



MENNICA  
POLSKA

ISTNIEJE OD 1766 R.

# ANNUAL REPORT 2017





ANNUAL REPORT 2017

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***Dear Sir or Madam, Dear Shareholders,***

We are pleased to present you financial results along with the report on the operations of the Capital Group Mennica Polska S.A. for 2017. The Mint of Poland is a brand whose uniqueness has been built for over 250 years. A strong foundation in the form of many years of tradition and constant development are elements that make up our market advantage. That is why today we focus primarily on innovation and the implementation of bold solutions in all fields of activity. The technological advancement and the highest quality of our mint products cause that our standards set trends in global numismatic markets. The high competence of coin designers combined with the craftsmanship of minters and the non-standard approach to modern technologies are appreciated by experts from the whole world. This year, our products have been distinguished in such categories as the "Coin of the Year", "Souvenir Coin" and "People's Choice Award". The awards were given during the prestigious international conference "COINS 2017".

The Mint of Poland continues to strengthen its position on foreign markets by executing contracts and acquiring new orders from central banks and other institutions from around the world. The reason for the particular pride is winning the tender for the performance of 149k gold medals for the central bank of Thailand. The year 2017 was also successful on the domestic market due to the order of the Narodowy Bank Polski (National Bank of Poland) for the production of 1, 2 and 5 groszy coins. Thus, we again strike all denominations of Polish circulating coins.

Last year, the Mint of Poland showed its exceptional activity within other areas of business. As part of the electronic payment segment, work on the "Open Payment System" was continued, including the payment of public transport tolls directly in vehicles and using a bank contactless payment card. Currently, our payment system for public transport tickets operates in a pilot version in Jaworzno and Łódź. In March 2017, the Company concluded a contract with the Municipality of Wrocław. The contract includes the design and implementation of the new "URBANCARD Wrocławska Karta Miejska" system, thus extending the cooperation with the Mint of Poland for another 102 months. Thanks to the implementation of the innovative system, the capital of Lower Silesia has advanced to the top of the most modern cities in the world in the field of ticket distribution, overtaking even London which is considered a model of urban transport. We see huge development potential in the electronic payment segment and we conduct talks on the implementation of similar solutions in other urban centres.

The year 2017 also proved to be abundant in important events related to the activity in the field of property projects. The first stage of the "Mennica Residence" investment was completed and the works envisaged

Letter of the President  
of the Management Board  
to the Shareholders  
of Mennica Polska S.A.

for the second stage started. The development projects of the Mint of Poland enjoy above-average interest, which resulted in a rapid pace of signing preliminary contracts. Currently, the vast majority of the residential area of the "Mennica Residence I" investment and "Mennica Residence II" has its owners. Works on other projects – "Mennica Legacy Tower" and "Jagiellońska" – are proceeding according to the schedule. Intensified activity in the development field will contribute to generating profits in the perspective of the next years. As a source of stable income, it will be a good foundation for further expansion in this area.

Significant events that affected the financial results presented to you were also the deconsolidation of the subsidiary, Mennica-Metale Szlachetne, and the sale of shares in Netia. Last year's results of the Capital Group are the result of conscious decisions, systematic building of the brand on the international arena and courage in using the latest technological achievements. The consistent implementation of the strategy in each segment contributed to gaining the high financial results. Optimistic prospects for the future and motivation for increased work keeps the Mint of Poland on the path of a stable growth of value for shareholders. I cordially invite you to read the report of the Capital Group of Mennica Polska S.A. I am convinced that the last year's effects of our activity and financial results will encourage you to continue cooperation with us.

Yours faithfully,



Grzegorz Zambrzycki  
President of the Board  
Mennica Polska S.A.

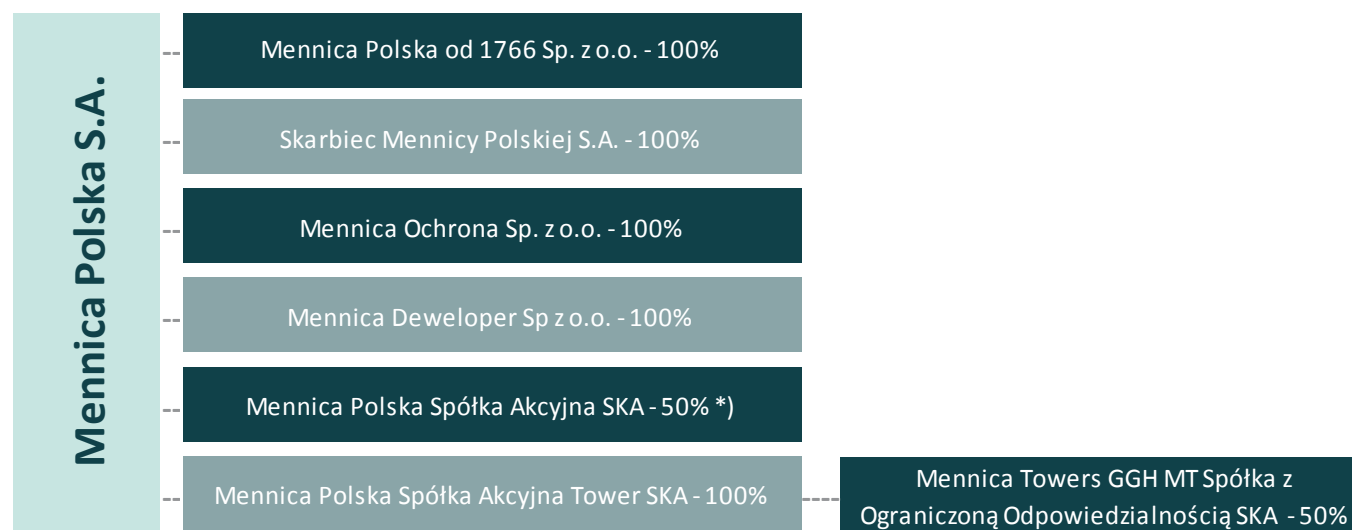
Letter of the President  
of the Management Board  
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of Mennica Polska S.A.



The Capital Group Mennica Polska S.A. is a leading manufacturer and distributor of mint and engraving-medallic products in the country, as well as a prominent player in this industry on the global market. In addition, the MPSA Group, executing the strategy of balancing traditional products with modern ones, actively conducts its activity in the segment of electronic payments, implementing and servicing urban card systems in Poland. From the point of view of creating the added value of the MPSA Group, the property development activity is a prospective segment.

## Structure of the Capital Group of Mennica Polska S.A.

The diagram below presents the structure of the Capital Group of Mennica Polska S.A. as at the end of 2017, together with the jointly controlled entity:



\*) On 7 July 2017, Mennica Polska S.A. became the direct owner of 50% of shares as a result of the acquisition of Mennica Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Closed-end Non-public Assets Investment Fund] (more in section 1.2 below). Previously, Mennica Polska S.A. was the owner of the shares through the fund: MENNICA Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

## Shareholders

The list of significant shareholders holding a share of over 5% in the share capital of the Company:

**Zbigniew Jakubas together with subsidiaries**

25,180,270 shares – 49.2%

**ING Otwarty Fundusz Emerytalny**

3,830,000 shares – 7.5%

**PZU Otwarty Fundusz Emerytalny**

3,538,420 shares – 6.9%

**Joanna Jakubas**

2,959,000 shares – 5.8%

**MetLife Otwarty Fundusz Emerytalny**

2,817,591 shares – 5.5%

**Other shareholders**

12,812,815 shares – 25.1 %

Shareholders  
of Mennica Polska S.A.

## Supervisory Board of Mennica Polska S.A.

In the period from 1 January to 31 December, 2017, the Supervisory Board operated in the following composition:

Zbigniew Jakubas – Chairman;  
Piotr Sendcki – Deputy Chairman;  
Paweł Brukszo;  
Jan Woźniak;  
Agnieszka Pyszczek;  
Robert Bednarski.

## The Board of Mennica Polska S.A.

The Board of Mennica Polska S.A. acted in the following composition:

1) In the period from 1 January to 31 August, 2017  
Grzegorz Zambrzycki – President of the Board;  
Katarzyna Iwuć – Member of the Board.

2) In the period from 1 September to 31 December 2017  
Grzegorz Zambrzycki – President of the Board.

In addition, after the balance sheet date, on 9 January 2018, the Supervisory Board delegated the Member of the Supervisory Board, Ms Agnieszka Pyszczek, to perform the function of the Member of the Management Board for the period from 1 February 2018 to 1 May 2018.

Shareholders  
of Mennica Polska S.A.



**Four Emperors' Yacht**  
3,000 dollars | Au 999.9 | proof | 90.00x67.35 mm | 0.5 kg





## Key achievements and events

The sale of the Netia S.A. shares  
5 December, 2017.

The decision of the Director of the Tax Office  
regarding CIT.

The payment of the dividend.

The implementation of contracts and obtaining  
new orders for circulating coins for central  
banks: Colombia, The Dominican Republic,  
Guatemala, Bolivia, Georgia, Paraguay, Lebanon.

## Results

As a result, gross receipts in the amount of PLN 365 million were obtained – a total reduction of financial liabilities of Mennica Polska S.A. took place, increase in cash, increase in equity (as a consequence of the reversal, presented before the execution of the transaction in equity, of the write-down of the value of shares between the last valuation), and the increase of the result at the level of financial gross receipts by PLN 24.7 million on a consolidated basis and PLN 16.3 million on an individual basis.

The Director of the Tax Administration Chamber in Warsaw ruled that the decision of the first instance authority, i.e. the decision of the Director of the Fiscal Control Office, of 16 December 2016, in which he determined the Company's tax liability in the corporate income tax for 2012 at PLN 6,575.62k and interest for late payment of the above-mentioned obligation. On 5 May 2017, the Mint of Poland submitted a complaint to the Voivodship Administrative Court for the Decision of the Director of the Tax Administration Chamber in Warsaw.

On 26 May 2017, the Company paid the dividend to its shareholders of PLN 0.7 per share in the total amount of PLN 35,797k.

Strengthening the position on international markets; the continuation of production for existing and newly acquired foreign customers; deliveries under contracts commissioned by foreign issuers.

Key achievements  
and important  
events in 2017

## Key achievements and events

The implementation of production of the whole monetary line for the NBP, including 1, 2 and 5 gr.

Winning an order for the production of 149k gold medals for the Ministry of Finance of Thailand.

The participation of the Mint of Poland in the prestigious 8th International Conference "COINS 2017", which took place on 22-23 September 2017 in Moscow.

The participation of the Mint of Poland in international numismatic events, including the "World Money Fair" 2017 in Berlin and "Coin Conference" in Warsaw.

The participation of the Mint of Poland in the 25<sup>th</sup> Grand Finale of the "Great Orchestra of Christmas Charity".

The conclusion of the contract on 8 March 2017 with the Wrocław Commune concerning the design and implementation of the new "URBANCARD Wrocławska Karta Miejska" system.

In early January 2017, launching in Jaworzno the first system in Poland to collect tolls using contactless bank cards with deferred authorization - "Open Payment System".

## Results

Strengthening the position of the Mint of Poland on the circulating coins market.

The Mint of Poland implemented the largest in its history order for medals, the value of which with gold amounted to a total of USD 130.6m.

The Company was awarded in three categories - "Coin of the Year", "Souvenir Coin" and "People's Choice Award".

The presentation of new technological achievements and innovative products, including, among others, the first bell-shaped coin in the world - "Tsar Bell Kolokol".

The record amount collected by the Mint of Poland in the amount of PLN 32.4k.

The contract guarantees the Mint of Poland the continuation of cooperation with a key partner in the implementation and operation of a modern city card system for the next 102 months.

The success achieved in the pilot implementation of the "Open Payment System" will allow to extend the Company's offer, and thus will increase the competitiveness of the Mint of Poland on the domestic and foreign electronic payment market.



**MENNICA  
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Key achievements  
and important  
events in 2017



Commemorative gold medal in honour  
of King Rama IX's cremation  
Au 999 | 26.00 mm | 20.00 g

## Key achievements and events

Significant progress in the implementation of the "Mennica Residence" project - stage I.

Significant progress in the implementation of the "Mennica Residence" project - stage II.

