



**DIRECTORS' REPORT
ON ACTIVITIES OF
THE ALUMETAL S.A. CAPITAL GROUP
FOR THE YEAR 2021**



Kęty, 15 March 2022

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I. Issuer and Capital Group corporate data

1. Organisation of the ALUMETAL S.A. Capital Group

As at 31 December 2021, the organisation of the ALUMETAL S.A. Capital Group (hereinafter referred to as the "Alumetal Group" or the "Group") is as follows:

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 a 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, 12th 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 1 558 268.90 (in words: one million five hundred fifty eight thousand two hundred sixty eight zloty ninety groszy) and is divided into 15 582 689 ordinary bearer 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;
- 150 770 shares are ordinary bearer shares, series E; and
- 100 513 shares are ordinary bearer shares, series F
- 103 196 shares are ordinary bearer shares, series G.

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 D, E and F-series shares were issued as a result of execution of the Incentive Program II adopted based on the Resolution No. 5 of the Extraordinary Annual General Meeting of 28 May 2014.

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 ALUMETAL S.A.'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.

Then series D, E, F and G-series shares were introduced to exchange trading according to the following schedule:

- on 1 June 2015 - 150,770 series D ordinary bearer shares;
- on 20 July 2016 - 150,770 series E ordinary bearer shares;
- on 21 July 2017 - 100,513 ordinary bearer series F shares
- on 25 March 2021 - 97 180 ordinary bearer series G shares;
- on 10 December 2021 - 6 016 ordinary bearer series G shares.

Subsidiary companies

Presented below is basic information on related 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 steel deoxidizers for steel mills.

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.

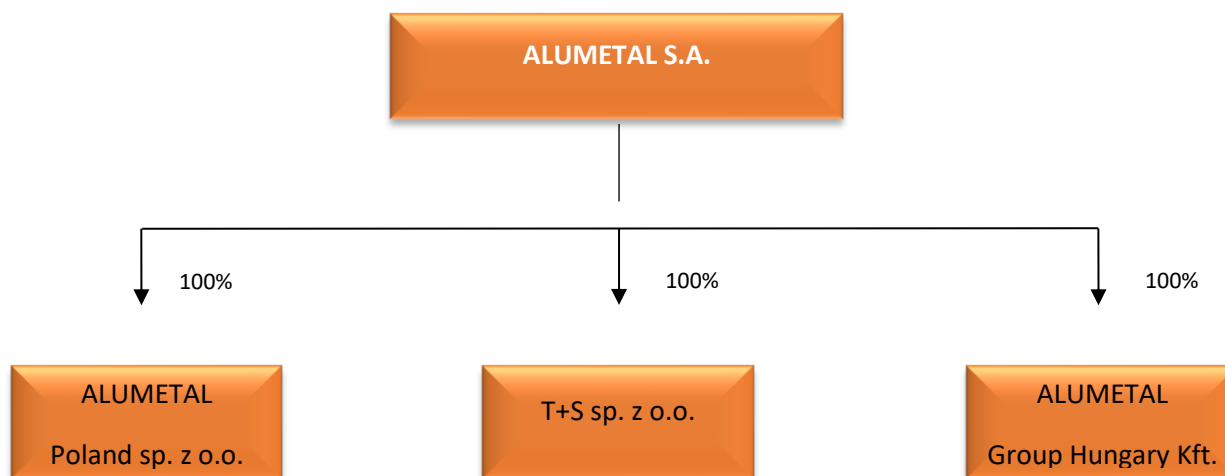
ALUMETAL Group Hungary Kft.

The Company holds 100% shares in the issued capital of ALUMETAL Group Hungary Kft., which give it the right to exercise 100% votes at the shareholders' meeting of this company.

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 2021, the organizational structure of the Alumetal Group was as follows:



			% share held by ALUMETAL S.A. in the issued capital	
			31 Dec 2021	31 Dec 2020
ALUMETAL Poland sp. z o.o.	Nowa Sól, Poland	Production	100%	100%
T + S sp. z o.o.	Kęty, Poland	Production	100%	100%
ALUMETAL Group Hungary Kft.	Komarom, Hungary	Production	100%	100%

ALUMETAL S.A. is the holding company rendering management services (including development, investment, energy management services, production support and controlling services), commercial, financial, IT, HR and payroll services as well as accounting services to other entities of the ALUMETAL S.A. Group.

ALUMETAL Poland sp. z o.o. is the main production company of the Group in Poland that manufactures secondary and primary aluminium casting alloys and master alloys. ALUMETAL Poland sp. z o.o. owns all three Polish 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 auxiliary services consisting 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 Group Hungary Kft. is a Hungarian-law based production company, manufacturing secondary aluminium casting alloys in a production plant in Komarom.

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 2021, 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.

2. Changes in the organisational structure of ALUMETAL Group

In 2021 and as at the date of the publication of this Directors' Report, the organisational structure of the Group did not change.

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 all 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 described below in section II.1.

The Issuer is also related by capital with the entity controlled by Mr Grzegorz Stulgis, Chairman of the Supervisory Board: IPO 30 UNIPESSOAL LDA, which as at 31 December 2021 held a total of 5 108 221 shares of ALUMETAL S.A. which translated into a 32.78% share in the issued capital of the Company.

4. Intra-Group transactions

In the reporting period, neither the Issuer, nor its subsidiary companies made any significant transactions with related entities on the terms and conditions other than those prevailing in the arm's length transactions.

II. Statement of Corporate Governance

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

ALUMETAL S.A. has conducted business in accordance with Polish laws and the Company's Statutes. For many years, the Group has been managed from the level of the parent company, ALUMETAL S.A., which deals exclusively with holding activities.

The expression of the above principle of management is the observing by the ALUMETAL S.A. Capital Group of the policy of exercising the function of Group subsidiary companies' board members by persons who are members of 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, in the period from 4 January 2021 to 2 February 2022, the mandate of a Management Board Member of ALUMETAL Poland sp. z o.o. and T+S sp. z o.o. was held by Mr Rafał Karolczyk.

The exception 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 and Mr Zoltan Gyori. This exception is the effect of the requirements of Hungarian laws.

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.

The principles of functioning and information about Issuer authorities are presented below in section I.3. of this Directors' Report.

In the period from 31 December 2020 to 31 December 2021, and as at the date of the preparation of this Report the principles of management of the Alumetal Group did not change.

2. Description of the rules for amending the Statutes of ALUMETAL S.A

Pursuant to the provisions of § 11 section 2 point 6 of the Statutes of ALUMETAL S.A. any changes to the Company's Statutes fall exclusively within the competence of the General Shareholders' Meeting. All issues related to the manner of amending the Statutes are governed exclusively and strictly by the provisions of the Code of Commercial Companies. The Company's Statutes do not contain any special provisions in this respect.

3. Authorities of ALUMETAL S.A.

A. Annual General Meeting

The Annual General Meeting operates based on the Company's Statutes and Regulations of Annual General Meetings of ALUMETAL S.A.

The content of Regulations of Annual General Meetings is available on the Company's website in the tab: *Investor relations/ Annual General Meetings*.

Pursuant to the provisions of the Company's Statutes, an Annual General Meeting can be ordinary or extraordinary. Resolutions of the Annual General Meeting are adopted by an absolute majority of votes, unless legal regulations or the provisions of the Statutes provide for more rigorous requirements for resolution adoption. Each share carries the right to one vote at the Annual General Meeting. Resolutions of the Annual General Meeting are adopted for the matters governed by the provisions of the Code of Commercial Companies, other legal acts or provisions of the Company's Statutes.

Apart from other matters regulated by the provisions of the Code of Commercial Companies, other legal acts or provisions of the Company's Statutes, the following fall within the competence of the Annual General Meeting:

- 1) creation and elimination of all types of capital and funds, including special purpose capital and funds;
- 2) Company liquidation;
- 3) re-acquisition of own shares for redemption purposes, cancellation or decrease of the Company's issued capital;

- 4) disposal or lease of the Company's enterprise or an organised part thereof, or establishment of a limited property right thereon (*limited right in rem*), disposal of the Company's interest in subsidiary companies;
- 5) merger with another entity (business combination);
- 6) amendments to the Company's Statutes;
- 7) adoption of Regulations of the Company's Annual General Meeting.

Acquisition or disposal of real property, right of perpetual usufruct (RPU) or interest in real property do not require resolution of the Annual General Meeting.

On 19 May 2021, 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 2020;
- authorization of the Financial statements of ALUMETAL S.A. for the year ended 31 December 2020;
- approval of Directors' Report on activities of the ALUMETAL S.A. Capital Group for the year ended 31 December 2020;
- authorization of Consolidated financial statements of the ALUMETAL S.A. Capital Group for the year ended 31 December 2020;
- approval of the Supervisory Board's Report on the assessment of the activity and financial reports for the financial year 2020;
- approval of the Report on activities of Supervisory Board in 2020;
- approval of the Assessment of Alumetal Group's situation prepared by the Supervisory Board as well as of other assessments and information relating to certain defined aspects of the functioning of the Company set forth in the *Code of Best Practice for WSE Listed Companies 2016*;
- appropriation of profit for 2020, determining the dividend date and dividend payment date,
- acknowledgment of fulfilment of duties by Members of the Company's Management Board in 2020;
- acknowledgment of fulfilment of duties by Members of the Company's Supervisory Board in 2020;
- appointment of the Supervisory Board of the Company for the next term of office,
- amendment of the Company's Statutes and adoption of the consolidated text thereof,
- issuance of an opinion on the Report on remuneration of Members of the Management Board and Supervisory Board of ALUMETAL S.A. for 2019 and 2020.

The Company has made public the full content of resolutions of the Ordinary Annual General Meeting in its current report No. 19/2021 of 19 May 2021.

B. Supervisory Board

In the reporting period, there were no changes in the composition of the Supervisory Board of Alumetal S.A. On 19 May 2021, the Ordinary Annual General Meeting of the Company appointed the current members of the Supervisory Board of Alumetal S.A. for the next term of office, i.e.: Mr Grzegorz Stulgis, Mr Michael Pedersen, Mr Szymon Adamczyk, Mr Paweł Małyska, Mr Michał Wnorowski.

As at 31 December 2021, the composition of the Supervisory Board was as follows:

- Mr Grzegorz Stulgis – Chairman of the Supervisory Board,
- Mr Michael Pedersen – Member of the Supervisory Board,
- Mr Szymon Adamczyk - Member of the Supervisory Board,
- Mr Paweł Małyska - Member of the Supervisory Board,
- Mr Michał Wnorowski - Member of the Supervisory Board.

Until the date of the publication 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 Company's operations in all aspects of its business. Members of the Company's Supervisory Board are appointed and removed by the Annual General Meeting. The Supervisory Board may be composed of 5 (in words: five) to 7 (in words: seven) members elected for a joint 3-year (in words: three year) term of office. At least 2 (in words: two) members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant relations with the Company.

The Supervisory Board acts based on the Regulations of the Supervisory Board adopted by the Supervisory Board and authorized by the Annual General Meeting, the current content of which is available on the Company's website in the tab: *Investor relations /Company documents*.

The Supervisory Board holds its meetings at least once every 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.

The powers of the Supervisory Board include, in particular:

- 1) authorization of Work Regulations of Management Board;
- 2) authorization of the Company's annual capital-financial plans, budget and strategic plans submitted by the Management Board;
- 3) issuance of consent for the formation of branches, plants, representative offices, enterprises and other establishments at home and abroad, in the tax-free zones, acceding to the already incorporated companies with Polish and foreign capital, Company's participation in the economic organizations operating in the territory of Poland and abroad, as well as acquisition of interest in other commercial-law based entities and formation of new companies;
- 4) appointment or change of an entity authorised to perform statutory audit of the Company's financial statements and to render financial audit (revision) services for the Company;

- 5) concluding by the Company or by its subsidiary companies of a non-regular business scope agreement (including a loan or credit agreement, or agreements regarding realization of new investments and/ or issuance of sureties or guarantees, or other collateral for third party liabilities, excluding subsidiary companies within their ordinary scope of business) with a view to acquisition or disposal of a property item, incurring a liability or disposing a right with a value exceeding PLN 1 000 000.00 (in words: one million zloty) or its foreign currency equivalent, as part of one or a series of related transactions;
- 6) consenting to concluding by the Company of a significant contract with a related entity within the meaning of appropriate Regulation of the Minister of Finance, except for routine (performed as part of the Company's operating activity) transactions concluded on the arm's length basis with the subsidiary, in which the Company holds majority interest;
- 7) disposal or lease of subsidiary company's enterprise or an organised part thereof, or establishment of a limited property right thereon (*limited right in rem*), disposal of the Company's interest in subsidiary companies;
- 8) appointment, removal or suspension from the management board of individual or all Management Board Members and delegating members of the Supervisory Board to temporarily perform the duties of members of the Management Board, as well as determining the number of Management Board members;
- 9) drafting and submitting to the Ordinary Annual General Meeting of the Company of a concise assessment of the Company's position, including the assessment of the internal control and material risks management systems;
- 10) considering and providing opinions on the matters which are to be the subject of resolutions of Annual General Meeting;
- 11) authorization of the policies, procedures and bylaws developed by the committees operated by the Company.

Pursuant to the regulations of the „2016 Code of Best Practice for WSE Listed Companies” implemented by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 and the Code of Commercial Companies, the Supervisory Board of ALUMETAL S.A., at its meeting of 15 April 2021, passed resolutions in the following matters:

- assessment of the Directors' Report on activities of ALUMETAL S.A. for the year 2020 and of the financial statements of ALUMETAL S.A. for the year ended 31 December 2020, assessment of Management Board's proposal regarding 2020 profit appropriation, and assessment of the Directors' Report on activities of the ALUMETAL S.A. Capital Group for the year 2020 and of the consolidated financial statements of the ALUMETAL S.A. Capital Group for the year ended 31 December 2020;
- acceptance of the report of ALUMETAL S.A.'s Supervisory Board on the assessment of Directors' Report on activities of ALUMETAL S.A. for the year 2020 and of the financial statements of ALUMETAL S.A. for the year ended 31 December 2020, on the assessment of Management Board's proposal regarding 2020 profit appropriation, as well as on the assessment of Directors' Report on activities of the ALUMETAL S.A. Capital Group for the year 2019 and of the consolidated financial statements of the ALUMETAL S.A. Capital Group for the year ended 31 December 2020;
- assessment of the need to separate the internal audit function;

- acceptance of the Report of ALUMETAL S.A.'s Management Board on the assessment of internal control and risk management systems;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. an assessment of the position of the ALUMETAL S.A. Capital Group in 2020;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. of the Report on activities of Supervisory Board in 2020;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. of the assessment of the manner in which the Company complies with disclosure obligations regarding the application of corporate governance rules;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. of information on non-pursuing sponsoring, charity or other similar activities.

C. Audit Committee

Audit Committee operating as part of the Supervisory Board was established in accordance with the provisions of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight.

The main objective of the Audit Committee is to support the Supervisory Board, as Company's governing body established in accordance with the Company's Statutes, to fulfil its control and oversight obligations.

In accordance with Regulations of the Audit Committee of Alumetal S.A., Audit Committee is composed of at least three members, including Chairman of the Audit Committee, appointed and removed by the Supervisory Board from among Supervisory Board Members. The term of office of Audit Committee members coincides with the term of office of Supervisory Board members.

The tasks of the Audit Committee comprise, in particular:

1. Monitoring of the following:
 - a. financial reporting process at the Company;
 - b. efficiency of the internal control and risk management systems, and of the internal audit and the compliance system, if operated at the Company;
 - c. performance of financial audit activities, especially of the audit performed by an external audit firm, while observing all conclusions and factual findings of the Audit Supervision Committee (*Komisja Nadzoru Audytowego*) arising from the control of an audit company.
2. Controlling and monitoring of independence of a certified auditor and the entity authorised to audit financial statements, especially where services other than attest services are rendered to the Company;
3. Informing Supervisory Board about audit results and explaining how the performed audit contributed to the truth and fairness of the financial reporting at the Company, and what was the role of the Audit Committee during the course of the audit;
4. Assessing independence of a certified auditor and consenting to his rendering of allowed non-audit services;
5. Developing the policy of selecting audit firm authorised to audit financial statements;
6. Developing the policy of rendering by an audit firm and by a member of audit firm network of allowed non-audit services;

7. Determining the procedure for the selection of an audit firm by the Company;
8. Presenting to the Supervisory Board recommendations referred to in article 16 of Regulation [(EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities], in accordance with the policies referred to in point 5 and 6 above;
9. Forwarding recommendations aimed at ensuring truth and fairness of the reporting process at the Company;
10. During the process of audit firm selection, presenting to the Supervisory Board the recommendations referred to in article 130 para. 2 and 3 of the Act [of 11 May 2017 on statutory auditors, audit firms and public oversight].

In the initial period of 2021, the composition of the Audit Committee of Alumetal S.A. was as follows.

- Mr Paweł Małycka - Chairman of the Audit Committee,
- Mr Michał Wnorowski - Member of the Audit Committee,
- Mr Grzegorz Stulgis - Member of the Audit Committee.

On 19 May 2021, the Supervisory Board of the Company appointed the current members of the Audit Committee for the next term of office entrusting the functions as follows:

- Mr Michał Wnorowski - Chairman of the Audit Committee,
- Mr Paweł Małycka - Member of the Audit Committee,
- Mr Grzegorz Stulgis - Member of the Audit Committee

The required legal criteria of independence are fulfilled by two members of the Audit Committee i.e. by Mr Paweł Małycka and by Mr Michał Wnorowski.

Mr Paweł Małycka remains an independent person of the Audit Committee owing to the title of doctor of economics obtained in the Collegium of Management and Finance of the Warsaw School of Economics and his considerable professional experience in the field of financial analysis and investment portfolio management, due to the experience gained during the performance of the function of a Supervisory Board member and Audit Committee member in many companies listed on the Warsaw Stock Exchange, as well as due to his knowledge and skills in the area of accounting and audit.

Mr Michał Wnorowski remains an independent person of the Audit Committee owing to his education i.e. completed university studies at the Warsaw School of Economics and the Cracow University of Economics, and owing to his professional experience in investment project management, market and financial analysis, business potential analysis, enterprise appraisal, investment portfolio management, due to the experience gained during the performance of the function of a Supervisory Board member and Audit Committee member in many companies listed on the Warsaw Stock Exchange, as well as due his knowledge and skills in the area of accounting and audit.

Mr Grzegorz Stulgis, due to his education i.e. completed university studies at the Poznań University of Economics and Business and held license of the investment adviser, professional experience in the field of financial analysis, investment portfolio management, business potential analysis and enterprise appraisal, participating capital interest and fulfilling the role in the Company's Supervisory Board for 19 years and membership of the Chamber Council of the Economic Chamber of Non-Ferrous Metals and Recycling (*Izba Gospodarcza Metali Nieżelaznych i Recyklingu - IGMNiR*), has the required knowledge and skills relating to accounting and audits, and the industry in which the Company operates.

During the reporting period, no allowed non-audit services were provided to the Company by its auditor, except for the interim review of condensed separate and consolidated financial statements of Alumetal S.A. for the 6-month period ended 30 June 2021.

The Company operates the following policies: *The Policy of Selection of an Entity Authorised to Audit Statutory Financial Statements of the Company and of the Capital Group* („*Polityka wyboru podmiotu uprawnionego do badania ustawowego sprawozdań finansowych Spółki i Grupy Kapitałowej*”), adopted by Resolution of the Supervisory Board on 10 October 2017 and *The Policy of Providing Allowed Non-audit Services by an Audit Firm Performing the Audit of the Financial Statements of the Company and of the Capital Group, by Entities related to that Audit Firm or by Member of Audit Firm's Network* („*Polityka świadczenia przez firmę audytorską przeprowadzającą badanie Spółki i Grupy Kapitałowej przez podmioty powiązane z tą firmą audytorską lub przez członka sieci firmy audytorskiej dozwolonych usług niebędących badaniem*”), adopted by Resolution of the Supervisory Board on 10 October 2017 and then modified on 6 February 2020.

The main assumptions of *The Policy of Selection of an Entity Authorised to Audit Statutory Financial Statements of the Company and of the Capital Group* cover the process of selection by the Supervisory Board of an entity authorised to audit statutory financial statements of the Company and of the Capital Group after obtaining recommendations of the Audit Committee, while observing the following:

- Independence of an audit firm and certified auditor;
- Audit firm and certified auditor rotation rules in such a way that the maximum period of continuous statutory audit engagements conducted by the same audit firm or an audit firm related to that audit firm or any member of this audit firm network operating in EU member states does not exceed 5 years, and the key certified auditor does not conduct statutory audits for the period longer than 5 years (in that case, the key certified auditor may again engage in the audit of Company's statutory financial statements after 3 years of the completion of his last statutory audit);
- Factual findings and conclusions included in the annual report of the Audit Supervision Committee (*Komisja Nadzoru Audytowego*) which may affect audit firm selection;
- Fee of the audit firm or its subcontractors which should reflect the work input and work complexity and the required qualifications, and which shall not:
 - depend on any conditions, and by no means on audit results;
 - be warranted by or depend on providing to the Company or its related entities any additional non-audit services by the audit firm, entity related to the audit firm or any entity belonging to the network of the audit firm.

The main assumptions of the *Policy of Providing Allowed Non-audit Services by an Audit Firm Performing the Audit of the Financial Statements of the Company and of the Capital Group, by Entities related to that Audit Firm or by Member of Audit Firm's Network* comprise, in particular:

- Prohibition to render, directly or indirectly, by the certified auditor or an audit firm conducting statutory audit of the financial statements of the Company or of the Capital Group, entity related to that audit firm or belonging to the network of that audit firm, of forbidden non-audit services to the Company, its holding companies, or to the entities controlled in the EU territory in the following periods:
 - over the period from the commencement of audited period to issuance of auditor's report; and
 - in the financial year directly preceding the period referred to above in relation to legal services including:
 - i. providing general legal advisory,
 - ii. negotiating on behalf of audited company,
 - iii. acting in an advocacy role in the resolution of litigation;
- The prohibited non-audit services referred to above are the following:
 - a) Tax services relating to:
 - preparation of tax forms/ returns,
 - income tax,
 - customs duty liabilities,
 - identification of public aid (government grants) and tax incentives, unless the support of a certified auditor or an audit firm for such services is required by law,
 - support in the field of tax inspections carried out by taxation authorities, unless the support of a certified auditor or an audit firm for such inspections is required by law,
 - calculation of direct and indirect tax, and deferred income tax,
 - provision of tax advisory;
 - b) Services covering any participation in management or a decision-making process of audited entity, including, in particular, services of working capital management, providing financial information, operating process optimization, cash management, determining transfer prices, enhancement of supply chain efficiency etc.
 - c) Keeping books of account and preparation of accounting records and financial statements;
 - d) Payroll-related services;
 - e) Development and implementation of internal control procedures or the procedures of risk management relating to financial information preparing and control, or development and implementation of technological systems for financial information handling;
 - f) Valuation services, including those performed in connection with actuarial or support services in legal dispute settlement;
 - g) Legal services comprising the following: providing general legal advisory, negotiations on behalf of audited company, acting in an advocacy role in the resolution of litigation;
 - h) Services related to the internal audit function of audited entity;
 - i) Services related to financing, capital structure and capital allocation and investment strategy of a client, for whom audit services are rendered, except for such attest services relating to financial statements as issuance of comfort letters for share issue prospectuses of audited company;

- j) Conducting promotional activities and trading in shares of audited company on own account or underwriting share issuance for audited entity;
- k) Human Capital related services with regard to:
 - Executives that may exercise significant influence on preparing accounting documentation or financial statements subject to statutory audit, if such services comprise:
 - Recruitment or selection of candidates for such posts,
 - Checking the credentials/ references of candidates for such positions,
 - Development of organizational structure; and
 - Cost control.
- l) Other non-audit services.

