ALUMETAL S. A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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Kęty, 23 March 2020

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

Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Holding activities			
Dividend income	31	64 769 403.39	45 012 462.72
Revenue from contracts with customers	12.1	10 504 853.12	16 200 166.46
Revenue from holding activities		**75 274 256.51**	**61 212 629.18**
Cost of sales	12.2	-9 126 668.00	-14 065 446.35
Gross profit on sales		**66 147 588.51**	**47 147 182.83**
Other operating income	12.5	48 011.72	58 792.73
Selling expenses	12.2	–	–
Administrative expenses	12.2	-2 449 810.77	-3 162 932.38
Other operating expenses	12.6	-12 715.58	-50 409.46
Operating profit		**63 733 073.88**	**43 992 633.72**
Finance income	12.7	337 204.90	453 884.32
Finance costs	12.8	-320 020.73	-458 738.73
Profit before tax		**63 750 258.05**	**43 987 779.31**
Income tax	13	-29 359.32	-71 123.85
Net profit		**63 720 898.73**	**43 916 655.46**
Net profit for the year		**63 720 898.73**	**43 916 655.46**
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE PERIOD		**63 720 898.73**	**43 916 655.46**
Earnings per share:	14		
- basic from the profit for the year		4.12	2.84
- diluted from the profit for the year		4.12	2.83

Statement of Financial Position
As at 31 December 2019

	Note	*31 December 2019*	*31 December 2018*
ASSETS			
Non-current assets			
Intangible assets	15	1 284 355.70	1 411 005.58
Property, plant and equipment	16	5 295 584.53	5 203 604.99
Right-of-use assets (ROU assets)	17.1	854 634.79	–
Other financial assets (long-term)	18.1	266 846 976.30	275 615 817.30
		274 281 551.32	**282 230 427.87**
Current assets			
Trade and other receivables	22	1 769 313.78	2 422 272.76
Other financial assets	18.1	8 534 034.00	8 617 200.00
Other non-financial assets	18.2	67 141.20	55 101.20
Current tax assets	22	27 401.00	14 720.00
Cash and cash equivalents	23	287 195.69	21 870.28
		10 685 085.67	**11 131 164.24**
TOTAL ASSETS		**284 966 636.99**	**293 361 592.11**

Statement of Financial Position (contd.)
As at 31 December 2018

	Note	*31 December 2019*	*31 December 2018*
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	24	1 547 949.30	1 547 949.30
Reserve capital	25	175 901 755.30	195 195 931.28
Capital from revaluation of incentive scheme	20.2	1 562 409.46	916 885.01
Retained earnings/ (unabsorbed losses)	25.1	79 370 265.65	59 511 522.38
Total shareholders' equity		**258 382 379.71**	**257 172 287.97**
Non-current liabilities			
Interest-bearing loans and borrowings	26	15 560 559.00	24 329 400.00
Provisions	27	148 896.00	276 227.00
Deferred tax liability	13.3	157 529.71	167 416.39
Lease liabilities	17.1	641 256.19	–
		16 508 240.90	**24 773 043.39**
Current liabilities			
Current portion of interest-bearing loans and borrowings	26	8 633 553.69	9 324 884.18
Provisions	27	29 830.00	29 758.00
Trade and other payables	28.1, 28.2	1 113 871.44	1 480 471.97
Lease liabilities	17.1	17 441.85	–
Accruals and deferred income	28.3	281 319.40	581 146.60
		10 076 016.38	**11 416 260.75**
Total liabilities		**26 584 257.28**	**36 189 304.14**
TOTAL EQUITY AND LIABILITIES		**284 966 636.99**	**293 361 592.11**

Statement of Cash Flow
For the year ended 31 December 2019

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Cash flow from operating activities			
Gross profit		**63 750 258.05**	**43 987 779.31**
Adjustments for:			
Depreciation/ amortization	12.3	806 580.35	722 798.27
(Profit)/ loss from investing activities		-17 724.30	71 284.69
FX (gains)/ losses		141.22	2 916.54
(Increase)/decrease in trade and other receivables and in other non-financial assets		640 918.98	191 826.45
Increase/(decrease) in liabilities, except for loans and borrowings		-200 974.15	-209 367.54
Interest, net		-12 409.16	6 760.21
Change in prepayments, accruals and deferred income		-299 827.20	162 721.60
Change in provisions		-127 259.00	144 079.59
Income tax paid		-51 927.00	-160 121.00
Other (including cost of incentive scheme)	20.2	645 524.45	916 885.01
Net cash flow from operating activities		**65 133 302.24**	**45 837 563.13**
Cash flow from investing activities			
Disposal of property, plant and equipment and intangible assets		113 299.47	30 117.91
Purchase of property, plant and equipment and intangible assets		-1 230 059.55	-470 259.90
Disposal of subsidiary company		–	4 000.00
Interest received		240 104.87	292 537.73
Repayment of loans granted		8 627 938.10	9 243 132.70
Loans granted		–	-5 000.00
Net cash flow from investing activities		**7 751 282.89**	**9 094 528.44**

Statement of Cash Flow (contd.)
For the year ended 31 December 2019

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Cash flow from financing activities			
Repayment of long-term loans and borrowings (incl. investment loans)		-8 628 021.60	-9 245 570.90
Repayment of finance lease liabilities		-9 321.60	–
Dividends paid		-63 156 331.44	-45 200 119.56
Interest received		1 990.75	1 349.73
Interest paid		-219 353.62	-300 647.67
Net cash flow from financing activities		**-72 011 037.51**	**-54 744 988.40**
Net increase/(decrease) in the balance of cash and cash equivalents		**873 547.62**	**187 103.17**
FX differences, net		-57.72	-478.34
Cash and cash equivalents at the beginning of the period	23	**-685 813.90**	**-872 438.73**
Cash and cash equivalents at the end of the period	23	**187 676.00**	**-685 813.90**

Statement of Changes in Equity

For the year ended 31 December 2019

	Note	*Issued capital*	*Reserve capital*	*Capital from revaluation of incentive scheme*	*Retained earnings/ (unabsorbed losses)*	*Total*
As at 1 January 2019	**24, 25**	**1 547 949.30**	**195 195 931.28**	**916 885.01**	**59 511 522.38**	**257 172 287.97**
Net profit for the period		–	–	–	63 720 898.73	63 720 898.73
Other comprehensive income, net, for the period		–	–	–	–	–
Comprehensive income for the period		–	–	–	**63 720 898.73**	**63 720 898.73**
Increase in issued capital	**24**	–	–	–	–	–
Cost of incentive scheme	20.2	–	–	645 524.45	–	645 524.45
Settlement of incentive scheme		–	–	–	–	–
Allocation of part of reserve capital to dividend payment		–	–	–	–	–
Dividend payment	25.2	–	-19 294 175.98	–	-43 862 155.46	-63 156 331.44
As at 31 December 2019		**1 547 949.30**	**175 901 755.30**	**1 562 409.46**	**79 370 265.65**	**258 382 379.71**

	Note					
As at 1 January 2018	**24, 25**	**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	24	–	–	–	–	–
Cost of incentive scheme	20.2	–	–	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	25.2	–	–	–	-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**

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 2019 and contain comparative data for the year ended 31 December 2018.

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 2019, there were no changes to the Company's scope of business compared to the year ended 31 December 2018.

2. Identification of consolidated financial statements

The Company prepared consolidated financial statements for the year ended 31 December 2019 which were authorised for publication on 23 March 2020.

3. Composition of the Company's Management Board

As at 31 December 2019, the composition of the Management Board of the Company was as follows:

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

On 17 April 2019, Mr Marek Kacprowicz resigned as President of the Management Board. On the same day, the Company's Supervisory Board appointed Ms Agnieszka Drzyżdżyk President of the Management Board, about which the Company informed the public in its current report No. 3/2019 of 17 April 2019.

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 23 March 2020.

