ALUMETAL S. A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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Kęty, 21 March 2019

Marek Kacprowicz	President of the Management Board	....
Krzysztof Błasiak	Vice-president of the Management Board	....
Przemysław Grzybek	Board Member	....
Agnieszka Drzyżdżyk	Board Member	....
Krzysztof Furtak	Chief Accountant	....

Statement of Comprehensive Income
For the year ended 31 December 2018

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Holding activities			
Dividend income	24.2	45 012 462.72	40 384 468.83
Revenue from contracts with customers	12.1	16 200 166.46	13 765 355.94
Revenue from holding activities		**61 212 629.18**	**54 149 824.77**
Cost of sales	12.2	-14 065 446.35	-11 917 596.94
Gross profit on sales		**47 147 182.83**	**42 232 227.83**
Other operating income	12.5	58 792.73	6 364.61
Selling expenses	12.2	–	–
Administrative expenses	12.2	-3 162 932.38	-2 172 493.39
Other operating expenses	12.6	-50 409.46	-56 845.22
Operating profit		**43 992 633.72**	**40 009 253.83**
Finance income	12.7	453 884.32	650 330.60
Finance costs	12.8	-458 738.73	-448 477.41
Profit before tax		**43 987 779.31**	**40 211 107.02**
Income tax	13	-71 123.85	-68 927.95
Net profit from continuing operations		**43 916 655.46**	**40 142 179.07**
Discontinued operations		–	–
Profit/ (loss) for the period from discontinued operations		–	–
Net profit/ (loss) for the year		**43 916 655.46**	**40 142 179.07**
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE PERIOD		**43 916 655.46**	**40 142 179.07**

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Earnings per share:	14		
- basic from the profit for the year		2.84	2.59
- basic from the profit for the year from continuing operations		2.84	2.59
- diluted from the profit for the year		2.83	2.59
- diluted from the profit for the year from continuing operations		2.83	2.59

Statement of Financial Position
As at 31 December 2018

	Note	*31 December 2018*	*31 December 2017*
ASSETS			
Non-current assets			
Intangible assets	15	1 411 005.58	1 527 241.91
Property, plant and equipment	16	5 203 604.99	5 271 317.50
Other financial assets (long-term)	17.1	275 615 817.30	283 253 853.10
		282 230 427.87	**290 052 412.51**
Current assets			
Trade and other receivables	21	2 422 272.76	2 502 064.85
Other financial assets	17.1	8 617 200.00	9 090 023.90
Other non-financial assets	17.2	55 101.20	167 135.56
Current tax assets	21	14 720.00	–
Cash and cash equivalents	22	21 870.28	10 317.59
		11 131 164.24	**11 769 541.90**
TOTAL ASSETS		**293 361 592.11**	**301 821 954.41**

Statement of Financial Position (contd.)

As at 31 December 2017

	Note	*31 December 2018*	*31 December 2017*
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	23.1	1 547 949.30	1 547 949.30
Reserve capital	0	195 195 931.28	200 293 871.77
Capital from revaluation of incentive scheme	19.2	916 885.01	–
Retained earnings/ (unabsorbed losses)	24.1	59 511 522.38	55 697 045.99
Total shareholders' equity		**257 172 287.97**	**257 538 867.06**
Non-current liabilities			
Interest-bearing loans and borrowings	25	24 329 400.00	31 957 435.80
Provisions	26	276 227.00	119 991.34
Deferred tax liability	13.3	167 416.39	210 626.54
Accruals and deferred income	27.3	–	–
		24 773 043.39	**32 288 053.68**
Current liabilities			
Current portion of interest-bearing loans and borrowings	25	9 324 884.18	9 937 780.22
Provisions	26	29 758.00	41 914.07
Trade and other payables	27.1, 27.2	1 480 471.97	1 565 847.38
Current tax liabilities		–	31 067.00
Accruals and deferred income	27.3	581 146.60	418 425.00
		11 416 260.75	**11 995 033.67**
Total liabilities		**36 189 304.14**	**44 283 087.35**
TOTAL EQUITY AND LIABILITIES		**293 361 592.11**	**301 821 954.41**

Statement of Cash Flow
For the year ended 31 December 2018

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Cash flow from operating activities			
Gross profit		**43 987 779.31**	**40 211 107.02**
Adjustments for:			
Depreciation/ amortization	12.3	722 798.27	628 447.68
(Profit)/ loss from investing activities		71 284.69	–
FX (gains)/ losses		2 916.54	-1 638.11
(Increase)/decrease in trade and other receivables and in other non-financial assets		191 826.45	861 656.34
(Increase)/ decrease in inventories		–	–
Increase/(decrease) in liabilities, except for loans and borrowings		-209 367.54	1 281.87
Interest, net		6 760.21	-160 171 43
Change in prepayments, accruals and deferred income		162 721.60	-445 016.53
Change in provisions		144 079.59	56 471.51
Income tax paid		-160 121.00	-17 195.00
Other (including cost of incentive scheme)	19.2	916 885.01	75 480.00
Net cash flow from operating activities		**45 837 563.13**	**41 210 423.35**
Cash flow from investing activities			
Disposal of property, plant and equipment and intangible assets		30 117.91	–
Purchase of property, plant and equipment and intangible assets		-470 259.90	-276 451.84
Disposal of subsidiary company		4 000.00	–
Interest received		292 537.73	447 703.14
Repayment of loans granted		9 243 132.70	702 635.80
Loans granted		-5 000.00	-5 000.00
Net cash flow from investing activities		**9 094 528.44**	**868 887.10**

Statement of Cash Flow (contd.)
For the year ended 31 December 2018

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Cash flow from financing activities			
Inflow from issue of shares		–	2 990 241.75
Repayment of long-term loans and borrowings (incl. investment loans)		-9 245 570.90	-701 249.70
Dividends paid		-45 200 119.56	-44 906 621.60
Interest received		1 349.73	1 217.55
Interest paid		-300 647.67	-288 749.26
Net cash flow from financing activities		**-54 744 988.40**	**-42 905 161.26**
Net increase/(decrease) in the balance of cash and cash equivalents		**187 103.17**	**-825 850.81**
FX differences, net		-478.34	252.01
Cash and cash equivalents at the beginning of the period	22	**-872 438.73**	**-46 839.93**
Cash and cash equivalents at the end of the period	22	**-685 813.90**	**-872 438.73**

Statement of Changes in Equity

For the year ended 31 December 2018

	Note	*Issued capital*	*Reserve capital*	*Capital from revaluation of incentive scheme*	*Retained earnings/ (unabsorbed losses)*	*Total*
As at 1 January 2018	**23, 0**	**1 547 949.30**	**200 293 871.77**	**–**	**55 697 045.99**	**257 538 867.06**
Net profit for the period		–	–	–	43 916 655.46	43 916 655.46
Other comprehensive income, net, for the period		–	–	–	–	–
Comprehensive income for the period		–	–	–	**43 916 655.46**	**43 916 655.46**
Increase in issued capital		–	–	–	–	–
Cost of incentive scheme	19.2	–	–	916 885.01	–	916 885.01
Settlement of incentive scheme		–	–	–	–	–
Allocation of part of reserve capital to dividend payment		–	-5 097 940.49	–	5 097 940.49	–
Dividend payment	24.2	–	–	–	-45 200 119.56	-45 200 119.56
As at 31 December 2018		**1 547 949.30**	**195 195 931.28**	**916 885.01**	**59 511 522.38**	**257 172 287.97**

	Note					
As at 1 January 2017	**23, 0**	**1 537 898.00**	**164 822 114.67**	**658 095.00**	**92 219 480.17**	**259 237 587.84**
Net profit for the period		–	–	–	40 142 179.07	40 142 179.07
Other comprehensive income, net, for the period		–	–	–	–	–
Comprehensive income for the period		–	–	–	**40 142 179.07**	**40 142 179.07**
Increase in issued capital	23	10 051.30	2 980 190.45	–	–	2 990 241.75
Cost of incentive scheme	19.2	–	–	75 480.00	–	75 480.00
Settlement of incentive scheme		–	–	-733 575.00	733 575.00	–
Transfer to reserve capital		–	32 491 566.65	–	-32 491 566.65	–
Dividend payment	24.2	–	–	–	-44 906 621.60	-44 906 621.60
As at 31 December 2017		**1 547 949.30**	**200 293 871.77**	**–**	**55 697 045.99**	**257 538 867.06**

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 2018 and contain comparative data for the year ended 31 December 2017.

The Company is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court, 12th 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.

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. In the year ended 31 December 2018, there were no changes to the Company's scope of business compared to the year ended 31 December 2017.

2. Identification of consolidated financial statements

The Company prepared consolidated financial statements for the year ended 31 December 2018 which were authorised for publication on 21 March 2019.

3. Composition of the Company's Management Board

As at 31 December 2018, the composition of the Management Board of the Company was as follows:

- Marek Kacprowicz - President of the Management Board;
- Krzysztof Błasiak - Vice-president of the Management Board;
- Przemysław Grzybek - Member of the Management Board;
- Agnieszka Drzyżdzyk - Member of the Management Board.

On 21 August 2018, the Company received from Mr Szymon Adamczyk written resignation letter from the post of the President of the Management Board with effect as at 30 September 2018. The Company informed the public about this fact by publishing current report No. 19/2018 on 21 August 2018.

On 3 October 2018, the Supervisory Board appointed Mr Marek Kacprowicz as President of the Management Board, and the Company informed the public about this fact in its current report No. 27/2018 of 3 October 2018.

During the period from the reporting date to the date of the authorization of these financial statements there were no changes 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 21 March 2019.

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 2018	*31 December 2017*
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%
Alumetal Group Hungary Kft.	Komarom, Hungary	Production	100%	100%

On 26 July 2018, the Extraordinary Annual General Meeting of Alumetal Kęty sp. z o.o. resolved to dissolve the company and open winding-up procedure as of 31 July 2018. After that on 5 October 2018, 100% of shares in the liquidated company was sold by Alumetal S.A.

As at 31 December 2018 and 31 December 2017, 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.

Revenue recognition

Revenue is recognized to the extent that it is probable that the Company will obtain economic benefits related to the given transaction and the amount of revenue can be measured in a reliable manner. Revenue is recognised at the fair value of the consideration received or receivable, less value added tax and discounts/ rebates/ price concessions, if any.

In the case of sale of services, the sale contract contains only one performance obligation – service performance. Revenue is recognised at a specific point in time i.e. upon service performance.

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 performed in 2018 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

The Company uses a provision matrix to measure the value of expected credit losses on trade receivables. In order to determine the expected credit losses, trade receivables are grouped, based on similar credit risk characteristics. The Company uses its historical data on credit losses, adjusted, where appropriate, by the impact of information relating to the future.