Obtaining the first building permit for constructing a building with a usable area of approximately 6,500 m<sup>2</sup> in the "Jagiellońska" project.

The ceremony of laying the foundation stone under the construction of the "Mennica Legacy Tower" skyscraper, the construction of the underground part and the beginning of the above-ground part

On 10 January 2017, the District Court for the Capital City of Warsaw in Warsaw issued a decision to open reorganization proceedings against Mennica-Metale Szlachetne S.A.

## Results

To date, 186 development contracts, preliminary contracts or reservations, have been signed, which accounts for almost 99% of the number of apartments. The construction ended at the end of December 2017, and on 22 January 2018 the occupancy permit was obtained.

The Mint of Poland was relocated from the property at ul. Waliców 11 in Warsaw to the office building at Al. Jana Pawła II 23. The relocation and demolition of the "Aurum" office building allowed for the commencement of construction. To date, 276 development contracts, preliminary contracts or reservations have been signed, which is over 82% of the number of apartments. By the end of 2017, all diaphragm walls were made, the bottom of the excavation was lowered to level "-1" and works related to the expansion ceiling at level "-2" were started.

The decision makes it possible to move to the next steps in the implementation of the 1st stage of the investment, among others applications for issuing building conditions for the next 5 buildings, i.e. approx. 19,000 m<sup>2</sup> of usable space, were submitted.

In November 2017, "0" level was completed and the construction of the above-ground part of the building was commenced.

Thanks to the opening of the reorganization proceedings, the Company was protected from creditors to restructure and settle with creditors. The reorganization proceedings, in connection with the transfer of management and supervision to entities independent of the Mint, became the premise to exclude MMS from consolidation, starting from the report for the first quarter of 2017.



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## Key achievements and important events in 2017



"Jagiellońska" project

In 2017, the economic activity of the Capital Group of Mennica Polska S.A. was focused on the markets:

- mint products (coins and engraving products and medallions),
- precious metals processing,
- electronic payments (public transport tickets and parking prepayments coded on the city card, as well as the sale of top-ups to mobile phones),
- property development (Projects: "Mennica Residence", "Mennica Legacy Tower" and "Jagiellońska", the rental of office and warehouse space).

## Segment I – Mint products

The Mint of Poland directed the acquisition of its production capacities to foreign markets in the area of circulating coins, which resulted in obtaining and implementation in 2015-2017 of circulating coin contracts for central banks of Colombia, the Dominican Republic, Georgia, Guatemala, Bolivia, Paraguay, Lebanon, Albania and Thailand. Exploiting the potential on foreign markets is one of the Group's strategic goals. In addition, the production of the entire monetary series of Polish circulating coins, including coins with face values of 1, 2 and 5 groszy, returned to the Mint of Poland.

On the market of collector coins the Mint of Poland is distinguished by the high quality and technological advancement of its products. The Company uses over 120 different techniques - virtually every emerging in the industry. The confirmation of high position in this area is, among others, awarded at the last international conference "COINS 2017" in the most important category "People's Choice Award" coin "Qing Dynasty Vase" with a unique porcelain decoration. During this prestigious event, the "250<sup>th</sup> Anniversary of the Foundation of the Warsaw Mint" coin was also distinguished (the third place in the "Coin of the Year" category) and the coin "Born to Be Happy" (the category "Souvenir Coin").

In the first days of 2017, gold prices were at a low level of approx. PLN 1,151.00 /t.oz. Then this precious metal was slowly gaining in value, causing a revival in the sale of investment products. The most expensive for an ounce was paid at the beginning of September, when the rate was USD 1,346.25/t.oz. After reaching this level, gold was slowly losing value. At the end of December 2017, the exchange rate amounted to USD 1,296.50/t.oz. The Capital Group is constantly strengthening its status as the only producer of bars in Poland and the largest retail distributor.

Products and services  
of the Capital Group  
of Mennica Polska S.A.

## Segment II – processing of precious metals

Mennica-Metale Szlachetne produces precious metal products for industry and individual customers. As part of its operations, it also refines these metals.

## Segment III – electronic payments

In the years 2016-2017, the electronic payment segment was focusing its activities on the production and implementation of the proprietary "Open Payment System" solution, used to collect tolls for public transport tickets, based on the technology of contactless bank cards. This system in 2016 received the 1st prize at the prestigious 13th International Fair of Public Transport "TRANSEXPO 2016" in the category "Open Payment System", where it was recognized as the most innovative and modern solution of 2016. On 8 March 2017 in Warsaw - at the "Smart City Forum" gala, the President of Jaworzno received the prize in the category "Smart City up to 100,000 Residents" for the implementation by the Mint of Poland of the "Open Payment System" in Jaworzno.

In the third quarter of 2017, the Mint of Poland launched a new system of selling public transport tickets in Gdańsk. The project includes 30 stationary ticket machines.

## Segment IV – Development activities

Mennica Polska S.A. owns land and implements construction investments in the Warsaw agglomeration:

- The property in Warsaw's Żerań, located along ul. [Street] Jagiellońska, with an area of over 27 ha, is distinguished by a great development potential. A significant progress in the implementation process of this investment is obtaining the first building permit for a building with a usable area of 6,500 sq. m.
- At ul. [Street] Pereca 21 there is a plot of land where, in cooperation with an industry partner, the project of building the "Mennica Legacy Tower" skyscraper with an office area of over 65,000 sq. m. is being implemented.
- In the quarter of Grzybowska, Żelazna, Pereca and Waliców streets, on the land on which the production building was located until the middle of the 1st quarter of 2016 and where until the end of the 2nd quarter of 2017 was the Aurum office building, the "Mennica Residence" housing estate is under construction of the total housing area of over 26,000 sq. m. and commercial space close to 6,000 sq.m. Thanks to significant progress in the implementation of the 1st stage of the investment, as early as at the end of 2017, 186 development contracts, preliminary contracts or reservations were signed, which accounts for almost 99% of the number of apartments.

Products and services  
of the Capital Group  
of Mennica Polska S.A.



The diagram below presents the structure of the segments of the Capital Group of Mennica Polska S.A., together with jointly controlled entities and associates, as at the day of the report:

	Segment I Mint products	Segment II* Precious metal processing	Segment III Electronic payments	Segment IV Development activity
Companies	Mennica Polska S.A.; Mennica Polska od 1766 Sp. z o.o.; Skarbiec Mennicy Polskiej S.A.	Mennica - Metale Szlachetne S.A. w restrukturyzacji	Mennica Polska S.A.	Mennica Polska S.A.; Mennica Polska Spółka Akcyjna S.K.A., Mennica Polska Spółka Akcyjna Tower S.K.A.; Mennica
Products	production and commercial and marketing activities related to circulating coins and collector coins, tokens, bars, medals, decorations, badges, seals, date stamps and other mint goods	catalytic and catchment gauzes, paints, furnace glass equipment, drawn and rolled products from precious metals, laboratory equipment	service of city card systems, sale of public transport and railway tickets, pre-paid tickets, revenues from parking fees, maintenance services and sales of technical devices	rental of office and warehouse spaces and the implementation of development projects
Recipients	Narodowy Bank Polski [the National Bank of Poland] and foreign issuers, domestic and foreign distributors of mint products, collectors, investors, corporations interested in token programmes	industrial factories with various profiles (chemical, metallurgical, electronic, ceramic, glass)	local government units supporting public transport, railway companies, individual clients	institutional clients and individuals
Markets	domestic and foreign	domestic and foreign	domestic	domestic

\*) On 10 January 2017, the segment was excluded from the consolidation of the Capital Group.

Products and services  
of the Capital Group  
of Mennica Polska S.A.

Items of the statement <i>(in PLN thousand)</i>	Segment I Mint products	Segment II Precious metal processing	Segment III Electronic payments	Segment IV Development activity	Items not assigned	Adjustments	Total
Revenues of the segment's core operations (sales to external customers)	576 064		345 456	4 575	816		926 912
Revenues from the segment's core operations (sales to other segments)	8 316			-34	8 408	-16 689	
<b>Revenues of the total operating activity of the total segment</b>	<b>584 380</b>		<b>345 456</b>	<b>4 541</b>	<b>9 224</b>	<b>-16 689</b>	<b>926 912</b>
Segment basic operating expenses (sales to external customers)	-534 683		-331 675	-15 466	-10 115		-881 940
Costs of the segment's basic operating activity (sales to other segments)	-5 843		-10 281	-478	-133	16 734	
Other operating income					25 520		25 520
Other operating cost					-9 567		-9 567
Result on derivatives related to unrealized sales					2 388		2 388
Share in profits / losses of investments estimated with using the equity method				- 752	84		-688
Result on the deconsolidation of the subsidiary					71 025		71 025
<b>Operating result, including:</b>	<b>43 854</b>		<b>3 500</b>	<b>-12 154</b>	<b>88 426</b>	<b>45</b>	<b>123 671</b>
- on external sales	41 381		13 781	-11 643	80 152		123 671
- on external sales	2 473		-10 281	-512	8 275	45	
Amortisation	-5 894		-8 295	-3 460	-196		-17 845
<b>EBITDA</b>	<b>49 478</b>		<b>11 794</b>	<b>-8 694</b>	<b>88 622</b>	<b>45</b>	<b>141 515</b>
Financial income							26 554
Financial costs							-8 606
Income tax							-20 526
<b>Net financial result</b>							<b>121 093</b>

\* EBITDA – operating profit increased by depreciation costs

Financial results  
of individual  
operating segments

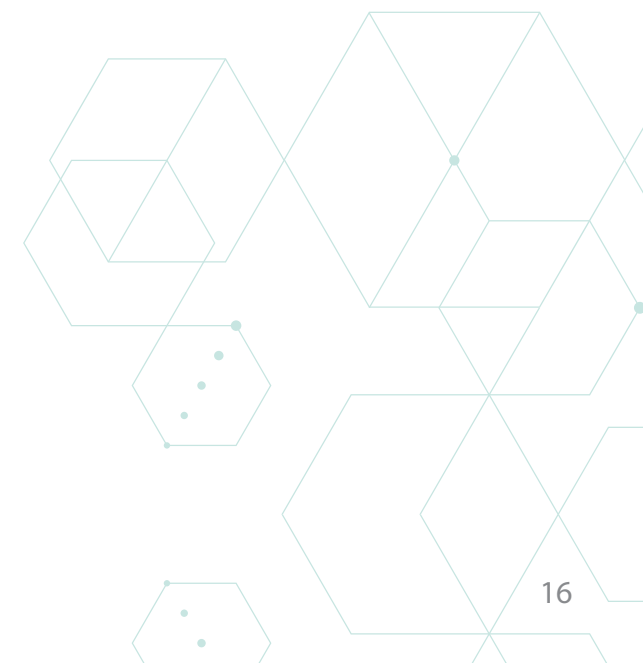
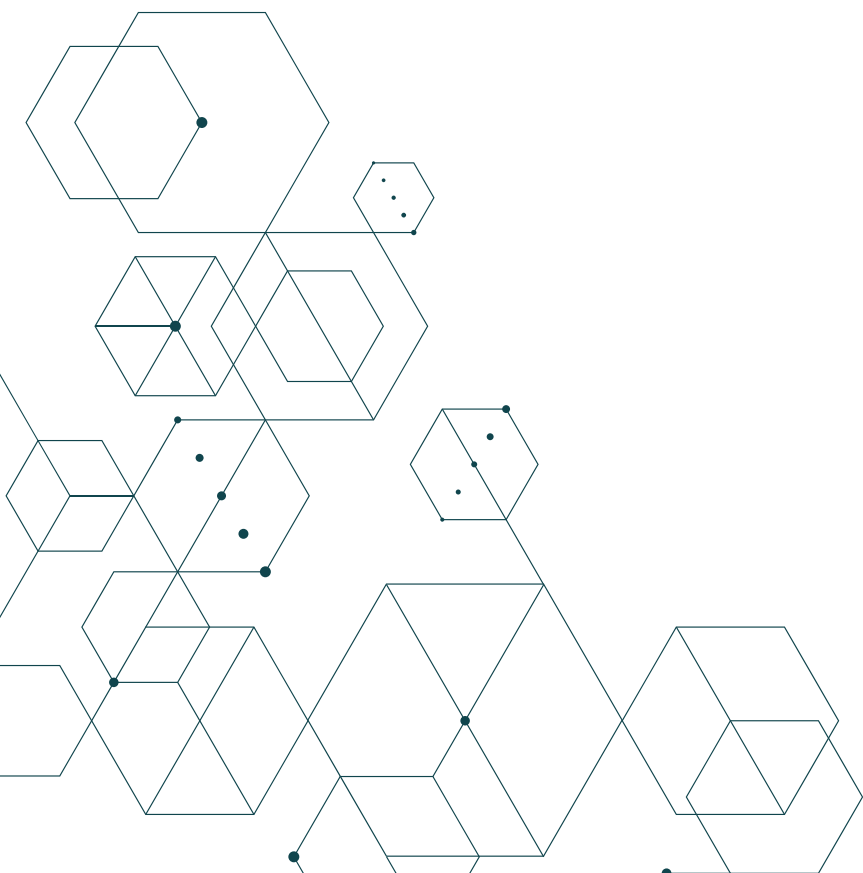
**Result account for segments  
for the period from January 1  
to December 31 2017**

