



MINT OF  
POLAND

SINCE 1766

ANNUAL REPORT

2018



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

Ladies and Gentlemen,

We have another year of dynamic development and consistent strengthening of the image of the Capital Group of Mennica Polska S.A. as an innovative and going beyond schemes Company.

As part of the development activity, we can boast of the successful completion of the first stage of the "Mennica Residence" project and the conclusion of sales agreements for over 90% of premises in the next stage. We also started the construction of the first facility in "Bulwary Praskie", and in 2019 we are planning to gradually develop subsequent quarters from 27 hectares. With satisfaction, we can also talk about the commercialization of the "Mennica Legacy Tower" buildings – a project implemented jointly with the Golub GetHouse company – where all the areas have already been rented by their future tenants.

In the segment of mint products, we actively expand into foreign markets. In the past year, we recorded a significant increase in revenues resulting from the completion of gold medals for the Ministry of Finance – Treasury Department in Thailand. Customer satisfaction with the cooperation confirmed the new order, this time for platinum version. On the domestic market, we remain the sole partner for NBP, and in the next two years we will be responsible for the production of circulating coins at the level of over 1 billion items in each calendar year.

In the area of electronic payments, as part of the innovative Open Payment System (OPS) project, we have signed an agreement extending the sale of tickets in Bydgoszcz for the next five years. What is more, OPS implemented in Wrocław became the winner of the Smart City Award in the category of cities over 500,000 residents. With the intention of increasing the passengers' comfort of public transport, already in 2019, we will be also implementing a new agreement in cooperation with Tramwaje Warszawskie [Warsaw Trams].

Please feel invited to read the entire financial report of 2018.

Yours faithfully,



Grzegorz Zambrzycki

President of the Management Board and Managing Director of Mennica Polska S.A.



# Capital Group of Mennica Polska S.A.

The Capital Group of 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 segment on global markets. In addition, the Capital Group of Mennica Polska S.A., while implementing the strategy of balancing traditional and modern products, actively conducts its activity in the segment of electronic payments, implementing and servicing city card systems in Poland. From the point of view of creating the added value of the Group, the growing segment is the development activity.

Mennica Polska S.A.

Mennica Polska od 1766 Sp. z o.o. – 100%

Skarbiec Mennicy Polskiej S.A. – 100%

Mennica Ochrona Sp. z o.o. – 100%

Mennica Deweloper Sp. z o.o. – 100%

Mennica Polska Spółka Akcyjna SKA – 50%

Mennica Polska Spółka Akcyjna Tower  
SKA – 100%

Mennica Towers GGH MT Sp. z o.o.  
SKA – 50%



# Shareholders of Mennica Polska S.A.

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

**Zbigniew Jakubas together with the subsidiaries**  
25,180,270 shares – 49.2%

**Nationale-Nederlanden PTE S.A.**  
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 – 5.49%

**Other shareholders**  
12,812,815 shares – 25.1%



2018 zloty; 100th Anniversary of Regaining Independence by Poland; Au 999,9; quality proof/standard; 27,85 mm; 217,70 g; up to 100 pcs

\* as at 31st December, 2018



## **Supervisory Board of Mennica Polska S.A.**

In the period from 1st January to 16th May, 2018  
the Supervisory Board operated in the following composition:

**Zbigniew Jakubas – Chairman of the Supervisory Board**

**Piotr Sendeki – Deputy Chairman of the Supervisory Board**

**Paweł Brukszo**

**Jan Woźniak**

**Agnieszka Pyszczek (in the period from 1st February to  
1st May, 2018 delegated to perform the functions  
of the Member of the Management Board)**

**Robert Bednarski**

In the period from 17th May to 31st December, 2018  
the Supervisory Board operated in the following composition:

**Zbigniew Jakubas – Przewodniczący**

**Piotr Sendeki – Z-ca Przewodniczącego**

**Paweł Brukszo**

**Jan Woźniak**

**Robert Bednarski**

## **Composition of the Management Board of Mennica Polska S.A.**

In the period from 1st January to 31st January, 2018, the Management Board of the Mint of Poland S.A. was exercised by:

**Grzegorz Zambrzycki – President of the Management Board, Managing Director**

In the period from 1st February to 1st May, 2018, the Management Board of the Mint of Poland S.A. was exercised by:

**Grzegorz Zambrzycki – President of the Board**  
**Agnieszka Pyszczyk – Member of the Management Board (delegated Member of the Supervisory Board, to perform the functions of the Member of the Management Board)**

In the period from 2nd May to 31st December, 2018, the Management Board of the Mint of Poland was exercised by:

**Grzegorz Zambrzycki – President of the Management Board**



# Key achievements

## Key achievements and events

## Results

The implementation of orders for circulating coins for central banks: Bolivia, Paraguay, Albania, Costa Rica and Thailand.

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

The completion of implementing the order for the production of PLN 149k gold medals for the Ministry of Finance of Thailand.

The Mint of Poland completed the largest in its history order for medals, whose value, together with the ore, is for a total amount of USD 130.6m. The company obtained a new order from a Thai customer for the supply of platinum medals.

The implementation of a large project for the sale of tokens to the Żabka chain stores.

The Company struck a collection of numismatic items with images of 15 Polish football team players "Nasza Kadra 2018".

The participation of the Mint of Poland in international numismatic events, including the World Money Fair 2018 in Berlin.

The presentation of new technological and innovative achievements, including the first-ever three-dimensional "Make a Wish" coin in the shape of a fish with a tail bent over.

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The participation of the Mint of Poland in the prestigious 30th international "Mint Directors Conference", held from 22th-26th April, 2018 in Seoul.

The Company was awarded in four categories: 1st place in the categories of "Gold Coin", "Silver Coin" and "Other Coins", and 3rd place in the coin series "Most Creative Packaging Award" category.

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The participation of the Mint of Poland in the 26th Grand Finale of the Great Orchestra of Christmas Charity.

The Mint of Poland implemented the production of little gold hearts for free, and actively participated in WOŚP [The Great Orchestra of Christmas Charity] campaign, collecting, among others, an amount of PLN 21k.

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The implementation of the new URBANCARD system – Wrocław City Card, 8th March, 2018.

The agreement guarantees the Mint the continuation of cooperation with a key partner in the field of implementation and service of a modern city card system, based, among others, on the Open Payment System, for another 102 months.

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Signing an agreement for prolonging the sale of tickets in Bydgoszcz for the next 5 years.

Launching the sale of tickets under the Open Payment System on 10th October, 2018.

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The completion of the "Mennica Residence" project – the 1st stage.

There are 189 apartments in the investment. Up to now, 179 notarial acts have been signed transferring the ownership of the premises. The construction ended at the end of December 2017, and on 22nd January, 2018, permission for use was obtained.

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Significant progress in the implementation of the "Mennica Residence" project – the 2nd stage.

There are 341 residential premises in the investment. Up to now, 322 developer or preliminary agreements have been signed, which is over 95% of the number of apartments. By the end of 2018, a reinforced concrete structure up to +10 was made.

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On 4th June, 2018, the construction of the first S1 building with 142 apartments in the "Bulwary Praskie" project was commenced.

In March 2019, the construction stage of the first S1 building was completed. In July and August 2018, applications for the building permits for the next 5 buildings with a usable area of approx. 18k m<sup>2</sup> were submitted. In January 2019, the building conditions for the area of 12 ha were obtained.

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The commercialization of the Mennica Legacy Tower was completed.

As a result of the agreements or letters of intent signed, all space in both buildings found their future tenants.

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

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

- mint products (coins and engraving-medallic goods);
- electronic payments (public transport tickets and parking prepayments coded on the city card, as well as the sales of top-ups for mobile phones);
- development activity ("Mennica Residence" project, "Mennica Legacy Tower" project, "Bulwary Praskie" project, office and warehouse space rental).

## Segment I - mint products

In 2015, the Mint of Poland commenced the production and sale of circulating coins for foreign markets. Currently, the Company can boast of implementing agreements for central banks of Colombia, the Dominican Republic, Georgia, Guatemala, Bolivia, Paraguay, Lebanon, Albania, Costa Rica and Thailand. The use of potential on foreign markets is one of the Group's strategic goals.

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 100 different techniques - virtually every emerging in the industry. The confirmation of high position in this area is, among others, the pioneering "Qing Dynasty Vase" mint product, using porcelain as a decorative material, awarded at the last MDC conference (Mint Directors Conference) in the gold coin category.

In the first days of 2018, gold prices were at the level of USD 1,312.05 per oz t. Then the golden ore was slowly gaining in value. The most expensive price for an ounce was paid at the end of January, when the rate amounted to USD 1,354.95 per oz t. Since then, the downward trend in gold prices was observed. In the fourth quarter, the price of gold slightly began to strengthen. On 28th December, 2018, the rate increased to USD 1,279.00 per oz t. The Capital Group is constantly strengthening its status as the only producer of bars in Poland and the largest retail distributor.

## Segment II: electronic payments

On 8th March, 2018, the Mint of Poland launched a new ticket distribution system in Wrocław – URBANCARD, which uses the innovative Open Payment System solution, equipped with intelligent EMV validating machines installed in public transport vehicles, a larger number of ticket machines at bus stops and a modern mobile application with a travel planner and passenger portal.

On 13th March, 2018, the next grand award ceremony of Smart City for the smartest cities took place. This year's winner in the category of cities over 500,000 residents was Wrocław, among others, for the innovative non-cash Open Payment System provided by the Mint of Poland.

On 12th March, 2018, Visa announced the accession of 14 technology companies as partners of the Visa Ready for Transit programme. The Mint of Poland became the only Polish institution taking part in this global initiative.

## Segment III: property development activity

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

- In the quarter of Grzybowska, Źelazna, Pereca and Waliców streets, on the land where the production building and Aurum office building were located, the first stage of the "Mennica Residence I" project was completed, and the second stage of the "Mennica Residence II" housing estate is being implemented with its total housing area of over 26k m<sup>2</sup> and commercial space close to 6k m<sup>2</sup>.
- At ul. [street] Pereca 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 65k m<sup>2</sup> is being implemented.
- The property in Źerań, located along ul. [street] Jagiellońska, with an area of over 27 ha, on which the "Bulwary Praskie" project is being implemented, is distinguished by its great potential. During the construction there is the first building with a usable area of approx. 6.5k m<sup>2</sup>. Applications for building permits were submitted for the next 5 buildings with a usable area of approx. 18k m<sup>2</sup>. The building conditions for the area of 12 ha were obtained.

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

The diagram below presents the segment structure of the Capital Group of Mennica Polska S.A. together with its jointly controlled entities and associates as at the date of the report.

