THE ALUMETAL S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Kęty, 15 March 2022

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

(in PLN thousand)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020 (restated)*
Revenues from contracts with customers	12.1	2 186 948	1 061 602
Cost of sales	12.2	-1 935 963	-949 342
Gross profit on sales		**250 985**	**112 260**
Other operating income	12.5	7 207	6 710
Selling expenses	12.2	-43 403	-26 226
Administrative expenses	12.2	-35 579	-24 228
Other operating expenses	12.6	-488	-1 733
Operating profit		**178 722**	**66 783**
Finance income	12.7	3 225	595
Finance costs	12.8	-1 294	-1 687
Profit before tax		**180 653**	**65 691**
Income tax	14	-29 038	-10 645
Net profit from continuing operations		**151 615**	**55 046**
Net profit/ (loss) for the year		**151 615**	**55 046**
Other comprehensive income			
Cumulative translation differences	13	-1 091	-894
Net other comprehensive income subject to reclassification to profit/ (loss) in subsequent reporting periods		**-1 091**	**-894**
Net other comprehensive income for the period		**-1 091**	**-894**
COMPREHENSIVE INCOME FOR THE YEAR		**150 524**	**54 152**
Profit attributable to:			
Equity holders of the parent		**151 615**	**55 046**
Non-controlling interest		–	–
Comprehensive income attributable to:			
Equity holders of the parent		**150 524**	**54 152**
Non-controlling interest		–	–

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020 (restated)*
Earnings per share (in PLN):	15		
- **basic from the profit for the year attributable to equity holders of the parent**		**9.73**	**3.56**
- basic from the profit from continuing operations for the year attributable to equity holders of the parent		9.73	3.56
- basic from the profit from discontinued operations for the year attributable to equity holders of the parent		–	–
- **diluted from the profit for the year attributable to equity holders of the parent**		**9.61**	**3.56**
- diluted from the profit from continuing operations for the year attributable to equity holders of the parent		9.61	3.56
- diluted from the profit from discontinued operations for the year attributable to equity holders of the parent		–	–

(in PLN thousand)

Consolidated Statement of Financial Position
As at 31 December 2021

	Note	*31 December 2021*	*31 December 2020 (restated)*
ASSETS			
Intangible assets	16	2 891	2 781
Property, plant and equipment	17	342 653	353 677
Right-of-use assets (ROU assets)	18.1	6 435	6 703
Long-term receivables	19.1	5 136	1 442
of which: other non-financial assets (non-current)	19.1	5 136	1 442
Deferred tax assets	14.3	25 463	23 582
Non-current assets		**382 578**	**388 185**
Inventories	22	358 032	207 209
Trade and other receivables	23	426 177	263 213
of which: other non-financial assets	19.1	208	215
Current tax assets		24	374
Derivative financial instruments	35.1	760	–
Cash and cash equivalents	24	5 045	19 202
Current assets without non-current assets held for sale		**790 038**	**489 998**
Current assets		**790 038**	**489 998**
TOTAL ASSETS		**1 172 616**	**878 183**

(in PLN thousand)

Consolidated Statement of Financial Position (cont.)

As at 31 December 2021

	Note	*31 December 2021*	*31 December 2020 (restated)*
EQUITY AND LIABILITIES			
Issued capital	25.1	1 558	1 548
Share premium		16 204	11 921
Capital from revaluation of incentive scheme	21.2	3 038	1 838
Cumulative translation differences		-6 093	-5 002
Retained earnings/ (unabsorbed losses)		671 190	563 531
Shareholders' equity		**685 897**	**573 836**
Equity attributable to equity holders of the parent		685 897	573 836
Non-controlling interest		–	–
Interest-bearing loans and borrowings	26	–	–
Provisions	21.1, 27	913	1 068
Deferred tax liability	14.3	84	73
Lease liabilities	18.1	3 910	4 104
Other liabilities	28.3	24 572	20 548
of which: accruals and deferred income	28.3	24 572	20 548
Non-current liabilities		**29 479**	**25 793**
Current portion of interest-bearing loans and borrowings	26	161 201	99 270
Provisions	21.1, 27	187	94
Trade and other payables	28.1, 28.2	293 774	177 604
of which: accruals and deferred income	28.3	5 374	3 811
Lease liabilities	18.1	272	281
Current tax liability		1 497	201
Derivative financial instruments	35.1	309	1 104
Current liabilities without liabilities included in disposable groups		**457 240**	**278 554**
Current liabilities		**457 240**	**278 554**
Total liabilities		**486 719**	**304 347**
TOTAL EQUITY AND LIABILITIES		**1 172 616**	**878 183**

(in PLN thousand)

Consolidated Statement of Cash Flow
For the year ended 31 December 2021

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020 (restated)*
Cash flow from operating activities			
Gross profit		**180 653**	**65 691**
Adjustments for:		**-132 080**	**-46 843**
Depreciation/ amortization	12.3	35 680	31 207
(Profit)/ loss from investing activities		-347	364
FX (gains)/ losses		-850	3 120
(Increase)/decrease in receivables and other financial and non-financial assets		-140 579	-45 982
(Increase)/ decrease in inventories		-150 824	-85 796
Increase/(decrease) in liabilities, except for loans and borrowings		123 601	45 810
Interest income		–	-186
Interest expense		1 070	700
Change in provisions		-62	36
Cost of incentive scheme		2 728	-108
Other	32	-2 497	3 992
Cash flow from operations		48 573	18 848
Income tax paid		-29 261	-3 628
Net cash flow from operating activities		**19 312**	**15 220**
Cash flow from investing activities			
Disposal of property, plant and equipment and intangible assets		381	27
Purchase of property, plant and equipment and intangible assets		-51 908	-57 413
Development expenses		-4 188	-181
Interest received		–	186
Proceeds from realised derivatives		910	–
Expenditure on realised derivatives		–	-1 276
Net cash flow from investing activities		**-54 805**	**-58 657**

