

2016

**DIRECTORS' REPORT
ON ACTIVITIES OF ALUMETAL S.A.
FOR THE YEAR 2016**



Kęty, 5 April 2017

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I. Issuer and Capital Group corporate data

1. Description of organization of the ALUMETAL S.A. Capital Group

The organization of the ALUMETAL S.A. Capital Group (hereinafter referred to as the "Alumetal Group" or the "Group") as at 31 December 2016 is as follows:

A. Issuer corporate data

Name and legal form:	ALUMETAL Spółka Akcyjna [joint stock company]
Registered office:	ul. Tadeusza Kościuszki 111, 32-650 Kęty
Telephone number:	+48 (33) 47 07 100
Fax number:	+48 (33) 47 07 101
Website:	www.alumetal.pl
E-mail address:	alumetal@alumetal.pl
KRS:	0000177577
Statistical number, REGON:	357081298
Tax identification number, NIP:	5492040001

ALUMETAL S.A. (hereinafter: the „Company”, „Issuer”) was incorporated in 1999 and entered in the Register of Entrepreneurs on 19 October 2001 as limited liability company (*spółka z ograniczoną odpowiedzialnością*) operating under the name „ALUMETAL” sp. z o.o. On the basis of resolution of the Shareholders’ Meeting of „ALUMETAL” sp. z o.o. of 5 September 2003, the Company was transformed into a joint stock company ALUMETAL S.A. The transformation was registered with the competent registry court on 28 October 2003.

ALUMETAL Spółka Akcyjna is registered in the Register of Entrepreneurs maintained by the District Court for Kraków-Śródmieście in Cracow, XII Economic Department of the National Court Register, Entry No. KRS 0000177577. The Company was incorporated for an indefinite period of time. The Company operates based on the provisions of the Code of Commercial Companies and other legal regulations binding the commercial-law companies, as well as based on the provisions of its Statutes and of other internal regulations.

The Company’s scope of business is defined in § 4 of its Statutes, being in particular:

Head office and holding operations, except for financial holdings (PKD 70.10.Z).

The issued capital of the Company amounts to PLN 1,537,898.00 (in words: one million five hundred thirty seven thousand eight hundred ninety eight złoty zero groszy) and is divided into 15,378,980 shares with a nominal value of PLN 0.10 each, of which:

- 9,800,570 shares are ordinary bearer shares, series A;
- 1,507,440 shares are ordinary bearer shares, series B;
- 3,769,430 shares are ordinary bearer shares, series C;
- 150,770 shares are ordinary bearer shares, series D; and
- 150,770 shares are ordinary bearer shares, series E.

In the event of Company liquidation, the above shares are not preference shares as regards voting right, right to dividend or distribution of assets.

The Management Board of the Stock Exchange in Warsaw (WSE) passed on 11 July 2014 a Resolution No. 802/2014 on admittance to public trading on the main market of the WSE of the ALUMETAL S.A.'s shares, series A, B and C. Following that, the Management Board of the WSE, based on the Resolution No. 811/2014 of 16 July 2014, resolved that as of 17 July 2014 the Company's ordinary (bearer) shares will be introduced to public trading in the ordinary procedure, and on that date the first quotation of the Company took place.

Due to the fulfilment of all pre-requisite conditions for the implementation of the share incentive scheme realised as part of the conditional increase in the Company's issued capital, as defined in the Resolution No. 5 of the Extraordinary Annual General Meeting of the Company of 28 May 2014 ("Incentive Program"), about which the Company informed in its Share Issue Prospectus authorised by the Polish Financial Supervision Authority on 17 June 2014 ("Prospectus") and annual report and consolidated annual report for the year 2014 dated 12 March 2015, as part of the execution of adopted Incentive Program, in 2015 the Company issued 150,770 registered, non-transferrable subscription warrants, series A, and in 2016 - 150,770 registered, non-transferrable subscription warrants, series B in exchange for which 150,770 ordinary bearer shares, series D, and 150,770 ordinary bearer shares, series E, both series with a nominal value of PLN 0.10 (in words: ten groszy) each, were taken up.

On 27 May 2015, the Management Board of the WSE passed a resolution No. 509/2015 on admitting and introducing to public trading on the main market of the WSE of the Company's ordinary bearer shares, series D, as of 1 June 2015, about which the Company informed the public in its current report No. 21/2015 dated 28 May 2015. On 15 July 2016, the Management Board of the WSE passed a Resolution No. 728/2016 on admitting and introducing to public trading on the main market of the WSE of the Company's ordinary bearer shares, series E, as of 20 July 2016, about which the Company informed the public in its current report No. 20/2016 dated 15 July 2016.

B. Subsidiary companies

Presented below is the information on subsidiary companies, which are direct subsidiaries of the Company.

ALUMETAL Poland sp. z o.o.

The Company holds 100% shares in the issued capital of ALUMETAL Poland sp. z o.o., which give it the right to exercise 100% votes at the shareholders' meeting of this company.

Corporate information:

Name and legal form:	ALUMETAL Poland spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office:	ul. Przemysłowa 8, 67-100 Nowa Sól
Issued capital:	PLN 164,981,300
Main scope of business activities:	Production of aluminium casting alloys, master alloys and aluminium for steel deoxidation.

T + S sp. z o.o.

The Company holds 100% shares in the issued capital of T+S sp. z o.o., which give it the right to exercise 100% votes at the shareholders' meeting of this company.

Corporate information:

Name and legal form:	T + S spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office:	ul. Tadeusza Kościuszki 111, 32-650 Kęty
Issued capital:	PLN 350,000
Main scope of business activities:	Production of fluxes and salts, which are supplementary materials in the casting industry.

ALUMETAL Kęty sp. z o.o.

The Company holds 100% shares in the issued capital of ALUMETAL Kęty sp. z o.o., which give it the right to exercise 100% votes at the shareholders' meeting of this company. At the date of the preparation of the Company's financial statements, ALUMETAL Kęty sp. z o.o. did not commence operational activity, and the Company considers disposal of all shares in this entity. ALUMETAL Kęty sp. z o.o. is not subject to consolidation.

Corporate information:

Name and legal form:	ALUMETAL Kęty spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office:	ul. Tadeusza Kościuszki 111, 32-650 Kęty
Issued capital:	PLN 5,000
Main scope of business activities:	No operational activity conducted

ALUMETAL Group Hungary Kft.

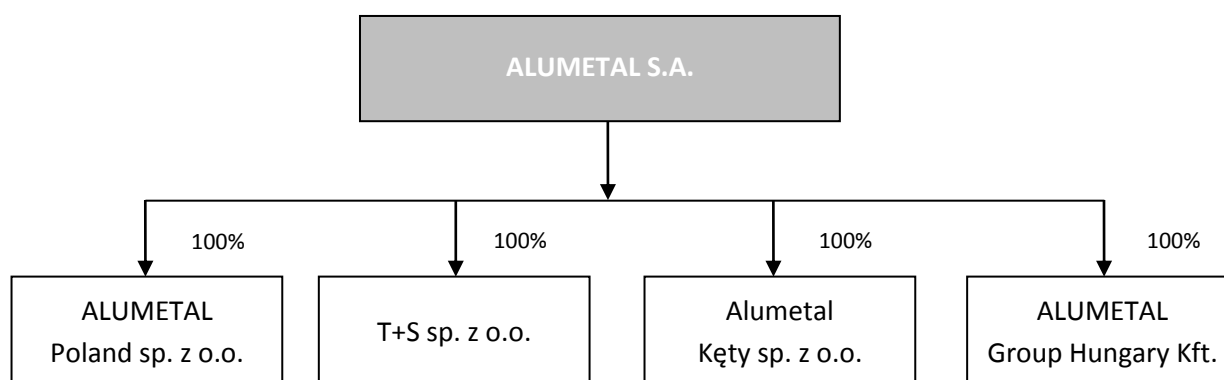
ALUMETAL Group Hungary Kft. was incorporated on 11 July 2014 to realise the investment of the Alumetal Group in Hungary.

Corporate information:

Name and legal form:	ALUMETAL Group Hungary Kft.
Registered office:	2903 Komárom, Irinyi Janos u.10., Hungary
Issued capital:	HUF 5,500,000,000
Main scope of business activities:	Casting of light metals

As at 31 December 2016, the organizational structure of the Alumetal Group was as follows:

Structure of the ALUMETAL S.A. Capital Group



			% share held by ALUMETAL S.A. in the issued capital	
			31 Dec 2016	31 Dec 2015
ALUMETAL Poland sp. z o.o.	Nowa Sól, Poland	Production	100%	100%
T + S sp. z o.o.	Kęty, Poland	Production	100%	100%
ALUMETAL Kęty sp. z o.o.	Kęty, Poland	No operational activity	100%	100%
ALUMETAL Group Hungary Kft.	Komarom, Hungary	Production	100%	100%

ALUMETAL S.A. is the holding company rendering management, trading and marketing, development-investment, IT, controlling, people advisory services (HR & Payroll) and accounting-financial services to other entities of the ALUMETAL S.A. Capital Group (hereinafter referred to as the “Alumetal Group” or the “Group”).

ALUMETAL Poland sp. z o.o. is the main production company of the Group that manufactures its main products: aluminium casting alloys and master alloys. ALUMETAL Poland sp. z o.o. owns all three production plants of the Group, which are located in Kęty (Małopolskie Voivodship), Nowa Sól (Lubuskie Voivodship) and Gorzyce (Podkarpackie Voivodship).