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 2019	*31 December 2018*
Alumetal Poland sp. z o.o.	Nowa Sól, Poland	Production	100%	100%
T + S sp. z o.o.	Kęty, Poland	Production	100%	100%
Alumetal Group Hungary Kft.	Komarom, Hungary	Production	100%	100%

In 2018 Alumetal S.A. was the owner of Alumetal Kety sp. z o.o., however 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. Prior to being sold, this company did not conduct operating activities.

As at 31 December 2019 and 31 December 2018, 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 (short maturity dates, high volatility of account balance), 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.

Leases – Company as lessee

Professional judgments regarding lease contracts under which the Company is a lessee in such areas as ascertainment whether a contract contains a lease, contract for an indefinite period of time, using the option to extend or shorten lease period were presented in Note 9.1.

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. The Company adopted assumptions and estimates about the future based on the knowledge held during the preparation of the financial statements. 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 2019 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 11.3.

Impairment losses of trade receivables

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 21 and Note 22 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 utilised. 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 2018-2019, 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 20.1 and Note 27 to these financial statements.

Valuation of provision for litigation

Based on the accounting policy presented in Note 11.8, 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 27 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 III for instruments without market condition is determined using the finite difference method (the FDM method), while that of entitlements with market condition – using the Monte Carlo simulation method combined with the least squares linear regression method i.e. the so-called Longstaff-Schwartz method. Detailed information on these programs and their measurement is presented in Note 20.2 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 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. 2020 - 2024) and for the residual period. Applied in the calculations was a 4.98% 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 the results of conducted impairment test to changes in the key parameters listed above, after considering information presented in Note 18.1.

Lessee's incremental borrowing rate

Estimates made in determining lessee's incremental borrowing rate were presented in Note 9.1.

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 stable 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 taxation 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 taxation 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 taxation 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.

The results of the ALUMETAL Group, in which the Company is the parent company, may be significantly affected by the situation of the automotive industry in Europe and in the world as a consequence of the spread of the coronavirus pandemic and COVID 19 disease. The scale of the impact of this phenomenon, due to the still initial stage of virus development, is unpredictable and difficult to quantify. At the time of the publication of these financial statements, in the opinion of the Management Board, the pandemic does not have a very strong, direct impact on the current operations of the Alumetal Group, although its first negative symptoms have been recorded. However, it should be kept in mind that the current extremely dynamically changing situation, including possible changes in the legal and regulatory environment, means that despite the utmost diligence and taking preventive measures, the Management Board is not able to predict the further development of events and, consequently, the impact of the pandemic on the Company's financial results and development prospects. As a result of the quantitative and qualitative analysis of the impact of this phenomenon carried out by the Management Board, the following were primarily analyzed:

• commercial issues - concluded contracts and utilization of production capacity
  a) situation in the automotive industry,
  b) current level of contracting,
  c) current demand for casting alloys,
  d) current imputed profitability of contracts,
  e) current and planned utilization of production capacity,
  f) level of commercial risk of concluded contracts,

• supply and production continuity issues
  a) inventories level and structure,
  b) scale and structure of concluded supply contracts,
  c) emergency action plans in the event of a necessity to reduce production or in the event of bottlenecks in the supply of scrap materials,

• issues regarding possibility to reduce operating expenses
  a) analysis of fixed and quasi-fixed costs,
  b) level of operating leverage,
  c) employment structure flexibility,
  d) possibility of obtaining public aid to cover part of labour costs under the forthcoming government program,

• debt, financial liquidity and currency and interest rate risks issues
  a) current and expected debt level,
  b) level of bank covenants,
  c) variability of demand for working capital,
  d) temporary suspension of dividend policy,
  e) Group financial liquidity,
  f) access to finance,
  g) currency and interest rate risk,

• health and safety issues and minimizing the epidemic risk

a) adequacy of the procedures and precautionary measures introduced to reduce the epidemic risk,

b) analysis and implementation of recommendations of institutions of sanitary-epidemiological service and the experience of other business entities,

c) organization of work and cooperation with business partners,

d) diversification of the logistic and territorial functioning of the Group's business.

The most important risks identified as a result of the analysis are as follows:

a) the risk of production stoppages among customers, especially in the automotive industry, and decrease in demand for the Group's products,

b) the risk of infecting employees with coronavirus in one (or more) of the Group's four production plants,

c) the risk of logistic or administrative barriers in Europe in the area of scrap material supplies,

d) the risk of periodic deterioration in scrap materials availability,

e) the risk of reduced availability of receivables insurance limits for the sale of the Group's products.

To sum up, in the current circumstances, the Alumetal Group, in which the Company is the parent company, has taken a number of measures to secure high-volume contracts from customers with good financial standing and/or with receivables insurance limits. Measures have been taken to reduce operating expenses and increase operational flexibility. Emerging information about commenced and planned stopovers in the automotive industry will probably have a negative impact in the near future on the situation and financial results of the Group, in which the Company is the parent company.

At present, the Alumetal Group, in which the Company is the parent company, is in a very good financial condition and does not expect any problems with its financial liquidity, or with the availability and renewal of credit limits, and any rapid changes in the currency or interest rates do not pose any significant threat.

The Alumetal Group, in which the Company is the parent company, has taken numerous measures to limit the effects of the pandemic on its operations, but the possibilities of influencing the risks in this area are very limited.

The conducted analysis confirmed proper preparation of the Alumetal Group for the difficult times of the coronavirus pandemic. The Group's goal is to optimally lead the Company through this demanding time and strengthen its competitive advantages and market position in the long term. However, the situation is so dynamic and unique that it is rather impossible to predict further developments and precisely quantify its impact on the financial position or financial results of the Alumetal Group.

Based on the conducted analyses of risks, negative scenarios and undertaken activities, the Management Board of the parent company is of the opinion that there is no material risk to the going concerns of the companies from the Alumetal SA Capital Group, in which the Company is the parent company, in the foreseeable future, i.e. 12 months from the date of authorization of these financial statements for publication.

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 21 and Note 22;
- valuation of incentive scheme – Note 20.2;

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. Changes in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those which were applied in the preparation of the Company's financial statements for the year ended 31 December 2018, except for the application of the new or amended standards and interpretations binding for the annual reporting periods commencing on 1 January 2019 or later.

The Company applied for the first time IFRS 16 *Leases* („IFRS 16").

Other new or amended standards or interpretations which are applicable for the first time in 2019 do not have any significant impact on the financial statements of the Company.

9.1. Leases

IFRS 16 has replaced IAS 17 *Leases* („IAS 17") and the related interpretations. The Standard defines principles of lease recognition, measurement, presentation and disclosure and requires lessees to account for the majority of lease contracts based on one balance sheet model.

The Company is a lessee for perpetual usufruct of land.

The Company implemented IFRS 16 using the modified retrospective method, i.e. with the total effect of the first-time application of the Standard recognized on the date of first-time application. In addition, the Company used the following allowed practical expedients with regard to these lease contracts which under IAS 17 were classified as operating leases:

- the Company applied one discount rate for the portfolio of leases with similar characteristics,
- the Company applied simplified approach to the lease contracts whose term ends 12 months after the first time application, which consists in recognition of these leases in accordance with the requirements provided for short-term leases and in disclosing the related costs in the disclosure covering incurred costs of short-term leases,
- the Company excluded the initial direct costs arising from valuation of the right-of-use asset on the date of first-time application.

Following the implementation of IFRS 16, the Company recognised the right-of-use assets with a value equating lease liability. The weighted average discount rate adopted upon first-time Standard application was 2.11%.

In implementing IFRS 16, the Company applied the following professional judgment and estimates:

Lease term for lease contracts with extension option

The Company determines the lease term as irrecoverable lease, inclusive of the periods covered by the extension option, if it can be assumed with sufficient certainty that the extension option will be exercised, and the periods covered by the option to terminate the lease (termination option), if it can be assumed with sufficient certainty that the option will not be exercised.

For some of its lease agreements, the Company has the possibility to apply the extension option. The Company applies judgement in making an assessment whether there is sufficient certainty that the extension option will be used. This means that the Company accounts for all significant facts and circumstances which represent an economic incentive to extend it or an economic penalty for not extending it. After lease commencement, the Company reassess the lease period if a significant event or change in circumstances under its control occurs and affects its ability to exercise (or not exercise) the extension option (e.g., change of business strategy).

