ALUMETAL S. A.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITORS' OPINION**

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Kęty, 5 April 2017

Szymon Adamczyk	President of the Management Board	....
Krzysztof Błasiak	Vice-president of the Management Board	....
Przemysław Grzybek	Board Member	....
Krzysztof Furtak	Chief Accountant	....

Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
Continuing operations			
Sales of finished goods, raw materials and scrap, goods for resale and services	12.1	14 820 624.61	11 803 112.74
Total sales revenue		**14 820 624.61**	**11 803 112.74**
Cost of sales	12.2	-12 845 127.25	-10 249 428 20
Gross profit on sales		**1 975 497.36**	**1 553 684.54**
Other operating income	12.5	319 860.62	379 076.10
Selling expenses	12.2	–	–
Administrative expenses	12.2	-2 781 748.31	-3 940 333.70
Other operating expenses	12.6	-24 002.59	-31 148.40
Operating profit/ (loss)		**- 510 392.92**	**- 2 038 721.46**
Finance income	12.7	78 275 042.75	58 740 959.17
Finance costs	12.8	-439 286.89	-719 822 78
Profit before tax		**77 325 362.94**	**55 982 414.93**
Income tax expense	13	127 825.31	273 390.97
Net profit from continuing operations		**77 453 188.25**	**56 255 805.90**
Discontinued operations		–	–
Profit/ (loss) for the period from discontinued operations		–	–
Net profit/ (loss) for the year		**77 453 188.25**	**56 255 805.90**
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE PERIOD		**77 453 188.25**	**56 255 805.90**

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
Earnings per share:	14		
- basic from the profit for the year		5.06	3.71
- basic from the profit for the year from continuing operations		5.06	3.71
- diluted from the profit for the year		5.05	3.68
- diluted from the profit for the year from continuing operations		5.05	3.68

Statement of Financial Position
As at 31 December 2016

	Note	*31 December 2016*	*31 December 2015*
ASSETS			
Non-current assets			
Intangible assets	15	1 767 891.70	1 687 933.97
Property, plant and equipment	16	5 447 407.07	4 716 126.88
Other financial assets (long-term)	17.1	294 058 801.30	216 597 362.81
Deferred tax assets	13.3	–	–
		301 274 100.07	**223 001 423.66**
Current assets			
Inventories	20	–	–
Trade and other receivables	21	3 370 799.87	4 180 177.40
Other financial assets	17.1	1 507 616.00	24 000.00
Other non-financial assets	17.2	160 056.88	108 220.35
Current tax assets	21	14 796.00	154 577.00
Derivative financial instruments	34.1	–	–
Cash and cash equivalents	22	16 087.52	491 459.07
		5 069 356.27	**4 958 433.82**
TOTAL ASSETS		**306 343 456.34**	**227 959 857.48**

Statement of Financial Position (contd.)

As at 31 December 2016

	Note	*31 December 2016*	*31 December 2015*
EQUITY AND LIABILITIES			
Shareholders' equity (attributable to the shareholders of the parent)			
Issued capital	23.1	1 537 898.00	1 522 821.00
Reserve capital	24	164 822 114.67	142 962 113.77
Capital from revaluation of incentive scheme	19.2	658 095.00	1 572 673.89
Retained earnings/ (unabsorbed losses)	24.1	92 219 480.17	69 695 069.88
Total shareholders' equity		**259 237 587.84**	**215 752 678.54**
Non-current liabilities			
Interest-bearing loans and borrowings, and liabilities under lease and hire-purchase agreements	25	42 762 384.00	3 109 045.51
Provisions	26	104 514.34	97 124.26
Deferred tax liability	13.3	204 756.59	272 770.90
Accruals and deferred income	27.3	-	-
		43 071 654.93	**3 478 940.67**
Current liabilities			
Current portion of interest-bearing loans and borrowings, and liabilities under lease and hire-purchase agreements	25	1 540 543.45	142 524.64
Provisions	26	919.56	29 430.13
Trade and other payables	27.1, 27.2	1 629 309.03	7 978 905.86
Current tax liabilities		–	–
Accruals and deferred income	27.3	863 441.53	577 377.64
		4 034 213.57	**8 728 238.27**
Total liabilities		**47 105 868.50**	**12 207 178.94**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**306 343 456.34**	**227 959 857.48**

Statement of Cash Flow
For the year ended 31 December 2016

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
Cash flow from operating activities			
Gross profit		**77 325 362.94**	**55 982 414.93**
Adjustments for:			
Depreciation/ amortization	12.3	756 323.35	776 769.42
(Profit)/ loss from investing activities		-55 339.59	-
FX (gains)/ losses		1 123.49	-655.78
(Increase)/decrease in trade and other receivables and in other non-financial assets		757 541.00	-1 316 886.03
(Increase)/ decrease in inventories		-	-
Increase/(decrease) in trade payables		409 479.86	-41 671.79
Interest and dividends, net		-77 871 668.44	-58 603 484.84
Change in prepayments, accruals and deferred income		286 063.89	-63 527.53
Change in provisions		-21 120.49	-698 032.20
Income tax paid		199 592.00	29 581.00
Other (including cost of incentive scheme)	19.2	378 249.05	2 043 290.53
Net cash flow from operating activities		**2 165 607.06**	**-1 892 202.29**
Cash flow from investing activities			
Disposal of property, plant and equipment and intangible assets		63 509.67	-
Purchase of property, plant and equipment and intangible assets		-1 534 308.04	-627 761.91
Sale of other financial assets		-	-
Purchase/ Sale of other financial assets	32	-44 608 600.00	-29 764 580.00
Dividends received		77 995 340.65	58 629 878.07
Interest received		148 927.81	3 354.42
Repayment of loans granted		-	-
Loans granted		-40 689 867.43	-3 103 561.15
Other		-	-
Net cash flow from investing activities		**- 8 624 997.34**	**25 137 329.43**

Statement of Cash Flow (contd.)
For the year ended 31 December 2016

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
Cash flow from financing activities			
Inflow from issue of shares		4 485 407.50	4 485 407.50
Inflow from taking out loans and borrowings		40 684 081.09	3 099 561.15
Dividends paid		-38 831 935.50	-29 401 008.00
Interest received		619.16	3 574.77
Interest paid		- 273 219.18	-33 322.42
Net cash flow from financing activities		**6 064 953.07**	**-21 845 787.00**
Net increase/(decrease) in the balance of cash and cash equivalents		**-394 437.21**	**1 399 340.14**
FX differences, net		-1 337.15	655.78
Cash and cash equivalents at the beginning of the period	22	**348 934.43**	**-1 051 061.49**
Cash and cash equivalents at the end of the period	22	**-46 839.93**	**348 934.43**

Statement of Changes in Equity
For the year ended 31 December 2016

	Note	*Issued capital*	*Reserve capital*	*Capital from revaluation of incentive scheme*	*Retained earnings/ (unabsorbed losses)*	*Total*
As at 1 January 2016	23, 24	1 522 821.00	142 962 113.77	1 572 673.89	69 695 069.88	215 752 678.54
Net profit for the period		–	–	–	77 453 188.25	77 453 188.25
Other comprehensive income, net, for the period		–	–	–	–	–
Comprehensive income for the period		–	–	–	**77 453 188.25**	**77 453 188.25**
Increase in issued capital		15 077.00	4 470 330.50	–	–	4 485 407.50
Cost of incentive scheme	19.2	–	–	378 249.05	–	378 249.05
Settlement of incentive scheme		–	–	-1 292 827.94	1 292 827.94	–
Transfer to reserve capital		–	17 389 670.40	–	-17 389 670.40	–
Dividend payment	24.2	–	–	–	-38 831 935.50	-38 831 935.50
As at 31 December 2016		**1 537 898.00**	**164 822 114.67**	**658 095.00**	**92 219 480.17**	**259 237 587.84**

	Note	*Issued capital*	*Reserve capital*	*Capital from revaluation of incentive scheme*	*Retained earnings/ (unabsorbed losses)*	*Total*
As at 1 January 2015	23, 24	1 507 744.00	166 388 882.86	1 104 422.90	13 368 132.85	182 369 182.61
Net profit for the period		–	–	–	56 255 805.90	56 255 805.90
Other comprehensive income, net, for the period		–	–	–	–	—
Comprehensive income for the period		–	–	–	**56 255 805.90**	**56 255 805.90**
Increase in issued capital		15 077.00	4 470 330.50	–	–	4 485 407.50
Cost of incentive scheme	19.2	–	–	2 043 290.53	–	2 043 290.53
Settlement of incentive scheme		–	–	-1 575 039.54	1 575 039.54	–
Transfer from reserve capital for dividend payment	24.2	–	- 27 897 099.59	–	27 897 099.59	–
Dividend payment	24.2	–	–	–	-29 401 008.00	-29 401 008.00
As at 31 December 2015		**1 522 821.00**	**142 962 113.77**	**1 572 673.89**	**69 695 069.88**	**215 752 678.54**

ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1. General information

Alumetal S.A. (the „Company”, or „Alumetal”) is a joint stock company with its registered office located in Kęty whose shares are in public trading. The attached financial statements of the Company cover the year ended 31 December 2016 and contain comparative data for the year ended 31 December 2015.

The Company is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court, XII Economic Department of the National Court Register, entry No. KRS 0000177577.

The Company was granted statistical REGON No. 357081298.

The Company has an unlimited period of operation.

Until the end of 2013, the main area of business activities of the Company covered:

- Production of goods from aluminium and aluminium alloys;
- Management of metal waste and scrap;
- Wholesale of metals;
- Wholesale of metal waste and scrap.

As of 1 January 2014, following reorganization of the Alumetal S.A. Capital Group, the activities of the Company have covered only holding-related activities and rendering of bookkeeping services to the entities making up the Alumetal S.A. Capital Group.

2. Identification of consolidated financial statements

The Company prepared consolidated financial statements for the year ended 31 December 2016 which were authorised for publication on 5 April 2017.

3. Composition of the Company’s Management Board

As at 31 December 2016, the composition of the Management Board of the Company was as follows:

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

During the reporting period and to the date of the authorization of these financial statements, no changes occurred in the composition of the Company’s Management Board.

4. Authorization of financial statements

These financial statements were authorized by the Management Board for issue on 5 April 2017.

5. Company's investments

The Company held investments in the following subsidiary companies:

Entity	*Registered office*	*Scope of business activities*	*% in the issued capital*	
			31 December 2016	*31 December 2015*
Alumetal Poland sp. z o.o.	Nowa Sól, Poland	Production	100%	100%
T + S sp. z o.o.	Kęty, Poland	Production	100%	100%
Alumetal Kęty sp. z o.o.	Kęty, Poland	No operating activities	100%	100%
Alumetal Group Hungary Kft.	Komarom, Hungary	Production	100%	100%

As at 31 December 2016 and 31 December 2015, the Company's share in the total number of votes in the subsidiary companies equated to the Company's share in the issued capital of those companies.

6. Professional judgment and accounting estimates

6.1. Professional judgment

The preparation of the Company's financial statements requires exercising by the Management Board of professional judgment and making assumptions and estimates, which may have impact on the presented amounts of revenues, costs, assets and liabilities, and on the related notes and disclosures on contingent liabilities. The uncertainty of these assumptions and estimates may result in material adjustments to the carrying amounts of assets and liabilities in the future.

