Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (the Journal of Laws of 2014, item 133, as amended), and are consistent with the information in the attached consolidated financial statements. In addition, in the light of the knowledge about the Capital Group and its environment obtained during our audit, we did not find any significant distortion in the report on business activities.

Statement of the Parent Company on applying corporate governance.

In connection with the audit of the consolidated financial statement, it was also our responsibility to read the statement of the Parent Company on the application of corporate governance which is a part of the statement on the business activities of the Capital Group. In our opinion, in this statement, the Parent Company included the information required in accordance with the scope specified in the implementing principles pursuant to article 60 (2) of the act of

29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading system and public companies (the Journal of Laws of 2016, item 1639, as amended) or the regulations issued based on article 61 of this act. This information is consistent with the applicable provisions and the information included in the consolidated financial statement.



Piotr Niedziela
Key statutory auditor
conducting the audit,
registration number 12523

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. - the entity authorised to audit financial statements entered in the list of authorised entities kept by the National Chamber of Statutory Auditors, registration no. 73:



Jacek Mateja – Vice-President of Deloitte Polska Sp. z o.o. - general partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 23 March 2017

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT OF
GRUPA KAPITAŁOWA IMPEXMETAL
FOR THE FINANCIAL YEAR
2016**

I. GENERAL INFORMATION

1. The identity data of the audited Parent Company

The Parent Company acts under the name: Impexmetal S.A. (hereinafter referred to as the "Parent Company"). The registered office of the Parent Company is in Warsaw, ul. Jagiellońska 76.

The Parent Company acts in a form of a public limited-liability company. The Parent Company is registered in the register of entrepreneurs kept by the District Court in Warsaw, 16th Commercial Department of the National Court Register, under NCR number 0000584713.

The Parent Company acts on the basis of the provisions of the commercial companies' code.

The share capital of the Parent Company amounted to 94.661 thousand PLN as of 31 December 2016, including 80 000 thousand PLN divided into 200.000.000 ordinary shares with a nominal value of 0.40 each and the hyperinflation revaluation in the amount of 14.661 thousand PLN.

On the day of the opinion, the Management Board of the Parent Company was as follows:

- Małgorzata Iwanejko - President of the Management Board,
- Jan Woźniak - Member of the Management Board.

During the audited period and until the date of the opinion, no changes occurred in the composition of the Management Board of the Parent Company.

As of 31 December 2016, the shareholders of the Parent Company were:

- Boryszew S.A. and subsidiaries - 58.43% of shares,
- ING Powszechnie Towarzystwo Emerytalne S.A. - 8.05% of shares,
- Other shareholders - 33.52% of shares.

After the balance sheet date, there were no changes in the share capital of the Parent Company.

As of 31 December 2016, the equity of the Parent Company amounted to: 1.063.089 thousand PLN.

2. Structure of the Capital Group

As of 31 December, 2016, the information about the subsidiaries within Grupa Kapitałowa Impexmetal is described in note 1 of the consolidated financial statement of Grupa Kapitałowa Impexmetal.

The companies included in Grupa Kapitałowa Boryszew are considered as the affiliates of Grupa Kapitałowa Impexmetal.

As of 31 December 2016, the consolidated financial statement covered were the following companies:

- a) The Parent Company - Impexmetal S.A.

We audited the financial statement of the Parent Company for the period from 1 January to 31 December 2016. As a result of the audit, on 23 March 2017, we issued an opinion without objections.

- b) The companies covered with the full consolidation method:

Name and address of the company	Share in the capital (in %)	The entity carrying out the audit of the financial statement and the type of an issued opinion	Balance sheet date of the consolidated entity
ZM Silesia S.A.	100.00	PRO AUDIT Kancelaria Biegłych Rewidentów Sp. z o.o. The opinion without objections.	31 Dec 2016
FŁT & Metals	100.00	HB Accountants Amwell House 19 Amwell Street Hoddesdon Herts.EN11 8TS The opinion without objections.	31 Dec 2016
FŁT Polska Sp. z o.o.	98.35	PRO AUDIT Kancelaria Biegłych Rewidentów Spółka z o.o. The opinion without objections.	31 Dec 2016
Baterpol S.A.	100.00	PRO AUDIT Kancelaria Biegłych Rewidentów Spółka z o.o. The opinion without objections.	31 Dec 2016
Baterpol Recycler Sp. z o.o.	100.00	It was not subject to obligation of the audit.	31 Dec 2016
Baterpol Recycler Sp. z o.o. Sp. Komandytowa	100.00	It was not subject to obligation of the audit.	31 Dec 2016
Surowce Hutmen S.A. Sp. Komandytowa	100.00	It was not subject to obligation of the audit.	31 Dec 2016