In 2021, 9 meetings of the Audit Committee were held, as well as resolutions were adopted twice using means of direct communication.

D. Management Board

During the reporting period, no change was recorded in the composition of the Management Board of ALUMETAL S.A. which was as follows:

- Ms Agnieszka Drzyżdzyk – President of the Management Board,
- Mr Krzysztof Błasiak – Vice-president of the Management Board,
- Mr Przemysław Grzybek – Member of the Management Board.

On 19 May 2021, the Supervisory Board of the Company appointed Ms Agnieszka Drzyżdzyk, Mr Krzysztof Błasiak, Mr Przemysław Grzybek for another three-year term of office, entrusting them with their current functions in the Company's Management Board, i.e. Ms Agnieszka Drzyżdzyk as President of the Management Board, Mr Krzysztof Błasiak as Vice President of the Management Board, Mr Przemysław Grzybek as Member of the Management Board.

Until the date of the publication of this Directors' Report, there were no changes in the composition of the Company's Management Board.

Pursuant to the provisions of § 12 section 5 of the Company's Statutes, the Company's Management Board is appointed for a joint 3-year term 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.

The powers of the Management Board comprise, in particular:

- a) timely convening of Annual General Meetings;
- b) appointing persons authorised under a power of attorney (proxies), issuance and cancellation of the power of attorney, preparation of financial statements and of other financial documents of the Company;
- c) submitting to the Annual General Meeting and Supervisory Board annual reports on activities of the Company for the prior financial year;
- d) submitting to the Annual General Meeting and Supervisory Report proposals regarding profit appropriation or loss absorption;
- e) developing and submitting to the Supervisory Board strategies and long-term plans of the Company and ensuring implementation of the above;
- f) preparing annual and periodic financial plans and strategic economic plans of the Company and ensuring their implementation;
- g) adopting Work Regulations for the Management Board and applying for their authorization to the Supervisory Board;
- h) determining organizational policies and organizational structure of the Company, including establishment and liquidation of departments, divisions, plants and other separate organizational units at the Company;
- i) adopting Work Regulations and other principles, policies and instructions regulating operating Company's business.

Meetings of the Company's Management Board are held not less frequently than once a month and take place in the Company's registered office or, if all Management Board Members agree, in another place in the territory of Poland.

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. Resolutions of the Management Board may also be taken with the use of the writing procedure or through the use of the means of distance communication.

The Management Board is authorized to make advance dividend payment towards expected year-end dividend (interim dividend), if the Company has sufficient funds to realize such payment. Advance dividend payments are to be authorised by the Supervisory Board.

The Company's Management Board is *not* authorised to take decisions on share issue or share re-acquisition.

The scope of rights and obligations of the Management Board, as well as the mode of its operation are laid down in the Work Regulations of the Management Board. The current content of these Regulations is available on the Company's website in the tab: *Investor relations/ Company documents*.

4. Shareholding structure

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

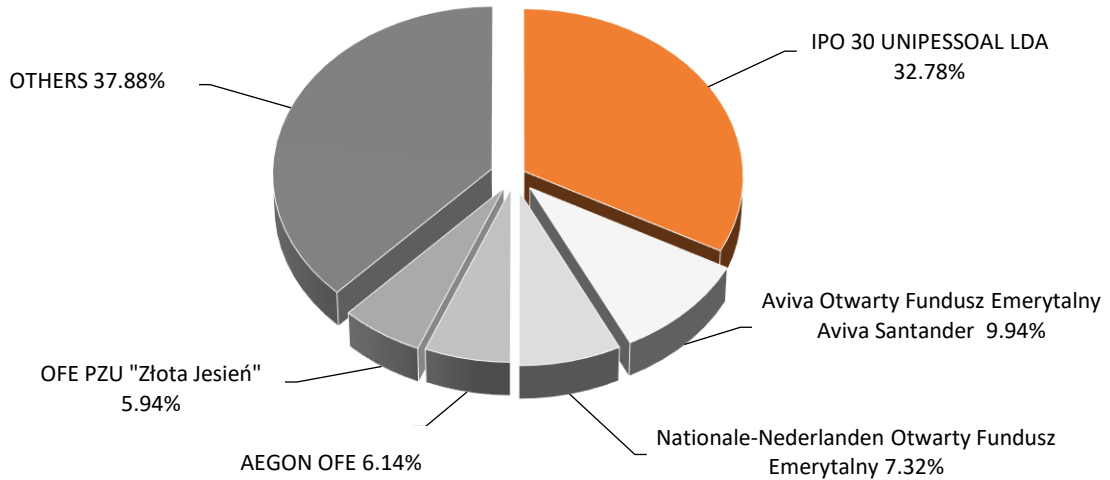
On 19 October 2021, the Company received information about the notification from Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A. (Aviva PTE), acting on behalf of Aviva Otwarty Fundusz Emerytalny Aviva Santander (Aviva OFE), that in connection with the transactions carried out on 8 October 2021 of the sale of the Company's shares, then settled on 12 October 2021, the existing share of OFE Aviva in the total number of votes in the Company decreased below 10% and amounted to 9.94% of the total number of votes. As a result of the above transactions, OFE Aviva OFE controlled 1 548 833 shares of the Company, giving it the right to 1 548 833 votes at the Annual General Meeting of the Company and corresponding to 9.94% of the total number of votes at the Annual General Meeting of ALUMETAL S.A. The notification of the above event was published in current report No. 31/2021 on 19 October 2021.

As at 31 December 2021, the Company had below information (in accordance with the notifications based on the Act of 29 July 2005 on public offering, terms and conditions of introducing financial instruments into organised system of trading and on public companies) ("Act on public offering") 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 2021				
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM
IPO 30 UNIPESSOAL LDA*	5 108 221	32.78	5 108 221	32.78
Aviva Otwarty Fundusz Emerytalny Aviva Santander	1 548 833	9.94	1 548 833	9.94
Nationale-Nederlanden Otwarty Fundusz Emerytalny	1 140 650	7.32	1 140 650	7.32
AEGON Otwarty Fundusz Emerytalny	956 216	6.14	956 216	6.14
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	925 305	5.94	925 305	5.94
Others	5 903 464	37.88	5 903 464	37.88
Total	15 582 689	100.00	15 582 689	100.00

*entity controlled by Mr Grzegorz Stulgis

Shareholding structure as at 31 December 2021



According to the contents of the notifications forwarded to the Company, as at 15 March 2022 i.e. at the date of the publication of this Directors' Report, the shareholding structure of ALUMETAL S.A. covered by the obligation to report significant blocks of shares did not change.

B. Share issue and re-acquisition of own shares

Detailed information regarding realization of the Incentive Program III that result in the issuance of Company's shares and Incentive Program IV are presented in point 7 *Incentive Programs* of this Report.

On 28 August 2020, the Ordinary Annual General Meeting adopted Resolution No. 22 on authorizing the Management Board of ALUMETAL S.A. to re-acquire own shares of ALUMETAL S.A. for their redemption, which assumes re-acquisition of ALUMETAL S.A.'s shares under the following conditions defined in point 2 of this Resolution:

- a) The Management Board is authorized to re-acquire, on behalf of and for the benefit of the Company, own shares in the total number of not more than 2 321 923 shares (in words: two million three hundred twenty one thousand nine hundred twenty three), i.e. 15% (in words: fifteen percent) of the issued capital held by the Company on the day the Annual General Meeting adopts a resolution authorizing the Management Board to re-acquire Company's own shares for redemption; subject to re-acquisition may be fully paid-up Shares,
- b) the remuneration (purchase price) for the Shares will not be lower than PLN 25.00 (in words: twenty five zloty) per Share and not higher than PLN 45.00 (in words: forty five zloty) per Share,
- c) the total minimum amount of remuneration for the re-acquired Shares will not be lower than PLN 25.00 (in words: twenty-five zloty), and the total maximum amount of remuneration for the re-acquired Shares shall not exceed PLN 104 486 535.00 (in words: one hundred and four million four hundred and eighty-six thousand five hundred thirty five zloty),

- d) the funds allocated to the payment of remuneration for the re-acquired Shares will come exclusively from the Company's own funds and will come exclusively from the amounts which, pursuant to art. 348 § 1 of the Code of Commercial Companies may be allocated for distribution,
- e) The Shares may be re-acquired outside the regulated market - as part of one or more invitations to submit offers for the sale of shares to the Company for their redemption, whereby invitations will be addressed to all shareholders of the Company holding bearer shares, with the proviso that:
 - i. the re-acquisition of the Shares may take place at the price determined by the Management Board, taking into account the limits specified in sec. 2 letter b), and the price will be the same for all Shares purchased under a given invitation to tender for the sale of shares,
 - ii. The Management Board shall determine the number of shares purchased under a given invitation to submit offers for the sale of shares, taking into account the limits specified in para. 2 letter a),
 - iii. In the event that the received offers to sell shares exceed the number of shares covered by the invitation to submit offers, the Management Board or the investment firm on behalf of the Company will make an adjustment to the number of shares that the Company will re-acquire under said invitation from each of the shareholders submitting shares sale offer, using the mechanism of proportional reduction,
- f) the authorization of the Management Board to re-acquire the Shares covers the period from 1 October 2020 to 30 September 2024, but no longer than until the funds allocated for their re-acquisition are exhausted,
- g) the date of the commencement and completion of Shares re-acquisition will be made public by the Company's Management Board, pursuant to art. 56 of the Act of 29 July 2005 on public offering, terms and conditions of introducing financial instruments into organised system of trading and on public companies ("Act on public offering"), and the date for the re-acquisition of the Shares will be announced prior to the commencement of re-acquisition,
- h) the Shares may be re-acquired under public tender offer for the Company's shares.

So far, the Company has not carried out the procedure of re-acquisition of own shares for redemption purposes.

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

C. Special powers and restrictions, including those concerning the transfer of ownership right to the shares of ALUMETAL S.A. and exercising voting right

During the reporting period and in the period to the date of the preparation of this Directors' Report, 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 that in the future may cause changes to the current shareholding and bondholding structure

During the reporting period and in the period to the date of the preparation of this Directors' Report, the Company did not receive any information about the agreements, which in the future may result in changes to the current shareholding structure.

E. Agreements between Shareholders

In the reporting period and in the period to the date of the preparation of this Directors' Report, the Company did not receive any information on agreements between Shareholders that were significant to its business.

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

On 19 February 2021, Ms Agnieszka Drzyżdzyk, Mr Krzysztof Błasiak, Mr Przemysław Grzybek and Mr Szymon Adamczyk took up G-series shares under the Incentive Scheme III, issued in exchange for registered, non-transferable D-series subscription warrants. As a result, on 22 February 2021 the Company received notifications pursuant to Art. 19 paragraph 3 of MAR from the above-mentioned persons which concerned, as appropriate:

- taking up 7 955 series G shares by Ms Agnieszka Drzyżdzyk;
- taking up 15 178 series G shares by Mr Krzysztof Błasiak;
- taking up 12 599 series G shares by Mr Przemysław Grzybek;
- taking up 15 866 series G shares by Mr Szymon Adamczyk.

On 25 March 2021, the total of 97 180 G- series Shares of the Company were introduced to organized trading on the Warsaw Stock Exchange.

Based on the statements made by the persons managing and supervising the Company, the shareholding of ALUMETAL S.A. as at 31 December 2021 is presented in the table below:

Shares in ALUMETAL S.A. held by members of its Management and Supervisory Boards as at 31 December 2021					
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM	Total nominal share value in PLN
Grzegorz Stulgis*	5 108 221	32.78	5 108 221	32.78	510 822.10
Krzysztof Błasiak	422 211	2.71	422 211	2.71	42 221.10
Szymon Adamczyk	295 099	1.89	295 099	1.89	29 509.90
Przemysław Grzybek	179 985	1.16	179 985	1.16	17 998.50
Agnieszka Drzyżdżyk	17 003	0.11	17 003	0.11	1 700.30
Michael Pedersen	0	0	0	0	0
Michał Wnorowski	0	0	0	0	0
Paweł Małyska	0	0	0	0	0

* indirectly through IPO 30 UNIPESOAL LDA

The ownership of rights to shares of ALUMETAL S.A. by the persons managing and supervising the Company as at 31 December 2021 is presented in the table below:

Ownership of rights to shares of ALUMETAL S.A. held by members of its Management and Supervisory Boards as at 31 December 2021 (subscription warrants)					
Management & Supervisory Boards Members	No. of warrants	Series	Date of taking up	Price	Right
Agnieszka Drzyżdżyk	10 577	F	24.03.2021	issued free of charge	Right to take up 10 577 shares, series I, in the period 01.07.2022 - 31.12.2022 r.
Krzysztof Błasiak	8 256	F	24.03.2021	issued free of charge	Right to take up 8 256 shares, series I, in the period 01.07.2022 - 31.12.2022 r
Przemysław Grzybek	6 966	F	24.03.2021	issued free of charge	Right to take up 6 966 shares, series I, in the period 01.07.2022 - 31.12.2022 r
Grzegorz Stulgis	0	----	----	----	----
Szymon Adamczyk	0	----	----	----	----
Michael Pedersen	0	----	----	----	----
Michał Wnorowski	0	----	----	----	----
Paweł Małyska	0	----	----	----	----

The ownership of shares and rights to shares (subscription warrants) of Alumetal S.A. by members of its Management and Supervisory Boards as at 15 March 2022, i.e. the date of the publication of this Directors' Report, has not changed compared to 31 December 2021.

As at 31 December 2021 and as at the date of the publication of this Directors' Report, none of the members of the Company's Management or Supervisory Boards held shares in the related entities of ALUMETAL S.A.

6. Emoluments of the members of Management and Supervisory Boards

Remuneration of Supervisory Board Members		Year ended 31 December 2021 (in PLN thousand)
Grzegorz Stulgis	Chairman of the Supervisory Board	72
Michael Pedersen	Member of the Supervisory Board	36
Michał Wnorowski	Member of the Supervisory Board	66
Paweł Małyska	Member of the Supervisory Board	66
Szymon Adamczyk	Member of the Supervisory Board	36
Total remuneration paid		204

Members of the Supervisory Board did not receive any remuneration for their functions in the authorities of other Group companies.

Based on the agreement signed in 2018 for the purchase of advisory services from the company operating under the name of Szymon Adamczyk Doradztwo, the Group received in 2021 invoices for the total amount of PLN 647 thousand.

Remuneration of Issuer's Management Board Members in the parent and subsidiary companies		Year ended 31 December 2021 (in PLN thousand)
Agnieszka Drzyżdżyk	President of the Management Board, CEO	1 759
Krzysztof Błasiak	Vice-President of the Management Board, Waste and Metal Management Director	2 862
Przemysław Grzybek	Member of the Management Board, Financial Director	1 336
Short-term employee benefits (payroll and surcharges), total		5 957

In the reporting period, no agreements were concluded between the Company and the members of the Management Board regarding compensation for their resignation or dismissal without valid reason, or where their dismissal was justified by Company's merger through acquisition.

Management Board Members have also continued to be covered by the Incentive Program III and Incentive Program IV described in point 7 of this Report.

In 2021, the Alumetal Group did not operate retirement benefits or similar programs dedicated solely to the members of its management or supervisory boards, except for the Employee Capital Plans (*PPK-Pracownicze Plany Kapitałowe*), in which all employees of Polish companies of the Alumetal Group can participate.

7. Incentive Programs

A. Incentive Program III for the years 2018-2020

On 7 November 2017, the Extraordinary Annual General Meeting of the Company passed a resolution on a conditional increase in the issued capital of the Company and on subscription warrants issuance, excluding the entire shareholders' pre-emptive rights with respect to the subscription warrants and shares issued under conditional capital increase, and on amendments to the Company's Statutes.

The conditionally increased issued capital of the Company, based on the Resolution No. 3 of the Extraordinary Annual General Meeting of ALUMETAL S.A. is not to exceed the amount of PLN 46 438.20 (in words: forty six thousand four hundred thirty eight zloty twenty groszy) through the issuance of not more than:

- 154 794 (in words: one hundred fifty four thousand seven hundred ninety four) ordinary bearer shares, series G, with a nominal value of PLN 0.10 (in words: ten groszy) each („G-series Shares”);
- 154 794 (in words: one hundred fifty four thousand seven hundred ninety four) ordinary bearer shares, series H, with a nominal value of PLN 0.10 (in words: ten groszy) each („H-series Shares”);
- 154 794 (in words: one hundred fifty four thousand seven hundred ninety four) ordinary bearer shares, series I, with a nominal value of PLN 0.10 (in words: ten groszy) each („I-series Shares”, and together with the G-series and H-series Shares referred to as „Incentive Shares 3”).

Pursuant to the above Resolution of the Extraordinary Annual General Meeting of the Company, the issue price of the Incentive Shares 3 was set at PLN 48.60 (in words: forty eight zloty sixty groszy), and the adoption of a conditional increase in the issued capital of the Company equated the adoption of the Incentive Program („Incentive Program III”). The right to take up the G-, H- and I-series Shares had only the holders of the subscription warrants, series, as appropriate, D, E and F; this right had to be exercised not later than by 31 December 2022 on the terms and conditions defined in the above Resolution and in the Incentive Program Policy („Incentive Program III Policy”) adopted by the Supervisory Board based on the Resolution No. 2 on 14 December 2017. The issue of Incentive Shares 3 was to exclude, in full, the pre-emptive right (rights issue) of existing Company's shareholders. The Company informed the public in detail on this issue and provided justification for rights issue exclusion in its current report No. 48/2017.

The Company applied for registration of a conditional increase in the issued capital on 9 November 2017, and the conditional increase was registered by the Court on 23 November 2017, about which the Company informed the public in its current report No. 52/2017 on 7 December 2017.

On 3 November 2018, the Extraordinary Annual General Meeting of the Company resolved to modify the policy on determining share issue price for the Incentive Program III. The unit issue price of the Incentive Shares 3 will be PLN 48.60, which will be reduced by the sum total of benefits per share paid by the Company to its shareholders, being, in particular, shareholder dividend, paid or declared in the following manner:

- for each G-series Share, the issue price of PLN 48.60 will be reduced by paid gross dividend (per share) for the year 2017 (i.e. PLN 2.92), for 2018 and by paid or declared dividend for 2019;
- for each H-series Share, the issue price of PLN 48.60 will be reduced by paid gross dividend (per share) for the year 2017 (i.e. PLN 2.92), for 2018, for 2019 and by paid or declared dividend for 2020;
- for each I-series Share, the issue price of PLN 48.60 will be reduced by paid gross dividend (per share) for the year 2017 (i.e. PLN 2.92), for 2018, for 2019 and for 2020, and by paid or declared dividend for 2021.

The amount of paid dividends covers the entire amount of paid gross dividends for the periods referred to above, irrespective of whether dividend payment is financed from profits for the year or from other equity components of the Company which are at its disposal for dividend payment purposes.

The above rules were also accounted for in the Incentive Program III Policy duly modified by the Supervisory Board on 3 October 2018.

In 2018, the Company fulfilled the conditions related to achieving the appropriate level of consolidated EBITDA and achieving the appropriate level of normalized consolidated net profit. However, the condition of achieving an appropriate return on the Company's shares in relation to the dynamics of changes in the WIG index was not met, which means that the Company has issued 103 196 series D subscription warrants. All these warrants were taken up by the Eligible Persons in Q4 2019. The right to take up series G Incentive Shares resulting from the holding of series D subscription warrants was exercised on 19 February 2021 by taking-up 97 180 G-series Shares, and then on 8 October 2021 by taking up the remaining 6 016 G- series Shares.

In 2019, both non-market and market conditions were not met, so *none* of the 154 794 E-series subscription warrants that could entitle their holders to subscribe for up to 154 794 H-series Shares of the Company will be granted to the Eligible Persons.

In view of the failure to meet the non-market conditions in 2020 for the F-series subscription warrants, in mid-2020 the value of the Incentive Program III was revalued by derecognition of the cost associated with these warrants. As stated in December 2020, the market condition for the F-series subscription warrants was met and, consequently, 51 598 subscription warrants of this series were taken up by the Eligible Persons on 24 March 2021. The right to subscribe for 51 598 I-series Shares in exchange for series F subscription warrants may be exercised by the Eligible Persons not earlier than from 1 July 2022 and no later than until 31 December 2022.

The Company has valued the Incentive Program III and calculated it in accordance with the principles specified in IFRS 2 *Share-based Payment*.

Presented below is the cost of the Incentive Program III 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 2021 (in PLN thousand)	Year ended 31 December 2020 (in PLN thousand)
Capital under Incentive Program III	431	1 838
Cost of Incentive Program III	121	-108

The Incentive Program III Policy was modified on 22 March 2021 in some formal matters, due to a change in the regulations regarding the need to dematerialize subscription warrants.

B. Incentive Program IV for the years 2021-2023

On 12 November 2020, the Extraordinary Annual General Meeting of the Company took place, which adopted a resolution on the establishment of the Incentive Program IV, a conditional increase in the Company's issued capital and the issue of subscription warrants, excluding the entire pre-emptive right of shareholders with regard to subscription warrants and shares issued under conditional capital and amendments to the Statutes.

The conditionally increased issued capital of the Company adopted by resolution No. 3 of the Extraordinary Annual General Meeting of ALUMETAL S.A. shall not exceed the amount of PLN 46 438.20 (in words: forty six thousand four hundred thirty eight zloty and twenty groszy) through the issue of no more than:

- 154 794 (in words: one hundred fifty four thousand seven hundred ninety four) series J ordinary bearer shares with a nominal value of PLN 0.10 (in words: ten groszy) each ("J-series Shares");
- 154 794 (in words: one hundred fifty four thousand seven hundred ninety four) series K ordinary bearer shares with a nominal value of PLN 0.10 (in words: ten groszy) each ("K-series Shares");
- 154 794 (in words: one hundred fifty four thousand seven hundred ninety four) series L ordinary bearer shares with a nominal value of PLN 0.10 (in words: ten groszy) each ("L-series Shares"), and together with J-series shares and K-series shares jointly referred to as "Incentive Shares 4").

In accordance with the above-mentioned resolution of the Extraordinary Annual General Meeting of the Company, the issue price of the Incentive Shares 4 will be PLN 36.40 (in words: thirty six zloty fourty groszy), which will be reduced by the sum of benefits paid by the Company per one share of the Company to its shareholders, in particular by dividends paid by the Company in the following way:

- for each J-series Share, the Issue Price will be reduced by the gross dividend paid (per one share of the Company) for the financial year 2020, 2021 and by the paid or approved dividend for the financial year 2022;
- for each K-series Share, its Issue Price will be reduced by the gross dividend paid (per one Company share) for the financial year 2020, 2021 and 2022 and by the paid or approved dividend for the financial year 2023;
- for each L-series Share, its Issue Price will be reduced by the gross dividend paid (per one Company share) for the financial year 2020, 2021, 2022, 2023 and by paid or approved dividend for the financial year 2024.