T+S sp. z o.o. renders services of support production company (chemical division) which consist in the production of fluxes and salts which are used mainly by the Alumetal Group, but which are also sold to the external clients in the casting and smelting industries.

Alumetal Kęty sp. z o.o. did not conduct operational activity in the reporting period.

ALUMETAL Group Hungary Kft. is a Hungarian-law based company, incorporated to realize the investment of the Alumetal Group in Hungary. The company commenced production and sale of aluminium casting alloys in September 2016.

In the reporting period, none of the companies of the Alumetal Group had self-reporting organizational units within the meaning of article 5 point 4 of the Act on freedom of economic activity.

As at 31 December 2016, the following entities were consolidated:

- ALUMETAL S.A.,
- ALUMETAL Poland sp. z o.o.,
- T+S sp. z o.o., and
- ALUMETAL Group Hungary Kft.

Alumetal Kęty sp. z o.o. is not subject to consolidation.

2. Changes in the organisational structure of ALUMETAL S.A.

In 2016, there were no changes in the organisational structure of the Group.

3. Organisational and capital relations of ALUMETAL S.A.

The Issuer is related by type of organisation and by capital to the subsidiary companies of the Alumetal Group in the manner specified above, while maintaining the policy of the performance of duties of Group companies' board members by the persons making up the Management Board of ALUMETAL S.A. The exception to this rule is ALUMETAL Group Hungary Kft., as stated below.

The Issuer is also related by capital with the entities controlled by Mr Grzegorz Stulgis: IPOPEMA 30 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and IPOPEMA 30 FIZAN A/S, which as at 31 December 2016 held a total of 6,068,660 shares of ALUMETAL S.A. which translated into a 39.46 % share in the issued capital of the Company.

In the period from 28 January 2016 to 1 December 2016, ALUMETAL S.A. held 15% shares in SKTB ALUMINIUM Spółka akcyjna uproszczona [simplified joint stock company] (French-law based company) with its registered office in Gorcy (France), acquired from the majority shareholder, Fonds Lorrain de Consolidation Spółka akcyjna uproszczona [simplified joint stock company] (French-law based company) with its registered office in Metz (France). On 18 October 2016, ALUMETAL S.A. exercised the put option included in the agreement with the current majority shareholders i.e. exercised the right of ALUMETAL S.A. to re-sell the earlier acquired shares to their prior owners at their acquisition price. The shares were re-sold and the consideration was paid in full on 6 December 2016, which effectively means that as at 31 December 2016 the parties had no mutual liabilities or obligations under this transaction.

II. Statement of Corporate Governance

ALUMETAL S.A. has conducted business in accordance with Polish laws and the Company's Statutes. Pursuant to the provisions of § 11 section 1 point 6 of the Company's Statutes, any change thereto requires separate resolution of the Annual General Meeting, as provided in the Code of Commercial Companies. Pursuant to the provisions of § 11 section 2 point 6 of the Company's Statutes, any change thereto requires separate resolution of the Annual General Meeting, as provided in the Code of Commercial Companies.

1. Principles of management of the ALUMETAL S.A. Capital Group

For many years, the Group has been managed from the level of the parent company, ALUMETAL S.A., which as of 1 January 2014, i.e. after Group reorganization, has remained solely a holding entity.

The expression of the above principle of management is the observing by the ALUMETAL S.A. Capital Group of the policy of the performance of duties of Group companies' board members by the persons making up the Management Board of ALUMETAL S.A., as well as possible appointment to the boards of subsidiary companies of additional persons, as required by business tasks of those subsidiary companies. As part of the compliance with this policy, as of 1 January 2015 the mandate of Management Board Member of ALUMETAL Poland sp. z o.o. and T+S sp. z o.o. has been held by Mr Tomasz Kliś.

The exception to the above policy is the Hungarian-law based Group company, ALUMETAL Group Hungary Kft., which does not have management board within the meaning of Polish regulations, and the persons authorised to manage and represent this company as at the date of the preparation of this Report are Mr Andrzej Słupski, Mr Józef Młoczek (employees of ALUMETAL S.A.) and Mr Sándor Jakab. This exception is the effect of the requirements of Hungarian laws and is driven by the need to realise the main investment project of the Alumetal Group in the reporting period i.e. *Construction of a production plant in Hungary ("Budowa Zakładu na Węgrzech")*, about the commencement and progress of which the Company informed in its current report No. 17/2014, 29/2016 and 32/2016.

The subsidiary companies of the Alumetal Group do not have own supervisory bodies. The sole governing body of this type is the Supervisory Board at ALUMETAL S.A.

ALUMETAL S.A. did not develop and does not apply diversity policy with respect to the members of its management and supervisory boards due to a stable composition of these bodies and small number of key management positions.

The principles of functioning and information about Issuer authorities are presented below.

In the period from 31 December 2015 to 31 December 2016, the principles of management of the Alumetal Group did not change.

2. Authorities of ALUMETAL S.A.

A. Annual General Meeting

The Annual General Meeting operates based on the Company's Statutes. On 2 September 2014, pursuant to the provisions of Resolution No. 3 of the Extraordinary Annual General Meeting of ALUMETAL S.A., Regulations of Annual General Meetings of ALUMETAL S.A. were adopted. The provisions of the above Regulations do not materially differ from the respective provisions of the Code of Commercial Companies.

The current wording of Regulations of Annual General Meetings is presented in the internet website under the tab: Investor relations/Corporate governance/Annual General Meeting.

On 13 May 2016, the Ordinary Annual General Meeting passed resolutions regarding the following:

- appointment of the Chairman of the Ordinary Annual General Meeting,
- adoption of meeting agenda,
- approval of Directors' Report on activities of ALUMETAL S.A. for 2015,
- authorization of the financial statements of ALUMETAL S.A. for the year ended 31 December 2015,
- approval of Directors' Report on activities of the ALUMETAL S.A. Capital Group for the year ended 31 December 2015,
- authorization of Consolidated financial statements of the ALUMETAL S.A. Capital Group for the year ended 31 December 2015,
- approval of the Report of Supervisory Board for 2015,
- approval of the Report on activities of Supervisory Board in 2015,
- approval of the Assessment of the situation of the Alumetal S.A. Capital Group presented by the Supervisory Board of ALUMETAL S.A., as well as of other assessments and information relating to certain defined aspects of the functioning of the Company set forth in the *2016 Code of Best Practice for WSE Listed Companies*,
- appropriation of profit for 2015, determining dividend date and dividend payment date,
- acknowledgment of the fulfilment of duties by the Members of Management Board in 2015,
- acknowledgment of the fulfilment of duties by the Members of Supervisory Board in 2015,
- changes in Regulations of Annual General Meetings of ALUMETAL S.A.

The Company made available to the public the full contents of resolutions of the Ordinary Annual General Meeting in its current report No. 10/2016 of 13 May 2016.

B. Supervisory Board

As at 31 December 2016 and 31 December 2015, the composition of the Supervisory Board of ALUMETAL S.A. was as follows:

- Mr Grzegorz Stulgis,
- Mr Frans Bijlhouwer,
- Mr Marek Kacprowicz,
- Mr Tomasz Pasiewicz,
- Mr Emil Ślężak.

The Company hereby informs that to the date of this Directors' Report, the composition of the Supervisory Board presented above did not change.

The Supervisory Board carries out continued monitoring and supervision of the activities of the Company in all aspects of its business.

The Supervisory Board acts based on the Work Regulations of the Supervisory Board adopted by the Supervisory Board and authorized by Annual General Meeting; current contents of these Regulations are available on the Company's website under the tab: Investor relations /Corporate Governance/Supervisory Board.

The Supervisory Board holds its meetings at least once in a quarter.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In the case of a voting tie, the casting vote is that of the Chairman of the Supervisory Board.

In addition, the Company hereby informs that in the reporting period there were no committees of the Supervisory Board. In accordance with the provisions of § 22 section 1 of the Company's Statutes, the Supervisory Board is authorized to establish an audit committee composed of at least 3 of its members, with the proviso that at least one member of the audit committee fulfilled the criteria of independence within the meaning of article 86 section 5 of the Act on certified auditors, and held appropriate accounting or auditing qualifications. If the Supervisory Board is composed of not more than 5 persons, then in accordance with the provisions of § 22 section 2 of the Company's Statutes it may execute the tasks of the audit committee on its own. Since in 2015 the number of Supervisory Board Members accounted for 5 mandates, audit committee was not established.

Pursuant to the new regulations implemented by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 („2016 Code of Best Practice for WSE Listed Companies"), the Supervisory Board of ALUMETAL S.A., on its meeting of 15 April 2016, considered the need of organisational separation of the function of internal audit and compliance system, approved the Director's Report of ALUMETAL S.A. on the assessment of the system of internal control and risk management and prepared the below documents to be presented to the Ordinary Annual General Meeting of the Company:

- Assessment of the situation of the Alumetal S.A. Capital Group in 2015;
- Report on the Activities of Supervisory Board in 2015;
- Assessment of the method of fulfilment by the Company of information requirements relating to application of the rules of corporate governance;
- Information on the Company non-pursuing sponsoring, charity or other similar activity;
- Opinion on the implementation by the Company of the procedures referred to in Chapter V of the *2016 Code of Best Practice for WSE Listed Companies*.

C. Management Board

As at 31 December 2015 and 31 December 2016, the composition of the Management Board of ALUMETAL S.A. was as follows:

- Mr Szymon Adamczyk – President of the Management Board,
- Mr Krzysztof Błasiak – Vice-president of the Management Board,
- Mr Przemysław Grzybek – Member of the Management Board.