The Company included the extension period in the lease term due to the importance of these assets for its operations. These lease contracts have a short, irrevocable term and may have a significant negative impact on the production if the replacement of these assets is not readily available. The extension options were not included in the lease term because the Company's policy regarding the lease of these assets provides for a maximum useful life of no more than five (5) years, and therefore the Company does not use the extension option.

Lessee's incremental borrowing rate

The Company is unable to easily determine the interest rate for lease contracts, which is why it uses the lessee's incremental borrowing rate when measuring the lease liability. It is the rate of interest that the Company would have to pay to borrow over a similar term, in the same currency and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Impact of IFRS 16 on the statement of financial position (increase/(decrease)) as at the date of first-time application, i.e. 1 January 2019:

	*As at 31 December 2018**	*Adjustment IFRS 16*	*As at 1 January 2019*
ASSETS			
Non-current assets			
Property, plant and equipment	5 203 604.99	-209 157.07**	4 994 447.92
Right-of-use assets	-	866 843.86	866 843.86
TOTAL ASSETS	**293 361 592.11**	**657 686.79**	**294 019 278.90**
EQUITY AND LIABILITIES			
Long-term liabilities			
Lease liabilities	-	644 957.06	644 957.06
Short-term liabilities			
Lease liabilities	-	12 729.73	12 729.73
Total liabilities	**36 189 304.14**	**657 686.79**	**36 846 990.93**
TOTAL EQUITY AND LIABILITIES	**293 361 592.11**	**657 686.79**	**294 019 278.90**

** As per authorised financial statements of the Company for the year ended 31 December 2018*

*** Relates to the right of perpetual usufruct of land recognised in the books of account as at 31 December 2018*

The new accounting policies of the Company after the adoption of IFRS 16 are described in Note 11.5.

9.2. Other changes

Other changes that do not have any material impact on the Company's financial statements are as follows:

a) IFRIC Interpretation 23 *Uncertainty Over Income Tax Treatments*

The Interpretation explains how to recognize and measure income tax in accordance with IAS 12 if there is uncertainty about its recognition. It does not apply to taxes or charges which are outside the scope of IAS 12, nor does it cover interest and penalty requirements linked to non-compliance with income tax. The Interpretation addresses, in particular:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. An approach should be followed that better predicts the resolution of the uncertainty.

b) Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
c) Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*
d) Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*
e) Annual Improvements to IFRSs (Cycle 2015-2017):
    - IFRS 3 *Business combinations* – acquisitions achieved in stages
    - IFRS 11 *Joint Arrangements* – regarding obtaining joint control over joint operation
    - IAS 12 *Income Taxes* – on the tax effects of dividends
    - IAS 23 *Borrowing costs*

      The amendments clarify that the entity shall treat all loans originally incurred to produce a qualifying asset as part of general loans where all the activities necessary to prepare the asset for its intended use or sale are completed.

The Company has not decided to early apply any standard, interpretation or amendment that has been published, but has not yet entered into force in the light of European Union legislation.

10. New standards and interpretations which have been issued, but have not yet become effective

The following standards and interpretations have been published by the International Accounting Standards Board, but have not yet become effective:

- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) - according to the decision of the European Commission, standard endorsement process in its draft form will not be initiated before publication of standard’s final version - until the date of the 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* (published on 11 September 2014) – work leading to the endorsement of these changes was postponed by the EU indefinitely – the date of amendments becoming effective was indefinitely deferred by the IASB;
- IFRS 17 *Insurance contracts* (published on 18 May 2017) - until the date of the authorization of these financial statements, not endorsed by the EU - effective for annual periods beginning on or after 1 January 2021;
- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards* (published on 29 March 2018) effective for annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 3 *Business Combinations* (published on 22 October 2018) until the date of the 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* (published on 31 October 2018) - effective for annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform* (published on 26 September 2019) - effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current* (published on 23 January 2020) - until the date of the authorization of these financial statements, not endorsed by the EU, the effective date has not yet been determined.

The effective dates are the dates resulting from the content of the standards announced by the International Accounting Standards Board (IASB). The dates of standards application in the European Union may differ from the dates of application arising from those provided by the standards and are announced at the time of approval for use by the European Union.

11. Significant accounting policies

11.1. 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.

11.2. 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 2019	*31 December 2018*
USD	3.7977	3.7597
EUR	4.2585	4.3000
100 HUF	1.2885	1.3394

11.3. 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.

11.4. 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.

11.5. Leases

11.5.1. The Company as lessee – accounting policies applied until 31 December 2018

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.

11.5.2. The Company as lessee – accounting policies applied as of 1 January 2019

At inception of a contract, the Company assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for remuneration.

The Company applies a uniform approach to the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. At the commencement date, the Company recognizes a right-of-use asset and a lease liability.

Right-of-use assets

The Company recognizes the right-of-use assets (ROU assets) at the commencement date (i.e. the date when the underlying asset is available for use). The right-of-use assets are valued at cost, less accumulated depreciation and impairment losses, adjusted for any revaluation of lease liabilities. The cost of the right-of-use assets includes the amount of the initial measurement of lease liability, any initial direct costs incurred and any lease payments made at or before the commencement date, less any lease incentives received. Unless the Company is reasonably certain that it will obtain ownership of the subject of the lease at the end of the lease term, the recognized ROU assets are depreciated using the straight-line method over the shorter of their estimated useful life or the lease term. The ROU assets are subject to impairment tests.

Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments included in the lease liability are: fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and the amounts that are expected to be payable by the lessee under residual value guarantees. The lease payments comprise also the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Variable lease payments that do not depend on an index or a rate are recognised in the costs of the period, in which the event or condition that triggers those payments occurs.

In measuring the present value of lease liability, the Company applies the lessee’s incremental borrowing rate at the commencement date, if the interest rate implicit in the lease cannot be easily determined. After the commencement date, the lease liability is increased to account for the interest and reduced by the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there is change in the lease term, change in the in-substance fixed lease payments or if there is a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company has applied the short-term lease exemption to its short-term lease contracts (i.e. the contracts, for which the lease-term is 12 months or less from the commencement date and which do not contain a purchase option). The Company has also applied the low-value asset exemption with respect to its low-value lease contracts. Lease payments under short-term and low-value asset lease contracts are recognized on a straight-line basis over the term of the lease.

11.5.3. The Company as lessor

Lease contracts under which the Company retains substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. The initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income. The contingent lease payments are recognised as income in the period, in which they become due and receivable.

11.6. 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, including right-of use 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.

11.7. 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.

11.8. 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.

11.9. Financial assets

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.

11.10. Offsetting financial assets and financial liabilities

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.

11.11. Impairment of financial assets

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.

11.12. 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.

11.13. 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.

11.14. 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.

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.

11.15. 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.

11.16. 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.

11.17. 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.

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.

11.18. 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.

11.19. Employee benefits

In accordance with appropriate internal remuneration regulations, employees of the Company are entitled to retirement and disability pension 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.

11.20. Incentive programs

Executives of the Company participate in the incentive programs (schemes) which were described in detail in Note 20.2 of these financial statements.

11.20.1.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.

11.21. 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.

11.22. Revenue

11.22.1. Revenue from contracts with customers

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 [promise] 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 18.1).

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 22). 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.

11.22.2.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.

11.22.3.Dividends

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

11.22.4. 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.

11.23. Income taxes

11.23.1.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.

11.23.2.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.

11.23.3.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.

11.23.4.Uncertain tax treatment

If according to the Company's assessment it is probable that the taxation authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company determines taxable income (tax loss), tax base, carry-forward of unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation. In assessing this probability, the Company assumes that the taxation authorities authorized to audit and challenge the tax treatment will carry out such control and will have access to all information.