Name and address of the company	Share in the capital (in %)	The entity carrying out the audit of the financial statement and the type of an issued opinion	Balance sheet date of the consolidated entity
Polski Cynk Sp. z o.o.	100.00	It was not subject to obligation of the audit.	31 Dec 2016
HMN Szopienice S.A. liquidated	61.77	It was not subject to obligation of the audit.	31 Dec 2016
Hutmen S.A.	65.52	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. The opinion without objections.	31 Dec 2016
WM Dziedzice S.A.	73.50	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. The opinion without objections.	31 Dec 2016
S & I S.A.	100.00	It was not subject to obligation of the audit.	31 Dec 2016
FLT Bearings Ltd.	98.35	HB Accountants; Amwell House 19 Amwell Street Hoddesdon Herts.EN11 8TS The opinion without objections.	31 Dec 2016
SPV Lakme Investment Sp. z o.o.	93.04	PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. The opinion was not issued until 23 March 2017	31 Dec 2016
Impex-Invest Sp. z o.o.	100.00	PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. The opinion was not issued until 23 March 2017	31 Dec 2016
Eastside Capital Investment Sp. z o.o.	34.98	PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. The opinion was not issued until 23 March 2017	31 Dec 2016
Symonvit Limited liquidation	100.00	It was not subject to obligation of the audit.	31 Dec 2016
FLT France SAS	98.35	Jaques Andrès & Poiré Associés 1, Place d'Estienne d'Orves 75009 Paris The opinion was not issued until 23 March 2017	31 Dec 2016
SPV Impexmetal Sp. z o.o.	99.99	PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. The opinion was not issued until 23 March 2017	31 Dec 2016
ZM Nieruchomości Sp. z o.o. liquidated	100.00	It was not subject to obligation of the audit.	31 Dec 2016

Name and address of the company	Share in the capital (in %)	The entity carrying out the audit of the financial statement and the type of an issued opinion	Balance sheet date of the consolidated entity
Eastside BIS Sp. z o.o.	34.98	PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. The opinion was not issued until 23 March 2017	31 Dec 2016
Metal Zinic Sp. z o.o.	100.00	It was not subject to obligation of the audit.	31 Dec 2016

c) The companies covered with the consolidation method of the ownership rights

Name and address of the company	Share in the capital (in %)	The entity carrying out the audit of the financial statement and the type of an issued opinion	Balance sheet date of the consolidated entity
Alchemia S.A.	35.19	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. The opinion without objections.	31 Dec 2016

In the audited financial year, the Parent Company excluded Baterpol S.A. Komandytowa and Baterpol S.A. i Wspólnicy Sp. Komandytowa from consolidation due to their liquidation during the financial year.

3. Information about the consolidated financial statement for the previous financial year

In 2015, the activities of the Capital Group closed with the net profit of 147.710 thousand PLN. The consolidated financial statement of the Capital Group for 2015 was audited by a statutory auditor. The audit was carried out by the authorised entity, i.e. Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. The statutory auditor issued an unqualified opinion on that statement.

The General Meeting of Shareholders approving the financial statement for the financial year 2015 was held on 15 June 2016.

The consolidated financial statement for 2015 was submitted in the National Court Register on 23 June 2016.

4. The identity of the authorized entity and key statutory auditor carrying out the audit on its behalf

The Supervisory Board selected the authorised entity. The consolidated financial statement was audited on the basis of the agreement of 18 July 2016, concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, al. Jana Pawła II 22, entered on the list of entities authorised to audit financial statements under no. 73, kept by the National Chamber of Statutory Auditors. On behalf of the authorised entity, the audit of the statement of the Company was carried out under the supervision of the key auditor, Piotr Niedziela (registration no. 12523) in the registered office of the Parent Company, from 21 November to 25 November 2016, from 6 February to 17 February 2017, and outside the registered office of the Company until the date of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key statutory auditor carrying out the audit confirm that they are authorised to audit financial statements and comply with the conditions set out in art. 56 of the act on statutory auditors and their local government, entities authorised to audit financial statements and public supervision (the Journal of Laws of 2016, item 1000, as amended) to provide an unbiased and independent opinion on the consolidated financial statement of the Company.

5. The availability of data and statements of the management of the Parent Company

There were no limitations in the scope of the audit.

In the course of the audit, the authorised entity and the key auditor were provided with the requested documents and data, as well as comprehensive information and explanations, which inter alia was confirmed in a written statement of the Management Board of the Parent Company of 23 March 2017.

II. FINANCIAL SITUATION AND ASSETS OF THE CAPITAL GROUP

The basic figures of the consolidated profit and loss account, the consolidated statement of financial position and financial ratios describing the financial result of the Capital Group, its financial situation and assets when compared to similar values for the previous year are presented below.