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 2017-2018, except for the change in the retirement age, 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 9.19, 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 the Incentive Program II was determined using the Monte Carlo simulation model, while that of the Incentive Program III – using the finite difference method (the FDM method) being the numerical method for solving differential equations and the so-called Longstaff-Schwartz method. Detailed information on these programs and their measurement is presented in Note 19.2 of the attached financial statements.

Impairment of financial long-term assets

An assessment is made at each reporting date to determine whether there is any objective evidence that an asset may be impaired, and, if it is required, an impairment test is performed. During the course of impairment indicator analysis performed in accordance with IAS 36 *Impairment of assets,* the Management Board of the Company analysed, among others, evidence deriving from the internal reporting as well as the factors obtained from the external sources of information. Given the identified loss indicators, an impairment test was performed for the assets relating to the activities of the subsidiary company, Alumetal Group Hungary Kft. The performed test did not confirm said assets impairment. The test used the forecasts for 5 years (i.e. 2019 - 2023) and for the residual period. Applied in the calculations was a 4.34% discount rate, which according to the Management reflected in the best way the risk and the weighted average cost of capital (WACC) for the industry, in which the Alumetal Group entities operate. For the residual period, the 0% growth rate was adopted. Over the forecast period, the values arise from the adopted long-term production and operating strategy of the Alumetal Group companies basing on such assumptions as future changes in the prices of aluminium, raw materials and energy, future revenues, costs, cash flows, weighted average cost of capital, impact of the prospective and enacted Polish and European regulatory changes as well as the expected macroeconomic situation, which all depend on future market and economic conditions.

The performed sensitivity analysis confirmed a relatively low sensitivity of results to changes in the key parameters listed above.

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 contrived 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 contrived 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 group 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. Slight excess of short-term liabilities over current assets in the amount of PLN 285 096.51 does not represent any significant threat to the Company's going concern due to the fact that the Company benefits from the financial strength of the entire

Alumetal Group (among others, dividend and credit policy) and from the ongoing availability of credit facilities with a value equating to several tens of millions of zloty. In the opinion of the Company's Management Board, the financial position as at 31 December 2018 does not have any impact on the Company's going concern assumption in the foreseeable future i.e. during 12 months from the date of the preparation of these financial statements.

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").

7.2. Functional and presentation currency

The functional and the presentation currency of these financial statements is Polish zloty.

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;

- 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 2018	*31 December 2017*
USD	3.7597	3.4813
EUR	4.3000	4.1709
100 HUF	1.3394	1.3449

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	5 – 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 significant 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.

The policies of depreciation of fixed assets used under finance lease agreements should be consistent with the policies used for depreciation of the Company's own depreciable assets. If, however, there is no sufficient certainty as to whether the lessee receives ownership title prior to the end of the lease term, fixed assets leased under finance lease agreements are depreciated over the shorter of the estimated useful life of the asset 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 operating 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, after considering 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. Investments in subsidiaries, associates and interests in joint ventures

Investments in subsidiaries, associates and interests in joint ventures are measured at historical cost, after considering impairment losses.

Subsidiaries are the companies which the Company controls.

The Company controls an entity, if the Company has:

• power over this entity,

• exposure, or rights, to variable returns from its involvement with the entity, and

• the ability to use its power over the entity to affect the amount of its returns.

The Company reassesses whether it controls the entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Where the Company has less than a majority of voting rights in the given entity, but the voting rights held are sufficient for the Company to have the practical ability to direct the relevant activities of the given entity unilaterally, it means that the Company has the power over this entity. When assessing whether the Company's voting rights are sufficient to give it power, the Company considers all facts and circumstances, including:

• the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

• potential voting rights held by the Company, other vote holders or other parties;

• rights arising from other contractual arrangements; and

• any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous Annual General Meetings or Shareholders' Meetings.

An associate is an entity on which the Company has a significant influence, and which is neither its subsidiary nor joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an entity; however, it is not control or joint control over those policies.

Joint venture is a joint arrangement whereby two or more parties have joint control over a business. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the strategic financial and operational decisions about these activities require the unanimous consent of the parties sharing control.

9.9. Financial assets accounting policy applied starting from 1 January 2018

Classification of financial assets

Financial assets are classified into one of the following categories:

- measured at amortised cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The Company classifies a financial asset based on its business model for managing financial assets and the asset's contractual cash flow characteristics (the so-called SPPI test). The Company re-classifies its investments in debt instruments if, and only, if the model for managing these assets changes.

Measurement upon initial recognition

Except for certain trade receivables, upon initial recognition, the Company measures its financial assets at fair value, which – in case of financial assets which are not measured at fair value through profit or loss – is increased by the transaction costs directly attributable to the acquisition of these financial assets.

De-recognition

Financial assets are de-recognised, where:

- the rights to obtain contractual cash flows from those financial assets have expired, or
- the rights to obtain contractual cash flows from the financial assets have been transferred, and the Company transferred substantially all the risk and all rewards arising from the ownership of the assets.

Measurement after initial recognition

After initial recognition, financial assets are classified into one of the following four categories:

- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income,
- equity instruments measured at fair value through other comprehensive income,
- financial assets at fair value through profit or loss.

Debt instruments – financial assets measured at amortised cost

A financial asset is measured at amortised cost, if both of the following conditions are fulfilled:

a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classified to the category of financial assets measured at amortised cost are the following items:

- trade receivables,
- loans meeting the requirements of the SPPI test, which in accordance with the business model are held to collect contractual cash flows,
- cash and cash equivalents.

Interest revenue is calculated using the effective interest rate method and is reported in the statement of comprehensive income under „Finance income".

Debt instruments – financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

a) the asset is held in a business model whose objective is achieved both by collecting contractual cash flows and selling financial asset; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue, FX differences and revaluation gains and impairment losses are calculated in the same manner as in the case of financial assets measured at amortised cost. Other fair value changes are recognised through other comprehensive income. When the asset is de-recognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to financial result.

Interest revenue is calculated using the effective interest rate method and is reported in the statement of comprehensive income under „Finance income".

Equity instruments – financial assets measured at fair value through other comprehensive income

Upon initial recognition, the Company may make an irrevocable choice regarding recognition in other comprehensive income of any following changes in the fair value of an investment in equity instrument which is not held for trading and is not a contingent payment recognised by an acquirer in a transaction of business combination, as provided in IFRS 3. Such choice is made separately for each equity instrument. The accumulated gains or losses previously recognised in other comprehensive income are not reclassified to the financial result. Dividend income is recognized in the statement of comprehensive income when the shareholder rights to receive the payment are established, unless dividend represents the recovery of some investment costs.

Financial assets measured at fair value through profit or loss

A financial asset which does not meet the criteria of measurement at amortised cost or at fair value through other comprehensive income is measured at fair value through profit or loss.

Any gain or loss on re-measurement of debt instruments to fair value is recognised in profit or loss.

Dividend income is recognized in the statement of comprehensive income when the shareholder rights to receive the payment are established,

Where the Company:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;

a financial asset and financial liability are offset, and the net amount is presented in the statement of financial position.

The master netting arrangement referred to in IAS 32.50 is not the basis for the set-off, if the above two set-off criteria are not fulfilled.

9.10. Impairment of financial assets – accounting policy applied starting from 1 January 2018

The Company estimates the expected credit losses („ECL") relating to debt instruments measured at amortised cost or at fair value through other comprehensive income, irrespective of whether impairment loss indicators occurred or not.

For trade receivables, simplified approach is applied whereby the expected credit losses are measured in the amount of the life-period expected credit losses using the provisions matrix. Credit loss historical data are used, adjusted, where appropriate, by the impact of information regarding the future.

In the case of other financial assets, the expected credit losses are measured in the amount of 12-month expected credit losses. Where credit risk relating to the given financial instrument increased materially from the moment of instrument initial recognition, the expected credit losses on that instrument are measured in the amount of instrument's life-period credit losses.

9.11. Financial assets - accounting policy applied before 31 December 2017

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 a component 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 a contract contains one or more embedded derivatives, the entire contract may be classified to the Company 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 Company 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.

Where the Company:

- has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;

a financial asset and financial liability are offset, and the net amount is presented in the statement of financial position.

The master netting arrangement referred to in IAS 32.50 is not the basis for the set-off if the above two set-off criteria are not fulfilled.

9.12. Impairment of financial assets – accounting policy applied before 31 December 2017

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.

9.12.1. 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 Company 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.

9.12.2. 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.

9.12.3. 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.

9.13. 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.

9.14. 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.

9.15. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for the entire life-period's expected credit losses. Receivables impairment write-down is estimated if the recovery of full amount of receivables 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.

State budget receivables are presented under other non-financial assets, except for current tax assets which represent a separate item in the statement of financial position.

9.16. 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.

9.17. 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.

9.18. 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 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, except for own credit risk changes for the financial liabilities that were originally classified to the category of instruments measured at fair value through profit or loss, and which as of 1 January 2018 have been recognised in other comprehensive income.

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.

Prior to 1 January 2018, any significant modifications to the terms and conditions of an existing financial liability were 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.

As of 1 January 2018, in case of modification to the terms and conditions of an existing financial liability which does not result in discontinuation of recognition of an existing financial liability, any gain or loss is recognised immediately in the profit or loss. Gain or loss is calculated as a difference between present value of modified and original cash flows, discounted using the original interest rate of liability.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added 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.

9.19. 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 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.

9.20. Employee 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 future liabilities under 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.

Re-valuation of retirement benefits liabilities from defined benefit plans covering actuarial gains and losses is recognised under other comprehensive income and is not subject to further re-classification to profit or loss.

The Company recognises the following changes in net liabilities from defined benefit plans under, as appropriate, cost of sales and general administrative expenses, which are composed of the following:

- employment costs (including, among others, current and past service costs),
- net interest on net liabilities from defined benefit plans.

9.21. Incentive programs

Executives of the Company participate in the incentive programs (schemes) which were described in detail in Note 19.2 of these financial statements.

9.21.1. Transactions settled in equity instruments

The cost of employee transactions settled in equity instruments is measured by reference to instrument's fair value at the underlying rights grant date. The fair value of equity instruments is determined by an independent appraiser, based on the guidelines provided in IFRS 2. In measuring equity-settled transactions, market-related vesting conditions are taken into account (which relate to the Company's share price) as well as non-market vesting conditions.

The cost of equity-settled transactions is recognised along with the matching increase in equity in the period, in which the pre-requisite performance- or service-related conditions were satisfied, and which ends on the day, on which the given employees become fully eligible employees („vesting date"). At each reporting date to a vesting date, the accumulated cost of equity-settled employee transactions reflects the extent of the duration of vesting period and the number of awards, which – in the opinion of the Company's Management Board as at that date, based on the best possible estimate of the number of equity instruments - will finally vest.