In the process of application of accounting policies, the Management Board applied its professional judgment which has the greatest impact on the presented carrying amounts of assets and liabilities.

Presentation of overdraft facilities

Given the fact that the Company's Management Board considered overdraft facilities as an integral part of cash management, in accordance with the IFRS guidelines, in the Company's Statement of Cash Flow overdraft facilities were presented as reduction of the balance of cash and cash equivalents.

6.2. Uncertainty of estimates and assumptions

Presented below are the key assumptions concerning the future and other key sources of uncertainty of estimates at the reporting date that incur a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These key assumptions and estimates may change as a result of events in the future in response to market changes or changes which are outside the control of the Company. Such changes are reflected in the estimates or assumptions at the time they materialise.

Depreciation/ amortisation rates

The value of depreciation/ amortisation rates and charges is determined based on the expected useful life of the given item of property, plant and equipment or intangible assets, and estimates regarding residual values of property, plant and equipment. Capitalised overhauls/ periodic repair expenditures are amortised over the period remaining to the expected commencement of the next overhaul or periodic repair of the given item of property, plant and equipment. The Company performs annual verification of the adopted useful lives of its assets based on current estimates. Verification of assets' useful life did not have any material effect on the change in the depreciation/ amortization charges in the subsequent years. The applied economic useful life of individual classes of the Company's assets is presented in the table in Note 9.3.

Receivables and inventories impairment write-downs

At each reporting date, the Company assesses whether there is any objective evidence of the impairment of the carrying amount of the items of receivables or group of receivables, or inventories. If the recoverable amount of the given item of assets is lower than its carrying amount, the entity recognizes an impairment write-down.

Detailed information on the value of impairment write-downs of receivables and inventories is presented in Note 20 and Note 21 to these financial statements.

Deferred tax assets

Deferred tax assets are measured using the tax rates that will be used at the time of the expected realization of assets, based on tax regulations binding at the reporting date. The Company recognizes a deferred tax asset based on the assumption that taxable profit will be available in the future, against which the deferred tax asset will be realised. Any deterioration of taxable profits in the future could render this assumption unreasonable.

In the opinion of the Company, there is no risk of non-realisability of a deferred tax asset recognised in the attached financial statements.

Detailed information on the items of deferred tax asset is presented in Note 13.3 to these financial statements.

Valuation of provisions for employee benefits

The provisions for employee benefits were estimated using the actuarial methods. In the years 2015-2016, no significant changes occurred in the assumptions/ estimates with possible impact on the Company's financial result or other comprehensive income in those periods. Interest rates fluctuations in the presented periods did not have any impact on the said provisions. Detailed information on provisions for employee benefits is presented in Note 19.1 and Note 26.1 to these financial statements.

Valuation of provision for litigation

Based on the accounting policy presented in Note 9.16, the Company creates a provision for litigation. Detailed information on the changes in the value of the provision for litigation and their effect on the result for the period are presented in Note 26 of the attached financial statements.

Valuation of currency forward contracts

The fair value of foreign currency forward contracts (currency forwards) is determined based on discounted future cash flows under the transactions made, calculated using the difference between the forward and the transaction price. The forward price is calculated using the NBP fixing and interest rate yield curve implied in the FX swap transactions.

Valuation of incentive programs

The fair value of incentive programs (incentive schemes) is determined using the Monte Carlo simulation model. Detailed information on these programs and their measurement is presented in Note 19.2 of the attached financial statements.

Uncertain tax treatment

Regulations regarding VAT, corporate profits tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Company measures and recognises current and deferred income tax assets and liabilities in accordance with the provisions of IAS 12 *Income Taxes* based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses and unused tax credits, and tax rates, while considering assessment of tax treatment uncertainty.

If there is any uncertainty as to whether or to what extent the tax authority will accept individual tax settlements of transactions, the Company recognises these settlements while considering uncertainty assessment.

7. Basis of preparing financial statements

These financial statements have been prepared on a historical cost basis, except for derivative financial instruments which are measured at fair value.

These financial statements are presented in Polish zloty (“PLN”) and all amounts are stated in Polish zloty (PLN), except when otherwise indicated.

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. At the date of the authorization of these financial statements, no facts or circumstances were identified that would indicate a threat to the continued activity of Company.

7.1. Statement of compliance

The attached financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) endorsed by the European Union (“EU IFRSs”). At the date of the authorisation of these financial statements for publication, in light of the current process of IFRS endorsement in the European Union, *there are no* differences between the IFRSs applied by the Company and the EU IFRSs.

The EU IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

7.2. Functional and presentation currency

These financial statements were prepared in Polish zloty, which is also the functional currency of the Company.

8. Changes in estimates

Changes in estimates in the areas referred to in Note 6 above, including:

- impairment write-downs of receivables and inventories – Note 20 and Note 21;
- provision for litigation – Note 26;
- valuation of incentive scheme – Note 19.2;

and their impact on the results of individual periods are presented in the above Notes.

During the financial year, the Company did not change its assessment (estimation) methods.

9. Significant accounting policies

9.1. Re-measurement to fair value

At each reporting date, the Company measures its financial instruments such as derivative financial instruments at fair value.

The fair value is understood to mean the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer liability takes place either:

- in the principal market for the asset or liability,
- in the absence of the principal market, in the most advantageous market for the asset or liability.

The Company must have access to both the principal and the most advantageous market.

The fair value of an item of assets or liabilities is measured on the assumption that market participants, in determining the price of an item of assets or liabilities, would act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, while maximising the use of relevant observable inputs *(odpowiednie obserwowalne dane wejściowe)* and minimising the use of unobservable inputs.

All assets and liabilities which are re-measured to fair value, or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy in the following manner, based on the lowest level of inputs which is significant to the entire measurement:

- Level 1 – Quoted (unadjusted) market prices on an active market for identical assets and liabilities,
- Level 2 – Valuation techniques, for which the lowest level inputs, which are significant to the entire measurement, are observable for the asset or liability, either directly or indirectly,
- Level 3 - Valuation techniques, for which the lowest level inputs, which are significant to the entire measurement, are unobservable inputs for the asset or liability.

At each reporting date, for recurring individual assets and liabilities, the Company assesses whether any transfers have been made between the levels of fair value hierarchy by re-assessment of the classification to the given level of fair value hierarchy, based on the materiality of inputs from the lowest level which is significant to the entire fair value measurement.

To disclose the results of re-measurement to fair value, the Company classified its assets and liabilities into certain classes, based on the nature, characteristics and risks of the asset or liability, and assigned for them their level in the fair value hierarchy.

9.2. Foreign currency translation

Transactions denominated in currencies other than Polish zloty are translated into Polish zloty at the foreign exchange rate prevailing on the transaction date.

At the reporting date, assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zloty using the average NBP rate prevailing for the given currency at the year-end. Exchange differences resulting from translation are recorded under finance income or finance costs, or – in cases defined in accounting policies – are capitalised in the cost of the assets.

Non-monetary foreign currency assets and liabilities stated at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into Polish zloty using the rate of exchange binding at the date of re-measurement to fair value. Any resultant gains or losses on the translation of non-monetary foreign currency assets and liabilities reported at fair value are recognised consistently with the profit or loss on fair value re-measurement i.e. under other comprehensive income or in profit or loss, depending on the recognition of a change in the fair value.

The following exchange rates were used for valuation purposes:

	31 December 2016	*31 December 2015*
USD	4.1793	3.9011
EUR	4.4240	4.2615
100 HUF	1.4224	1.3601

9.3. Property, plant and equipment

Property, plant and equipment are stated at [acquisition] cost or cost of development less accumulated depreciation and impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The acquisition cost also comprises the cost of replacement of fixed asset components when incurred, if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are taken to the profit or loss when incurred.

The acquisition cost of property, plant and equipment transferred by clients is determined at the amount of the fair value of those transferred items current at the date of taking control.

Upon purchase, fixed assets are divided into components which represent items with a significant value that can be allocated a separate useful life. Overhauls also represent asset component.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives.

Class	**Useful life**
Buildings and constructions	10 – 40 years
Plant and machinery	3 - 25 years
Office equipment	2 - 5 years
Motor vehicles	5 - 10 years
Computers	3 – 5 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the financial year that has just ended.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on de-recognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss for the period in which de-recognition took place.

Assets under construction (construction in progress) include assets in the course of construction or assembly and are recognized at acquisition cost or cost of construction less any impairment losses. Assets under construction are not depreciated until completed and brought into use.

9.4. Intangible assets

Intangible assets acquired separately or constructed (if they meet the recognition criteria for capitalised research and development costs) are measured on initial recognition at [acquisition] cost or cost of development. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at [acquisition] cost or cost of development less accumulated amortisation and impairment losses, if any. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year (taken to the cost of the period), in which they are incurred.

The useful lives of intangible assets are assessed by the Company to be either finite or indefinite. Intangible assets with finite useful lives are amortised over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation charge on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually, either individually or at the level of cash generating unit.

Useful lives are reviewed on an annual basis and, if necessary, are adjusted with effect from the beginning of the financial year that has just ended.

Research and development costs

Research costs are expensed to the profit or loss as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition, the historical cost model is applied, which requires that the asset is carried at [acquisition] cost or cost of development less any accumulated amortisation and accumulated impairment losses. Capitalised expenditure is amortised over the period of expected future sales income from the related project.

The summary of accounting policies applied by the Company to intangible assets is as follows:

	Computer software
Useful life	2 -10 years
Method of amortisation	Straight line method
Internally generated or acquired	Acquired
Impairment testing	Annual assessment to determine whether there is any indication that an asset may be impaired

Any gains or losses on de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the item of assets, and are recognised in the profit or loss upon de-recognition.

9.5. Leases

The Company as lessee

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to the ownership of a leased item, are recognized in the statement of financial position at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding liability. Finance charges are recorded directly in the profit or loss, unless capitalization criteria have been fulfilled.

Tangible fixed assets leased under finance lease agreements are depreciated over the shorter of asset's estimated useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards incidental to the ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and subsequent lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Contingent lease payments are recognised as cost in the period in which they become due and payable.

In the reporting period, the Company did not use, and currently does not use lease services.

9.6. Impairment of non-financial long-term assets

An assessment is made at each reporting date to determine whether there is any indication that a non-financial long-term asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Company makes an estimate of the recoverable amount of that asset or of the cash generating unit to which such asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of assets used in continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is any indication that the previously recognised impairment losses are no longer required or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount of the given item. A previously recognised impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would be determined, net of accumulated depreciation or accumulated amortisation, had no impairment loss been recognised for the asset in prior years. Reversal of impairment losses is recognised immediately as revenue in the statement of comprehensive income. After recognition of impairment loss reversal, the depreciation (amortisation) charge for the asset is adjusted in future periods in such way as to allocate the asset's verified carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

9.7. Borrowing costs

Borrowing costs are capitalized to the cost of development of property, plant and equipment or intangible assets. Included in the borrowing costs are the following items: interest calculated using the effective interest rate, finance charges under finance lease agreements and foreign exchange gains/ losses that arose in connection with external financing to the amount representing interest expense adjustment.