The amount of paid dividends covers the entire amount of paid gross dividends for the periods referred to above, irrespective of whether dividend payment is financed from profits for the year or from other equity components of the Company which are at its disposal for dividend payment purposes.

The foregoing rules were also accounted for in the Incentive Program IV Policy adopted by the Supervisory Board on 19 January 2021.

The Company has valued the Incentive Program IV and calculated it in accordance with the principles specified in IFRS 2 *Share-based Payment*.

The valuation of the Incentive Program IV showed its cost at the level of PLN 8 895 thousand, which will be recognized in the Group's costs in the period Q1 2021 - Q3 2025, and the share of this cost attributable to 2021 will be PLN 2 607 thousand.

Presented below is the cost of the Incentive Program IV 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 2021 (in PLN thousand)	Year ended 31 December 2020 (in PLN thousand)
Capital under Incentive Program IV	2 607	0
Cost of Incentive Program IV	2 607	0

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

8. Diversity policy

The Alumetal Group has not developed any diversity policy with respect to the members of the Company's management and supervisory bodies due to stable composition of these bodies and due to rather inconsiderable number of key management positions.

Despite the absence of a formalised policy, the Alumetal Group seeks to apply the principles of diversity as demonstrated by the diversity of persons fulfilling the functions in the Management and Supervisory Boards of the Alumetal Group as regards their age, education, professional experience and gender. With regard to the Management Board, the Company fulfill the principle of diversity at the level of 33.3% as regards gender diversity.

9. Rules of best practice and corporate governance

A. Best practice

During the reporting period until 30 June 2021, the 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, was in effect.

As of 1 July 2021, a new set of corporate governance rules came into force at the Company under the name "Best Practices of WSE Listed Companies 2021" ("Best Practices 2021"), which is available on the website of the Warsaw Stock Exchange S.A. at <https://www.gpw.pl/dobre-praktyki2021>. Information on the status of application of the Best Practices 2021 by the Company is available on its website at: <http://alumetal.pl/relacje-inwestorskie/lad-korporacyjny>.

According to the Company-published EIB report 1/2021 of 20 July 2021 regarding Information on the status of application of the Best Practices 2021, the Company does not apply 17 of all 66 principles of Best Practices 2021, which are presented below:

1.3.1 environmental issues, including metrics and risks associated with climate change and sustainability issues;

1.3.2 social and labour matters, concerning, inter alia, measures taken and planned to ensure gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations

The current strategy of the Alumetal Group for the years 2018-2022 developed and announced in 2018 does not contain a comprehensive approach to the subject of ESG (Environmental, Social and Governance), however, in the future, during the development of the strategy for the coming years, the Company will consider the possibility of covering the subject of ESG.

1.4. In order to ensure proper communication with stakeholders regarding the business strategy adopted, the company publishes on its website information on the assumptions of its strategy, measurable objectives, including in particular long-term objectives, planned activities and progress in its implementation, defined by means of metrics, financial and non-financial. Information on ESG strategies should, inter alia:

In the adopted strategy for 2018-2022, the Company presented only the key measurable objectives it intends to achieve, i.e. the amount of sales and the average dynamics of EBITDA growth. The other elements suggested in this principle are either of a business-sensitive nature or constitute the Company's know-how, or have not been defined or quantified. Nevertheless, in the future, during the development of the strategy for the coming years, the Company will consider the possibility of recognizing and disclosing the issue resulting from this principle to a greater extent.

1.4.1. explain how climate change considerations are integrated into the decision-making processes of the company and its group entities, highlighting the resulting risks;

The issues included in this principle are either business-sensitive or constitute the Company's know-how, which is why they will not be publicly presented, despite the fact that the entire activity of the Alumetal Group consisting in the recycling of scrap raw materials fits very well into the assumptions of circular economy.

1.4.2. present the value of the pay equity ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved

The current strategy of the Alumetal Group for the years 2018-2022 developed and announced in 2018 does not contain the elements indicated in this principle, however, in the future, during the

development of the strategy for the coming years, the Company will consider the possibility of their inclusion and subsequent publication on the website.

2.1 The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, field of study, specialist knowledge, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that the minority participation in the respective body is no less than 30%

The Company does not plan to formally adopt a diversity policy towards the Management Board and the Supervisory Board of the Company, because the main criteria in selecting its members are knowledge, experience, personality traits and education, and not, for example, age or gender.

2.2 The persons deciding on the election of the members of the company's management or supervisory board should ensure the comprehensiveness of these bodies by selecting diversity in their composition, making it possible, inter alia, to achieve the target ratio of a minimum minority shareholding set at not less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.

The Company does not plan to formally adopt a diversity policy regarding the selection of members of the Management Board or the Supervisory Board of the Company, because in the selection of its members, the main criteria taken into account are knowledge, experience, personality traits and education, and not, for example, age or gender.

2.11.6 information on the extent to which the diversity policy is implemented in relation to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1.

Due to non- application of rule 2.1., the report of the Supervisory Board of the Company will not contain elements related to the implementation of the diversity policy in relation to the Management Board and the Supervisory Board.

3.1 A listed company maintains effective internal control, risk management and compliance systems and an effective internal audit function appropriate to the size of the company and the nature and scale of its business, which is the responsibility of the management board.

Due to the homogeneity of its business, flat organizational structure and developed procedures for verification of economic data, the Company does not decide to implement an internal audit in the Alumetal Group. On the other hand, the Company uses audit services provided by specialized external entities in those areas that members of the Company's authorities define as significant. At the same time, the Company will consider and does not exclude the operation of the internal audit function to the full extent in the future. On the other hand, the Company has effective internal control, risk management and compliance systems.

3.2 A company identifies within its structure the units responsible for the tasks of particular systems or functions, unless this is not justified by the size of the company or the nature of its activities.

The Company does not apply this principle due to the non-operation of the internal audit and risk management functions. The Company, on the other hand, has a separate position in the area of the compliance system.

3.3 A company included in the WIG20, mWIG40 or sWIG80 index appoints an internal auditor heading the internal audit function, who acts in accordance with internationally recognised standards of professional practice for internal auditing. In other companies where no internal auditor meeting the aforementioned requirements has been appointed, the audit committee (or the supervisory board if it performs the functions of an audit committee) annually assesses whether there is a need to appoint such a person.

Due to the homogeneity of its business, flat organizational structure and developed procedures for verification of economic data, the Company does not decide to implement an internal audit in the Alumetal Group. On the other hand, the Company uses audit services provided by specialized external entities in those areas that members of the Company's authorities define as significant. At the same time, the Company will consider and does not exclude the operation of the internal audit function to the full extent in the future.

3.4 Remuneration of risk managers, compliance officers and the head of internal audit should be based on the fulfilment of assigned tasks and not on short-term company performance.

The Company does not meet this rule due to the lack of a separate internal audit unit and the fact that the remuneration of persons responsible for risk management is also partly related to the short-term results of the Company.

3.6 The head of internal audit reports organisationally to the chairman of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if the board acts as the audit committee

The Company does not comply with this principle due to the lack of appointment of the internal auditor referred to in principle 3.3.

3.7 Principles 3.4 – 3.6 also apply to entities within the company's group that are material to the company's business, if they have designated persons to perform these tasks.

The Company does not meet this principle (in relation to rules 3.4. and 3.6.) due to non-operation of the internal audit unit in the Company and in the significant companies from the Capital Group.

3.10 At least every five years, a company included in the WIG20, mWIG40 or sWIG80 index has its internal audit function reviewed by an independent auditor selected with the participation of the audit committee.

The Company does not apply this principle due to non-operation of the internal audit unit in the Company.

4.1 The company should enable shareholders to participate in a general meeting using electronic means of communication (e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting.

The Company does not apply this principle due to the potential legal risks indicated by the courts in the case law and the low interest of shareholders in this form of participation in the general meeting.

4.3 The company provides a publicly available real-time broadcast of the general meeting.

The Company does not apply this rule due to the fact that it does not organize general meetings in electronic form.

B. Information on expenditure on supporting culture, sport, charitable institutions, social organizations, etc.

With regard to recommendation 1.5 of the Best Practices 2021, which states that: "the company discloses, at least annually, the expenditure incurred by it and its group in supporting culture, sport, charitable institutions, the media, social organisations, trade unions, etc. Where the company or its group has incurred expenditure for such purposes in the year under review, the disclosure includes a breakdown of such expenditure", the Management Board of the Company presents below the summary and a statement of expenses for the above purposes for 2021.

The Alumetal Group has cooperated with the local communities of the sites, in which the production plants of Alumetal S.A., ALUMETAL Poland sp. z o.o., T+S sp. z o.o. and the ALUMETAL Group Hungary Kft. are located, and directly with respective local government units. For many years now, the Alumetal Group has been involved in 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 organizations, cultural facilities, sports clubs, and directly for 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 event of natural disasters or other unforeseeable circumstances, the Alumetal Group organizes material support and assistance 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.

Objective	Value of support (in PLN thousand)
Cultural institutions	6.6
Sport	19.5
Social organizations	2.0
Educational institutions	1.8
Total	29.9

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 29 March 2018 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 defined by 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,
 - Organizational rules,
 - Procedure for describing and confirming purchase invoices in the Capital Group,
 - Procedure for accepting, registering, scanning and archiving purchase invoices,
 - 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 and arriving at financial results (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 an audit firm.

The Supervisory Board is the body that has the capacity to appoint an audit firm, in accordance with the *Policy for the selection of an entity authorised to audit statutory financial statements of the Company and of the Capital Group* („Polityka wyboru podmiotu uprawnionego do badania ustawowego sprawozdań finansowych Spółki i Grupy Kapitałowej”) of 10 October 2017 and of the *Procedure for the selection of an entity authorised to audit the financial statements of the Company and of the Capital Group* of 10 October 2017, which accounts for the recommendation of the Audit Committee in this matter.

III. Representations concerning non-financial reporting

These „*Representations concerning non-financial reporting by the ALUMETAL S.A. Capital Group*” (hereinafter the „*Representations*”) cover the non-financial reporting on the ALUMETAL S.A. Capital Group for the period from 1 January 2021 to 31 December 2021 and were prepared based on own policies, and, among others, based on the contents of the Announcement of the European Commission of 5 July 2017 – *Guidelines of the European Commission on non-financial reporting* (methodology for non-financial reporting), 2017/C 215/01, and the provisions of the Act of 29 September 1994 on accounting (the „*Accounting Act*”).

The selection and description of policies, and of the presented in the Representations efficiency ratios, were made based on the materiality criterion, while considering the internal and external factors concerning Alumetal Group operations. The main factors considered for materiality assessment were: industry, in which the Group operates, its business profile, market environment, scope of impact on local community and natural environment, as well as expectations of identified stakeholders. Data presented in the Representations will be verified and updated in annual reporting periods and regularly published together with annual reports for the ensuing financial years.

The Company has identified the need to systematize its ESG activities and plans to account for them in the preparation of a new business strategy for 2023-2027.

1. Description of the Group and its business model and main non-financial parameters for Group operations

A. Group description

The Alumetal Group is one of the biggest in Europe modern and dynamically developing manufacturer of primary and secondary aluminium casting alloys. Apart from production of casting alloys, the Alumetal Group specializes in the production of master alloys, grain refiners in the form of rod, aluminium for steel de-oxidation and also fluxes and salts, which are produced by T+S sp. z o.o. Over 80% of our customers come from the automotive market sector with the vast majority located in Europe.

We cooperate with many automotive concerns both at home and abroad, and we comply with the highest quality requirements of that market segment. Close cooperation with our customers, primarily with those from the automotive industry, results in ongoing development, improvement of work standards and building of long-term partnerships. People are the main asset of any company, therefore we offer to our customers services provided by our highly qualified and well-coordinated team that combines many years of experience of older employees with creativity and fresh perspective of younger employees, who jointly accomplish the goals and objectives of the Alumetal Group, but above all – by being close to the customers – offer customized services.

The parent company of the Group is ALUMETAL S.A., which renders management services (including development and investment services, operational support and controlling services), commercial, IT, HR and payroll, financial as well as accounting services to other Group entities. Apart from ALUMETAL S.A., the Group is composed of the following production companies: ALUMETAL Poland sp. z o.o., T+S sp. z o.o. and ALUMETAL Group Hungary Kft.

The main source of sales revenue for the Group are aluminium alloys whose sales accounted for approx. 98% of sales revenue of the Group in 2021 and it is this particular segment that has the greatest impact on the Group's financial result.

B. Group business model and key non-financial performance indicators

Aluminium is the most popular non-ferrous metal as regards its use. Over the last 40 years, global production and consumption of aluminium has increased more than four times. Owing to its unique features (lightweight, durability, strength, resistance to corrosion, and good thermal and electrical conductivity) as well as due to its possibility of multiple recycling without losing these properties, aluminium has been used in such industry sectors as transport, construction, energy, packaging or machine industry. Owing to its lightweight, especially when compared to steel, the demand for aluminium has continued to grow also in the automotive industry. The necessity to reduce CO₂ emissions by motor vehicles has been realised, among others, by reducing vehicle weight thanks to aluminium-made components.

The Alumetal Group has been engaged in the production of secondary aluminium casting alloys using obtained competences, acquired experience and competitive advantages. Secondary aluminium casting alloys are manufactured in the process of aluminium scrap recycling. The key advantage of aluminium recycling is the fact that in order to produce a fully-fledged raw material – the secondary aluminium – only 5% of the energy required for the production of primary aluminium is needed, which – in turn – reduces CO₂ emissions. Due to the falling production of primary aluminium in the European Union (as a result of high costs of energy and natural environment protection), the share of secondary aluminium in total aluminium production in the EU has continued to grow. Production of secondary aluminium is becoming the only alternative for reducing the EU's dependence on primary aluminium imports from non-EU partners.

Secondary raw materials used in the recycling process is mainly post-production aluminium scrap such as scobs and swarf, waste from sheets and profiles production, or fully depreciated scrap such as alloys, profiles from buildings demolition, alloy wheels, used beverage cans, foils etc.

The recycling process to which aluminium scrap raw materials are subjected does not bear negative impact on the quality or chemical/ physical properties of aluminium produce, allows, however, to manufacture full-value aluminium products, and aluminium as a raw material can be recycled several times while retaining its original features and quality.

The process of secondary aluminium production, depending on the type of raw materials, is realized in the following stages:

- scrap preparation including identification of impurities, separation of impurities (contaminants) with possible further preparation of the raw material,
- melting of raw materials with the possible addition to the chemical composition, followed by casting.

One of the main customers of secondary aluminium in Europe is the automotive industry. The Alumetal Group delivers approx. 80% of its production to this industry sector. The concrete customers are leading manufacturers of vehicles and vehicle components in Europe with considerable production capacity and high-quality norms. Apart from the automotive customers, the Alumetal Group has delivered its products also to the construction industry, white goods manufacturers, to the machine

industry, aluminium industry manufacturing products as part of forming processes (e.g. rolling, extrusion) and steel industry. A growing group of customers are the recipients of master alloys, who represent a wide range of manufacturers of aluminium semi-finished products - from the construction industry (e.g. profiles) through the automotive industry (e.g. car body sheets) to the food industry (e.g. tin cans or cling films).

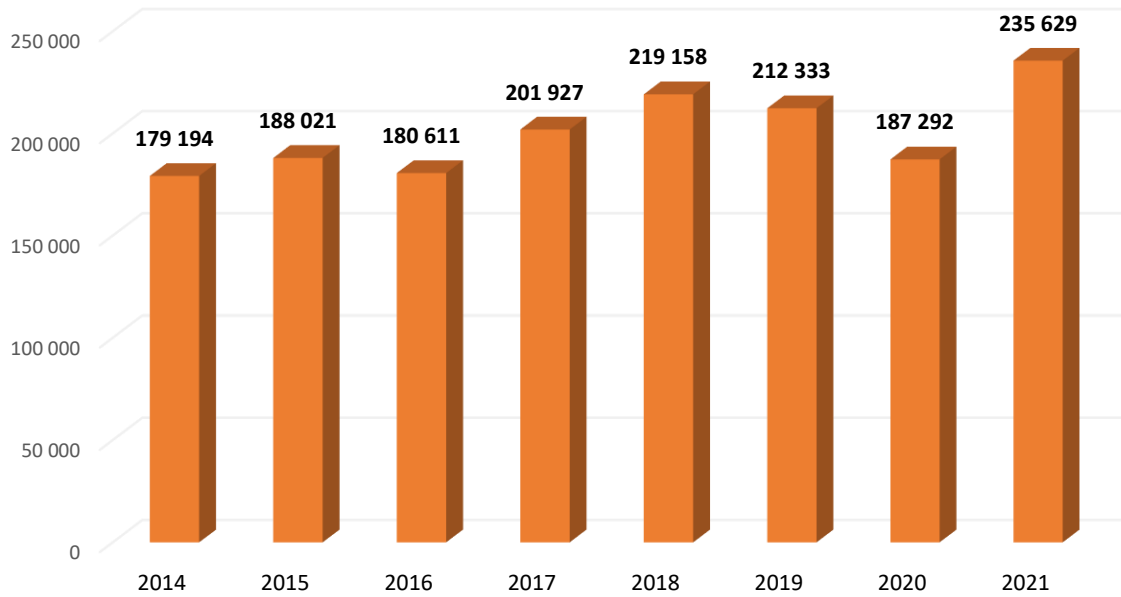
In recent years, the relocation of the production of motor vehicles and their components from Western European countries to the CEE5 countries (Poland, Czechia, Slovakia, Hungary and Romania) has been progressing. The importance of this region in the European automotive industry has been steadily increasing. According to OICA data, in 2021 the share of motor vehicle production in the CEE5 countries increased to 25.7% of the total vehicle production in the European Union and Great Britain. For the first time in history, the CEE5 region produced more motor vehicles than Germany. The process of relocation of automotive industry continues, this phenomenon supports the increase in sales volume and development of the Alumetal Group.

Over the past twenty years, the scale of the process of professional recycling of aluminium scrap and production of aluminium casting alloys at the Alumetal Group has increased several times. This dynamic development was possible owing to a systematic growth of Group's production capacity, achieved through the construction, development and modernization of further production plants of the Group in Poland (Kęty, Gorzyce, Nowa Sól) and in Hungary (Komárom). The main non-financial effects of these activities are:

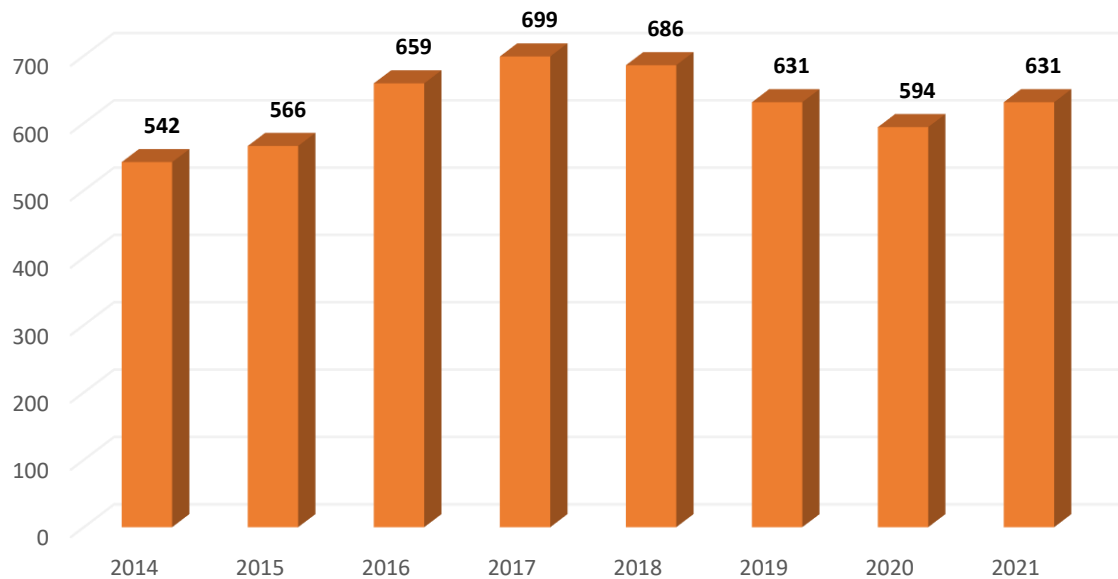
- a) systematic growth of the range of professional and ecological processing of aluminium scrap, and
- b) stable jobs in the Alumetal Group.

Changes in these areas in the last 8 years have been illustrated in the charts below. The decrease in both parameters in 2019 - 2020 was mainly due to the downturn in the automotive industry and, consequently, the decrease in production and sales, and the continuation of the operational optimization process at the Alumetal Group. In 2020, an additional negative factor was the coronavirus pandemic, which caused mass production stoppages in the automotive industry in Europe, which has had an impact on the scale of the Group's operations and its employment needs in 2020. The gradual improvement of the market situation in 2021 and the dynamic increase in sales of the Alumetal Group caused a renewed increase in both parameters over the past year.

Amount of scrap metals processed in the years 2014-2021 (tons)



No. of employees at the Alumetal Group in the years 2014-2021* (persons)



*at the end of the period

It should be emphasized that the Alumetal Group has processed scrap metals in accordance with binding regulations for environmental protection and in accordance with the Best Available Techniques or Best Available Technology (BAT).

Over the last two decades, the Group has realised many development, modernization and pro-ecological investment projects, and some of them were financed as part of public aid, including the EU subsidies (several of them as part of pro-ecological programs).

2. Policies applied in relation to social, labour, environmental, respect for human rights and anti-corruption issues, including a description of risks and their management

A. Social issues

The Alumetal Group has actively supported local communities, among others, by undertaking social initiatives in such areas as education, culture and sporting activities. Cooperation with the local community and directly with local self-governments is an important element of business operations of all plants within Alumetal Group. Good relations with the local community contribute to building mutual trust in relations between the company and the local community and to undertaking joint initiatives. For many years, the Alumetal Group has been involved in numerous support/aid projects at the local level, mainly through the provision of financial assistance. Providing financial assistance is a collective decision of the Management Board, after each application or request for such assistance has been considered individually.

In the years 2016-2021, this form of aid was granted, among others, to the following institutions and organizations:

- education institutions such as nursery schools, primary and junior high schools;
- cultural community centres;
- sports clubs;
- social welfare centres;
- foundations, associations and parishes operating in the location of Group's individual production plants.

During the reporting period, the Group did not have any formalised policy regarding social matters.

As regards social issues, no significant risks have been identified that could have impact on the Alumetal Group's operations.

B. Staff-related issues

B.1 Personnel Policy - mutual respect, trust and good relations

The aim of the Alumetal Group's personnel policy is to ensure a good and safe place of work, in which each employee has access to all the tools needed to perform their duties in the best possible way. The Alumetal Group focuses on creating good mutual relations, appreciating employees, encouraging them to gain knowledge and development, and contribute to continuous improvement of the Group's operations.