Items of the statement <i>(in PLN thousand)</i>	Segment I Mint products	Segment II Precious metal processing	Segment III Electronic payments	Segment IV Development activity	Items not assigned	Adjustments	Total
Domestic sales	293 026		345 456	4 575		817	643 874
Export sales	283 038						283 038
<b>Total sales</b>	<b>576 064</b>		<b>345 456</b>	<b>4 575</b>		<b>817</b>	<b>926 912</b>

Data for the period from 1 January to 31 December 2017

Financial results  
of individual  
operating segments

Segmentation by  
geographical markets







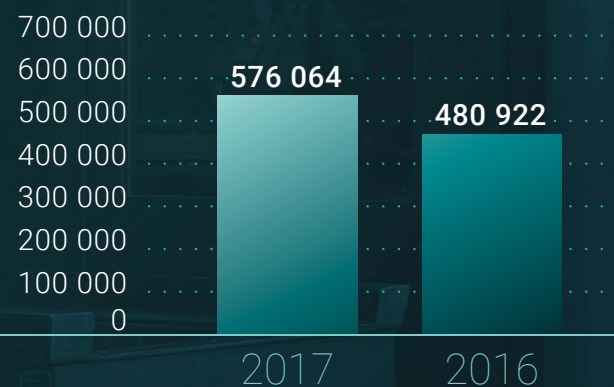
**The segment includes:**

- the production and sale of all mint products, among others: circulating and collector coins (along with the sale of silver and gold in blanks), tokens and other mint products and engraved & medallic products (medals, distinctions, badges, stamps, date stamps, hallmarks),
- commercial and marketing activities, related in particular to the promotion and distribution of collector coins, numismatic items, investment bars and other mint products.

Segment I  
– Mint products

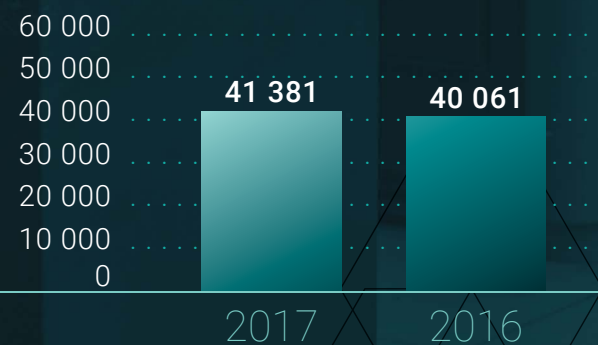
Segment I revenues from sales  
to external customers

(in PLN thousand)



Segment I result on sales  
to external customers

(in PLN thousand)



## The domestic market of coins

Narodowy Bank Polski [The National Bank of Poland] is the direct recipient on the coin market. In the discussed period, Mennica Polska S.A. delivered coins to the National Bank of Poland based on a framework agreement concluded on 11 July 2007 with subsequent annexes. Pursuant to this agreement, in particular years, the Mint receives the annual collective order from the National Bank of Poland for the production and delivery of coins of general circulation and collector coins, defining the production dates and deliveries of individual coin lots. In 2017, the Mint carried out orders for the NBP in a much larger amount compared to the previous year. In the area of circulating coins, the Company produced coins of 1 gr, 2 gr, 5 gr, 10 gr, 20 gr, 50 gr, 1 zł, bi-colour 2 zł, bi-colour 5 zł (including 5 zł commemorative coin from the "Discover Poland" series). In 2016, the contract of the National Bank of Poland for the production of 1, 2 and 5 gr steel coins coated with brass with The Royal British Mint ended. The Mint of Poland, operating very actively in this area, used its chance to recover the production of these denominations.

In 2017, in the segment of circulating coins, more than 1 billion coins of the total value exceeding PLN 95 m were made for the National Bank of Poland, which represented a 75% increase compared to the value realized in 2016. In the collector coin segment, in which collector coins made for the National Bank of Poland, there were 325,000 pieces made in Poland, which is 27% more than in 2016. The topics from the series "History of Polish Coins - the Thaler of Ladislas Vasa" and "100 Ducats of Sigismund Vasa" were carried out, topics from the series "Treasures of Stanislaw August" - "Sigismund August" and "Sigismund the Elder". The new series of coins was continued in 2016 - "The 100th Anniversary of Regaining Independence by Poland" - and as another one in the series, a coin dedicated to Roman Dmowski was produced and issued. Noteworthy is the interesting series of coins decorated with pad printing technique - "Enduring Soldiers Accursed by the Communists". In total, 5 topics were made in this series in 2017: "Henryk Glapinski Klinga", "Felix Selmanowicz Zagończyk", "Witold Pilecki Witold", "Danuta Siedzikowna Inka" and the "Enduring Soldiers" which was the one inaugurating series coin. In addition, over 12 individual topics were prepared on various occasions: "100th Anniversary of the Polish National Committee", "Five centuries of the Reformation in Poland", "200th Anniversary of the Death of Tadeusz Kościuszko", "100th Anniversary of the Apparitions of Fatima", "35th Anniversary of the Anti-communist Uprising in Lubin", "70th anniversary of "Kultura Paryska" Magazine", "The Wola and Ochota Massacres", "35th Anniversary of Fighting Solidarity", "200th Anniversary of the Ossoliński National Institute", "Polish Thermopylae - Zadwórze", "The Great Polish Economists - Nicolaus Copernicus", as well as "150th Anniversary of the Establishment of the Gymnastic Society "Sokół."

We distribute the coins of the National Bank of Poland and collector coins of foreign issuers intended for domestic recipients. We cooperate with collectors and numismatic organizations. The situation on the market of collector coins issued by the National Bank of Poland in 2017, in comparison with the years 2014-2016 expressed by the demand of end recipients, did not change significantly. The interest in collector coins, including the traditional recipient groups, remained at a low level, even showing a downward trend.

## Segment I – Mint products



**100 Ducats of Sigismund Vasa**  
Series: History of Polish Coin  
20 zlotys | Ag 925 | proof | 38.61 mm | 28.28 g

The Mint of Poland continues issuing its own themes of foreign collector coins under the "Royalty" programme, offered to customers of the collector segment, as well as, and to a bigger extent, the occasional & gift segment. In 2017, more coins for the domestic market were released, including coins that continued the series: "Man's Best Friends - Horses", "Bioluminescent Animals", "Scarabaeuses" and "The Fascinating World of Birds". Silver, multi-colored "Volleyball Coin" and "Athletics Coin" commemorated important events in the world of sports in 2017: the European Volleyball Championships and the World Athletics Championships. The technologically advanced and attractive coin was the spatial (3D) "Sigismund Bell" coin minted in the unique shape of the original bell.

## Domestic market for other mint products

The position of the Company on the market of traditional medallic-engraved products is still stable, although the market is subject to numerous changes, becoming more and more difficult in the conditions of increased competitiveness. The Chancellery of the President of the Republic of Poland continues to commission the performance and delivery of orders and distinctions in the mode of public tenders. In product groups such as medals, badges, seals, hallmarks, orders are processed mainly on the basis of contracts concluded with traditional recipients. The Company's standing in the Company's income is constituted by commemorative medals and numismatic products on the occasion of jubilees of companies and institutions.

## Domestic investment gold market

The year 2017 was not the most exciting in the context of the bullion market. Gold remained in the shadow of the cryptocurrency all-encompassing the world of finance. Investor interest was focused on the stock market and stocks rather than on so-called safe havens, which include gold.

Despite the difficulties that the market was posing, the Mint of Poland remains the leader in sales on the Polish investment gold market. Gold bars with the Mint of Poland logo are the most frequently chosen products from among a whole range of investment products. Thanks to cooperation with trading partners, investment products of the Mint of Poland are already available in nearly 1500 distribution points. Most of them are branches of banks cooperating with the Mint of Poland, in which our clients can safely make a purchase. Online stores with investment products from the Mint enjoy an increasing interest among our customers. However, they are chosen mostly only by small investors. Thinking about large and demanding clients, we are constantly looking for financial advisors and family offices interested in cooperation, which are also starting to operate on our market.

The Polish market is still unaware of how you can invest in gold. Seeing this gap, we started cooperation with the Individual Investors Association in the past year. The mission of our cooperation is to bring small investors the opportunities and benefits of a savings deposit in precious metals and the presentation of the Mint of Poland as the largest distributor of bullion bars and coins on our home market.

## Segment I – Mint products



**Turquoise Scarabeus**  
1 dollar | Ag 999 | proof | 38.61 mm | 17.50 g

## Foreign coin market

Foreign trade achieved the record sales of PLN 275m in 2017. In foreign trade in the discussed period, the activity of Mennica Polska S.A. was focusing on the production of both collector coins and circulating coins. These were accompanied by a new product group of medals, which played a huge role, because it generated the largest revenue in the history of foreign trade. Thanks to exemplary cooperation with the Treasury Department in Thailand, the Mint was able to submit an offer for the production and delivery of gold medals commemorating the cremation ceremony of King Bhumibol Adulyadej. It was one of the most important projects in recent months. At the end of the year, 63.4k gold medals worth USD 54m were sold (delivered to the customer). The remaining part of products manufactured under the contract (85,6k pieces) was delivered at the beginning of 2018.

Last year was extremely important for foreign trade operations; we took part in dozens of tenders, several contracts were signed. The deliveries of circulating coins was carried out to a record number of central foreign banks in: Colombia, Georgia, the Dominican Republic, Lebanon, Guatemala, Bolivia, Thailand and Paraguay. In the recent period, the activities were also targeted at entering new tenders. The Mint of Poland positively passed pre-qualifications in Costa Rica and Nepal. It was placed on the list of mints, which will be invited to participate in tenders for the production of circulating coins announced by these countries. The Mint of Poland has permanently inscribed on the list of prestigious and valued producers of circulating and collector coins. The foreign trade department has enlarged the portfolio of its recipients, including the central banks from Luxemburg, Bolivia, Guatemala, Paraguay, Lebanon, Honduras, Albania and Thailand. Thanks to the experience gained, the Mint remains a leader, strengthening its position as a manufacturer of circulating coins on the international market.

In the product group of collector coins, the Mint cooperates with distributors and issuers from various parts of the world. Every year, several dozen coin designs are developed on various topics and specifications. In 2017, over 120 coin topics were realized. The strategy of offering them to customers of both the collector's and the occasional-gift-giving segments is being continued. In the last year, we can distinguish several interesting coins that gained recognition among our customers, for example "200 Years of the New York Stock Exchange", a series of coins for luck and coins that are also jewellery: silver pendants and gold bracelets. Through active participation in fairs and international conferences, our customers are kept up to date on the current Mint's offer and emission plans for the following months.

## Segment I – Mint products



2 bolivianos | stainless steel | 29.00 mm | 6.40 g

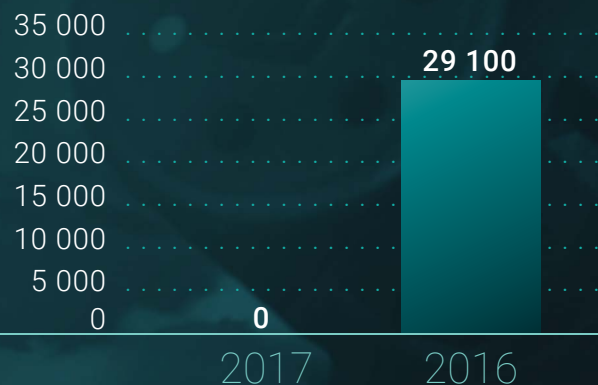
The segment includes primarily the refining of precious metals and the manufacture of catalytic and catchment meshes, paints, drawn and rolled products from precious metals.