The basic financial data from the consolidated profit and loss account - continued activities (in thousand PLN)

	<u>2016</u>	<u>2015</u>
Revenues from sale	2.843.480	3.154.060
Operating costs	2.677.634	3.043.362
Result of operation	177.727	171.561
Net profit (loss)	131.884	146.182

The basic financial data from the consolidated statement on the financial situation (in thousand PLN)

Inventories	527.664	434.596
Receivables from deliveries and services	285.619	271.880
Current assets	1.025.419	877,443
Total assets	2.559.276	2.272.681
Equity (fund)	1.625.331	1.466.290
Short-term liabilities (including short-term reserves and passive accruals)	723.519	648.513
Liabilities due to deliveries and services	232.276	187.531
Total liabilities and reserves	911.780	779.668

Profitability and efficiency rates

	<u>2016</u>	<u>2015</u>
- sales profitability	5%	5%
- net profitability on equity	9%	11%
- rate of rotation of assets	1.1	1.4
- receivables turnover rate in days	36	33
- liabilities turnover rate in days	29	23
- rotation rate of inventories (in days)	66	54

Fluidity/Net working capital

- debt ratio	36%	35%
- degree of assets coverage with equity	64%	65%
- net working capital (in thousands PLN)	301.900	228.930
- Fluidity rates	1.42	1.35
- increased fluidity ratio	0.69	0.68

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

- decreased net profitability ratio of equity,
- decreased rotation rate of assets,
- prolonged rotation of receivables, liabilities and inventories in days,
- increased debt rate with decreased assets coverage with equity,
- increased net working capital,
- increased fluidity ratio.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statement

The audited consolidated financial statement was developed on 31 December 2016 and includes:

- The statement on financial position developed on 31 December 2016, which presents assets, equities and liabilities in the amount of 2.559.276 thousand PLN,
- The consolidated profit and loss account for the period from 1 January to 31 December 2016, showing a net profit in the amount of 132.577 thousand PLN,
- The consolidated summary of comprehensive income for the period from 1 January to 31 December 2016, showing a total income in the amount of 162.489 thousand PLN.
- The consolidated summary of changes in equity for the period from 1 January to 31 December 2016, showing an increase of equity by the amount of 159.041 thousand PLN,
- The consolidated statement on cash flow for the period from 1 January to 31 December 2016, showing an increase in cash by the amount of 7.419 thousand PLN,
- Additional information, including information about the adopted accounting policies and other explanatory information.

The audit covered the period from 1 January to 31 December 2016 and consisted primarily of:

- Auditing the accuracy and fairness of the consolidated financial statement developed by the Management Board of the Parent Company,
- Auditing the consolidation documentation,
- Assessment of the accuracy of the consolidation methods and procedures applied during consolidation,
- Reviewing the opinions and reports of other auditors in terms of the financial statements of the subsidiaries and affiliates to be consolidated.

2. Consolidation documentation

The Parent Company presented the consolidated documentation including:

- The financial statement of the entities covered by the consolidated financial statement,
- The financial statement of the affiliates adapted to the principles of the accounting policies applicable in the consolidation,
- The statement of the affiliates converted into the Polish currency,
- Adjustments and exclusions carried out for the consolidation, it is necessary to develop the consolidated financial statement,
- Calculation of the fair value of net assets of the affiliates,
- Calculation of the goodwill of the company, as well as write-offs of goodwill impairment,
- Calculation of shares beyond control,
- Calculation of foreign exchange rates differences from the conversion of the financial statements of the affiliates, expressed in foreign currencies.

The consolidation of the statements of the Capital Group in respect of the subsidiaries was carried out with the full method by summing up all relevant items of the financial statements of the Parent Company and the subsidiaries covered by the consolidation.

The ownership right method was applied for the affiliate. The value of the share of the Parent Company in the affiliate was adjusted with the increase or decrease in equity of the associate for the Parent Company, which occurred during the consolidation period and were decreased by the dividends due from the affiliates.

The Parent Company developing the consolidated report did not apply the relevant simplifications and derogations from the consolidation principles in relation to the controlled entities.

3. Completeness and correctness of preparation of additional information and explanations, the consolidated statement on cash flows, the consolidated summary of changes in equity and the statement on business activities of the Capital Group

The Parent Company confirmed the continuation of its business activities in the development of the consolidated financial statement. The principles of valuation of assets, equities and liabilities, measurement of financial result and method of the development of the financial statement were described in the additional information and explanations to the consolidated financial statement.

The Parent Company developed additional information and explanations in a form of tabular notes to the individual items of the consolidated statement of financial position, the consolidated profit and loss account, the consolidated statement of comprehensive income and verbal descriptions in accordance with the principles of the IFRS.

The Parent Company developed the consolidated statement on cash flow and the consolidated summary of changes in equity in accordance with the requirements provided by the IFRS.

The Management Board of the Parent Company developed and attached the statement on the business activity of the Capital Group in the financial year 2016. The statement on the business activity contains the information required by art. 49 (2) of the Act on accounting and the regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the laws of a non-member state (the Journal of Laws of 2014, item 133, as amended). We reviewed the statement in terms of the information presented therein, a direct source of which is the audited consolidated financial statement.

IV. FINAL REMARKS

Statement of the Management Board

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key statutory auditor received a written statement from the Management Board of the Parent Company, in which the Management Board stated that the Capital Group complied with the law.



Piotr Niedziela
Key statutory auditor
conducting the audit,
registration number 12523

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. - the entity authorised to audit financial statements entered in the list of authorised entities kept by the National Chamber of Statutory Auditors, registration no. 73:



Jacek Mateja – Vice-President of Deloitte Polska Sp. z o.o. - general partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 23 March 2017