If the Company ascertains that it is not probable that the taxation authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, then the Company reflects the impact of this uncertainty in the accounting treatment of tax in the period, in which such ascertainment was made. The Company recognises a tax liability using one of the two below methods, depending on which method reflects better the uncertainty that may materialise:

- the Company determines the most probable scenario, which is a single amount from among possible results; or
- the Company recognises the expected value - it is the sum of amounts weighted by probability among possible results.

11.24. Net earnings per share

Net 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.

12. Revenues and expenses

12.1. Revenue from contracts with customers

	Year ended 31 December 2019	*Year ended 31 December 2018*
Sales of services	10 504 853.12	16 200 166.46
	10 504 853.12	**16 200 166.46**

12.2. Costs by type

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Depreciation/ amortization	12.3	806 580.35	722 798.27
Inventory impairment write-downs	12.3	-	-
Materials and energy		230 932.55	283 821.90
External services, of which:		1 876 690.97	1 466 603.72
- IT services		557 362.29	426 343.47
- repair services		69 628.29	81 812.46
- transport services		3 023.39	4 631.07
- advisory services		996 336.22	673 625.06
Taxes and charges		241 915.50	247 882.60
Employee allowances	12.4	7 961 096.23	13 012 833.41
Other costs by type		884 551.71	1 081 485.94
Cost of goods for resale, raw materials and scrap sold		-	-
Total costs by type, of which:		**12 001 767.31**	**16 815 425.84**
Items recognised in cost of sales		9 126 668.00	14 065 446.35
Items recognised in selling expenses		-	-
Items recognised in administrative expenses		2 449 810.77	3 162 932.38
Change		425 288.54	-412 952.89

12.3. Depreciation/ amortization charges and impairment losses included in the profit or loss

	Year ended 31 December 2019	*Year ended 31 December 2018*
Depreciation of property, plant and equipment	309 004.26	305 026.28
Amortization of intangible assets	309 038.46	285 074.53
Inventory impairment	–	–
Included in cost of sales	**618 042.72**	**590 100.81**
Depreciation of property, plant and equipment	–	–
Included in selling expenses	–	–
Depreciation of property, plant and equipment and right-of-use assets*	100 368.47	68 592.03
Amortization of intangible assets	88 169.16	64 105.43
Included in administrative expenses	**188 537.63**	**132 697.46**

* Depreciation of right-of-use assets relates to 2019

12.4. Employee allowances

	Note	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Wages and salaries		6 045 624.82	10 629 018.80
Social security costs		1 051 948.80	1 153 031.88
Cost of incentive scheme	20.2	645 524.45	916 885.01
Retirement benefits		–	31 490.00
Amounts transferred to the Social Fund		123 071.94	111 234.45
Other employee benefits (training, health care, work hygiene and safety, meals and other)		94 926.22	171 173.27
Total employee allowances, of which:		**7 961 096.23**	**13 012 833.41**
Items recognised in cost of sales		6 313 343.45	10 623 826.71
Items recognised in selling expenses		–	–
Items recognised in administrative expenses		1 647 752.78	2 389 006.70

12.5. Other operating income

	Year ended 31 December 2019	*Year ended 31 December 2018*
Gains on the sale of property, plant and equipment	17 724.30	–
Compensations received under insurance policy	3 494.80	53 130.00
Received awards and compensations	1 095.00	–
Return of VAT from abroad	18 074.82	–
Other (total of non-material items)	7 622.80	5 662.73
Total other operating income	**48 011.72**	**58 792.73**

12.6. Other operating expenses

	Year ended 31 December 2019	*Year ended 31 December 2018*
Donations granted	9 274.47	9 100.00
Loss on the sale of property, plant and equipment	–	25 284.69
Cost of liquidation of tangible fixed assets	455.28	–
Other (total of non-material items)	2 985.83	16 024.77
Total other operating expenses	**12 715.58**	**50 409.46**

12.7. Finance income

	Year ended 31 December 2019	*Year ended 31 December 2018*
Interest received, of which:	248 479.56	318 173.07
- bank interest	1 990.75	1 349.73
- loan interest	246 488.81	316 823.34
Other (total of non-material items)	88 725.34	135 711.25
Total finance income	**337 204.90**	**453 884.32**

12.8. Finance costs

	Year ended 31 December 2019	*Year ended 31 December 2018*
Interest on bank loans	215 878.22	300 647.67
FX losses	4 194.49	–
Lease-related interest	13 808.24	–
Other (total of non-material items)	86 139.78	158 091.06
Total finance costs	**320 020.73**	**458 738.73**

13. Income tax

13.1. Tax expense

The main components of income tax expense for the years ended 31 December 2019 and 31 December 2018 are as follows:

Recognised in profit:	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Current tax expense	39 246.00	114 334.00
Relating to origination and reversal of temporary differences	-9 886.68	-43 210.15
Income tax reported in profit or loss	29 359.32	71 123.85

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 2019 and 31 December 2018 is as follows:

	Year ended 31 December 2019	*Year ended 31 December 2018*
Accounting gross profit before tax from continuing operations	63 750 258.05	43 987 779.31
Accounting gross profit before tax	63 750 258.05	43 987 779.31
Tax at statutory tax rate in Poland of 19% (2018: 19%)	12 112 549.03	8 357 678.07
Impact of non-taxable revenue and non-tax deductible expenses, of which:	-12 176 399.07	-8 372 221.70
- dividend received	*-12 306 186.64*	*-8 552 367.92*
- PFRON (National Disabled Persons Rehabilitation Fund) expenses	*7 137.92*	*5 938.07*
- cost of incentive scheme	*122 649.65*	*174 208.15*
Other	93 209.36	85 667.48
Tax expense at effective tax rate of 0.0005% in 2019 (in 2018: 0.0016%)	29 359.32	71 123.85
Income tax reported in profit or loss	29 359.32	71 123.85

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 2019	*31 December 2018*	*31 December 2019*	*31 December 2018*
Difference between carrying amount and tax base of property, plant and equipment and intangible assets, after considering the impact of IFRS 16, on a net basis	-391 413.99	-416 170.24	24 756.25	8 636.46
Accrued income	-1 520.00	-11 210.00	9 690.00	-3 230.00
Accrued interest	-6 838.40	-4 614.27	-2 224.13	1 011.18
FX gains	-112 150.44	-117 791.18	5 640.74	274 031.86
Provision for retirement benefits	33 957.94	58 137.15	-24 179.21	27 375.12
Unpaid wages, salaries and allowances	73 438.14	71 905.23	1 532.91	9 372.43
FX losses	246 986.42	252 319.39	-5 332.97	-273 991.13
Unpaid bank costs/ interest	10.62	7.53	3.09	4.23
Deferred tax expense			**9 886.68**	**43 210.15**
Net deferred tax liability, of which:	**-157 529.71**	**-167 416.39**		
Deferred tax assets from continuing operations	–	–		
Deferred tax liability with respect to continuing operations	-157 529.71	-167 416.39		

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.

In 2019, the exercise price of instruments convertible to equity instruments was above their market value, therefore there was no dilution effect in 2019.