9.8. Financial assets

Financial assets are classified into one of the following categories:

- financial assets held to maturity,
- financial assets at fair value through profit or loss,
- loans and receivables,
- financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition were designated as at fair value through profit or loss,
- those that are designated as available for sale, and
- those that meet definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the reporting date.

A financial asset is classified as at fair value through profit or loss if it meets either of the following conditions:

a) It is classified as held for trading. A financial assets is classified as held for trading, if it is:

- acquired for the purpose of selling in the near term,
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking,
- a derivative, except for a derivative that is a designated and effective hedging instrument, or an element of financial guarantee agreement.

b) It is designated as at fair value through profit or loss upon initial recognition, in accordance with IAS 39.

Financial assets at fair value through profit or loss are measured at fair value, which takes into account their market value at the reporting date, but no sale transaction costs. Any changes in the fair value of these instruments are taken to the statement of comprehensive income as finance income (favourable net changes in the fair value) or finance costs (unfavourable net changes in the fair value). If the contract contains one or more embedded derivatives, the entire contract may be classified to the category of financial assets at fair value thorough profit or loss. This does not apply to instances, where embedded derivative does not materially affect cash flows from the contract or where bifurcating embedded derivatives from host contracts is expressly forbidden with or without any high level review, had similar hybrid instrument been considered in the first place. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment or valuation (accounting mismatch); or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the reporting date. Loans and receivables with maturities exceeding 12 months from the reporting date are classified under non-current assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial assets are measured at fair value, increased by the transaction costs that may be directly attributable to the acquisition or issuance of an available-for-sale financial asset. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at cost, adjusted for any impairment losses. Positive and negative differences between the fair value (if quoted market price determined in regulated market is available or if the fair value can be determined using other reliable method) and acquisition cost, net of deferred tax, of financial assets available for sale are taken to other comprehensive income. Any decrease in the value of financial assets available for sale resulting from impairment losses is taken to the statement of comprehensive income as finance cost.

Purchase and sale of financial assets is recognized at the transaction date. Initially, financial assets are recognized at fair value plus, in case of financial assets other than those classified as financial assets at fair value through profit or loss, transaction costs that may be directly attributed to the acquisition.

Financial assets are derecognized if the Company loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset, or where all cash flows attributed to the given asset are transferred to an independent third party.

9.9. Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

9.9.1. Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the original effective interest rate (i.e. the effective interest rate computed upon asset initial recognition). The carrying amount of the asset is reduced either directly or through the allowance account. The amount of the loss shall be recognised in the profit or loss.

The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and assessed collectively for impairment. Assets which are individually assessed for impairment and for which an impairment loss was recognised, or it was assumed that the then current impairment loss would not change, are not included in collective impairment assessment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

9.9.2. Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and has to be settled by delivery of such unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

9.9.3. Available-for-sale financial assets

If there is objective evidence that an impairment loss has been incurred on an available-for-sale asset, then the amount of the difference between [acquisition] cost (net of repaid principal and amortization) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and is reclassified to profit or loss. Reversals of impairment losses on equity instruments classified as available-for-sale cannot be recognised in the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in the profit or loss.

9.10. Derivative financial instruments and hedges

The Company uses mainly currency forward contracts (currency forwards) to hedge against the risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the net profit or loss for the period.

The fair value of currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

9.11. Inventories

Inventories are stated at the lower of [acquisition] cost/ cost of development and net realizable value.

The acquisition cost or cost of development of each inventory item includes all purchase- or development-related costs and the costs incurred in bringing each inventory item to its present location and condition, and are accounted for as follows for both the current and previous year:

Raw materials and scrap	–	cost determined on a first-in, first-out basis (FIFO basis);
Finished goods and work-in-progress	–	cost of direct materials, energy and labour and an appropriate proportion of manufacturing overheads, excluding borrowing costs;
Goods for resale	–	cost determined on a first-in, first-out basis.

Net realisable value is the estimated selling price obtained in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

9.12. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any doubtful debts. An estimate for doubtful debts' allowance is made when the collection of the full amount is no longer probable.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to the present value using a discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognized as finance income.

Other receivables include, in particular, state budget receivables, except for current tax assets which represent a separate item in the statement of financial position.

Prepayments are recognized in accordance with the character of the underlying assets, i.e. under non-current or current assets. As non-monetary items, prepayments are not discounted.

9.13. Cash and cash equivalents

Cash and short-term deposits recognized in the statement of financial position comprise cash at bank and cash on hand and the short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, reduced by outstanding overdraft facilities.

9.14. Interest-bearing loans and borrowings and debt securities

All loans and borrowings and debt securities are initially recognized at fair value, net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortised cost using the effective interest rate method. In determining amortised cost, transaction costs and any discount or premium on settlement are taken into account.

Revenues and expenses are recognised in the profit or loss when the underlying liabilities are derecognised or settled using the effective interest rate.

9.15. Trade and other payables

Short-term trade payables are carried at the amount due and payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including bifurcated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment or valuation or recognition of gains or losses that would otherwise arise from the measurement on a different basis; or (ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) financial liabilities contain embedded derivatives which should be recorded separately.

Financial liabilities at fair value through profit or loss are re-measured to fair value, after considering their market value at the reporting date, but without accounting for transaction costs. Any changes in the fair value of these liabilities are recognised in the statement of comprehensive income as finance income or finance cost.

Other financial liabilities which are not financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

A financial liability is derecognized [removed from the statement of financial position] by the Company when the obligation under the liability is discharged or cancelled or expires. An exchange between an existing borrower and lender of a debt instrument with substantially different terms is accounted for by the Company as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, significant modifications to the terms and conditions of an existing financial liability are treated as an extinguishment of the original financial liability and the recognition of a new financial liability with any resultant differences in the respective carrying amounts taken to profit or loss.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax, social security, personal income tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognized at the amount due and payable.

9.16. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, such that an outflow of resources embodying economic benefits is certain or highly probable to be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the costs covered by the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Where the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

9.17. Retirement benefits

In accordance with appropriate internal remuneration regulations, employees of the Company are entitled to retirement benefits. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of employment and employee’s average salary. The Company creates a provision for retirement benefits in order to allocate the costs of those allowances to the periods to which they relate. In accordance with IAS 19, retirement benefits are post-employment defined benefits. The present value of the Company’s liabilities resulting from the provision for retirement benefits is calculated at each reporting date by an independent actuary. The balance of calculated liabilities equates discounted payments which will be made in the future, and accounts for staff turnover, and relates to the period to the reporting date. Demographic information and information on staff turnover are based on historical information. Any actuarial gains and losses are recognized in other comprehensive income.

9.18. Incentive schemes

On 28 May 2014, the Annual General Meeting of the Company adopted another incentive scheme for the years 2014-2016 dedicated to management and executives (Program II).

Detailed information on this program is presented in Note 19.2 of these financial statements.

9.19. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the fair value of the consideration received or receivable, net of Value Added Tax and discounts. The following specific recognition criteria must also be met before revenue is recognised:

9.19.1. Sale of goods for resale, finished goods, raw materials and scrap

Revenue is recognised when the significant risks and rewards of the ownership of goods for resale, finished goods, raw materials and scrap have passed to the buyer and when the amount of the revenue can be reliably measured.

9.19.2. Rendering of services

Revenue from the provision of services is recognised by reference to the stage of service completion. If the results of a given contract cannot be assessed in a reliable manner, revenue from this contract is recognized only to the amount of the incurred costs that the Company expects to recover.

9.19.3. Interest

Interest revenue is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the underlying financial asset.

9.19.4. Dividends

Dividend income is recognised when the shareholders' rights to receive the payment are established.

9.19.5. Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released systematically to the profit or loss over the estimated useful life of the underlying asset by way of equal annual instalments.

9.20. Income taxes

9.20.1. Current tax

Current tax liabilities and current tax assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

9.20.2. Deferred tax

For financial reporting purposes, deferred tax is recognised, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is also recognized outside profit or loss: under other comprehensive income if relates to items recognised under other comprehensive income, or under equity – if relates to items recognized in equity.

The Company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

9.20.3. Value Added Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as appropriate; and
- receivables and payables, which are stated inclusive of the amount of value added tax.

The net amount of value added tax recoverable from or payable to the taxation authority is recognized in the statement of financial position as part of receivables or payables.

9.21. Earnings per share

Earnings per share for each reporting period is calculated as the quotient of the net profit for the given reporting period and the weighted average number of shares outstanding in that period.

10. Changes in applied accounting policies

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2015, except for the application of the amendments described below. These amended IFRSs were used in these financial statements in accordance with their effective dates, however, they did not have any material impact on the presented and disclosed financial information, were not applicable to the transactions made by the Company or the Company decided not to use the new measurement options:

- **Annual Improvements to IFRSs, 2010–2012 Cycle** covering amendments to IFRS 2 *Share-Based Payment,* amendments to IFRS3 *Business Combinations,* amendments to IFRS 8 *Operating Segments,* amendments to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets,* amendments to IFRS 13 *Fair Value Measurement,* amendments to IAS 24 *Related Party Disclosures,* amendments to IFRS 7 *Financial Instruments: Disclosure Initiative* and amendments to IAS 19 *Employee Benefits*
- **Annual Improvements to IFRSs, 2012–2014 Cycle** covering amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and amendments to IAS *34 Interim Financial Reporting*
- **Amendments to IAS 16 and IAS 38** *Clarification of Acceptable Methods of Depreciation and Amortization*
- **Amendments to IAS 1** *Presentation of Financial Statements: Disclosure Initiative*
- **Amendments to IAS 27** *Equity Method in Separate Financial Statements*
- **Amendments to IAS 16 and IAS 41** *Agriculture: Bearer Plants*
- **Amendments to IFRS 11** *Accounting for Acquisitions of Interests in Joint Operations*
- **Amendments to IAS 19** *Employee Benefits,* and
- **Amendments to IFRS 10, IFRS 12 and IAS 28** *Investment Entities - Applying the Consolidation Exception*.

The Company did not decide to apply earlier any standard, interpretation or amendment that was issued but has not become effective in light of the EU regulations.

11. New standards and interpretations that have been issued but are not yet effective

The following standards and interpretations were issued by the IASB *(International Accounting Standards Board)* or IFRIC *(International Financial Reporting Interpretations Committee)* but have not yet become effective:

- **IFRS 9** *Financial Instruments* (issued on 24 July 2014) - effective for annual periods beginning on or after 1 January 2018.
- **IFRS 14** *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard; at the date of authorization of these financial statements, not endorsed by the EU; effective for annual periods beginning on or after 1 January 2016.
- **IFRS 15** *Revenue from Contracts with Customers* (issued on 28 May 2014) – including amendments to IFRS 15 *Effective date of IFRS 15* (issued on 11 September 2015). Effective for annual periods beginning on or after 1 January 2018.
- **Amendments to IFRS 10** and **IAS 28** *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – the work leading to the authorization of these amendments has been postponed by the EU *sine die*; the effective date for these amendments has been deferred by the IASB for an indefinite period of time.
- **IFRS 16** ***Leases*** (issued on 13 January 2016) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2019.
- **Amendments to IFRS 4** *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2018.
- **Amendments to IAS 12** *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) - at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2017.
- **Amendments to IAS** 7 *Disclosure Initiative* (issued on 29 January 2016) - at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2017.
- **Explanations to IFRS 15** *Revenue from Contracts with Customers* (issued on 12 April 2016) - at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2018.
- **Amendments to IFRS 2** *The Classification and Measurement of Share-based Payment Transactions* **(**issued on 20 June 2016) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2018.
- **Annual Improvements to IFRSs, Cycle 2014-2016** (issued on 8 December 2016) – at the date of authorization of these financial statements, not endorsed by the EU. The Amendments to IFRS 12 and IFRS 1 are effective for annual periods beginning on or after 1 January 2017, while the Amendments to IAS 28 are effective for annual periods beginning on or after 1 January 2018.
- **Interpretation IFRIC 22** *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2018.
- **Amendments to IAS 40** *Transfers of Investment Property* (issued on 8 December 2016) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2018.