	Segment mint products	Segment electronic payments	Segment property development activity
<b>Companies</b>	Mennica Polska S.A.; Mennica Polska od 1766 Sp. z o.o.; Skarbiec Mennicy Polskiej S.A.	Mennica Polska S.A.	Mennica Polska S.A.; Mennica Polska Spółka Akcyjna SW.K.A.; Mennica Polska Spółka Akcyjna Tower S.K.A.; Mennica Deweloper Sp. z o.o.
<b>Products</b>	production and commercial & marketing activities related to circulating coins and collector coins, tokens, bars, medals, decorations, badges, seals, date stamps and other mint goods	service of city card systems, the sale of public transport and railway tickets, pre-paid tickets, revenues from parking fees, the maintenance services and sale of technical devices	implementation of property development projects, the rental of office and warehouse spaces
<b>Recipients</b>	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	local government units supporting public transport, railway companies, individual clients	institutional clients and individuals
<b>Markets</b>	domestic and foreign	domestic	domestic



# Results of the individual segments

Items of the statement (data in PLN thousands)	SEGMENT			Items not assigned	Adjustments	Total
	Mint's products	Electronic payments	Proper development activity			
Revenues from the segment's core operating activity (sales to external customers)	593 671	313 348	128 928	663		<b>1 036 610</b>
Revenues from the segment's core operating activity (sales to other segments)			202	8 919	-9 120	
<b>Revenues from the total segment's core operating activity</b>	<b>593 671</b>	<b>313 348</b>	<b>129 130</b>	<b>9 581</b>	<b>-9 120</b>	<b>1 036 610</b>
Segment's core operating expenses (sales to external customers)	-555 236	-306 736	-77 413	-11 638		-951 023
Segment's core operating expenses (sales to other customers)	-6 695	-1 778	-650	-128	9 250	
Other operating revenues and expenses	-3 956	-311	-768	78		-4 957
Result on derivatives related to unrealized sales				224		224
Share in profits / losses of investments estimated with the use of the equity method			-1 113	35		-1 078
<b>Operating result, including:</b>	<b>27 785</b>	<b>4 522</b>	<b>49 187</b>	<b>-1 848</b>	<b>130</b>	<b>79 776</b>
Amortisation	-5 958	-13 866	-2 408	-282		-22 514
<b>EBITDA</b>	<b>33 744</b>	<b>18 388</b>	<b>51 594</b>	<b>-1 566</b>	<b>130</b>	<b>102 290</b>
Financial revenues						15 678
Financial expenses						-1 049
Income tax						-29 034
<b>Net financial result</b>						<b>65 371</b>



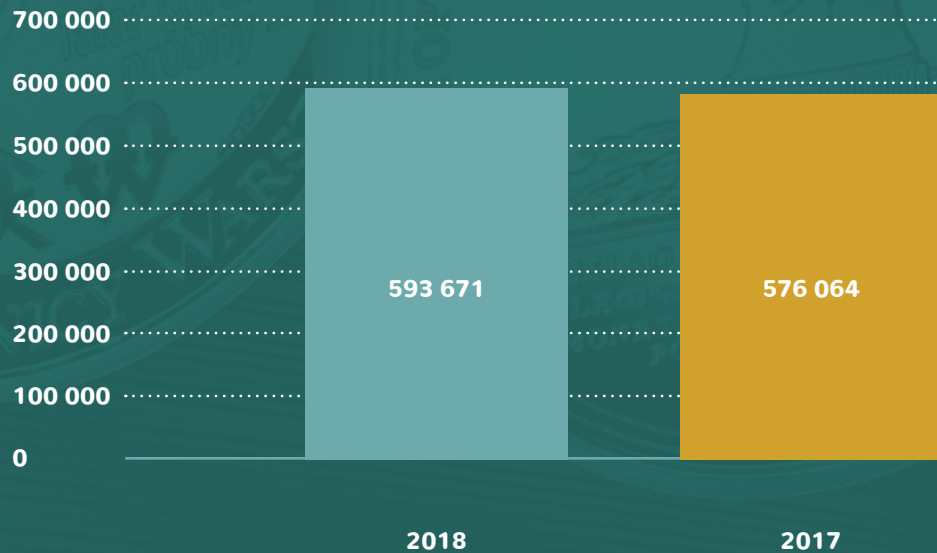
**Analysis of the mint product segment**

# Analysis of the mint product segment

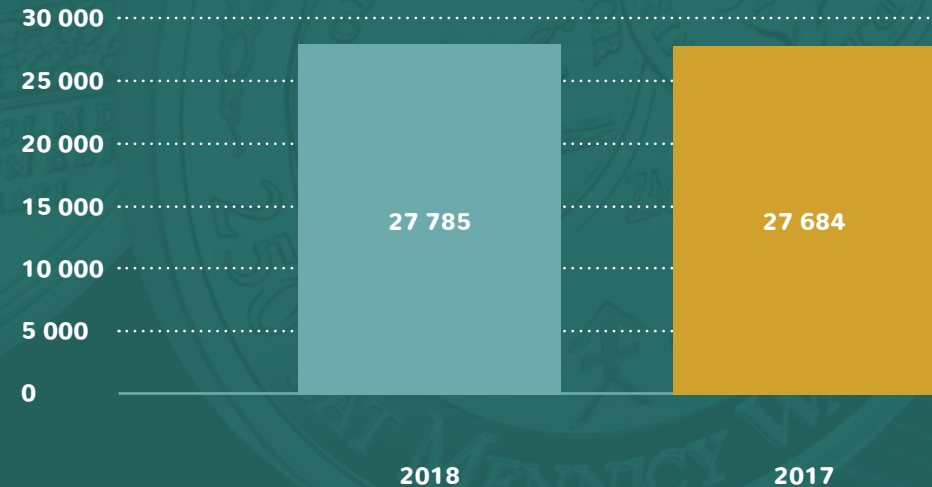
The analysis of the mint product segment covers:

- 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.

**Revenues from the mint product segment**  
(data in PLN thousands)



**Mint product segment result**  
(data in PLN thousands)



## Domestic coin market

Narodowy Bank Polski [The National Bank of Poland] is the direct recipient on the coin market. In the discussed period, Mennica Polska S.A. implemented the supplies of coins to the National Bank of Poland based on the framework Agreement concluded on 11th July, 2007. Pursuant to this Agreement, in particular years, the Mint receives an annual collective order from the National Bank of Poland for the production and supply of general circulating and collector coins, defining the production dates and supplies of individual coin lots. In 2018, the Mint carried out orders for the NBP in a slightly larger amount compared to the previous year. In the area of circulating coins, the Company produced coins of 1gr, 2gr, 5gr, 10gr, 20gr, 50gr, 1zł and bi-colour 2zł. In 2016, the agreement with the National Bank of Poland for the production of 1gr, 2gr and 5gr steel coins coated with brass with The Royal British Mint ended. That is why the Mint of Poland used its chance to recover the production of these coins, and since 2017 they have been produced at the Mint of Poland.

In 2018, in the segment of general circulating coins for the NBP, over 1,122bn coins, worth approx. PLN 95.3m, were made. In the collector coin segment, almost 224k pieces for the amount of PLN 12.7m were manufactured for the National Bank of Poland. The themes of the: "100th Anniversary of the Outbreak of the Greater Poland Uprising", "Enduring Soldiers Accursed by the Communists – Hieronim Dekutowski «Zapora»", "100th Anniversary of Regaining Independence by Poland", "100th Anniversary of Regaining Independence by Poland - Ignacy Jan Paderewski", "125th Anniversary of the Juliusz Słowacki Theatre in Cracow", "100th Anniversary of Stefan Batory Junior and High School in Warsaw", "We Poles Proud and Free: 1918-2018", "760th Anniversary of the Kraków Shooting Society", "Treasures of Stanisław August – Henry Valois", "History of Polish Coin – Boratynka", "Tymf of John Casimir Vasa", "Polish Thermopylae – Hodów", "A commemorative coin with an inscription: 100th Anniversary of Regaining Independence by Poland", "Great Polish Economists - Fryderyk Skarbek", "100th Anniversary of the Military Effort of Polish Americans", "Enduring Soldiers Accursed by the Communists - August Emil Fieldorf "Nil", "Polish Olympic Team PyeongChang" and two coins from the 2019 issue plan, i.e. "PKO Bank Polski 100th Anniversary" and "Treasures of Stanisław August - Stephen Bathory".

The situation on the market of collector coins issued by the National Bank of Poland in 2018, in comparison with the years 2014-2017 expressed by the demand of end recipients, did not change significantly. The interest in collector coins, including traditional recipients, remained at a relatively low level, showing a further downward trend. In accordance with the NBP's emission plans, in 2019, we expect a quantitative change higher by over 20% than in 2018.



The Mint of Poland continues issuing its own foreign collector coins themes under the "Royalty" programme, offered to customers mainly in the occasional-gift segment, but also, although to a lesser extent, in the collector segment. In 2018, new coins for the domestic market were released. Among them there is a coin that continued the "History of Polish Stamps" series, the first coin from the "Colorful World of Impressionism" series, the "Saint Patrons of Poland" coin in the form of a triptych, the "Oliwa Organ" coin with a stained glass and the "Wedding Anniversary" coin. The multi-coloured silver "Football Coin" commemorated the 2018 World Cup in Russia. Technologically interesting coins were the rectangular "Józef Piłsudski – 100th Anniversary of Regaining Independence by Poland" coin issued to commemorate the anniversary of regaining independence by Poland, and a coin in the form of a triptych dedicated to "Saint Patrons of Poland".

### **Domestic market of other mint products**

We strive to maintain the Company's stable position on the market of traditional medallic-engraving products, although this market is subject to numerous changes, becoming more and more challenging in the conditions of increased competitiveness. The Chancellery of the President of the Republic of Poland continues to commission the performance and supply of orders and decorations in the mode of public tenders. In product groups such as medals, badges, seals, hallmarks, orders are processed mainly on the basis of agreements concluded with traditional recipients. The stable position in the Company's revenues has the sales of commemorative medals and numismatic items on the occasion of jubilees of companies and institutions.

### **Domestic investment gold market**

According to data presented by the World Gold Council, the demand for yellow ore in the first half of 2018 was the smallest in 10 years. ETFs, i.e. securities denominated in gold, recorded the largest drop in interest. Demand for bullion bars and coins for the first six months of the year remained at a stable, low level. In the second half of August, the market turned around and investors returned to gold due to the unstable economic and political situation in the world. The end of the year definitely belonged to the yellow ore. The Mint of Poland is the sales leader on the Polish investment gold market. Gold bars with the Mint's logo are the most frequently chosen investment products among the whole range of products. Thanks to cooperation with trading partners, investment products of the Mint of Poland are available in nearly 1,500 distribution points.

Most of them are branches of banks cooperating with the Mint of Poland, in which our customers can safely make a purchase.



In the first half of 2018, the online store with investment products of the Mint enjoyed great interest among our customers. Bullion coins from foreign suppliers and bars of 1g, 2g and 1oz t are the most often chosen products on the Internet. To meet market needs, the Investment Products Department of the Mint of Poland launched a new online sales channel – Allegro. Cooperation with the largest on-line transaction platform in Poland enables us to reach many new customers.

Due to the celebration of the 100th anniversary of Poland regaining its independence, the Investment Products Department prepared a special range of products: 100g bars with an image of the eagle established as the State Emblem from 1918 and 2018, and bullion coins with the same image of 1oz t ½oz t and ¼oz t. These products were very popular. The bars were sold within a month, while the coins will be minted until the end of the 100th anniversary celebrations, i.e. until August, 2020.