The Alumetal Group believes that appropriate behaviour in contacts between employees, showing mutual respect and trust as well as openness, not only ensures adequate communication, a good atmosphere, but also has a significant impact on the image of the entire Alumetal Group.

The personnel policy in the Alumetal Group is based on the following principles:

- treating employees fairly, equally and respectfully, based on mutual trust,
- strengthening good relations between employees and equal treatment, while treating this element as the foundation of the company's development,

- making all decisions concerning employees in an objective manner, after considering their achievements, competences and attitudes,
- appreciating initiative and creativity,
- organization's openness to changes,
- taking care of the employee's development.

B.2 Recruitment policy

The Alumetal Group places emphasis on long-term employment and treats employees as a strategic asset of the organization that should be invested in.

Where appropriate, the Group seeks persons who are cooperative, demonstrate consistency in action, are development-oriented and pursue high-quality objectives.

Since the Alumetal Group invests in long-term employees, it values their experience and commitment, and each time the new recruitment is being launched, internal career progression is promoted. External recruitment is carried out at the time when there are no persons who meet the job requirements among the existing staff.

The purpose of recruitment activities is to fill individual workplaces in such a way as to ensure that the tasks assigned to them are effectively implemented, as well as to attract staff with competences that will help develop the organization.

The recruitment policy is conducted in a transparent and non-discriminatory manner. The process ensures equal opportunities for participants and objectivity of candidate assessment through the use of appropriate selection tools tailored to the position.

B.3 Structure of employment

As at 31 December 2021, there were 631 employees in the Group employed under an employment contract, which accounts for 100% of all posts (as in 2020).

Staff headcount at the Alumetal Group, by company (persons)

Company	31 December 2021	31 December 2020
Alumetal S.A.	54	54
Alumetal Poland sp. z o.o.	463	427
T+S sp. z o.o.	17*	15**
Alumetal Group Hungary Kft.	105	105
Total	631	594

* including 8 persons employed simultaneously part-time in Alumetal S.A. or in Alumetal Poland sp.z o.o.

** of which 7 persons employed simultaneously part-time in Alumetal S.A. or in Alumetal Poland sp.z o.o.

Staff headcount at the Alumetal Group, by gender

Company	31 December 2021	31 December 2020
Females	70	69
Males	561	525
Total	631	594

Staff headcount at the Alumetal Group, by type of work

Type of work	31 December 2021	31 December 2020
White-collar employees	135	133
Blue-collar employees	496	461
Total	631	594

White-collar posts at the Alumetal Group, by gender

White-collar posts, by gender	31 December 2021	31 December 2020
White-collar employees-females	64	63
White-collar employees - males	71	70
Total	135	133

Executive and management posts at the Alumetal Group, by gender

Executive and management posts, by gender	31 December 2021	31 December 2020
Females	9	9
Males	37	38
Total	46	47

As at 31 December 2021, 89% of all Group employee posts were occupied by males compared to 11% occupied by females, which is mainly due to the character of conducted business activities (relatively difficult working conditions of blue-collar posts typical for the casting industry).

B.4 Professional development and training

At the Alumetal Group, employee training policy has been realized in a systematic manner. Training sessions have been carried out in accordance with annual training schedule, while observing current and development needs.

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 and used basic technologies,
- all-Group 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 management, finance or issues resulting from labour law requirements,
- computer training – in the form of training on the applications required to perform work in certain departments,
- language training,
- training enhancing qualifications and permissions of blue-collar employees.

B.5 Labour hygiene and safety

Employee health and occupational hygiene and safety (OHS) and ensuring good working conditions are one of the main priorities at the Alumetal Group. The implementation of this goal is based on the actions arising from legal regulations, but also by additional training and by the initiatives promoting employee awareness that each person is responsible for his own and fellow employee occupational safety, which are all to eliminate any potential OHS risks at workplace.

One-off and long-term steps are taken to ensure safety at work. To this end, every effort is taken to go beyond the minimum of meeting the current legal requirements regarding occupational safety, and many activities are taken not only in the field of providing appropriate tooling, but also in the field of systematically raising the awareness of all employees of the importance of occupational safety. Hazards at individual workplaces are identified and occupational risks are determined.

The Group places great emphasis on safety and hygiene at work of its own employees and of the external companies performing work on its premises. Every effort is taken to provide healthy and safe working conditions in all Group plants and preventive measures are taken in this regard. The OHS area at the Group is managed with the use of the ISO 45001:2018 norm.

In September 2021, Alumetal S.A. and Alumetal Poland sp. z o.o., together with the production facilities in Kęty, Gorzyce and Nowa Sól, successfully passed audits of the management system according to ISO 45001:2018 norm.

In 2021, 9 employees were involved in accidents in the Alumetal Group. All accidents that took place on the premises of the Alumetal Group were classified as minor.

Occupational accidents at the Alumetal Group

Type of accident	2021	2020
Minor accident	9	6
Serious accident	0	0

In 2021, a total of several hundred employees of the Alumetal Group participated in the OHS (occupational health and safety) training (both mandatory i.e. preliminary and cyclical, and advanced training). In addition, training was provided to several dozen persons from the external entities who performed repair work on the premises of Group production plants. The activities carried out were aimed at increasing workplace safety and improving the working conditions of employees.

B.6. Risks identified in the field of staff-related issues and ways of mitigating them

Among the risks identified in the area of staff-related matters, the following should be mentioned:

- the risk of lack of employee resources relating to current market situation i.e. low unemployment coupled with good economic conditions both in Poland and in the whole Europe;
- the risk of the departure of qualified management personnel with specialist knowledge and extensive professional experience;
- the risk of occupational accidents and hence the potential liability of the Alumetal Group arising from claims for compensation;
- the risk of occupational diseases due to operating workplaces exposed to harmful and strenuous factors, which may originate additional costs to the Alumetal Group

Methods of identified risks management:

- organization of "open days" at individual production plants of the Group;
- organization of "safety days" for employees in individual plants;
- cooperation with higher, intermediate and vocational schools with the curriculum of light metals industry;
- participation of the Group in work fairs;
- operating employee incentive programs;
- promotion opportunities for outstanding employees and care for good working conditions;
- systematic development and investments in new technologies;
- investments and modernizations in the field of occupational health and safety;
- systematic OHS training for all Alumetal Group employees to raise awareness in this regard;
- implementation of initiatives aimed at building the culture of safety at the Alumetal Group;
- providing better and better solutions and tools for employee personal protective equipment;
- significant and pro-active role of OHS experts at individual Group plants.

C. Respecting human rights and counteracting corruption

The Alumetal Group has conducted its business operations while respecting human rights and dignity, and especially observing employee civil rights, political rights, economic, social, religious and culture rights. To formalize the rules and customs binding in the Group in this area, *The Code of Ethics of the ALUMETAL Group (Kodeks Etyki Grupy ALUMETAL)* was introduced, under which all employees should be treated equally, irrespective of employee race, nationality, religion, gender, age, sexual orientation, biological fitness or political view. Additionally, with regard to respecting human rights and counteracting corruption, the Alumetal Group operates an *Anti-corruption Policy and Anti-mobbing policy (Polityka antykorupcyjna i Polityka antymobbingowa)*.

As part of *The Anti-corruption policy*, a uniform code of conduct was defined to apply in the event of identification of incidents of corruption or fraud. The objective of this policy is to prevent and counteract corruptive behaviours or other acts of fraud (economic abuse) undertaken to the detriment of the Group, and to ensure the approach of transparency of the Alumetal Group towards its business partners. Pursuant to the provisions of the *Anti-corruption policy*, employees are offered whistleblowing solutions to report incidents of corruption or fraud.

The anti-mobbing policy contains the rules that prevent acts of mobbing in the workplace, among others, by fostering activities that contribute to building positive relations between employees in the Group and by offering employees training on psychological harassment. The objective of this policy is to counteract mobbing, among others, by non-acceptance of any and all behaviours associated with mobbing. *The anti-mobbing policy* provides for the procedure for reporting of incidents of psychological harassment by employees, which are afterwards considered by the created anti-mobbing commissions. The result of the work of the anti-mobbing commission is a protocol covering all factual findings gathered during the course of the work, inclusive of the assessment of incident reporting validity and possible recommendations to eliminate identified irregularities and to prevent occurrence of mobbing incidents in the future. In addition, in order to provide employees with anonymous reporting channels, the Group operates *The procedure for anonymous reporting of [ethics and professional conduct] violations in the ALUMETAL Group (Procedura anonimowego zgłaszania naruszeń w Grupie ALUMETAL)*, the whistleblowing procedure.

Risks identified in the area of respecting human rights and counteracting corruption:

- the risk of claims for compensation in the event of violating human rights, inclusive of mobbing incidents ascertained by appropriate state authorities;
- the risk of loss of reputation/image as a result of employee corruptive or fraudulent behaviour;
- the risk of damage to property in the event of finding corrupt activities of employees.

Methods of identified risks management:

- implementation of *The anti-mobbing Policy* with a view to effective counteracting incidents of violation of human rights;
- zero acceptance stance on the part of Group's executives and management board for the behaviour violating human rights;
- promoting the culture of respect for human rights among all employees of the Group;
- implementation of *The Anti-corruption Policy* with a view to effective counteracting corruptive or fraudulent behaviour;

- operating the system of control and authorization of realised transactions and processes at all organizational levels in the Group.

D. Environmental protection

Here, at the Alumetal Group we perceive the protection of natural environment and its resources, and the impact of operating our plants on natural environment as an important issue and this standpoint results not only from the necessary compliance with legal requirements. The environmental policy of the Group is focused on clean production, understood as an endeavour to reduce resource consumption, reduce harmful emissions and to efficiently prevent disasters. In September 2021, all three manufacturing plants of Alumetal Poland sp. z o.o. and Alumetal S.A., as a managing company, successfully passed an audit under the ISO 14001:2015 norm. In addition, in December 2021, we managed to successfully implement the certification of the management system according to the above-mentioned standard in Alumetal Group Hungary Kft.

Due to the nature of conducted business activities, the Alumetal Group production plants are subject to the *Environmental Protection Law*, *Waste Management Law* and other laws and regulations on environment protection. Each our production plant operates in accordance with the Integrated Permits held, individually for each location, which define stringent requirements for conducting business using BAT (Best Available Technology) and impose appropriate limits on the plants concerning their impact on the natural environment. The Group has been operating for several years the environmental protection management system compliant with the ISO 14001 norm.

Reduction of natural resource consumption is executed through the use of aluminium scrap obtained from the market. About 90% of raw materials used in production are scrap raw materials that undergo a technologically advanced recycling process. The Group is working on optimizing the production process by using other types of scrap raw materials, while reducing gas or electricity consumption.

The companies filed their environmental statements/ reports and paid environmental fees on time. They also carried out the required measurements and environment quality analyses. The results of said measurements, analyses and tests performed by accredited testing lab confirmed that the Group companies complied with binding requirements of law, including with the requirements of Integrated Permits.

The controls conducted by government bodies (*WIOŚ (Voivodship Inspectorate for Environmental Protection)* and the Hungarian Institute of Catastrophe) did not identify any significant irregularities and no financial penalties or other sanctions were imposed for breach of environmental laws or regulations.

Management of waste produced at the Alumetal Group plants is performed in accordance with the EU and national regulations that ensure natural environment safety. Waste is collected and selectively managed. Quantitative and qualitative waste records are kept using a new dedicated BDO waste database. Waste not managed by the Group is transferred over to the entities which hold appropriate waste neutralisation permits and licenses. The Group operates within the limits allowed in the Integrated Permits.

In the reporting period, the Company did not receive any complaint from the interested party regarding the excessive use of the environment.

In the reporting period, the production plants of Alumetal Poland sp. z o.o. successfully passed the so-called recycler audit arising from the amendments to the Act on packaging and packaging waste management.

The production plants of the Alumetal Group carry out proper waste management, in accordance with binding legal regulations and the relevant permits obtained. Production plants in Poland in accordance with the Waste Act have complied with the requirement to keep records and manage waste using the BDO system.

Metal waste and metal compounds obtained are recycled using special equipment and installations so that the raw material can be re-used while considerably reducing harmful impact on natural environment.

Risks identified in the area of environmental protection:

- the risk of change in binding legal regulations, including the risk of tightening environmental protection requirements, which may involve the need to incur the costs of adapting the Alumetal Group and carrying out the necessary investments in this area;
- the risk of unexpected events as a result possible contamination or actual contamination of natural environment in connection with conducted business activities by Group plants (malfunctions, force majeure).

Methods of identified risks management:

- ongoing monitoring of evolving environmental regulations, including legislative processes, at an early stage to plan the process of adaptation and impact on the Group's operations;
- operating the System of Environment Protection Management in accordance with the ISO 14001 norm;
- making investments in modern environment-friendly technologies, including, inter alia, the project of starting the construction of a photovoltaic farm at the Kęty plant;
- continued control of the level of impact of operations of individual production plants on natural environment.

3. Information on environmentally sustainable activities - compliance with the Taxonomy of the European Union

The Alumetal Group presents below the indicators on sustainable environmental activities resulting from Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

In accordance with the content of the Delegated Regulation of the European Commission 2021/2178, which supplements Regulation 2020/852, the Alumetal Group discloses for 2021 the percentage of:

- turnover,
- capital expenditures (CAPEX),
- operating expenses (OPEX),

concerning economic activities qualifying for the taxonomy, without verification of the technical screening criteria. The above means that disclosures are presented in a simplified way, i.e. without determining what percentage of the above categories is related to environmentally sustainable activities.

Accounting policy

The Alumetal Group hereby informs that the data disclosed below were prepared for the first time, are based on own estimates, have not been audited and have been prepared to the best of Management knowledge.

In order to present the percentage of turnover, capital expenditures (CAPEX) and operating expenses (OPEX) that qualify for the taxonomy, the Alumetal Group has applied the following principles:

- in order to calculate the percentage of turnover, the basis was the total consolidated revenues of the Alumetal Group for 2021 disclosed in the consolidated financial statements under the heading "*Revenue from contracts with customers*" presented in note 12.1. The numerator assumes revenues from activities qualify for the taxonomy;
- in order to calculate capital expenditures (CAPEX), the basis was capital expenditures in the Alumetal Group described in note No. 17 "*Property, plant and equipment*" of the consolidated financial statements (these expenditures do not include advances paid on fixed assets under construction shown in the balance sheet as at 31 December 2021 in current assets under the item *Trade and other receivables*). The numerator takes into account that part of the investment expenditure which relates to activities that qualify for the taxonomy;
- in order to calculate operating expenses (OPEX), the basis was all non-capitalized costs including costs of the day-to-day servicing of property, plant and equipment of the Alumetal Group and maintaining them in proper condition. These costs include the costs of maintenance, repair and renovation of machines, equipment and buildings.

The main activity of the Alumetal Group is the sale of aluminium casting alloys categorized as *Aluminium Production* under code 24.42. This activity is included in the taxonomy as point 3.8 in Annexes I and II of Commission Delegated Regulation (EU) 2021/2139 as *Aluminium production – recycling of secondary aluminium*.

Turnover of the Alumetal Group for 2021		
	Turnover (in PLN thousand)	% of turnover
Turnover from taxonomy-eligible activities	2 141 456	97.9%
Turnover from <i>non</i> -taxonomy-eligible activities	45 492	2.1%
Total	2 186 948	100%

As a result of the analysis carried out at the level of the Alumetal Group, disclosure was made of capital expenditure related to the implementation of projects related to the core business of the Alumetal Group included in the taxonomy as point 3.8 in Annexes I and II of Commission Delegated Regulation (EU) 2021/2139 as *Aluminium production – recycling of secondary aluminium*

Capital expenditure of the Alumetal Group for 2021*		
	Capital expenditure (in PLN thousand)	% of capital expenditure
Capital expenditure on taxonomy-eligible activities	24 702	97.5%
Capital expenditure on <i>non</i> -taxonomy-eligible activities	633	2.5%
Total	25 335	100%

** does not include advances paid for fixed assets under construction shown in the balance sheet as at 31 December 2021 under the item Trade and other receivables*

As a result of the analysis carried out at the level of the Alumetal Group, disclosure was made of operating expenses related to the maintenance, repair and renovation of machines, equipment and buildings, classified as expenses related to property, plant and equipment and processes related to the core business of the Alumetal Group included in the taxonomy as point 3.8 in Annexes I and II of the Commission Delegated Regulation (EU) 2021/2139 as *Aluminium production – recycling of secondary aluminium*.

Operating expenses of the Alumetal Group for 2021		
	Operating expenses (in PLN thousand)	% of operating expenses
Operating expenses under taxonomy-eligible activities	16 306	99.3%
Operating expenses under <i>non</i> -taxonomy-eligible activities	118	0.7%
Total	16 424	100%

IV. Characteristics of business activities of the ALUMETAL S.A. Capital Group and of ALUMETAL S.A. as the parent company

1. ALUMETAL Group products

For management purposes, the Alumetal S.A. Capital Group was divided into operating segments identified based on the type of goods produced and services rendered. The following operating segments were identified:

A. *Casting alloys*

The main output of the production process of the Group are aluminium casting alloys (primary and secondary alloys, master alloys and the AlTiB grain refiners in the form of rod) produced in the form of one-notch ingots (*aluminowe stopy odlewnicze produkowane w postaci gąsek dwudzielnych*) (of 6–8 kg) and in the form of waffle plates (wafers) (of approx. 12 kg) in three Polish production plants in Nowa Sól, Kęty and Gorzyce and in the Komarom plant in Hungary, where master alloys and grain refiners in the form of rod are produced exclusively in Gorzyce.

The Alumetal Group also supplies alloys to customers in the form of liquid metal.

In addition, the Group increasingly provides production services on foundry lines (absorbing the production capacity of these lines) consisting in the production of casting alloys from the material entrusted for processing by the customer (starting from the report for Q1 2021, the volumes of this production service are shown in the *Casting Alloys* segment instead of the *Other* segment).

The total real production capacity of the Group's four plants from the beginning of 2021 amounted to 270 thousand tons per year. After a year of operation of the new production line in the modernized plant in Kęty, the real production capacity is 5 thousand tons higher than assumed. Therefore, from 1 January 2022, the Alumetal Group defines its real production capacity at the level of 275 thousand tons. Annual real production capacity is understood to be nominal production capacity reduced by the effect of the standard shutdown of main production facilities during the year resulting, among others, from natural for the automotive industry periods of limited production (holiday break in August and Christmas break in December), during which the Alumetal Group carries out necessary repair and maintenance work.

Chemical composition of aluminium casting alloys is adjusted to individual customer needs and complies with the currently valid global, European and Polish standards. Casting alloys are delivered primarily to customers from the automotive industry (79.5% of total volume sold in 2021 compared to 83.7% in 2020) and to other sectors such as construction, metallurgy, machine industry, household appliances, steel industry and others.

B. *Other*

The by-products of the production activities of the Group are all sorts of metal wastes, including scrap from the preparation/ sorting phase of raw materials (in particular, steel scrap, zinc scrap, non-ferrous metal scrap and magnesium scrap), fine-grained aluminium scobs and swarf (*frakcje drobne wiórow*) and aluminium dross (*zgary*). The by-products of the Group are sold on the market and represent an additional source of revenue. Included in the *Other* segment are revenues from the sale of raw

materials and waste, goods for resale and services (other than production services performed on casting lines). This segment also includes revenues from the sale of products and materials of T + S sp. z o.o. (fluxes and salts).

The transaction prices between operating segments are determined based on the arm's length basis using the transfer pricing procedures.

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2021	Casting alloys	Other	Consolidation exclusions	Total
Total volume (tons), of which:	233 156	44 605	-23 957	253 804
- <i>inter-segment sales</i>	2 561	21 396	-23 957	-
Of which:				
Volume of goods and production services (tons), of which:	233 156	7 325	-9 866	230 615
- <i>inter-segment sales</i>	2 561	7 305	-9 866	-
Volume of raw materials, waste and goods for resale (tons), of which:	-	37 280	-14 091	23 189
- <i>inter-segment sales</i>	-	14 091	-14 091	-
Sales of finished goods, raw materials, goods for resale and services, of which:	2 169 970	124 360	-107 382	2 186 948
- <i>inter-segment sales</i>	28 514	78 868	-107 382	-
Cost of sales	-1 933 825	-107 434	105 296	-1 935 963
Gross profit on sales	236 145	16 926	-2 086	250 985
Selling expenses	-42 729	-674		-43 403
Operating profit (before administrative expenses and before other operating income and other operating expenses)	193 416	16 252	-2 086	207 582
<i>% margin</i>	8.9%	13.1%	-	9.5%
Administrative expenses				-35 579
Other operating income/ other operating expenses				6 719
Depreciation				35 680
EBITDA*				214 402
<i>% margin</i>				9.8%
Finance income/ finance costs				1 931
Profit before tax				180 653
Income tax expense				-29 038
Net profit for the year				151 615

* EBITDA was calculated by adjusting gross profit for finance income, finance costs and depreciation.

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2020	Casting alloys	Other	Consolidation exclusions	Total
Total volume (tons), of which:	157 955	41 055	-23 365	175 645
- <i>inter-segment sales</i>	1 385	21 980	-23 365	-
Of which:				
Volume of goods and production services (tons), of which:	157 955	12 644	-14 009	156 590
- <i>inter-segment sales</i>	1 385	12 624	-14 009	-
Volume of raw materials, waste and goods for resale (tons), of which:	-	28 411	-9 356	19 055
- <i>inter-segment sales</i>	-	9 356	-9 356	-
Sales of finished goods, raw materials, goods for resale and services, of which:	1 052 343	89 428	-80 169	1 061 602
- <i>inter-segment sales</i>	11 469	68 700	-80 169	-
Cost of sales	-946 948	-81 893	79 499	-949 342
Gross profit on sales	105 395	7 535	-670	112 260
Selling expenses	-26 038	-188	-	-26 226
Operating profit (before administrative expenses and before other operating income and other operating expenses)	79 357	7 347	-670	86 034
<i>% margin</i>	7.5%	8.2%	-	8.1%
Administrative expenses				-24 228
Other operating income/ other operating expenses				4 977
Depreciation				31 207
EBITDA*				97 990
<i>% margin</i>				9.2%
Finance income/ finance costs				-1 092
Profit before tax				65 691
Income tax expense				-10 645
Net profit for the year				55 046

* EBITDA was calculated by adjusting gross profit for finance income, finance costs and depreciation.

V. Assessment of the situation of the ALUMETAL S.A. Capital Group

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

The consolidated financial statements for 2021 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 PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., with its registered office at ul. Polna 11 in Warsaw, based on the audit contract dated 8 June 2020.

On 13 December 2019, the Supervisory Board of the Company appointed PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office at ul. Polna 11 in Warsaw to audit the financial statements of the Company and the Group for the years 2020 and 2021. In the case of ALUMETAL Group Hungary Kft., the entity authorised to audit separate financial statements is PricewaterhouseCoopers Könyvvizsgáló Kft.