At the date of the authorization of these financial statements, the Management Board did not analyse the impact of the implementation of the above Standards and Interpretations, and especially of IFRS 15, it did not expect, however, the application of these Standards or Interpretations to have any material effect on the Company's accounting policies.

12. Revenues and expenses

12.1. Sales of finished goods, raw materials and scrap, goods for resale and services

	Year ended 31 December 2016	*Year ended 31 December 2015*
Sales of finished goods	-	-
Sales of raw materials and scrap	2 276.44	3 120.43
Sales of goods for resale	-	-
Sales of services	14 818 348.17	11 799 992.31
	14 820 624.61	**11 803 112.74**

12.2. Costs by type

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
Depreciation/ amortization	12.3	756 323.35	776 769.42
Inventory impairment write-downs	12.3	-	-
Materials and energy		311 170.84	203 681.75
External services, of which:		1 547 507.43	1 715 673.90
- IT services		378 877.91	443 547.45
- repair services		57 901.70	38 773.68
- transport services		10 265.03	3 583.31
- advisory services		683 784.17	885 943.66
Taxes and charges		258 411.99	235 389.78
Employee allowances	12.4	11 354 309.37	10 663 196.75
Other costs by type		1 083 804.85	728 324.11
Cost of goods for resale, raw materials and scrap sold		-	-
Total costs by type, of which:		**15 311 527.83**	**14 323 035.71**
Items recognised in cost of sales		12 845 127.25	10 249 428.20
Items recognised in selling expenses		-	-
Items recognised in administrative expenses		2 781 748.31	3 940 333.70
Change in stocks of finished goods		-315 347.73	133 273.81

12.3. Depreciation/ amortization charges and impairment losses included in the Statement of Comprehensive Income

	Year ended 31 December 2016	*Year ended 31 December 2015*
Depreciation of property, plant and equipment	406 169.41	380 980.33
Amortization of intangible assets	214 015.74	183 863.73
Inventory impairment	–	–
Included in cost of sales	**620 185.15**	**564 844.06**
Depreciation of property, plant and equipment	–	–
Included in selling expenses	–	–
Depreciation of property, plant and equipment	89 159.14	142 941.03
Amortization of intangible assets	46 979.06	68 984.33
Included in administrative expenses	**136 138.20**	**211 925.36**

12.4. Employee allowances

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
Wages and salaries		9 721 915.25	7 646 792.56
Social security costs		1 050 596.32	823 459.25
Cost of incentive scheme	19.2	378 249.05	2 043 290.53
Retirement benefits		43 527.10	–
Amounts transferred to the Social Fund		90 789.00	67 225.70
Other employee benefits (training, health care, work hygiene and safety, meals and other)		69 232.65	82 428.71
Total employee allowances, of which:		**11 354 309.37**	**10 663 196.75**
Items recognised in cost of sales		9 310 533.68	7 685 012.90
Items recognised in selling expenses		–	–
Items recognised in administrative expenses		2 043 775.69	2 978 183.85

12.5. Other operating income

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
Net effect of settlement of employee court proceedings		210 000.00	171 479.67
Gains on the sale of property, plant and equipment		55 339.59	–
Received insurance indemnities		-	180 768.00
Other (total of non-material items)		54 521.03	26 828.43
Total other operating income		**319 860.62**	**379 076.10**

12.6. Other operating expenses

	Year ended 31 December 2016	*Year ended 31 December 2015*
Court fees	749.00	8 217.59
Donations granted	19 300.81	16 950.01
Other (total of non-material items)	3 952.78	5 980.80
Total other operating expenses	**24 002.59**	**31 148.40**

12.7. Finance income

	Year ended 31 December 2016	*Year ended 31 December 2015*
Dividend received, of which from:	77 995 340.65	58 629 878.07
- T+S sp. z o.o.	1 495 340.65	703 501.50
- Alumetal Poland sp. z o.o.	76 500 000.00	57 926 376.57
Interest received, of which:	167 522.94	44 049.99
- bank interest	619.16	3 574.77
- loan interest	166 903.78	3 354.42
-interest on received awards and compensations	-	37 120.80
Gains on the sale of investment	3 340.00	-
Other (total of non-material items)	108 839.16	67 031.11
Total finance income	**78 275 042.75**	**58 740 959.17**

12.8. Finance costs

	Year ended 31 December 2016	*Year ended 31 December 2015*
Interest on bank loans	273 219.18	36 278.15
FX losses	66 784.38	638 349.92
Other (total of non-material items)	99 283.33	45 194.71
Total finance costs	**439 286.89**	**719 822.78**

13. Income tax

13.1. Tax expense

The main components of income tax expense for the years ended 31 December 2016 and 31 December 2015 are as follows:

	Year ended 31 December 2016	*Year ended 31 December 2015*
Recognised in profit or loss:		
Current tax expense	8 683.00	68 494.00
Relating to origination and reversal of temporary differences	-68 014.31	-118 813.97
Return of prior year tax	-68 494.00	-223 071.00
Income tax expense reported in profit or loss	-127 825.31	-273 390.97

13.2. Reconciliation of effective income tax rate

The reconciliation of income tax on accounting gross profit calculated using the statutory tax rate and income tax on taxable profit/ (tax loss) calculated using the effective interest rate of the Company for the years ended 31 December 2016 and 31 December 2015 is as follows:

	Year ended 31 December 2016	*Year ended 31 December 2015*
Accounting gross profit before tax from continuing operations	77 325 362.94	55 982 414.93
Accounting gross profit	77 325 362.94	55 982 414.93
Tax at statutory tax rate in Poland of 19%	14 691 818.96	10 636 658.84
Impact of non-taxable revenue and non-tax deductible expenses, of which:	-14 735 969.19	-10 743 046.98
- dividend received	*-14 819 114.72*	*-11 139 676.83*
- PFRON (National Disabled Persons Rehabilitation Fund) expenses	*11 278.21*	*8 404.65*
- cost of incentive scheme	*71 867.32*	*388 225.20*
Other	-15 181.08	56 068.17
Return of prior year tax	-68 494.00	-223 071.00
Tax expense at effective tax rate (in 2016: -0.0017% and in in 2015: -0.0049%)	-127 825.31	-273 390.97
Income tax (expense) reported in profit or loss	-127 825.31	-273 390.97

13.3. Deferred tax

Deferred tax results from the following items:

	Statement of Financial Position as at		*Statement of Comprehensive Income for the year ended*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*
Difference between carrying amount and tax base of property, plant and equipment and intangible assets	-449 210.25	-541 258.14	92 047.91	70 540.64
Revenue estimate	-21 492.42	-12 540.00	-8 952.42	-12 540.00
Accrued interest	-3 415.43	-	-3 415.43	-
Calculated compensations	-7 030.00	-	-7 030.00	-
FX gains	-87 061.97	-2 401.76	-84 660.21	-1 956.14
Provision for retirement benefits	20 032.44	24 045.33	-4 012.89	373.88
Un-invoiced costs	-	-	-	-472.55
Unpaid wages, salaries and allowances	53 987.64	57 435.35	-3 447.72	15 714.75
FX losses	221 408.20	124 676.55	96 731.65	124 333.75
Unpaid bank interest	-	45.71	-45.71	45.71
Tax loss	68 025.20	77 226.06	-9 200.87	-77 226.07
Deferred tax expense			**68 014.31**	**118 813.97**
Net deferred tax liability, of which:	**-204 756.59**	**-272 770.90**		
Deferred tax assets from continuing operations	-	-		
Deferred tax liability with respect to continuing operations	-204 756.59	-272 770.90		

14. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

On 26 March 2014, the Ordinary Annual General Meeting of the Company resolved to split all shares of the Company by way of:

- reducing nominal value of each share from the then current price of PLN 1 (in words: one zloty) to 10 groszy (in words: ten groszy) each and increasing the number of shares making up the issued capital to the total of 15,077,440 (in words: fifteen million seventy seven thousand four hundred forty) shares, and
- exchanging 1 (in words: one) share of the Company with a nominal value of PLN 1 (in words: one złoty) to 10 (in words: ten) shares with a nominal value of 10 groszy (in words: ten groszy) each.

The split of the Company's shares was conducted while retaining the amount of the issued share capital of PLN 1,507,744.00 (in words: one million five hundred seven thousand seven hundred fourty four zloty).

The above share split was registered in the National Court Register on 28 May 2014.

The table below shows profit- and share-related data, after considering share split, used in the calculation of basic and diluted earnings per share:

	Year ended 31 December 2016	*Year ended 31 December 2015*
Net profit from continuing operations	77 453 188.25	56 255 805.90
Net profit	**77 453 188.25**	**56 255 805.90**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share (accounting for share split)	15 303 595	15 152 825
Effect of dilution		
Share options relating to share-based payment, as provided under IFRS 2 *Share-based Payment*	45 491	114 122
Weighted average number of outstanding ordinary shares, adjusted by dilution effect (accounting for share split)	15 349 086	15 266 947
Earnings per share		
- basic from the profit for the year	5.06	3.71
- diluted from the profit for the year	5.05	3.68

Details concerning share incentive scheme with effect on the dilution of earnings per share were described in Note 19.2. The Company does not hold other than described above financial instruments that cause dilution of calculated earnings per share.

15. Intangible assets

Year ended 31 December 2016

	Development expenses	*Patents and licenses*	*Goodwill*	*Other*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2016	–	554 927.62	–	2 308 205.20	14 500.00	2 877 632.82
Purchases	–	-	–	–	442 999.97	442 999.97
Transfer from intangible assets under construction	–	-	–	–	-	–
Other transfers	–	-102 047.44	–	–	-	-102 047.44
Gross carrying amount as at 31 December 2016	**–**	**452 880.18**	**–**	**2 308 205.20**	**457 499.97**	**3 218 585.35**
Amortization and impairment as at 1 January 2016	–	183 588.80	–	1 006 110.05	–	1 189 698.85
Amortization charge for the period	–	47 276.78	–	213 718.02	–	260 994.80
Amortization and impairment as at 31 December 2016	**–**	**230 865.58**	**–**	**1 219 828.07**	**–**	**1 450 693.65**
Net carrying amount as at 1 January 2016	**–**	**371 338.82**	**–**	**1 302 095.15**	**14 500.00**	**1 687 933.97**
Net carrying amount as at 31 December 2016	**–**	**222 014.60**	**–**	**1 088 377.13**	**457 499.97**	**1 767 891.70**

Year ended 31 December 2015

	Development expenses	*Patents and licenses*	*Goodwill*	*Other*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2015	–	418 567.33	–	2 308 205.20	–	2 726 772.53
Purchases	–	–	–	–	150 860.29	150 860.29
Transfer from intangible assets under construction	–	136 360.29	–	–	-136 360.29	–
Gross carrying amount as at 31 December 2015	**–**	**554 927.62**	**–**	**2 308 205.20**	**14 500.00**	**2 877 632.82**
Amortization and impairment as at 1 January 2015	–	127 019.16	–	809 831.63	–	936 850.79
Amortization charge for the period	–	56 569.64	–	196 278.42	–	252 848.06
Amortization and impairment as at 31 December 2015	**–**	**183 588.80**	**–**	**1 006 110.05**	**–**	**1 189 698.85**
Net carrying amount as at 1 January 2015	**–**	**291 548.17**	**–**	**1 498 373.57**	**–**	**1 789 921.74**
Net carrying amount as at 31 December 2015	**–**	**371 338.82**	**–**	**1 302 095.15**	**14 500.00**	**1 687 933.97**

No securities were established on intangible assets on the presented reporting dates.