Pursuant to the provisions of § 12 section 5 of the Company's Statutes, the Company's Management Board is appointed for a common 3-year term of office by the Supervisory Board, which determines the number of Management Board members from one to five persons and appoints President and Vice-president of the Management Board, and which may delegate its own members to temporarily perform the duties of Management Board members. Removal of Management Board Members is executed in accordance with the provisions of the Code of Commercial Companies.

In the period from the date of those Resolutions to the date of the publication of this Directors' Report, the composition of the Management Board of ALUMETAL S.A. did not change.

The Management Board manages the Company's affairs and represents the Company before third parties. The Management Board is authorized to manage all affairs of the Company which are not within the competence of the Annual General Meeting or Supervisory Board. Resolutions of the Management Board are adopted by an absolute majority of votes. In the case of a voting tie, the casting vote is that of the President of the Management Board.

The scope of rights and obligations of the Management Board as well as the manner of its operation is defined by Work Regulations of the Management Board which were adopted based on the Decision No. 1 of the Management Board dated 11 December 2014 and authorized by the Decision No. 2 of the Supervisory Board dated 12 December 2014. Current contents of these Regulations are available on the Company's website under the tab: Investor relations /Corporate Governance/Management Board.

The Management Board of the Company is not authorized to take decisions on share issue or share re-acquisition.

In the reporting period, no agreements were concluded between the Company and the members of the Management Board regarding compensation for their resignation or removal for no important reason, or where their removal was justified by Company's merger through acquisition.

3. Shareholding structure

A. Shareholders of ALUMETAL S.A. with material blocks of shares

As at 31 December 2016, the Company had below information on the shareholders holding, directly or indirectly through subsidiary companies, at least 5% of the total number of votes at the Annual General Meeting of ALUMETAL S.A.

Shareholders holding, directly or indirectly through subsidiary companies, at least 5% of the total number of votes at the Annual General Meeting of ALUMETAL S.A. as at 31 December 2016				
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM
Ipopema 30 FIZAN*	4,530,754	29.46	4,530,754	29.46
Ipopema 30 FIZAN A/S*	1,537,896	9.99	1,537,896	9.99
Aviva Otwarty Fundusz Emerytalny [open-end pension fund] Aviva BZ WBK	1,506,000	9.79	1,506,000	9.79
Nationale Nederlanden Otwarty Fundusz Emerytalny [open-end pension fund]	1,140,650	7.42	1,140,650	7.42
Other shareholders	6,663,680	43.34	6,663,680	43.34
Total	15,378,980	100.00	15,378,980	100.00

*entity controlled by Mr Grzegorz Stulgis

In addition, in accordance with the notification received by the Company on 10 February 2017, Ipopema 30 FIZAN, as a result of transactions executed on 7 and 8 February 2017 on regulated market, sold 960,500 shares, about which the Company informed the public in its current report No. 4/2017.

Given the above, to the best knowledge of the Company's Management Board, as the date of this current Report, the shareholding structure of ALUMETAL S.A., subject to information requirement on material block of shares, is as follows:

Shareholders holding, directly or indirectly through subsidiary companies, at least 5% of the total number of votes at the Annual General Meeting of ALUMETAL S.A. as at 5 April 2017				
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM
Ipopema 30 FIZAN*	3,570,254	23.22	3,570,254	23.22
Ipopema 30 FIZAN A/S* (Danish-law based company)	1,537,896	9.99	1,537,896	9.99
Aviva Otwarty Fundusz Emerytalny [open-end pension fund] Aviva BZ WBK	1,506,000	9.79	1,506,000	9.79
Nationale Nederlanden Otwarty Fundusz Emerytalny [open-end pension fund]	1,140,650	7.42	1,140,650	7.42
Other shareholders	7,624,180	49.58	7,624,180	49.58
Total	15,378,980	100.00	15,378,980	100.00

*entity controlled by Mr Grzegorz Stulgis

B. Share issue and re-acquisition of own shares

In accordance with the authorization basing on Resolution No. 5 of the Extraordinary Annual General Meeting of ALUMETAL S.A. of 28 May 2014, the Company's Management Board resolved to issue 150,770 registered, non-transferable subscription warrants, series B, which were dedicated to the Members of the Company's Management Board and to the key personnel of the Company. The effect of the issue of B-series subscription warrants was issuance of 150,770 ordinary bearer shares, series E, which were introduced to public trading on a regulated market as of 20 July 2016.

As part of the Incentive Program, the Company may still issue, in the period from the date of the authorization of the Group's consolidated financial statements for the year ended 31 December 2016 to 31 December 2018, up to 150,770 C-series subscription warrants, which will entitle their holders to take up not more than 150,770 of the Company's F-series shares.

In addition, the Company hereby informs that ALUMETAL S.A. does not offer shares with the attached special control rights.

During the reporting period, the Company did not receive any information on the agreements that could in the future affect its current shareholding structure.

The Company operates the Incentive Program, adopted based on the Resolution No. 5 of the Extraordinary Annual General Meeting of ALUMETAL S.A. of 28 May 2014 and based on the Decision of the Supervisory Board of 12 December 2014, which was described in more detail in point II 6 of this Directors' Report and in the Consolidated financial statements of ALUMETAL S.A. for the year ended 31 December 2016.

C. Special powers and restrictions on transfer of ownership right to the shares of ALUMETAL S.A. and exercising voting right

In the reporting period, the Company did not obtain any information on the existence of special powers or restrictions on the transfer of ownership right to the shares of ALUMETAL S.A. or execution of voting rights from those shares.

D. Agreements between shareholders

In the reporting period, the Company did not obtain any information on the agreements between the shareholders which could be material to its business activities.

4. Blocks of shares held by members of Management and Supervisory Boards

Shares in ALUMETAL S.A. held by members of Issuer's Management and Supervisory Boards as at 31 December 2016				
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM
Grzegorz Stulgis, directly or through Ipopema 30 FIZAN and Ipopema 30 FIZAN A/S	6,068,660	39.46	6,068,660	39.46
Krzysztof Błasiak	380,142	2.47	380,142	2.47
Szymon Adamczyk	257,718	1.68	257,718	1.68
Przemysław Grzybek	149,322	0.97	149,322	0.97
Frans Bijlhouwer	0	0	0	0
Marek Kacprowicz	0	0	0	0
Tomasz Pasiewicz	0	0	0	0
Emil Ślężak	0	0	0	0

In 2016, the Company was notified about a change in the number of shares held by management or supervisory board members in connection with the commencement of the process of issuance of E-series shares and their taking up in exchange for the B-series subscription warrants, about which the Company informed the public in its current report No. 23/2016. During the reporting period, the Company received also information on the transactions executed on regulated market by Mr Szymon Adamczyk and by the entities controlled by Mr Grzegorz Stulgis, about which the Company informed the public in its current reports No. 6/2016, 14/2016, 15/2016, 16/2016, 17/2016, 18/2016 and 33/2016.

The table below shows information on the number of shares held in ALUMETAL S.A. by the members of Management and Supervisory Boards of the Company at the date of the publication of prior year annual report:

Shares in ALUMETAL S.A. held by members of Issuer's Management and Supervisory Boards as at 31 December 2015				
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM
Grzegorz Stulgis, directly or through Ipopema 30 FIZAN	6,031,130	39.60	6,031,130	39.60
Krzysztof Błasiak	357,526	2.35	357,526	2.35
Szymon Adamczyk	257,194	1.69	257,194	1.69
Przemysław Grzybek	130,476	0.86	130,476	0.86
Frans Bijlhouwer	0	0	0	0
Marek Kacprowicz	0	0	0	0
Tomasz Pasiewicz	0	0	0	0
Emil Ślężak	0	0	0	0

Given the fact that the entities related to Mr Grzegorz Stulgis executed on 7 and 8 February 2017 the transactions referred to above, the Company also presents the information on the number of shares held in ALUMETAL S.A. by the members of Management and Supervisory Boards of the Company as at the date of publication of this annual report:

Shares in ALUMETAL S.A. held by members of Issuer's Management and Supervisory Boards as at 5 April 2017				
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM
Grzegorz Stulgis, directly or through Ipopema 30 FIZAN and Ipopema 30 FIZAN A/S	5,108,160	33.21	5,108,160	33.21
Krzysztof Błasiak	380,142	2.47	380,142	2.47
Szymon Adamczyk	257,718	1.68	257,718	1.68
Przemysław Grzybek	149,322	0.97	149,322	0.97
Frans Bijlhouwer	0	0	0	0
Marek Kacprowicz	0	0	0	0
Tomasz Pasiewicz	0	0	0	0
Emil Ślęzak	0	0	0	0

5. Emoluments of the members of Management and Supervisory Boards

Remuneration of Supervisory Board Members		Year ended 31 December 2016	Year ended 31 December 2016
Grzegorz Stulgis	Chairman of the Supervisory Board	31,500.00*	45,000.00
Frans Bijlhouwer	Member of the Supervisory Board	36,000.00	32,000.00
Marek Kacprowicz	Member of the Supervisory Board	36,000.00	32,000.00
Tomasz Pasiewicz	Member of the Supervisory Board	36,000.00	32,000.00
Emil Ślęzak	Member of the Supervisory Board	36,000.00	32,000.00
Total remuneration paid		175,500.00	173,000.00

*Mr Grzegorz Stulgis has not been remunerated since 1 August 2016 for his performing the function of Chairman of the Supervisory Board

Remuneration of Issuer's Management Board Members at the parent and in subsidiary companies		Year ended 31 December 2016	Year ended 31 December 2015
Szymon Adamczyk	President of the Management Board, CEO	1,774,725.14	1,625,027.90
Krzysztof Błasiak	Vice-president of the Management Board, Operational & Development Director	1,774,725.14	1,625,027.90
Przemysław Grzybek	Member of the Management Board, Financial Director	859,998.30	792,234.61
Short-term employee benefits (payroll and surcharges), total		4,409,448.58	4,042,290.41

The Alumetal Group does not operate retirement benefits or similar programs dedicated to the members of its management or supervisory boards.