The table below shows the remuneration of the entity authorised to audit financial statements, paid or payable for the year ended 31 December 2021 and 31 December 2020, by type of services:

<i>Type of service</i>	<i>Year ended 31 December 2021 (in PLN thousand)</i>	<i>Year ended 31 December 2020 (in PLN thousand)</i>
Statutory audit of consolidated and separate financial statements	185	165
Review of interim financial statements	60	60
Total	245	225

In addition, fee for the statutory 2021 audit of separate financial statements of the Alumetal Group Hungary Kft. carried out by PricewaterhouseCoopers Könyvvizsgáló Kft. was EUR 11 thousand (for 2020 - also EUR 11 thousand).

2. Market situation

A. Sales market

Forecasts for the production and sale of motor vehicles in 2021 assumed a significant rebound from the low level of 2020, which was affected by the outbreak of the coronavirus pandemic at the beginning of 2020. The first half of 2021 was in line with these forecasts (due to the low base, sales growth in Q2 2021 amounted to as much as 66%). However, the second half of 2021 brought declines in sales of motor vehicles related to the low supply of semiconductors, which had negative impact on European automotive concerns. On the other hand, throughout 2021, significantly better dynamics of commercial vehicle sales was noted compared to the sale of passenger cars.

In 2021, sales of new passenger cars in the European Union and in United Kingdom reached 11.35 million units, thus recording a 1.9% decrease compared to the prior year. In Q4 2021, the decrease was 23.4% compared to the corresponding period in the prior year.

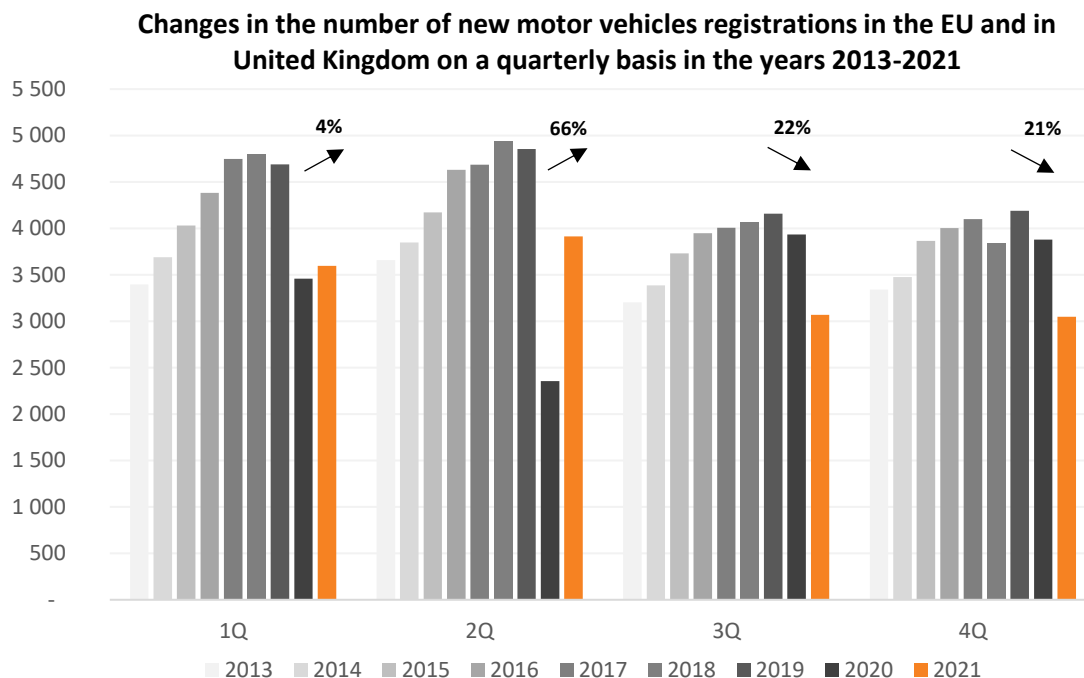
Commercial vehicle registrations in 2021 reached the level of 2.28 million units, which means an increase by 11.1% year-on-year (YoY). In Q4 2021, the situation was completely different - a 10.7% decrease was recorded, compared to the corresponding period of 2020.

When analyzing the total number of registrations of new passenger cars (PC) and commercial vehicles (CV) in the European Union and in United Kingdom, in 2021, a similar level was recorded as in the previous year - 13.63 million units. In Q4 2021, a decrease of 21.4% was recorded compared to Q4 2020.

Most European markets in 2021 were characterized by diversified dynamics compared to 2020. In Italy, registrations of new passenger vehicles increased by 5.5%, in the United Kingdom and Spain by 1.0% and in France by 0.5%. In Germany, on the other hand, 2.6 million units were registered, which is 10.1% less than in the previous year.

As regards sales of new commercial vehicles, registrations fell only in Spain by 2.8% YoY. Other markets, including the largest ones, recorded increases compared to 2020: Germany by 0.6%, France by 7.4%, Italy by 15.5% and the United Kingdom by 19.1%.

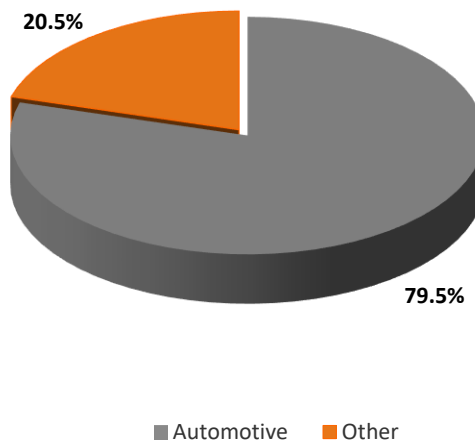
Presented below is the chart showing quarterly trends in the registration of passenger cars and commercial vehicles in the years 2013-2021.



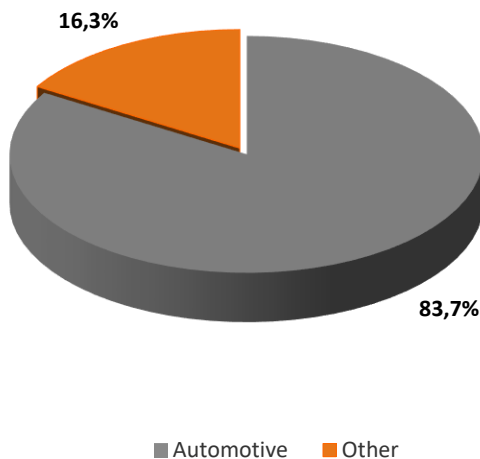
In 2021, the sales volume of the Alumetal Group exceeded 230 thousand tons and was higher by 47.0% YoY.

The automotive industry continued to dominate in the structure of sales to individual industries, accounting for 79.5% of total sales, but this share dropped by 4.2 percentage points compared to the previous year.

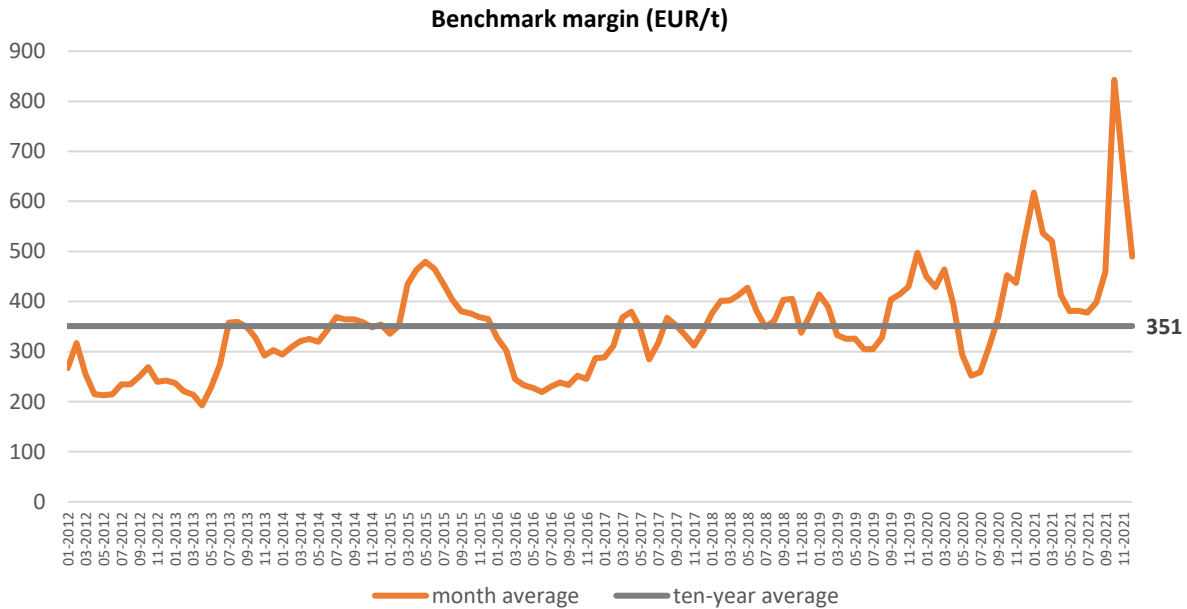
Sales in 2021 of finished goods of the Alumetal Group, by industry



Sales in 2020 of finished goods of the Alumetal Group, by industry



The chart below shows market margins in the form of a difference (spread) between the price of the standard aluminium casting alloy (alloy 226) and the purchase price of an adequate scrap material used in the production of this alloy. The average market margin was EUR 507/t in 2021 and was higher by 31% compared to 2020 and by nearly 44% than the 10-year average, which was EUR 351/t. The lowest margin value in 2021 was EUR 378/t (July), and its highest level was EUR 843/t (October).



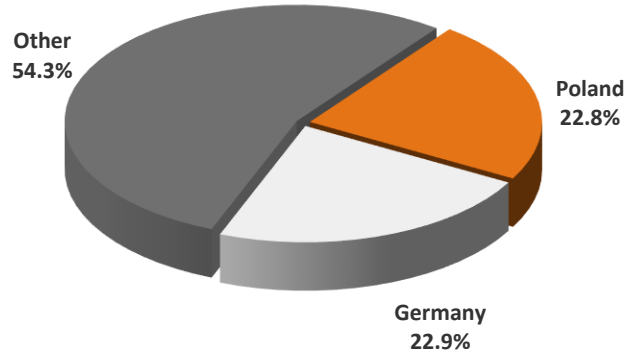
Throughout 2021, the share of revenues from sales to customers outside Poland was 77.2%, i.e. 8.4 percentage points more than in the previous year.

The Alumetal Group sales structure, by geographical area	2021	2020
Polish market	22.8%	31.2%
Other markets	77.2%	68.8%

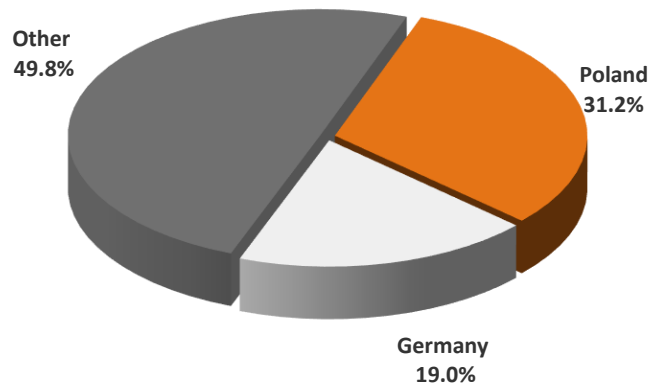
In 2021, the policy of diversifying and expanding the sales portfolio was continued, by actively working in the area of acquiring new customers. In the analysed period, the Alumetal Group acquired 57 new customers, including customers of both casting alloys and master alloys.

The charts below show the geographical structure of the Group's sales in 2021 and 2020 (data by place of delivery).

Sales geographical structure in 2021



Sales geographical structure in 2020



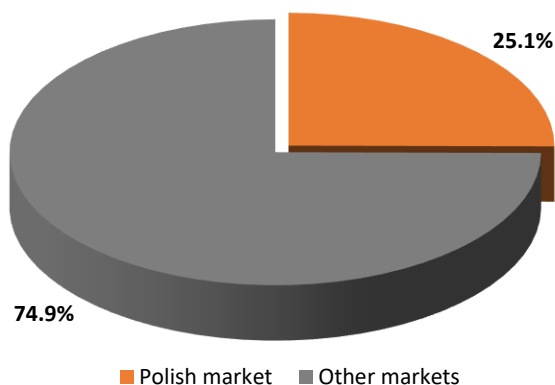
In 2021, the Alumetal Group generated revenues of more than 10% of total annual revenues with the Volkswagen Group and the Nemak Group.

B. Supply market

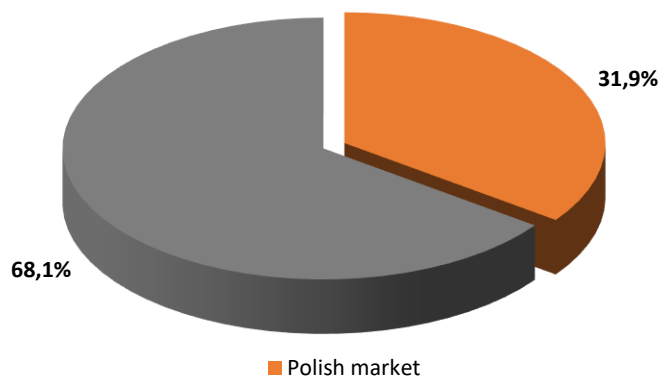
In 2021, the Alumetal Group purchased 235 thousand tons of aluminium scrap raw materials, which is an increase of 25.6% compared to 2020. During this period, 48 new suppliers of scrap material were acquired. This significant increase in the amount of purchased scrap related to an increase in production at the Kęty plant after the launch of a new production unit and greater use of production capacity in other production plants of the Group.

The share of scrap materials obtained from the Polish market in total purchases decreased from 31.9% in 2020 to 25.1% in 2021.

Geographical structure of purchases in 2021



Geographical structure of purchases in 2020



In the period from December 2020 to November 2021, scrap exports from Poland increased by 15% to 307 thousand tons. In the same period, imports rose by 22% to 225 thousand tons. Poland maintained the status of a net exporter at the level of 82 thousand tons, compared to 79 thousand tons in 2020.

In the period from December 2020 to November 2021, exports of scrap from the EU increased by 20.4% to the level of 1 140 thousand tons (the share of exports of China and India fell from 37.4% to 34.0%). In the same period, imports of scrap to the EU fell by 6.4% to 563 thousand tons. Consequently, net exports of aluminium scrap from the EU increased to 577 thousand tons in 2021 compared to 345 thousand tons in 2020.

3. Financial results, ratios, balance sheet structure and financial position of the ALUMETAL Group

The table below shows summarized consolidated data of the Alumetal Group for 2021 and the comparative data for 2020.

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ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME & STATEMENT OF CASH FLOWS	In PLN thousand		In EUR thousand	
	12 -month period of 2021	12 -month period of 2020	12 -month period of 2021	12 -month period of 2020
Volume of sold goods – in tons	230 615	156 590	230 615	156 590
Revenue from contracts with customers	2 186 948	1 061 602	477 760	237 272
Operating profit	178 722	66 783	39 044	14 926
EBITDA	214 402	97 990	46 838	21 901
EBITDA – unit in PLN/ ton	930	626	203	140
Profit before tax	180 653	65 691	39 465	14 682
Net profit	151 615	55 046	33 122	12 303
Net cash flow from operating activities	19 312	15 220	4 219	3 402
Net cash flow from investing activities	-54 805	-58 657	-11 973	-13 110
Net cash flow from financing activities	-50 611	-9 514	-11 056	-2 126
Total net cash flow	-86 104	-52 951	-18 810	-11 835
Basic net earnings per share attributable to equity holders of the parent (in PLN / EUR)	9.73	3.56	2.13	0.79
Diluted net earnings per share attributable to equity holders of the parent (in PLN / EUR)	9.61	3.56	2.10	0.80

ITEMS OF THE STATEMENT OF FINANCIAL POSITION	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Total assets	1 172 616	878 183	254 950	190 297
Non-current assets	382 578	388 185	83 180	84 117
Current assets	790 038	489 998	171 770	106 180
Shareholders' equity	685 897	573 836	149 128	124 347
Issued capital	1 558	1 548	339	335
Non-current liabilities	29 479	25 793	6 409	5 589
Current liabilities	457 240	278 554	99 413	60 361
Number of shares	15 582 689	15 479 493	15 582 689	15 479 493
Basic carrying amount per share (PLN/EUR)	44.02	37.07	9.57	8.03
Diluted carrying amount per share (PLN/EUR)	43.46	37.11	9.45	8.04
Paid/ planned dividend per share (PLN/EUR)	6.80*	2.92	1.48*	0.63

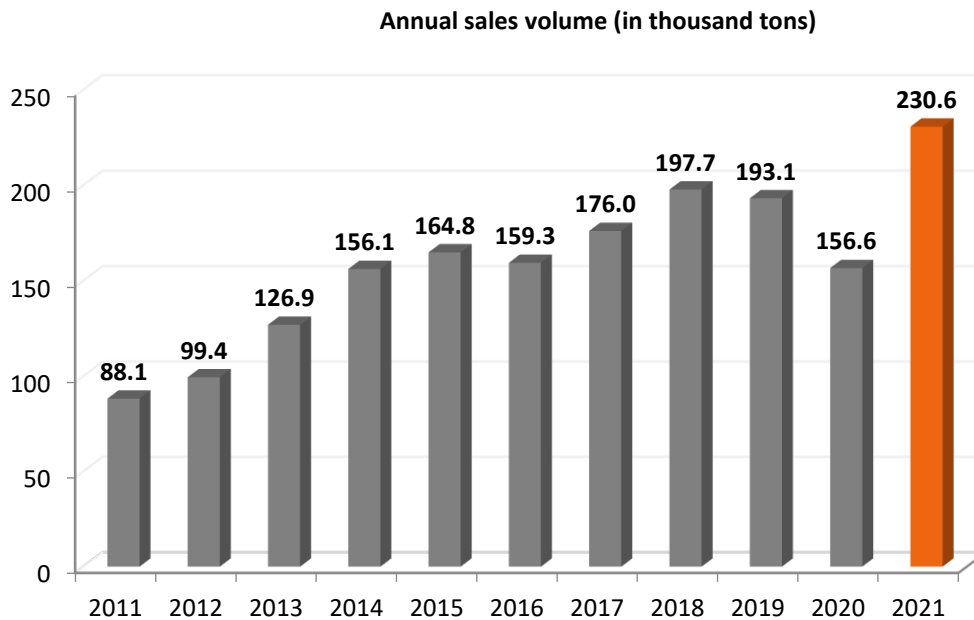
* dividend planned

The above financial data for 2021 and 2020 were translated into EUR in the following manner:

- components of assets and liabilities – at the average NBP exchange rate prevailing as at 31 December 2021 i.e. EUR/PLN 4.5994, and 31 December 2020 i.e. EUR/PLN 4.6148
- 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 2021 - EUR/PLN 4.5775 and for 12 months of 2020 - EUR/PLN 4.4742.

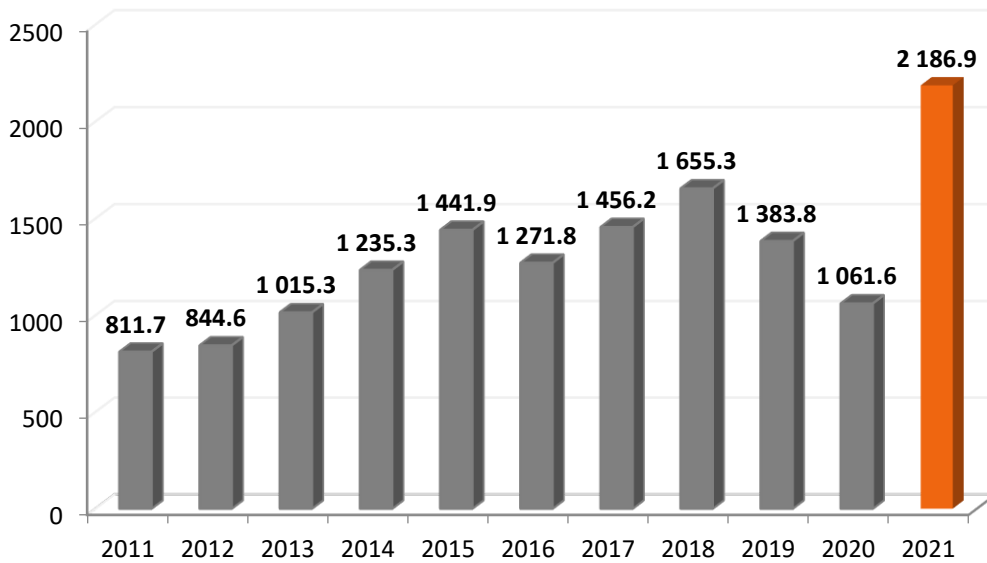
Due to the fact that sales of the *Castings alloys* segment account for approx. 98% of total sales revenue of the Group in 2021, it is this particular segment that decides about the overall results of the Group. Nevertheless, in the segment *Other*, results are also positive, and detailed information on the profitability of each segment was included in point IV.1 of this Directors' Report.

The volume of consolidated sales in 2021 amounted to 230.6 thousand tons and increased by 47% compared to 2020. This is the highest level of volume of sales of the Alumetal Group in history.



Sales revenues of the Alumetal Group in 2021 increased by 106% year-on-year and amounted to PLN 2 186.9 million, which is also a record result for the Alumetal Group. This increase is a result of an increase in sales volume by 47% and average sales prices by 40% compared to 2020.

Sales revenue (in PLN million)

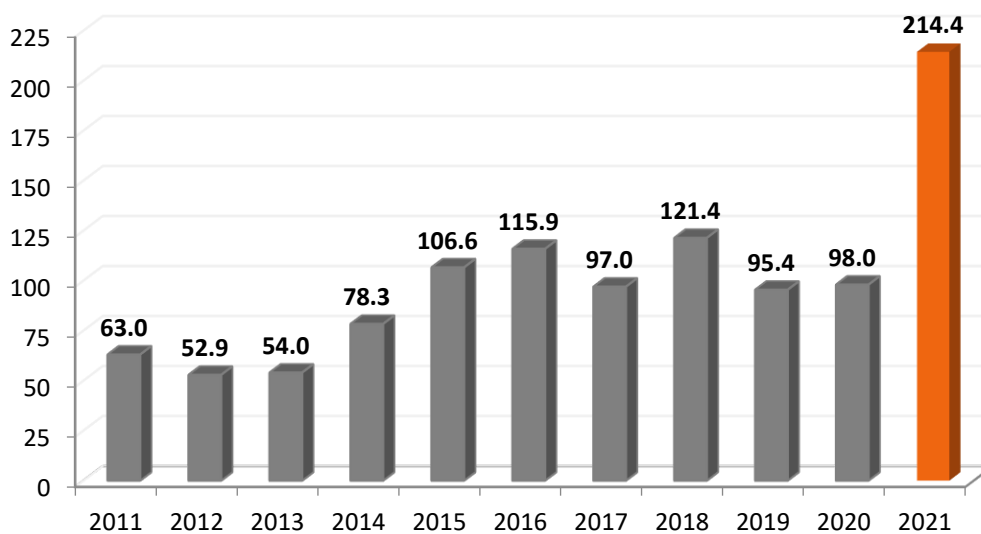


The EBITDA earnings amounted to PLN 214.4 million and increased 119% from 2020.