16. Property, plant and equipment

Year ended 31 December 2016

	Land (incl. perpetual usufruct right)	Buildings, premises and civil engineering objects	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	AUC	Prepayments for AUC	Total
Gross carrying amount as at 1 January 2016	**1 034 695.60**	**2 984 964.79**	**1 936 287.69**	**621 828.99**	**34 353.77**	**354 705.33**	**44 500.00**	**7 011 336.17**
Purchases	–	–	-	-	–	905 620.87	328 027.87	1 233 648.74
Sale	–	–	-15 360.00	-219 271.16	–	–	–	-234 631.16
Liquidation	–	–	–	–	–	–	–	–
Transfers	–	920 963.66	104 940.37	517 898.11	42 796.23	-1 214 070.50	-372 527.87	–
Gross carrying amount as at 31 December 2016	**1 034 695.60**	**3 905 928.45**	**2 025 868.06**	**920 455.94**	**77 150.00**	**46 255.70**	**-**	**8 010 353.75**
Depreciation and impairment as at 1 January 2016	**–**	**473 582.02**	**1 432 721.15**	**363 997.56**	**24 908.56**	**–**	**–**	**2 295 209.29**
Depreciation charge for the period	–	110 993.01	236 355.35	144 942.44	3 037.75	–	–	495 328.55
Sale	–	–	-8 320.00	-219 271.16	–	–	–	-227 591.16
Liquidation	–	–	–	–	–	–	–	–
Depreciation and impairment as at 31 December 2016	**–**	**584 575.03**	**1 660 756.50**	**289 668.84**	**27 946.31**	–	–	**2 562 946.68**
Net carrying amount as at 1 January 2016	**1 034 695.60**	**2 511 382.77**	**503 566.54**	**257 831.43**	**9 445.21**	**354 705.33**	**44 500.00**	**4 716 126.88**
Net carrying amount as at 31 December 2016	**1 034 695.60**	**3 321 353.42**	**365 111.56**	**630 787.10**	**49 203.69**	**46 255.70**	**0.00**	**5 447 407.07**

Year ended 31 December 2015

	Land (incl. perpetual usufruct right)	Buildings, premises and civil engineering objects	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	AUC	Prepayments for AUC	Total
Gross carrying amount as at 1 January 2015	**1 034 695.60**	**2 984 964.79**	**1 919 759.32**	**462 543.54**	**29 838.32**	**37 678.52**	**–**	**6 469 480.09**
Purchases	–	–	–	–	–	497 356.08	44 500.00	541 856.08
Sale	–	–	–	–	–	–	–	–
Liquidation	–	–	–	–	–	–	–	–
Transfers	–	–	16 528.37	159 285.45	4 515.45	-180 329.27	–	–
Gross carrying amount as at 31 December 2015	**1 034 695.60**	**2 984 964.79**	**1 936 287.69**	**621 828.99**	**34 353.77**	**354 705.33**	**44 500.00**	**7 011 336.17**
Depreciation and impairment as at 1 January 2015	**–**	**365 036.32**	**1 125 022.86**	**259 887.00**	**21 341.75**	**–**	**–**	**1 771 287.93**
Depreciation charge for the period	–	108 545.70	307 698.29	104 110.56	3 566.81	–	–	523 921.36
Sale	–	–	–	–	–	–	–	–
Liquidation	–	–	–	–	–	–	–	–
Depreciation and impairment as at 31 December 2015	**–**	**472 582.02**	**1 432 721.15**	**363 997.56**	**24 908.56**	–	–	**2 295 209.29**
Net carrying amount as at 1 January 2015	**1 034 695.60**	**2 619 928.47**	**794 736.46**	**202 656.54**	**8 496.57**	**37 678.52**	**–**	**4 698 192.16**
Net carrying amount as at 31 December 2015	**1 034 695.60**	**2 511 382.77**	**503 566.54**	**257 831.43**	**9 445.21**	**354 705.33**	**44 500.00**	**4 716 126.88**

At the presented reporting dates, the Company did not have any machines and equipment used under finance lease or hire-purchase agreements.

Land and buildings with a carrying amount of PLN 1 713 thousand (as at 31 December 2015 - PLN 1 206 thousand) are pledged as mortgage collateral for bank loans and borrowings of the Company (Note 25).

There were no capitalized borrowing costs in the year ended 31 December 2016 or 31 December 2015.

17. Other assets

17.1. Other financial assets

	31 December 2016	*31 December 2015*
Loans granted, of which to:	**44 270 000.00**	**3 133 045.51**
- Alumetal Group Hungary Kft.	44 240 000.00	3 109 045.51
- Alumetal Kęty sp. z o.o.	30 000.00	24 000.00
Shares in related entities, of which shares in:	**251 296 417.30**	**213 488 317.30**
- Alumetal Poland sp. z o.o., Poland	175 855 925.30	175 855 925.30
- Alumetal Group Hungary Kft., Hungary	75 080 492.00	37 272 392.00
- T+S sp. z o.o., Poland	350 000.00	350 000.00
- Alumetal Kęty sp. z o.o., Poland	10 000.00	10 000.00
Total	**295 566 417.30**	**216 621 362.81**
- short-term	1 507 616.00	24 000.00
- long-term	294 058 801.30	216 597 362.81

Movements in the balance of loans granted in the year ended 31 December 2016 and 31 December 2015 are presented in the table below:

	Loans granted
Balance as at 1 January 2015	**20 000.00**
Increases, of which:	3 113 045.51
- loan granted to Alumetal Kęty sp. z o.o.	4 000.00
- loan granted to Alumetal Group Hungary Kft., Hungary	3 109 045.51
Balance as at 31 December 2015	**3 133 045.51**
Increases, of which:	41 136 954.49
- loan granted to Alumetal Kęty sp. z o.o.	6 000.00
- loan granted to Alumetal Group Hungary Kft., Hungary	41 130 954.49
Balance as at 2016	**44 270 000.00**

Movements in the balance of shares in related entities in the year ended 31 December 2016 and 31 December 2015 are presented in the table below:

	Shares in related entities
Balance as at 1 January 2015	**176 923 237.30**
Increases, of which:	36 565 080.00
- increase in issued capital of Alumetal Group Hungary Kft.	36 565 080.00
Balance as at 31 December 2015	**213 488 317.30**
Increases, of which:	37 808 100.00
- increase in issued capital of Alumetal Group Hungary Kft.	37 808 100.00
Balance as at 31 December 2016	**251 296 417.30**

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

17.2. Other non-financial assets

	31 December 2016	*31 December 2015*
Excess of social assets over Social Fund liabilities	4 851.43	3 355.71
Subscriptions	1 215.00	20 187.60
IT services	112 656.50	62 730.00
Insurance	41 333.95	21 947.04
Total, of which:	**160 056.88**	**108 220.35**
- short-term portion	160 056.88	108 220.35
- long-term portion	–	–

18. Social assets and Social Fund liabilities

The Social Fund Act dated 4 March 1994 (with subsequent amendments) requires enterprises that have at least 20 FTEs *(full-time employees)* to establish and run a Social Fund. The Company operates such Fund and makes periodic transfers to this Fund based on the established basic transfer amount. The Funds' purpose is to subsidize the Company's social activities, loans to employees and other social expenditures.

The Company netted off the assets of the Fund with its liabilities to the Fund, as these assets do not fulfil the definition of the Company's assets.

	31 December 2016	*31 December 2015*
Cash and cash equivalents	41 431.17	40 654.07
Social Fund liabilities	36 579.74	37 298.36
Balance after netting off	**4 851.43**	**3 355.71**

	Year ended 31 December 2016	*Year ended 31 December 2015*
Amounts transferred to the Social Fund during the year	90 789.00	67 225.70

19. Employee benefits

19.1. Retirement benefits

The Company provides retirement benefits to the retiring employees in the amount defined in the Remuneration Regulations adopted by the Company. As a result, based on the valuation made by a professional actuarial company, a provision for the present value of the retirement benefits liability was recognized.

The amount of this provision and the reconciliation of provision movements during the year are presented in the table below:

	2016	2015
At the beginning of the period as at 1 January	**126 554.39**	**124 586.59**
Provision recognition/ reversal	22 406.61	1 967.80
Cost of benefits paid out	- 43 527.10	-
At the end of the period as at 31 December	**105 433.90**	**126 554.39**

19.2. Incentive programs

Program II

The Annual General Meeting of the Company authorized on 28 May 2014 a new incentive scheme for the years 2014-2016 dedicated to management and executives (Eligible Persons). The assumptions of the new incentive scheme provide for a conditional increase in the Company's issued capital through the issue of free-of-charge and non-transferable three tranches of subscription warrants (series A, B and C) and the matching three tranches of new shares of the Company (series D, E and F) with a total nominal value not exceeding PLN 45,231, of which:

- up to 150,770 subscription warrants, series A, which will entitle their holders to take up not more than 150,770 shares, series D, of the Company during the period from the date of authorization of the Company's consolidated financial statements for the year ended 31 December 2014 to 31 December 2018;
- up to 150,770 subscription warrants, series B, which will entitle their holders to take up not more than 150,770 shares, series E, of the Company during the period from the date of authorization of the Company's consolidated financial statements for the year ended 31 December 2015 to 31 December 2018;
- up to 150,770 subscription warrants, series C, which will entitle their holders to take up not more than 150,770 shares, series F, of the Company during the period from the date of authorization of the Company's consolidated financial statements for the year ended 31 December 2016 to 31 December 2018.

The issue of the subscription warrants will be dedicated to the members of the Management Board and to the key executives appointed by the Management Board and authorized by the Supervisory Board. The Eligible Persons will be able to exercise their right to take up shares in the Company on the condition of the fulfilment of certain conditions, and especially on the condition of being in the employment relationship or other similar relationship being the basis for rendering services to the Company or to Subsidiary Companies from the first date of listing of the Company's shares on the Warsaw Stock Exchange to the date directly preceding the date of exercising the rights under the subscription warrants of the given series. In addition, exercising the right under the subscription warrants will be possible on the condition of achieving an appropriate growth of EBITDA per Company share; achieving appropriate growth in the ratio of net profit per share, appropriate rate of return on the Company's shares during the period from the first date of shares quotation on the regulated market maintained by the Warsaw Stock Exchange in relation to the dynamics of WIG index changes. The issue price of the shares included in the new incentive scheme will equate the final unit selling price of the Company's shares to Individual Investors in the first Offering, reduced by certain appropriate percentage ratio.