No costs are recognised for the equity instruments, to which the rights will not finally vest, except for these equity instruments, for which the acquisition of rights depends on market-related conditions or on the conditions other than vesting conditions, which are treated as vested, irrespective of whether market-related conditions or the conditions other than vesting conditions have been satisfied or not, provided that all other performance- or service-related conditions have been met.

Where vesting conditions for equity-settled transaction are modified, as part of minimum requirement fulfilment, transaction costs are recognised as if the vesting conditions have not been changed. In addition, costs are recognised for each increase in the transaction value resulting from modification, measured at the change date.

If an award settled in equity-instruments is cancelled, it is treated in such way as if the underlying rights vested at the cancellation date, and any costs not yet recognised are recognised immediately. This also relates to the awards, for which the conditions other than vesting conditions under the control of the Company or employee are not satisfied. If, however, the cancelled award is replaced by a new award, defined as a replacement award at its grant date, the award cancelled and the new award are treated as a modification of the original award i.e. in the manner described in the paragraph above.

9.22. Allocation of profit for employee purposes and special funds

In accordance with Polish business practice, entity's shareholders may appropriate profit for employee purposes in the form of transfer to the company's Social Fund, or to any other special funds. In the IFRS financial statements, this portion of allocated profit is included in the cost of business activities of the period, in which profit allocation was authorised by the Shareholders' Meeting.

9.23. Revenue

9.23.1. Revenue from contracts with customers – accounting policy applied starting from 1 January 2018

The Company applies IFRS 15 *Revenue from contracts with customers* to all contracts with customers, except for lease agreements which are within the scope of IFRS 16 *Leases*, financial instruments, other rights and contractual liabilities which are within the scope of IFRS 9 *Financial instruments,* IFRS 10 *Consolidated financial statements,* IFRS 11 *Joint arrangements,* IAS 27 *Separate financial statements and* IAS 28 *Investments in associates and joint ventures.*

The core principle of IFRS 15 is recognition of revenue at the time of transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This core principle is applied in a five-step model framework:

- the contract with a customer has been identified,
- the performance obligations in the contract have been identified,
- the transaction price has been determined,
- the allocation was made of the transaction price to individual performance obligations in the contract,
- revenue was recognised when the entity satisfied a performance obligation.

Identification of the contract with the customer

The Company recognises a contract with the customer, if all the following conditions are met:

- the parties to the contract have concluded the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the Company may expect that as a result of the contract its risk, timing or the amount of future cash flows will change); and
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or service that will be transferred to the customer.

In assessing whether the collection of the consideration is probable, the Company accounts solely for the capacity and intent of the customer to pay the consideration in the appropriate moment in time. The amount of the consideration to which the Company will be entitled shall not be lower than the price stated in the contract, if the consideration is variable, as the Company may offer price concession to the customer.

Identification of performance obligations in the contract

At the inception of the contract, the Company assesses the goods or services that have been promised to the customer and identifies as a performance obligation each good or service (or bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service promised to the customer is distinct if both of the following criteria are fulfilled:

- the customer can benefit from the good or service on its own or in conjunction with other readily available resources, and
- the Company's promise to transfer the good or service to the customer is separately identifiable from other performance obligations in the contract.

Determining the transaction price

In determining the transaction price, the Company accounts for the terms of the contract and its other customary business practices. The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of goods and services, except for the amounts collected on behalf of third parties (for example, certain sales taxes). The consideration determined in the contract with customer may include fixed, variable or both such amounts.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of the consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The Company estimates an amount of variable consideration by using either of the following methods, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled:

- the expected value – the expected value is the sum of probability-weighted amounts, in a range of possible consideration amounts. The expected value may be an appropriate estimate of the amount of variable consideration if the Company has a large number of contracts with similar characteristics.
- the most likely amount – the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount may be an appropriate estimate of the amount of variable consideration if the contract has only two possible outcomes (for example, the Company either achieves a performance bonus or not).

The Company includes in the transaction price a part or all of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allocating the transaction price to performance obligations

The Company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

Principal versus agent consideration

Where another party is involved in providing goods or services to a customer, the Company determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Company is an agent).

The Company operates as a principal if it controls the promised good or service before that good or service is transferred to a customer. The Company does not necessarily control a specified good or service if it obtains legal title to that good only momentarily before a legal title is transferred to a customer. The Company that is a principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party (for example, a subcontractor) to satisfy some or all of the performance obligation on its behalf. If this is the case, the Company recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred.

The Company operates as an agent, if its performance obligation is to arrange for the provision of the specified good or service by another party. If this is the case, the Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price a part or all of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Non-cash consideration

For contracts, in which a customer promised consideration in a form other than cash, in order to determine the transaction price, the Company measures the non-cash consideration (or promise of non-cash consideration) at fair value. Where the Company cannot reasonably estimate the fair value of the non-cash consideration, it measures it indirectly by reference to the stand-alone selling price of the goods or services promised to the customer (or class of customer) in exchange for the consideration.

Contract asset

Recognised in contract assets is the Company's right to consideration in exchange for goods or services it has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The Company recognises an impairment loss for contract assets in the same manner as for the financial assets in accordance with IFRS 9 (Note 17.1).

Receivables

Recognised in receivables is the Company's right to consideration in exchange for the goods or services it has transferred to a customer when that right is unconditional (the only condition for consideration payment is payment deadline). The Company recognises receivables in accordance with IFRS 9 (Note 17.1). Upon initial recognition of receivables from contracts with customers, any difference between IFRS-9 based receivables valuation and the matching amount of revenues recognised earlier is recognised as contract cost (impairment loss).

Contract liability

Included in contract liability is the consideration received or receivable from a customer, in respect of which performance obligation exists to transfer the goods or services to that customer.

Refund liability

The Company recognises a refund liability if it receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) to which the Company does not expect to be entitled (i.e. amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, in contract liability) is updated at the end of each reporting period for changes in circumstances.

9.23.2. Revenue – accounting policy applied before 31 December 2017

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/ rebates/ price concessions. The following specific recognition criteria must also be met before revenue is recognised:

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.

Provision 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.

9.23.3. 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.

9.23.4. Dividends

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

9.23.5. 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.

9.24. Income taxes

9.24.1. 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.

9.24.2. 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.

9.24.3. 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.

9.25. 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 financial statements of the Company for the year ended 31 December 2017, except for the application of new or amended standards or interpretations which are effective for the annual periods commencing on or after 1 January 2018.

The Company applied for the first time IFRS 15 *Revenue from Contracts with Customers* („IFRS 15") and IFRS 9 *Financial instruments* („IFRS 9"). Other new or amended standards or interpretations which are effective for the annual periods commencing on or after 1 January 2018 do not have any material impact on the financial statements of the Company.

10.1. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS18 *Revenue* and the related interpretations and applies to all contracts with customers, except for those that are within the scope of other standards. The new standard has established the so-called "Five-step Model" for recognition of revenue from contracts with customers. In accordance with IFRS 15, revenue is recognised at the amount of a consideration, to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The application of IFRS 15 requires that the Management of the parent company made professional judgments at each of the five steps of the established model.

The Company applied IFRS 15 using the simplified (modified) retrospective approach.

The Company regularly renders management, accounting and IT services, but only to other Alumetal Group companies.

Revenue is recognised to the extent, to which it is probable that the Company will receive economic benefits relating to the given transaction and where the amount of revenue can be measured in a reliable manner. Revenue is recognised at the fair value of the consideration received or receivable, less value added tax (VAT) and discounts and rebates, if any.

Dividend income is recognized in the statement of comprehensive income when the shareholder rights to receive the payment are established. Revenue from the provision of business support services to subsidiary companies are recognised upon service completion. The Company has not identified any change in the approach to the method of revenue recognition compared to the previously binding standard.

10.2. IFRS 9 Financial Instruments

IFRS 9 has superseded IAS 39 *Financial Instruments: Recognition and Measurement* and is applicable to annual reporting period commencing on or after 1 January 2018. IFRS 9 addresses the following three aspects relating to financial instruments: classification and measurement, impairment and hedge accounting.

The Company applied IFRS 19 as of its effective date with no comparative data restatement.

a) *Classification and measurement*

In accordance with IFRS 9, except for certain trade receivables, upon initial recognition, the entity measures its financial assets at fair value, which – in case of financial assets which are not measured at fair value through profit or loss – is increased by the transaction costs directly attributable to the acquisition of these financial assets.

After initial recognition, the entity measures financial assets at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. The entity classifies a financial asset based on its business model for managing financial assets and the asset's contractual cash flow characteristics (the so called "SPPI test").

The classification and measurement of the financial assets of the Company in accordance with IFRS 9 is as follows:

i. Debt instruments measured at amortized cost held within a business model whose objective is to hold financial assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Debt instruments measured at fair value through other comprehensive income, for which accumulated profits or losses previously recognised under other comprehensive income are reclassified to profit or loss upon de-recognition.

iii. Equity instruments measured at fair value through other comprehensive income, for which accumulated profits or losses previously recognised under other comprehensive income *are not* reclassified to profit or loss upon de-recognition.

The Company assessed its business model at the date of first-time application of IFRS 9 i.e. at 1 January 2018 and then applied it retrospectively, irrespective of the business model used in prior reporting periods, to these financial assets which did not cease to be recognised prior to 1 January 2018. The fulfilment of the SPPI test was assessed based on the facts and circumstances occurring at the time of financial asset initial recognition.

IFRS 9 does not introduce any significant changes in the classification and measurement of financial liabilities, except for the modifications which do not result in de-recognition of the existing financial liability. The new standard requires an entity to recognise any adjustment to the amortized cost valuation of a financial liability as an income or cost in the financial result upon modification.

b) *Impairment loss*

The application of IFRS 9 fundamentally changes the approach to the loss of value of financial assets by departing from the concept of *loss incurred* in favour of the *loss expected,* whereby the entire amount of expected credit loss is recognised *ex-ante*.

For trade receivables, simplified approach is applied whereby the expected credit losses are measured in the amount of the life-period expected credit losses using the provisions matrix. Credit loss historical data are used, adjusted, where appropriate, by the impact of information regarding the future.

In the case of other financial assets, the expected credit losses are measured in the amount of 12-month expected credit losses. Where credit risk relating to the given financial instrument increased materially from the moment of instrument initial recognition, the expected credit losses on that instrument are measured in the amount of instrument's life-period credit losses.

Under the methods of valuation of receivables' impairment losses applied to date, the Company already accounted for the expected credit losses. Given the above, the amount of the impairment loss calculated in accordance with IFRS 9 approximates the amount of impairment loss determined based on the accounting policies that have been applied to date.