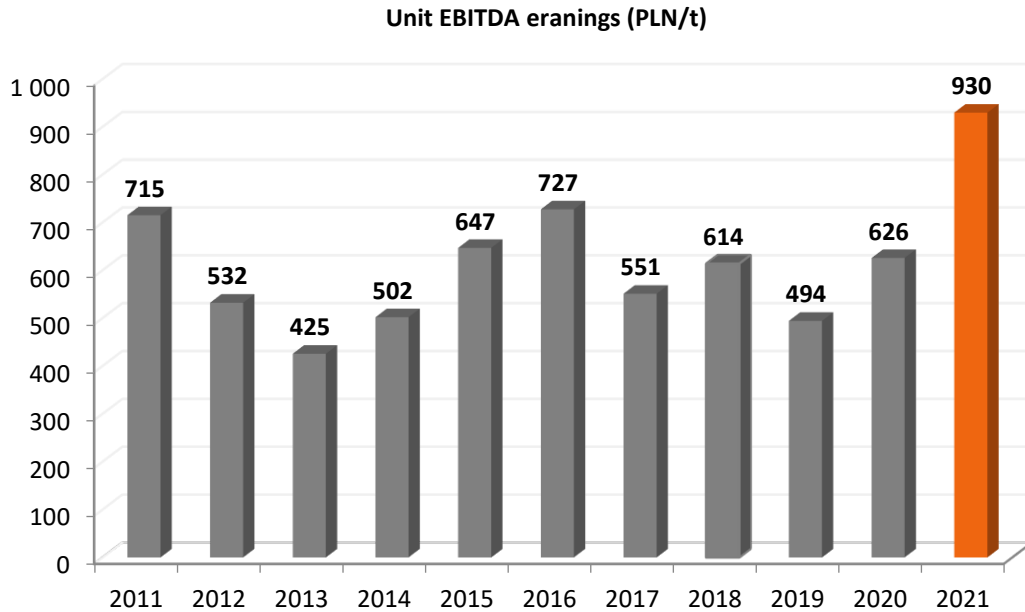
The main positive factors that influenced this parameter in 2021 were:

- significant increase in sales of Alumetal Group products despite the lack of increase in sales of the automotive industry in Europe compared to the pandemic 2020,
- significant increase in prices and, at the same time, improvement in the relationship, in absolute values, between selling prices of aluminium alloys and purchase prices of aluminium scrap raw materials, which translated into favourable level of unit EBITDA,
- decrease in the unit cost of production (other than material-related) due to considerable increase in production capacity utilisation and better dilution of cash overheads,
- very good effect of Kęty plant modernization carried out in 2020 in the form of improved production capacity, productivity per employee and reduced energy consumption of production process,
- higher sales of master alloys from the Gorzyce plant.

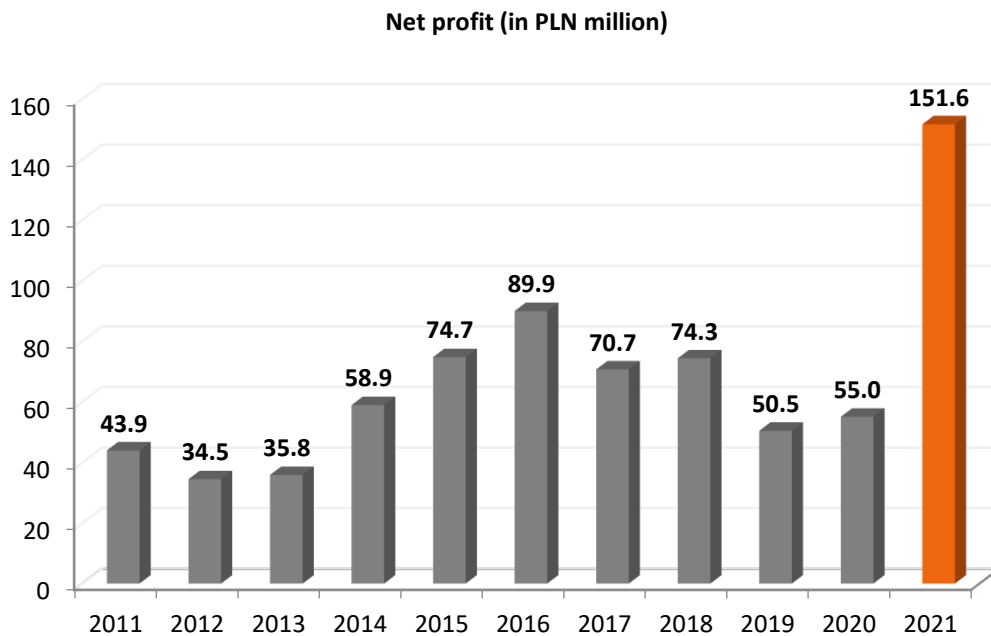
EBITDA (in PLN million)



Unit EBITDA earnings in 2021 amounted to PLN 930/t i.e. 49% more compared to 2020, which was mainly due the factors listed above.



The reported net profit for 2021 amounted to PLN 151.6 million, which means a 175% increase compared to the prior year.

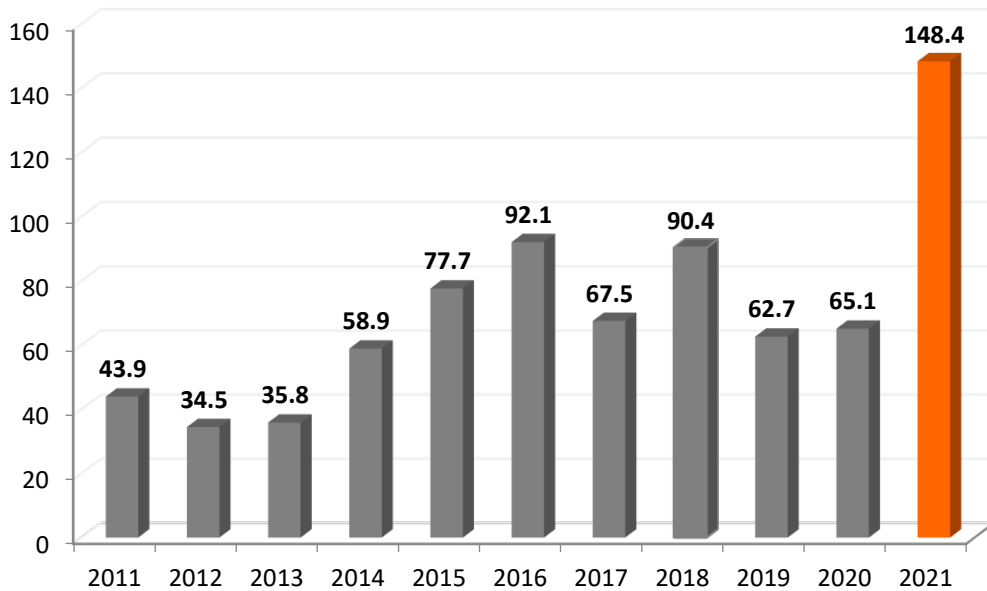


To illustrate the effects of asset valuation in the form of CIT exemption, the Alumetal Group also provides normalized profit (reported profit adjusted for the effect of valuation of asset arising from income tax exemption). Starting from 2017 profit appropriation, the Group also modified its dividend policy by modelling paid dividend level on normalized profit.

Starting from the distribution of profit for 2017, the Group also modified its dividend policy by shaping the level of dividend paid in relation to normalized profit.

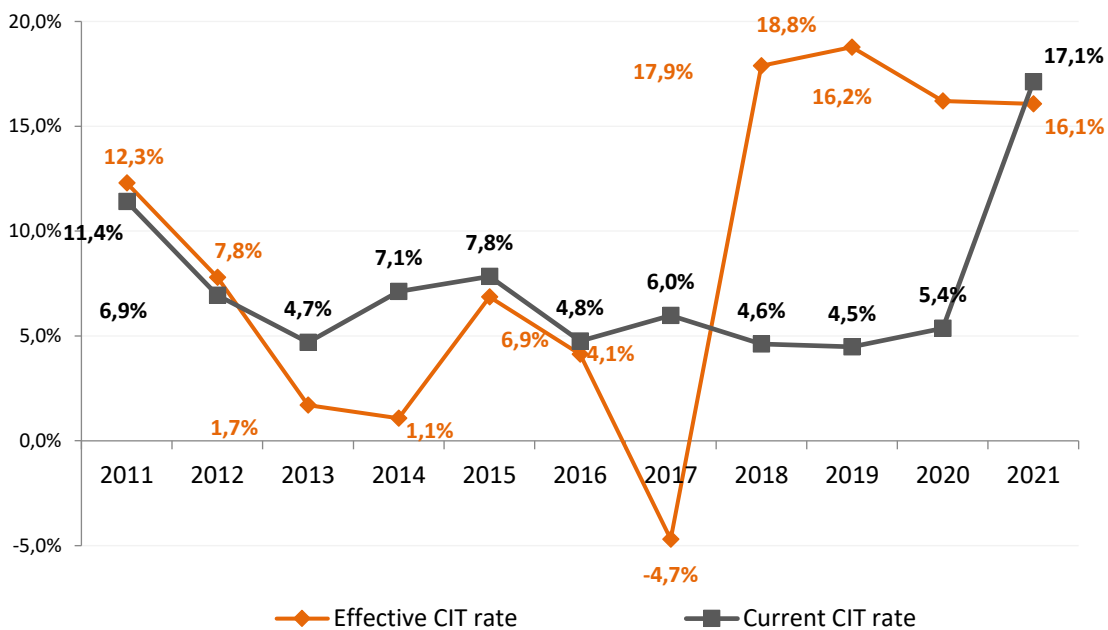
The chart below shows normalised net profit for 2021 which amounted to PLN 148.4 million and was 128% higher than in 2020.

Normalised net profit (in PLN million)

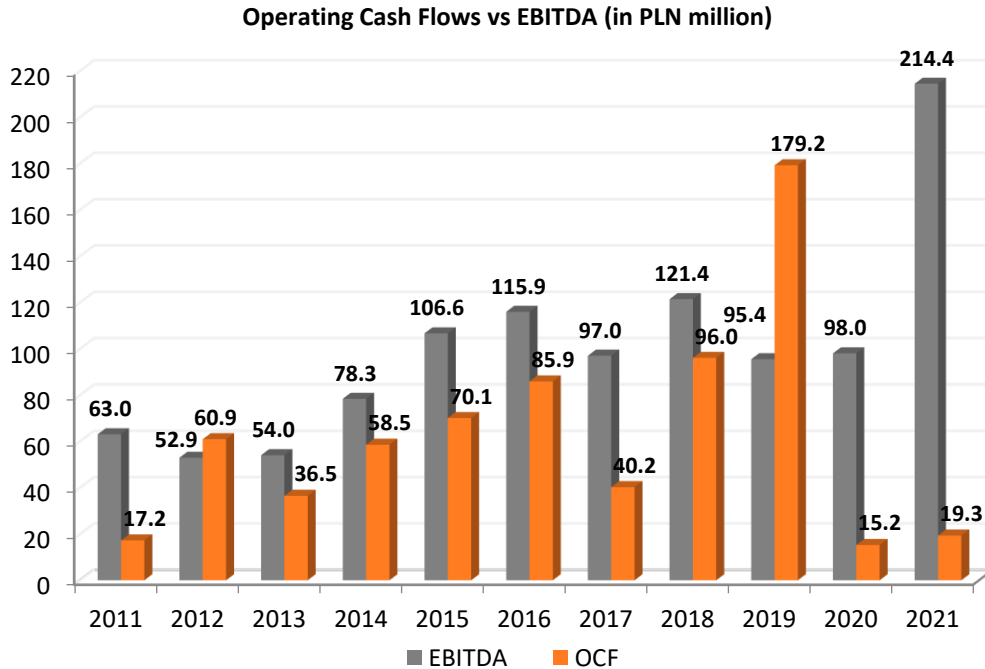


The effective CIT rate (being the ratio of CIT reported in the Consolidated Financial Statements on comprehensive income to gross profit) in 2021 was 16.1%, while the current CIT rate (the ratio of CIT payable to tax authorities for a given period to gross profit) was 17.1%.

CIT rates

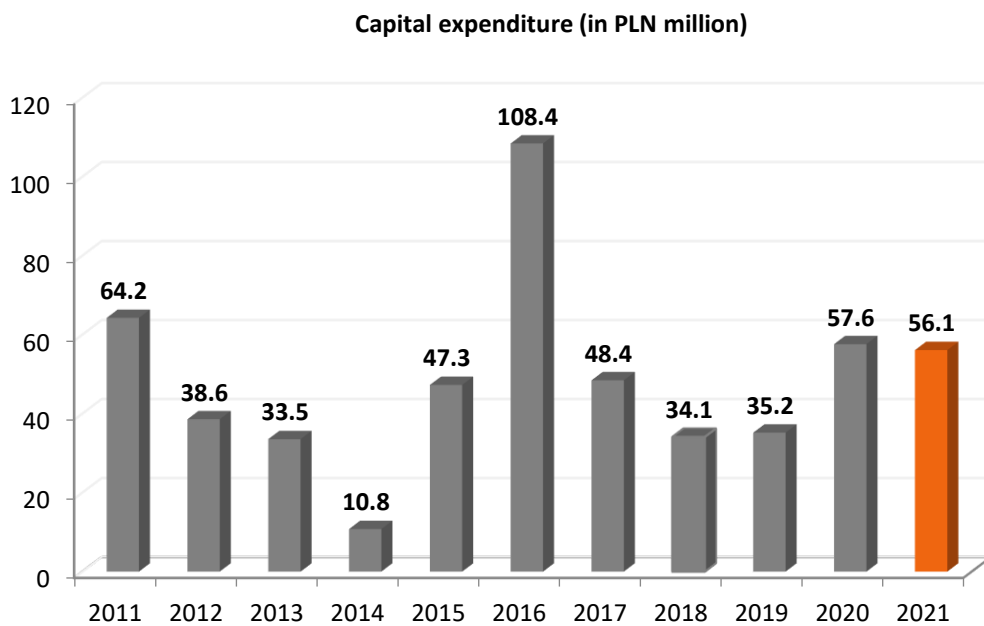


In the whole of 2021, operating cash flow was lower by PLN 195.1 million than EBITDA earnings. The main factors affecting the low level of operating cash flow were a significant increase in the level of production and sales, accompanied by a several dozen percent increase in the prices of raw materials and products, which translated into a very sharp increase in the demand for working capital (by PLN 172.4 million) despite a decrease in the inventory days ratio by 13 days in 2021.



In 2021, capital expenditure amounted to PLN 56.1 million and was 3% lower compared to 2020. The structure of capital expenditure in 2021 was as follows:

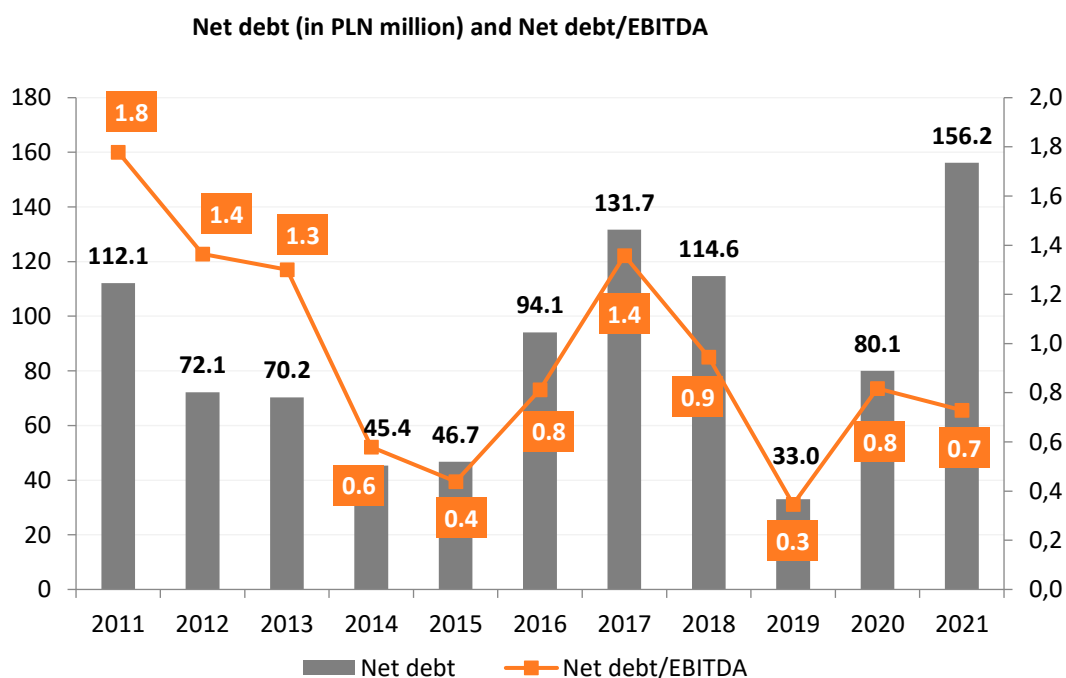
- PLN 43.3 million - development expenditure
- PLN 12.8 million - replacement expenditure.



At the end of 2021, the net balance of interest due and payable amounted to PLN 156.2 million, i.e. increased by 95% compared to the end of 2020. The increase in said debt is mainly due to the following:

- increase in the prices of raw materials and casting alloys – the average selling price of the Group's products increased by 73% compared to Q4 2021 and Q4 2020,
- increase in the volume of sales – an increase of 15% in Q4 2021 compared to Q4 2020,
- incurring in the analyzed period capital expenditure in the amount of PLN 56.1 million,
- dividend payments in the amount of PLN 45.5 million in 2021.

The Net debt/EBITDA ratio at the end of 2021, despite a significant increase in debt, was at a lower level compared to 2020 and amounted to 0.7.



The table below shows the listing of the most significant financial ratios that facilitate comprehensive assessment of the profitability, efficiency of operations, liquidity position and the degree of indebtedness of the Alumetal Group in recent years.

These ratios demonstrate good or very good efficiency of the operations of the Group at the level of EBITDA margin and net profit margin in the long-term perspective. A particularly high level in this area was recorded in 2021, since the comparable level was recorded only in 2016. In addition to the profitability of sales, the ratio of Return on Assets and Return on Equity in 2021 are also at a particularly high level, comparable to the years 2015-2016. It is worth noting that, over the whole period 2014-2021, all four profitability indicators are relatively stable and the noticeable fluctuations in these parameters are rather moderate and temporary.

Liquidity I ratio remained at a stable satisfactory level, while Working Capital Days ratio, despite some fluctuations in the successive years, also did not change materially in the longer term (its noticeable increase in 2020 is partly due to supply and collection disruptions as a result of the pandemic).

The structure of the Group's assets showed that over the last six years the ratio of Capital immobility did not change (despite some fluctuations arising from the changing rhythm of investment processes) and remained relatively low, which means that the Alumetal Group maintained the relatively high flexibility of assets despite the dynamic growth in production capacity. In 2021, however, a considerable decrease in this ratio can be observed due to the sharp increase in the value of current assets caused by higher prices of raw materials and sales quantity of the Alumetal Group.

The structure of the Group's liabilities, owing to appropriate securing of development needs, showed a good level of Stability of financing. The overall Debt ratio has also been stable and safe for a considerable period of time.

The debt ratios reflect its low level and show the significant potential of the Group to finance its further development and to maintain the dividend capacity.

Financial ratio	Ratio description	2021	2020	2019	2018	2017	2016	2015	2014
EBITDA margin (%)	EBITDA/Revenue from contracts with customers	9.8%	9.2%	6.9%	7.3%	6.7%	9.1%	7.4%	6.3%
Net profit margin (%)	Net profit/Revenue from contracts with customers	6.9%	5.2%	3.6%	4.5%	4.9%	7.1%	5.2%	4.8%
Return on assets (ROA) (%)	Net profit/Total assets	12.9%	6.3%	6.6%	8.6%	8.4%	12.4%	12.4%	11.0%
Return on equity (ROE) (%)	Net profit/Shareholders' equity at the beginning of the period	22.1%	10.6%	9.5%	14.8%	14.7%	21.9%	20.5%	20.6%
Liquidity I (multiplicity)	Total current assets/Current liabilities	1.7	1.8	1.9	1.8	1.6	1.9	2.0	1.8
Working Capital Days (days)	Inventory days + Debtors days – Creditors days	71	84	67	77	70	65	51	60
Capital immobility ratio (multiplicity)	Total non-current assets /Total current assets	0.48	0.79	0.93	0.75	0.83	0.98	0.76	0.61
Stability of financing (%)	(Shareholders' equity + Non-current liabilities)/Total equity and liabilities	61.0%	68.3%	73.4%	67.4%	66.9%	73.4%	72.0%	64.5%
Debt ratio (%)	(Total equity and liabilities – Shareholders equity)/Total assets	41.5%	34.7%	32.1%	38.3%	40.2%	35.5%	31.0%	39.4%
Net debt/EBITDA (multiplicity)	(Bank loans and borrowings – cash)/EBITDA	0.7	0.8	0.3	0.9	1.4	0.8	0.4	0.6

The margins realised by the Alumetal Group show considerable stability, interest due and payable is low, working capital ratio is high and the financial liquidity - very good, which all cause that the prospect of discharging liabilities by ALUMETAL S.A. and subsidiary companies on time is completely secure.

4. Significant and non-routine events, significant agreements and factors with impact on 2021 results

A. Decision to implement the project called "Expansion of the department for automatic processing of scrap raw materials" and information on obtaining public aid

On 19 January 2021, the Supervisory Board of the Company approved the implementation of the project called *Expansion of the department for automatic processing of scrap raw materials in Nowa Sól* and consented to incurring by the subsidiary company, ALUMETAL Poland sp. z o.o. (hereinafter: the subsidiary), capital expenditure in the amount of PLN 78 million on the terms and conditions agreed by the Management Board of ALUMETAL Poland sp. z o.o.

The project involves the expansion of the production capacity of the Nowa Sól plant in the field of automatic preparation of scrap materials, and its aim is to increase the operational efficiency of the Alumetal Group. The main phase of the investment is to be carried out in the years 2021-2022 and will be financed from the subsidiary's own funds

In addition, on 19 January 2021, the subsidiary received a decision from the Kostrzyńsko-Słubicka Special Economic Zone on obtaining support for the implementation of said project in the form of corporate income tax exemption in the amount of up to 35% of qualified investment expenditure under the Polish Investment Zone program.

In the light of the decision on support, the minimum required level of investment expenditure is PLN 78 million, and the maximum level of expenditure eligible for support is PLN 101.4 million. This expenditure may be realized in the years 2021-2025, and as a result of their incurring, the subsidiary has the right to benefit from income tax relief within 15 years from the completion of the investment in the amount from PLN 27.3 million, if the expenditure is at the minimum level, to PLN 35.5 million in the event of incurring expenditure at the maximum level.

Information on the implementation of the above-mentioned project was published by the Company in the current report No. 2/2021 on 19 January 2021.