(in PLN thousand)

Consolidated Statement of Cash Flow (cont.)
For the year ended 31 December 2021

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020 (restated)*
Cash flow from financing activities			
Proceeds from share issue		4 293	–
Dividends paid to equity holders of the parent		-45 484	–
Repayment of lease liabilities		-204	-132
Repayment of long-term loans and borrowings (including investment loans)		-9 181	-8 954
Interest paid		-1 070	-700
Subsidies received		1 035	272
Net cash flow from financing activities		**-50 611**	**-9 514**
Increase/(decrease) in the balance of cash and cash equivalents, before FX differences		**-86 104**	**-52 951**
FX differences, net		743	-1 318
Increase/(decrease) in the balance of cash and cash equivalents		-85 361	-54 269
Cash and cash equivalents at the beginning of the year	24	**-63 206**	**-8 937**
Cash and cash equivalents at the end of the year	24	**-148 567**	**-63 206**

(in PLN thousand)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	*Issued capital*	*Share premium*	*Capital from revaluation of incentive scheme*	*Cumulative translation differences*	*Retained earnings/ (unabsorbed losses)*	*Equity attributable to the equity holders of the parent*	*Equity attributable to minority interest*	*Total*
As at 1 January 2021	**25**	**1 548**	**11 921**	**1 838**	**-5 002**	**563 531**	**573 836**	**–**	**573 836**
Net profit for the year		–	–	–	–	151 615	151 615	–	151 615
Other comprehensive income, net, for the year		–	–	–	-1 091	–	-1 091	–	-1 091
Comprehensive income for the year		–	–	–	**-1 091**	**151 615**	**150 524**	**–**	**150 524**
Capital increase due to acquisition of incentive shares		10	4 283	–	–	–	4 293	–	4 293
Cost of incentive scheme	21.2	–	–	2 728	–	–	2 728	–	2 728
Settlement of incentive scheme		–	–	-1 528	–	1 528	–	–	–
Dividend payment		–	–	–	–	-45 484	-45 484	–	-45 484
Increase (decrease) in the value of equity		**10**	**4 283**	**1 200**	**-1 091**	**107 659**	**112 061**	**–**	**112 061**
As at 31 December 2021		**1 558**	**16 204**	**3 038**	**-6 093**	**671 190**	**685 897**	**–**	**685 897**

(in PLN thousand)

	Note	*Issued capital*	*Share premium*	*Capital from revaluation of incentive scheme*	*Cumulative translation differences*	*Retained earnings/ (unabsorbed losses)*	*Equity attributable to the equity holders of the parent*	*Equity attributable to minority interest*	*Total*
As at 1 January 2020	**25**	**1 548**	**11 921**	**1 946**	**-4 108**	**508 485**	**519 792**	**–**	**519 792**
Net profit for the year		–	–	–	–	**55 046**	**55 046**	–	**55 046**
Other comprehensive income, net, for the year		–	–	–	-894	–	-894	–	-894
Comprehensive income for the year		–	–	–	**-894**	**55 046**	**54 152**	–	**54 152**
Cost of incentive scheme	**21.2**	–	–	-108	–	–	-108	–	-108
Dividend payment		–	–	–	–	–	–	–	–
Increase (decrease) in the value of equity		–	–	**-108**	**-894**	**55 046**	**54 044**	–	**54 044**
As at 31 December 2020 (restated)		**1 548**	**11 921**	**1 838**	**-5 002**	**563 531**	**573 836**	**–**	**573 836**

(in PLN thousand)

Accounting policies and notes

1. General information

The Alumetal S.A. Capital Group (the „Group”) is composed of ALUMETAL S.A. („parent company”, “parent”, the „Company” or „Alumetal”) and its subsidiary companies (see Note 2).

Basic information about the Company:

Name of the parent company: Alumetal S.A.

Name of the ultimate parent company of the Group: Alumetal S.A.

Name of the reporting unit: Alumetal S.A.

Explanation of changes in the name of the reporting entity or other identification data that have occurred since the end of the previous reporting period: did not occur.

Registered office of the parent company: Kęty, ul. Kościuszki 111, Poland.

Address of the registered office of the parent company: Kęty, ul. Kościuszki 111, Poland.

Country of registration: Poland

Legal form of the parent company: joint-stock company.

Main place of business: Kęty, ul. Kościuszki 111, Poland

The parent company was incorporated in 2003 following the transformation of Alumetal sp. z o.o. and is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court in Cracow, 12th Economic Department of the National Court Register, entry No. KRS 0000177577.

The Company has Tax Identification Number, NIP, 5492040001 and statistical number REGON 357081298.

The Company is listed on the Warsaw Stock Exchange under number ISIN PLALMTL00023 and is classified in the metal sector. The Company was granted code LEI 2594004BZJVEE3TFD078.

The parent company and the companies of the Group have an unlimited period of operation.

The main area of business activities of the Group is production and sale of aluminium alloys.

In the year ended 31 December 2021, there were no changes to the scope of business activities of the Group compared to the year ended 31 December 2020.

The consolidated financial statements of the Group cover the year ended 31 December 2021 and contain comparative data for the year ended 31 December 2020.

2. Composition of the Group

The Group is composed of the parent company, Alumetal S.A., and the following subsidiary companies:

Entity	*Registered office*	*Scope of business activities*	*% in the share capital*	
			31 Dec 2021	*31 Dec 2020*
Alumetal Poland sp. z o.o.	Nowa Sól, Poland	Production	100%	100%
T + S sp. z o.o.	Kęty, Poland	Production	100%	100%
Alumetal Group Hungary Kft.	Komarom, Hungary	Production	100%	100%

As at 31 December 2021 and 31 December 2020, the Company’s share in the total number of votes in the subsidiary companies equated to the Company’s’ share in the equity of those companies.

3. Management Board of the parent

As at 31 December 2021, 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 - Management Board Member.