In conclusion, the Company has ascertained that the impact of IFRS 9 implementation on its financial statements is negligible.

10.3. Presentation of revenues from dividends from subsidiary companies

The main source of income of the Company are received dividends and revenues from providing holding services. The Company does not conduct manufacture or production activities which are realised by the subsidiary companies. In the opinion of the Company, the previously applied method of recognition of dividends under financing activities did not reflect the real character of earned revenues. Given the above, the Company's Management Board decided to change the method of presentation of dividends obtained as revenues from providing holding services at the level of Company's operating result.

In the opinion of the Management Board, changed presentation reflects better, compared to prior solution, the character of the business of the Company as a holding company.

Given the above, the Company decided to change the presentation method of revenues from dividends with effect from 1 January 2018. After the change, revenues from dividends are presented in the operating result of the Company. Previously, revenues from dividends were not recognised in the Company's operating result, but at the level of Company's financial result i.e. the Company's gross result.

The above change did not affect the financial result of the Company.

The impact of the above change on standalone statement of financial position and on the statement of cash flows for the year ended 31 December 2017 is presented in the table below:

	Year ended 31 December 2017 (authorized data)	*Change in the presentation of revenues from dividends*	*Year ended 31 December 2017 (restated data)*
Holding activities			
Revenues from dividends	–	40 384 468.83	40 384 468.83
Revenues from sale of services	13 765 355.94	–	13 765 355.94
Sales revenue	**13 765 355.94**	**40 384 468.83**	**54 149 824.77**
Gross profit on sales	**1 847 759.00**	**40 384 468.83**	**42 232 227.83**
Operating profit	**-375 215.00**	**40 384 468.83**	**40 009 253.83**
Finance income	41 034 799.43	-40 384 468.83	650 330.60
Gross profit	**40 211 107.02**	–	**40 211 107.02**
Net profit from continuing operations	**40 142 179.07**	–	**40 142 179.07**
Net cash flow from operating activities	**825 954.52**	40 384 468.83	**41 210 423.35**
Net cash flow from investing activities	**41 253 355.93**	-40 384 468.83	**868 887.10**
Net increase/ (decrease) in cash and cash equivalents	-825 850.81	–	-825 850.81
Cash at the end of the period	**-872 438.73**	–	**-872 438.73**

10.4. Other

a) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation explains that the date of the transaction adopted for the purpose of determining the exchange rate that is to be used at the time of initial recognition of a related financial asset, expense or revenue (or part thereof) is the date of initial recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, a date of transaction is established for each consideration paid or received in advance.

This Interpretation does not have any material impact on the financial statements of the Company.

b) Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify when an entity shall transfer a property, including property under construction, to, or from, investment property. The amendments explain that a change in use occurs if a given property meets, or ceases to meet, the definition of investment property and evidence exists as to the property's change in use. A change in management's intentions alone as regards property use is not an evidence of a change in use.

These amendments do not have any material impact on the financial statements of the Company.

c) Amendments to IFRS 2 *The Classification and Measurement of Share-based Payment Transactions*

The International Accounting Standards Board (IASB) has published Amendments to IFRS 2 *Share-based Payment* to clarify the following areas: accounting for vesting conditions and conditions other than vesting conditions in the measurement of share-based payment arrangements settled in cash, recognition of share-based payment transactions with the feature of net settlement of withholding tax liabilities, recognition of modifications to the share-based payment arrangements that would change their classification from settled in cash to settled in equity instruments.

These amendments do not have any material impact on the financial statements of the Company.

d) Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

These amendments allow the entities that conduct insurance business to delay the date of application of IFRS 9 until 1 January 2021. As a result, the concerned entities may continue to prepare their financial statements in accordance with the binding standard i.e. IAS 39.

These amendments are not applicable to the Company.

e) Amendments to IAS 28 *Investments in Associates and Joint Ventures* representing part of Annual Improvements to IFRSs, Cycle 2014-2016

These amendments clarify that an entity that is a venture capital organisation, mutual fund, trust fund or other similar entity, including an insurance fund related to investments, may elect to measure at fair value through profit or loss an investment in an associate or a joint venture in accordance with IFRS 9. Such election is made on an investment-by-investment basis, upon initial recognition. If the entity which itself is not an investment entity holds investments in an associate or a joint venture which are investment entities, then this entity may, using the equity method, decide to continue the measurement method applied by this associate or joint venture who is an investment entity with respect to the investments of said entities in subsidiary companies. Such election is made on an investment-by-investment basis upon a) initial recognition of this associate or joint venture being an investment entity; b) on the date such associate or joint venture becomes an investment entity; c) on the date such associate or joint venture being an investment entity becomes a parent.

These amendments do not have any material impact on the financial statements of the Company.

f) Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards* representing part of Annual Improvements to IFRSs, Cycle 2014-2016

The short-term exemptions for application of other IFRSs provided in paragraphs E3-E7 of 1 were removed.

These amendments do not have any material impact on the financial statements of the Company.

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 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;
- **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) – effective for annual periods beginning on or after 1 January 2019;
- **IFRS 17** ***Insurance Contracts*** (issued on 18 May 2017) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2021;
- **IFRIC 23** ***Uncertainty of Income Tax Treatments*** (issued on 7 June 2017) – effective for annual periods beginning on or after 1 January 2019;
- **Amendments to IFRS 9** ***Prepayment features with negative compensation*** (issued on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019;
- **Amendments to IAS 28** ***Long-term Interests in Associates and Joint Ventures*** (issued on 12 October 2017) – 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 IAS 19** ***Plan Amendment, Curtailment or Settlement*** (issued on 7 February 2018) – effective for annual periods beginning on or after 1 January 2019;
- **Annual Improvements to IFRSs, Cycle 2015-2017** (issued on 12 December 2017) – effective for annual periods beginning on or after 1 January 2019;
- **Amendments to References to the Conceptual Framework in IFRS Standards** (issued on 29 March 2018) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2020;
- **Amendments to IFRS 3** ***Business Combinations*** (issued on 22 October 2018) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2020;
- **Amendments to IAS 1 and IAS 8:** ***Definition of Materiality*** (issued on 31 October 2018) – at the date of authorization of these financial statements, not endorsed by the EU. Effective for annual periods beginning on or after 1 January 2020.

The effective dates are the dates arising from the contents of Standards published by the International Accounting Standards Board. Dates of application in the European Union may differ from the dates arising from standard contents and are published at the time of endorsement for use by the European Union.

11.1. Implementation of IFRS 16

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 *Leases* („IFRS 16"), which superseded IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 has established the principles for recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a uniform model of lessee accounting and requires that lessees recognised assets and liabilities arising from each lease with the lease term exceeding 12 months, unless the identified asset is of low value. At the inception of a lease, the lessee recognises the right-of-use-asset and lease liability which stands for his obligation to make lease payments.

Lessees separately account for the amortization of the right-of-use assets and interest on lease liability.

Lessees are required to update lease liability after certain events materialised (e.g. change of lease term, change in future lease payments arising from change in index or rate used to determine such payments). In principle, update of lease liability measurement is recognised as an adjustment to the value of the right-of-use assets.

The Company is a lessee as regards fee for the right of perpetual usufruct of land.

Under IFRS 16, lessor accounting for leases has in principle remained unchanged compared to the current accounting under IAS 17. Lessors will continue to recognise all lease agreements using the same classification criteria as in IAS 17 and thus recognising operating and finance leases.

IFRS16 requires that both lessee and lessor provided more disclosures than under IAS 17.

Lessee has the right to choose either the full or modified retrospective approach and the transitional provisions provide for certain practical expedients.

IFRS 16 is applicable to annual periods commencing on or after 1 January 2019. Earlier application is permitted for the entities which apply IFRS 15 as of the date or prior to the date of first-time application of IFRS 16. The Company has not elected to apply IFRS 16 before its effective date.

The Company plans to implement IFRS 16 using the modified retrospective approach.

To summarize, the Company expects that the effect of IFRS 16 implementation will be as follows:

Impact on shareholders' equity (increase/ decrease) as at 31 December 2018

	Adjustments	*in PLN**
Assets		
Property, plant and equipment	increase	394 915.67
Total assets		***394 915.67***
Liabilities		
Other financial liabilities (long-term)	increase	382 210.73
Trade and other financial liabilities	increase	12 704.94
Total liabilities		***394 915.67***

** values discounted using the annual discount rate of 4.34%*

12. Revenues and expenses

12.1. Revenue from contracts with customers

	Year ended 31 December 2018	*Year ended 31 December 2017*
Sales of services	16 200 166.46	13 765 355.94
	16 200 166.46	**13 765 355.94**

12.2. Costs by type

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Depreciation/ amortization	12.3	722 798.27	628 447.68
Inventory impairment write-downs	12.3	-	-
Materials and energy		283 821.90	295 569.72
External services, of which:		1 466 603.72	1 433 645.15
- IT services		426 343.47	541 155.47
- repair services		81 812.46	89 934.30
- transport services		4 631.07	5 089.24
- advisory services		673 625.06	561 590.78
Taxes and charges		247 882.60	255 041.92
Employee allowances	12.4	13 012 833.41	10 844 447.02
Other costs by type		1 081 485.94	1 020 528.68
Cost of goods for resale, raw materials and scrap sold		-	-
Total costs by type, of which:		**16 815 425.84**	**14 477 680.17**
Items recognised in cost of sales		14 065 446.35	11 917 596.94
Items recognised in selling expenses		-	-
Items recognised in administrative expenses		3 162 932.38	2 172 493.39
Change		-412 952.89	387 589.84

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

	Year ended 31 December 2018	*Year ended 31 December 2017*
Depreciation of property, plant and equipment	305 026.28	278 465.76
Amortization of intangible assets	285 074.53	253 084.15
Inventory impairment	–	–
Included in cost of sales	**590 100.81**	**531 549.91**
Depreciation of property, plant and equipment	–	–
Included in selling expenses	–	–
Depreciation of property, plant and equipment	68 592.03	50 762.33
Amortization of intangible assets	64 105.43	46 135.44
Included in administrative expenses	**132 697.46**	**96 897.77**

12.4. Employee allowances

	Note	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Wages and salaries		10 629 018.80	9 337 422.96
Social security costs		1 153 031.88	1 136 305.47
Cost of incentive scheme	19.2	916 885.01	75 480.00
Retirement benefits		31 490.00	–
Amounts transferred to the Social Fund		111 234.45	123 045.03
Other employee benefits (training, health care, work hygiene and safety, meals and other)		171 173.27	172 193.56
Total employee allowances, of which:		**13 012 833.41**	**10 844 447.02**
Items recognised in cost of sales		10 623 826.71	9 172 386.10
Items recognised in selling expenses		–	–
Items recognised in administrative expenses		2 389 006.70	1 672 060.92