B. Taking up 97 180 G-series shares as part of the Incentive Program III

On 19 February 2021, the Company received declarations on the taking-up of shares issued under the Incentive Program III for 2018-2020, implemented as part of the conditional capital increase specified in Resolution No. 3 of the Extraordinary Annual General Meeting of the Company of 7 November 2017, amended later by Resolution No. 5 of the Company's Extraordinary Annual General Meeting of 3 October 2018 ("Incentive Program III"), about which the Company informed in the current reports No. 48/2017 of 7 November 2017 and No. 25/2018 of 3 October 2018, as well as in periodic reports.

According to the received declarations, the entitled persons ("Eligible Persons") under the Incentive Program III took up a total of 97 180 G-series Shares issued in exchange for 97 180 registered, non-transferable D-series subscription warrants ("Incentive Shares"). All Incentive Shares are ordinary bearer shares with a nominal value of PLN 0.10 (in words: ten groszy) each, and will be issued in a dematerialized form pursuant to art. 7 of the Act on Trading in Financial Instruments, i.e. the rights attached to the Incentive Shares will arise when they are entered for the first time on a securities account.

The issue price of one share was PLN 41.60, which means that PLN 4 042 688.00 was received by the Company as a result of payments for the subscription of Incentive Shares, thus resulting in an increase in the Issuer's equity.

Therefore, 94.17% of G-series Shares were taken-up as a result of exercising the rights from 97 180 D-series subscription warrants out of the total of 103 196 D-series subscription warrants granted by the Supervisory Board to the Eligible Persons, about which the Company informed in the current report 15/2019. The remaining 5.83%, i.e. 6 016 G-series Shares, may be taken up by the Eligible Persons on the next date set for their taking-up, which will be announced in accordance with the rules of the Incentive Program III by the Management Board of the Company no later than by 31 December 2022.

Upon registration of the Incentive Shares on the Eligible Persons' securities accounts, the amount of the Company's issued capital changed, and amounts to PLN 1 557 667.30 (in words: one million five hundred fifty-seven thousand six hundred sixty-seven zloty and thirty groszy) and is divided into 15 576 673 ordinary bearer shares, of which being:

- 9 800 570 A-series ordinary bearer shares;
- 1 507 440 B-series ordinary bearer shares;
- 3 769 430 C-series ordinary bearer shares;
- 150 770 D-series ordinary bearer shares;
- 150 770 E-series ordinary bearer shares;
- 100 513 F-series ordinary bearer shares;
- 97 180 G-series ordinary bearer shares.

In view of the above, the number of votes at the Annual General Meeting of the Company also changed from 15 479 493 to 15 576 673.

Pursuant to the provisions of the Incentive Program III, the Company submitted applications to the Central Securities Depository of Poland and the Warsaw Stock Exchange for registration of the Incentive Shares and their introduction to trading on regulated market.

To that effect, the Company published current report No. 4/2021 on 19 February 2021 and 12/2021 on 25 March 2021.

On 16 March 2021, a Statement was issued by the Central Securities Depository of Poland No. 449/2021, whereby it was decided to register 97 180 (in words: ninety seven thousand one hundred eighty) G-series ordinary bearer shares of ALUMETAL S.A. with the Central Securities Depository of Poland with a nominal value of PLN 0.10 (in words: ten groszy) each (the "Incentive Shares"), issued as part of the conditional increase of the issued capital based on the Resolution No. 3 of the Extraordinary Annual General Meeting of the Company of 7 November 2017, then amended by Resolution No. 5 of the Extraordinary Annual General Meeting of the Company of 3 October 2018, and mark them with the code PLALMTL00023, subject to the company's operating the regulated market i.e. WSE taking a decision to introduce these shares to trading on the same regulated market, to which other Company's shares marked with the code PLALMTL00023 were introduced.

Pursuant to Resolution No. 307/2021 of the Management Board of the Warsaw Stock Exchange S.A., 97 180 series G ordinary bearer shares were introduced to public trading on the main market as of 25 March 2021.

C. Taking up series F subscription warrants entitling to take up the Company's shares as part of the implementation of the Incentive Program III for the years 2018 – 2020

On 24 March 2021, the Company received declarations on the taking up by the Eligible Persons of 51 598 registered, non-transferable series F subscription warrants ("Warrants") entitling to subscribe for the same number of ordinary bearer I-series Shares ("Incentive Shares").

The taking up of the Warrants was the result of fulfilling the condition of the achievement of the ratio of return on the Company's shares in 2020 at a level of 5 percentage points higher than the dynamics of changes in the WIG index in 2020, which was confirmed by the Supervisory Board of the Company.

The warrants were issued as part of the Incentive Program III for the years 2018 – 2020, implemented as part of the conditional capital increase specified in resolution No. 3 of the Extraordinary Annual General Meeting of the Company of 7 November 2017, amended by Resolution No. 5 of the Extraordinary Annual General Meeting of the Company of 3 October 2018 ("Incentive Program III"), about which the Company informed in current reports No. 48/2017 of 7 November 2017 and No. 25/2018 of 3 October 2018, as well as in periodic reports.

According to the received declarations, Members of the Company's Management Board took up a total of 25 799 Warrants, while managers, employees and associates of the companies of the ALUMETAL S.A. Capital Group took up 25 799 Warrants. The Warrants were taken up free of charge, and their issue was carried out in a dematerialized form, i.e. the rights attached to the Warrants will arise when they are recorded for the first time on a securities account.

The right to subscribe for the Incentive Shares may be exercised by the Eligible Persons not earlier than from 1 July 2022 and no later than until 31 December 2022.

To that effect, the Company published current report No. 11/2021 of 24 March 2021.

D. Change of the bank financing the Alumetal Group

In March 2021, the DNB Scandinavian bank announced that it would liquidate its operations in Poland in the first half of 2022. Following this information, the Company immediately began negotiations with potential new banking partners. As a result of negotiations conducted in April and May 2021, in June 2021 a new short-term loan agreement was signed for all Alumetal Group companies with Credit Agricole Bank Polska S.A. with a total limit of PLN 40 million with a view to repaying by 30 June 2021 the short-term loan at DNB Bank Polska in the same amount, which was executed.

E. Increasing credit limits at ING Bank Śląski S.A. and Bank Handlowy in Warsaw S.A.

Following considerable increase in demand for net working capital in the first half of 2021 and, as a result of negotiations, conducted in March and April 2021, it was decided to increase the limits of short-term bank loan agreements for Alumetal Group companies in ING Bank Śląski S.A. and Bank Handlowy w Warszawie S.A. in the total amount of PLN 20 million. As a result, in April 2021, an annex to the agreement was signed to raise the value of the loan agreement from PLN 36 million to PLN 46 million with ING Bank Śląski S.A. and in May 2021, an annex to the agreement was signed to raise the value of the loan agreement with Bank Handlowy w Warszawie S.A. from PLN 40 million to PLN 50 million.

F. Payment of dividend for 2020

Based on the recommendation of the Company's Management Board of 23 March 2021 on the payment of dividend from the Company's net profit for the financial year 2020 in the total amount of PLN 45,483,885.16, i.e. PLN 2.92 per each share, which consisted of PLN 32,663,292.75 from the Company's net profit for 2020 and part of the Company's other reserves in accordance with Article 348 § 1 of the CCC and a positive opinion of the Management Board's recommendation issued by the Supervisory Board on 15 April 2021, on 19 May 2021, the Ordinary Annual General Meeting adopted a resolution on the payment of dividend to the Company's shareholders in accordance with the Management Board's recommendation. The dividend was paid on 28 June 2021. The Company informed the public about the actions of the Company's governing bodies regarding the distribution of profit and payment of dividend for the financial year 2020 in current reports No.: 8/2021 of 23 March 2021, 14/2021 of 15 April 2021, 15/2021 of 22 April 2021 and 19/2021 and 20/2021 of 19 May 2021.

G. Adoption by the Company of the information policy regarding publication of preliminary periodic financial results and their presentation for Q2 2021

In order to bring forward the opportunity to become familiar with the achieved financial results, the Company has introduced the principle of publishing preliminary financial results on the 20th calendar day (or the first business day following it, if the 20th is a non-business day) of the month following the end of the quarter, with the exception of January, when the preliminary results for the fourth quarter will be presented on the 30th day of the month (or the first business day following it, if the 30th is a non-business day). This means that the presented preliminary results will be published about 4 weeks earlier than the final results in the quarterly report, and the results for the fourth quarter will be approximately 6 weeks earlier than the annual report. The set of information included in the published normalized net profit at the consolidated level.

As a result of the above, and in connection with the adopted Best Practices of WSE Listed Companies 2021, including, in particular, Rule 1.2., on 20 July 2021, in current report No. 26/2021, the Company published for the first time according to the above policy the selected range of the most important preliminary consolidated financial results of the Company's Capital Group for Q2 2021.

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

On 26 July 2021, the short-term loan agreement with ING Bank Śląski S.A. with the equivalent of PLN 46 million was extended for another year. In addition, on 2 August 2021, the loan agreement with Bank Handlowy w Warszawie S.A. was extended by one year without changing the amount of the credit limit with the equivalent of PLN 54 million. In the same month, an annex to the short-term loan agreement of Alumetal Group Hungary Kft. with Citibank Europe Hungarian Branch Office was also signed, extending the cooperation for another year in the current amount of equivalent of EUR 1.850 million.

I. Receipt and sale of energy efficiency certificates by the subsidiary, ALUMETAL Poland sp. z o. o

In connection with the implementation in recent years by the subsidiary ALUMETAL Poland sp. z o.o. of investment projects that met the requirements of the Act of 20 May 2016 on energy efficiency (the Act implements Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency) in the form of, inter alia, positive result of the energy efficiency audit for individual investments carried out, Alumetal Poland sp. z o.o. received a benefit in the form of property rights resulting from energy efficiency certificates, the so-called white certificates worth PLN 7 659 thousand (in order to obtain property rights resulting from white certificates, energy must be saved in the amount of at least 10 toe/year, where 1 toe is the equivalent of 11.63 MWh). The effect of the receipt of certificates is taken to *other operating income* in the profit and loss account in proportion to the depreciation period of devices covered by energy-saving investment.

As a result of the sale of all said energy efficiency certificates, by the date of this Directors' Report, ALUMETAL Poland sp. z o. o. received a total of PLN 7 759 thousand, of which PLN 605 thousand in Q4 2020, PLN 1 876 thousand in 1H 2021, and PLN 5 278 thousand in Q3 2021.

J. Increasing the budget for the implementation of the project "Expansion of the department for automatic processing of scrap raw materials"

On 4 August 2021, the Management Board of the Company published current report No. 27/2021, in which it informed about the approval on the same day by the Supervisory Board of an PLN 13 million, net, increase in investment expenditure for the implementation of the project *Expansion of the department or automatic processing of scrap raw materials in Nowa Sól* by the subsidiary, ALUMETAL Poland sp. z o.o. According to the report, the total amount of the budget for project implementation is PLN 91 million net, and the reason for the increase in investment expenditure is a significant increase in market prices of services and construction materials, parts of machinery and equipment as well as the extension of the scope of the project.

The Company also indicated that the additional amount of investment expenditure are expenses eligible for support for the implementation of the above-mentioned project in the form of CIT tax exemption in the amount of up to 35% of eligible investment expenditure under the Polish Investment Zone program. At the same time, the Company emphasized that the current schedule for project implementation remains unchanged, i.e. the main phase of the investment will be implemented in the years 2021-2022 and financed from the subsidiary's own resources.

The project in question involves the expansion of the production capacity of the Nowa Sól plant in the field of automatic preparation of scrap materials, and its aim is to increase the operational efficiency of the Alumetal Group, about which the Company informed in the current report No. 2/2021 of 19 January 2021.

K. Registration of an amendment to the Company's Statutes

On 18 August 2021, the Management Board was informed that on 22 June 2021, the District Court for Kraków-Śródmieście in Cracow, 12th Commercial Division of the National Court Register, registered the Company's Statutes in the new wording adopted by resolution No. 25 by the Ordinary Annual General Meeting of the Company on 19 May 2021, about which the Company informed in current report No. 28/2021 of 18 August 2021.

L. Signing the contract for the upgrade of the ERP class system in the Alumetal Group

On 30 September 2021, Alumetal S.A. signed the last of several contracts related to the upgrade of the IFS Applications system in the entire Alumetal Group from version 7.5 used since 2012 to version 10. The planned launch date of IFS Applications, version 10, is 1 January 2023.

M. Receiving compensation dedicated to energy-intensive companies for high energy prices

On 4 October 2021, the subsidiary, Alumetal Poland sp. z o.o., obtained information about the decision taken on 30 September 2021 by the President of the Energy Regulatory Office to grant this company compensation for 2020 in the amount of PLN 3 427 thousand. The compensation granted was paid in full to the bank account of Alumetal Poland sp. z o.o. on 15 October 2021 and was included in the financial results of the subsidiary and in the consolidated results of the Alumetal Group for Q3 2021 under *other operating income*.

N. Taking up 6 016 series G shares under the Incentive Program III

On 8 October 2021, the Company published current report No. 30/2021, in which it informed that it had received declarations on the acquisition of shares issued under the Incentive Program III for the years 2018 – 2020, implemented as part of the conditional capital increase specified in Resolution No. 3 of the Company's Extraordinary Annual General Meeting of 7 November 2017, subsequently amended by Resolution No. 5 of the Extraordinary Annual General Meeting of 3 October 2018 ("Incentive Program III"), about which the Company informed in current reports No. 48/2017 of 7 November 2017 and No. 25/2018 of 3 October 2018, as well as in periodic reports. According to the received declarations, the eligible persons ("Eligible Persons") under the Incentive Program III took up a total of 6 016 series G shares issued in exchange for 6 016 series D subscription warrants ("Incentive Shares"). Incentive Shares are ordinary bearer shares with a nominal value of PLN 0.10 (in words: ten groszy), and their issue took place in a dematerialized form based on Article 7 of the Act on trading in financial instruments, i.e. the rights attached to the Incentive Shares will arise when they are recorded for the first time on the securities account. The issue price of one share amounted to PLN 41.60, which means that the Company received PLN 250 265.60 in lieu of payments for taking up the Incentive Shares by the Eligible Persons, thus resulting in an increase in the Issuer's equity.

In connection with the above and as a result of the acquisition by Eligible Persons in February 2021 of 97 180 G-series Incentive Shares, as of 8 October 8 2021, all shares of this series due to Eligible Persons as granted by the Supervisory Board as a result of exercising the rights under series D warrants were acquired in the total amount of 103 196, about which the Company informed in the public in the current report 15/2019.

Pursuant to the provisions of the Incentive Program, the Company applied with the Central Securities Depository of Poland and the Warsaw Stock Exchange for the registration of Incentive Shares and their introduction to trading on the regulated market.

On 22 November 2021, the Central Securities Depository of Poland ("KDPW") issued a Statement on concluding an agreement for registration in the depository of securities of up to 6 016 ordinary bearer G-series Shares marked with the new PLALMTL00056 ISIN code.

According to the Statement, registration of the G-series Shares was carried out based on settlement orders referred to in §6 of Detailed Rules of Operation of KDPW, in connection with deregistration of

subscription warrants marked with the PLALMTL00031 code, from which the right to take up the above-mentioned shares was exercised. On 25 November 2021, the Company received information from the registration intermediary about recording on 23 November 2021 on shareholder investment accounts of 6 016 ordinary bearer G-series Shares with a nominal value of PLN 0.10 (in words: ten groszy) each, marked with the PLALMTL00056 ISIN code.

Then, based on the Resolution No. 1212/2021 of the Management Board of the Warsaw Stock Exchange S.A. and the KDPW Statement of 6 December 2021 on the assimilation of 6 016 shares marked with PLALMTL00056 ISIN code with the Company's shares traded on the stock exchange, under the common code PLALMTL00023, 6 016 ordinary bearer G-series Shares were introduced to public trading on the main market on 10 December 2021.

To that effect, the Company informed the public in the current reports No. 33/2021 of 22 November 2021, No. 34/2021 of 25 November 2021, No. 35/2021 of 6 December 2021 and No. 36/2021 of 6 December 2021.

5. Post-reporting date significant and non-routine events, contracts significant for operations and factors with impact on achieved results

A. Registration of a conditional issued capital increase and amendments to the Company's Statutes

On 21 January 2022, the Management Board was informed that on 18 January 2022, the District Court for Kraków-Śródmieście in Cracow, 12th Economic Department of the National Court Register, registered a change in the Company's issued capital and the related amendment to the Company's Statutes. Registration of the change in issued capital took place in connection with the issuance of 6 016 (in words: six thousand sixteen) ordinary bearer G-series Shares, about which the Company informed in the current report No. 34/2021 and the increase in the issued capital on the date of share issue, which took place based on the Resolution No. 3 of the Extraordinary Annual General Meeting of 7 November 2017, subsequently amended by Resolution No. 5 of the Extraordinary Annual General Meeting of 3 October 2018, regarding the incentive program for the management of the Alumetal Group for the years 2018-2020 ("Incentive Program III") in connection with the issue by the Company of 6 016 (in words: six thousand sixteen) ordinary bearer G-series Shares.

The registered issued capital of the Company amounts to PLN 1,558,268.90 (in words: one million five hundred fifty eight thousand two hundred sixty eight zlotys ninety groszy) and is divided into 15,582,689 ordinary bearer shares giving 15,582,689 votes at the General Meeting of the Company with a nominal value of PLN 0.10 each, including:

- 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;
- 150 770 shares are ordinary bearer shares, series E;
- 100 513 shares are ordinary bearer shares, series F
- 103 196 shares are ordinary bearer shares, series G.

The Company informed the market by publishing current report No. 1/2022 on 21 January 2022.

B. Increasing short-term credit limits (overdraft facilities) in the Alumetal Group

In January and February 2022, the short-term credit limits (overdraft facilities) of the Alumetal Group were increased by a total of PLN 70 million, of which in ING Bank Śląski S.A. by PLN 30 million, in Bank Handlowy w Warszawie S.A. by PLN 20 million and in Credit Agricole Bank Polska S.A. also by PLN 20 million. This means that the Group's total short-term credit limits amount to PLN 234 million as at the date of this Directors' Report.

C. Decision to implement project to expand master alloys production capacity in the Gorzyce plant

On 28 February 2022, the Supervisory Board of ALUMETAL S.A. approved the implementation of the project to expand production capacity of master alloys at the plant in Gorzyce and agreed to incur capital expenditure by the subsidiary, ALUMETAL Poland sp. z o.o., in the maximum amount of PLN 12.5 million, net on the terms and conditions agreed by the Management Board of the subsidiary.

The project assumes the expansion of the production lines of the plant in Gorzyce used for the production of the so-called master alloys, which will increase the Group's production capacity in this area by 30% and, consequently, will translate into an increase in the production capacity of the entire Alumetal Group by 2.5%.

Master alloys are products characterized by above-average added value among the products of the Alumetal Group. These products are largely targeted at customers other than the automotive industry, so increasing their production and sales will be the next step to diversify the Alumetal Group's sales structure.

The investment will be realized in the years 2022-2023 under the current zone permit in the Tarnobrzaska Special Economic Zone, which means that the subsidiary will be entitled to a corporate income tax relief in the amount of 50% of eligible investment expenditure. The project will be financed from the subsidiary's own resources.

To that effect, the Company published current report No. 4/2022 of 28 February 2022.

D. Signing annex to the agreement with ING Bank Śląski S.A. authorizing payment of dividends at a level higher than 70%

In March 2022, an annex to the loan agreement with ING Bank Śląski S.A. was signed, authorizing payment of dividends in the amount not exceeding 75% of normalized, consolidated net profit for the previous financial year, and replacing the current limit set at the level of 70%.

VI. Investments and development works

1. Information on major research and development achievements

In 2021, the amount of investment expenditure in the Alumetal Group incurred for the purchase of tangible fixed assets, expenses for development works and intangible assets, both of a development and replacement nature, amounted to:

Total expenditure (PLN thousand)	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
	56 096	57 594

The investment projects carried out in 2021 related to the tasks in the following areas:

- PLN 43.3 million - development expenditure
- PLN 12.8 million - replacement expenditure.

2. Modernization of Kęty plant

In Q1 2021, the last construction works were carried out as part of the modernization project of the plant in Kęty and protocols for commissioning all technological equipment were signed. In April 2021, information was received from the Poviát Inspectorate of Construction Supervision that there was no objection to the possibility of using the facilities completed during the investment.

After one year of operation of the new production line in the modernized plant in Kęty, the real production capacity is 5 thousand tons higher than previously assumed. Therefore, from 1 January 2022, the Alumetal Group defines its real production capacity at the level of 275 thousand tons.

3. Expansion of the department of automatic processing of scrap raw materials in Nowa Sól

Implementation of the project *Expansion of the department of automatic processing of scrap raw materials in Nowa Sól* is expected for the years 2021-2022.

The course of the project so far:

- in Q1 2021, a decision on environmental conditions was issued for the project and preparatory work began;
- in the first half of 2021, all equipment of the raw material processing line was contracted;
- in Q3 2021, a decision regarding construction permit was received and the first contracts for construction works were signed;
- in Q3 and Q4 2021, building and construction works were underway;
- investment expenditure as at 31 December 2021 amounted to PLN 35.58 million;
- the project is implemented in accordance with the schedule, production launch is planned for Q4 2022.

4. Project of processing post-production waste generated in the production of aluminium casting alloys

The most important events relating to the project of processing post-production waste generated in the production process of aluminium casting alloys include:

- in Q2 2021, Annex No. 3 was signed concerning changes in the method of settlement of lab equipment and Annex No. 4 regarding change in the material scope of pilot installation for test stand;
- in Q4 2021, Annex No. 5 was signed, extending the contract with the National Centre for Research and Development (NCBiR) and the period of eligibility of project costs until 31 December 2023;
- also in Q4 2021, tenders were carried out, contracts for the purchase of equipment were signed and assembly works of pilot installation for test stand began;
- in Q4 2021, NCBiR approved without reservations the Report on the Implementation of Tasks (periodic report No. 2) for the period from 2 December 2020 to 1 December 2021.

The total costs of development works from the beginning of the project to 31 December 2021 amounted to PLN 4.37 million. Until 31 December 2021, T+S sp. z o.o. received funding from the NCBiR based on submitted payment applications in the total amount of PLN 1 308 thousand, of which PLN 272 thousand - in 2020.

5. Financing the development of ALUMETAL Group

The Alumetal Group companies concluded several contracts with a view that were to secure finance for the Group's development in recent years and for the near future:

- 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 Hungary, in the amount of EUR 10 million with the maturity date set at 14 October 2022; in November 2017, the repayment of this loan began with a repayment schedule in 60 monthly instalments;
- contract of 21 October 2015 for cash subsidy between ALUMETAL Group Hungary Kft. and the Hungarian Ministry of Foreign Affairs and Trade;
- contract of 14 February 2020 for co-financing of a research and development project by NCBiR, the aim of which is to develop a technology for processing post-production waste generated in the production of aluminium casting alloys;
- 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 the production plant in Hungary, in the amount of EUR 10 million with the maturity date set at 14 October 2022; in November 2017, the repayment of this loan began with a repayment schedule in 60 monthly instalments;
- an agreement between ALUMETAL Group Hungary Kft. and Citibank Europe pls Hungarian Branch Office for a short-term bank loan equivalent to EUR 1,850 million, which in Q3 2021 was extended for another year;

- in 2021, the Alumetal Group companies extended the short-term bank loan agreement with ING Bank Śląski S.A. for another year, thus increasing the limit from PLN 36 million to PLN 66 million in two steps. In January and February 2022, the limits were increased by another PLN 30 million, thus increasing the scale of cooperation to PLN 96 million;
- in 2021, the Alumetal Group companies extended for another year the short-term bank loan agreement with Bank Handlowy w Warszawie S.A., thus increasing the limit from PLN 40 million to PLN 50 million. In January 2022, the limit was increased by another PLN 20 million to PLN 70 million;
- in June 2021, a new short-term loan agreement was signed for all Alumetal Group companies with Credit Agricole Bank Polska S.A. (which replaced the agreement of the same value previously concluded with DNB Bank Polska S.A. where the existing loan was repaid in June 2021). In February 2022, the scale of cooperation was increased by PLN 20 million to PLN 60 million.