On 10 January 2017, the recovery proceedings were opened for MMS. The opening of the proceedings, in connection with the acquisition over its period of management and supervision by entities independent of the Mint, is the premise to exclude MMS from the consolidated financial statements from the date of this decision, i.e. 10 January 2017, for the duration of the recovery proceedings. Due to the above, as at 31 December 2017, MMS is excluded from the consolidated financial statements of the Mint.

## Segment II – Processing of precious metals

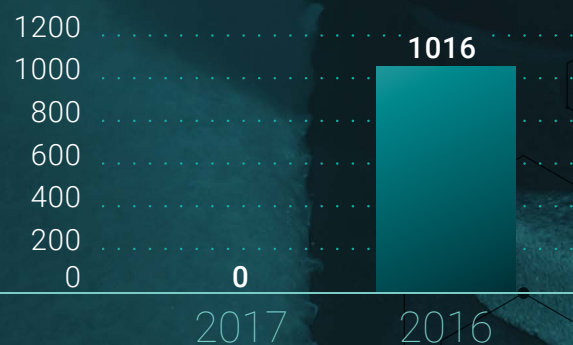
### Segmentu II revenues from sales to external customers

(in PLN thousand)



### Segment II result on sales to external customers

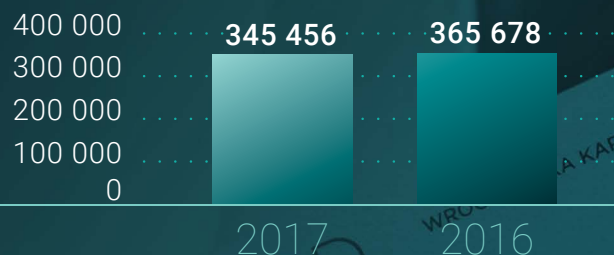
(in PLN thousand)



The segment covers the service of city card systems, sales and intermediation in the sale of public transport tickets, pre-paid tickets, parking fees, maintenance services and technical devices for handling electronic payments. The Mint of Poland S.A. is actively developing its activity on the electronic payment market since 2001. The Electronic Payment Division operates in this area.

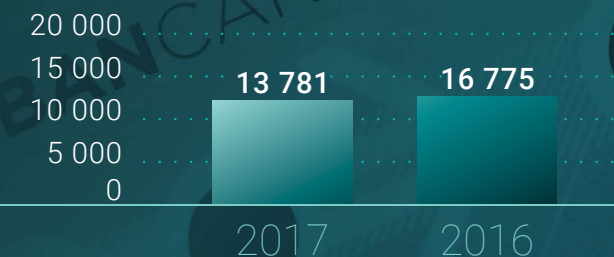
### Segment III revenues from sales to external customers

(in PLN thousand)



### Segment III result on sales to external customers

(in PLN thousand)



The Company is a leader in the implementation, operation and development of city card systems in Poland. In its activities, the Mint of Poland concentrates on the market of urban services with a special focus on the broadly understood public transport market. The basic products and services in the area of electronic payments are:

- public transport tickets in electronic and paper form as well as other municipal services in electronic form,
- ICT systems for managing a city card and the sale of urban services (mainly public transport tickets) based on contactless cards,
- the implementation and management of the sales network of electronic products based on diversified distribution channels: POS terminals, ticket machines, e-commerce, mobile payments,
- the distribution of top-ups for GSM pre-paid mobile phones.

Segment III  
– Electronic  
payments

In 2017, there was an increase of 2.5% in the record of gross nominal sales through systems operated by the Mint of Poland. The recorded decline in revenues, recognized in line with accounting standards, results from the shift of sales of public transport tickets through the distributors' points of sales for the benefit of the dynamic growth of turnover realized through the network of machines. With regard to sales by vending machines, the Company shows revenues in net terms (intermediary commission), and in relation to sales by points of partner distributors, the Company shows revenues in gross terms (sales of goods). As a consequence, shifting the turnover from this channel to vending machines results in a decrease in revenues in accounting terms. In terms of nominal gross turnover realized through the Mint of Poland's systems in this segment, there was an increase of 2.5%. Such a phenomenon causes a positive impact on the result due to the smaller share of variable costs in the channel of machines in relation to the points of partner distributors.

The decrease in the segment result was, on the other hand, a consequence of new implementations and the development of systems and sales networks, which in the initial stage are characterized by negative results caused by incurring initial costs and a simultaneous low level of sales saturation.

In 2017, the Electronic Payment Division focused its activities on the implementation of the proprietary product "Open Payment System" - a solution used to collect charges for public transport tickets, based on the technology of contactless banking cards and an online open central system. This system in 2016 received the first prize at the "13th International Fair of Public Transport TRANSEXPO 2016" in the category "Fare Collection Systems", where it was recognized as the most innovative and modern solution. In addition, in March 2017, the city of Jaworzno was given the prestigious "Smart City" award for the "Open Payment System" implemented by the Mint of Poland.

In the reporting period, the Mint of Poland continued its work aimed at expanding the sales network of the Electronic Payment Division in currently serviced cities, as well as obtaining new local and foreign projects also using the new product "Open Payment System".

Efforts were also made to optimize operations and maximize revenues from the sale of public transport tickets. In the reporting period, the Mint of Poland in the area of electronic payments centralized activities on key urban projects:

- Warsaw City Card,
- "URBAN CARD" Wrocław City Card,
- "PEKA" Poznań Electronic Agglomeration Card,
- Gdansk City Card,
- Lublin City Card,
- Bydgoszcz City Card,

## Segment III – Electronic payments



- Jaworzno City Card,
- Suwalki City Card,
- "Migawka" Lodz City Card,
- the sale of tickets for Warsaw Commuter Railway through a network of ticket machines.

In the above projects, the sale of electronic products took place through a network consisting of ticket machines, OPS ticket validators, retail outlets equipped with POS terminals, online sales systems and mobile payments. The retail sales network is based on a variety of distribution channels, mainly on cooperation with the fragmented retail market and the network market (Ruch, Kolporter, Poczta Polska, other local networks).

The following is a short description of key projects:

### Warsaw City Card

In the reporting period, the Mint of Poland continued the implementation of the Warsaw City Card project. The project has been implemented by the Company since 2001 in cooperation with the Public Transport Authority in Warsaw. As the operator of the largest public transport ticket distribution network, the Mint in 2017 ran the sales through 1,000 points of retail sales, over 450 ticket machines, an online sales system and a mobile payment system. In 2017, the Company continued its activities of expanding the sales network in Warsaw, at the same time carrying out work related to its optimization.

### "URBAN CARD" Wrocław City Card

In the reporting period, the Mint of Poland as the only distributor of public transport tickets and parking prepayments in Wrocław, continued to sell the above-mentioned products through its own sales network, consisting of two Customer Service Centres, over 200 points of retail sales, an online sales system, a mobile payment system, 820 mobile machines and over 120 stationary machines.

In 2017, the Mint of Poland concluded a new Service Agreement with the Municipality of Wrocław for the provision of public transport ticket distribution services for a period of 102 months (8.5 years) from the production start-up of the system. At the time of preparing this report, the implementation of the new "Urban card" ticket distribution system is underway.

## Segment III – Electronic payments





## “PEKA” Poznań Electronic Agglomeration Card

In the reporting period, the Mint of Poland continued the project implementation. The distribution of tickets was carried out through its own sales network, consisting of 90 stationary ticket machines and 100 sales terminals. The contract was concluded for a period of 10 years until 2024.

## Bydgoszcz City Card

In the discussed period, the Bydgoszcz City Card project was continued. The sales network is currently based on terminals at the points of retail sales, stationary machines and sales via mobile phones and an online store. In the period covered by the report, the contract for the implementation of this project was extended until 31 May 2018.

## Jaworzno City Card

In the discussed period, the Mint of Poland continued the implementation of the Jaworzno City Card project. At the beginning of January 2017, in Jaworzno, the Company launched the first system in Poland to collect tolls using contactless bank cards with deferred authorization - "Open Payment System". As part of the OPS pilot programme, the Company launched EMV validators that accept contactless payments on PKM [Public Transport Company] Jaworzno buses. In addition, the Mint of Poland provided ticket checkers dedicated to the operation of the OPS system and traditional city cards, a central system dedicated to servicing devices and a special position for handling complaints within the infrastructure of the PKM Customer Service Centre. In the reporting period, the Company prolonged the period of the currently binding Agreement with PKM Jaworzno for the sale of public transport tickets until 30 June 2022.

## “Migawka” Łódź City Card

In the discussed period, the Łódź project implementation was continued. Within this project the Mint of Poland runs its own network of public transport ticket sales, based on sales points equipped with terminals. The project is carried out in cooperation with Miejskie Przedsiębiorstwo Komunikacyjne - Łódź Sp. z o.o. In 2016, the Mint was chosen as the operator of the "Open Payment" pilot system in Łódź. As part of the pilot programme, in September 2017, a tolling system based on EMV validators accepting contactless bank cards was launched.



## Gdańsk City Card

On 30 June 2016, an Agreement was signed with ZTM Gdańsk for the sale of public transport tickets in Gdańsk with the help of 30 ticket machines. In the first half of 2017, the production sales network start-up began. From October 2017, ticket sales has been carried out using all ticket machines. Additionally, in December 2017, the Mint of Poland took over the project conducted by Avista, concerning the distribution of public transport tickets with the additional 50 ticket machines.

## Other city projects: Lublin City Card, Suwałki City Card

In the discussed period, the implementation of projects in Lublin and Suwałki continued. These are mature projects in which our activities focused on maximizing the sale of public transport tickets through the existing sales network.

## Railway projects

In the reporting period, the Mint of Poland was carrying out an operator project with Warszawska Kolej Dojazdowa Sp. z o.o., consisting in the agency sale of railway tickets through the network of ticket machines of the Mint of Poland.

## Segment III – Electronic payments



Mint of Poland' ticket machine

The segment includes, among others, the rental of office space, as well as the implementation of development projects. Mennica Polska S.A. rents office and warehouse space in owned buildings. In addition, the Company holds shares (directly and indirectly) in the following companies: Mennica Polska Spółka Akcyjna S.K.A. and Mennica Towers GGH MT Spółka z ograniczoną odpowiedzialnością S.K.A. These companies own land in Warsaw and carry out construction investments.

## Segment IV revenues from sales to external customers

(in PLN thousand)



## Segment IV result on sales to external customers

(in PLN thousand)



## Project „Mennica Residence”

In the development project, a total of over 520 apartments were designed, with an average area of approximately 50 sq. m. and a total usable area (apartments and services) of approximately 33,000 sq. m. The structure of the apartments assumes the construction of 1-, 2- and 3-room apartments with an area of not more than 60 sq. m., and 4-, 5- and 6-room apartments on high floors, with areas ranging from 76 sq. m. to 233 sq. m. The future residents were also provided with (car, motorcycle and bicycle) parking spaces in the underground three-story car park.

The sale of apartments (within the meaning of signed development agreements or preliminary sale agreements) as part of the first stage at the end of 2017 closed with 184 signed agreements, which is 97.35% of all apartments in the first stage of the investment. The total area of flats sold amounted to 9,708.12 sq. m., which accounts for 92.91% of the total usable floor area of apartments in the first stage of the investment. As part of the second stage, the analogous sale at the end of 2017 closed with 251 signed development agreements or preliminary sale agreements, which accounts for 74.92% of all apartments in the second stage of the investment. The total area of apartments sold amounted

Segment IV  
– Development  
activity

to 9,711.22 sq. m., which accounts for 62.11% of the total usable floor area of apartments in the second stage of the investment.

The attractive architecture and the location of the project, as well as the strong image of the Mint of Poland as a reliable and trustworthy developer, have contributed to its commercial success. The first stage of the investment was completed at the end of December 2017 and put into use on 22 January 2018. In July 2017, Mennica Polska S.A. commenced the construction of the second stage of the "Mennica Residence" project. By the end of 2017, all diaphragm walls were made, the bottom of the excavation was lowered to the level of "-1" and works related to the expansion ceiling were started.