During the period from the reporting date to the date of the authorization of these consolidated financial statements there were no changes in the composition of the Company's Management Board.

4. Authorisation of consolidated financial statements

These consolidated financial statements were authorised for issue by the Management Board on 15 March 2022.

5. Professional judgment and accounting estimates

5.1. Professional judgment

In preparing the Group's consolidated financial statements, the Management Board of the parent is required to make professional judgment, apply accounting estimates and make certain assumptions, which all have impact on the presented revenues, costs, assets and liabilities and the related notes and disclosures concerning contingent liabilities. The uncertainty regarding these assumptions and estimates may result in material adjustments to the carrying amounts of assets and liabilities in the future.

In the process of applying the Group's accounting policies, the Company's Management Board applied the following judgments which have 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 Group will obtain economic benefits related to the given transaction and the amount of revenue can be reliably measured. Revenue is recognised at the fair value of the consideration received or receivable, less value added tax and discounts/ rebates/ concessions, if any. In revenue recognition, the following criteria are also binding:

- revenue is recognised when the control over goods for resale, products, materials or waste has passed to the buyer and when the amount of the revenue can be measured in a reliable manner;
- with respect to the sale of goods for resale, products, materials or waste, the sale contract contains only one performance obligation – sale of the given goods. Revenue is recognised at a specific point in time i.e. when the customer obtains control of a promised asset (goods for resale);
- with respect to the sale of services, the sale contract contains only one performance obligation – performance of services. Revenue is recognised at a specific point in time i.e. upon service completion.

Functional currency

The parent company performed an appropriate analysis to determine its functional currency, based on the analysis of revenues, costs, capital expenditures and external borrowings used. Based on this analysis, the parent company determined that for all entities of the Group, except for the foreign entity, the Alumetal Group Hungary Kft., the functional currency is Polish zloty (PLN).

Presentation of overdraft facilities

Due to the fact that the Management Board of the Company considered overdraft facilities an integral part of cash and cash equivalents management (quick maturity of loans, high volatility of the sign of account balances), in accordance with the IFRS Guidelines, for the purpose of preparation of the consolidated statement of cash flow, the Group presented overdraft facilities as a reduction of the balance of cash and cash equivalents.

Leases – Group as lessee

The Group 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 Group has the possibility to apply the extension option. The Group applies judgement in making an assessment whether there is sufficient certainty that the extension option will be used. This means that the Group 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 Group 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 Group 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.

5.2. Uncertainty of estimates and assumptions

Presented below are the key assumptions concerning the future and other key sources of uncertainty 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 Group adopted assumptions and estimates about the future based on the knowledge held during the preparation of the consolidated 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 Group. 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. Capitalized 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. Group entities perform annual verification of the adopted useful lives of their assets based on current estimates. Verification of assets' useful life performed in 2021 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 10.4.

Impairment losses of trade receivables

The Group 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 Group uses its historical data on credit losses, adjusted, where appropriate, by the impact of information relating to the future. Despite temporary deterioration in the timeliness of payments on the part of some customers after the outbreak of the coronavirus pandemic, no permanent and significant deterioration in the payment morality of customers was noted, so as a consequence the model for calculating potential credit losses has not changed.

Detailed information on the value of impairment write-downs of receivables and inventories is presented in Note 22 and Note 23 to these consolidated 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 Group recognizes a deferred tax asset based on the assumption that taxable profit will be available in the future, against which the deferred tax asset will be realised. Any deterioration of taxable profits in the future could render this assumption unreasonable.

A special title for the deferred tax asset is deferred tax asset relating to possible utilisation of public aid in the form of partial income tax exemption (tax credit), as described in more detail in Note 14.3. The estimation of deferred tax asset from this title (public aid planned to be used in the subsequent years) and recognition of this asset was performed in accordance with IAS 12 *Income Taxes* and detailed regulations governing functioning of partial income tax exemption. In particular, this estimate was performed on the basis of forecasted tax results for the ensuing years. Any deterioration or improvement of realised tax results in the future may have impact on the level of estimated deferred tax asset.

In the opinion of the Group, based on the performed estimates and based on the adopted real assumptions underlying these estimates, as at the date of the preparation of these consolidated financial statements there is no significant risk of non-realisability of a deferred tax asset recognised in the attached consolidated financial statements.

Detailed information on the components of deferred tax asset is presented in Note 14.3 to these consolidated financial statements.

Valuation of provisions for employee benefits

The provisions for employee benefits were estimated using the actuarial methods. In the years 2020 and 2021, no significant changes occurred in the assumptions/ estimates with an impact on the Group's financial result or other comprehensive income in those periods. Interest rates fluctuations in the presented periods did not have any significant impact on the said provisions. Detailed information on provisions for employee benefits is presented in Note 21.1 to these consolidated financial statements.

Valuation of provision for litigation

Based on the accounting policy presented in Note 10.19, the Group creates a provision for litigation.

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 currency forwards is included in the result from financial activities of the Group, and the foreign exchange risk is described in Note 34.2.

Valuation of incentive programs

The fair value of incentive programs is estimated both for instruments without market condition and with market condition by an actuary valuing a given program using appropriate methods most appropriate for the version of the given program e.g. using the finite difference method (the FDM method) or the Monte Carlo simulation method combined with the least squares linear regression method i.e. the so-called Longstaff-Schwartz method. Detailed information on the Incentive Programs (Schemes) III and IV and their measurement are presented in Note 21.2 to these consolidated financial statements.

Impairment of 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 such evidence exists, 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 parent analysed, among others, evidence deriving from the internal reporting as well as the factors obtained from the external sources of information which were described in more detail in Note 10.7 to these consolidated financial statements. As a result of the analysis, no indictors were identified pointing to the necessity to carry out tests for impairment of assets in the Alumetal Group.