The Polish market is still not fully aware of how to invest in gold. Seeing this gap, the Investment Products Department of the Mint of Poland, in cooperation with the Association of Individual Investors, participates in presentations and fairs. The mission of cooperation is to get smaller investors acquainted with the opportunities and benefits of depositing their savings in precious metals and the presentation of the Mint of Poland as the largest distributor of bullion bars and coins on the domestic market.

### Foreign coin market

In the Foreign Trade Department, 2018 was characterized by a very high level of sales revenues. In the first quarter, one of the largest sales of the discussed reporting period took place. At that time, 85k gold medals were sold to the customer in Thailand. It was the third and final lot of medals commemorating the cremation ceremony of King Bhumibol Adulyadej. Ultimately, the sale value of these products was at the level of PLN 258m.

In the discussed reporting period, in foreign trade, the activity of the Mint of Poland focused mainly on the production of circulating and collector coins. From the first product group we can extract the execution of agreements for the Central Bank of Costa Rica, Bolivia, Albania or Paraguay. In addition to servicing current orders, we focus on searching for potential customers. The Mint of Poland is very active on the foreign market and takes part in an increasing number of public orders.

In 2018, 40 international tenders were started, including 6 orders which were granted for the production of both circulating and collector coins. Competition on the foreign market is very large. The main competitors are: The South African Mint, the Mint of Finland, the British Royal Mint, the Royal Canadian Mint - the latter two ones have a very strong position in Africa.

At the beginning of the year, an agreement for the production and supply of 40m circulating coins for the Bank of Costa Rica was signed. In 2018, 9m pieces were supplied, and the remaining part of supplies will be carried out in subsequent years. In November, the Central Bank of Colombia announced a tender and the offer of the Mint of Poland turned out to be the most advantageous one. The order was entirely awarded to the Mint of Poland. We have the production of 201m 50-peso and 500-peso coins planned for 2019. The sale will have been completed by the end of September. In the product group of collector coins, the Mint cooperates mainly with distributors, banks and issuers. In this segment, central banks also play a key role. These are financially stable partners, commissioning us to work on individual projects. In the second half of the year, we completed orders for the Central Bank of Uruguay, producing 11,000 silver coins. A positive surprise was the receipt of the order from the Central Bank of Ireland - two monetary projects were prepared, and in total 6,000 pieces of commemorative 2-euro coins were sold. Cooperation with the National Bank of Belarus, which in 2018 had announced over 15 tenders, half of which was awarded to the Mint of Poland, continues. The coins from Vasa series, produced for the Central Bank of Armenia, were very popular, and part of the mintage was offered to the distributors of the Mint of Poland. In 2018, an agreement for the production of 20,000 silver commemorative coins was concluded with the National Bank of Tajikistan. The implementation of the agreement fell at the end of the year. Other joint projects with this recipient will be implemented in the following years. The Group also offers products for the occasional gift segment. Over 100 monetary themes were implemented over 12 months.

During international fairs and conferences, our customers are kept up to date on the current Mint's offer and emission plans for the subsequent months.

# Results of the individual segments

Mint product segment	2018	2017
Number of sold coins	1 378 183	1 719 925
Number of circulating coin customers (based on sales)	6	9
Number of collector coin customers (based on sales)	3 413	3 458



**URBANCARD**

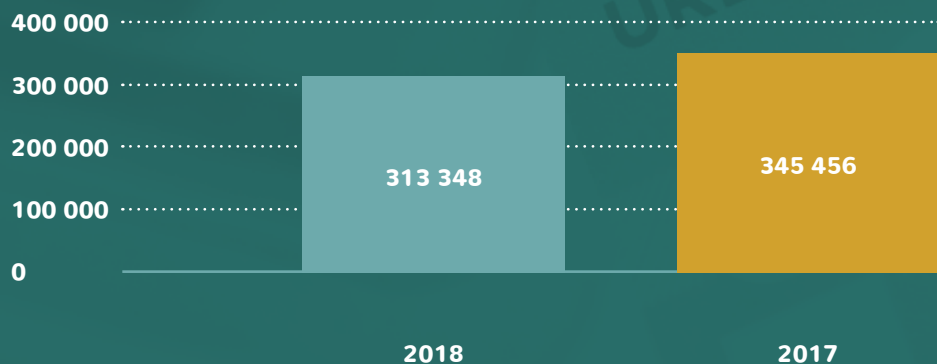
WROCLAWSKA KARTA MIEJSKA

**Analysis of the electronic payment segment**

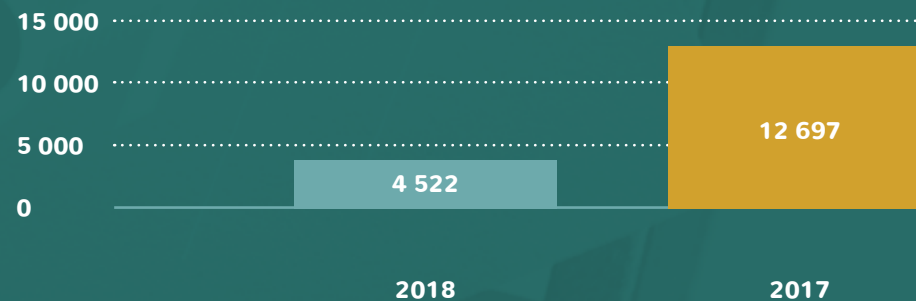
## Analysis of the electronic payment segment

The segment covers the service of the city card system, sale and intermediation in the sale of public transport tickets, pre-paid tickets, parking fees, maintenance services and technical devices for handling electronic payments. Mennica Polska S.A. has been actively developing its activity on the electronic payment market since 2001. The activity in this area is carried out by the Electronic Payments Division.

**Revenues from the electronic payment segment**  
(data in PLN thousands)



**Electronic payment segment result**  
(data in PLN thousands)





The Company is a leader in the field of implementation, service 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 the electronic and paper form and other urban services in the electronic form, including making payment systems by means of payment cards directly on the board of vehicles – the so-called Open Payment System;
- ICT systems for managing the city card and selling 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 to GSM pre-paid mobile phones.

In 2018, there was an increase of 5.3% in relation to the previous year, in terms of nominal gross turnover through systems operated by the Mint. The drop in revenues recognized in accordance with the accounting standards results from the dynamic increase in turnover generated through the network of vending machines operated by the Mint, being the effect, among others, of reducing the sales of public transport tickets through the traditional outlets of partner distributors. With regard to sales by vending machines, the Company shows revenues in net terms (intermediary commission), and in relation to sales by the outlets 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 decrease in revenues in accounting terms. Such a phenomenon causes a positive impact on the result due to the smaller share of costs in the vending machine channel in relation to the outlets of partner distributors.

In 2018, the Electronic Payments Division focused its activities on the implementation of the proprietary product called "Open Payment System" - a solution used to collect tolls for public transport tickets based on the technology of contactless banking cards and an online open central system. In 2018, the Urbancard ticket distribution system in Wrocław received the first prize at the 14th International Fair of Public Transport TRANSEXPO 2018 in the category "Charging Systems", where it was recognized as the most innovative and modern solution of 2018. In 2018, the implementation of OPS took place in Bydgoszcz, and, in its pilot version, also in Gdańsk and Katowice.

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

Efforts were also made to optimize the operating activity and maximize revenues from the sale of public transport tickets.

In the reporting period, in the area of electronic payments, the Mint of Poland centralized its activities on key urban projects.

Warsaw City Card,

URBANCARD Wrocław City Card,

PEKA Poznań Electronic Agglomeration Card,

Gdańsk City Card,

Lublin City Card,

Bydgoszcz City Card,

Jaworzno City Card,

Suwałki City Card,

"E-MIGAWKA" Łódź City Card,

the sale of tickets for Warsaw Commuter Railway through a network of ticket vending machines.

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

Below there 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. Since 2001 the project has been implemented by the Company in cooperation with the Public Transport Authority in Warsaw.

In 2018, the Mint, as the operator of the largest distribution network of public transport tickets, ran sale through more than 1,000 retail outlets, over 450 ticket machines, the online sales system and the mobile payment system. In 2018, the Company continued its activities of expanding the sales network in Warsaw, at the same time carrying out work related to its optimization.

## **URBANCARD Wrocław City Card**

In 2018, the Mint of Poland, based on the agreement concluded with the Wrocław Commune in 2017, ran the sale of tickets in Wrocław through its own sales network including 4 Customer Service Offices, over 2,700 mobile ticket vending machines, 154 stationary ticket vending machines, about 220 retail outlets, an online sales system and a mobile application. The mobile ticket vending machines allow their users to pay tolls directly on the board of vehicles with the use of payment cards (the so-called Open Payment System).

## **PEKA Poznań Electronic Agglomeration Card**

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

## **Bydgoszcz City Card**

In the discussed period, the Bydgoszcz City Card project was continued based on a sales network consisting of terminals in retail outlets, stationary ticket vending machines and sale via mobile phones and an online store. Additionally, in the period covered by the report, the agreement for the implementation of this project was extended for a period of 60 months, starting from 11th April, 2018. As part of the new agreement, the Mint's sales network was expanded by over 300 mobile ticket vending machines located in all vehicles in Bydgoszcz. These devices allow for paying tolls directly in vehicles with the use of payment cards (the so-called Open Payment System).

## **Jaworzno City Card**

In the discussed period, the Mint continued the implementation of the Jaworzno City Card project. The distribution of tickets was carried out through a sales network consisting of terminals in retail outlets and over 70 mobile ticket vending machines OPS enabling payment of tolls directly in vehicles with the use of payment cards (Open Payment System).

## **"E-MIGAWKA" Łódź City Card**

In the discussed period, the project, under which the Mint runs its own network of public transport ticket sales based on retail outlets equipped with terminals, was continued in Łódź. 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 toll system, based on EMV validators accepting contactless payment cards, was launched.

## **Gdańsk City Card**

In 2018, the Gdańsk City Card project was continued. The sale was carried out via 80 stationary ticket validating machines. In addition, in the second half of 2018, a toll system, based on EMV validators accepting contactless payment cards, was launched.

## **Other urban 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 activities focused on maximizing the sale of public transport tickets through the existing sales network.

## **Tramwaje Warszawskie [Warsaw Trams ]**

Mennica On 14th November, 2018, the Mint of Poland signed an agreement with Warsaw Trams for the supply and maintenance & exploitation service of over 500 mobile ticket vending machines. Work on the implementation of the project is currently underway.

## **KZK - GOP**

In the discussed period, the Mint concluded an agreement with KZK GOP pursuant to which in January 2019 a pilot launch of OPS - a toll system based on EMV validators accepting contactless bank cards took place.

## Railway projects

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

Electronic payment segment	2018	2017
Nominal value of gross turnover implemented by the Mint's systems	848 039 080	804 677 961
Number of stationary ticket vending machines involved in the agreements as at the balance sheet day	817	712
Number of the OPS readers involved in the agreements as at the balance sheet day	3 909	90



A tall skyscraper with a grid facade, partially obscured by a teal overlay. The building is the central focus, with other buildings visible in the background. The overall image has a teal tint.