### "Jagiellońska" project

In the reporting period, the Mint of Poland, as the general partner of the company Mennica Polska Spółka Akcyjna S.K.A., managed its day-to-day activities, focusing mainly on the continuation of works on the preparation of the land property development project located at ul. [street] Jagiellońska in Warsaw, with a total area of 276,119 sq. m., with buildings, structures and equipment erected on them.

In 2016, after a series of long-term discussions and arrangements with municipal institutions and obtaining the necessary documents (including the Environmental Decision), an application for building conditions for the first 6 ha of investment was submitted.

In addition, since August 2015, the Company has been in possession of a decision permitting the wiring of a 110 kV high voltage line running along the property. The implementation of cabling will enable the release of land for building development (about 4 ha).

### The "Mennica Legacy Tower" project

The project is implemented as part of the Mennica Towers GGH MT Sp. z o.o. S.K.A. company, in which the Group of the Mint and developer Golub GetHouse have 50% of equity. The investment is managed by partner Golub GetHouse, while the Group of the Mint co-controls the project company in the area of key decisions. The developed project is a modern business centre in Warsaw's Wola district, on a property located at ul. [street] Perecka 21. The spatial dominant will be a 130-metre tower (with 32 office floors) "Mennica Legacy Tower" (MLT). It will be accompanied by a 9-storey building. The total rentable area will be 63.8k sq. m., of which 49.6k sq. m. are in the tower.

The construction of the investment under the agreement concluded in July 2016 was entrusted to the Warbud company. In November 2017, the "0" level was completed and the construction of the above-ground part of the building was commenced. Putting the building into the use of tenants is planned in the third quarter of 2019.

### Commercial space rental

In the discussed period, in terms of revenues from sales, the Company continued to lease space in the "Nefryt" building in Warsaw's Anopol. The "Aurum" building at ul. [street] Waliców 11 in Warsaw, was demolished to free the land for the "Mennica Residence" investment – 2<sup>nd</sup> stage.

## Segment IV – Development activity



"Jagiellońska" project

## Strategic goals for the development of Mennica Polska S.A. and its Capital Group

### 1. Mint production:

- increased competitiveness in the area of collector and circulating coins,
- the intensification of production and sale of circulating and collector coins for selected foreign markets.

### 2. The development of activities related to electronic payments.

### 3. The implementation of development projects.

### 4. The further optimization of operational activity.

As part of the implementation of this strategy, the following projects are planned in the specific areas of the Company's operations:

## In the market area:

The main strategic tasks in this area are maintaining a strong dominant market position of strategic product groups, consistently expanding the market share of services based on modern ICT, including the development of the "City Card" programme and the continuation of building the strong brand of "Mennica Polska" in the meaning of a reliable supplier of high quality products. In relation to particular product groups, it is planned to include, among others:

- activating the Mint's offer activities in relation to potential export markets for circulating and collector coins, i.e. countries that do not have their own mints or do not have modern monetary production technologies,
- attempts to extend numismatic traditions in Poland, which would result in an increase in orders for collector coins,
- strengthening and the further improvement of cooperation with key trading partners of the Mint in Poland and abroad,
- in the electronic payment segment - maintaining the leading position on the Polish city system market by, among others, the development of innovative solutions in the field of toll payment systems, as well as entering foreign markets with the offer of innovative solutions developed on the Polish market,
- in the development segment – the optimization of the use of owned properties through the development of attractive development projects.

Strategic goals  
of the Capital Group  
of Mennica Polska S.A.

## In the area of organization and management:

In the area of organization and management, the basic strategic task is to improve the system that is being implemented and quality management methods compliant with ISO standards by:

- the improvement of the management system allowing the use of value management methods,
- the construction of motivational work and remuneration systems,
- the optimization of operational activities and flexible adjustment of resources and costs in relation to the projects and sales being carried out.

## In the sphere of technology and production:

- the continuous introduction of innovative coin production technologies,
- strengthening cooperation with domestic and foreign suppliers of coin blanks for production,
- the systematic introduction of the latest IT solutions to technological & production processes in order to optimize them in terms of the obtained product quality and costs incurred,
- continuous development in terms of technological advancement, the innovativeness of products and services, software and distribution channels in the area of Electronic Payment Division.

Strategic goals  
of the Capital Group  
of Mennica Polska S.A.



200<sup>th</sup> Anniversary of New York Stock Exchange  
1,000 francs CFA | Ag 999 | proof | 50.00 mm | 1-oz

## Internal development factors

The strengths that distinguish the Capital Group of Mennica Polska S.A. on the market are described below.

### **We occupy a leading position in the world in terms of applied technologies and the multitude of their applications**

Mennica Polska S.A., as one of the few mints in the world, manufactures collector coins in virtually any technology that exists on the market. We use over 120 different techniques, including the production of coins in 3D technology, making openings of various shapes, applying coloured patterns to the products using the pad printing method and very high resolution UV-hardened laser prints. We manufacture products with various inserts, selectively gilded, oxidized, patinated, enamelled, and treated with ruthenium, giving them varied forms and shapes. In addition, we produce coins using integral holograms, with a high relief, having large dimensions and using laser effects in the form of unique visual effects and microreliefs. Our silver coins and numismats are also protected against corrosion changes, which is not widely available on the market.

### **We pride ourselves on over 250 years of history**

The Mint of Poland was founded in 1766 by King Stanisław August Poniatowski, who wanted to create a recognizable brand, associated with the most beautiful coins on the Old Continent. Today, it is a leading producer of coins and numismatic items in Poland and Europe, known for its bold and innovative projects.

### **We win numerous awards and distinctions for our products**

Almost every year brings the Mint of Poland some awards and distinctions. During the 8th international conference "COINS 2017", which took place on 22-23 September 2017 in Moscow, the Company was awarded in three categories, including the "People's Choice Award", considered to be the most important. The first of the winning coins - "Qing Dynasty Vase" is a 100-dollar gold collector coin, the issuer of which is Niue Island. At the said competition, it won in the "People's Choice Award" category. It is the first coin in the world, decorated with miniature porcelain. On its obverse there is a portrait of Her Majesty Queen Elizabeth II, while on the reverse there is the image of a Chinese vase from the Qing dynasty, when the art of making porcelain reached its peak of development. The second award is the third place in the "Coin of the Year" category for the National Bank of Poland and the Mint of Poland for a 5-zloty coin: "250<sup>th</sup> Anniversary of the Foundation of the Warsaw Mint".

Characteristics  
of external and internal  
factors important for  
the development  
of the Capital Group  
of MPSA

The Mint of Poland was given the third distinction in the "Souvenir Coin" category for "Born to Be Happy". It is a 1-dollar silver coin, decorated with multi-coloured digital print, the issuer of which is Niue Island.

### We actively participate in global industry events

The Mint of Poland is an active member of the "Mint Directors Conference Technical Committee" (MDC-TC), in which, in cooperation with other industry leaders, the know-how in the field of monetary production is extended. In 2017, during prestigious meetings, the Mint of Poland collaborated in the area related to the making of tooling, as well as securing silver coins against corrosion changes. During the "Technical Meeting of Mints in ASEAN" conference in Kuala Lumpur, the Company presented for the first time a presentation on advanced decoration techniques that are used all over the world on collector coins.

As every year, the representatives of the Mint of Poland take an active part in world events devoted to the production of collector and circulating coins. In January 2017, during the Technical Forum being part of the "World Money Fair" conference in Berlin, the Company presented its achievements in the field of production of 3D coins made in new technology. The star of the exhibition was the first three-dimensional "Make a Wish" coin in the shape of a fish with a curved tail, which aroused special interest among the participants of the exhibition.

The Mint is active in every possible field, i.e. in the technical group of the "Mint Directors Conference" (MDC), "Mint Directors Working Group" (MDWG) and "Technical Sub Group" (TSG).

Another opportunity to present its achievements was participation in the conference "Coin Constellation 2017", organized every year in Moscow. The event was attended by over 200 delegates from around the world, among others, from Canada, Russia, Italy, Portugal and France. The Mint of Poland was awarded in three categories - "Coin of the Year", "Souvenir Coin" and "People's Choice Award".

### We are focused on innovation and high quality of our products

The success of the first cylindrical coin "Fortuna Redux" introduced by us in 2013, appreciated at international competitions, inspired us to work on the next innovative projects. In the following years, we presented coins in the shape of a mini-cylinder, a pyramid-shaped coin, in the shape of a cube, and a triptych with various original decorations, as well as "Chopin's Score", a coin in the shape of a sheet of paper dedicated to Frederic Chopin. The innovative project was a coin minted by the Mint of Poland in the shape of a sphere, which is produced both in the proof version and in the oxidised version. The coin from the "Fabergè Egg" coin series with the image of the Trans-Siberian Railway was very successful due to the customers' interest. An important achievement in the field of application of the most advanced coinage techniques is the 3D "Tsar Bell Kolokol" coin in the shape of a bell, on the surface of which, among others, baroque angels can be seen. Inside this complicated product, an original relief was placed.

Characteristics  
of external and internal  
factors important for  
the development  
of the Capital Group  
of MPSA



**Make a wish**  
2,000 ffrancs CFA | Ag 999 | proof |  
63.00x46.00x25.00 mm | 2 oz

#\$88\$



## We continue the best traditions in the engraving & medal segment

We are a traditional producer of state decorations, made for the Chancellery of the President of the Republic of Poland. We continue the best traditions of Polish medallic art by making the highest quality commemorative medals for the order of state and local administration authorities, public utilities, unions and associations as well as companies and plants of various branches of the economy. Products such as state awards, badges, stamps, medals, seals and date stamps have had an established position on the market for years. These are the traditional products of Mennica Polska S.A. and their sale constitutes a significant share in the entire domestic market. The position of the Company in this product group determines its many years of experience, high quality of products and customer attachment to the Company as a reliable, responsible manufacturer and supplier. In the case of official seals with the image of the state emblem, the Mint of Poland has been the only entity authorized to manufacture them since 1926.

## We are a key participant in the Polish collector coin market

We distribute the coins of the National Bank of Poland and collector coins of foreign issuers intended for domestic recipients. We work with collectors and numismatic organizations.

## We enjoy a growing reputation, experience and sales on foreign markets

The Mint of Poland is gaining more and more importance on the international circulating coin market, serving an increasing number of contracts with central banks of various countries. It also works with the largest distributors of collector coins in the world. The largest ones are banks from Russia, Sberbank in Kazakhstan and the Canadian Mint. In total, we cooperate with nearly 100 distribution companies around the world. Conducting a stable pricing policy, quick and effective response to our customers' demands are the most important factors causing attachment and willingness to continue cooperation with us. The vast majority of our customers declare that we are their most important supplier. The Mint of Poland is one of the leaders on the global market for both circulating and collector coins. By intensifying our activities from year to year, we execute an increasing number of contracts for circulating and collector coins.

## We are the national leader in the segment of production and distribution of gold investment bars

The MPSA Group is the only producer of gold bars in Poland and provides comprehensive support for the distribution of investment products. The Mint offers its customers a full range of investment products made of gold, available at any time. We have the ability to manufacture custom-weight or non-standard shape bars, such as an investment bar in the shape of a dice. Another distinguishing feature in this area is the management of a wide range of distribution channels in the Capital Group of MPSA, such as an online investment platform, company stationary stores, renowned banks and direct sale from the head office. The Mint of Poland guarantees safe storage of gold bars in its treasury and gold buy-back at market prices.

Characteristics  
of external and internal  
factors important for  
the development  
of the Capital Group  
of MPSA



**Car Kolokot**  
10 dollars | Ag 999 | proofy |  
40.60x40.60x33.10 mm | 4 oz

## **We have the best developed and the most technologically advanced network of sales in the country and know-how allowing the distribution of various services and electronic products**

The Mint of Poland has the largest and most modern city card service network in Poland, consisting of more than 1500 stationary and mobile ticket machines, 2,500 POS terminals and e-commerce and m-commerce channels. We have the appropriate know-how and organizational and financial resources, which allow us to use the emerging opportunities on the market of city card systems. In 2016, we developed and in 2017 we implemented the "Open Payment System" - a proprietary solution that allows passengers to pay for public transport tolls using directly using bank payment cards.