Lessee's incremental borrowing rate

The Group is unable to easily determine the interest rate for lease contracts, and therefore it uses the lessee's incremental borrowing rate when measuring the lease liability. It is the rate of interest that the Group would have to pay to borrow for 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.

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 the tax exposure in the countries, in which the Group operates is greater than in the 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.

With respect to the EU regulations, specifically in Poland, on 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). The provisions of 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 enables Polish taxation authority challenge such arrangements realised by tax remitters as group restructuring or reorganization.

The Group measures and recognises current and deferred 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, 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 Group recognises these settlements while considering uncertainty assessment.

6. Basis of preparing consolidated financial statements

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

These consolidated financial statements are presented in PLN thousand and all amounts are stated in PLN thousands, except when otherwise indicated.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future.

At the date of the authorization of these consolidated financial statements, no facts or circumstances were identified that would indicate a threat to the continued activity of Group companies.

The results of the ALUMETAL Group were in 2020 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 was the strongest in 2Q 2020, when it caused production downtime in the automotive industry, which is the main customer of the Alumetal Group. In 2021, this impact was much smaller, and at the time of the publication of these consolidated financial statements, in the opinion of the Management Board, the pandemic no longer has a strong, direct impact on the current operations of the Alumetal Group, because despite the existence of many restrictions on mobility and the continuing epidemiological threat that cause uncertainty in the global, European and national economy, this has not translated into a significant negative effect on demand for Alumetal Group products for about a year and a half.

However, it should be kept in mind that the constantly changing pandemic 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 fully predict the further development of events and, consequently, the impact of the pandemic on the financial results of the Company in the following years and its development prospects.

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 the foreseeable future, i.e. 12 months from the date of the authorization of these consolidated financial statements for publication.

6.1. Statement of compliance

The attached consolidated financial statements have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union ("EU IFRSs"). At the date of the authorisation of these consolidated 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 Group and the EU IFRSs.

The EU IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB").

Some of the Group's subsidiary companies keep their books of accounts in accordance with the accounting policies specified in the Accounting Act dated 29 September 1994 ("the Accounting Act") with subsequent amendments, and in accordance with the regulations issued based on that Act ("Polish Accounting Standards") and in accordance with Hungarian Accounting Standards ("Hungarian Accounting Standards"). These consolidated financial statements include certain adjustments which are not present in the books of account of Group companies, but which were introduced to achieve the compliance of the financial statements of those companies with the IFRSs.

6.2. Functional and presentation currency

These consolidated financial statements were prepared in Polish zloty, which is also the functional currency of the parent company. For each of the Group's subsidiary companies, the functional currency is determined, and the assets and liabilities of that company are measured in that functional currency. For all subsidiary companies, except for the foreign operations, i.e. the Alumetal Group Hungary Kft., the functional currency is Polish zloty (PLN). The functional currency of Alumetal Group Hungary Kft. is Hungarian forint (HUF). The Group has applied direct consolidation method and has selected the method of accounting for translation gains and losses which is consistent with the applied consolidation method.

7. Changes in estimates

Changes in estimates in the key areas referred to in Note 5 above, including:

- impairment write-downs of receivables and inventories – Note 22 and Note 23;
- provision for litigation – Note 27;
- valuation of incentive scheme – Note 21.2;
- deferred tax asset – Note 14.3

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

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

8. Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those which were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the application of the new or amended standards and interpretations binding for the annual reporting periods commencing on 1 January 2021 or later.

The amended standards or interpretations which are applicable for the first time in 2021 do not have any significant impact on the consolidated financial statements of the Group.

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform

In response to the expected reform of reference rates (IBOR reform), the International Accounting Standards Board published the second part of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, which apply from 1 January 2021. The amendments relate to accounting issues that will arise when financial instruments based on IBOR switch to new interest rates. The amendments introduce a number of guidelines and exemptions, in particular practical expedients in the case of modifications to contracts required by the reform, which will be recognised by updating the effective interest rate, exemption from the obligation to terminate hedge accounting, temporary exemption from the need to identify the risk component, as well as the obligation to include additional disclosures.

b) Amendment to IFRS 4: Application of IFRS 9 Financial Instruments

The amendment to IFRS 4 *Insurance Contracts* defers the application of IFRS 9 *Financial Instruments* until 1 January 2023 until IFRS 17 *Insurance Contracts* becomes effective.

c) Amendments to IFRS 16 Leases

Due to the coronavirus (COVID-19) pandemic, in 2020 an amendment to IFRS 16 was introduced, which allowed for the application of practical expedient in assessing whether changes in lease agreements introduced during the pandemic constitute modifications to leases. As a result, lessees were able to benefit from the practical expedient of not applying IFRS 16 guidelines on the modification of lease agreements. Since this change concerned reduction in lease payments due until 30 June 2021 and earlier, hence in March 2021, the IASB extended the applicability of this practical expedient for reductions in lease payments until June 2022. The change is effective from 1 April 2021 with the possibility of its earlier application.

The Group 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.

9. 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:

a) Amendments to IAS 1 „Presentation of financial statements"

The IASB published amendments to IAS 1, which clarify the issue of presenting liabilities as long- and short-term. The published changes are effective for financial statements for periods beginning on or after 1 January 2023.

As at the date of the preparation of these consolidated accounts, this amendment has not yet been approved by the European Union.

b) Amendments to IAS 16 „Property, plant and equipment"

The amendment prohibits adjusting the cost of production of property, plant and equipment by the amounts obtained from the sale of components produced in the period of preparing the property, plant and equipment to start operating as intended by the management. Instead, the entity shall recognize the above-mentioned sales revenues and related costs directly in the profit and loss account. The amendment is effective for financial statements for periods beginning on or after 1 January 2022.

c) Amendments to IAS 37 „Provisions, Contingent Liabilities and Contingent Assets"

The amendments to IAS 37 provide clarifications regarding the costs that an entity considers in analyzing whether the contract is an onerous contract. The amendment is effective for financial statements for periods beginning on or after 1 January 2022.

d) Annual Improvements to IFRSs (Cycle 2018 – 2020)

Annual Improvements to IFRSs (Cycle 2018 – 2020) introduce changes to the standards: IFRS 1 *"First-time Adoption of International Financial Reporting Standards"*, IFRS 9 *"Financial Instruments"*, IAS 41 *"Agriculture"* and the illustrative examples to IFRS 16 *"Leases"*.