**Analysis of the property development segment**

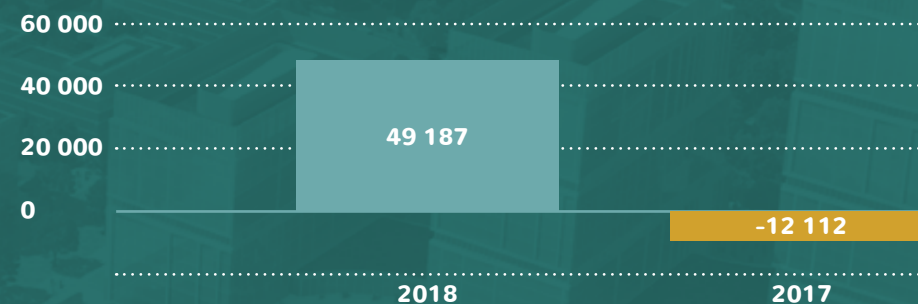
## Analysis of the property development segment

The segment includes, among others, the rental of office space, as well as the implementation of property development projects. The Mint of Poland 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.

**Revenues from the property development segment**  
(data in PLN thousands)



**Property development segment result**  
(data in PLN thousands)



## "Mennica Residence" project

In the property development project, a total of more than 530 apartments were designed, with an average area of approx. 50m<sup>2</sup> and a total usable area (of residential and business premises) of approx. 32k m<sup>2</sup>. The structure of apartments assumes the construction of 1-, 2- and 3-room apartments in sizes not larger than 60 m<sup>2</sup>, and 4-, 5- and 6-room apartments on high floors, in sizes from 76 m<sup>2</sup> to 233 m<sup>2</sup>. Future residents are also provided with parking spaces (car, motorcycle and bicycle) in the underground three-storey car park. The sale of apartments (within the meaning of signed property development agreements or preliminary sales agreements) as part of the first stage at the end of 2018 closed with 186 signed agreements, which accounts for 98.4% of all apartments in the first stage of the investment. The total area of flats sold amounted to 10,084 m<sup>2</sup>, which is 97% 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 2018 closed with 309 signed property development agreements or preliminary sale agreements, which accounts for 90.6% of all apartments in the second stage of the investment. The total area of apartments sold amounted to 13,009.11 m<sup>2</sup>, which is 83.23% of the total usable floor area of apartments in the second stage of the investment. Commercial architecture and the location of the project, as well as the strong image of the Mint of Poland as a reliable and trustworthy developer, contributed to that commercial success. The first stage of investment was put into operation on 22nd January, 2018. 186 out of 189 apartments found their buyers. In the second stage, sales at the end of 2018 amounted to 309 premises.

## "Bulwary Praskie" 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 ongoing operations, focusing mainly on the continuation of work on the preparation of a land property development project for the plot of land located in Warsaw at ul. [street] Jagiellońska, with a total area of 276,119 m<sup>2</sup>, with buildings, structures and equipment located 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 110kV high voltage lines running along the property. The wiring was completed and enabled the release of the area for the cubature construction (approx. 4 ha).

The construction of the first building is currently being carried out. In 2018, the sale of first apartments in the S1 building also started.

## "Mennica Legacy Tower" project

The project is implemented as part of Mennica Towers GGH MT Sp. z o.o. S.K.A., in which the Group of the Mint and the Golub GetHouse developer have a 50% equity stake. The investment is managed by the partner, Golub GetHouse, while the Group of the Mint co-controls the project company in the scope of key decisions. The developed project is a modern business centre in Warsaw's Wola district, on a property located at ul. [street] Pereca 21. The spatial dominant element will be the 130-metre high tower (with 32 office floors) Mennica Legacy Tower (MLT). It will be accompanied by a 9-storey building. The total rentable area will be 65.8k m<sup>2</sup>, of which 50.9k m<sup>2</sup> will be in the tower.

The construction of the investment under an agreement concluded in July 2016 was entrusted to Warbud. In December 2018, the +30 level of the tower was reached and elevation was implemented at the level of +10. The entire task will be completed in the fourth quarter of 2019. By the date of publication of this report, almost the entire office space was leased in the above buildings.

## Commercial space rental

In the scope of sales revenues (page 30) in the discussed period, the Company continued to rent space in the Nefryt building in Annapol in Warsaw.



# Analysis of the property development activity

Property development segment	2018	2017
Number of apartments sold (according to final notarial deeds; "Mennica Residence")	179	0
Number of apartments by preliminary sale, including:	94	273
"Mennica Residence" Project	73	273
"Bulwary Praskie" Project	21	0



## Development strategy and perspectives of Mennica Polska S.A.

The development strategy of Mennica Polska S.A. and its Capital Group is based on maximizing the value added from the resources held using the diversification of the three main independent segments of activity, i.e. mint products, electronic payments and property development activities. The main goal in the activity of each segment is to provide the customer with products and services of the highest quality and strive to maintain a leading position in the field of innovation and technological advancement. In the area of organization and management, the basic strategic task is to improve the system which is being introduced and the methods of quality management compliant with ISO standards by improving the management system allowing for the use of value management methods; construction of motivational work and remuneration systems; optimization of operating activities and flexible matching of resources and costs in relation to projects and sale.

The key elements of the strategy are presented below, along with the development perspectives of the Capital Group of Mennica Polska S.A. at least for the next year.

### Mint product segment

The key elements of the strategy:

- increasing competitiveness in the area of collector coins and circulating coins by mastering as much as possible the spectrum of minting techniques, thanks to which the Mint of Poland can meet the expectations of its customers;
- developing new advanced minting techniques, allowing for a larger and more interesting product offer which attracts more and more customers to the Mint, and thus more orders on the demanding minting market;
- emphasis on ensuring the highest quality of supplies, security and service for a key customer on the domestic market – the National Bank of Poland;
- strengthening the position in the markets of South America and Asia and expansion to new markets (African countries);
- optimizing production processes, based on the continuous improvement of human and machine resources management;
- striving to increase the share of circulating coins in export and maintaining its high competitiveness in the sale of collector coins, through high quality combined with an attractive price offer. Intensifying its activities and taking part in a much larger number of tenders aimed at obtaining new orders from Central Banks;
- in the area of the sale of investment products (gold bars, bullion coins) – ensuring transaction security, good product quality and professional customer service;

- cooperating actively with customers in the field of product design;
- diversifying distribution channels.

Development perspectives:

- The global demand for circulating coins, despite the increase in the share of non-cash transactions in payment transactions, is not decreasing.
- On the basis of an annex to the agreement for the supply of coins signed with the National Bank of Poland in 2018, in the perspective of the next two years, the Mint will carry out supplies for the production of coins for circulation at the level of over 1bn coins in each calendar year.
- In the current year, as expected, the Mint of Poland is going to take part in more than 40 tender procedures. A dozen or so tenders should concern only circulating coins. The estimated volume is about 700m coins with various specifications.

## **Electronic payments segment**

The key elements of the strategy:

- improving and optimizing the functioning projects;
- maintaining its leading position on the market within the portfolio of urban projects held;
- developing the Open Payment System project;
- searching for new opportunities and development possibilities on domestic and foreign markets in the area of the segment's core business;
- diversifying distribution channels - within the already supported projects, the segment has a diversified sales network through which it sells public transport tickets. The sales network consists of various channels adapted to the needs and expectations of customers, including the EMV validators, POS terminals, stationary and mobile ticket vending machines, as well as sales through the mobile applications and online stores.

Development perspectives:

- The electronic payment segment implements its long-term agreements in the biggest cities in Poland. In the next financial year, in the order of the size of the cities served, the electronic payment segment will be mainly focusing its operations on its portfolio of major urban projects in Warsaw, Wrocław (implementation of a new project under the agreement concluded on 8th March, 2017), Poznań, Łódź, Bydgoszcz, Lublin, Gdańsk Jaworzno, Suwałki and KZK GOP. The dates of the existing three largest agreements expire in 2022, 2026 and 2024 respectively. In addition, in 2019, the Mint of Poland will be implementing a new project under the agreement, concerning the supply of 583 pieces of mobile ticket vending machines, with the Warsaw Trams.

### **Property development activity segment**

The key elements of the strategy:

- maximizing the value added through the implementation of property development projects on the already owned properties;
- continuing the already launched projects and preparing subsequent property development projects in attractive locations in Warsaw.

Development perspectives:

- As part of the flagship project, which is the Mennica Residence project, 341 apartments will be built in the currently implemented second stage of construction. Its sophisticated architecture, attention to detail and a separate internal passage with diverse greenery make the buildings a new showpiece of the Wola district. In the current financial year, the pre-sale of apartments will be continued, however, the completion of the investment and transfer of ownership to the purchasers (final sale) is planned from 2020. As part of the first stage, in the current financial year, the last 10 apartments are still to be handed over.
- The second investment called Bulwary Praskie, which is implemented within the company Mennica Polska Spółka Akcyjna S.K.A. in the area of over 27 ha located between ul. [street] Jagiellońska, Trasa A-K and the planned route along the Krasiński Bridge, has enormous development potential. This area, due to its specificity, including being situated in the immediate vicinity of the Vistula river and green areas, will become a characteristic area of the right-bank Warsaw in

the future - exposed in the city skyline and containing an attractive multi-functional programme. The expected usable area of multifunctional housing is approx. 300k m<sup>2</sup>. In the current financial year, the construction of the first building will be continued and the construction of subsequent quarters is planned to begin. Currently, as part of the first building, 142 attractive apartments are being constructed, with different sizes adapted to the current tastes of buyers.

- The third project is a project implemented jointly with the developer Golub GetHouse as part of the company Mennica Towers GGH MT Spółka z ograniczoną odpowiedzialnością S.K.A., of two office buildings constituting a modern business centre in Warsaw's Wola, on a property located at ul. [street] Pereca 21. The spatial dominant element will be the 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 nearly 66k m<sup>2</sup>, of which 51k m<sup>2</sup> in the tower itself. The completion of the project is planned for the fourth quarter of 2019.



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

### **INTERNAL DEVELOPMENT FACTORS**

The strengths of the Capital Group of Mennica Polska S.A. are described below.

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

Mennica Polska S.A., as one of the few mints in the world, manufactures coins in virtually every technology existing on the market. We use over 120 different techniques, including coins made in 3D technology, making holes of various shapes, applying coloured designs to the products using the pad printing method and very high resolution UV-cured laser prints. We manufacture products with various inserts, selectively gilded, oxidized, patinated, enamelled, and ruthenium-coated ones, 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. The Mint of Poland, as one of the very few mints, manufactures its products in so many technologies. We prepared two new products for the World Money Fair in Berlin. One is in the shape of the Roman Colosseum, and the other, associated with the mythological Medusa, is an innovative concept based on the combination of the ultrahigh relief technique with a silver cast insert. Our numismatic items are also protected against corrosion changes (in the case of silver - as one of the few mints in the world).