6. Incentive Programs

In the reporting period covered by this Directors' Report, the Company operated the Incentive Program dedicated to the members of the Management Board and the key personnel of the Company ("Eligible Persons"). The assumptions of this incentive scheme provide for a conditional increase in the Company's issued capital through the issue of free-of-charge and non-transferable B-series subscription warrants and the matching E-series shares of the Company, as described in point I.1.A of this Directors' Report.

As part of the Incentive Program, the Company may issue during the period from the date of authorization of the Group's consolidated financial statements for the year ended 31 December 2016 to 31 December 2018 one more tranche of the subscription warrants, series C, and the matching F-series shares with a total nominal value of up to PLN 15,077.

The issue of the subscription warrants will be dedicated to the members of the Management Board and to the key executives appointed by the Management Board and authorized by the Supervisory Board.

The Eligible Persons will be able to exercise their right to take up shares in the Company on the condition of the fulfilment of certain conditions, and especially on the condition of being in the employment relationship or other similar relationship being the basis for rendering services to the Company or to the subsidiary companies from the first date of listing of the Company's shares on the Warsaw Stock Exchange to the date directly preceding the date of exercising the rights under the subscription warrants of the given series.

In addition, exercising the right from the subscription warrants will be possible on the condition of achieving appropriate growth of EBITDA per Company share, achieving appropriate growth in the net profit per share, and achieving appropriate rate of return on the Company's shares on the WSE regulated market in relation to the dynamics of WIG index changes in the period, in which the subscription warrants are to be issued.

The issue price of the shares covered by the Incentive Program will equate the final unit selling price of the Company's shares to Individual Investors in the First Offering, reduced by certain appropriate percentage ratio.

Detailed policies of this incentive scheme were described in the Regulations of the Incentive Program adopted by the Supervisory Board by Resolution No. 4 of 12 December 2014.

Since in October 2014, a list of Eligible Persons was prepared and an allocation was made of the number of shares to individual persons, the Company valued this Incentive Program as at 31 December 2014 in accordance with IFRS 2 *Share-based Payment*. As at 31 December 2016, appropriate update of this valuation was performed.

Presented below is the cost of the program for the subsequent years and the value of capital under the incentive scheme at consecutive reporting dates.

Value of capital and cost of incentive programs	Year ended 31 December 2016	Year ended 31 December 2015
Capital under incentive Program II	658,095.00	1,572,673.89
Cost of Program II	387,249.05	2,043,290.53

In the reporting period, the Company did not operate employee share incentive schemes and therefore no underlying controls operated.

7. Rules of best practice and corporate governance

A. Best practice and corporate governance in 2016

On January 2016, a new set of the rules of corporate governance called „The Code of Best Practice for WSE Listed Companies 2016” („Best Practice 2016”) representing an Appendix to the Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange dated 13 October 2015 came into effect.

The following Rules (Recommendations) for Best Practice 2016 for WSE Listed Companies were not complied with by the Company in 2016: I.Z.1.20, II.Z.10.1, III.Z.4, III.Z.5, V.Z.6 and VI.Z.4. The justification for the Company’s derogating from the above Rules was provided in the Report EBI 1/2016 and EBI 2/2016.

B. Information on the lack of policy for pursuing sponsoring activities

As regards Recommendation I.R.2. of Best Practice 2016, which states that „where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report”, the Management Board of the Company hereby presents the following summary:

The Alumetal Group has cooperated with the local communities of the sites, in which the production plants of ALUMETAL Poland sp. z o.o. are located, and directly with respective local government units. For many years now, the Alumetal Group has been involved in numerous aid programs at local level, mainly through the financial support which is directed to the didactic-educational centres, as well as to independent associations and social systems, cultural facilities, sports clubs, and directly to the organization of cultural events.

The Group provides financial assistance to local kindergartens, schools, supports construction of playgrounds and sports facilities (mainly for children and young people).

In the case of natural disasters or other unforeseeable circumstances, the Alumetal Group organizes material aid to employee sufferers and their families.

The Alumetal Group does not operate any special sponsoring policy. The decision on the form of assistance is made by the Management Board on an individual basis.

C. Internal control system and risk management

The Management Board of the parent is responsible for the internal control system of the entire Group and for its efficiency during the process of preparation of periodic reports, separate and consolidated accounts, prepared and published in accordance with the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on the conditions for recognition as equivalent the information required by laws of non-EU member states (the “Decree on current and periodic information”).

The supervision function over financial statements and periodic reports preparation process carried out mainly by the finance division of the Group is realised by the Financial Director of ALUMETAL S.A. – Member of the Management Board (CFO).

The main method to ensure efficiency of the internal control and risk management systems with respect to the process of separate and consolidated accounts preparation is that of ensuring adequacy, truth and fairness, and correctness of the financial information disclosed in periodic reports and in financial accounts, and that of ensuring confidential information privacy and security.

The internal control and risk management systems operated by the Group in the process of financial reporting were created mainly owing to the following:

- operating a Group-wide, authorised and uniform (consistent) accounting policy,
- clear segregation of duties, and well-defined work organization and supervision in the financial reporting process, as provided in the procedures, instructions and regulations, and included in the following documents:
 - Warehouse instructions,
 - Instructions on hard close and financial statements close process (FSCP),
 - Instructions on registration of data in the integrated IT management system,
 - Physical count instructions,
 - Regulations on circularization of confidential information,
 - Procedures for preparation of periodic reports,
 - Internal ESPI regulations,
- application of integrated IT management system which considerably limits the risk of data inconsistency and irregularity (minimization of technical-type risk),
- results and control reports analysis by Group’s internal specialists at individual stages of reports preparation (minimization of substantial-type risk),
- financial results and financial ratios analysis at each level of business by appropriate control units, at the level of a subsidiary and the parent,
- regular cooperation with financial-accounting, tax and legal advisors to ensure correct (consistent with binding accounting policies and legal regulations) recognition and disclosure of individual business operations and business events in periodic reports and annual accounts,
- audit of financial statements by a certified auditor.

The Supervisory Board has the capacity to appoint certified auditors of the Company, and in fulfilling the tasks of the audit committee, as provided in the Company’s Statutes, the Supervisory Board:

- supervises internal organizational unit responsible for internal audit,
- monitors financial reporting processes,
- monitors efficiency of internal control, internal audit and risk management systems,

- oversees performance of financial audit activities,
- monitors independence of a certified auditor and the entity authorised to audit financial statements, including in the event of rendering to the Company services other than attest services.

III. Information about business activities of ALUMETAL S.A.

The scope of business activities of the Company has been defined in § 4 of the Company's Statutes and comprises, in particular, the head office and holding-related activities, except for financial holdings (PKD 70.10.Z).

ALUMETAL S.A. is a holding company which renders to the companies of the Alumetal Group the following services:

- management services,
- trading and marketing services,
- development and investment services,
- financial-accounting services,
- controlling services,
- people advisory services (HR & Payroll),
- IT services.

The exception to the above is the ALUMETAL Group Hungary Kft., which in the area of finance, accounting and payroll has been serviced by companies from its mother country.

The above services have been rendered based on contracts for services between ALUMETAL S.A. and ALUMETAL Poland sp. z o.o., T+S sp. z o.o. and Alumetal Group Hungary Kft., with the proviso that the majority of revenues from sale of services is earned by ALUMETAL S.A., based on a subsidiary management contract with ALUMETAL Poland sp. z o.o. (covering management, trading, marketing, development, investments, controlling and people advisory i.e. HR and payroll services).

IV. Assessment of situation of ALUMETAL S.A.

1. Basis of preparing financial statements and information on the entity authorised to audit financial statements

The financial statements for 2016 as well as the comparative data for the prior financial year have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and the related interpretations issued in the form of regulations of the European Commission.

The entity authorised to audit the financial statements and the consolidated financial statements of the Company is Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Rondo ONZ, 01-124 Warsaw, based on the agreement dated 8 August 2014. The agreement will expire after the completion of the 2017 audit.

The table below shows remuneration of the entity authorised to audit financial statements, paid or payable for the year ended 31 December 2016 and 31 December 2015, by type of services:

<i>Type of service</i>	<i>Year ended 31 December 2016</i>	<i>Year ended 31 December 2015</i>
Statutory audit of financial statements	35,500.00	35,500.00
Review of interim financial statements	20,000.00	20,000.00
Total	55,500.00	55,500.00

2. Sources of revenues of ALUMETAL S.A.

A. Sales of ALUMETAL S.A.

During the reporting period, the source of revenues of ALUMETAL S.A. as holding company were solely the following services rendered to the subsidiary companies: management, trading and marketing services, development and investment services, financial-accounting services and IT services.