The amendments provide explanations and clarify the guidelines of the standards for recognition and measurement.

e) Amendments to IAS 1 „Presentation of financial statements" and IASB Practice Statement with regard to the disclosure of accounting policy

The amendment to IAS 1 requires disclosure of material information about accounting policies that are defined in the Standard. The amendment clarifies that information on accounting policies is material if, in the absence thereof, users of the financial statements would not be able to understand other material information contained in the financial statements. In addition, the IASB's guidelines on the practical application of the concept of materiality have also been amended to provide guidance on the application of the concept of materiality to disclosures of accounting policies.

As at the date of the preparation of these consolidated statements, these amendments have not yet been approved by the European Union.

f) Amendments to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021, the Board (IASB) published an amendment to IAS 8 *„Accounting Policies, Changes in Accounting Estimates and Errors"* regarding the definition of accounting estimates. The amendment to IAS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates.

As at the date of the preparation of these consolidated statements, these amendments have not yet been approved by the European Union.

g) Amendments to IAS 12 „Income Taxes"

Amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and decommissioning obligations. Prior to the amendment to the Standard, there were uncertainties as to whether the first recognised deferred tax exemption applied to such transactions, i.e. where both deferred tax assets and deferred tax liabilities are recognised. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions which, on initial recognition, give rise to the same taxable and deductible temporary differences.

The amendment applies to financial statements for the periods beginning on or after 1 January 2023.

As at the date of the preparation of these consolidated statements, these amendments have not yet been approved by the European Union.

h) IFRS 14 „Regulatory Deferral Accounts"

This standard allows entities that prepare financial statements in accordance with IFRS for the first time (on or after 1 January 2016) to recognize amounts resulting from activities with regulated prices in accordance with the accounting principles applied so far. To improve comparability with entities that already apply IFRSs and do not report such amounts, in accordance with the published IFRS 14, the amounts resulting from activities with regulated prices should be presented in a separate line both in the statement of financial position, profit and loss account and in the statement of other comprehensive income.

By the decision of the European Union, IFRS 14 will not be approved.

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.

As at the date of the authorization of these consolidated financial statements for publication, the Management Board does not expect the introduction of other standards and interpretations to have a significant impact on the accounting principles (policy) applied by the Group.

10. Significant accounting policies

10.1. Basis of consolidation

These consolidated financial statements comprise the annual financial statements of Alumetal S.A. and annual financial statements of its subsidiaries prepared, in each case, as at 31 December 2021 and for the year then ended.

The financial statements of subsidiaries, i.e. of T+S sp. z o.o. and Alumetal Group Hungary Kft., *after considering the adjustments made to achieve conformity with IFRSs*, were prepared for the same reporting period as those of the parent company, using consistent accounting policies to similar business transactions and events. Adjustments were made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date, on which such control ends.

The parent controls an entity, if the parent 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 Group 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.

10.2. Re-measurement to fair value

At each reporting date, the Group 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 the 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 Group 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 Group 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 Group 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.

For the purpose of the disclosure of the results of re-measurement to fair value, the Group 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, as described above.

(in PLN thousand)

10.3. Foreign currency translation

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

At the reporting date, monetary 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, as appropriate, 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 recognised at fair value are recognised consistently with the recognition of profit or loss on fair value re-measurement i.e. under other comprehensive income or in profit or loss, depending on the place of recognition of a change in the fair value.

The following exchange rates were used for valuation purposes:

	31 December 2021	*31 December 2020*
USD	4.0600	3.7584
EUR	4.5994	4.6148
100 HUF	1.2464	1.2638

In 2021, the functional currency of foreign subsidiary company was Hungarian forint (HUF). At the reporting date, assets and liabilities of the foreign subsidiary are translated into Group presentation currency at the exchange rate prevailing at the reporting date, while its statement of comprehensive income is translated at the weighted average rate of exchange for the given reporting period. Any resultant exchange differences are recognized under other comprehensive income and accumulated under separate item of the shareholder's equity *(Cumulative translation differences).* Where a foreign subsidiary is disposed of, the deferred foreign exchange differences accumulated in the shareholders' equity are taken to the profit or loss.

The weighted average exchange rates for the presented reporting periods were as follows:

	Year ended 31 December 2021	*Year ended 31 December 2020*
100 HUF	1.2758	1.2636

10.4. 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 obtaining 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 – 50 years
Plant and machinery	2 - 25 years
Office equipment	2 - 5 years
Motor vehicles	3 - 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.

10.5. 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 Group 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 reporting period that has just ended.

Research and development costs

In order to assess whether an intangible asset produced by the Group meets the recognition criteria, the Group divides the process of creating assets into the research and development stage.

Research work is an innovative and planned search for solutions, undertaken with the intention of gaining and assimilating new scientific and technical knowledge. Research costs are recognized in profit or loss as incurred

An intangible asset resulting from development work is recognized by the Group when it is able to prove:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) its intention to complete the intangible asset and to use or sell it;

c) its ability to use or sell the intangible asset;

d) how the intangible asset will generate probable future economic benefits;

e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 the expected future sales income from the related project.

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

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

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

Reach costs

It is the Group policy to capitalize license-obtaining costs in the Reach system. Along with Reach system product registration, the right is obtained to the production and sale of the products which bring about economic benefits. In addition, assets originating as a result of registration may not be separated from the entity, they rather result from a legal title. Such assets are of non-monetary character and do not have physical form.