The financial resources of the Alumetal Group allow to fully discharge its current and future liabilities relating to current development plans.

6. Structure of main capital deposits or main capital investments made in the Issuer capital group in the financial year

In 2021, the Alumetal Group did not make any capital deposits or capital investments.

7. Strategy and development directions of the ALUMETAL Group

On 16 July 2018, the Supervisory Board of the Company authorised by way of resolution the „Strategy of the ALUMETAL S.A. Capital Group for the years 2018 – 2022” (the “Strategy”) presented by the Company’s Management Board.

The adopted Strategy assumed increase in the value for shareholders (return for shareholders) and strengthening the market position of the ALUMETAL S.A. Capital Group as a leading European manufacturer of secondary aluminium casting alloys and master alloys.

The objectives of this Strategy are to be achieved through, among others:

- raising sales volumes of the ALUMETAL S.A. Capital Group’s products to the level of more than 250 thousand tons in 2022;
- modernization of the production plant in Kęty;
- focusing on operational activities undertaken with a view to improving production efficiency, as well as its technological and cost effectiveness;
- further intensification of trading activities, including product portfolio diversification;
- average annual EBITDA growth by 10%.

The adopted Strategy assumed, among others, execution of a material investment relating to the modernization of the Kęty plant. The Supervisory Board approved the investment plan “Modernization of Kęty plant at ALUMETAL Poland Sp. z o.o.” submitted by the Management Board.

In accordance with the authorised plan, execution of the investment called „Modernization of Kęty plant at ALUMETAL Poland sp. z o.o.” was to comprise extension of the production hall and warehousing facility, partial conversion of the existing plant, infrastructure modernization, as well as purchase, installation and launch of technological and auxiliary equipment. This investment was to facilitate the use of modern technologies for aluminium alloys production, increase in production output and significant enhancement of technological and operational processes. The Supervisory Board authorised execution of the investment plan „Modernization of Kęty plant at ALUMETAL Poland sp. z o.o.” as a strategic plan within the meaning of § 20 paragraph 3 point 2 of the Company’s Statutes on 16 July 2018 and on 13 November 2019 consented to plan modification incurring investment expenditure to the amount of PLN 67.8 million. The decision to incur higher expenditure was at the same time an investment in extension of production capacity, which caused after the completion of the modernization of Kęty plant, an increase in the Alumetal Group production capacity to 270 thousand starting from 2021. The investment expenditure was to be incurred mainly in the years 2019 – 2020, with the majority of expenditure incurred in 2020. The Management Board planned to complete the investment project by 31 December 2021. The whole investment was to be financed solely from the own funds of the Group.

With the approval of the strategy, the ALUMETAL S.A. Capital Group decided to modify its dividend policy by raising the declared dividend level from the current 50% to a minimum of 70% of normalised consolidated net profit.

The Company informed the public about authorization of this Strategy in its current report No. 17/2018 of 16 July 2018.

VII. Quality

The high and reproducible quality of produced aluminium casting alloys, master alloys and grain refiners mean the constantly maintained production standard of the Alumetal Group plants, which produce mostly to customers from the automotive industry. Such standards determine the need for continuous enhancement and improvement of broadly understood quality.

The quality of products and meeting customer requirements as necessary requirements of the IATF 16949:2016 specification has been confirmed during supervision audits carried out by TÜV Rheinland in all plants of Alumetal Poland sp. z o.o. (Kęty, Gorzyce and Nowa Sól), in Alumetal Group Hungary Kft. and in Alumetal S.A. as a holding company. All audits in the Group were completed successfully.

After year 2020, where direct contact with customers was significantly limited due to the pandemic situation, in 2021 seven customer audits were carried out - all of which completed with positive result.

Customer requirements regarding CO₂ emissions in the production of their products are becoming an increasing challenge, which has impact on the Alumetal Group plants and the products manufactured there. Attempts to replace aluminium alloys produced so far from primary raw materials with alloys produced in whole or in part from scrap raw materials were successfully completed with no compromising high quality of the manufactured product. In December 2021, the Supervisory Board of the Company approved the plan of the Management Board to reduce the carbon footprint per ton of Alumetal Group products by 30% by 2027.

VIII. Loans and borrowings, and other financial agreements

1. Loans and borrowings taken out

	Available limit ⁽⁴⁾	Currency ⁽¹⁾	Maturity date	Limit utilised at 31 Dec 2021 (in PLN thousand)	Limit utilised at 31 Dec 2020 (in PLN thousand)
Aggregate limit facility for several Group companies at ING Bank Śląski S.A. with an interest rate based on 1M WIBOR (USD) + margin, 1M WIBOR (PLN) + margin, 1M EURIBOR (EUR) + margin	66 000 ⁽²⁾	PLN ⁽¹⁾	18.09.2022	58 344	24 715
Aggregate limit facility for several Group companies at Credit Agricole Bank Polska S.A. with an interest rate based on 1M WIBOR(PLN) + margin, 1M EURIBOR (EUR) + margin, 1M BUBOR (HUF) + margin, 1M LIBOR (USD)	40 000	PLN ⁽¹⁾	30.06.2022	38 356	-
Aggregate limit facility for several Group companies at DNB Bank Polska S.A. with an interest rate based on 1M WIBOR (PLN) + margin, 1M EURIBOR (EUR) + margin, 1M BUBOR (HUF) + margin; 1M LIBOR (USD) + margin ⁽⁵⁾	40 000 ⁽⁵⁾	PLN ⁽¹⁾	30.06.2021	-	22 589
Limit facility for several Group companies 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 BUBOR (HUF) + margin	50 000	PLN ⁽¹⁾	05.08.2022	49 747	30 991
Limit facility for Alumetal Group Hungary Kft. at Citibank Europe Hungarian Branch Office with an interest rate based on O/N EURIBOR (EUR) + margin, O/N BUBOR (HUF) + margin	1 850	EUR ⁽¹⁾	11.08.2022	7 165	4 113
Short-term portion of the investment loan issued to Alumetal S.A. 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 ⁽³⁾	10 000 ⁽³⁾	EUR	14.10.2022	7 589	16 862
Total				161 201	99 270

⁽¹⁾ Currency means only the currency of the limit and may therefore differ from the currency of the credit

⁽²⁾ As part of the loan agreement, the available limit increased formally by PLN 6.6 million to PLN 72.6 million as a security mechanism of the Bank against EUR/PLN and USD/PLN exchange rates fluctuations and against the occurrence of past due debt

⁽³⁾ The limit of the investment loan was EUR 10 million (loan repaid in monthly instalments of EUR 167 thousand from November 2016, the last instalment of EUR 147 thousand payable in October 2022)

⁽⁴⁾ Within the limits made available, the Alumetal Group companies have the right to activate letters of credit and guarantees for suppliers and other beneficiaries, which automatically reduces the possibility of using an overdraft facility by similar amounts; guarantees issued by banks within the available credit limits to counterparties and other non-financial institutions in the amount of PLN 7.1 million (31 December 2021) and PLN 13.8 million (31 December 2020) as part of the activities of the Alumetal S.A. Group companies

⁽⁵⁾ In June 2021, credit limit was launched for all Alumetal Group companies at Credit Agricole Bank Polska S.A. with a total amount of PLN 40 million to replace the loan at DNB Bank Polska S.A. which was fully repaid by 30 June 2021.

In January and February 2022, additional, not reported in the table above, overdraft facilities in the total amount of PLN 70 million (at ING Bank Śląski S.A. - PLN 30 million, at Credit Agricole Bank Polska S.A. - PLN 20 million and at Bank Handlowy w Warszawie S.A. - PLN 20 million) were made available, which increased total overdraft facilities of the Alumetal Group from PLN 164 million to PLN 234 million.

2. Loans granted

In 2021, ALUMETAL S.A. or its subsidiary company issued the following loans and borrowings:

- 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 with the maturity date set at 14 October 2022 - the value of the loan disbursed as at 31 December 2021 was EUR 1 650 000;
- a short-term loan agreement signed on 22 January 2021 by Alumetal S.A. and its subsidiary Alumetal Poland sp. z o.o. for the purpose of financing current operations in the amount of not more than PLN 15 million, the agreement provided for the disbursement of loan in one instalment or in tranches no later than 30 June 2021, and its repayment no later than by 31 December 2021 - this loan was disbursed gradually in the period January-February 2021 in full and repaid in full as one-off payment on 25 June 2021.

3. Other financial agreements

In addition to loans and borrowings, the following other significant financial agreements were in operation in 2021:

- Non-recourse factoring agreement of 15 September 2014 with Bank UniCredit Luxembourg S.A. with respect to Euro-based receivables from one of the customers of the Alumetal Group i.e. at the risk of this customer and with no recourse to the Alumetal Group, and with no limit (limited in practice by the scale of cooperation with this customer);
- Agreement of 28 June 2011 (with subsequent amendments) between ALUMETAL Poland sp. z o.o. and Bank Handlowy w Warszawie S.A. on collaboration between the parties in the area of acquiring by the Bank, based on separate agreements, of trade liabilities of ALUMETAL Poland sp. o.o. towards its business partners, with a total limit of PLN 7 million (non-recourse factoring for suppliers executed at their cost).
- the Alumetal Group Hungary Kft. received from the Hungarian government a binding offer, and accepted it, concerning cash subsidy for this project, and the underlying support agreement became effective on 2 February 2016. The amount of all subsidy instalments paid in the years 2016-2019 under this agreement was HUF 1 480 211 000 (equivalent of PLN 20 506 557.31).

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

1. Significant proceedings before court of law, court of arbitration or public administration body

On 4 February 2020, the subsidiary of Alumetal Group Hungary Kft. filed a suit to order the defendant, the Hungarian company, EON, to pay damages in the amount of HUF 133 038 324 (equivalent of approximately PLN 1.66 million) with interest. The court proceedings concern non-reimbursement of the connection fee by NKM (formerly Egaz-Degaz). During court proceedings before the court of first

instance, on 20 May 2021, an unfavorable judgment was issued for Alumetal Group Hungary Kft. against which Alumetal Group Hungary Kft. appealed on 4 June 2021. On 7 October 2021, an appeal hearing was held during which the court of second instance upheld the appeal of Alumetal Group Hungary Kft., waived the contested decision and ordered the court of first instance to issue a new decision based on the arguments presented during the proceedings. On 6 January 2022, another hearing was held at which the court of first instance rejected the claim of Alumetal Group Hungary Kft. After reviewing court justification, on 21 February 2022, the subsidiary appealed against the verdict.

Apart from the foregoing court proceedings, the Company or its subsidiaries did not participate in any significant proceedings pending before a court, a body competent for arbitration or a public administration body as at 31 December 2021. There were also no significant settlements in this respect.

2. Sureties for loans and borrowings and guarantees issued

ALUMETAL S.A. and ALUMETAL Poland sp. z o.o. issued guarantees and sureties in respect of trade liabilities of ALUMETAL Group Hungary Kft. to the suppliers of the Hungarian subsidiary. The total value of these guarantees and sureties amounted to the equivalent of PLN 2 569 thousand as at 31 December 2020, and to PLN 6 659 thousand as at 31 December 2021.

3. Contingent liabilities

In order to collateralise the short-term loan in the form of common multi-currency facility at ING Bank Śląski S.A. with the then equivalent of PLN 36 million (as at the date of this Director's Report, the value of the agreement is PLN 96 million), each borrower (ALUMETAL S.A., ALUMETAL Poland sp. z o.o., ALUMETAL Group Hungary Kft.) issued on 5 February 2018 an *in blanco* promissory note together with declaration.

In connection with the signing on 14 February 2020 of the project co-financing agreement with the National Centre for Research and Development, referred to in detail in point V.5.A., T + S sp. z o.o. issued on 21 February 2020 to the National Centre for Research and Development a blank promissory note together with declaration.

In order to collateralise the short-term loan in the form of common multi-currency facility at Credit Agricole S.A. with the equivalent of PLN 40 million, each borrower (ALUMETAL S.A., ALUMETAL Poland sp. z o.o., ALUMETAL Group Hungary Kft.) issued on 17 June 2021 a blank promissory note together with declaration. These bills of exchange were returned in connection with the increase of PLN 20 million in the loan amount on 1 February 2022, and to replace them – new ones were issued on 31 January 2022.

Apart from the above contingent liabilities, as at 31 December 2021, the Company and its subsidiary companies had no other contingent liabilities with a total or individual value of at least 10% of the Company's issued capital.

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 of the companies of the ALUMETAL S.A. Capital Group. The main types of risk described in detail in the consolidated financial statements of the ALUMETAL S.A. Capital Group prepared for the year ended 31 December 2021 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 2020.

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 Alumetal Group 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 (PLN), EURIBOR (or LIBOR for EUR), BUBOR (HUF) and LIBOR (USD) (or possibly SOFR 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 interest rate risk hedging instruments are largely based on 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 also in this area (especially in view of the fact that the investment loan that was taken out in EUR will be fully repaid by October 2022).

2. Foreign currency risk

The Group 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 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 lack of balance between these two types of business transactions, some exposure to 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 internally agreed 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 more flexible tool than basic forward transactions.

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 core principle of the Group on the use of derivatives is not to make speculative transactions. The concluded derivative transactions serve solely to limit the risk resulting from operating activities and to stabilize the financial performance.

3. Commodity price risk

Selling prices of products are directly or indirectly correlated with the metal 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 between these quotations with the prices of products of the Alumetal Group, although relatively strong, is not – however - full, especially in the short term. 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 the long term. This causes that the risk of LME's commodity price fluctuations represents rather 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.

The Group insures its receivables. The verification covers the entire sales to non-related entities, except for sales to the three largest customers. As a result, the credit risk of the Company is limited. However, one should note that pursuant to the policies operating in the contracts of this type, part of receivables of each customer is not insured due to the so-called own-share of the policyholder. In addition, as provided in the insurance contract, the Company's Management Board has the right to take a sale decision that may originate receivables from customers in the amount higher than the coverage limit granted by the insurer, which – in turn - causes that the credit risk is higher than in other areas.

The above approach enables the Group to operate and develop without significantly increasing its credit risk. The fact that receivables are insured and that the range of clients is relatively wide and fragmented causes that the credit risk is limited.

5. Liquidity risk

The Group is exposed to the risk of possible liquidity problems, mainly in the event 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 higher need for working capital due to growing sales. Marked short-term price increases may also result in a materially higher demand for working capital. If combined with the occurrence of materially deteriorated financial results, could cause that the Group would suffer from difficulties in securing sufficiently high external borrowings.

For years, however, 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 borrowing in those banks and using their factoring services. The above instruments and reported very good financial results cause that despite the Group's systematic development (bringing high investment expenditure and growing demand for financing of working capital - especially in the light of rising commodity prices in recent quarters), the risk of the loss of financial liquidity by the Group does not occur.

A certain liquidity risk may pose the fact that the Alumetal Group Hungary Kft received cash subsidy – 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 – could be a significant burden and threat to the liquidity of the Group. However, this risk is assessed as marginal.

Starting from 2018, in connection with the announced new business strategy, the Group intensified its dividend policy by declaring that in the following years dividends will be at the level of minimum 70% of normalised consolidated net profit. This approach may significantly affect the financial commitment of the Group, however, given the very good financial results and the relatively low level of the Group's debt, it does not pose any significant threat to its financial liquidity.

XI. Risk factors with possible impact on Group financial results

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 Alumetal S.A. Capital Group are:

1. 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 rate, inflation rate, consumption levels, investment expenditure and the amount of budget deficit. Fluctuations in the market prices of secondary aluminium have direct impact on the prices of Group products and, to a limited extent, on the margins earned. Market prices of secondary aluminium depend on the supply and demand as well as on other factors, on which the Group has little or no influence, such as general macroeconomic conditions, situation in the industry sectors that are the key consumers of secondary aluminium alloys, prices of primary 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 performance or business prospects of the Alumetal Group by the end of 2022.

2. Geopolitical situation in the world, Russian-Ukrainian conflict

The geopolitical situation may have a direct or indirect impact on the financial performance of the Alumetal Group. The most recent example of such a situation is the development of the conflict in Ukraine as a result of the Russian invasion.

In connection with the outbreak of the war, the Management Board of ALUMETAL S.A. carried out an assessment of potential risks that could affect the operations of the Group.

As at the date of this Directors' Report, the military conflict in Ukraine does not have any significant direct negative impact on the activities of the Alumetal Group, as the Group has not purchased the main input materials, i.e. aluminium scrap raw materials from Russia, Belarus or Ukraine, and it has not sold its products on these markets.

The Group holds safety (buffer) stock of primary aluminium and alloying components such as nickel and metallic silicon. The Company has also contracted these raw materials adequately to the concluded sales contracts, and each of the suppliers has so far confirmed timeliness of his deliveries. The Alumetal Group has a well-diversified portfolio of suppliers of these raw materials.

Employees from Ukraine account for a small percentage of all employees (2% as at 31 December 2021 and 1% as at the date of publication of this Directors' Report). The Company believes that the impact of the potential loss of these employees on the ability to implement operational processes is negligible. The impact of the war in Ukraine on the level of staff turnover in the Alumetal Group should be minimal. In the long term, the labour market in Poland may improve following the inflow of workers from Ukraine, which should also have a positive impact on the economy in Poland.

The Group has contracted gas fuel for the whole of 2022 and in part for 2023. As at the date of publication of this Directors' Report, there were no difficulties in the supply of this fuel. However, restrictions on the availability of this raw material cannot be ruled out if EU countries take further sanctions against Russia or Russia retaliates against EU sanctions.

However, the development of the situation is very dynamic and unpredictable. Therefore, the Management Board analyzes the situation related to the escalation of the armed conflict in Ukraine on an ongoing basis and does not rule out that any new conditions or developments may significantly affect the operations of the Alumetal Group, about which the Company will possibly inform.

3. Situation in the automotive industry

Group 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 this industry. The economic situation of the 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. Considerable recovery of the automotive industry was noted since the mid of 2013. However, in 2H 2018, this trend reversed, which had 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) or by constrained vehicles production in the EU caused, among others, by the Brexit decision. In addition, the financial results of the producers of secondary aluminium alloys, including the Alumetal Group, may be affected by the economic situation of individual automotive companies as well as by more stringent regulations on vehicle CO₂ emissions.

The coronavirus pandemic has become a new threat to the automotive industry and the resulting significant decline in demand for motor vehicles in 2020 and 2021, disruptions in the supply chains of raw materials and components, as well as the consequences of Russia's military invasion of Ukraine. Hampered supplies of wire harnesses from Ukraine may affect the production levels in the automotive industry in 2022 and, consequently, may affect the financial performance of the Alumetal Group.

4. Relation between purchase prices of aluminium scrap and other main raw materials used in production, and selling prices 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 primary raw material used in the production process of the Group 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 deterioration of the Group's financial performance in the near future. Similar risk may occur in the event of a decline in the prices of alloys, if not accompanied by a corresponding decline in the prices of aluminium scrap.

5. Limited availability of primary and scrap raw materials 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 a diversified pool of external suppliers of aluminium scrap, one may not completely exclude the restriction on 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.

With the development of sales of primary and master alloys, the Group increased the consumption of pure components and primary aluminium. The current situation in Europe, and especially rising energy prices, caused a significant reduction in primary aluminium production in Europe (according to Fastmarkets, 650 thousand tonnes of capacity were temporarily shut down i.e. 20% of production capacity in Europe). This situation affected both the purchase bonuses of this raw material and its limited supply. The Alumetal Group has secured its commercial contracts with appropriate contracts for the purchase of primary aluminium, but one cannot rule out that limited supply will result in lower availability of this raw material for new inquiries.

Apart from aluminium, the Group regularly buys other pure alloying components such as silicon, magnesium and others. In this respect, the availability of contracted raw materials is currently safe and will not adversely affect production processes, but it cannot be ruled out that their availability may deteriorate in the future.

The still existing threat to the level of supply of scrap raw materials in Poland, Europe and the world is the coronavirus pandemic hindering the flow of post-consumption scrap (*żłom poamortyzacyjny*) to local collection points, while the new one is the effects of Russia's military invasion of Ukraine. In addition, the supply of post-production scrap raw materials is correlated with the level of industrial production volume.

6. Potential restrictions in the supply of utilities to ALUMETAL Group production plants and increase in the cost of their acquisition

The results of the Alumetal Group may be materially and adversely affected by the observed increases in utility prices (electricity or gaseous fuels). An additional element may be restrictions in the supply of utilities, if they are of a medium or long-term nature. This risk has increased significantly following the outbreak of the Russian-Ukrainian conflict.

7. Higher competition on the market of secondary aluminium alloys

The emergence of new entities or stronger market position of existing competitors - secondary aluminium alloys producers, or a potential increase of production capacity or expansion plans from domestic or international competitors of the Group may intensify competition. There is no guarantee that in the future, the entities competing with the Alumetal Group will not make further efforts to intensify development of their business and will not pursue an aggressive pricing and product policy towards the current or potential suppliers and customers of the Alumetal Group.

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

Another risk to the financial performance of the Group may pose the fact that the ALUMETAL Group Hungary Kft. has received cash subsidy and ALUMETAL Poland Sp. z o.o. has used the investment tax relief (tax credit).

Should it transpire in the future that these companies do not meet their obligations arising from the obtained public aid, they may be required to return the received public aid in whole or in part, and this – in turn – may be a significant burden and a threat to the Group's performance and liquidity. However, the long-standing experience of the Alumetal Group in the use of public aid greatly reduces this risk.

9. The risk of the Covid-19 pandemic continuing

The ongoing coronavirus pandemic in the world may affect the economic situation, demand from the automotive industry and, consequently, the financial performance of the Alumetal S.A. Capital Group.

The pandemic seems to be gradually phasing out, although it is still impossible to predict further developments or quantify precisely its impact on the situation and financial performance of the Alumetal Group throughout 2022 and beyond.

10. Other accidental, unfavourable one-off events

The results of ALUMETAL S.A. and the Alumetal Group may also be significantly, unfavourably affected by other accidental and unexpected one-off events.

XII. Standpoint of the Management Board as regards forecasts of financial results of ALUMETAL S.A. and the ALUMETAL S.A. Capital Group

The Management Board of the Company decided not to publish forecasts of financial results of the Company and of the entire Group.

Agnieszka Drzyżdzyk
President of the
Management Board

Krzysztof Błasiak
Vice-president of the
Management Board

Przemysław Grzybek
Board Member