12.5. Other operating income

	Year ended 31 December 2018	*Year ended 31 December 2017*
Compensations received under insurance policy	53 130.00	–
Other (total of non-material items)	5 662.73	6 364.61
Total other operating income	**58 792.73**	**6 364.61**

12.6. Other operating expenses

	Year ended 31 December 2018	*Year ended 31 December 2017*
Donations granted	9 100.00	18 197.57
Loss on the sale of property, plant and equipment	25 284.69	–
Other (total of non-material items)	16 024.77	38 647.65
Total other operating expenses	**50 409.46**	**56 845.22**

12.7. Finance income

	Year ended 31 December 2018	*Year ended 31 December 2017*
Interest received, of which:	318 173.07	478 528.32
- bank interest	1 349.73	1 217.55
- loan interest	316 823.34	477 310.77
Other (total of non-material items)	135 711.25	171 802.28
Total finance income	**453 884.32**	**650 330.60**

12.8. Finance costs

	Year ended 31 December 2018	*Year ended 31 December 2017*
Interest on bank loans	300 647.67	288 749.26
FX losses	–	26 103.42
Other (total of non-material items)	158 091.06	133 624.73
Total finance costs	**458 738.73**	**448 477.41**

13. Income tax

13.1. Tax expense

The main components of income tax expense for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Year ended 31 December 2018	*Year ended 31 December 2017*
Recognised in profit or loss:		
Current tax expense	114 334.00	63 058.00
Relating to origination and reversal of temporary differences	-43 210.15	5 869.95
Income tax reported in profit or loss	71 123.85	68 927.95

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 2018 and 31 December 2017 is as follows:

	Year ended 31 December 2018	*Year ended 31 December 2017*
Accounting gross profit before tax from continuing operations	43 987 779.31	40 211 107.02
Accounting gross profit	43 987 779.31	40 211 107.02
Tax at statutory tax rate in Poland of 19% (2017: 19%)	8 357 678.07	7 640 110.33
Impact of non-taxable revenue and non-tax deductible expenses, of which:	-8 372 221.70	-7 647 383.69
- dividend received	*-8 552 367.92*	*- 7 673 049.08*
- PFRON (National Disabled Persons Rehabilitation Fund) expenses	*5 938.07*	*11 324.19*
- cost of incentive scheme	*174 208.15*	*14 341.20*
Other	85 667.48	76 201.31
Return of prior year tax	–	–
Tax expense at effective tax rate of 0.0016% in 2018 (in 2017: 0.0017%)	71 123.85	68 927.95
Income tax reported in profit or loss	71 123.85	68 927.95

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 2018	*31 December 2017*	*31 December 2018*	*31 December 2017*
Difference between carrying amount and tax base of property, plant and equipment and intangible assets	-416 170.24	-424 806.70	8 636.46	24 403.55
Revenue estimate	-11 210.00	-7 980.00	-3 230.00	13 512.42
Accrued interest	-4 614.27	-5 625.45	1 011.18	-2 210.02
Calculated compensations	–	–	–	7 030.00
FX gains	-117 791.18	-391 823.04	274 031.86	-304 761.07
Provision for retirement benefits	58 137.15	30 762.03	27 375.12	10 729.59
Unpaid wages, salaries and allowances	71 905.23	62 532.80	9 372.43	8 545.16
FX losses	252 319.39	526 310.52	-273 991.13	304 902.32
Unpaid bank interest	7.53	3.30	4.23	3.30
Tax loss	–	–	–	-68 025.20
Deferred tax expense			**43 210.15**	**-5 869.95**
Net deferred tax liability, of which:	**-167 416.39**	**-210 626.54**		
Deferred tax assets from continuing operations	–	–		
Deferred tax liability with respect to continuing operations	-167 416.39	-210 626.54		

14. Earnings per share

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

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent (less interest on preference convertible shares) by the weighted average number of ordinary shares outstanding during the year increased by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Year ended 31 December 2018	*Year ended 31 December 2017*
Net profit from continuing operations	43 916 655.46	40 142 179.07
Net profit	**43 916 655.46**	**40 142 179.07**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share (accounting for share split)	15 479 493	15 479 493
Effect of dilution		
Share options relating to share-based payment, as provided under IFRS 2 *Share-based Payment*	22 413	-
Weighted average number of outstanding ordinary shares, adjusted by dilution effect (accounting for share split)	15 501 906	15 479 493
Earnings per share		
- basic from the profit for the year	2.84	2.59
- diluted from the profit for the year	2.83	2.59

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 2018	*Development expenses*	*Patents and licenses*	*Goodwill*	*Other*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2018	–	**625 249.98**	–	**2 651 905.17**	–	**3 277 155.15**
Purchases	–	–	–	–	232 943.63	**232 943.63**
Transfer from intangible assets under construction	–	84 659.96	–	70 312.80	-154 972.76	–
Other transfers	–	–	–	–	–	–
Gross carrying amount as at 31 December 2018	–	**709 909.94**	–	**2 722 217.97**	**77 970.87**	**3 510 098.78**
Amortization and impairment as at 1 January 2018	–	**290 997.28**	–	**1 458 915.96**	–	**1 749 913.24**
Amortization charge for the period	–	79 426.54	–	269 753.42	–	349 179.96
Amortization and impairment as at 31 December 2018	–	**370 423.82**	–	**1 728 669.38**	–	**2 099 093.20**
Net carrying amount as at 1 January 2018	–	**334 252.70**	–	**1 192 989 .21**	–	**1 527 241.91**
Net carrying amount as at 31 December 2018	–	**339 486.12**	–	**993 548.59**	**77 970.87**	**1 411 005.58**

Year ended 31 December 2017

	Development expenses	*Patents and licenses*	*Goodwill*	*Other*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2017	–	**452 880.18**	–	**2 308 205.20**	**457 499.97**	**3 218 585.35**
Purchases	–	-	–	–	58 569.80	58 569.80
Transfer from intangible assets under construction	–	172 369.80	–	343 699.97	-516 069.77	–
Other transfers	–	–	–	–	–	–
Gross carrying amount as at 31 December 2017	–	**625 249.98**	–	**2 651 905.17**	–	**3 277 155.15**
Amortization and impairment as at 1 January 2017	–	**230 865.58**	–	**1 219 828.07**	–	**1 450 693.65**
Amortization charge for the period	–	60 131.70	–	239 087.89	–	299 219.59
Amortization and impairment as at 31 December 2017	–	**290 997.28**	–	**1 458 915.96**	–	**1 749 913.24**
Net carrying amount as at 1 January 2017	–	**222 014.60**	–	**1 088 377.13**	**457 499.97**	**1 767 891.70**
Net carrying amount as at 31 December 2017	–	**334 252.70**	–	**1 192 989 .21**	–	**1 527 241.91**

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

16. Property, plant and equipment

Year ended 31 December 2018

	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 2018	**1 034 695.60**	**3 910 719.51**	**2 184 599.94**	**920 455.94**	**101 106.09**	**10 102.19**	**1 813.00**	**8 163 492.27**
Purchases	–	–	–	–	–	332 243.36	29 065.04	361 308.40
Sale	-4 570.66	–	-4 398.45	-171 179.95	–	–	–	-180 149.06
Liquidation	–	–	–	–	–	–	–	–
Transfers	–	7 851.50	28 516.76	323 126.65	–	-337 681.91	-21 813.00	–
Gross carrying amount as at 31 December 2018	**1 030 124.94**	**3 918 571.01**	**2 208 718.25**	**1 072 402.64**	**101 106.09**	**4 663.64**	**9 065.04**	**8 344 651.61**
Depreciation and impairment as at 1 January 2018	**–**	**721 980.52**	**1 734 244.82**	**400 482.48**	**35 466.95**	–	–	**2 892 174.77**
Depreciation charge for the period	–	141 447.02	93 042.05	130 279.36	8 849.88	–	–	373 618.31
Sale	–	–	-4 398.45	-120 348.01	–	–	–	-124 746.46
Liquidation	–	–	–	–	–	–	–	–
Depreciation and impairment as at 31 December 2018	**–**	**863 427.54**	**1 822 888.42**	**410 413.83**	**44 316.83**	–	–	**3 141 046.62**
Net carrying amount as at 1 January 2018	**1 034 695.60**	**3 188 738.99**	**450 355.12**	**519 973.46**	**65 639.14**	**10 102.19**	**1 813.00**	**5 271 317.50**
Net carrying amount as at 31 December 2018	**1 030 124.94**	**3 055 143.47**	**385 829.83**	**661 988.81**	**56 789.26**	**4 663.64**	**9 065.04**	**5 203 604.99**

Year ended 31 December 2017

	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 2017	**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**
Purchases	–	–	–	–	–	151 325.52	1 813.00	153 138.52
Sale	–	–	–	–	–	–	–	–
Liquidation	–	–	–	–	–	–	–	–
Transfers	–	4 791.06	158 731.88	–	23 956.09	-187 479.03	–	–
Gross carrying amount as at 31 December 2017	**1 034 695.60**	**3 910 719.51**	**2 184 599.94**	**920 455.94**	**101 106.09**	**10 102.19**	**1 813.00**	**8 163 492.27**
Depreciation and impairment as at 1 January 2017	**–**	**584 575.03**	**1 660 756.50**	**289 668.84**	**27 946.31**	–	–	**2 562 946.68**
Depreciation charge for the period	–	137 405.49	73 488.32	110 813.64	7 520.64	–	–	329 228.09
Sale	–	–	–	–	–	–	–	–
Liquidation	–	–	–	–	–	–	–	–
Depreciation and impairment as at 31 December 2017	**–**	**721 980.52**	**1 734 244.82**	**400 482.48**	**35 466.95**	–	–	**2 892 174.77**
Net carrying amount as at 1 January 2017	**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**
Net carrying amount as at 31 December 2017	**1 034 695.60**	**3 188 738.99**	**450 355.12**	**519 973.46**	**65 639.14**	**10 102.19**	**1 813.00**	**5 271 317.50**

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 1 601 thousand (as at 31 December 2017 - PLN 1 648 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 2018 or 31 December 2017.