Subject to capitalization are the costs directly allocable to the concrete registration. Such costs include, among others, registration fee. The Reach-based costs are recognised in other intangible assets and are amortized over the same period as tangible fixed assets used for underlying product development.

10.6. Leases

10.6.1. The Group as lessee

At inception of a contract, the Group 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 Group 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 Group recognizes a right-of-use asset and a lease liability.

Right-of-use assets

The Group 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 Group 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 Group 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 Group 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 Group 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 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 Group 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 Group has also applied the low-value asset exemption. Lease payments under short-term and low-value asset lease contracts are recognized as costs on a straight-line basis over the term of the lease.

10.7. 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 the right-of-use asset, may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group 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 relating to 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 Group makes an estimate of the recoverable amount of the given item. A previously recognised impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would be determined, net of accumulated depreciation or accumulated amortisation, had no impairment loss been recognised for the asset in prior years. Reversal of impairment losses is recognised immediately as revenue. After recognition of impairment loss reversal, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's verified carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

10.8. 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 lease agreements and foreign exchange gains/ losses that arose in connection with external financing to the amount representing the adjustment to interest expense.

10.9. 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 Group 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 Group 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 Group 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 were transferred, and the Group 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 granted 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 Group 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 component which is not measured 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 such assets 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.

10.10. Offsetting financial assets and financial liabilities

Where the Group:

- 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.

10.11. Impairment of financial assets

The Group 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 all 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.

10.12. Derivative financial instruments and hedges

The Group 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 re-measured to 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 year.

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

10.13. 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 other 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 (waste)	–	cost determined on a first-in, first-out basis;
Finished goods and work-in-progress	–	cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs;
Goods for resale	–	cost determined on a first-in, first-out basis.

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

10.14. 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.

Where 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 of receivables 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.

10.15. 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 consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, reduced by outstanding overdraft facilities.

10.16. 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.

10.17. 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 future. 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 without 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 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 Group when the obligation under the liability is discharged or cancelled or expires.

Other non-financial liabilities include, particularly, 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.

10.18. Modification of financial liabilities and change in the expected cash flows from financial liabilities

Cash flows relating to a financial liability may change as a result of changes in contractual conditions or expectations regarding estimated cash flows for the purpose of measuring a financial liability at amortized cost.

A) Changes in contractual conditions

In the event of a change in the contractual terms of the financial liability, the Group analyses whether the modification of the cash flows was material or not. The Group applies both a quantitative and qualitative criterion to identify a significant modification leading to the derecognition of an existing financial liability.

The Group considers as a material modification the change in the discounted present value of cash flows resulting from the new terms, including any payments made, less payments received and discounted using the original effective interest rate, by not less than 10% of the discounted present value of the remaining cash flows due to the original financial liability

Irrespective of the quantitative criterion, the modification is considered significant in the following cases:

a) conversion of the financial liability, unless it has been specified in advance in the terms of the contract,

b) swap of a lender,

c) significant extension of the financing period compared to the original one,

d) change of interest rate from variable to fixed and vice versa,

e) change in the legal form/ type of financial instrument.

Any significant modifications to the terms and conditions of an existing financial liability were treated as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

B) Change in the expected cash flows

In the case of floating-rate financial liabilities, periodic revaluation of cash flows to reflect changes in market interest rates results in a change in the effective interest rate.

Where the Group changes the estimation of financial liability payments (excluding changes regarding contractual cash flow modifications), the carrying amount of the financial liability is adjusted so that this value reflects the actual and changed estimated contractual cash flows. The Group determines the carrying amount of a financial liability at amortized cost as the present value of estimated future cash flows under the contract that are discounted at the original effective interest rate of the financial instrument. The difference in valuation is recognized as income or expense in profit or loss.

10.19. Provisions

Provisions are recognised when the Group 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 Group 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.

10.20. Employee benefits

In accordance with appropriate internal remuneration regulations, employees of the Group are entitled to retirement benefits. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of service and employee’s average salary. The Group 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 Group recognises the following changes in net liabilities from defined benefit plans under, as appropriate, cost of sales and 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.

The Group incurs costs related to the operating of the Employee Capital Plans ("PPK") by making contributions to the pension fund. These are post-employment benefits in the form of a defined contribution plan. The Group recognizes the costs of contributions to the PPK under the same cost item as the costs of employee remuneration based on which said contributions are calculated. Employee Capital Plans liabilities (PPK liabilities) are presented under other non-financial liabilities.

10.21. Incentive programs

Executives and key personnel of the Company participate in the incentive programs (schemes) which were described in detail in Note 21.2.

10.21.1.Transactions settled in equity instruments

The cost of employee transactions settled in equity instruments is measured by reference to instrument’s fair value at the underlying rights grant date. The fair value of equity instruments is determined by an independent appraiser, based on the guidelines provided in IFRS 2. In measuring equity-settled transactions, market 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 parent 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 awards, 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.

10.22. Allocation of profit for employee purposes and special funds

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

10.23. Revenue

10.23.1. Revenue from contracts with customers

The Group 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 and other rights or 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 Group 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.

The Alumetal Group offers its customers primary and secondary aluminium casting alloys, master alloys and AlTiB grain refiners in the form of rod. Additionally, the offer includes services of smelting aluminum waste and delivering it to the customer in the form of ingots. Most of the products are manufactured according to individual customer requirements. Nevertheless, they are based on the European standards for aluminium alloys and master alloys, and therefore in many cases a given product meets the requirements of a larger number of customers and can be used interchangeably. Sales and deliveries are based on customer orders or long-term commercial contracts.

The Alumetal Group does not carry out typical warehouse production as the production is based on the said orders and agreements. The Alumetal Group individually determines the terms of payment with each client. It is usually a bank transfer with a payment term ranging from 14 to 150 days. The Company bases its decision on a credit limit granted by insurance companies. In individual cases, the Company assesses the customer financial situation itself and sometimes requires prepayment for the delivered product. The Alumetal Group does not sell typical consulting services.