## **We have great potential on the development market**

For several years, the Mint has also been involved in investments in the property segment. The flagship development project is "Mennica Residence" - a complex of modern residential buildings, located along the newly designed pedestrian passage, with a separated internal courtyard and varied greenery at various levels, which is situated at the intersection of Żelazna and Grzybowska streets. Another investment is a modern office complex - "Mennica Legacy Tower" implemented together with developer Golub GetHouse. The business centre includes a 130-metre tower and a 9-storey building offering nearly 64k sq. m. of usable space. The third project is the "Jagiellońska" project covering the area of over 27 ha in the immediate vicinity of the Vistula river. This area is characterized by enormous development potential, and its location enables a harmonious combination of urban and recreational functions. The expected usable area of multifunctional housing is around 400k sq. m. In December 2017, the first building permit for the building having approx. 6,500 sq. m. of usable space and applications for building conditions for the next 5 buildings, i.e. approx. 19,000 sq. m. of usable space were submitted.

## **We have a certified quality, environmental protection and occupational health and safety management system**

The dominating Company in the Capital Group - Mennica Polska S.A. - has a certified quality management system in accordance with the requirements of the standard (good practice) established by PN-EN ISO 9001:2009 standard, an environmental management system in accordance with PN-EN ISO 14001:2005 and health and safety management system in accordance with PN-N-18001:2004 (OHSAS 18001:2007) in the field of:

- producing, storing, supplying and developing circulating and collector coins, monetary products, investment bars and engraving&medal products,
- designing, implementing, maintaining and developing electronic payment systems as well as related services.

Characteristics  
of external and internal  
factors important for  
the development  
of the Capital Group  
of MPSA



**Golden Lucky Dice**  
Au 999.9 | 17.00x17.00x17.00 mm | 3 oz

## We are characterized by a stable and solid economic and financial situation.

Our valuable assets, the high levels of asset financing ratios with equity, safe liquidity ratios, stable profitability and effective financial risk management make the Mint of Poland a reliable, solid and trustworthy business partner.

## EXTERNAL DEVELOPMENT FACTORS

Do najważniejszych czynników zewnętrznych związanych ze specyfiką działalności Mennicy Polskiej oraz jej Grupy Kapitałowej, zaliczyć można następujące:

- market demand for new circulating and collector coins,
- the strength of potential competitors on the market of mint products,
- the formation of demand for circulating coins by both the NBP and foreign central banks,
- the improvement of the banking service system and introduction of non-cash transactions in transactions, which may partially limit the turnover with the use of coins and indirectly affect their slower consumption,
- the speed of implementing electronic tickets in other agglomerations in Poland,
- the development of a non-cash micropayment system and pre-paid transactions,
- the situation on foreign markets of numismatic products and potential export markets for circulating coins,
- the monetary integration of the European Union member states and the accession of Poland to the EURO zone, which will stimulate the demand for the production of EURO coins,
- the shape of the situation on the property market.

Characteristics  
of external and internal  
factors important for  
the development  
of the Capital Group  
of MPSA



**All the Best!**  
1 dollar | Ag 925 | proof | 38.61 mm | 8.00 g

The tradition of supporting social and cultural initiatives, cultivated for many years, is one of the most important activities for the Capital Group. The Mint of Poland, with great engagement, finances and patronizes activities aimed at equalizing social and material opportunities, supporting children and young people exposed to the risk of exclusion, protecting cultural heritage and taking care of environmental issues.

### **PLN 8 million for school renovation**

On 18 September 2017 at the Praga-Północ District Office of the Capital City of Warsaw, an agreement was signed between the district authorities and representatives of the subsidiary company of Mennica Polska S.A. Under this agreement, the Company will renovate one of the Prague schools for PLN 8 m. In the building at ul. [street] Jagiellońska 61 was Stefan Starzyński School Complex No. 40. In 2012, the school was moved to new headquarters at ul. [street] Objazdowa and today the property remains undeveloped. Thanks to the support of the Mint of Poland, a unique opportunity for a comprehensive renovation of the building and its re-use for educational purposes was created.

### **The Great Orchestra of Christmas Charity**

As part of the 26th edition of the Orchestra, the Mint of Poland collected PLN 21,036.47 in total. The transferred funds were collected into cans by our volunteers and during the charity sale of occasional products. Traditionally, the stand of the Mint of Poland was the most popular, where you could admire the process of striking unique copper tokens. Numismatic enthusiasts could become the holders of unique copies of pieces minted on the stump by a professional minter. The distribution also included brass machine-embossed products on monetary presses.

The proceeds from the sale of both types of tokens were transferred to the account of the Great Orchestra of Christmas Charity. The stand's visitors also had the opportunity to purchase commemorative cups designed specifically for this occasion.

What mainly supported this year's WOŚP Grand Finale is the auction of Golden Hearts, which over the years have gained the status of a symbol of the charity of Poles. This year, the atmosphere during the auction of these commemorative products was extremely hot. The rivalry for the most prestigious award, the heart from No. 1, ended with a substantial amount of PLN 488,888.00. However, the result of the auction of three hearts reached an impressive value of PLN 1,183,331.00, improving last year's result by nearly PLN 0.5 m. According to tradition, the unique medallion-hearts were made by the Mint of Poland from the gold received by the Great Orchestra of Christmas Charity during the previous edition. Last year's Finale of the Great Orchestra of Christmas Charity closed with the highest ever declared amount of PLN 81,423,542.00.

Social responsibility  
of Mennica Polska S.A.

**Consolidated statement  
of the financial position**  
*(in PLN thousand)*

Note

31.12.2017

31.12.2016

The Capital Group  
together

Including  
MMS

**ASSETS**

**Fixed assets**

Tangible fixed assets	<b>5.2</b>	151 284	149 984	25 676
Intangible assets	<b>5.2</b>	112 161	119 439	22
Investment properties	<b>5.3</b>	5 566	12 399	
Investments in associated companies and co-subsi- diaries valued using the equity method	<b>5.4</b>	13 985	14 652	
Other long-term investments	<b>5.4</b>	59 216	306 302	
Deferred tax assets	<b>4.6</b>	19 189	49 228	161
Other fixed assets		572	531	
<b>Total fixed assets</b>		<b>361 973</b>	<b>652 535</b>	<b>25 859</b>

**Current assets**

Inventory	<b>6.1</b>	287 261	98 509	2 431
Income tax receivables		42	11	
Trade and other receivables	<b>6.2</b>	70 490	44 753	2 210
Cash and cash equivalents	<b>6.3</b>	241 541	44 444	45
Fixed assets to be sold			3 457	3 457
<b>Total current assets</b>		<b>599 334</b>	<b>191 174</b>	<b>8 143</b>
<b>Total assets</b>		<b>961 307</b>	<b>843 709</b>	<b>34 002</b>

Consolidated  
statement  
of the financial  
position

Consolidated statement  
of the financial position

(in PLN thousand)

	Note	31.12.2017	31.12.2016	
			The Capital Group together	Including MMS
<b>LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital	8.1	51 138	51 337	
Own shares	8.2		-2 785	
Share premium		14 047	14 047	
Revaluation reserve		4 381	-35 675	
Supplementary capital		452 539	385 057	
Other reserve capital		37 463	37 302	
Retained earnings		-20 280	-38 492	-71 429
<b>Equity attributable to the Shareholders of the Parent Company</b>		<b>539 288</b>	<b>410 791</b>	<b>-71 429</b>
Non-controlling interest		57 299	57 443	
<b>Total shareholders' equity</b>		<b>596 587</b>	<b>468 234</b>	<b>-71 429</b>
<b>Liabilities</b>				
Trade and other liabilities	7.2		681	681
Employee benefits	7.4	2 754	2 516	44
<b>Total long-term liabilities</b>		<b>2 754</b>	<b>3 197</b>	<b>725</b>
Credits, loans and financial leasing liabilities	7.1	291	195 662	
Income tax liabilities			1	74 324
Trade and other liabilities	7.2	352 072	142 823	7 861
Reserves	7.3	2 298	23 343	19 185
Employee benefits liabilities	7.4	7 305	10 449	3 336
<b>Total short-term liabilities</b>		<b>361 966</b>	<b>372 278</b>	<b>104 706</b>
<b>Total liabilities</b>		<b>364 720</b>	<b>375 475</b>	<b>105 431</b>
<b>Total liabilities</b>		<b>961 307</b>	<b>843 709</b>	<b>34 002</b>

\*The Capital Group lost control over Mennica-Metale Szlachetne S.A. (MMS) and on 1 January 2017 deconsolidated. Data as at 31 December 2017 does not include MMS assets and liabilities.



MENNICA  
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ISTNIEJE OD 1766 R.

Consolidated  
statement  
of the financial  
position

Consolidated profit and loss account <i>(in PLN thousand)</i>	Note	For the period of 12 months ended 31-12-2017			For the period of 12 months ended 31-12-2016		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net sales revenues	4.1	926 912		926 912	853 271	29 100	882 371
Cost of goods sold	4.2	-851 269		-851 269	-770 681	-24 578	-795 259
Result on derivatives concerning executed sales		3 120		3 120	1 194	0	1 194
Selling expenses	4.2	-15 212		-15 212	-18 194	0	-18 194
General and administrative expenses	4.2	-28 579		-28 579	-25 837	-3 466	-29 303
Other operating income	4.4	25 520		25 520	24 115	190	24 305
Other operating expenses	4.4	-9 566		-9 566	-4 693	-12 051	-16 744
Result on derivatives concerning unrealized sales		2 388		2 388	-4 609		-4 609
Share in the profits / losses of investments valued using the equity method		-668		-668	-963		-963
Result on the deconsolidation of the subsidiary			71 025	71 025			
<b>Operating profit / (loss)</b>		<b>52 646</b>	<b>71 025</b>	<b>123 671</b>	<b>53 604</b>	<b>-10 806</b>	<b>42 798</b>
Financial income	4.5	26 554		26 554	2 386	315	2 701
Financial expenses	4.5	-8 606		-8 606	-5 828	-10 418	-16 246
<b>Result on financial operations</b>		<b>17 948</b>		<b>17 948</b>	<b>-3 441</b>	<b>-10 104</b>	<b>-13 545</b>
<b>Pre-tax profit / (loss)</b>		<b>70 594</b>	<b>71 025</b>	<b>141 619</b>	<b>50 162</b>	<b>-20 909</b>	<b>29 253</b>
Income tax	4.6	-20 526		-20 526	16 713	-601	16 112
<b>TOTAL NET PROFIT / (LOSS)</b>		<b>50 068</b>	<b>71 025</b>	<b>121 093</b>	<b>66 875</b>	<b>-21 510</b>	<b>45 365</b>
Attributable to:							
Shareholders of the Parent Entity		53 212	71 025	124 237	68 490	-21 510	46 980
Non-controlling interest		-3 144		-3 144	-1 615		-1 615
<b>Net (basic and diluted) earnings on continued operations per share attributable to the Equity Holders of the Parent Entity in PLN</b>	4.7	<b>1.04</b>	<b>1.39</b>	<b>2.43</b>	<b>1.34</b>	<b>-0.42</b>	<b>0.92</b>

## Consolidated profit and loss account

**Consolidated statement  
of the comprehensive income**

(in PLN thousand)

Nota

For the period of 12 months ended  
31-12-2017

For the period of 12 months ended  
31-12-2016

Continuing  
operations

Operations  
discontinued

Total

Continuing  
operations

Operations  
discontinued

Total

**Consolidated net profit**

**50 068**

**71 025**

**121 093**

**66 875**

**-21 510**

**45 365**

**Items subject to reclassification  
to profit/loss account in the future:**

**40 056**

**40 056**

**-36 556**

**-36 556**

- change of the equitable value  
of financial assets available for sale

49 451

49 451

-45 131

-45 131

- income tax on items subject  
to reclassification

-9 395

-9 395

8 575

8 575

**Other net comprehensive income**

**4.6**

**40 056**

**40 056**

**-36 556**

**-36 556**

**TOTAL COMPREHENSIVE INCOME**

**90 124**

**71 025**

**161 149**

**30 319**

**-21 510**

**8 809**

*Attributable to:*

*Shareholders of the Parent Entity*

93 268

71 025

164 293

31 934

-21 510

10 424

*Non-controlling interest*

-3 144

-3 144

-1 615

-1 615

**Total income per share attributable  
to the Shareholders of the Parent Entity  
(basic and diluted) in PLN**

**1.82**

**1.39**

**3.21**

**0.62**

**-0.42**

**0.20**



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ISTNIEJE OD 1766 R.