Detailed policies of this incentive scheme were described in the regulations of the share incentive scheme adopted by the Supervisory Board on 12 December 2014. Since in October 2014, an allocation was made of the number of shares to individual persons and a list of eligible employees was prepared, the Company valued this share incentive scheme for the first time as at 31 December 2014 in accordance with IFRS 2 *Share-based Payment*. Appropriate valuation update was performed as at 31 December 2016.

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

	31 December 2016	*31 December 2015*
Capital under incentive Program II	658 095.00	1 572 673.89

Year ended	*31 December 2016*	*31 December 2015*
Cost of Program II	378 249.05	2 043 290.53

20. Inventories

In 2016 and as at 31 December 2015, the Company did not have any inventories.

21. Trade and other receivables

	31 December 2016	*31 December 2015*
Trade receivables	3 294 357.90	4 175 962.63
State budget receivables	14 796.00	154 577.00
Other third party receivables	61 645.97	4 214.77
Total receivables, net	**3 370 799.87**	**4 334 754.40**
Receivables impairment write-downs	–	–
Gross receivables	**3 370 799.87**	**4 334 754.40**

Trade receivables are non-interest bearing and have usually 14-day maturity period.

Given the holding-related activities of the Company, trade receivables as at 31 December 2016 and 31 December 2015 relate to subsidiary companies.

Presented below is the maturity analysis of trade and other receivables, which as at 31 December 2016 and 31 December 2015 were past due, but which were not deemed as irrecoverable.

				Overdue, but recoverable			
Receivable in:	*Total*	*Current*	*< 30 days*	*31 – 90 days*	*91 - 180 days*	*181-365 days*	*> 366 days*
31 Dec 2016	3 370 799.87	2 867 096.21	465 779.61	733.02	191.03	37 000.00	–
31 Dec 2015	4 180 177.40	3 198 713.46	963 450.34	–	–	18 013.60	–

22. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents matches their carrying amounts. The balance of cash and cash equivalents reported in the Statement of Cash Flow is composed of cash and cash equivalents reduced by outstanding overdraft facilities, which are an integral element of cash management.

The balance of cash and cash equivalents presented in the Statement of Cash Flow is composed of the following items:

	31 December 2016	*31 December 2015*
Cash on hand and cash at bank	16 087.52	491 459.07
Overdraft facilities	-62 927.45	-142 524.64
Cash and cash equivalents reported in the Statement of Cash Flow	**-46 839.93**	**348 934.43**

23. Issued capital

23.1. Issued capital

Issued capital	*31 December 2016*	*31 December 2015*
Ordinary shares, series A, with a nominal value of PLN 0.10 each	9 800 570	9 800 570
Ordinary shares, series B, with a nominal value of PLN 0.10 each	1 507 440	1 507 440
Ordinary shares, series C, with a nominal value of PLN 0.10 each	3 769 430	3 769 430
Ordinary shares, series D, with a nominal value of PLN 0.10 each	150 770	150 770
Ordinary shares, series E, with a nominal value of PLN 0.10 each	150 770	-
	15 378 980	**15 228 210**

Nominal value of shares

All issued shares have nominal value of PLN 0.10 and were paid for in full.

As described in more detail in Note 14, on 26 March 2014, the Ordinary Annual General Meeting resolved to split all shares of the Company by way of:

- reducing nominal value of each share from the current price of PLN 1 (in words: one zloty) to 10 groszy (in words: ten groszy) each and increasing the number of shares making up the issued capital to the total of 15,077,440 (in words: fifteen million seventy seven thousand four hundred forty) shares, and
- exchanging 1 (in words: one) share of the Company with a nominal value of PLN 1 (in words: one zloty) to 10 (in words: ten) shares with a nominal value of 10 groszy (in words: ten groszy) each.

The split of the Company's shares was conducted while retaining the amount of the issued share capital of PLN 1,507,744.00 (in words: one million five hundred seven thousand seven hundred forty four zloty).

The above split of shares was registered in the National Court Register on 28 May 2014.

Due to the fulfilment of all pre-requisite conditions for the implementation of the share incentive scheme realised as part of the conditional increase in the Company's issued capital, as defined in the Resolution No. 5 of the Extraordinary Annual General Meeting of the Company of 28 May 2014, about which the Company informed in its Prospectus authorised by the Polish Financial Supervision Authority on 17 June 2014, in its annual report and consolidated annual report for the year 2014 as published on 12 March 2015, and in its annual report and consolidated annual report for the year 2015 as published on 14 March 2016, as part of the execution of adopted share incentive scheme, the Company issued 150,770 registered, non-transferrable subscription warrants, series A and B, in exchange for which it issued:

- 150,770 ordinary bearer shares, D-series, issued in de-materialised form, with a nominal value of PLN 0.10 (in words: ten groszy) each, which based on the Resolution No. 338/15 of the Management Board of KDPW S.A. of 26 May 2015 were registered on the securities accounts of the participants of the Incentive Program on 1 June 2015. Based on the Resolution No. 509/2015 of the Management Board of the WSE of 27 May 2015, the D-series shares were admitted to trading on the main market as of 1 June 2015. The Company informed about the D-series share issue process in its current reports: No. 16/2015 of 29 April 2015, No. 19/2015 of 26 May 2015, No. 21/2015 of 28 May 2015, No. 22/2015 of 28 May 2015.
- 150,770 ordinary bearer shares, E-series, issued in de-materialised form, with a nominal value of PLN 0.10 (in words: ten groszy) each, which based on the Resolution No. 474/16 of the Management Board of KDPW S.A. of 15 July 2016 were registered on the securities accounts of the participants of the Incentive Program on 20 July 2016. Based on the Resolution No. 728/2016 of the Management Board of the WSE of 15 July 2016, the E-series shares were admitted to trading on the main market as of 20 July 2016. The Company informed about the E-series share issue process in its current reports: No. 19/2016 of 15 July 2016, No. 20/2016 of 15 July 2016, No. 21/2016 of 18 July 2016, No. 22/2016 of 18 July 2016.

The increase in the issued capital of Alumetal S.A. through the issuance of shares, series D, was registered in the National Court Register on 6 July 2015.

Share premium realized on D-series shares in the amount of PLN 4 470 330.50 was taken to increase the Company's reserve capital.

The increase in the issued capital of Alumetal S.A. through the issuance of shares, series E, was registered in the National Court Register on 9 September 2016.

Share premium realized on E-series shares in the amount of PLN PLN 4 470 330,50 was taken to increase the Company's reserve capital.

During 2016, the entity directly controlled by the Chairman of the Supervisory Board of Alumetal S.A., Mr Grzegorz Stulgis, IPOPEMA 30 FIZAN carried out transactions as a result of which, the Fund's participating interest in the issued capital of Alumetal S.A. fell from 6,031,130 shares (as at 31 December 2015) to 4,530,754 shares (as at 31 December 2016). The Company informed the public about these transactions in its current reports Nos. 14/2016, 15/2016, 16/2016, 17/2016, 18/2016, 33/2016 and 34/2016. As part of these transactions, the second entity directly controlled by Grzegorz Stulgis, IPOPEMA 30 FIZAN A/S, acquired 9.99% shares in Alumetal S.A.

As at the date of the authorisation of these financial statements, the participating interest of IPOPEMA 30 FIZAN in the issued capital of the Company fell to 3,570.254 shares, about which the Company informed in its current reports Nos. 3/2017 and 4/2017.

Shareholder rights

Attached to shares, series A, B, C, D and E, is the right to one vote per share. Shares of all series have equal preference rights as regards dividend payment and return on equity.

As at the reporting date, the shareholding structure was as follows:

	31 December 2016	*31 December 2015*
IPOPEMA 30 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych		
share in equity	29.46%	39.60%
share in the number of votes	29.46%	39.60%
IPOPEMA 30 FIZAN A/S		
share in equity	9.99%	–
share in the number of votes	9.99%	–
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK		
share in equity	9.79%	9.89%
share in the number of votes	9.79%	9.89%
ING Otwarty Fundusz Emerytalny		
share in equity	7.42%	7.49%
share in the number of votes	7.42%	7.49%
Krzysztof Błasiak		
share in equity	2.47%	2.35%
share in the number of votes	2.47%	2.35%
Szymon Adamczyk		
share in equity	1.68%	1.69%
share in the number of votes	1.68%	1.69%
Przemysław Grzybek		
share in equity	0.97%	0.86%
share in the number of votes	0.97%	0.86%

Others		
share in equity	38.22%	38.12%
share in the number of votes	38.22%	38.12%

As at the date of the preparation of these financial statements, the shareholding structure was as follows:

	5 April 2017
IPOPEMA 30 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	
share in equity	23.22%
share in the number of votes	23.22%
IPOPEMA 30 FIZAN A/S	
share in equity	9.99%
share in the number of votes	9.99%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	
share in equity	9.79%
share in the number of votes	9.79%
ING Otwarty Fundusz Emerytalny	
share in equity	7.42%
share in the number of votes	7.42%
Krzysztof Błasiak	
share in equity	2.47%
share in the number of votes	2.47%
Szymon Adamczyk	
share in equity	1.68%
share in the number of votes	1.68%
Przemysław Grzybek	
share in equity	0.97%
share in the number of votes	0.97%
Others	
share in equity	44.46%
share in the number of votes	44.46%

24. Reserve capital

The reserve capital was created from statutory appropriations of the profits generated in prior financial years in the amount of PLN 502 581.33, from share premium realized on D- and E-series shares in the amount of PLN 8 940 661.00, as well as from profit appropriations in excess of statutory amount of PLN 155 378 872.34 as at 31 December 2016 (as at 31 December 2015, profits appropriation in excess of statutory amount was PLN 137 989 201.94).

24.1. Retained earnings (unabsorbed losses) and restrictions on dividend payment

The balance of retained earnings comprises also certain balances which are not subject to appropriation, which means that they cannot be distributed in the form of dividends.

Statutory financial statements of Alumetal S.A. have been prepared in accordance with International Financial Reporting Standards. Dividend may be paid out based on the amount of profits reported in annual separate financial statements prepared for statutory purposes and from the reserve capital, after considering statutory and other restrictions.

In accordance with the provisions of the Code of Commercial Companies, the Company is required to create reserve capital for possible losses. Transferred to this capital category is at least 8% of profit for the given financial year recognised in the separate financial statements of the parent company until such time as the value of the reserve capital reaches at least one third of the issued capital of the parent company. The use of the reserve capital depends on the resolutions of the Annual General Meeting; however, the portion of the reserve capital and of other reserves representing one third of the issued capital may be used only to cover a loss shown in the separate financial statements of the parent company and shall not be used for any other purpose.