#### **We take pride in over 250-year-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**

Each year brings the Mint of Poland awards and distinctions. During the most prestigious conference in the minting industry, the 30th Mint Directors Conference, which took place in Seoul, South Korea, in April 2018, we received 4 awards (including three main ones) in four categories for the most technologically advanced coins in the world. The first prize went to the "Ares" (stamped with a medallic technique ultrahigh relief, oxidized with selective gilding) coin in the category of silver coins. The first prize was also given to the "Qing Dynasty Vase" (gold coin with a ceramic insert decorated with UV print) in the



category of gold coins, and to the "Tsar Bell Kolokol" (3D spatial coin with a unique bell shape) in the category of other coins. During the same event, in the packaging category, the third prize was given to the set of numismatic items "Way of the Cross" of Skarbiec Mennicy Polskiej.

The Mint of Poland was awarded in the international Coin Constellation competition, accompanying the prestigious numismatic "COINS 2018" conference, which took place on 2th-3th November, 2018 in Moscow. The produced goods of the Mint of Poland received the main prizes in the "Classic Coin" and "Original Technology" categories and the third prize in the "Unique Concept" category.

### **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 2018, during the prestigious meetings, the Mint cooperated in the field related to the making of tooling and protecting silver coins against corrosion changes. During the 30th Mint Directors Conference held in April 2018 in Seoul, South Korea, the Mint prepared two presentations: the first one related to the protection of coins against corrosion and the second one related to laser techniques. During the Technical Meeting of Mints in ASEAN, a fair trade and a conference in Kuala Lumpur, the Mint, for the first time, presented its advanced techniques in the production of collector coins used worldwide, what resulted in interest in our mint products in Asia. As every year, the representatives of the Mint of Poland took an active part in world events devoted to the production of collector coins and circulating coins. In January 2018, during the Technical Forum as part of the "World Money Fair" conference in Berlin, the company presented its achievements in the production of 3D coins made in new technology - the world's first "Make a Wish" coin in the shape of a fish with a tail bent over more than 90 degrees. It aroused wide interest among the participants of the exhibition. The Mint of Poland is also active in the "Mint Directors Conference" (MDC), "Mint Directors Working Group" (MDWG), or "Technical Sub Group" (TSG) technical groups. Another opportunity to present achievements was participation in the "Coin Constellation 2018" conference, which is organized every year in Moscow, and in the World Money Fair in Berlin, in 2019.

### **We are focused on innovation and high quality of manufactured products**

The Mint's success of the world's first cylindrical "Fortuna Redux" coin achieved in 2013, appreciated at international competitions, was an inspiration to carry out further innovative projects.

In the next years, we presented coins in the shape of a mini-cylinder, a coin in the shape of the Cheops pyramid, in the shape

of a cube, and a triptych with various original decorations, as well as a score, a coin in the shape of a sheet of paper dedicated to Frederic Chopin. An innovative project was a ball-shaped coin, produced both in the proof version and in the oxidised version. It was made in 999 silver with a weight of 7oz. In 2017, we produced coins in the shape of hemispheres, a prism and a bell on the occasion of an order from the Bank of Lebanon. The Faberge egg coin with the image of the Trans-Siberian Railway was again very successful. 2018 is, of course, the continuation of our excellent innovative products. Importantly, for the first time this type of coin was ordered by the NBP, issuing both silver and gold coins in the shape of a ball on the occasion of the "100th Anniversary of Regaining Independence by Poland" enjoying huge interest all over Poland. We also presented our innovative ideas at the World Money Fair in Berlin in February 2019 – one of the coins presented there is in the shape of the Roman Colosseum, the second one is associated with the mythological Medusa, made in a new concept of combining the technique of ultrahigh relief and a silver insert made by casting.

### **We continue the best traditions in the engraving-medallic segment**

We are a traditional manufacturer of state decorations, made for the Chancellery of the President of the Republic of Poland. We continue the best traditions of Polish medallic art, making the highest quality medals to the order of state and local administration authorities, public institutions, unions and associations as well as companies and plants of various branches of the economy. Products such as: state decorations, badges, stamps, medals, seals, date stamps have been recognized for years. These are 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 many years of experience, its high quality of products and customer attachment to the Company as a reliable, responsible producer 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 market for collector coins**

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 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 more and more agreements with central banks of various countries. It also works with the largest collector coin distributors in the world. The National Bank of Tajikistan, the Central Bank of Ireland and the Bank of Estonia were added to the list of banks cooperating with the Mint of Poland. In total, we cooperate with nearly 100 distribution companies around the world. Conducting a stable pricing policy and quick and effective response to our customers' demands are the most important factors causing attachment and willingness to continue cooperation. 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 are implementing more and more agreements for circulating and collector coins.

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

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

## **We are the market leader in the operators of city card systems in Poland**

We service over one million cards, which are carriers of public transport tickets and other city services, nationwide. We support systems in Warsaw, Wrocław, Poznań, Gdańsk, Bydgoszcz, Lublin, Jaworzno and Łódź. In 2018, we were strengthening our position by acquiring new projects as well as developing and optimizing the sales network in projects implemented so far.

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

The Mint of Poland has the largest and most modern network of city card services in Poland, consisting of over 800 stationary ticket vending machines and 3,900 mobile ticket vending machines (in the standard version of the Open Payment System), 2,500 POS terminals and e-commerce and m-commerce channels. We have the appropriate know-how, organizational and financial resources, what allow us to use the emerging opportunities on the market of city card systems. In 2016, we developed, and in 2018 we completed, the implementation of the "Open Payment System" – our original solution that allows passengers to pay tolls for travel on public transport directly using bank payment cards.

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

Mennica Polska Mennica Polska S.A., holding directly or through its SPVs, shares in attractive properties, implements and prepares also property development projects.

The flagship project is Mennica Residence. It is a complex of modern residential buildings, located along the newly designed pedestrian passage, with a separate internal courtyard and varied greenery at various levels, which will soon become the showpiece of the district. The tallest building has fifteen floors. The property was designed for individual and institutional clients. A clear division into service functions (the first two floors) and residential functions (above floors) was assumed. On the ground floor, in addition to the service areas, there are halls leading to residential parts, and from the intersection of ul. [street] Grzybowska and Żelazna, there is the main entrance lobby leading to two corner towers and a fitness area equipped with its own terrace overlooking the inner courtyard. The buildings are classified in the medium-high segment, while for more demanding clients, spacious penthouses or two-storey apartments are provided. In the three-level underground garage there will be parking spaces for cars, motorcycles and bicycles. As part of both construction stages, approximately 520 apartments will be built.

The first stage of the investment was completed and put into use from 22th January, 2018. One penthouse remained for sale.

At the end of December, 2018, the second stage of the investment reached the level of +7 of its reinforced concrete structure. Parallel to the construction of the structure, internal and external walls as well as installation works were being carried out.

The third project is the joint (together with Golub GetHouse) implementation, as part of Mennica Towers GGH MT Spółka z ograniczoną odpowiedzialnością S.K.A., of two office buildings – a modern business centre in Warsaw's Wola, on a property

located at ul. [street] Pereca 21. The spatial dominant element will be the 130-metre tower (with 32 office floors) Mennica Legacy Tower (MLT). It will be accompanied by a 9-storey building. The total rental area will be nearly 64k m<sup>2</sup>, of which 50k m<sup>2</sup> will be in the tower itself. The construction based on an agreement concluded in July 2016 was entrusted to Warbud. In December 2018, a +30 level of the towers was reached and elevation was implemented at the level of +10. The entire task will be completed in the 4th quarter of 2019. By the date of publication of this report, almost the entire office space was leased in the above buildings.

Another project is the one called "Bulwary Praskie" (formerly "Dolina Wisły" or "Jagiellońska"), implemented as part of the company Mennica Polska Spółka Akcyjna S.K.A. This project covers the area located between ul. [street] Jagiellońska, Trasa A-K and the planned route along the Krasiński Bridge. It is an area of over 27 ha, with a huge development potential. The immediate vicinity of the Vistula River creates enormous opportunities for revitalization and activation of this post-industrial area.

This area, due to its specificity, will become a characteristic right-bank area of Warsaw – displayed in the city skyline and containing an attractive, multi-functional programme. Its location enables a harmonious combination of urban functions with recreational areas on the Vistula River bank, located in the immediate vicinity of Natura 2000. Thus, it gives the opportunity to create new attractive places in public space, not only on the scale of the district, but also of the entire city. The expected usable area of multifunctional housing is about 300k m<sup>2</sup>. In December 2017, the first building permit for the building having approx. 6.5k m<sup>2</sup> was obtained. In the first half of 2018, the building conditions for the next 5 buildings with a usable area of 18k m<sup>2</sup> were obtained. In January 2019, the building conditions were obtained for approx. 14 ha of the whole developed property. The construction of the first building is currently being carried out.

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

The parent company in the Group – Mennica Polska S.A. has a certified quality management system compliant with the requirements of the standard ("good practice") established by the PN-EN ISO 9001: 2015-10 standard, environmental management system compliant with the PN-EN ISO 14001:2015-09 standard and the occupational health and safety management system compliant with the PN-N-18001:2004 (OHSAS 18001:2007) standard in the scope of the:

- production, storage, supply and development of circulating and collector coins, monetary products, investment bars and engraving-medallic products,
- design, implementation, maintenance and development of electronic payment systems, as well as related services.



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

Our valuable assets, high levels of equity to fixed assets ratio, 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

The most important external factors related to the specificity of the activity of the Mint of Poland and its Capital Group include the following:

- market demand for new circulating and collector coins,
- the strength of potential competitors on the market of mint products,
- shaping the demand for circulating coins by both the NBP and foreign central banks,
- improving the banking service system and introducing non-cash turnover in transactions, which may partially restrict the circulation with the use of coins and indirectly affect their slower consumption,
- the rate of implementation of 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 items and potential export markets for circulating coins,
- the monetary integration of the European Union member states and Poland joining the euro zone, which will stimulate the demand for the production of euro coins,
- shaping the situation on the property market.

## Corporate social responsibility of Mennica Polska S.A.

The Capital Group is committed itself to continuing the tradition of patronage of socio-charitable activities. These include initiatives to, among other, protect cultural heritage, to care for environmental issues and support people at risk of exclusion.

### The great orchestra of christmas charity

As part of the 26th Finale of the Great Orchestra of Christmas Charity, the Mint of Poland's volunteers collected an amount of PLN 21,036.47. In Plac Defilad, near the Palace of Culture and Science in Warsaw, a booth was traditionally placed. There the minter was striking commemorative copper tokens. The proceeds from donations obtained for occasional mugs and tokens were credited to the account of the GOCC, similarly to the amounts obtained from the auction of the prestigious Golden Hearts. The Mint of Poland traditionally manufactures the Hearts from valuables donated by donors. This year, a heart with no.1 reached PLN 488,888.00, whereas the result of the auction of three Hearts reached an impressive amount of PLN 1,183,331.00, improving last year's result by nearly PLN 0.5m. According to tradition, the unique medallions-Hearts were made by the Mint of Poland from the gold received by the GOCC during the previous edition.