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 2019	*Year ended 31 December 2018*
Net profit from continuing operations	63 720 898.73	43 916 655.46
Net profit	**63 720 898.73**	**43 916 655.46**
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*	-33 510	22 413
Weighted average number of outstanding ordinary shares, adjusted by dilution effect (accounting for share split)	15 445 983	15 501 906
Earnings per share		
- basic from the profit for the year	4.12	2.84
- diluted from the profit for the year	4.12	2.83

Details concerning share incentive scheme with effect on the dilution of earnings per share were described in Note 20.2. 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 2019	*Development expenses*	*Patents and licenses*	*Goodwill*	*Other*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2019	–	**709 909.94**	–	**2 722 217.97**	**77 970.87**	**3 510 098.78**
Purchases	–	–	–	–	270 557.74	**270 557.74**
Transfer from intangible assets under construction	–	76 590.32	–	40 953.53	-117 543.85	–
Other transfers	–	–	–	–	–	–
Gross carrying amount as at 31 December 2019	–	**786 500.26**	–	**2 763 171.50**	**230 984.76**	**3 780 656.52**
Amortization and impairment as at 1 January 2019	–	**370 423.82**	–	**1 728 669.38**	–	**2 099 093.20**
Amortization charge for the period	–	108 115.91	–	289 091.71	–	397 207.62
Amortization and impairment as at 31 December 2019	–	**478 539.73**	–	**2 017 761.09**	–	**2 496 300.82**
Net carrying amount as at 1 January 2019	–	**339 486.12**	–	**993 548.59**	**77 970.87**	**1 411 005.58**
Net carrying amount as at 31 December 2019	–	**307 960.53**	–	**745 410.41**	**230 984.76**	**1 284 355.70**

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**

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

16. Property, plant and equipment

Year ended 31 December 2019

	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	**1 030 124.94**	**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**
Right-of-use assets	-209 157.07	–	–	–	–	–	–	-209 157.07
Gross carrying amount as at 1 January 2019	**820 967.87**	**3 918 571.01**	**2 208 718.25**	**1 072 402.64**	**101 106.09**	**4 663.64**	**9 065.04**	**8 135 494.54**
Purchases	–	–	–	–	–	793 875.44	–	793 875.44
Sale	–	–	-20 920.81	-280 096.22	–	–	–	-301 017.03
Liquidation	–	–	-53 298.61	–	–	–	–	-53 298.61
Transfers	–	3 150.00	490 878.97	309 966.14	1 340.65	-796 270.72	-9 065.04	–
Gross carrying amount as at 31 December 2019	**820 967.87**	**3 921 721.01**	**2 625 377.8**	**1 102 272.56**	**102 446.74**	**2 268.36**	–	**8 575 054.34**
Depreciation and impairment as at 1 January 2019	**–**	**863 427.54**	**1 822 888.42**	**410 413.83**	**44 316.83**	–	–	**3 141 046.62**
Depreciation charge for the period	–	129 087.40	102 433.5	156 591.82	9 050.94	–	–	397 163.66
Sale	–	–	-18 678.25	-186 763.61	–	–	–	-205 441.86
Liquidation	–	–	-53 298.61	–	–	–	–	-53 298.61
Depreciation and impairment as at 31 December 2019	–	**992 514.94**	**1 853 345.06**	**380 242.04**	**53 367.77**	–	–	**3 279 469.81**
Net carrying amount as at 1 January 2019	**820 967.87**	**3 055 143.47**	**385 829.83**	**661 988.81**	**56 789.26**	**4 663.64**	**9 065.04**	**4 994 447.92**
Net carrying amount as at 31 December 2019	**820 967.87**	**2 929 206.07**	**772 032.74**	**722 030.52**	**49 078.97**	**2 268.36**	–	**5 295 584.53**

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**

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 1 548 thousand (as at 31 December 2018 - PLN 1 601 thousand) are pledged as mortgage collateral for bank loans and borrowings of the Company (Note 26).

There were no capitalized borrowing costs in the year ended 31 December 2019 or 31 December 2018.

17. Leases

17.1. The Company as lessee (period from 1 January 2019 – after IFRS 16 implementation)

The Company is, within the meaning of IFRS 16, a lessee for perpetual usufruct of land until 2089.

The Company's lease liabilities are secured by the lessor's ownership title to leased asset. In general, the Company is not entitled to transfer leased assets to sub-leases or to assign rights it has under lease contracts.

Presented below are the carrying amounts of right-of-use assets (ROU assets) and their changes in the reporting period:

	*RPU**	*Total*
As at 1 January 2019	866 843.86	866 843.86
Depreciation	12 209.07	12 209.07
As at 31 December 2019	854 634.79	854 634.79

** Right of perpetual usufruct (RPU) of land*

Presented below are the carrying amounts of lease liabilities and their changes in the reporting period:

	2019
As at 1 January 2019	657 686.79
Interest	13 808.25
Payments	-12 797.00
As at 31 December 2019	658 698.04
Short-term	17 441.85
Long-term	641 256.19

The maturity analysis of lease liabilities is presented in Note 33.4 *Liquidity risk.*

Presented below are the amounts of revenues, costs, profits and losses resulting from leasing included in the statement of comprehensive income:

	2019
Depreciation of right of perpetual usufruct	12 209.07
Interest on lease liabilities	13 808.24
Total	26 017.31

The total lease -related cash outflow in 2019 was PLN 12 797.00.

17.2. Operating lease liabilities – Company as lessee (period to 31 December 2018 – prior to IFRS 16 implementation)

As at 31 December 2018, the Company was not a party to operating lease contracts.

17.3. Finance lease liabilities – Company as lessee (period to 31 December 2018 – prior to IFRS 16 implementation)

As at 31 December 2018, the Company was not a party to finance lease contracts.

18. Other assets

18.1. Other financial assets

	31 December 2019	*31 December 2018*
Loans granted, of which to:	**24 094 593.00**	**32 946 600.00**
- Alumetal Group Hungary Kft.*	24 094 593.00	32 946 600.00
Shares in related entities, of which shares in:	**251 286 417.30**	**251 286 417.30**
- 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
Total	**275 381 010.30**	**284 233 017.30**
- short-term	8 534 034.00	8 617 200.00
- long-term	266 846 976.30	275 615 817.30

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

Movements in the balance of loans granted in the year ended 31 December 2019 and 31 December 2018 are presented in the table below:

	Loans granted
Balance as at 1 January 2018	**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**
Decreases, of which:	-8 852 007.00
- repayment of loan by Alumetal Group Hungary Kft., Hungary	-8 627 938.10
- effect of valuation of loan balance caused by different rate at balance sheet valuation	-224 068.90
Balance as at 31 December 2019	**24 094 593.00**

Movements in the balance of shares in related entities in the year ended 31 December 2019 and 31 December 2018 are presented in the table below:

	Shares in related entities
Balance as at 1 January 2018	**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**
Balance as at 31 December 2019	**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 (understood as the value of held shares and the value of long-term loan granted). The test used the forecasts for 5 years (i.e. 2020 - 2024) and for the residual period. Applied in the calculations was a 4.98% 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 the results of conducted impairment test to changes in the key parameters listed above.

The impairment tests were performed as at 31 December 2019 and did not account for the effects of the events described in Note 7, i.e. the coronavirus pandemic and COVID-19 disease. The Management does not consider such situation as an event resulting in adjustments to the 2019 financial statements, but rather as a post-balance sheet event requiring additional disclosures.

Since the situation is still evolving, the management of the parent company believes that it is not possible to present quantitative estimates of the impact of the current situation on the Alumetal S.A. Capital Group. Possible impact will be accounted for in the impairment tests performed for the next reporting periods.

18.2. Other non-financial assets

	31 December 2019	*31 December 2018*
Excess of social assets over Social Fund liabilities	19 848.95	4 585.49
Insurance costs	47 292.25	50 515.71
Total, of which:	**67 141.20**	**55 101.20**
- short-term portion	67 141.20	55 101.20
- long-term portion	–	–

19. 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 2019	*31 December 2018*
Cash and cash equivalents	48 151.08	40 191.07
Social Fund liabilities	28 302.13	35 605.58
Balance after netting off	**19 848.95**	**4 585.49**

	Year ended 31 December 2019	*Year ended 31 December 2018*
Amounts transferred (contributions) to the Social Fund during the year	123 071.94	111 234.45
Non-refundable expenditure by the Fund	130 525.36	114 153.14

20. Employee benefits

20.1. Retirement and disability 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:

	2019	2018
At the beginning of the period as at 1 January	**305 985.00**	**161 905.41**
Provision recognition/ reversal	-127 259.00	175 569.59
Cost of benefits paid out	–	-31 490.00
At the end of the period as at 31 December	**178 726.00**	**305 985.00**

20.2. Incentive programs

Incentive 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 this 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 given series subscription warrants. In addition, exercising rights from subscription warrants could take place on the following conditions: achieving the pre-defined level of EBITDA per Company's share; achieving the appropriate level of normalized consolidated net profit per Company's share; 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 (i.e. PLN 4.08) 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 (i.e. PLN 4.08), 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 (i.e. PLN 4.08), 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.*

In 2018, the Company fulfilled the conditions related to achieving the appropriate level of consolidated EBITDA and achieving the appropriate level of normalized consolidated net profit. However, the condition of achieving an appropriate return on the Company's shares in relation to the dynamics of changes in the WIG index was not met, which means that the Company has issued only 103196 series D subscription warrants. All these warrants were taken up by the Eligible Persons in 4Q 2019. The right to subscribe for series G Incentive Shares resulting from the holding of series D subscription warrants may be exercised not earlier than from 1 July 2020 and not later than by 31 December 2022.