Presented in the table below are sales revenues of ALUMETAL S.A.:

Structure of revenues of ALUMETAL S.A.	Year ended 31 December 2016	Year ended 31 December 2015
Sales of finished goods	-	-
Sales of raw materials and scrap	2,276.44	3,120.43
Sales of goods for resale	-	-
Sales of services	14,818,348.17	11,799,992.31
Total sales revenue	14,820,624.61	11,803,112.74

B. Finance income

A significant source of finance income of ALUMETAL S.A. is dividend from subsidiary companies:

Dividends received, of which from:	Year ended 31 December 2016	Year ended 31 December 2015
T+S sp. z o.o.	1,495,340.65	703,501.50
ALUMETAL Poland sp. z o.o.	76,500,000.00	57,926,376.57
Total	77,995,340.65	58,629,878.07

The level of dividend paid by subsidiary companies depends on the need for finance of ALUMETAL S.A. and on the financial results achieved by those companies.

On 13 May 2016, the Ordinary Annual General Meeting resolved to appropriate the Alumetal S.A.'s profit for the year from 1 January 2015 to 31 December 2015 in the following manner:

- PLN 38,831,935.00 - deriving from the Company's net profit for the year – to dividend payment,
- PLN 34,200.00 – to transfer to the Company's Social Fund
- PLN 17,389,670.40 – to transfer to the Company's reserve capital.

The amount of dividend of PLN 38,831,935.00 was paid on 7 June 2016. Eligible to dividend payment were the Shareholders of the Company who were entitled to the shares on 20 May 2016.

The value of dividend per share authorised for payment from the 2015 net profit was PLN 2.55.

In order to facilitate financing by ALUMETAL S.A. of the increase in the issued capital of ALUMETAL Group Hungary Kft., ALUMETAL Poland sp. z o.o. made in 3Q 2016 to ALUMETAL S.A. an advance payment towards 2016 dividend in the amount of PLN 11,500,000.00.

C. One-off revenue items

In 2016, no significant one-off revenue items occurred.

3. Cost of business activities of ALUMETAL S.A.

The recorded revenue from sale of services to related entities cover the cost of sale of services rendered by ALUMETAL S.A.

Nevertheless, ALUMETAL S.A. as holding company incurs the costs of execution of own business tasks, which contribute to incurring operating losses. The most significant cost items in this area are advisory, audit and legal services and the costs relating to the activities of the governing bodies of ALUMETAL S.A. and to its status of a public company, as well as costs of incentive scheme valuation and remuneration with surcharges.

The recorded finance income, among other things, in the form of 2016 dividend from subsidiary companies, allowed the Company to achieve positive net financial result in the reporting period.

4. Results and financial position of ALUMETAL S.A.

The table below shows summarized financial data of Alumetal S.A. for 2016 compared to the prior year:

ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME & STATEMENT OF CASH FLOWS	In PLN thousand		In EUR thousand	
	12 -month period of 2016	12 -month period of 2015	12 -month period of 2016	12 -month period of 2015
Net sales	14 821	11 803	3 387	2 820
Operating profit/ (loss)	-510	-2 039	-117	-487
EBITDA	246	-1 262	56	-302
Profit before tax	77 325	55 982	17 672	13 378
Net profit	77 453	56 256	17 701	13 443
Net cash flow from operating activities	2 166	-1 892	495	-452
Net cash flow from investing activities	-8 625	25 137	-1 971	6 007
Net cash flow from financing activities	6 065	-21 846	1 386	-5 220
Total net cash flow	-394	1 399	-90	334
Basic net earnings per share attributable to equity holders of the parent (in PLN / EUR)	5.06	3.71	1.16	0.89
Diluted net earnings per share attributable to equity holders of the parent (in PLN / EUR)	5.05	3.68	1.15	0.88

ITEMS OF THE STATEMENT OF FINANCIAL POSITION	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total assets	306 343	227 960	69 246	53 493
Non-current assets	301 274	223 001	68 100	52 329
Current assets	5 069	4 958	1 146	1 164
Shareholders' equity	259 238	215 753	58 598	50 628
Issued capital	1 538	1 523	348	357
Non-current liabilities	43 072	3 479	9 736	816
Current liabilities	4 034	8 728	912	2 048
Number of shares	15 378 980	15 228 210	15 378 980	15 228 210
Basic carrying amount per share (in PLN / EUR)	16.94	14.24	3.83	3.34
Diluted carrying amount per share (in PLN / EUR)	16.89	14.14	3.82	3.32
Declared or paid dividend per share (in PLN / EUR)	2.92*	2.55	0.66*	0.60

** declared dividend*

The above financial data for 2016 and 2015 were translated into EUR in the following manner:

- components of assets and liabilities – at the average NBP exchange rate prevailing as at 31 December 2016 i.e. EUR/PLN 4.4240, and 31 December 2015 i.e. EUR/PLN 4.2615

- components of the statement of comprehensive income and the statement of cash flow – at the exchange rate being the mathematical average of the NBP exchange rates prevailing at the last days of the month: for 12 months of 2016 - EUR/PLN 4.3757 and for 12 months of 2015 - EUR/PLN 4.1848.

Net profit for the entire year 2016 amounted to PLN 77,453,188.25, while for 2015 – to PLN 56,255,805.90 thousand.

In 2016, ALUMETAL S.A. paid dividend for 2015 in the amount of PLN 38,831,935.50, which means that the value of paid dividend per share was PLN 2.55.

The table below shows the listing of the most significant financial ratios that facilitate comprehensive assessment of the profitability, liquidity and indebtedness of ALUMETAL S.A.

Financial ratio	Ratio description	2016	2015	2014
Net profit margin	Net profit/Net sales	522.6%	476.6%	14.8%
Return on assets (ROA) (%)	Net profit/Total assets	25.3%	24.7%	0.8%
Return on equity (ROE) (%)	Net profit/Shareholders' equity at the beginning of the period	35.9%	30.8%	0.8%
Liquidity I	Total current assets/Current liabilities	1.3	0.6	0.8
Stability of financing (%)	(Shareholders' equity + Non-current liabilities)/Total equity and liabilities	98.7%	96.2%	98.1%
Debt ratio (%)	(Total equity and liabilities – Shareholders equity)/Total assets	15.4%	5.4%	2.2%

The financial position of ALUMETAL S.A. is closely related to the financial position of the entire Group due to the fact that the financial policy and risk management are realized at the consolidated level.

The margins earned by the Group are stable, the balance of interest liabilities is low, the working capital ratio is high, and the financial liquidity is good, and this causes that the perspective of ALUMETAL S.A. and its subsidiary companies for timely discharging of their liabilities is safe.

The above assessment of the financial position was confirmed by an external institution i.e. the EuroRating sp. z o.o. rating agency, which on 28 January 2015 assigned ALUMETAL S.A. the BBB investment level credit rating. The EuroRating sp. z o.o. rating agency is registered as the rating agency in the European Union (in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies) and is under direct supervision of the European Securities and Markets Authority (ESMA). Thus the EuroRating sp. z o.o. agency holds the ECAI status (i.e. External Credit Assessment Institution – pursuant to the provisions of 4 section 1

point 98 of Regulation (EC) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms).

The rating assigned by rating agencies defines the financial credibility and ability of an enterprise to settle its short- and long-term liabilities in the perspective of up to 3 years.

The assessment of the Alumetal Group accounted for its business specificity, Group development plans and the realized dividend policy, and covered the potential threat factors to the Group's business arising from the relatively high market cyclicity and client concentration, considerable fluctuations in the employed working capital, planned increase in the balance of loans and borrowings and possible temporary business profitability decrease. All these factors and threats did not prevent the agency from assessing the perspective of ALUMETAL S.A.'s rating as "stable".

During 2016, the awarded rating was updated after publication of each current report i.e. on 29 April, 24 June, 28 September and 20 December 2016 and was upheld at the original level. These re-assessments did not change either the awarded rating or the assessed perspective.

5. Intra-Group transactions

In the reporting period, the Issuer did not make any significant transactions with related entities on the terms and conditions other than those prevailing in arm's length transactions.

6. Significant events in 2016

A. Granting surety for cash subsidy contract

On 7 January 2016, ALUMETAL S.A. issued a surety to the ALUMETAL Group Hungary Kft. in connection with a Contract for cash subsidy of 27 October 2015 concluded with the Ministry of Foreign Affairs and Trade of Hungary, in case the ALUMETAL Group Hungary Kft. was obligated to return the received public aid and the related interest and did not discharge this obligation as provided in this Contract; the surety was issued to the amount not exceeding 120% of the received public aid. As at the reporting date, 2 tranches of cash subsidy pre-financing were paid out for the total amount of HUF 784,800,400 (the equivalent of PLN 11,163,000.89), while at the date of the preparation of this Directors' Report a total of 3 tranches of cash subsidy were paid out in the total amount of HUF 939,312,070 (the equivalent of PLN 13 306 077.75).

B. Investment in 15% of shares of a French producer of aluminium alloys

In the period from 28 January 2016 to 1 December 2016, ALUMETAL S.A. held 15% of shares in SKTB ALUMINIUM Spółka akcyjna uproszczona [simplified joint stock company] (French-law based company) headquartered in Gorcy (France) acquired from the majority shareholder, Fonds Lorrain de Consolidation Spółka akcyjna uproszczona [simplified joint stock company] (French-law based company), headquartered in Metz (France).

SKTB ALUMINIUM Spółka akcyjna uproszczona [simplified joint stock company] (hereinafter „SKTB”) is a producer of secondary aluminium alloys with an annual production capacity of approx. 45 thousand tons.

The main scope of SKTB's business activities comprises:

- smelting and forming process of non-ferrous metals, especially smelting of aluminium and other light metals, processing of materials and goods containing aluminium,
- production of other non-ferrous metals and alloys,
- trading in ferrous and non-ferrous metals, semi-finished goods, by-products and smelting waste.