The orders/ contracts are carried out based on the Incoterms. Most often, the Alumetal Group offers *the product cum delivery* service to the customer. Selling prices are determined in two ways: fixed prices for a specified quantity and period, or prices resulting from price formulas based on a market index e.g. Metal Bulletin or the LME HG, or LME AA stock index plus a fixed premium.

In general, the Group's customer does not have the right to return purchased product, in the event of a withdrawal from the contract or due to other similar reasons. The Alumetal Group provides its customers with high-quality products with a quality certificate. In the event of delivery of material inconsistent with the order, the customer has the right to file a complaint which is considered by the Quality Department. Only if the complaint is accepted, the customer has the right to return the goods and demand a replacement load.

In the case of the sale of goods for resale, products, materials and waste, the contract contains only one performance obligation - the sale of a given good. Revenue is recognized at a specific point in time, i.e. when the customer obtains control over the goods.

As part of the analysis of the IFRS 15 guidelines, the Group considered, inter alia, the following aspects:

A. Variable consideration – this phenomenon practically does not exist, as only a few customers reserve the right to a discount in the event of payment for delivery earlier than the deadline. In 2021, the share of those customers in total sales revenue was 0.38% (in 2020 – the share was 0.0%)
B. Right to return – contracts concluded with customers do not provide for the right to return the delivered product as a result of a unilateral customer decision.
C. Warranties - the Group provides a guarantee for the products sold, which only serves to ensure the customer that the product complies with the specification agreed by the parties and does not constitute an additional service. The Group's products are checked for quality by customers directly upon or immediately after delivery, so there is no possibility of significant warranty returns between the two periods of time (Alumetal is responsible for the delivered product only until its physical and chemical properties change, i.e. until the melting point). The scale of complaints in the entire Alumetal Group in 2021 is 0.08% of realized deliveries (in 2020, it was 0.13%).
D. Sale of a bundle of goods and services or a package of several services provided over a different period – such phenomenon does not occur in the Group in the case of the sale of goods for resale, products, materials and waste, as well as in the case of the provision of both production services (they are not stretched in time and are invoiced immediately after handing over the subject of the service to the customer, which takes place systematically) and non-production services (invoiced systematically on a monthly basis).
E. Advances received from customers – are used in very few cases of cooperation with financially unreliable customers. The product is shipped immediately after the customer makes the advance payment, which means that this solution does not include any financing component.
F. Trade credit is a standard solution for the sale of aluminium alloys in the industry, hence there is no financing component – and there is no need to allocate a price for this.
G. Lack of post-sales services - additional, above-standard guarantees or consultancy that could result in the allocation of the selling price.
H. The Group in its sales contracts is a principal and not an agent, despite the fact that in some areas of sale the services of agents are used.
I. The Group does not grant discounts on account of trading volume.

10.23.2.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.

10.23.3.Dividends

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

10.23.4. 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.

10.24. Income taxes

10.24.1.Current tax

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

10.24.2.Deferred tax

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

Deferred tax liability is recognised for all taxable temporary differences:

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

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

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

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

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

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

The Group 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.

10.24.3.Tax credits

The activities of the production plants of Alumetal Poland in Gorzyce and Nowa Sól are conducted in the Special Economic Zones (SEZ) such as Tarnobrzeska SEZ „Euro-Park Wisłosan” and Kostrzyńsko-Słubicka SEZ, based on the following permits (licenses):

(in PLN thousand)

Type of permit/ license	Validity date
License No. 260/ARP S.A./2014 of 28 May 2014 to conduct business operations in the Tarnobrzeska SEZ in the Gorzyce production plant.	31 December 2026
License No. 319/ARP S.A./2016 of 27 September 2016 to conduct business operations in the Tarnobrzeska SEZ in the Gorzyce production plant.	31 December 2026
License No. 343 of 4 July 2018 to conduct business operations in the Kostrzyńsko-Słubicka SEZ in the Nowa Sól production plant.	31 December 2026

In accordance with the appropriate regulations governing SEZs functioning, revenues from business activities conducted in a SEZ described in the license are exempted from [corporate] income tax. The amount of public aid granted in the form of this exemption/ tax relief (i.e. tax credit) may not exceed the amount of public aid granted to an entrepreneur that is admissible for the areas qualifying to receive the highest possible amount of public aid, determined in accordance with the provisions of the Act on Public Aid Procedures. Covered by this exemption are solely revenues from business activities conducted in a SEZ. At the same time, if a license is revoked, tax remitter loses the exemption right and is obligated to pay the amount of tax calculated for the entire period of tax exemption.

SEZ licenses are of conditional nature and define the scope of business activities and the terms and conditions for their conducting, and relate, among others, to: (i) the number of persons employed to conduct business activities in a SEZ in a defined period of time; (ii) entrepreneur investment expenditure in a SEZ in the amount exceeding a certain pre-determined amount; (iii) deadline for investment completion; (iv) maximum value of investment's qualified costs and 2-year qualified labour costs. The Act on SEZ provides for a possibility of a loss of, or restriction of rights under the given license, if at least one of the below circumstances materialise: (i) an entity ceases to conduct in a SEZ business operations covered by the license; (ii) an entity grossly violates the terms and conditions set forth in the license; (iii) it does not remove defaults identified during control within the timeframe set for defaults removal.

Under the license of 28 May 2014, the Group was required to: (i) incur investment expenditure in the Tarnobrzeska SEZ at the minimum level of PLN 8 million by 31 December 2017, and cumulatively not less than PLN 12 million to 31 December 2021, but not more than PLN 18 million, of which, as at 31 December 2021 the qualifying expenditure amounted to PLN 15.1 million, as well as to (ii) maintain employee headcount at minimum 126 persons by 31 December 2017, of which employee headcount as at 31 December 2017 was 169 persons.