### Revitalization of the urban space

The Mint of Poland financed the revitalization of urban infrastructure elements in the vicinity of the Mennica Residence investment in Warsaw and started the creation of an open passage for all passers-by which will eventually connect ul. [street] Prosta and ul. Grzybowska. The sum borne for this purpose in 2018 amounted to PLN 541,427 net. Activities included increasing the standard of footpaths and parking spaces in the areas adjacent to the building. The revitalized infrastructure elements were made of high quality materials: granite slabs, cut granite blocks and basalt cubes.

## Andrzej Woyciechowski prize

Andrzej Woyciechowski Prize is one of the most valuable distinctions in the journalistic milieu in Poland. The Mint of Poland once again took its patronage of this event. For all finalists, the Mint of Poland struck commemorative medals, and for the winners, it funded a prize of PLN 50,000. The honourable distinctions were awarded to: Grzegorz Głuszak (TVN/TVN24) and Paweł Reszka ("Newsweek Polska").

## Support for people at risk of exclusion

The Mint of Poland was engaged in dozens of various events organized for children and youth. Among them there were numerous charity campaigns and initiatives consisting in donating to sick and disabled children, and patronage of sporting events, including the patronage of the Senior World Cup and Youth World Championships in "Kilinski's Sabre" Wheelchair Fencing.



metal: silver-plated, oxidized tombac; diameter 70 mm

# Consolidated statement on financial position

Consolidated statement on financial position (data in PLN thousands)	31.12.2018	31.12.2017
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible non-current assets	145 188	151 284
Intangible assets	14 450	112 161
Investment properties	21 417	5 566
Investments in affiliates and jointly controlled entities valued using the equity method	12 907	13 985
Other long-term investments	131 769	59 216
Deferred income tax assets	5 605	19 189
Total other assets	2 133	572
<b>TOTAL NON-CURRENT ASSETS</b>	<b>333 469</b>	<b>361 973</b>
<b>Current assets</b>		
Inventory	253 155	287 261
Other short-term investments	53 573	
Receivables due to income tax	17	42
Trade receivables and other receivables	54 042	70 490
Cash and cash equivalents	120 080	241 541
<b>Total current assets</b>	<b>480 867</b>	<b>599 334</b>
<b>Total assets</b>	<b>814 336</b>	<b>961 307</b>

# Consolidated statement on financial position

Consolidated statement on financial position (data in PLN thousands)	31.12.2018	31.12.2017
<b>EQUITY</b>		
<b>Equity</b>		
Share capital	51 138	51 138
Share premium	14 047	14 047
Revaluation capital	4 381	4 381
Supplementary capital	502 103	452 539
Other reserve capital	37 418	37 463
Retained profit	-53 545	-20 280
<b>Equity attributable to the Shareholders of the Parent Company</b>	<b>555 542</b>	<b>539 288</b>
Non-controlling shares	55 277	57 299
<b>Total equity</b>	<b>610 819</b>	<b>596 587</b>
<b>LIABILITIES</b>		
Liabilities due to credits, loans and financial lease	82	
Liabilities due to employee benefits	2 736	2 754
<b>Total long-term liabilities</b>	<b>2 818</b>	<b>2 754</b>

# Consolidated statement on financial position

Consolidated statement on financial position (data in PLN thousands)	31.12.2018	31.12.2017
Liabilities due to credits, loans and leasing	24	291
Liabilities due to deferred income tax	1 281	
Trade liabilities and other liabilities	190 747	352 072
Reserves	3 071	2 298
Liabilities due to employee benefits	5 576	7 305
<b>Total short-term liabilities</b>	<b>200 699</b>	<b>361 966</b>
<b>Total liabilities</b>	<b>203 517</b>	<b>364 720</b>
<b>Total equity and liabilities</b>	<b>814 336</b>	<b>961 307</b>



# Consolidated profit and loss account

CONSOLIDATED PROFIT AND LOSS ACCOUNT (data in PLN thousands)	For the period of 12 months ended 31-12-2018	For the period of 12 months ended 31-12-2017		
		Continued activity	Discontinued activity	Total
Net income from sales	1 036 610	926 912		926 912
Own cost of sales	-909 961	-851 269		-851 269
Gains on derivative instruments concerning realized sales	1 034	3 120		3 120
Cost of sales	-13 687	-15 212		-15 212
General management costs	-28 409	-28 579		-28 579
Other operating income	761	25 520		25 520
Other operating costs	-5 718	-9 566		-9 566
Gains on derivative instruments concerning unrealized sales	224	2 388		2 388
Share in profits / losses of investments estimated using the equity method	-1 078	-668		-668
Result on the deconsolidation of the subsidiary			71 025	71 025
<b>PROFIT/LOSS on operating activity</b>	<b>79 776</b>	<b>52 646</b>	<b>71 025</b>	<b>123 671</b>

**CONSOLIDATED PROFIT AND LOSS  
ACCOUNT**

(data in PLN thousands)

For the period of  
12 months ended  
31-12-2018

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

		Continued activity	Discontinued activity	Total
Financial income	15 678	26 554		26 554
Financial costs	-1 049	-8 606		-8 606
<b>Result on financial activity</b>	<b>14 629</b>	<b>17 948</b>		<b>17 948</b>
<b>Profit/Loss before taxation</b>	<b>94 405</b>	<b>70 594</b>	<b>71 025</b>	<b>141 619</b>
Income tax	-29 034	-20 526		-20 526
<b>TOTAL NET PROFIT / LOSS</b>	<b>65 371</b>	<b>50 068</b>	<b>71 025</b>	<b>121 093</b>
Assigned to:				
Shareholders of the Parent Company	67 394	53 212	71 025	124 237
Non-controlling shares	-2 023	-3 144		-3 144
<b>Net profit (no changes): on continued activity per share assigned to the shareholders of the parent entity (primary and diluted) in PLN</b>	<b>1,32</b>	<b>1,04</b>	<b>1,39</b>	<b>2,43</b>

# Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (data in PLN thousands)	For the period of 12 months ended 31-12-2018	For the period of 12 months ended 31-12-2017		
		Continued activity	Discontinued activity	Total
Consolidated net profit	<b>65 371</b>	<b>50 068</b>	<b>71 025</b>	<b>121 093</b>
Items which will be reclassified to the profit and loss account in the future		<b>40 056</b>		<b>40 056</b>
- change of fair value of available-for-sale financial assets		49 451		49 451
- income tax on the items being subject to reclassification		-9 395		-9 395
Other net comprehensive income		<b>40 056</b>		<b>40 056</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>65 371</b>	<b>90 124</b>	<b>71 025</b>	<b>161 149</b>
Assigned to:				
Shareholders of the Parent Company	67 394	93 268	71 025	164 293
Non-controlling shares	-2 023	-3 144		-3 144
<b>Comprehensive profit (no changes): per share assigned to the shareholders of the parent entity (primary and diluted) in PLN</b>	<b>1,32</b>	<b>1,82</b>	<b>1,39</b>	<b>3,21</b>

# Consolidated cash flow statement

## CONSOLIDATED CASH FLOW STATEMENT

(data in PLN thousands)

For the period  
of 12 months ended  
31-12-2018

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

### *Cash flows from operating activity*

<b>Net profit (loss) for the period</b>	<b>65 371</b>	<b>121 093</b>
<b>Adjustments</b>	<b>10 433</b>	<b>-62 854</b>
Amortisation	22 514	17 844
Profits / losses on investment activity	-7 775	-48 124
Profits / losses on sale of fixed assets	-12	132
Interest	-3 549	519
Income tax	29 034	20 526
Change in receivables	15 347	-24 339
Change in inventory <sup>1)</sup>	118 136	-159 389
Change in trade liabilities and other liabilities	-148 136	205 310
Change in provisions and liabilities due to employee benefits	-973	-1 387
Other		-316
Result on deconsolidation of MMSZ		-71 025
Paid interest		-2 529
Paid tax	-14 153	-76
<b>Net cash on operating activity</b>	<b>75 804</b>	<b>58 239</b>
<b><i>Cash flows from investment activity</i></b>		

**CONSOLIDATED CASH FLOW  
STATEMENT**

(data in PLN thousands)

For the period  
of 12 months ended  
31-12-2018For the period  
of 12 months ended  
31-12-2017

Inflows from the sale of intangible assets and tangible assets	45	154
Inflows from the sale of financial assets		365 861
Received dividends		24 095
Expenditures on the purchase of intangible assets and tangible assets	-31 461	-51 597
Expenditures on the purchase of investment properties	-676	
Expenditures on the purchase of financial assets	-113 720	-43 010
<b>Net cash flows from investment activity</b>	<b>-145 812</b>	<b>295 503</b>
<b><i>Cash flows from financial activity</i></b>		
Dividends and other payments to the owners	-51 138	-35 797
Expenditures on the repayment of credits and loans	-296	-120 848
Payments of liabilities due to financial leasing contracts	-19	
Granted loans		
<b>Net cash flows of financial activity</b>	<b>-51 453</b>	<b>-156 645</b>
<b>Total net cash flows</b>	<b>-121 461</b>	<b>197 097</b>
<b><i>Balance sheet change of cash, including:</i></b>	<b>-121 461</b>	<b>197 097</b>
<b>Opening balance of cash</b>	<b>241 541</b>	<b>44 444</b>
<b>Closing balance of cash</b>	<b>120 080</b>	<b>241 541</b>

# Consolidated statement of changes in equity

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (data in PLN thousands)

	Share capital	Own shares	Premium share	Supplementary capital	Revaluation capital		Other reserve capitals	Retained profits	Equity attributable to the Shareholders of the Parent Company	Non-controlling shares	Total equity
					Revaluation of assets held for sale	Revaluation of the collections of the Numismatic Cabinet					
Equity as at 01-01-2018	51 138		14 047	452 539		4 381	37 463	-20 280	539 288	57 299	596 587
Total comprehensive income, including:								67 394	67 394	-2 023	65 371
- net profit								67 394	67 394	-2 023	65 371
Dividend payment								-51 138	-51 138		-51 138
Distribution of the financial result				49 520				-49 520			
Other changes				45			-45				
Equity as at 31-12-2018	51 138		14 047	502 103		4 381	37 418	-53 545	555 542	55 277	610 819



# Selected consolidated financial data

SELECTED CONSOLIDATED FINANCIAL DATA	for the period of 12 months ended on: (data in PLN thousands)		for the period of 12 months ended on: (data in EUR thousands)	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total net income on sales	1 036 610	926 912	242 942	218 369
Profit on operating activity (continued activity)	79 776	52 646	18 696	12 403
Profit on operating activity (discontinued activity)		71 025		16 733
<b>Total operating activity profit</b>	<b>79 776</b>	<b>123 671</b>	<b>18 696</b>	<b>29 135</b>
<b>Total gross profit</b>	<b>94 405</b>	<b>141 619</b>	<b>22 125</b>	<b>33 364</b>
Net profit (continued activity)	65 371	50 068	15 320	11 795
Net profit (discontinued activity)		71 025		16 733
<b>Total net profit</b>	<b>65 371</b>	<b>121 093</b>	<b>15 320</b>	<b>28 528</b>
<b>Total net profit attributable to the Shareholders of the Parent Company</b>	<b>67 394</b>	<b>124 237</b>	<b>15 795</b>	<b>29 269</b>
<b>Net profit from the continued activity attributable to the shareholders of the parent company</b>	<b>67 394</b>	<b>53 212</b>	<b>15 795</b>	<b>12 536</b>