On 18 October 2016, ALUMETAL S.A. exercised the put option included in the agreement with current majority shareholders i.e. the right of ALUMETAL S.A. to re-sell the earlier acquired shares to their prior owners at their acquisition price. The shares were re-sold on 1 December 2016, and the consideration was paid in full on 6 December 2016, which effectively means that as at 31 December 2016 the parties had no mutual liabilities or obligations under this transaction.

C. Successive additional payments to the issued capital of Alumetal Group Hungary Kft.

By the end of 2015, ALUMETAL S.A. made additional payments to the issued capital of the Alumetal Group Hungary Kft. for the amount of HUF 2,800,000,000.00, of which the amount actually paid in was HUF 2,300,000,000.00. The outstanding amount was paid in 1Q 2016. In 2Q 2016, another additional payments to the issued capital of the Alumetal Group Hungary Kft. were made in the amount of HUF 1,500,000,000.00. In 3Q 2016, ALUMETAL S.A. made yet another additional payments to the issued capital of the ALUMETAL Group Hungary Kft. for the amount of HUF 1,200,000,000.00, of which the whole amount was paid in. As a result, at the reporting date (and as at the date of this Directors' Report) the paid-in issued capital of the ALUMETAL Group Hungary Kft. was HUF 5,500,000,000.00 (being the equivalent of PLN 75,080,492,00).

D. Payment of dividend for 2015

On 14 March 2016, the Management Board of ALUMETAL S.A. recommended that the Company's net profit for 2015 in the amount of PLN 56,255,805.90 (in words: fifty six million two hundred fifty five thousand eight hundred five zloty and ninety groszy) was appropriated in the following manner:

- PLN 38,831,935.50 (in words: thirty eight million eight hundred thirty one thousand nine hundred thirty five zloty and fifty groszy) – to payment of dividend to the Company's shareholders i.e. PLN 2.55 (in words: two zloty fifty five groszy) per share,
- PLN 34,200.00 (in words: thirty four thousand two hundred zloty zero groszy) – to transfer to the Company's Social Fund
- the remaining amount of PLN 17,389,670.40 (in words: seventeen million three hundred eighty nine thousand six hundred seventy zloty forty groszy) – to transfer to the Company's reserve capital.

The Management Board recommended establishment of dividend date at 20 May 2016 and dividend payment date – at 31 May 2016.

The Supervisory Board of the Company at its meeting on 15 April 2016 approved the proposal of the Company's Management Board on the appropriation of profit for 2015 and recommended to the Annual General Meeting appropriation of profit consistently with the Management Board's proposal.

At the same time, the Supervisory Board of the Company recommended to change the date of dividend payment from 31 May 2016, as proposed by the Management Board, to 7 June 2016.

The Company informed about the decisions of its authorities concerning appropriation of 2015 profit in its current reports No. 5/2016 of 14 March 2016 and No. 7/2016 of 15 April 2015. The Annual General Meeting of ALUMETAL S.A. with the agenda covering appropriation of profit for 2015 took place on 13 May 2016, about which the Company informed in its current report No. 10/2016 of 13 May 2016.

The Annual General Meeting of ALUMETAL S.A. concurred with the recommendation of the Management Board regarding appropriation of the Company's net profit for 2015 and with the opinion of the Supervisory Board regarding establishment of dividend date at 20 May 2016 and dividend payment date at 7 June 2016.

The Company informed the public about the Resolution of Annual General Meeting of ALUMETAL S.A. concerning profit appropriation and dividend payment in its current report No. 11/2016 of 13 May 2016.

Dividend in the amount stated above was paid on 7 June 2016.

E. Advance payment towards dividend by ALUMETAL Poland sp. z o.o. to ALUMETAL S.A.

In order to facilitate financing by ALUMETAL S.A. of the increase in the issued capital of ALUMETAL Group Hungary Kft., ALUMETAL Poland sp. z o.o. made in 3Q 2016 to ALUMETAL S.A. an advance payment towards 2016 dividend in the amount of PLN 11,500,000.00.

F. Extension of short-term loan agreements for another year

In 2Q 2016, the Alumetal Group, including ALUMETAL S.A., extended with ING Bank Śląski S.A., BPH S.A. (currently Alior Bank S.A.) and Bank Handlowy w Warszawie S.A. its short-term loan agreements for another year, thus increasing its total Group's short-term loan facility in the banks in Poland (due to the planned commencement of production in Hungary) by PLN 30 million to the amount of PLN 130 million (detailed listing of loan agreements was presented in point VIII.1. of this Directors' Report).

G. Launch of the service of receivables insurance

Given its further trade expansion, the Company decided to change the Group-wide approach to trade risk management and signed an agreement for receivables insurance. Verification of trade receivables covered the entire balance of sales to non-related entities, except for the sales to the three largest customers of the Alumetal Group (the Federal Mogul Group, Nemak Group and the Volkswagen Group), and the insurance taken covered the period from 1 April 2016.

H. Full utilisation of the investment loan taken out to finance the construction of a production plant in Hungary

In connection with the continuation of investment processes at the Production Plant in Hungary, ALUMETAL S.A. drew the last tranche of the investment loan in ING Bank Śląski S.A. (drawn funds were immediately transferred to the ALUMETAL Group Hungary Kft. in the form of a long-term loan).

The amount of the incurred investment loan (and of the long-term loan to the Hungarian subsidiary) amounted as at 11 July 2016, 31 December 2016 and at the date of this Directors' Report to EUR 10,000,000.00 which means that the loan was disbursed in the full planned amount.

7. Significant events after the reporting date

After the reporting date, no events of particular importance were recorded.

V. Realised investments and development work

1. Information on major research and development achievements

The most significant investment of ALUMETAL S.A. in 2016 was making subsequent contributions to the issued capital of the 2014-incorporated company, ALUMETAL Group Hungary Kft. with a view to executing the project called *Construction of a Production Plant in Hungary* (“*Budowa Zakładu na Węgrzech*”) in the amount of HUF 2,700,000,000.00, which caused that as at 31 December 2016 the amount of paid-in capital in this entity was raised to HUF 5,500,000,000.00 (being the equivalent of PLN 70,080,492.00).

The purpose of this investment was to execute the project called *Construction of a Production Plant in Hungary*.

2. Development directions of ALUMETAL S.A.

It is expected that in the foreseeable future, ALUMETAL S.A. will continue to realize the tasks of a holding entity consisting in rendering management, trading and marketing, development and investment, financial-accounting, controlling, people advisory (HR & Payroll) and IT services to the subsidiary companies. The execution of these tasks will contribute to realization of Group’s development plans and to achievement of its strategic objectives, being - above all - building company’s value for the shareholders through increasing sales volumes of Group products, and maximizing profitability, while retaining the Company’s dividend capacity.

3. Financing development of ALUMETAL S.A. and subsidiary companies

Financing of ALUMETAL S.A. is closely related to the financial situation of the entire ALUMETAL S.A. Capital Group.

Owing to high operating cash flows, the Alumetal Group is able to finance its development from own financial resources, while retaining the capacity to realize the adopted dividend policy. Good and stable operational profitability of the Group, satisfactory financial liquidity and low debt cause that the financial standing of the Group is very good . The ratio of Net debt/EBITDA, as the most significant ratio from the point of view of loan and credit agreements, fell in the last 4 years from 1.8 at the end of 2011 to 0.8 at the end of 2016. Given the fact that in the loan agreements this *covenant* is set at the level of 3.0, the achieved ratio indicates that the Group has considerable potential to finance its further development and realize at the same time the provisions of the adopted dividend policy.

The planned sources for Group development financing are mainly partially retained net profits, investment loans and public aid available to Group companies, both in the case of the Hungarian project and in the case of investments in Polish production plants located in special economic zones (SEZ) under the already held SEZ licenses. The Group will continue to use current financial surplus, short-term loans and factoring agreements as the source for working capital financing.

The Company concluded a number of contracts with a view to securing finance for the project *Construction of a production plant in Hungary* in the following order:

- an investment loan of 15 October 2015 between ALUMETAL S.A. and ING Bank Śląski S.A. taken out with a view to granting a loan to the subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of a production plant, in the amount of EUR 10 million with the maturity date set at 14 October 2022,
- contract of 21 October 2015 for cash subsidy between ALUMETAL Group Hungary Kft. and the Hungarian Ministry of Foreign Affairs and Trade,
- a long-term loan agreement of 26 October 2015 between ALUMETAL S.A. and the subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of a production plant, in the amount of EUR 10 million with the maturity date set at 14 October 2022,
- in 2Q 2016, the Alumetal Group extended with ING Bank Śląski S.A., BPH S.A. (*currently Alior Bank S.A.*) and Bank Handlowy w Warszawie S.A. its short-term loan agreements for another year, and ALUMETAL Group Hungary Kft. signed on 12 September 2016 an agreement with Citibank Europe plc Hungarian Branch Office for a short-term bank loan of EUR 1,875,000 thus increasing, due to the planned commencement of production in Hungary, the total loan limit of the Alumetal Group by approx. PLN 30 million to the amount of approx. PLN 138 million.

As a result, the financial resources of ALUMETAL S.A. allow to fully discharge incurred current and future liabilities relating to Company's development plans.

VI. Human capital management

1. Recruitment policy

The recruitment policy at the Alumetal S.A. Capital Group depends on current personnel needs. The activities of the recruitment policy at Alumetal Group focus on securing optimum levels of employment appropriate to the execution of Group business objectives, and are based on the two key aspects: internal and external recruitment. Internal recruitment consists in vertical or horizontal promotion of employees.