17. Other assets

17.1. Other financial assets

	31 December 2018	*31 December 2017*
Loans granted, of which to:	**32 946 600.00**	**41 047 459.70**
- Alumetal Group Hungary Kft.*	32 946 600.00	41 012 459.70
- Alumetal Kęty sp. z o.o.	–	35 000.00
Shares in related entities, of which shares in:	**251 286 417.30**	**251 296 417.30**
- Alumetal Poland sp. z o.o., Poland	175 855 925.30	175 855 925.30
- Alumetal Group Hungary Kft., Hungary	75 080 492.00	75 080 492.00
- T+S sp. z o.o., Poland	350 000.00	350 000.00
- Alumetal Kęty sp. z o.o., Poland	–	10 000.00
Total	**284 233 017.30**	**292 343 877.00**
- short-term	8 617 200.00	9 090 023.90
- long-term	275 615 817.30	283 253 853.10

* interest rate at 3M EURIBOR (EUR) + margin

Movements in the balance of loans granted in the year ended 31 December 2018 and 31 December 2017 are presented in the table below:

	Loans granted
Balance as at 1 January 2017	**44 270 000.00**
Increases, of which:	5 000.00
- loan granted to Alumetal Kęty sp. z o.o	5 000.00
Decreases, of which:	-3 227 540.30
- repayment of loan by Alumetal Group Hungary Kft., Hungary	-702 635.80
- effect of valuation of loan balance caused by different rate at balance sheet valuation	-2 524 904.50
Balance as at 31 December 2017	**41 047 459.70**
Increases, of which:	5 000.00
- loan granted to Alumetal Kęty sp. z o.o	5 000.00
Decreases, of which:	-8 105 859.70
- write-off of loan to Alumetal Kęty sp. z o.o.	-40 000.00
- repayment of loan by Alumetal Group Hungary Kft., Hungary	-9 507 974.17
- effect of valuation of loan balance caused by different rate at balance sheet valuation	1 442 114.47
Balance as at 31 December 2018	**32 946 600.00**

Movements in the balance of shares in related entities in the year ended 31 December 2018 and 31 December 2017 are presented in the table below:

	Shares in related entities
Balance as at 1 January 2017	**251 296 417.30**
Balance as at 31 December 2017	**251 296 417.30**
Decrease, of which:	-10 000.00
- disposal of shares in Alumetal Kęty sp. z o.o.	-10 000.00
Balance as at 31 December 2018	**251 286 417.30**

During the course of impairment indicator analysis performed in accordance with IAS 36 *Impairment of assets*, the Management Board of the Company analysed, among others, evidence deriving from the internal reporting as well as the factors obtained from the external sources of information. Given the identified loss indicators, an impairment test was performed for the assets relating to the investment in the subsidiary company, Alumetal Group Hungary Kft. The performed test did not confirm said investment impairment. The test used the forecasts for 5 years (i.e. 2019 - 2023) and for the residual period. Applied in the calculations was a 4.34% discount rate, which according to the Management reflected in the best way the risk and the weighted average cost of capital (WACC) for the industry, in which the Alumetal Group entities operate. For the residual period, the 0% growth rate was adopted. Over the forecast period, the values arise from the adopted long-term production and operating strategy of the Alumetal Group companies basing on such assumptions as future changes in the prices of aluminium, raw materials and energy, future revenues, costs, cash flows, weighted average cost of capital, impact of the prospective and enacted Polish and European regulatory changes as well as the expected macroeconomic situation, which all depend on future market and economic conditions.

The performed sensitivity analysis confirmed a relatively low sensitivity of results to changes in the key parameters listed above.

17.2. Other non-financial assets

	31 December 2018	*31 December 2017*
Excess of social assets over Social Fund liabilities	4 585.49	10 542.59
IT services	–	109 500.40
Insurance	50 515.71	47 092.57
Total, of which:	**55 101.20**	**167 135.56**
- short-term portion	55 101.20	167 135.56
- 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 50 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 2018	*31 December 2017*
Cash and cash equivalents	40 191.07	48 968.90
Social Fund liabilities	35 605.58	38 426.31
Balance after netting off	**4 585.49**	**10 542.59**

	Year ended 31 December 2018	*Year ended 31 December 2017*
Amounts transferred (contributions) to the Social Fund during the year	111 234.45	123 045.03
Non-refundable expenditure by the Fund	114 153.14	121 283.85

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:

	2018	2017
At the beginning of the period as at 1 January	**161 905.41**	**105 433.90**
Provision recognition/ reversal	175 569.59	56 471.51
Cost of benefits paid out	-31 490.00	–
At the end of the period as at 31 December	**305 985.00**	**161 905.41**

19.2. Incentive programs

Program II

The Annual General Meeting of the Company authorized on 28 May 2014 the second incentive scheme for the years 2014-2016 dedicated to management and executives (Eligible Persons). The assumptions of the new incentive scheme provided 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 entitled 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 Group's consolidated financial statements for the year ended 31 December 2014 to 31 December 2018;
- up to 150,770 subscription warrants, series B, which entitled 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 Group's consolidated financial statements for the year ended 31 December 2015 to 31 December 2018;
- up to 100,513 subscription warrants, series C, which entitled their holders to take up not more than 100,513 shares, series F, of the Company during the period from the date of authorization of the Group's consolidated financial statements for the year ended 31 December 2017 to 31 December 2018.

The issue of the subscription warrants (series A, B and C) was dedicated to the members of the Management Board and key executives appointed by the Management Board and authorized by the Supervisory Board. The Eligible Persons were 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 legal relation being the basis for rendering services to the Company or to the Subsidiary Companies from the first date of listing of 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 was 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 Company's 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 incentive scheme equated to 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 (Program II) were described in the Incentive Program Policy 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 as at 31 October 2014 in accordance with IFRS 2 *Share-based Payment*.

As at 30 June 2017, the Company performed a final settlement of the Program, about which it informed in its current report No. 26/2017 on 3 August 2017.

Program III

The Annual General Meeting of the Company authorized on 7 November 2017 and modified on 3 October 2018 the incentive scheme for the years 2018 - 2020 (Incentive Program III) dedicated to management and executives (Eligible Persons) of the Alumetal Group. The assumptions underlying 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 D, E and F) and the matching three tranches of new shares of the Company (series G, H and I) with a total nominal value not exceeding PLN 46,438.20, of which:

- up to 154,794 subscription warrants, series D, which will entitle their holders to take up not more than 154,794 shares, series G, of the Company during the period from 1 July 2020 to 31 December 2022;
- up to 154,794 subscription warrants, series E, which will entitle their holders to take up not more than 154,794 shares, series H, of the Company during the period from 1 July 2021 to 31 December 2022;
- up to 154,794 subscription warrants, series F, which will entitle their holders to take up not more than 154,794 shares, series I, of the Company during the period from 1 July 2022 to 31 December 2022.

The issue of subscription warrants (warrants series D, E and F) was dedicated to the members of Company's Management Board and key Group personnel indicated by the Management Board and authorized by the Supervisory Board. The Eligible Persons will be able to exercise their right to take up Company's shares on the fulfilment of certain specific conditions, and especially on the condition of remaining in employment relationship, or other similar legal relation justifying rendering services to the Company or to the Subsidiary Companies, from the date of signing by an Eligible Person the Incentive Program III participation agreement to the date preceding the date of exercising rights from allocated subscription warrants. In addition, exercising rights from subscription warrants could take place on the following conditions: achieving by the Company a pre-defined level of consolidated EBITDA; achieving the appropriate level of normalized consolidated net profit by the Company; achieving the appropriate rate of return on the Company's share compared to the dynamics of change in the WIG index.

The unit issue price of the shares covered by the new incentive program will be PLN 48.60, and will be reduced by the sum total of benefits per share paid by the Company to its shareholders, being in particular dividend paid in the following manner:

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

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

Detailed policies of this incentive scheme (Program III) were described in the Incentive Program Policy adopted by the Supervisory Board on 14 December 2017 and modified on 3 October 2018. The Company performed valuation of the cost of this incentive program in accordance with IFRS 2 *Share-based Payment.*

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 2018	*31 December 2017*
Capital under Incentive Program II	–	–
Capital under Incentive Program III	916 885.01	–

Year ended	*31 December 2018*	*31 December 2017*
Cost of Incentive Program II	–	75 480.00
Cost of Incentive Program III	916 885.01	–

20. Inventories

In 2018 and as at 31 December 2017 the Company did not have any inventories.

21. Trade and other receivables

	31 December 2018	*31 December 2017*
Trade receivables	2 383 944.33	2 472 017.23
Other third party receivables	38 328.43	30 047.62
Total receivables, net	**2 422 272.76**	**2 502 064.85**
Receivables impairment write-downs	–	–
Gross receivables	**2 422 272.76**	**2 502 064.85**

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 2018 and 31 December 2017 relate to subsidiary companies.

Presented below is the maturity analysis of trade and other receivables, which as at 31 December 2018 and 31 December 2017 were past due, but which were not deemed as irrecoverable and thus not covered by impairment write-downs.

				Overdue, but recoverable			
Receivable in:	*Total*	*Current*	*< 30 days*	*31 – 90 days*	*91 - 180 days*	*181-365 days*	*> 366 days*
31 Dec 2018	2 422 272.76	2 394 966.00	–	–	478.91	26 797.85	–
31 Dec 2017	2 502 064.85	2 501 878.04	163.98	22.83	–	–	–

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 approximates 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 2018	*31 December 2017*
Cash on hand and cash at bank	21 870.28	10 317.59
Overdraft facilities	-707 684.18	-882 756.32
Cash and cash equivalents reported in the Statement of Cash Flow	**-685 813.90**	**-872 438.73**

Included in the balance of cash and cash equivalents at 31 December 2018 is the amount of PLN 20 329.34 gathered on VAT accounts.

23. Issued capital

23.1. Issued capital

Issued capital	*31 December 2018*	*31 December 2017*
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	150 770
Ordinary shares, series F, with a nominal value of PLN 0.10 each	100 513	100 513
	15 479 493	**15 479 493**

Nominal value of shares

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

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, as part of the execution of adopted share incentive scheme, the Company issued 150,770 registered, non-transferrable subscription warrants, series A and B and 100,513 registered, non-transferrable subscription warrants, series C, 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 Incentive Program participants 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 Incentive Program participants 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.
- 100,513 ordinary bearer shares, F-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. 445/17 amended by the Resolution No. 446/17 of the Management Board of KDPW S.A. (the Central Securities Depository of Poland) of 10 July 2017 were registered on the securities accounts of the Incentive Program participants on 21 July 2017. Based on the Resolution No. 781/2017 amended by the Resolution No. 782/2017 of the Management Board of the WSE of 19 July 2017, the F-series shares were admitted to trading on the main market as of 21 July 2017. The Company informed about the F-series share issue process in its current reports No. 16/2017 of 20 June 2017, No. 18/2017 of 11 July 2017, No. 22/2017 of 19 July 2017 and No. 23/2017 of 19 July 2017.

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 total 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 8 September 2016.

Share premium realized on E-series shares in the total 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 F, was registered in the National Court Register on 18 September 2017.

Share premium realized on F-series shares in the total amount of PLN 2 980 190.45 was taken to increase the Company's reserve capital.