In view of the likely failure to meet the non-market conditions in 2019 for the E series subscription warrants, already in mid-2019 the cost related to these warrants was written off. As stated in 4Q 2019, the market condition for E-series subscription warrants was also not met and this cost was also written off. Consequently, *none* of the 154,794 E-series subscription warrants that could entitle their holders to subscribe for/take up 154,794 H-series shares of the Company will be granted to the Eligible Persons.

Obtaining the right to subscribe for 154,794 series F subscription warrants and, as a consequence, to acquire up to 154,794 series I shares depends on the results achieved by the Company in 2020.

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 2019	*31 December 2018*
Capital under Incentive Program III	1 562 409.46	916 885.01

Year ended	*31 December 2019*	*31 December 2018*
Cost of Incentive Program III	645 524.45	916 885.01

The value of the instruments without market condition was determined using the finite difference method *(the FDM method),* while that of entitlements with market condition – using the Monte Carlo simulation method combined with the least squares linear regression method i.e. the so-called Longstaff-Schwartz method.

The following assumptions and parameters were adopted for the valuation of the modified Incentive Scheme III:

- grant date (valuation date) - 3 October 2018,
- the price of the underlying assets (shares of Alumetal SA) included in the valuation - PLN 44.00/share,
- risk-free interest rate - 2.3%,
- value of the underlying asset price volatility - 27%,
- value of WIG index volatility - 14%,
- the value of dividend paid per share in 2018 - PLN 2.92/share
- the value of the expected dividend in 2019-2022 respectively - PLN 4.00 ; PLN 4.29; PLN 4.78; PLN 4.97.

21. Inventories

In 2019 and as at 31 December 2018 the Company did not have any inventories.

22. Trade and other receivables

	31 December 2019	*31 December 2018*
Trade receivables	1 717 865.31	2 383 944.33
Other third party receivables	51 448.47	38 328.43
Total receivables, net	**1 769 313.78**	**2 422 272.76**
Allowance for expected credit losses	–	–
Gross receivables	**1 769 313.78**	**2 422 272.76**

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 2019 and 31 December 2018 relate to subsidiary companies.

Presented below is the maturity analysis of trade and other receivables as at 31 December 2019 and 31 December 2018:

				Overdue, but recoverable			
Receivable in:	*Total*	*Current*	*< 30 days*	*31 – 90 days*	*91 - 180 days*	*181-365 days*	*> 366 days*
31 Dec 2019	1 769 313.78	1 650 570.13	118 466.64	277.01	–	–	–
31 Dec 2018	2 422 272.76	2 394 966.00	–	–	478.91	26 797.85	–

23. 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 2019	*31 December 2018*
Cash on hand and cash at bank	287 195.69	21 870.28
Overdraft facilities	-99 519.69	-707 684.18
Cash and cash equivalents reported in the Statement of Cash Flow	**187 676.00**	**-685 813.90**

Included in the balance of cash and cash equivalents at 31 December 2019 is the amount of PLN 104 388.90 gathered on VAT accounts (as at 31 December 2018 - PLN 20 329.34). These funds can be relatively easily used to pay the tax part of purchase invoices and public-legal obligations (CIT, PIT, Social Security contributions, customs duties), and therefore the Group does not include them in the balance of cash of restricted use.

24. Issued capital

24.1. Issued capital

Issued capital	*31 December 2019*	*31 December 2018*
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.

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 23 March 2020 the shareholders of ALUMETAL S.A. required to report significant blocks of shares did not change.

Shareholder rights

Each share, series A, B, C, D, E and F carries the right to one vote. 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 2019	*31 December 2018*
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%	5.98%
share in the number of votes	5.98%	5.98%
Krzysztof Błasiak		
share in equity	2.63%	2.61%
share in the number of votes	2.63%	2.61%
Szymon Adamczyk		
share in equity	1.80%	1.79%
share in the number of votes	1.80%	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	31.42%	31.45%
share in the number of votes	31.42%	31.45%

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

	23 March 2020
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	2.63%
share in the number of votes	2.63%
Szymon Adamczyk	
share in equity	1.80%
share in the number of votes	1.80%
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	31.42%
share in the number of votes	31.42%

25. 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 163 464 920.75 as at 31 December 2019 (as at 31 December 2018, profit appropriation in excess of statutory amount was PLN 182 759 096.73).

25.1. 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 Company until such time as the value of the reserve capital reaches at least one third of the issued capital of the 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.

25.2. Dividends paid and proposed

Dividends paid

On 17 May 2019, the Ordinary Annual General Meeting resolved to appropriate the Alumetal S.A.'s profit for the year from 1 January to 31 December 2018 in the following manner:

- PLN 43 862 155.46 deriving from the Company's net profit for the year – to dividend payment,
- PLN 54 500.00 – to transfer to the Company's Social Fund.

A decision was made about dividend payment to the Shareholders with a total value of PLN 63 156 331.44, i.e. PLN 4.08 per share, with the proviso that the amount of PLN 43 862 155.46 derived from the Company's net profit for 2018 earmarked for appropriation, while the remaining amount of PLN 19 294 175.98 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 2019. The dividend payment day was set for 27 June 2019 and the dividend was paid on that day.

The authorised 2018 dividend per share was PLN 4.08 (calculated based on the number of shares after the split, as described in more detail in Note 14).

Proposed dividend

The Management Board of ALUMETAL SA based in Kęty, after considering the growing coronavirus epidemic crisis and COVID-19 disease with their negative impact on the economic situation of the country and Europe, as well as the economic environment of the Company, will recommend to the Supervisory Board and the Annual General Meeting of Alumetal SA in its motion regarding the distribution of Alumetal SA's net profit *not to* pay dividend for 2019, but to create a reserve capital in the amount of 70% of normalized consolidated net profit of the Alumetal Group for 2019 earmarked for dividend payment, including advance dividend payment, in future years. At the same time, the Management Board will recommend that these funds are retained in the Company in the event of continuing unfavourable developments in the coming months, which – should they materialize - would mean a one-off departure from the dividend policy. The above solution will allow to secure the financial situation of the Group in the event of possible negative effects of further spread of epidemic risks. The Company informed the public about this intention of the Management Board in the current report No. 3/2020 on 16 March 2020. The value of the reserve capital allocated for dividend payment requested by the Management Board is PLN 43 806 965.19, which means that the amount of possible dividend per share paid in the future from this capital would be PLN 2.83.

26. Interest-bearing loans and borrowings

	Available limit***	Currency*	Maturity date	31 December 2019 Limit utilised in PLN	31 December 2018 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*	18.06.2020	49 993.85	646 819.65
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*	30.06.2020	66.48	14 710.53
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*	12.06.2020	49 459.36	46 154.00
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	8 534 034.00	8 617 200.00
Total short-term portion				**8 633 553.69**	**9 324 884.18**
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	15 560 559.00	24 329 400.00
Total				**24 194 112.69**	**33 654 284.18**

* the „currency" means solely the currency of the limit and thus may differ from loan currency
** the total limit for the short- and long-term portion of the investment loan is EUR 10 million
***Within the available limits, the Alumetal S.A. has the right to use the letters of credit and guarantees in favour of suppliers and other beneficiaries, which automatically reduces the balance of overdraft facilities available by same amounts; guarantees issued by banks within the available credit limits in favour of contractors and other non-financial institutions in the amount of PLN 4.3 million (31 December 2019) and PLN 5.8 million (31 December 2018) as part of the operational activities of the companies of the parent company

On some of the property belonging to Alumetal S.A. mortgage has been established in favour of Bank Handlowy w Warszawie. As at 31 December 2019, the value of land, buildings and constructions pledged as collateral was PLN 1 579 946.28 (as at 31 December 2018 – PLN 1 635 934.96).