**SELECTED CONSOLIDATED  
FINANCIAL DATA**

for the period of 12 months  
ended on:  
(data in PLN thousands)

for the period of 12 months  
ended on:  
(data in EUR thousands)

31.12.2018

31.12.2017

31.12.2018

31.12.2017

**Total net profit per one ordinary share assigned to the shareholders of the parent company**

- ordinary / diluted	1,32	2,43	0,30	0,57
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**Net profit on the continued activity per one ordinary share assigned to the shareholders of the parent company**

- ordinary / diluted	1,32	1,04	0,30	0,25
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Net cash flows on operating activity	75 804	58 239	17 766	13 720
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<b>Total cash flows</b>	<b>-121 461</b>	<b>197 097</b>	<b>-28 466</b>	<b>46 434</b>
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(in PLN thousand)

(in EUR thousand)

31.12.2018

31.12.2017

31.12.2018

31.12.2017

Total assets	814 336	961 307	189 381	230 480
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Short-term liabilities	200 699	361 966	46 674	86 784
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Equities	610 819	596 587	142 051	143 036
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Number of shares – in units	51 138 096	51 138 096	51 138 096	51 138 096
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Weighted average number of shares – in units	51 138 096	51 138 096	51 138 096	51 138 096
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**SELECTED CONSOLIDATED  
FINANCIAL DATA**for the period of 12 months  
ended on:  
(data in PLN thousands)for the period of 12 months  
ended on:  
(data in EUR thousands)

31.12.2018

31.12.2017

31.12.2018

31.12.2017

Book value per one share

11,94

11,66

2,78

2,80

**For the items of comprehensive income and of the cash flow statement.**

Average exchange rate calculated as the arithmetic mean of the exchange rates being in force as at the last day of each month in a given period.

31.12.2018

31.12.2017

EUR

4,2669

4,2447

**For the items of the statement of financial  
position.**

Exchange rate

31.12.2018

31.12.2017

EUR

4,3000

4,1709

# Structure of the consolidated balance sheet

## STRUCTURE OF THE CONSOLIDATED BALANCE SHEET

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

Specification	31.12.2018 (in PLN thousands)	31.12.2018 (%)	31.12.2017 (in PLN thousands)	31.12.2017 (%)	(31.12.2018/ 31.12.2017) – Dynamics (%)*
<b>Total assets</b>	<b>814 336</b>	<b>100,0</b>	<b>961 307</b>	<b>100,0</b>	<b>84,7</b>
Non-current assets	333 469	41,0	361 973	37,7	92,1
Current assets	480 867	59,0	599 334	62,3	80,2
Inventory	253 155	31,1	287 261	29,9	88,1
Receivables	54 059	6,6	70 532	7,3	76,6
Short-term investments	173 652	21,3	241 541	25,1	71,9
<b>Total liabilities</b>	<b>814 336</b>	<b>100,0</b>	<b>961 307</b>	<b>100,0</b>	<b>84,7</b>
Equity	610 819	75,0	596 587	62,1	102,4
Liabilities and reserves	203 518	25,0	364 720	37,9	55,8
Long-term liabilities	2 818	0,3	2 754	0,3	102,3
Short-term liabilities	200 700	24,6	361 966	37,7	55,4

\* The value expressed as a percentage is the quotient of the result as at 31st December, 2017 and 31st December, 2018 for individual categories.

# Ratios of profitability

## RATIOS OF PROFITABILITY

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	2018		2017	
	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 PLN thousands)	1 036 610	1 036 610	926 912	926 912
2. Gross return on sales	12,3%	12,3%	8,5%	8,5%
3. Net return on sales	8,3%	8,3%	3,8%	3,8%
4. Operating profit margin	7,7%	7,7%	13,3%	2,8%
5. EBITDA margin	9,9%	9,8%	15,3%	4,8%
6. Net profit margin	6,3%	5,4%	13,1%	0,5%
7. Return on total assets ROA	7,4%	6,3%	13,4%	0,5%
8. Return on equity ROE	10,8%	9,3%	22,7%	0,9%

*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).*

In the discussed period, the Capital Group improved the gross and net sales profitability ratio, which was caused by the recorded sale of apartments in the "Mennica Residence I" project. This growth was reduced due to the supplies of gold medals for Thailand, which due to the high value of gold in revenues, were characterized by a low level of relative profitability.

## Factors having an untypical impact on the financial result achieved

In the table below, for analytical purposes, and in particular for the proper determination of the profitability ratios characteristic of the Capital Group's business operations, adjustments were made to exclude unusual and one-off events affecting the statutory financial result.

Selected financial data corrected for non-typical and one-off events (data in PLN thousands)	for the period of 12 months ended on 31.12.2018				for the period of 12 months ended on 31.12.2017			
	Data based on the IFRS statement	Adjustments	No	Standardized account	Data based on the IFRS statement	Adjustments	No	Standardized account
<b>Sales revenues</b>	<b>1 036 610</b>			<b>1 036 610</b>	<b>926 912</b>			<b>926 912</b>
Cost of goods sold	-908 927			-908 927	-848 149			-848 149
<b>Gross profit on sales</b>	<b>127 683</b>			<b>127 683</b>	<b>78 763</b>			<b>78 763</b>
Cost of sales	-13 687			-13 687	-15 212			-15 212
General administration expenses	-28 409			-28 409	-28 579			-28 579
<b>Net sales profit</b>	<b>85 587</b>			<b>85 587</b>	<b>34 972</b>			<b>34 972</b>
Other revenues/operating costs	-5 811	-224	1.	-6 035	88 699	-97 392	2.	-8 693
<b>Profit on the operating activity</b>	<b>79 776</b>			<b>79 552</b>	<b>123 671</b>			<b>26 279</b>



Selected financial data corrected for non-typical and one-off events (data in PLN thousands)	for the period of 12 months ended on 31.12.2018				for the period of 12 months ended on 31.12.2017			
	Data based on the IFRS statement	Adjustments	No	Standardized account	Data based on the IFRS statement	Adjustments	No	Standardized account
Profitability on the operating activity	7,7%			7,7%	13,3%			2,8%
Amortisation	22 514			22 514	17 844			17 844
<b>EBITDA</b>	<b>102 290</b>			<b>102 066</b>	<b>141 515</b>			<b>44 123</b>
EBITDA profitability	9,9%			9,8%	15,3%			4,8%
Net revenues /financial costs	14 628	-8 849	3.	5 779	17 948	-22 025	4.	-4 077
<b>Gross profit</b>	<b>94 404</b>			<b>85 331</b>	<b>141 619</b>			<b>22 202</b>
Income tax	-29 034			-29 034	-20 526	3 049	5.	-17 477
<b>Net profit</b>	<b>65 371</b>			<b>56 297</b>	<b>121 093</b>			<b>4 725</b>
<i>Net profitability</i>	6,3%			5,4%	13,1%			0,5%

In the "Adjustments" columns, the following exclusions for unusual or one-off events were made, both for 2018 and 2017:

1. The adjustment in 2018 consists of the following factors. Positive result on derivatives related to unrealized sales in the amount of PLN 224k.

2. The adjustment in 2017 consists of the following factors:

- Received dividend on Netia SA shares in the amount of PLN 24,095k. In 2017, a total of 63,407,500 shares held within the MPSA Group were covered by the right to dividend;
- Result on deconsolidation of the subsidiary, MMS, in the amount of PLN 71,025k (discontinued activity);
- The costs of reallocation of the Company's administrative departments to the new location at Al. Jana Pawła II 23 in the amount of PLN 116k;
- Positive result on derivatives related to unrealized sales in the amount of PLN 2,388k;

3. Correction of financial revenues resulting from the recording of a positive result on the valuation of the ENEA S.A. shares in the amount of PLN 8,849k.

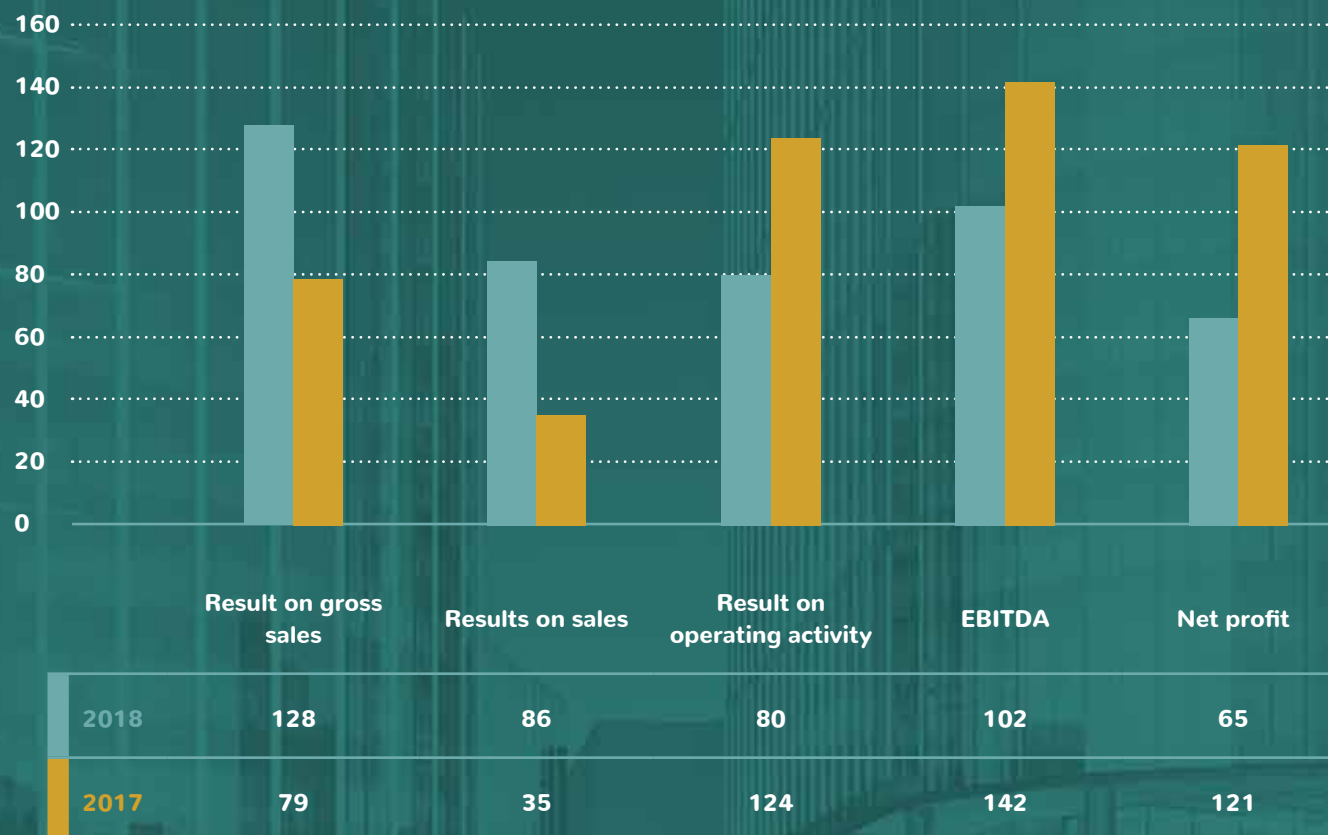
4. Correction in 2017 applies to:

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

5. Correction in 2017 concerned the dissolution of the tax asset created in 2016 in the amount of PLN 3,049k in relation to the written off amount of the loan granted to MMS in previous years.