The multi-product agreement concluded on 10 November 2005, with subsequent amendments, between the Company, Alumetal Poland and T+S as borrowers and ING Bank Śląski as lender, the investment loan agreement concluded on 8 July 2010 between Alumetal Poland as borrower and ING Bank Śląski as lender, and the investment loan agreement for financing the investment project in Hungary concluded on 15 October 2015 between Alumetal and ING Bank Śląski S.A. obligates the borrowers not to execute, without prior permission of the lender, an out of net profit dividend payment in the total amount exceeding 50% of the consolidated net profit of the Group for the prior financial year to 2017, except for a one-off consent to pay the 2013 dividend in the amount not exceeding 60% of the consolidated net profit, and not to execute in the period to 2017, without prior permission of the Bank, an out of net profit dividend payment in the total amount exceeding 70% of the prior year consolidated net profit of the Group.

24.2. Dividends paid and proposed

Dividends paid

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

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

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

The value of dividend per share authorised for payment from the 2015 net profit was PLN 2.55 (calculated based on the number of shares after share split as described in more detail in Note 14).

Proposed dividend

In accordance with the dividend policy of the Company, the Management Board will propose payment of dividend for the year 2016 at the level of 50% of the consolidated net profit in the amount of PLN 44 906 621.60 which means that the value of dividend per share would be PLN 2.92. The Management Board will propose that the dividend is paid in June 2017.

25. Interest-bearing loans and borrowings

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

* the „currency" means solely the currency of the limit and thus may differ from loan currency
** the total limit for the short- and long-term portion of the investment loan is EUR 10 million

After contributing to Alumetal Poland sp. z o.o. of the organized part of enterprise (OPE) in the form of the production part of Alumetal S.A., together with the transfer of assets, the transfer of securities/collaterals was made from Alumetal S.A. to Alumetal Poland sp. z o.o., except for a part of the mortgage which continued to operate on a part of Alumetal SA's property. As at 31 December 2016, the value of land, buildings and constructions pledged as collateral was PLN 1 755 thousand (as at 31 December 2015 - PLN 1 206 thousand).

The collateral for the long-term investment loan issued to Alumetal S.A. by ING Bank Śląski S.A. in the amount of EUR 10,000,000.00 taken out to finance the construction of a production plant in Hungary is the mortgage on the property of the production plant of Alumetal Poland sp. z o.o. in Nowa Sól with a net carrying amount of PLN 48 949 437.39.

Alumetal SA. issued guarantees and sureties in respect of trade liabilities of Alumetal Group Hungary Kft in favour of the suppliers of the Hungarian subsidiary. The total value of these guarantees and sureties amounted as at 31 December 2016 to PLN 6 077.69.

In order to collateralise the short-term loan in the form of multi-currency shared facility at Alior Bank S.A. (formerly Bank BPH S.A.), each of the borrowers (Alumetal S.A., Alumetal Poland sp.z o.o., Alumetal Group Hungary Kft.) signed a blank promissory note together with declaration.

26. Provisions

26.1. Movements in provisions

	Provision for retirement benefits and similar obligations	Provision for litigattion	Total
As at 1 January 2015	**124 586.59**	**700 000.00**	**824 586.59**
Recognition	1 967.80	–	1 967.80
Utilisation	–	-700 000.00	-700 000.00
Reversal	–	–	–
As at 31 December 2015	**126 554.39**	**–**	**126 554.39**
Short-term as at 31 December 2015	**29 430.13**	**–**	**29 430.13**
Long-term as at 31 December 2015	**97 124.26**	**–**	**97 124.26**
As at 1 January 2016	**126 554.39**	**–**	**126 554.39**
Recognition	22 406.61	–	22 406.61
Utilisation	-43 527.10	–	-43 527.10
Reversal	-	–	-
As at 31 December 2016	**105 433.90**	**–**	**105 433.90**
Short-term as at 31 December 2016	**919.56**	**–**	**919.56**
Long-term as at 31 December 2016	**104 514.34**	**–**	**104 514.34**

26.2. Provision for court proceedings in progress

In the year ended 31 December 2015, Alumetal S.A. was a party to a court dispute covering three separate court proceedings, including two proceedings initiated by private persons against the Company and a request for amicable settlement. The above court proceedings were finalised in 2015 by way of amicable settlement and the Company utilised the provision recognized for this purpose in 2014.

In 2016, no significant court proceedings were conducted against the Company.

27. Trade and other payables, and accruals and accrued income

27.1. Trade and other financial liabilities (current)

	31 December 2016	*31 December 2015*
Trade payables	518 207.30	224 392.67
Payroll liabilities	233 237.21	174 116.41
Investment liabilities	130 844.65	79 893.98
Liabilities arising from taking up shares in Alumetal Group Hungary Kft.	–	6 800 500.00
Other liabilities	28 557.98	14 293.81
Total	**910 847.14**	**7 293 196.87**

Trade payables are non-interest bearing and usually have the maturity date of 21-60 days.

27.2. Other non-financial liabilities

	31 December 2016	*31 December 2015*
VAT	133 437.36	327 484.00
Personal income tax	256 626.00	119 795.00
Social security	323 282.53	234 534.99
PFRON	5 116.00	3 895.00
Excess of Social Fund liabilities over social assets	-	-
Total, of which:	**718 461.89**	**685 708.99**
- short-term portion	718 461.89	685 708.99
- long-term portion	–	–

27.3. Accruals and deferred income

	31 December 2016	*31 December 2015*
Accruals, of which:	108 559.53	132 377.64
- unused annual leave	754 882.00	445 000.00
- employee bonus, incl. annual bonus		
Total, of which:	**863 441.53**	**577 377.64**
- short-term portion	863 441.53	577 377.64
- long-term portion	–	–

28. Investment liabilities

As at 31 December 2016 and 31 December 2015, there were no significant investment liabilities.

29. Contingent liabilities and contingent assets

29.1. Court proceedings

In the year ended 31 December 2015, Alumetal S.A. was a party to a court dispute covering three separate court proceedings, including two proceedings initiated by private persons against the Company and a request for amicable settlement. These were presented in detail in Note 26.2.

In the year ended 31 December 2016, the Company was not a party to any significant court proceedings.

29.2. Tax settlements

Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) may become subject to review and investigation by administrative bodies, which are entitled to impose severe fines, penalties and sanctions. The lack of reference to well established regulations in Poland results in a lack of clarity and integrity in the regulations. Frequent contradictions in the interpretations of tax regulations both within government bodies and between companies and government bodies create areas of uncertainty and conflict. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems.

Taxation authorities may examine the accounting records within up to five years after the end of the year in which the tax payment was made. As a result of tax inspections, tax liabilities of the Company may be increased by additional amounts. As at 31 December 2016, neither the Company, nor its subsidiary companies were parties to tax proceedings.

29.3. Contingent liabilities

In 2010, Alumetal S.A. issued a surety for the investment loan to the subsidiary company, Alumetal Poland sp. z z o.o. and in 2016 – issued a surety to the Hungarian Ministry of Foreign Affairs in respect of the cash subsidy agreement concluded by Alumetal Group Hungary Kft. This matter was described in more detail in Note 30. In addition, in 2016 Alumetal SA. issued guarantees and sureties in respect of trade liabilities of Alumetal Group Hungary Kft in favour of the suppliers of the Hungarian subsidiary. This matter was described in more detail in Note 25.

30. Related party disclosures

As at 31 December 2016, the Company reported in its statement of financial position a receivable of PLN 30 000.00 under the loan granted to the related company, Alumetal Kęty sp. z o.o. (as at 31 December 2015 - PLN 24 000.00), and a receivable of PLN 44 240 000.00 under the loan granted to another subsidiary company, Alumetal Group Hungary Kft. (as at 31 December 2015 - PLN 3 109 045.51).

The value of dividend received from related entities in 2016 and 2015 was presented in Note 12.7.

The table below shows total balances of trading/ financial transactions with related entities in 2016 and 2015 (except for dividends and loans referred to above):

Related party		*Sales*	*Purchases*	*Receivables*	*Liabilities*
Alumetal Poland sp. z o.o.	*2016*	13 246 047.38	304 780.21	2 651 369.10	49 105.54
	2015	11 263 559.71	68 541.64	3 970 626.00	16 914.46
T+S sp. z o.o.	*2016*	239 915.19	6 000.00	63 477.78	615.00
	2015	160 188.49	6 000.00	12 440.00	615.00
Alumetal Group Hungary Kft.	*2016*	1 597 676.11	–	570 563.97	–
	2015	419 075.00	–	194 632.49	6 800 500.00

In addition, as described in more detail in Note 25, Group companies issued sureties/ collaterals for loan liabilities. Apart from the information presented in Note 25 Alumetal S.A. issued in 2010 a surety for the repayment of investment loan to Alumetal Nowa Sól sp. z o.o. (*currently* Alumetal Poland sp. z.o.o) taken out at Bank Śląski ING S.A. in PLN and EUR with a total limit of the equivalent of EUR 9 500 000.00 and with the final maturity date set at 30 June 2016. As at 31 December 2016, the loan was repaid in full. Fee for the above transactions was recognized under settlement with those related entities.

In 2016, Alumetal SA issued a surety to the Hungarian Ministry of Foreign Affairs in respect of the cash subsidy agreement concluded by Alumetal Group Hungary Kft. (to the amount not exceeding 120% of the public aid to Alumetal Group Hungary Kft.) and issued guarantees and sureties in respect of trade liabilities of Alumetal Group Hungary Kft in favour of the suppliers of the Hungarian subsidiary.

30.1. Terms and conditions of related party transactions

Related party transactions are concluded on the arm’s length basis.

30.2. Director’s loan

In the years 2015-2016, the Company did not extend any loans to the members of its Management Board.

30.3. Other transactions with Management Board Members

In the years 2015-2016, the Company did not conclude other transactions involving Management Board members.

30.4. Executive Board emoluments

	Year ended 31 December 2016	*Year ended 31 December 2015*
Management Board of the parent: Short-term employee benefits (salaries and surcharges)	4 409 448.58	4 042 290.41
Szymon Adamczyk – President of the Management Board, CEO	1 774 725.14	1 625 027.90
Krzysztof Błasiak - Vice-president of the Management Board, Operational and Development Director	1 774 725.14	1 625 027.90
Przemysław Grzybek – Member of the Management Board, CFO	859 998.30	792 234.61

In the analyzed reporting periods, Members of the Company's Management Board also participated in the operated share incentive schemes described in Note 19.2.

Supervisory Board		*Year ended 31 December 2016*	*Year ended 31 December 2015*
Total remuneration, of which:		**175 500.00**	**173 000.00**
Stulgis Grzegorz	Chairman of the Supervisory Board	31 500.00	45 000.00
Bijlhouwer Franciscus	Member of the Supervisory Board	36 000.00	32 000.00
Kacprowicz Marek	Member of the Supervisory Board	36 000.00	32 000.00
Pasiewicz Tomasz	Member of the Supervisory Board	36 000.00	32 000.00
Ślązak Emil	Member of the Supervisory Board	36 000.00	32 000.00

In 2016, the Company signed an agreement for the purchase of advisory services from IPOPEMA 30 FIZAN A/S. The total value of invoices issued in 2016 amounted to EUR 10 000.00. Between the balance sheet date and the date of the preparation of these financial statements, another invoice was issued, also for the amount EUR 10 000.