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 44 702 511.95 (as at 31 December 2018 – PLN 46 111 777.59).

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 2019 to PLN 358 764.57 (as at 31 December 2018 - PLN 1 500 731.35).

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.

27. Provisions

27.1. Movements in provisions

	Provision for retirement benefits and similar obligations	**Total**
As at 1 January 2018	**161 905.41**	**161 905.41**
Recognition/ Reversal during the year	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**
As at 1 January 2019	**305 985.00**	**305 985.00**
Recognition/ Reversal during the year	-127 259.00	-127 259.00
Utilisation	–	–
As at 31 December 2019	**178 726.00**	**178 726.00**
Short-term as at 31 December 2019	**29 830.00**	**29 830.00**
Long-term as at 31 December 2019	**148 896.00**	**148 896.00**

The main assumptions adopted for the valuation of employee benefits as at the reporting date are as follows:

- CSO mortality tables - from 2018
- probability of retirement on grounds of disability (disability retirement) - 0.2%
- employee mobility model of the Entity - Multiple Decrement Model
- discount rate (in the period) - risk-free rate
- discount rate from 2020-01-01 and further (each year) - 1.99%
- forecast increases in the basis of benefits in nominal terms - 5.0%

The sensitivity analysis of provisions for retirement and disability pension benefits for the initial amount of provisions as at 31 December 2019 amounting to PLN 178 726.00 is presented in the table below:

Modification of actuarial valuation parameter	**Provision value with modified parameter (PLN)**	**Provision change value in absolute values (PLN)**	**% change**
Rotation rate -1.0%	189 475.00	10 749.00	6.0%
Rotation rate +1,0%	168 926.00	-9 800.00	-5.5%
Probability of disability retirement -0.5%	178 109.00	-617.00	-0.3%
Probability of disability retirement +0,5%	179 350.00	624.00	0.3%
Discount rate -1.00%	205 672.00	26 946.00	15.1%
Discount rate +1.00%	156 486.00	-22 240.00	-12.4%
Remuneration -1.0%	156 899.00	-21 827.00	-12.2%
Remuneration +1.0%	204 527.00	25 801.00	14.4%

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

28.1. Trade and other financial liabilities (current)

	31 December 2019	*31 December 2018*
Trade payables	227 415.25	265 808.48
Lease liabilities	17 441.85	
Payroll liabilities	252 087.25	272 215.04
Investment liabilities	–	203 720.44
Other liabilities	35 331.67	42 282.16
Total	**532 276.02**	**784 026.12**

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

28.2. Other non-financial liabilities

	31 December 2019	*31 December 2018*
VAT	221 230.96	206 323.70
Personal income tax	99 769.00	179 182.00
Social security	274 392.31	308 509.15
PFRON	3 645.00	2 431.00
Total, of which:	**599 037.27**	**696 445.85**
- short-term portion	599 037.27	696 445.85
- long-term portion	–	–

28.3. Accruals and deferred income

	31 December 2019	*31 December 2018*
Accruals, of which:		
- unused annual leave	225 319.40	188 146.60
- employee bonus, incl. annual bonus	56 000.00	393 000.00
Total, of which:	**281 319.40**	**581 146.60**
- short-term portion	281 319.40	581 146.60
- long-term portion	-	-

29. Investment liabilities

As at 31 December 2019 and 31 December 2018, there were no significant investment liabilities.

30. Contingent liabilities and contingent assets

30.1. Court proceedings

In the year ended 31 December 2019 and 31 December 2018, the Company was not a party to any significant court proceedings.

30.2. 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, current tax liabilities of the Company may be increased by additional amounts. As at 31 December 2019, neither the Company, nor its subsidiary companies were parties to tax proceedings.

31. Related party disclosures

As at 31 December 2019, the Company reported in its statement of financial position the amount of PLN 24 094 593.00 of the loan granted to the subsidiary company, Alumetal Group Hungary Kft. (as at 31 December 2018 – PLN 32 946 600.00). The value of dividend received from related entities in 2019 and 2018 was presented in table below:

Dividends received by Alumetal S.A. *Of which, from:*	*Year ended 31 December 2019*	*Year ended 31 December 2018*
Alumetal Poland sp. z o.o.	63 500 000.00	44 000 000.00
T+S sp. z o.o.	1 269 403.39	1 012 462.72
Total	**64 769 403.39**	**45 012 462.72**

The table below shows total balances of trading/ financial transactions with related entities in 2019 and 2018 (except for dividends and loans referred to above):

Related party		*Sales*	*Purchases*	*Receivables*	*Liabilities*
Alumetal Poland sp. z o.o.	*2019*	8 913 283.32	112 443.56	1 375 441.03	26 849.96
	2018	14 634 708.07	137 273.52	1 684 506.79	33 772.89
T+S sp. z o.o.	*2019*	83 817.46	–	10 719.41	–
	2018	158 551.85	22 100.00	18 952.79	2 214.00
Alumetal Group Hungary Kft.	*2019*	1 830 432.99	–	301 770.63	–
	2018	1 843 440.70	–	248 583.76	–

In addition, as described in more detail in Note 26, Group companies issued sureties/ collaterals for loan liabilities. Fees for the above transactions were disclosed under related-party settlements.

31.1. Terms and conditions of related party transactions

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

31.2. Director's loan

In the year 2019 and 2018, the Company did not extend any loans to the members of its Management Board.

31.3. Other transactions with Management Board Members

In the year 2019 and 2018, the Company did not conclude other transactions involving Management Board members.

31.4. Executive Board emoluments

	Year ended 31 December 2019	*Year ended 31 December 2018*
Remuneration of Management Board members of Alumetal S.A. at the parent and in subsidiaries (short-term employee benefits i.e. salaries and surcharges)	2 966 912.81	4 832 998.96
Agnieszka Drzyżdżyk - President of the Management Board, CEO[1]	649 376.14	403 704.19
Marek Kacprowicz – President of the Management Board, CEO[2]	336 681.77	186 318.14
Szymon Adamczyk - President of the Management Board, CEO[3]	–	1 519 525.38
Krzysztof Błasiak - Vice-president of the Management Board, Development and Metal Management Officer	1 322 899.54	1 846 812.20
Przemysław Grzybek – Member of the Management Board, CFO	657 955.36	876 639.05

[1] *Ms Agnieszka Drzyżdżyk was appointed President of the Management Board as of 17 April 2019*
[2] *Mr Marek Kacprowicz was appointed President of the Management Board as of 3 October 2018 (fulfilled this function until 17 April 2019)*
[3] *Mr Szymon Adamczyk was the President of the Management Board until 30 September 2018.*

In addition, in the analysed reporting period, Members of the Company's Management Board participated in the operated share incentive scheme described in Note 20.2.

Supervisory Board

		Year ended 31 December 2019	*Year ended 31 December 2018*
Total remuneration, of which:		**190 309.53**	**148 782.61**
Grzegorz Stulgis	Chairman of the Supervisory Board	–	–
Paweł Małyska	Member of the Supervisory Board	63 785.72	21 769.57
Michał Wnorowski	Member of the Supervisory Board	54 523.81	20 813.04
Franciscus Bijlhouwer	Member of the Supervisory Board	36 000.00	36 000.00
Szymon Adamczyk	Member of the Supervisory Board	36 000.00	5 739.13
Marek Kacprowicz	Member of the Supervisory Board	–	30 260.87
Tomasz Pasiewicz	Member of the Supervisory Board	–	17 100.00
Emil Ślązak	Member of the Supervisory Board	–	17 100.00

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 2019 amounted to EUR 0.00 (contract completed in 2018), while in 2018 – EUR 10 000.00.