Consolidated  
statement of  
the comprehensive  
income



## Consolidated cash flow statement

(in PLN thousand)

For the period  
of 12 months ended  
on 31-12-2017

For the period of 12 months ended  
on 31-12-2016

The Capital Group together including MMS



MENNICA  
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### Cash flows from the operating activity

<b>Net profit (loss) for the period</b>	<b>121 093</b>	<b>45 365</b>	<b>-21 510</b>
<b>Adjustments</b>	<b>-62 854</b>	<b>52 443</b>	<b>27 999</b>
Amortization	17 844	18 666	1 995
Profit / (loss) from the investment activity	-48 124	-21 883	-109
Profit / (loss) from the sale of fixed assets	132	416	-14
Interest	519	5 931	2 013
Income tax	20 526	-16 112	601
Change in receivables	-24 339	-3 849	-212
Change in provision	-159 389	-9 394	380
Change in trade payables and others	205 310	61 904	4 008
Change in reserves and employee benefits	-1 387	16 764	19 337
Others	-316		
Result on the deconsolidation of the subsidiary	-71 025		
Interest paid	-2 529	-6 187	-2 012
Tax paid	-76	-321	
<b>Net cash on the operating activity</b>	<b>58 239</b>	<b>91 300</b>	<b>4 477</b>

### Cash flows from the investment activity

Proceeds from the sale of intangible and tangible assets	154	113	14
Proceeds from the sale of financial assets	365 861		
Dividends received	24 095	22 963	
Expenses on the purchase of intangible and tangible assets	-51 597	-35 321	-14
Expenses on the purchase of investment property	-43 010	-31 556	
<b>Prepayment for the purchase of investment property</b>	<b>295 503</b>	<b>- 43 801</b>	

### Cash flows from the financial activity

Credits and loans taken		22 283	
Other inflows		3 500	
Purchase of own shares		-2 555	
Dividends and other distributions paid to the owners	-35 797	-25 569	
Repayment of credits and loans	-120 848	-41 576	-5 597
Payments of finance lease agreements		-117	-29
<b>Net cash from the financial activity</b>	<b>-156 645</b>	<b>-44 034</b>	<b>-5 626</b>

**Total net cash flows** **197 097** **3 465** **-1 149**

**Balance sheet change in cash, including:** **197 097** **3 465** **-1 149**

**Cash at the beginning of the period** **44 444** **40 979** **1 193**

**Cash at the end of the period** **241 541** **44 444** **45**

## Consolidated cash flow statement

## Consolidated statement of changes in equity

(in PLN thousand)

	Note	Share capital	Own shares	Capital from the issue of shares above their nominal value	Supplementary capital	Revaluation reserve		Retained profits	Shareholders' equity attributable to the Shareholders of the Parent Entity	Non-controlling interest	Total shareholders' equity	
						revaluation of assets held for sale	revaluation of the collection of the Numismatic Cabinet					
<b>Shareholders' equity as of 01-01-2017</b>	<b>8.1</b>	<b>51 337</b>	<b>-2 785</b>	<b>14 047</b>	<b>385 057</b>	<b>-40 056</b>	<b>4 381</b>	<b>37 302</b>	<b>-38 492</b>	<b>410 791</b>	<b>57 443</b>	<b>468 234</b>
<b>Total comprehensive income, including:</b>						<b>40 056</b>		<b>124 237</b>	<b>164 293</b>	<b>-3 144</b>		<b>161 149</b>
- net profit								124 237	124 237	-3 144		121 093
- other net comprehensive income						40 056			40 056			40 056
Purchase / sale of own shares	<b>8.2</b>	-199	2 785		-2 785			199		3 000		3 000
Payment of a dividend	<b>8.3</b>								-35 797	-35 797		-35 797
Distribution of the financial result					70 229			-70 229				
Other changes					38			-38				
<b>Shareholders' equity as of 31-12-2017</b>		<b>51 138</b>		<b>14 047</b>	<b>452 539</b>		<b>4 381</b>	<b>37 463</b>	<b>-20 280</b>	<b>539 288</b>	<b>57 299</b>	<b>596 587</b>



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## Consolidated statement of changes in equity

Selected consolidated financial data	for the period of 12 months ended (in PLN thousand)		for the period of 12 months ended (in EUR thousand)	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total net sales income	926 912	882 371	218 369	201 653
Operating profit (continuing operations)	52 646	53 604	12 403	12 250
Profit / loss from operating activities (discontinued operations)	71 025	-10 806	16 733	-2 469
Profit from operating activities in total	<b>123 671</b>	<b>42 798</b>	<b>29 135</b>	<b>9 781</b>
Total gross profit	<b>141 619</b>	<b>29 253</b>	<b>33 364</b>	<b>6 685</b>
Net profit (continuing operations)	50 068	66 875	11 795	15 283
Net profit / loss (discontinued operations)	71 025	-21 510	16 733	-4 916
<b>Total net profit</b>	<b>121 093</b>	<b>45 365</b>	<b>28 528</b>	<b>10 367</b>
<b>Total net profit attributable to the Shareholders of the Parent Entity</b>	<b>124 237</b>	<b>46 980</b>	<b>29 269</b>	<b>10 737</b>
<b>Net profit from continuing operations attributable to the Shareholders of the Parent Entity</b>	<b>53 212</b>	<b>68 490</b>	<b>12 536</b>	<b>15 652</b>
<b>Total net profit per ordinary share attributed to the Shareholders of the Parent Entity - (in PLN/EUR)</b>				
- ordinary / diluted	2.43	0.92	0.57	0.20
<b>Net profit from continuing operations per one ordinary share attributed to the Shareholders of the Parent Entity (in PLN / EUR)</b>				
- ordinary / diluted	1.04	1.34	0.25	0.31
Net cash flows from operating activities	58 239	91 300	13 720	20 865
Total cash flows	<b>197 097</b>	<b>3 465</b>	<b>46 434</b>	<b>792</b>

## Financial Statement of the Capital Group of Mennica Polska S.A.

### Selected consolidated financial data

Skonsolidowane sprawozdanie  
z przepływów pieniężnych

for the period of 12 months ended  
(in PLN thousand)

for the period of 12 months ended  
(in EUR thousand)

	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total assets	961 307	843 709	230 480	190 712
Short-term liabilities	361 966	372 278	86 784	84 150
Equities	596 587	468 234	143 036	105 840
Number of shares – in units	51 138 096	51 138 096	51 138 096	51 138 096
Weighted average number of shares – in units	51 138 096	51 151 124	51 138 096	51 151 124
Book value per share (in PLN/EUR)	11.66	9.16	2.80	2.07



**MENNICA  
POLSKA**

ISTNIEJE OD 1766 R.

Financial Statement  
of the Capital Group  
of Mennica Polska S.A.

Selected consolidated  
financial data

**For items in the statement of the comprehensive income and statement of cash flows**

The average exchange rate, calculated as the arithmetic average  
of the rates prevailing on the last day of each month in the period

	31.12.2017	31.12.2016
<b>EUR</b>	4.2447	4.3757

**For items in the statement of the financial standing**

Exchange rate applicable as of

	31.12.2017	31.12.2016
<b>EUR</b>	4.1709	4.4240

The basic ratios of the structure of the balance sheet of the issuer's Capital Group are included in the table below:

Specification	31.12.2017 (in PLN thousand)	31.12.2017 (%)	31.12.2016 (in PLN thousand)	31.12.2016 (%)	(31.12.2017/ 31.12.2016) – Dynamics (%)
<b>Total assets</b>	<b>961 307</b>	<b>100.0</b>	<b>843 709</b>	<b>100,0</b>	<b>113,9</b>
Non-current assets	361 973	37.7	652 535	77.3	55.5
Current assets	599 334	62.3	191 174	22.7	313.5
Inventory	287 261	29.9	98 509	11.7	291.6
Liabilities	70 532	7.3	44 764	5.3	157.6
Short-term investments	241 541	25.1	44 444	5.3	543.5
Other current assets	0	0.0	3 457	0.4	0.0
<b>Total liabilities</b>	<b>961 307</b>	<b>100.0</b>	<b>843 709</b>	<b>100.0</b>	<b>113.9</b>
Shareholders' equity	596 587	62.1	468 234	55.5	127.4
Liabilities and reserves	364 720	37.9	375 475	44.5	97.1
Long-term liabilities	2 754	0.3	3 197	0.4	86.1
Short-term liabilities	361 966	37.7	372 278	44.1	97.2

## Financial Statement of the Capital Group of Mennica Polska S.A.

### The structure of the consolidated balance sheet

The formation of the particular ratios of profitability of the Capital Group in the period covered by the analysis presented in the table below:

Ratios of profitability	2017		2016	
	Data based on the IFRS statement	Data based on the standardized account	Data based on the IFRS statement	Data based on the standardized account
1. Net sales revenues (in thousands of zlotys)	926 912	926 912	882 371	882 371
2. Gross return on sales	8.5%	8.5%	10.0%	10.0%
3. Net return on sales	3.8%	3.8%	4.6%	4.6%
4. Operating profit margin	13.3%	2.8%	4.9%	4.3%
5. EBITDA margin	15.3%	4.8%	7.0%	6.5%
6. Net profit margin	13.1%	0.5%	5.1%	3.1%
7. Return on total assets ROA	13.4%	0.5%	5.5%	3.3%
8. Return on equity ROE	22.7%	0.9%	9.5%	5.8%

- Profitability ratios – ratios of corresponding amounts of profits to net sales of products, goods and materials;
- Return on assets (ROA) – a ratio of net profit to average assets (arithmetic mean of the states at the beginning and end of the period);
- Return on equity (ROE) – a ratio of net profit to average equity (arithmetic mean of the states at the beginning and end of the period).

## Financial Statement of the Capital Group of Mennica Polska S.A.

### Assessment of profitability

## Factors that have an unusual impact on the financial result achieved

The table below includes adjustments excluding unusual and one-off events affecting the statutory financial result. The specification was created mainly for analytical purposes, and in particular for the proper determination of profitability ratios.