In addition, the Company received invoices for the advisory services in the process of development and extension of a master alloy plant from Mr Franciscus Bijlhouwer Quality Consultants BV: in 2016 for the amount of EUR 12 010.62 and in 2015 – for the amount of EUR 5 304.40.

After the reporting date, in the period from 2 January 2017 to 28 February 2017, a contract for services with Mr Marek Kacprowicz was in effect. Total value of remuneration under this agreement was PLN 40 000.00, gross.

31. Remuneration of certified auditor or entity authorised to audit financial statements

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

Type of service	*Year ended 31 December 2016**	*Year ended 31 December 2015**
Statutory audit of financial statements	35 500.00	35 500.00
Review of interim financial statements	20 000.00	20 000.00
Total	**55 500.00**	**55 500.00**

** relates to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.*

32. Additional explanations to the Statement of Cash Flow

The balance of the item of (*Purchase)/ sale of other financial assets* in the cash flow from investing activities of the 2016 cash flow statement in the amount of PLN 44 608 600.00 is composed of the following:

- acquisition of shares in Alumetal Group Hungary Kft. in the amount of PLN 44 608 600.00
- acquisition and sale of shares in SKTB in the amount of PLN 894 600.00.

The balance of the item of (*Purchase)/ sale of other financial assets* in the cash flow from investing activities of the 2015 cash flow statement in the amount of PLN 29 764 580.00 is composed of the following:

- acquisition of shares in Alumetal Group Hungary Kft. in the amount of PLN 29 764 580.00.

33. Financial risk management objectives and policies

The main type of business activity of the Company is conducting operations of a holding company. As part of these operations, the Company manages the financial risk incurred by the companies of the Alumetal Group. The main types of risk described in detail in the consolidated financial statements of the Alumetal SA Capital Group for the year ended 31 December 2016 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 2016.

By way of conducting its holding activities, the Company has also managed capital of the companies of the Alumetal S.A. Capital Group. In the reporting period covered by these financial statements, there were no significant changes to the objectives, principles and assumptions of capital management compared to those prevailing as at 31 December 2015 and described in the consolidated financial statements of the Alumetal S.A Capital Group for 2015.

33.1. Interest rate risk

The Company is exposed to interest rate risk arising from the financial instruments used to finance operating activities: short-term loans and short-term deposits.

The above financial instruments are based on variable interest rate of WIBOR and EURIBOR (or LIBOR for EUR). The Company does not hedge against interest rate risk because the instruments used are, in the majority of cases, of short-term, irregular character, and the scale of their use is rather insignificant.

In addition, the Company took out a long-term investment loan at ING Bank Śląski S.A. in the amount of EUR 10 million, with an interest rate of 1M EURIBOR + margin, with a view to financing an investment project i.e. the construction of a production plant in Hungary. In this case, the Company considers using a hedging instrument to hedge against interest rate risk.

33.2. Foreign currency risk

In executing its holding services, the Company realizes rather limited foreign currency sales. In addition, foreign currency purchases are also made to a very limited extent, and so is the use of foreign currency loans and borrowings for the purpose of current holding-related services. For this reason, in 2016 the risk of foreign currency did not practically occur.

The Company incurred, however, the HUF/PLN exchange rate risk in connection with the realised in 2015 and 2016 increase in the issued capital of the subsidiary company in Hungary, Alumetal Group Hungary Kft., for the total amount of HUF 5 500 million.

33.3. Credit risk

The Company's clients are related entities and therefore credit exposure practically does not exist.

33.4. Liquidity risk

The Company, in managing the Group's finance and using its financial strength, has free access to, among other things, bank loans, which ensure that it has appropriate financial liquidity.

The table below shows the maturity profile of the Company's financial liabilities at 31 December 2016 and 31 December 2015, based on maturity dates of contract undiscounted payments.

Payable in:	*< 3 months*	*3 – 12 months*	*1 - 5 years*	*> 5 years*	*Total*
31 December 2016					
Trade and other financial liabilities	910 847.14	–	–	–	910 847.14
Overdraft facilities	–	62 927.45	–	–	62 927.45
Investment loan	–	1 477 616.00	35 462 784.00	7 299 600.00	44 240 000.00*
31 December 2015					
Trade and other financial liabilities	492 696.87	6 800 500.00	–	–	7 293 196.87
Overdraft facilities	–	142 524.64	–	–	142 524.64
Investment loan	–	–	–	3 109 045.51	3 109 045.51*

*this amount is not directly covered by current liquidity management, because (as stated in Note 25) it represents a long-term liability under the loan taken out to finance an investment project in Hungary.

34. Financial instruments

34.1. Fair value of financial instruments, by class

Presented below is the comparison of carrying amounts and fair values of all financial instruments of the Company, by individual classes of assets and liabilities.

	Category in accordance with IAS 39	*Carrying amount*	
		31 Dec 2016	*31 Dec 2015*
Financial assets			
Other financial assets (short-term)	LaR	1 507 616.00	24 000.00
Trade and other receivables	LaR	3 370 799.87	4 180 177.40
Derivative financial instruments	aFVtPL	–	–
Cash and cash equivalents	aFVtPL	16 087.52	491 459.07
Total		**4 894 503.39**	**4 695 636.47**

	Category in accordance with IAS 39	*Carrying amount*	
		31 Dec 2016	*31 Dec 2015*
Financial liabilities			
Interest-bearing loans and borrowings	OFLaAC	44 302 927.45	3 251 570.15
Trade and other financial liabilities	OFLaAC	910 847.14	7 293 196.87
Derivative financial instruments	aFVtPL	–	–
Total		**45 213 774.59**	**10 544 767.02**

The fair value of financial instruments the Company held as at 31 December 2016 and 31 December 2015 *did not* materially differ from their carrying amounts presented in the attached financial statements for individual financial years for the following reasons:

- with regard to the short term financial instruments, any possible effect of discount is immaterial;
- these instruments related to the transactions concluded on the arm’s length basis.

34.2. Items of revenues, costs, gains and losses recognised in the Statement of Comprehensive Income, by category of financial instruments

Year ended 31 December 2016

	Category in accordance with IAS 39	***Interest income/ (expense)***	***FX gains/ (losses)***	***Impairment write-downs reversal/ (recognition)***	***Valuation gains/ (losses)***	***Gains/ (losses) on disposal of fin. instr.***	***Other***	***Total***
Financial assets								
Trade and other receivables	LaR	166 903.78	455 869.02	–	–	–	–	**622 772.80**
Derivative financial instruments	aFVtPL	–	–	–	–	–	–	–
Cash and cash equivalents	aFVtPL	619.16	–	–	–	–	–	**619.16**
Financial liabilities								
Interest-bearing loans and borrowings	OFLaAC	-273 219.18	-454 897.58	–	–	–	–	**-728 116.76**
Trade and other financial liabilities	OFLaAC	-297.53	-67 755.82	–	–	–	–	**-68 053.35**
Total		**-105 993.77**	**-66 784.38**	–	–	–	–	**-172 778.15**

Year ended 31 December 2015

	Category in accordance with IAS 39	***Interest income/ (expense)***	***FX gains/ (losses)***	***Impairment write-downs reversal/ (recognition)***	***Valuation gains/ (losses)***	***Gains/ (losses) on disposal of fin. instr.***	***Other***	***Total***
Financial assets								
Trade and other receivables	LaR	40 475.22	12 192.74	–	–	–	–	**52 667.96**
Derivative financial instruments	aFVtPL	–	–	–	–	–	–	–
Cash and cash equivalents	aFVtPL	3 574.77	–	–	–	–	–	**3 574.77**
Financial liabilities								
Interest-bearing loans and borrowings	OFLaAC	-36 278.15	-4 271.71	–	–	–	–	**-40 549.86**
Trade and other financial liabilities	OFLaAC	-735.19	-646 270.95	–	–	–	–	**-647 006.14**
Total		**7 036.65**	**-638 349.92**	–	–	–	–	**-631 313.27**

34.3. Interest rate risk

Presented in the table below is the carrying amount of the financial instruments of the Company that incur the risk of interest rate, by their maturity dates.

The Company has mainly overdraft facilities which are short-term items with the amounts payable calculated using variable market rates of 1M WIBOR, 1M EURIBOR (or possibly 1M LIBOR for EUR). Detailed information regarding debt balance from individual loan liabilities is presented in Note 25.

31 December 2016

Variable interest rate

	<1 year	*1–2 years*	*2-3 years*	*>3 years*	*Total*
Cash assets	16 087.52	–	–	_	16 087.52
Overdraft facilities	62 927.45	–	–	–	62 927.45
Investment loan	1 477 616.00	8 865 696.00	8 865 696.00	25 030 992.00	44 240 000.00
Total	**1 556 630.97**	**8 865 696.00**	**8 865 696.00**	**25 030 992.00**	**44 319 014.97**

31 December 2015

Variable interest rate

	<1 year	*1–2 years*	*2-3 years*	*3-4 years*	*Total*
Cash assets	491 459.07	–	–	_	491 459.07
Overdraft facilities	142 524.64	–	–	–	142 524.64
Investment loan	–	–	–	3 109 045.51	3 109 045.51
Total	**633 983.71**	–	–	3 109 045.51	**3 743 029.22**

Interest on financial instruments with variable interest rate is re-priced at intervals of less than one year. Interest on financial instruments with fixed interest rate does not change until the maturity of the instrument. The remaining financial instruments of the Company that are not included in the above tables are non-interest bearing and therefore they are not subject to interest rate risk.

35. Capital management

The Company manages its capital mainly through the prism of the financial situation of the entire Group.

The primary objective of capital management of the Group is to ensure that the Group maintains a strong credit rating and healthy capital ratios that would support its business, facilitate securing external finance and maximise its value to the shareholders.

The Group monitors capital using the gearing ratio, which is calculated as the ratio of total net debt divided by total capital increased by total net debt. The internal policies of the Group require that the value of this ratio ranged from 60% to 40%. Included in total net debt, are all interest bearing loans and borrowings, trade and other financial liabilities, less cash and cash equivalents. Capital includes equity attributable to the shareholders of the parent.

The Group also monitors the relation of current debt to the EBITDA earned.

	31 December 2016	*31 December 2015*
Interest-bearing loans and borrowings	62 927.45	142 524.64
Trade and other financial liabilities	910 847.14	7 293 196.87
Less: cash and cash equivalents	-16 087.52	-491 459.07
Net debt, total	**957 687.07**	**6 944 262.44**
Shareholders' equity	259 237 587.84	215 529 607.54
Capital and net debt	**260 195 274.91**	**222 473 869.98**
Gearing ratio (Shareholders' equity/ Capital and total net debt)	100%	97%

36. Employment structure

The average employment in the Company in the year ended 31 December 2016 and 31 December 2015 was as follows:

	Year ended 31 December 2016	*Year ended 31 December 2015*
Management Board	3	3
Managers, specialists and administration	49	38
Total	**52**	**41**

37. Events after the reporting date

Apart from the events described in these financial statements, there were no other significant events that were not, but should have been, disclosed in the attached financial statements.

These financial statements are composed of:

Szymon Adamczyk	President of the Management Board	....
Krzysztof Błasiak	Vice-president of the Management Board	....
Przemysław Grzybek	Board Member	....
Krzysztof Furtak	Chief Accountant	....

Kęty, 5 April 2017