Based on the agreement signed in 2018 for the purchase of advisory services from the company operating under the name Szymon Adamczyk Doradztwo, the Company received in 2019 invoices for the total amount of PLN 625 200.00 (2018 - 170 000.00).

32. Remuneration of certified auditor or audit firm

The table below shows the remuneration of the entity authorised to audit financial statements, paid or payable for the year ended 31 December 2019 and 31 December 2018, by type of services:

Type of service	*Year ended 31 December 2019**	*Year ended 31 December 2018**
Statutory audit of consolidated and separate financial statements	100 000.00	100 000.00
Review of interim financial statements	50 000.00	50 000.00
Total	**150 000.00**	**150 000.00**

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

33. Financial risk management objectives and policies

The main type of business activity of the Company is conducting operations of a holding company. As part of these operations, the Company manages the financial risk incurred by the companies of the Alumetal Group. The main types of risk described in detail in the consolidated financial statements of the Alumetal S.A. Capital Group for the year ended 31 December 2019 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 2019.

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 2018 and described in the consolidated financial statements of the Alumetal S.A Capital Group for 2017.

33.1. Interest rate risk

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

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

In addition, the Company took out a long-term investment loan at ING Bank Śląski S.A. in the amount of EUR 10 million, with an interest rate of 1M 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.

33.2. Foreign currency risk

In executing its holding services, the Company realizes rather limited foreign currency sales. In addition, foreign currency purchases are also made to a very limited extent, and so is the use of foreign currency loans and borrowings for the purpose of current holding-related services. For this reason, in 2019 the risk of foreign currency did not practically occur.

33.3. Credit risk

The Company's customers are related entities and therefore credit risk does not practically exist. In the case of a loan granted and commercial guarantees for subsidiaries, Alumetal S.A. has full control over the situation due to close personal and capital connections as well as direct and indirect management functions (personnel union, holding services).

33.4. Liquidity risk

In managing the Group's finance and using its financial strength, the Company 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 2019 and 31 December 2018, based on maturity dates of contract undiscounted payments.

Payable in:	*< 3 months*	*3 – 12 months*	*1 - 5 years*	*> 5 years*	*Total*
31 December 2019					

Payable in:	*< 3 months*	*3 – 12 months*	*1 - 5 years*	*> 5 years*	*Total*
Trade and other financial liabilities	532 276.02	–	–	–	532 276.02
Lease liabilities	–	17 441.85	69 767.40	571 488.79	658 698.04
Overdraft facilities	–	99 519.69	–	–	99 519.69
Investment loan	2 133 508.50	6 400 525.50	15 560 559.00	–	24 094 593.00*
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*

*this amount is not directly covered by current liquidity management, because (as stated in Note 26) it represents a long-term liability under the loan taken out to finance an investment project in Hungary.

34. Financial instruments

34.1. Fair value of financial instruments, by class

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

	Category in accordance with IFRS 9	*Carrying amount*	
		31 December 2019	*31 December 2018*
Financial assets			
Other financial assets (short-term)	FAaAC	8 534 034.00	8 617 200.00
Trade and other receivables	FAaAC	1 769 313.78	2 422 272.76
Derivative financial instruments	aFVtPL	–	–
Cash and cash equivalents	FAaAC	287 195.69	21 870.28
Total		**10 590 543.47**	**11 061 343.04**

	Category in accordance with IFRS 9	*Carrying amount*	
		31 December 2019	*31 December 2018*
Financial liabilities			
Interest-bearing loans and borrowings	FLaAC	24 194 112.69	33 654 284.18
Trade and other financial liabilities	FLaAC	532 276.02	784 026.12
Derivative financial instruments	aFVtPL	–	–
Total		**24 726 388.71**	**34 438 310.30**

The fair value of financial instruments the Company held as at 31 December 2019 and 31 December 2018 *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;
- with regard to the long-term instruments (investment loan), their interest rate is based on variable interest rates and the margins provided in the loan agreements at each reporting date did not differ from prevailing market margins.

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

Year ended 31 December 2019

	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	246 488.81	-224 068.90	–	–	–	–	**22 419.91**
Trade and other receivables	FAaAC	–	-6 798.55	–	–	–	–	**-6 798.55**
Derivative financial instruments	aFVtPL	–	–	–	–	–	–	–
Cash and cash equivalents	FAaAC	1 990.75	–	–	–	–	–	**1 990.75**
Financial liabilities								
Interest-bearing loans and borrowings	FLaAC	-215 878.22	227 585.53	–	–	–	–	**11 707.31**
Trade and other financial liabilities	FLaAC	-206.63	-912.57	–	–	–	–	**-1 119.20**
Total		**32 394.71**	**-4 194.49**	–	–	–	–	**28 200.22**

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**

34.3. Change in liabilities from financing activities

Year ended 31 December 2019

	1 January 2019	*Changes from cash flow from financing activities*	*Effect of exchange rates fluctuations*	*Other changes*	*31 December 2019*
Interest-bearing loans and borrowings (long-term)	24 329 400.00	–	-234 807.00	-8 534 034.00	15 560 559.00
Interest-bearing loans and borrowings (short-term)	8 617 200.00	-8 628 021.60	10 821.60	8 534 034.00	8 534 034.00
Lease liabilities	657 686.79	-12 797.00	–	13 808.24	658 698.03
Total liabilities arising from financing activities	**33 604 286.79**	**-8 640 818.60**	**-223 985.40**	**13 808.24**	**24 753 291.03**

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**

34.4. 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 26.

31 December 2019

Variable interest rate

	<1 year	*1–2 years*	*2-3 years*	*>3 years*	*Total*
Cash assets	287 195.69	–	–	_	287 195.69
Overdraft facilities	99 519.69	–	–	–	99 519.69
Investment loan	8 534 034.00	8 534 034.00	7 026 525.00	–	24 094 593.00
Total	**8 920 749.38**	**8 534 034.00**	**7 026 525.00**	–	**24 481 308.38**

31 December 2018

	<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**

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

35. Capital management

The Company manages its capital mainly from the perspective of the financial situation of the entire Alumetal S.A. Capital Group, because on the one hand it is Alumetal SA that shapes the financial policy of the entire Group, and on the other - the assessment of the financial situation of Alumetal SA is usually based on the financial condition 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 Company monitors capital at Group level 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 40% to 60%. 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 Company also monitors at Group level the relation of current debt to the EBITDA earned.

Presented in the table below are the amounts and capital ratios that relate solely to Alumetal S.A.

	31 December 2019	*31 December 2018*
Interest-bearing loans and borrowings	99 519.69	707 684.18
Trade and other financial liabilities	532 276.02	784 026.12
Less: cash and cash equivalents	-287 195.69	-21 870.28
Net debt, total	**344 600.02**	**1 469 840.02**
Shareholders’ equity	258 395 600.02	257 172 287.97
Capital and total net debt	**258 740 200.04**	**258 642 127.99**
Gearing ratio (Shareholders’ equity/ Capital and total net debt)	0.1%	0.6%

36. Employment structure

The average employment in the Company in the year ended 31 December 2019 and 31 December 2018 was as follows:

	Year ended 31 December 2019	*Year ended 31 December 2018*
Management Board	3	4
Managers, specialists and administration	52	56
Total	**55**	**60**

37. Events after the reporting date

A. Joining the scheme of Employee Capital Plans (ECP)

Polish companies of the Alumetal Group have completed the process of selecting a managing company that will support the Group in the participation in the scheme of Employee Capital Plans *(PPK - Pracowniczy Plan Kapitałowy)*. The Group's plants joined the ECP scheme by signing an ECP management contract and an ECP scheme operating contract on 18 March 2020.

B. Outbreak and progression of COVID-19 pandemic in Poland and in Europe

1Q 2020 saw the outbreak of the coronavirus pandemic and COVID-19 disease, which may have significant impact on the situation of the automotive industry in Europe and in the world. The standpoint and analysis of the Company’s Management Board regarding the current epidemic crisis are presented in Note 7 to these financial statements.

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:

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

Kęty, 23 March 2020