Management promotions (vertical promotions) consist in promoting employees upwards in the posts hierarchy, by extending the scope of accountability and increasing teams of subordinated employees of a newly promoted person. Specialist promotions (horizontal promotion) consist in extending employee tasks, developing employee qualifications, experience and specialist knowledge of the given discipline.

In 2016, Alumetal S.A. continued with its external recruitment policy aimed at attracting top class specialists, whose knowledge and competences, when coupled with the experience of the current employees, will ensure continuity and the best possible realization of business processes of the Group.

2. Structure of employment

As at 31 December 2016, Alumetal S.A. had 55 employees, which was 14 persons more than as at 31 December 2015.

Company	31 December 2016	31 December 2015
White-collar employees	55	41

3. Communication

ALUMETAL S.A. places great emphasis on development of communication skills. It was ensured that the internal and external communication is clear, adequate and transparent, and emphasis was placed on the importance of such values as trust, openness, cooperation and loyalty.

4. Professional development and training

In 2016, ALUMETAL S.A. commenced the cycle of executives training with a view to strengthening employee competences and shaping business culture of the Group. This training is continued in 2017 and the number of training participants has systematically increased.

Depending on the length of service, occupied position, needs and strategy of the Group and the plans of individual departments, Group employees participate in:

- adaptation training – part of the program is a one-day training during which employees with longer period of service at the Group share their knowledge on the matters related to the functioning and working at the Group. The new employee receives material information on

employee-related matters, learns about binding rules and regulations, about used systems or basic technologies,

- all-Company projects – in the form of, for example, training relating to communication and client servicing or management skills,
- individual specialist training – in the form of, for example, training relating to project or finance management, or issues resulting from labour law requirements,
- computer training – in the form of applications required to perform work in certain departments (e.g. Microsoft Excel),
- language training (English language),
- training enhancing qualifications and permissions of blue-collar employees.

VII. Quality, environmental protection and labour hygiene and safety

ALUMETAL S.A., as part of its services rendered to subsidiary companies, also shaped the policy in the area of environmental protection, labour quality, hygiene and safety.

The operated policy of high quality products is the result of adopted development strategy and aspirations formulated in the strategic objectives of the Alumetal Group. Similarly, environmental protection and labour hygiene and safety are embedded in the Group's policy. Having in mind that the conducted production processes may have impact on natural environment, in executing its business tasks the Company has always taken into account all binding laws and other regulations of environmental protection. At the same time, the overriding objective is care for the health and life of Company's employees, as well as care for labour safety at each workstation.

VIII. Loans and borrowings, and other financial agreements

1. Loans and borrowings taken out

Interest-bearing loans and borrowings				31 December 2016	31 December 2015
	Available limit	Currency*	Maturity date	Limit utilised	Limit utilised
<i>Overdraft facility:</i>					
Limit facility at ING Bank Śląski S.A. with an interest rate based on 1M WIBOR (PLN) + margin, 1M EURIBOR (EUR) + margin	5 000 000.00	PLN*	21.06.2017	59 695.64	105 145.44
Limit facility for Alumetal Poland sp. z o.o. at Bank Handlowy w Warszawie S.A. with an interest rate based on 1M LIBOR (USD) + margin, 1M WIBOR (PLN) + margin, 1M LIBOR (EUR) + margin, 1M HUF BUBOR (HUF) + margin	48 000 000.00	PLN*	19.05.2017	–	–
Limit facility at Alior Bank S.A. (assumed from BPH S.A.) with an interest rate based on 1M WIBOR (PLN) + margin, 1M EURIBOR (EUR) + margin	2 000 000.00	PLN*	22.06.2017	3 231.81	37 379.20
Short-term portion of the investment loan issued by ING Bank Śląski S.A. in the amount of EUR 10 million, with an interest rate based on 1M EURIBOR + margin taken out to finance the construction of a production plant in Hungary	10 000 000.00**	EUR	14.10.2022	1 477 616.00	–
Total short-term portion	–	–	–	1 540 543.45	142 524.64
Long-term portion of the investment loan issued by ING Bank Śląski S.A. in the amount of EUR 10 million, with an interest rate based on 1M EURIBOR + margin taken out to finance the construction of a production plant in Hungary	10 000 000.00**	EUR	14.10.2022	42 762 384.00	3 109 045.51
Total	–	–	–	44 302 927.45	3 251 570.15

* the „currency” means solely the currency of the limit and thus may differ from loan currency

** the total limit for the short- and long-term portion of the investment loan is EUR 10 million

2. Loans granted

ALUMETAL S.A. or its subsidiary company issued in the reporting period the following loans and borrowings:

- Increase from PLN 24 thousand to PLN 30 thousand of a short-term, PLN-based loan issued to the related company, ALUMETAL Kęty sp. z o.o., with an interest rate of 1M WIBOR and maturity date set at 30 June 2017;
- Issuance on 26 October 2015 of a long-term loan by ALUMETAL S.A. to its subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of a production plant in Hungary, in the amount of EUR 10 million and the maturity date set at 14 October 2022. As at 31 December 2016, the value of the loan disbursed was EUR 10,000,000.

IX. Contingent assets and contingent liabilities, sureties and guarantees and off-balance sheet liabilities

1. Court and litigation proceedings

As at 31 December 2016, the Company was not a party to litigation proceedings with a value equating or exceeding, in whole or in part, 10% of the shareholders' equity of the Company.

2. Sureties

Presented below is a list of sureties issued by ALUMETAL S.A.:

- surety in respect of a long-term investment loan taken out in 2010 by Alumetal Poland sp. z o.o. at ING Bank Śląski S.A. in the amount of EUR 9 500 000.00, with an interest rate of 1M WIBOR +margin, 1M EURIBOR + margin. As at 31 December 2016, the loan was repaid in full (by 30 June 2016).
- surety issued on 7 January 2016 to the ALUMETAL Group Hungary Kft. in connection with a Contract for cash subsidy of 27 October 2015 concluded with the Ministry of Foreign Affairs and Trade of Hungary, in case the ALUMETAL Group Hungary Kft. was obligated to return the received public aid and the related interest and did not discharge this obligation, as provided in this Contract; the surety was issued to the amount not exceeding 120% of the received public aid. As at the reporting date, 2 tranches of cash subsidy pre-financing (advance payment) were paid out for the total amount of HUF 784,800,400 (the equivalent of PLN 11,163,000.89), while at the date of the preparation of this Directors' Report a total of 3 tranches of cash subsidy were paid out in the total amount of HUF 939,312,070 (the equivalent of PLN 13,306,077.75).
- sureties in respect of trade liabilities of Alumetal Group Hungary Kft in favour of the suppliers of the Hungarian subsidiary. The total value of these sureties amounted as at 31 December 2016 to the equivalent of PLN 6,077,69.

In the reporting period, ALUMETAL S.A. did not receive any significant sureties or guaranties.

3. Contingent liabilities

As at 31 December 2016, the Company did not report any contingent liabilities with a value equating or exceeding, in whole or in part, 10% of the shareholders' equity of the Company.

X. Financial risk management objectives and policies

The main type of business activity of the Company is conducting operations of a holding company. As part of these operations, the Company manages the financial risk incurred by the companies of the Alumetal Group. The main types of risk described in detail in the consolidated financial statements of the Alumetal SA Capital Group for the year ended 31 December 2015 are the following:

- interest rate risk,
- foreign currency risk,
- commodity price risk,
- credit risk,
- liquidity risk.

The financial risk management objectives and policies did not change compared to those valid as at 31 December 2015, except for the developments in the area of credit risk consisting in seeking insurance coverage for receivables, starting from 1 April 2016.

By way of conducting its holding activities, the Company has also managed capital of the companies belonging to the Alumetal S.A. Capital Group.

The objectives and policies of financial risk management cover the risks described below:

1. Interest rate risk

The Company is exposed to interest rate risk arising from the financial instruments used to finance operating and investing activities i.e. short- and long-term loans, factoring services on own receivables and short-term deposits.

The above financial instruments are based on variable interest rate of WIBOR (for PLN), EURIBOR (or LIBOR for EUR) and to the lesser extent – on BUBOR (HUF) and LIBOR (for USD).

The Alumetal Group does not hedge against interest rate risk because the instruments used are, in the majority of cases, of short-term character. As regards long-term loans, the financial instruments hedging against interest rate risk are based, to a great extent, on the expectations and forecasts, which under the specific market circumstances in the analysed reporting period did not encourage the use of those instruments, and therefore they were not used to hedge against interest rate risk also in this area.

2. Foreign currency risk

The Company is exposed to foreign currency risk in connection with the transactions of current operations. Such exposure arises from the sale or purchase transactions made by Group companies in the currencies other than their measurement currency. The Alumetal Capital Group has widely used the so-called natural hedge mechanism, as sale transactions in foreign currencies have been largely balanced by purchase transactions. Nevertheless, as a result of the occasional lack of balance between these two types of business transactions, foreign currency risk is generated.

The Group regularly monitors its EUR/ PLN, USD/ PLN and EUR/HUF currency position, and systematically concludes hedging transactions, in accordance with its hedge accounting policy and using the accepted types of derivative financial instruments. In practice, the Group uses mainly forward contracts, and only in the periods of great volatility of exchange rates, the Group applies option strategies as a tool which is more flexible than basic forward contracts.