In the analyzed period, apart from the factors described above, there were no other significant events of a one-off or non-typical nature.

# Results of the Capital Group of Mennica Polska S.A. for the years 2018 and 2017





**Independent Certified Auditor's Report on the audit**

# Independent Certified Auditor's Report on the audit

## Report on the audit of the annual financial statements

### Opinion

We audited the annual financial statements of Mennica Polska S.A. ("Company"), which includes the statement of financial position as at 31st December, 2018 and the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year ended on that day and additional information describing the adopted accounting principles and other explanatory information ("financial statements").

In our opinion, the attached financial statements:

present a reliable and clear picture of the property and financial situation of the Company as at 31st December, 2018 and its financial result and cash flows for the financial year ended on that day in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting principles (policy);  
are in accordance with the form and content of the applicable to the Company laws and the Company's articles of association;

This opinion is consistent with the additional report for the Audit Committee, which we published on 7th March, 2019.

### Base of opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as National Standards on Auditing by the National Council of Statutory Auditors ("KSB") and pursuant to the Act dated 11th May, 2017 on statutory auditors, auditing companies and public supervision (the "Act on Certified Auditors" - Journal of Laws of 2017, item 1089 with later amendments) and EU Regulation No. 537/2014 of 16th April, 2014 on detailed requirements regarding statutory audits of financial statements of public-interest entities ("EU Regulation" - Official Journal of the European Union L158). In accordance with these standards, our liability is further described in the section of our report: Certified Auditors' Liability for Auditing the Financial Statements.

We are independent on the Company in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants ("IFAC Code") adopted by the resolutions of the National Council of Statutory Auditors and

other ethical requirements which apply to the audit of financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and the IFAC Code. During the audit, the key certified auditor and the auditing company remained independent on the Company in accordance with the independence requirements set out in the Act on Certified Auditors and in the EU Regulation.

We believe that the audit evidence which we obtained is adequate and appropriate to provide the basis for our opinion.

### **Key audit matters**

The key audit matters are matters which, according to our professional judgment, were the most significant when auditing the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. We referred to these matters in the context of our audit of the financial statements as a whole and in the formulation of our opinion, and summarized our reaction to these risks, and in cases, in which we deemed it necessary, we presented the most important observations related to these risks. We do not express a separate opinion on these matters.

The Capital Group is a party to the ongoing tax proceedings. The appropriate recognition of the effects of pending proceedings against the Capital Group, both as to the value and position of the report, is the subject of a significant judgment of the Management Board.

### **Liability of the management board and the supervisory board of the parent company for the financial statements**

The Management Board of the Parent Company is liable for preparing, on the basis of properly kept accounting books, financial statements that present a reliable and clear picture of the property and financial situation and the financial result of the Group in accordance with the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and applicable to the Group's laws and articles of association, as well as for internal control, which the Management Board of the Parent Company deems necessary to enable the preparation of financial statements without a significant distortion caused by fraud or error.

When preparing the financial statements, the Management Board of the Parent Company is liable for assessing the Group's ability to continue its operations, disclosing, if applicable, matters related to going concern and adopting the principle of going concern as an accounting basis, except when the Management Board intends either to liquidate the Group or to discontinue



conducting business activity or there is no real alternative to liquidation or discontinuation of business activity. The Management Board of the Parent Company and members of the Supervisory Board of the Parent Company are obliged to ensure that the financial statements meet the requirements provided for in the act (from 29th September, 1994 on accounting ("Accounting Act" - Journal of Laws of 2018, item 395 with later amendments). The Members of the Supervisory Board of the Parent Company are liable for overseeing the financial reporting process of the Company.

### **Certified auditor's liability for auditing the financial statements**

Our goals are to obtain reasonable assurance that the financial statements as a whole do not contain any material misstatement due to fraud or error and to issue a report on the audit containing our opinion. Reasonable assurance is a high level of certainty, but it does not guarantee that the audit conducted in accordance with the KSB will always detect the existing significant distortion. Distortions may arise as a result of fraud or error and are considered material if it can reasonably be expected that, individually or in aggregate, they could influence the users' economic decisions taken on the basis of these financial statements.

The concept of materiality is used by the certified auditor both in planning and conducting the audit as well as in assessing the impact of the distortions identified during the audit and the unadjusted distortions, if any, on the financial statements, as well as when formulating the certified auditor's opinion. In connection with the aforementioned, all opinions and statements included in the audit report are expressed with regard to the qualitative and valuable level of significance determined in accordance with the audit standards and professional judgment of the certified auditor.

The scope of the audit does not include assurance as to the future profitability of the Group or the effectiveness or efficiency of conducting its affairs by the Parent Company's Management Board currently or in the future.

During the audit conducted in accordance with the KSB, we apply professional judgment and maintain professional skepticism, as well as:

- We identify and assess the risks of material misstatement of the financial statements due to fraud or error, we design and conduct audit procedures which address these risks, and we obtain audit evidence which is sufficient and adequate to provide a basis for our opinion. The risk of not recognizing a significant misstatement due to fraud is greater than that resulting from an error because the fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control.
- We gain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures

which are appropriate under the given circumstances, but not to express an opinion on the effectiveness of the Group's internal control.

- We assess the appropriateness of the accounting principles (policy) used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Company.
- We draw a conclusion on the appropriateness of the application of the going concern principle by the Parent Company's Management Board as an accounting basis and, based on the audit evidence obtained, whether there is significant uncertainty related to events or conditions which may significantly doubt the Group's ability to continue as a going concern. If we conclude that there is significant uncertainty, it is required from us to draw attention in our certified auditor's report to related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our report of the certified auditor, however future events or conditions may cause the Group to cease its operations.
- We assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner which ensures reliable presentation. we obtain sufficiently appropriate audit evidence about the financial information of entities or businesses within the Group to express an opinion on the consolidated financial statements. We are responsible for managing, supervising and conducting the Group study and we remain solely responsible for our audit opinion.

We provide the Supervisory Board of the Parent Company with information about, among other things, the planned scope and time of the audit and significant findings of the audit, including any significant weaknesses of internal control which we will identify during the audit.

We are submitting to the Supervisory Board of the Parent Company a statement that we complied with the relevant ethical requirements regarding independence and that we will inform them of all connections and other matters that could be reasonably considered to pose a threat to our independence and, where applicable, we will inform about security measures applied.

From among the matters forwarded to the Supervisory Board of the Parent Company, we determined those matters which were the most significant ones during the audit of the financial statements for the current reporting period and that is why we considered them to be the key matters of the audit. We describe these matters in our certified auditor's report, unless laws or regulations prohibit public disclosure or when, in exceptional circumstances, we will determine that the matter should not be presented in our report because it would reasonably be expected that the negative consequences would outweigh the benefits of such information for the public interest.

## **Other information, including a report on the business activity**

Other information consists of a report on the Group's business activity for the financial year ended 31st December, 2018 ("Business Activity Report") together with a statement on the application of corporate governance and a statement on non-financial information referred to in Art. 49b (1) of the Accounting Act, which are separate parts of this Report and the Annual Report for the financial year ended 31st December, 2018 ("Annual Report") (together "Other Information").

## **Liability of the management board and the supervisory board of the parent company**

The Management Board of the Parent Company is liable for preparing Other Information in accordance with the law. The Management Board of the Parent Company and the members of the Supervisory Board of the Parent Company are obliged to ensure that the Report on the Group's business activity along with the separated parts meet the requirements provided for in the Accounting Act.

## **Liability of the certified auditor**

Our opinion on the audit of the financial statements does not include Other Information. In connection with the audit of the financial statements, it is our duty to read Other Information and, while doing so, to consider whether Other Information is not materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise it appears significantly distorted.

If, based on the work performed, we find significant distortions in Other Information, we are required to inform about them in our audit report. Our duty, in accordance with the requirements of the Act on Certified Auditors, is also to issue an opinion on whether the report on business activity was prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statements. In addition, we are required to inform whether the Group made a statement about non-financial information and issuing an opinion on whether the Group included the required information in the statement on the application of corporate governance.

We obtained the report on the Group's business activity before the date of this audit report, and the Annual Report will be available after this date. In the event that we find a significant distortion in the Annual Report, we are obliged to inform the Supervisory Board of the Parent Company about it.

## Opinion on the report on business activity

Based on the work carried out during the audit, in our opinion, the Report on the Group's business activity:

- Was drawn up in accordance with Article 49 of the Accounting Act and paragraph 71 of the Regulation of the Minister of Finance dated 29th March, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent ("Current Information Regulation" – Journal of Laws of 2018, item 757).
- Is consistent with the information contained in the financial statements.

In addition, in the light of knowledge about the Group and its environment obtained during our audit, we declare that we did not identify significant distortions in the Report on the Group's business activity.

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

In our opinion, in the statement on the application of corporate governance, the Group included the information specified in paragraph 70, section 6 point 5 of the Regulation on current information. In addition, in our opinion, the information indicated in paragraph 70 section 6 point 5 letters c-f, h and letter i of the Regulation contained in the statement on the application of corporate governance are consistent with the applicable regulations and information contained in the financial statements.

## Information on non-financial information

In accordance with the requirements of the Act on Certified Auditors, we confirm that the Group prepared a statement on non-financial information, referred to in art. 49b section 1 of the Accounting Act as a separate part of the Report on the Group's business activity. We did not do any attestation work regarding the statement on non-financial information and we do not give any assurance about it.

## Report on other legal and regulatory requirements statement on services provided that are not an audit of the financial statements

To the best of our knowledge and belief, we declare that services which are not an audit of the financial statements

provided by us to the Group and its subsidiaries are compliant with laws and regulations in force in Poland, and that we did not provide non-audit services that are prohibited under art. 5 section 1 of the EU Regulation and art.136 of the Act on Certified Auditors.

### **Choosing an auditing company**

We were selected to audit the Group's financial statements with a resolution of the Group's Parent Company Supervisory Board of 23rd May, 2018. We're auditing the financial statements of the Group for the first time.

The key certified auditor responsible for the audit, which resulted in this report of the independent certified auditor, is Anna Bernaziuk, registration no. 173.



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SINCE 1766

The issuer of all Polish coins is  
**Narodowy Bank Polski**  
**[The National Bank of Poland].**