## Indication of unusual events affecting the financial result

Selected financial data adjusted for untypical and one-off events <i>(in PLN thousand)</i>	for the period from 01-01-2017 to 31-12-2017				for the period from 01-01-2016 to 31-12-2016			
	Data based on the IFRS statement	Adjustments	No.	Standardized account	Data based on the IFRS statement	Adjustments	No.	Standardized account
<b>Sales revenues</b>	926 912			926 912	882 371			882 371
Cost of goods sold	-848 149			-848 149	-794 065			-794 065
<b>Gross profit on sales</b>	78 763			78 763	88 306			88 306
Cost of sales	-15 212			-15 212	-18 194			-18 194
General administration expenses	-28 579			-28 579	-29 303			-29 303
<b>Net sales profit</b>	34 972			34 972	40 809			40 809
Other revenues/ (operating costs)	88 699	-97 393	1.	-8 694	1 989	-4 424	2.	-2 435
<b>Profit on the operating activity</b>	123 671			26 278	42 798			38 374
Profitability on the operating activity	13.3%			2.8%	4.9%			4.3%
<i>Amortization</i>	17 845			17 845	18 666			18 666
<b>EBITDA</b>	141 516			44 123	61 464			57 040
<i>EBITDA profitability</i>	15.3%			4.8%	7.0%			6.5%
<i>Revenues/ (net) financial expenses</i>	17 948	-22 025	3.	-4 077	-13 545	12 089	4.	-1 456
<i>Gross profit</i>	141 619			22 201	29 253			36 918
<i>Income tax</i>	-20 526	3 049	5.	-17 477	16 112	-25 524	5.	-9 412
<i>Net profit</i>	121 093			4 724	45 365			27 506
<i>Net profitability</i>	13.1%			0.5%	5.1%			3.1%

In the "Adjustments" columns, the following exclusions for unusual or one-off events (both for 2017 and 2016) were made:

**The adjustment in 2017 consists of the following factors:**

- dividend received from shares in Netia S.A. in the amount of PLN 24,095k. The right to dividends covered in 2017 a total of 63,407,500 shares held as part of the Group of MPSA;
- a result on the deconsolidation of the MMS subsidiary in the amount of PLN 71,025k (discontinued operations);
- expenses in the amount of PLN 116k incurred for the reallocation of the Company's administrative departments to the new location at Al. Jana Pawła II 23 in Warsaw;
- a positive result on derivatives related to unrealized sales in the amount of PLN 2,388k;

**The following factors influenced the adjustments in 2016:**

- a dividend received from shares in Netia S.A. in the amount of PLN 22,963k. In 2016 the right to dividends covered a total of 57,407,500 shares held as part of the Group of MPSA;
- a provision for tax liabilities on goods and services of the Mennica-Metale Szlachetne S.A. company in the amount of PLN 11,553k;
- writing down unamortised PLN 365k of liquidated assets in connection with the demolition of an old production plant at ul. [street] Żelazna in costs;
- expenses incurred in the amount of PLN 2,013k for the reallocation of the production plant on ul. [street] Annopol 3 in Warsaw;
- a negative result on derivatives - concerning unrealized sales in the amount of PLN 4,609k;

**The adjustment in 2017 concerns:**

- financial costs incurred by Mennica Polska S.A. related to the investment loan contracted in 2014 in the amount of PLN 2,657k;
- profit from the sale of shares in Netia S.A. in the amount of PLN 24,683;

**The adjustment in 2016 concerns:**

- financial costs related to the investment loan taken by Mennica Polska in 2014 in the amount of PLN 4,494k;
- provisions for interest on liabilities due to tax on goods and services of the Mennica-Metale Szlachetne S.A. company in the amount of PLN 7,595k.

Indication of unusual  
events affecting  
the financial result



**Matryoshka**  
1 dollar | Ag 999 | proof | 45.44x28.06 mm | 1-oz

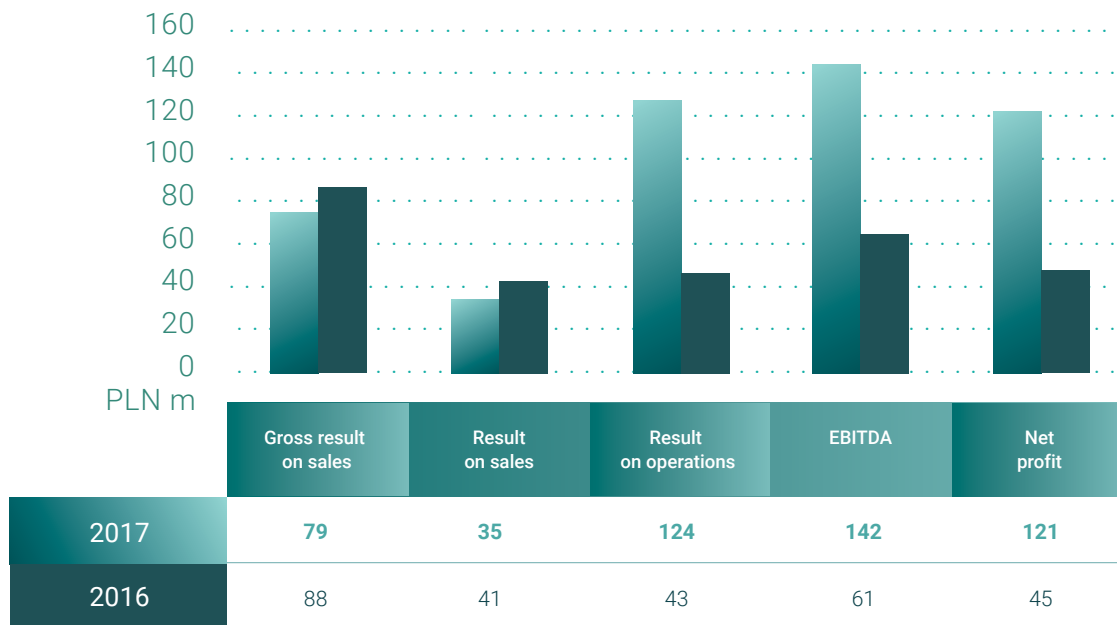


The adjustment in 2016 concerns the recognition of tax assets in the following companies: Mennica Polska od 1766 Sp. z o.o. in the amount of PLN 14,985k and Mennica Polska S.A. in the amount of PLN 8,156k - due to the probability of a gradual settlement in future periods of accumulated tax losses becoming true. In turn, in the MMS company the previously recognized tax asset was dissolved in the amount of PLN 666k in relation with the predictions of the prescription concerning the possibility of accumulated tax loss settlement. Also, in MPSA, the recognition of the tax asset in the amount of PLN 3,049k was excluded in 2016. PLN in relation with the written off amount of the loan granted to MMS in previous years, while in 2017 the dissolution of this asset was excluded.

In the analyzed period, apart from the factors described above, no other significant events of one-off or unusual nature occurred.

Indication of unusual events affecting the financial result

### Financial results of the Capital Group for 2017 vs 2016



Key to Happiness  
500 francs CFA | Ag 999 | proof | 50.00x27.50 mm | 12.50 g

For the General Meeting of Shareholders and the Supervisory Board of Mennica Polska S.A.

## Audit report on the annual consolidated financial statements

The audit of the attached annual consolidated financial statements of the Capital Group of Mennica Polska S.A. (hereinafter referred to as the "Capital Group"), in which the parent entity is Mennica Polska S.A. (hereinafter "the parent entity"), was carried out. The audited documents include: the consolidated statement of financial standing prepared as at 31 December 2017, the consolidated profit and loss account and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, as well as additional data including information on the adopted accounting policy and other explanatory information ("consolidated financial statements").

### **Responsibility of the head of the parent entity and supervisors for the consolidated financial statements**

The Management Board of the parent entity is responsible for the preparation of the consolidated financial statements and for its reliable presentation. The procedure is carried out in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and other applicable legal regulations as well as the statute of the parent entity. The Management Board of the parent entity is also responsible for internal control, which it considers necessary to prepare the consolidated financial statements without significant distortion caused by fraud or error.

The Management Board of the parent entity and members of its Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements of the Act of 29 September 1994 on accounting (Journal of Laws of 2018, item 395), hereinafter referred to as the "Accounting Act".

### **Responsibility of the statutory auditor**

His/her task was to express an opinion on whether the consolidated financial statements present a reliable and clear picture of the asset and financial situation and the financial result of the Capital Group - in accordance with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations and adopted accounting principles (policy).

Independent Auditor's  
opinion on the audit of  
financial statements  
of the Capital Group  
of Mennica Polska S.A.

The audit of the consolidated financial statements was carried out in accordance with the provisions of:

- 1) the Act of 11 May 2017 on statutory auditors, auditing companies and public supervision (Journal of Laws of 2017, item 1089) ("Act on Statutory Auditors"),
- 2) the National Standards on Auditing in the wording of the International Standards of Auditing, adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February, 2015, as amended, the Regulation of the European Parliament and of the Council (EU) No. 537/2014 of 16 April 2014. On detailed requirements regarding the statutory audits of financial statements of public-interest entities, repealing the decision of the Commission 2005/909/EC (Official Journal of the European Union L 158 of 27 May 2014, page 77 and Journal of Laws UE L 170 of 11 June 2014, page 66) ("Regulation 537/2014").

These regulations require compliance with ethical requirements, as well as planning and conducting the audit in such a way as to obtain reasonable assurance that the consolidated financial statements do not contain significant distortions.

First of all, the purpose of the audit is to obtain reasonable assurance that the report does not contain material misstatement due to fraud or error, and subsequently to issue an independent auditor's report containing the committee's opinion. Sufficient assurance is a high level of certainty, but it does not guarantee that an audit carried out in accordance with the above-mentioned standards will always detect all existing distortions. They may arise as a result of fraud or error and are considered material if it can reasonably be expected that they could, individually or collectively, influence users' business decisions made on the basis of these consolidated financial statements.

The risk of not recognizing a significant distortion resulting from fraud is higher than the risk of not recognizing a significant distortion resulting from an error. The first premise may include collusion, forgery, deliberate omissions, misleading, circumvention of internal control. These activities may concern every area of law and regulation, not only directly affecting the consolidated financial statements.

The audit consisted of performing procedures to verify the reliability of the presented consolidated financial statements. The selection of audit procedures depends on the judgment of the statutory auditor. When assessing the risk of material misstatement, the statutory auditor shall take into account the internal control's activity regarding the preparation and reliable presentation of the consolidated financial statements by the parent entity. The audit also includes evaluating the adequately adopted accounting principles (policy), the reasonableness of estimates established by the Management Board of the parent entity, as well as evaluating the overall presentation of the consolidated financial statements.

The belief was expressed that the audit evidence obtained constitutes a sufficient and appropriate basis for expressing the opinion on the audit.

Independent Auditor's  
opinion on the audit of  
financial statements  
of the Capital Group  
of Mennica Polska S.A.



**Falcon of Tutankhamun**  
2 dollars | Ag 999 | proof | 50.00 mm | 2 oz

## Statutory Auditor's opinion on the consolidated financial statements

The consolidated financial statements present a reliable and clear picture of the asset and financial standing of the Capital Group as at 31 December 2017, as well as its financial result for the financial year from 1 January 2017 to 31 December 2017. The presentation of data is in accordance with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and adopted accounting principles (policy). In addition, the report is consistent in form and content with the applicable to the Capital Group laws, including: the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by the issuers of securities and conditions for recognizing information required by law of a non-member country as equivalent Member State (Journal of Laws of 2014, item 133, as amended) and the provisions of the Statute of the parent entity.

### Opinion on the operating statement

The opinion on the consolidated financial statements does not include the operating statement of the Capital Group.

The Management Board of the parent entity is responsible for the preparation of the Capital Group's operating statement in accordance with the provisions of the Accounting Act and other applicable laws. In addition, the parent entity's Management Board and the members of the parent entity's Supervisory Board are required to ensure that the statement on the Capital Group's operations meets the requirements set out in the Act.

The statement on the operations of the Capital Group was prepared in accordance with the applicable regulations and is consistent with the information contained in the attached consolidated financial statements. In addition, it is stated that in the light of knowledge about the Capital Group and its environment, obtained during the audit of the consolidated financial statements, we did not find any material misstatements.

### Opinion on the statement on the application of corporate governance

The Management Board of the parent entity and the members of the Supervisory Board are responsible for the preparation of a statement on the application of corporate governance in accordance with the law.

In connection with the conducted audit of the consolidated financial statements, it was our duty, as required by the Act on Statutory Auditors, to issue an opinion on whether the issuer is obliged to submit a corporate governance statement constituting a separate part of the statements on the Capital Group's operations, if the issuer included in this statement information required by law and as regards certain information specified in these regulations or rules - state whether they comply with the applicable regulations and information contained in the annual consolidated financial statements.

Independent Auditor's  
opinion on the audit of  
financial statements  
of the Capital Group  
of Mennica Polska S.A.



In our opinion, in this statement, the parent entity has included the information set out in paragraph 91, para. 5 point 4, letter a, b, g, j, k and letter l of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by the issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2014, item 133 with later amendments) ("Regulation"). Information provided in paragraph 91, para. 5, point 4, letter c-f, h and letter i of the Regulations contained in the statement on the application of corporate governance comply with the applicable regulations and information contained in the annual consolidated financial statements.

Conducting an audit on behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. - an entity entered on the list of audit companies kept by the National Council of Statutory Auditors under no. record 73:

**Piotr Świętochowski**  
**A key statutory auditor**  
registration number 90039

Warsaw, 8 March 2018

Independent Auditor's  
opinion on the audit of  
financial statements  
of the Capital Group  
of Mennica Polska S.A.



**S.O.S. to the World – Endangered Animal Species**  
5,000 francs CFA | Ag 999 | standard | 34.00 mm | 7 oz



The issuer of all the polish coins  
is Narodowy Bank Polski.



# MENNICA POLSKA

ISTNIEJE OD 1766 R.