The applied strategy of hedge accounting includes also certain additional elements of natural hedging mechanism i.e. the fact that the Group uses long- and short-term foreign currency loans and borrowings, and the fact that a large portion of the PLN-based purchase and sale transactions is indirectly affected by the EUR/PLN quotations. All these elements cause that the foreign currency risk at the Alumetal Group, especially in the medium and long-term, is materially limited.

The main principle of the Group's hedge accounting strategy is the policy of not entering into speculative transactions. The concluded derivative transactions serve solely to limit the risk resulting from operating activities and to stabilize the financial results.

3. Commodity price risk

Selling prices are directly or indirectly related to the quotations on the London Metal Exchange ("LME") (Londyńska Giełda Metali). The quotations with the most significant effect are the quotations of pure aluminium (LME HG) and aluminium alloys (LME AA), while the quotations of several other metals such as nickel or copper are of far lesser importance. The correlation of these quotations with the prices of goods of the Alumetal Group, although relatively strong, is not – however - full, especially in a short period of time. In addition, the mechanism of natural hedging is applied in this area as the prices of purchase of raw materials, which account for approx. 85% -90% of the production costs, are also correlated with LME's quotations, particularly in a long term. This causes that the risk of LME's commodity price fluctuations causes a limited threat to the financial results of the Group. For these reasons, the Group does not use any instruments hedging against fluctuations in LME's quotations of raw materials.

4. Credit risk

The credit risk of the Alumetal Group arises from the concluded trading contracts and the possibility of negative effects of business partner insolvency, partial non-payment or delayed payments of the amounts due.

Until 2015, the policy of the Group in this area assumed regular verification of client financial standing (based on the financial data made available by clients and based on the information obtained from credit bureaus), monitoring of this standing and the ongoing analysis of timeliness of trade debtor payments through the proactive approach of debt recovery team, operating in accordance with Group's relevant debt collection procedure.

Given its further trade expansion, the Company decided to change its approach to trade risk management, and in the 1st half of 2016 signed an agreement for receivables insurance. Verification of trade receivables covered the entire balance of sales to non-related entities, except for the sales to the three largest customers of the Alumetal Group (the Federal Mogul Group, Nematik Group and the Volkswagen Group), and the insurance taken covered the period from 1 April 2016. As a result, the

credit risk of the Company became considerably limited. However, one should note that pursuant to the policies operating in this type contracts, part of receivables of each customer is not insured due to the so-called “own share” of the policy holder; in addition, the Company’s Management Board, given the wording of the insurance contract, has the right to take a sale decision that originates customer receivables in the amount higher than the coverage limit granted by the insurer.

The above approach facilitates intensive quantitative and geographical sales development, without increasing the risk of credit activities of the Group. The fact of insuring receivables and the relatively wide and diversified client portfolio and very good financial standing of the Group cause that the risk of credit exposure is very limited.

5. Liquidity risk

The Group is exposed to the risk of possible liquidity problems, mainly in the case of default payment or potential non-recovery of significant debt balances. An issue of importance for the Group is also its capacity to ensure appropriate finance for further development i.e. the funds required for investment expenditure or the need for higher working capital due to growing sales. Evident short-term price increases may also result in a demand for higher working capital balance. If coupled with materially deteriorated financial results, the Group could suffer from difficulties in securing appropriate amounts of external borrowings.

However, for many years now, the Group has used multi-currency overdraft facility lines which fully match its financial liquidity requirements. To this end, the Group has used services of several banks by taking out short- and long-term loans and borrowings in those banks, and by using their factoring services. The above instruments and reported good financial results cause that despite the Group’s intensive development (bringing high investment expenditure and higher demand for working capital financing), the risk of the loss of financial liquidity does not occur.

XI. Risk factors with possible impact on the financial results of ALUMETAL S.A.

The financial results of ALUMETAL S.A. are related, especially in the mid- and long-term, to the financial results of the subsidiary companies.

In the opinion of the Management Board of ALUMETAL S.A., the most significant factors that may have impact on the financial results of the Company are:

1. Geopolitical and macroeconomic situation in Europe

The activities of the Group are affected by macroeconomic conditions relating to Polish, German, Central European and European economy, economic policy of individual governments, tax systems, GDP, unemployment rate, interest rates, currency exchange rates, inflation rate, consumption levels, investment expenditure and the amount of budget deficit. Fluctuations in the market prices of secondary aluminium alloys have direct impact on the prices of Group products and, to a limited extent, on the margins earned. Market prices of secondary aluminium alloys depend on the supply and demand as well as on other factors, on which the Group has no or only limited influence, such as general macroeconomic conditions, situation in the industry sectors that are the key consumers of secondary aluminium alloys, prices of original aluminium and prices of aluminium scrap. Deterioration of general economic conditions in Europe, and especially in Poland, Germany, Hungary or in the Central and Eastern Europe may have adverse impact on the activities, financial position, financial results or business perspectives of the Alumetal Group by the end of 2017. Geopolitical situation may also have impact on the results of the Group.

2. Situation of automotive industry

The structure of consumers of secondary aluminium casting alloys is strongly focused on the automotive industry. In consequence, business activities of the Group are sensitive to trend changes in the automotive industry. The economic situation of automotive industry depends on general economic conditions, including on the level of consumer appetite and expenditure for motor vehicles.

During economic recession or during the periods of low economic growth, it is the automotive industry that usually suffers from shrinking business. In the period from 2005 to the mid of 2013, the EU saw a declining trend in motor vehicles production and sale. Despite considerable recovery of the automotive industry since the mid of 2013, one may not, however, exclude the possibility of raising trend reversal, which could have unfavourable impact on demand volumes or margin levels realized by manufacturers of secondary aluminium casting alloys. The activities of the Group may be affected by the potential shrinking of automotive industry exports outside Europe (e.g. to Asia or to Northern America). In addition, the financial results of the Alumetal Group may be affected by the economic situation of individual automotive companies (e.g. problems at the Volkswagen Group).

3. Relation between purchase price of aluminium scrap and other main raw materials used for production, and selling price of secondary aluminium alloys

In principle, the prices of secondary aluminium casting alloys which are the key product of the Group are strongly related to the long-term quotations of aluminium (LME HG) or aluminium alloys (LME AA) on the London Metal Exchange. However, in the short-term this correlation may be subject to fluctuations and thus may not fully reflect the long-term trends.

The key item of operating expenses of the Group is the cost of purchase of raw materials. The main raw material used in the production of Group's products is aluminium scrap. In addition, the Group uses pure raw materials, inclusive of non-alloyed aluminium for recasting in the form of ingots, silicon metal, cathode nickel, manganese, titanium and magnesium. Scrap and pure raw materials account for the largest part of the cost of production (85-90%).

The prices of secondary aluminium casting alloys, aluminium scrap and of other raw materials used by the Group in the production process are subject to material fluctuations and depend on a number of factors outside the control of the Alumetal Group, including on general economic conditions, supply and demand for metals as a raw material and for semi-finished goods made of those raw materials on the European or global markets. Increase in prices of aluminium scrap may *not* be accompanied by the corresponding increase in prices of alloys produced by the Alumetal Group, which – in turn – may translate into lower margins realized on sold goods and into deteriorated financial results of the Group in the near future. Similar risk may take place in the circumstances of reduced prices of alloys not accompanied by the corresponding reduction in the prices of aluminium scrap.

4. Limited availability of raw materials scrap in Europe

The main raw material used in the process of production is aluminium scrap (Al scrap). The Group purchases aluminium scrap mainly from the entities trading in aluminium scrap, trade intermediaries and from producers of aluminium goods (as post-production waste).

Despite the fact that the Group uses diversified database of external suppliers of aluminium scrap, one may not completely exclude the possibility of the occurrence of a limited availability of this raw material in the near future. Al scrap availability and prices depend on the number of factors outside the control of the Alumetal Group, including on the amount of Al scrap available on the market, demand for the Al scrap by secondary aluminium producers, volume of exports of metals scrap from Europe to other continents, especially to Asia, differences in prices quoted in Europe and in other continents, or on unfavourable weather conditions hindering scrap collection. Lower availability of scrap metals on the European market, higher exports of scrap metals from Europe to other continents or higher regional demand may result in a limited availability or higher prices of aluminium scrap.

5. Potential disruptions in utilities supply to ALUMETAL Group production plants

The results of the Alumetal Group may be materially and adversely affected by restrictions in the utilities supply (electric energy or gas fuels), if of mid- or long-term character.

6. Higher competition on the market of secondary aluminium alloys

Emergence of new entities or stronger market position of present competitors - secondary aluminium alloys producers, or a potential increase of production capacity or development plans of domestic or international competitors of the Group may result in higher market competition. It cannot be certain that in the future, Group competitors will not intensify development of their business and will not conduct aggressive product and price policy against present or potential suppliers and customers of the Alumetal Group.

The above factors may have considerable unfavourable impact on the financial results of the Alumetal Group in the near future.

7. The risk of necessity to return public aid in whole or in part

Another risk to the financial results of the Group may pose the fact that the ALUMETAL Group Hungary Kft. has received cash subsidy and will use the investment tax relief (tax credit). Should it transpire in the future that this company does not meet its obligations arising from the obtained public aid, it may be required to return the received public aid in whole or in part, and this – in turn – may be a significant burden and threat to the liquidity of the Group. However, the long-standing experience of the Alumetal Group in benefiting from public aid greatly reduces this risk.

8. Other accidental, unfavourable one-of events

Other unforeseen and unexpected one-off events may also have material unfavourable impact on the financial results of ALUMETAL S.A. and the Alumetal Group.

XII. Standpoint of the Management Board as regards Company's forecast results

The Management Board of the Company has decided not to publish any forecast results of the Company.