In 2018, one change took place in the listing of shareholders with significant blocks of shares. On 16 October 2018, based on article 69 paragraph 1 point 1 and based on article 69a paragraph 1 point 1 of the act of 29 July 2005 on public offers and the terms and conditions of introducing financial instruments to organized system of trading and on public companies, the Company received a notification from Powszechne Towarzystwo Emerytalne PZU S.A. (PTE PZU S.A.) acting on behalf of the Open End Pension Fund PZU „Złota Jesień" (OFE PZU) stating that in connection with the completion on 12 October 2018 of liquidation of Pekao Open End Pension Fund (Pekao OFE) causing that on that date all assets of Pekao OFE were transferred to OFE PZU and that OFE PZU assumed all rights and obligations of Pekao OFE, the then current share of OFE PZU in the total number of votes in the Company exceeded the 5% threshold of the total number of votes and counted at 925 305 shares, which account for 5.98% of the Company's issued share capital. The Company informed the public about this change in its current report No. 30/2018 of 16 October 2018.

According to the contents of notifications forwarded to the Company based on the act of 29 July 2005 on public offers and the terms and conditions of introducing financial instruments to organized system of trading and on public companies, as at 21 March 2019 the shareholders of ALUMETAL S.A. required to report significant blocks of shares did not change.

Shareholder rights

Attached to shares, series A, B, C, D, E and F 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 2018	*31 December 2017*
IPO 30 FIZAN A/S		
share in equity	32.99%	32.99%
share in the number of votes	32.99%	32.99%
Aviva Otwarty Fundusz Emerytalny Aviva Santander (*formerly* Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK)		
share in equity	10.50%	10.50%
share in the number of votes	10.50%	10.50%
Nationale-Nederlanden Otwarty Fundusz Emerytalny		
share in equity	7.37%	7.37%
share in the number of votes	7.37%	7.37%
Aegon Otwarty Fundusz Emerytalny		
share in equity	6.18%	6.18%
share in the number of votes	6.18%	6.18%
Otwarty Fundusz Emerytalny PZU „Złota Jesień"		
share in equity	5.98%	–
share in the number of votes	5.98%	–

Krzysztof Błasiak		
share in equity	2.61%	2.59%
share in the number of votes	2.61%	2.59%
Szymon Adamczyk		
share in equity	1.79%	1.79%
share in the number of votes	1.79%	1.79%
Przemysław Grzybek		
share in equity	1.08%	1.08%
share in the number of votes	1.08%	1.08%
Agnieszka Drzyżdżyk		
share in equity	0.05%	0.05%
share in the number of votes	0.05%	0.05%
Others		
share in equity	31.45%	37.45%
share in the number of votes	31.45%	37.45%

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

	21 March 2019
IPO 30 FIZAN A/S	
share in equity	32.99%
share in the number of votes	32.99%
Aviva Otwarty Fundusz Emerytalny Aviva Santander (*formerly* Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK)	
share in equity	10.50%
share in the number of votes	10.50%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	
share in equity	7.37%
share in the number of votes	7.37%
Aegon Otwarty Fundusz Emerytalny	
share in equity	6.18%
share in the number of votes	6.18%
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	
share in equity	5.98%
share in the number of votes	5.98%

Krzysztof Błasiak	
share in equity	2.61%
share in the number of votes	2.61%
Szymon Adamczyk	
share in equity	1.79%
share in the number of votes	1.79%
Przemysław Grzybek	
share in equity	1.08%
share in the number of votes	1.08%
Agnieszka Drzyżdżyk	
share in equity	0.05%
share in the number of votes	0.05%
Others	
share in equity	31.45%
share in the number of votes	31.45%

24. Reserve capital

The reserve capital was created from statutory appropriations of the profits generated in prior financial years in the amount of PLN 515 983.10, from share premium realized on D-series, E-series and F-series shares in the total amount of PLN 11 920 851.45, as well as from profit appropriations in excess of statutory amount of PLN 182 759 096.73 as at 31 December 2018 (as at 31 December 2017, profit appropriation in excess of statutory amount was PLN 187 857 037.22).

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 from the profits reported in annual separate financial statements prepared for statutory purposes, and from the reserve capital, after observing statutory 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 category of capital 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 and of other reserves depends on the resolutions of the Annual General Meeting; however, the portion of the reserve capital representing one third of the issued capital may be used only to cover a loss shown in the separate financial statements of the 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, Alumetal Group Hungary Kft. and T+S as borrowers 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 Bank, an out of net profit dividend payment: (i) in the total amount exceeding 50% of the consolidated net profit for the prior financial year, (ii) as of 2017, in the total amount exceeding 70% of the consolidated net profit for the prior financial year, (iii) and as of 2018, in the total amount exceeding 70% of the normalised consolidated net profit for the prior financial year.

24.2. Dividends paid and proposed

Dividends paid

On 23 May 2018, the Ordinary Annual General Meeting resolved to appropriate the Alumetal S.A.'s profit for the year from 1 January to 31 December 2017 in the following manner:

- PLN 40,102,179.07 deriving from the Company's net profit for the year – to dividend payment,
- PLN 40,000.00 – to transfer to the Company's Social Fund.

A decision was made about dividend payment to the Shareholders with a total value of PLN 45,200,119.56, with the proviso that the amount of PLN 40,102,179.07 derived from the Company's net profit for 2017 earmarked for appropriation, while the remaining amount of PLN 5,097,940.49 was released from the Company's reserve capital created from the profits. Eligible to dividend payment were the Shareholders of the Company who were entitled to the shares on 7 June 2018. The amount of dividend of PLN 45,200,119.56 was paid on 29 August 2018.

The authorised 2017 dividend per share was PLN 2.92 (calculated based on the number of shares after the 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 2018 at the level of 70% of normalised consolidated net profit (normalised net profit is the net profit adjusted by the impact of valuation of an asset in the form of CIT exemption) in the amount of PLN 63 156 331.44 which means that the value of dividend per share would be PLN 4.08. The Management Board will propose that the dividend is paid in June 2019.

25. Interest-bearing loans and borrowings

	Available limit	Currency*	Maturity date	31 December 2018 Limit utilised in PLN	31 December 2017 Limit utilised in PLN
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*	19.06.2019	646 819.65	881 889.18
Aggregate limit facility for several group companies at **DNB Bank Polska S.A**. with an interest rate based on 1M WIBOR (PLN) + margin, 1M EURIBOR (EUR) + margin, 1M BUBOR (HUF) + margin; 1M LIBOR (USD) + margin	40 000 000.00	PLN*	28.06.2019	14 710.53	259.56
Limit facility for several group companies at **Bank Handlowy w Warszawie S.A**. with an interest rate based on 1M LIBOR (USD) + margin, 1M WIBOR (PLN) + margin, 1M LIBOR (EUR) + margin, 1M BUBOR (HUF) + margin	54 000 000.00	PLN*	17.05.2019	46 154.00	607.58
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	8 617 200.00	9 055 023.90
Total short-term portion				**9 324 884.18**	**9 937 780.22**
Long-term investment loan issued to Alumetal S.A. by **ING Bank Śląski S.A.** in the amount of EUR 10 million, with an interest rate based on 1M EURIBOR + margin, taken out to finance the construction of a production plant in Hungary**	10 000 000.00**	EUR	14.10.2022	24 329 400.00	31 957 435.80
Total				**33 654 284.18**	**41 895 216.02**

* 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 PLN 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 in favour of Bank Handlowy w Warszawie. As at 31 December 2018, the value of land, buildings and constructions pledged as collateral was PLN 1 635 934.96 thousand (as at 31 December 2017 – PLN 1 686 933.50 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 and intended 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 46 111 777.59 (as at 31 December 2017 – PLN 47 523 687.99).

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 2018 to PLN 1 500 731.35 (as at 31 December 2017 - PLN 300 636.18).

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. Due to the fact that the loan was repaid in June 2017, the promissory notes were returned to the drawers on 25 October 2017.

Due to the change in the collateral for the short-term loan in bank ING Bank Śląski S.A., on 5 February 2018 Alumetal S.A. signed an *in blanco* promissory note together with declaration which represented one of the securities/ collaterals for this agreement in favour of ING Bank Śląski S.A.

26. Provisions

26.1. Movements in provisions

	Provision for retirement benefits and similar obligations	Total
As at 1 January 2017	**105 433.90**	**105 433.90**
Recognition/ Reversal	56 471.51	56 471.51
Utilisation	–	–
As at 31 December 2017	**161 905.41**	**161 905.41**
Short-term as at 31 December 2017	**41 914.07**	**41 914.07**
Long-term as at 31 December 2017	**119 991.34**	**119 991.34**
As at 1 January 2018	**161 905.41**	**161 905.41**
Recognition/ Reversal	175 569.59	175 569.59
Utilisation	-31 490.00	-31 490.00
As at 31 December 2018	**305 985.00**	**305 985.00**
Short-term as at 31 December 2018	**29 758.00**	**29 758.00**
Long-term as at 31 December 2018	**276 227.00**	**276 227.00**

26.2. Provision for court proceedings in progress

Both in 2018 and 2017, 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 2018	*31 December 2017*
Trade payables	265 808.48	397 219.97
Payroll liabilities	272 215.04	247 848.71
Investment liabilities	203 720.44	51 210.12
Other liabilities	42 282.16	60 058.22
Total	**784 026.12**	**756 337.02**

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

27.2. Other non-financial liabilities

	31 December 2018	*31 December 2017*
VAT	206 323.70	277 403.27
Personal income tax	179 182.00	196 739.00
Social security	308 509.15	330 766.09
PFRON	2 431.00	4 602.00
Total, of which:	**696 445.85**	**809 510.36**
- short-term portion	696 445.85	809 510.36
- long-term portion	–	–

27.3. Accruals and deferred income

	31 December 2018	*31 December 2017*
Accruals, of which:		
- unused annual leave	188 146.60	138 425.00
- employee bonus, incl. annual bonus	393 000.00	280 000.00
Total, of which:	**581 146.60**	**418 425.00**
- short-term portion	581 146.60	418 425.00
- long-term portion	–	–

28. Investment liabilities

As at 31 December 2018 and 31 December 2017, there were no significant investment liabilities.

29. Contingent liabilities and contingent assets

29.1. Court proceedings

In the year ended 31 December 2018 and 31 December 2017, 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 2018, neither the Company, nor its subsidiary companies were parties to tax proceedings.

29.3. Contingent liabilities

In 2016, the Company issued a surety to the Hungarian Ministry of Foreign Affairs in respect of the cash subsidy agreement concluded by Alumetal Group Hungary Kft., however, this surety expired in 2018. In addition, in 2018 and 2017, 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 2018, the Company reported in its statement of financial position the amount of PLN 32 946 600.00 of the loan granted to the subsidiary company, Alumetal Group Hungary Kft. (as at 31 December 2017 – PLN 41 012 459.70). In addition, as at 31 December 2017, the Company reported PLN 35 000.00 of the loan granted to the subsidiary company, Alumetal Kęty sp. z o.o. During the process of disposal of this company, the loan was written-off.

The value of dividend received from related entities in 2018 and 2017 was presented in Note 12.7.

The table below shows total balances of trading/ financial transactions with related entities in 2018 and 2017 (except for dividends and loans referred to above):

Related party		*Sales*	*Purchases*	*Receivables*	*Liabilities*
Alumetal Poland sp. z o.o.	*2018*	14 634 708.07	137 273.52	1 684 506.79	33 772.89
	2017	12 488 857.68	151 648.14	1 929 391.08	43 446.99
T+S sp. z o.o.	*2018*	158 551.85	22 100.00	18 952.79	2 214.00
	2017	169 521.35	9 600.00	–	7 160.16
Alumetal Group Hungary Kft.	*2018*	1 843 440.70	–	248 583.76	–
	2017	1 739 723.91	–	251 970.91	–

In addition, as described in more detail in Note 25 and in Note 29.3, Group companies issued sureties/ collaterals for loan liabilities. Fees for the above transactions were disclosed under related-party settlements.

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 year 2018 and 2017, the Company did not extend any loans to the members of its Management Board.

30.3. Other transactions with Management Board Members

In the year 2018 and 2017, the Company did not conclude other transactions involving Management Board members.

30.4. Executive Board emoluments

	Year ended 31 December 2018	*Year ended 31 December 2017*
Management Board of the parent company: Short-term employee benefits (salaries and surcharges)	4 832 998.96	3 619 153.43
Marek Kacprowicz - President of the Management Board, CEO[1]	186 318.14	–
Szymon Adamczyk – President of the Management Board, CEO[2]	1 519 525.38	1 422 750.99
Krzysztof Błasiak - Vice-president of the Management Board, Development and Metal Management Officer	1 846 812.20	1 422 750.99
Przemysław Grzybek – Member of the Management Board, CFO	876 639.05	702 333.79
Agnieszka Drzyżdżyk – Member of the Management Board, Trade Officer	403 704.19	71 317.66

[1]Mr Marek Kacprowicz was appointed as President of the Management Board as of 3 October 2018.
[2]Mr Szymon Adamczyk was the President of the Management Board until 30 September 2018.

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

Supervisory Board

Total remuneration, of which:		**148 782.61**	**144 000.00**
Grzegorz Stulgis	Chairman of the Supervisory Board	–	–
Franciscus Bijlhouwer	Member of the Supervisory Board	36 000.00	36 000.00
Marek Kacprowicz	Member of the Supervisory Board	30 260.87	36 000.00
Szymon Adamczyk	Member of the Supervisory Board	5 739.13	–
Paweł Małyska	Member of the Supervisory Board	21 769.57	–
Michał Wnorowski	Member of the Supervisory Board	20 813.04	–
Tomasz Pasiewicz	Member of the Supervisory Board	17 100.00	36 000.00
Emil Ślązak	Member of the Supervisory Board	17 100.00	36 000.00

In 2016, the Company signed an agreement for the purchase of advisory services from IPO 30 FIZAN A/S. The total value of invoices issued in 2018 amounted to EUR 10 000.00 (in 2017 – EUR 30 000.00).

Based on the agreement signed in 2018 for the purchase of advisory services from the Szymon Adamczyk Doradztwo firm, the Company received in that year invoices for the total amount of PLN 170 000.00 PLN.

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 2017 for the amount of EUR 1 562.63; no invoices were received from this entity in 2018.

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 the remuneration of the entity authorised to audit financial statements, paid or payable for the year ended 31 December 2018 and 31 December 2017, by type of services:

Type of service	*Year ended 31 December 2018**	*Year ended 31 December 2017 **
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. 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 S.A. Capital Group for the year ended 31 December 2018 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 2018.

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 2017 and described in the consolidated financial statements of the Alumetal S.A Capital Group for 2017.

32.1. 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 EURORIBOR + margin, with a view to financing an investment project i.e. the construction of a production plant in Hungary. In this case, the Company does not exclude using a hedging instrument to hedge against interest rate risk.

32.2. 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 2018 the risk of foreign currency did not practically occur.

32.3. Credit risk

The Company’s customers are related entities and therefore credit risk does not practically exist.

32.4. 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 2018 and 31 December 2017, based on maturity dates of contract undiscounted payments.

Payable in:	*< 3 months*	*3 – 12 months*	*1 - 5 years*	*> 5 years*	*Total*
31 December 2018					
Trade and other financial liabilities	784 026.12	–	–	–	784 026.12
Overdraft facilities	–	707 684.18	–	–	707 684.18
Investment loan	2 154 300.00	6 462 900.00	24 329 400.00	–	32 946 600.00*
31 December 2017					
Trade and other financial liabilities	756 337.02	–	–	–	756 337.02
Overdraft facilities	–	882 756.32	–	–	882 756.32
Investment loan	2 786 161.20	6 268 862.70	31 957 435.80	–	41 012 459.70*

*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.

33. Financial instruments

33.1. 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 IFRS 9/ IAS 39	*Carrying amount*	
		31 December 2018	*31 December 2017*
Financial assets			
Other financial assets (short-term)	FAaAC/ LaR	8 617 200.00	9 090 023.90
Trade and other receivables	FAaAC/ LaR	2 422 272.76	2 502 064.85
Derivative financial instruments	aFVtPL	–	–
Cash and cash equivalents	FAaAC/ aFVtPL	21 870.28	10 317.59
Total		**11 061 343.04**	**11 602 406.34**

	Category in accordance with IFRS 9/ IAS 39	*Carrying amount*	
		31 December 2018	*31 December 2017*
Financial liabilities			
Interest-bearing loans and borrowings	FLaAC/ OFLaAC	33 654 284.18	41 895 216.02
Trade and other financial liabilities	FLaAC/ OFLaAC	784 026.12	756 337.02
Derivative financial instruments	aFVtPL	–	–
Total		**34 438 310.30**	**42 651 553.04**

The fair value of financial instruments the Company held as at 31 December 2018 and 31 December 2017 *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.

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

Year ended 31 December 2018

	Category in accordance with IFRS 9	***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								
Other financial assets	FAaAC	316 823.34	1 177 273.00	–	–	–	–	**1 494 096.34**
Trade and other receivables	FAaAC	–	3 182.94	–	–	–	–	**3 182.94**
Derivative financial instruments	aFVtPL	–	–	–	–	–	–	–
Cash and cash equivalents	FAaAC	1 349.73	–	–	–	–	–	**1 349.73**
Financial liabilities								
Interest-bearing loans and borrowings	FLaAC	-300 647.67	-1 176 449.04	–	–	–	–	**-1 477 096.71**
Trade and other financial liabilities	FLaAC	-1 197.48	-2 833.47	–	–	–	–	**-4 030.95**
Total		**16 327.92**	**1 173.43**	–	–	–	–	**17 501.35**

Year ended 31 December 2017

	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								
Other financial assets		477 310.77	-2 524 904.50	–	–	–	–	**-2 047 593.73**
Trade and other receivables	LaR	–	-31 455.57	–	–	–	–	**-31 455.57**
Derivative financial instruments	aFVtPL	–	–	–	–	–	–	–
Cash and cash equivalents	aFVtPL	1 217.55	–	–	–	–	–	**1 217.55**
Financial liabilities								
Interest-bearing loans and borrowings	OFLaAC	-288 749.26	2 530 266.10	–	–	–	–	**2 241 516.84**
Trade and other financial liabilities	OFLaAC	-5 650.76	-9.45	–	–	–	–	**-5 660.21**
Total		**184 128.30**	**-26 103.42**	–	–	–	–	**158 024.88**

33.3. Change in liabilities from financing activities

Year ended 31 December 2018

	1 January 2018	*Changes from cash flow from financing activities*	*Effect of exchange rates fluctuations*	*Other changes*	*31 December 2018*
Interest-bearing loans and borrowings (long-term)	31 957 435.80	–	989 164.20	-8 617 200.00	24 329 400.00
Interest-bearing loans and borrowings (short-term)	9 055 023.90	-9 245 570.90	190 547.00	8 617 200.00	8 617 200.00
Total liabilities arising from financing activities	**41 012 459.70**	**-9 245 570.90**	**1 179 711.20**	–	**32 946 600.00**

33.4. 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 2018

Variable interest rate

	<1 year	*1–2 years*	*2-3 years*	*>3 years*	*Total*
Cash assets	21 870.28	–	–	_	21 870.28
Overdraft facilities	707 684.18	–	–	–	707 684.18
Investment loan	8 617 200.00	8 617 200.00	8 617 200.00	7 095 000.00	32 946 600.00
Total	**9 346 754.46**	**8 617 200.00**	**8 617 200.00**	**7 095 000.00**	**33 676 154.46**

31 December 2017

Variable interest rate

	<1 year	*1–2 years*	*2-3 years*	*>3 years*	*Total*
Cash assets	10 317.59	–	–	_	10 317.59
Overdraft facilities	882 756.32	–	–	–	882 756.32
Investment loan	9 055 023.90	8 358 483.60	8 358 483.60	15 240 468.60	41 012 459.70
Total	**9 948 097.81**	**8 358 483.60**	**8 358 483.60**	**15 240 468.60**	**41 905 533.61**

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.

34. Capital management

The Company manages its capital mainly from the perspective of the financial situation of the entire Group.

The primary objective of capital management of the Group is to ensure that it 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 2018	*31 December 2017*
Interest-bearing loans and borrowings	707 684.18	882 756.32
Trade and other financial liabilities	784 026.12	756 337.02
Less: cash and cash equivalents	-21 870.28	-10 317.59
Net debt, total	**1 469 840.02**	**1 628 775.75**
Shareholders' equity	257 172 287.97	257 538 867.06
Capital and net debt	**258 642 127.99**	**259 167 642.81**
Gearing ratio (Shareholders' equity/ Capital and total net debt)	99%	99%

35. Employment structure

The average employment in the Company in the year ended 31 December 2018 and 31 December 2017 was as follows:

	Year ended 31 December 2018	*Year ended 31 December 2017*
Management Board	4	3
Managers, specialists and administration	56	54
Total	**60**	**57**

36. 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:

Marek Kacprowicz	President of the Management Board	....
Krzysztof Błasiak	Vice-president of the Management Board	....
Przemysław Grzybek	Board Member	....
Agnieszka Drzyżdżyk	Board Member	....
Krzysztof Furtak	Chief Accountant	....

Kęty, 21 March 2019