Under the license of 27 September 2016 and based on an amending decision of the Minister of Development No. 292/DRI/2020 of 21 October 2020, the Group was required to: (i) incur investment expenditure in the Tarnobrzeska SEZ at the minimum level of PLN 33.1 million by 31 December 2019, and cumulatively not less than PLN 55 million to 31 December 2023 but not more than PLN 71.5 million, of which, as at 31 December 2021 the qualifying expenditure amounted to PLN 59.7 million, as well as to (ii) maintain employee headcount at minimum 134 persons by 31 March 2020, of which employee headcount as at 31 March 2020 was 137 persons.

Under the license of 4 July 2018 and based on the decision of the Minister of Development No. 222/DRI/2020 of 30 July 2020 the Group was required to: (i) incur investment expenditure in the Kostrzyńsko-Słubicka SEZ at the minimum level of PLN 13.5 million to 31 December 2023, but not more than PLN 17.55 million, of which, as at 31 December 2021 the qualifying expenditure amounted to PLN 3.6 million, as well as to (ii) maintain employee headcount at minimum 170 persons in the period from 31 December 2021 to 31 December 2024, of which employee headcount as at 31 December 2021 was 172 persons.

In addition, on 19 January 2021, the subsidiary, Alumetal Poland sp. z o.o., received a decision from the Kostrzyńsko-Słubicka SEZ on granting support for the implementation of the project "Expansion of the department of automatic processing of scrap raw materials" in Nowa Sól in the form of exemption from corporate profits tax in the amount of up to 35% of eligible investment expenditure under the Polish Investment Zone program.

In the light of the decision, the following were imposed: (i) the obligation to incur investment expenditure in the the Kostrzyńsko-Słubicka SEZ in the amount not less than PLN 78.0 million by 31 December 2025, but not more than PLN 101.4 million, of which as at 31 December 2021 the qualifying expenditure amounted to PLN 35.0 million, as well as (ii) increase the average annual employment by at least 2 new employees until 1 January 2024 and maintain headcount at the level of at least 172 employees until 1 January 2026, of which the headcount as at 31 December 2021 was 172 persons.

To the best knowledge of the Management Board, as at the date of the preparation of these consolidated financial statements, the fulfilment of and compliance with the above regulations necessary for the Group to be able to use the tax credits being, among others, deadlines for SEZ tasks performance, minimum investment expenditure or employee headcount are not at risk.

As described in Note 5.2, in accordance with IAS 12 *Income Taxes* and detailed regulations governing functioning of partial exemption from income tax (tax credit) for Polish entities, based on the prepared forecasts the Group estimated and recognised the value of deferred tax asset relating to public aid planned to be used in the ensuing years (as described in more detail in Note14.3).

10.24.4. 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 authorities, 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 authorities is recognized in the statement of financial position as part of receivables or payables.

10.24.5. Uncertain tax treatment

If according to the Group's assessment it is probable that the taxation authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group 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 Group 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 Group 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 Group reflects the impact of this uncertainty in the accounting treatment of tax in the period, in which such ascertainment was made. The Group recognises a tax liability using one of the two below methods, depending on which method reflects better the uncertainty that may materialise:

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

10.25. Net earnings per share

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

11. Operating segments

For management purposes, the Group was divided into the following operating segments identified based on the type of goods produced and services rendered:

1) Casting alloys

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

The Alumetal Group also delivers alloys to the customers in the form of liquid metal (molten metal alloys).

In addition, the Group increasingly provides production services on casting lines (absorbing the production capacity of these lines) consisting in the production of casting alloys from the material entrusted for processing by the customer (starting from the report for 1Q 2021, the volumes of this production service are shown in the *Casting Alloys* segment instead of the *Other* segment).

The total real production capacity of the Group's four plants from the beginning of 2021 amounted to 270 thousand tons per year. Due to identifying during the operation practice in 2021 of a better than planned actual capacity of the new production line in the modernized in 2020 Kęty plant, as of 1 January 2022 the Alumetal Group has defined its real annual production capacity at the level of 275 thousand tons. Annual real production capacity is understood to be nominal production capacity reduced by the effect of standard shutdown of main production facilities during the year resulting, among others, from natural for the automotive industry periods of limited production (holiday break in August and Christmas break in December), during which the Alumetal Group carries out necessary repair and maintenance work.

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

2) Other

The by-products of the production activities of the Group are all sorts of metal wastes, including metal scrap from the preparation/ sorting phase of raw materials (in particular, steel scrap, zinc scrap, stainless steel scrap and magnesium scrap), fine-grained aluminium scobs and swarf *(frakcje drobne wiórów)* and aluminium dross *(zgary)*. The by-products of the Group are sold on the market and represent an additional source of revenue. Included in the *Other* segment are revenues from the sale of raw materials and waste, goods for resale and services (other than production services performed on casting lines). This segment also includes revenues from the sale of products and materials of T + S sp. z o.o. (fluxes and salts).

Transaction prices between operating segments are determined based on the arm’s length basis using the transfer prices procedures.

(in PLN thousand)

The tables below present segment results for individual years, as required by IFRS 8:

2021	Casting alloys	Other	Consolidation exclusions	**Total**
Total volume (tons), of which:	233 156	44 605	-23 957	253 804
- inter-segment sales	*2 561*	*21 396*	*-23 957*	-
Of which:				
Volume of goods and production services (tons), of which:	233 156	7 325	-9 866	230 615
- inter-segment sales	*2 561*	*7 305*	*-9 866*	-
Volume of raw materials, scrap and goods for resale (tons), of which:	-	37 280	-14 091	23 189
- inter-segment sales	-	*14 091*	*-14 091*	-
Sales of finished goods, raw materials, goods for resale and services, of which:	2 169 970	124 360	-107 382	2 186 948
- inter-segment sales	*28 514*	*78 868*	*-107 382*	-
Cost of sales	-1 933 825	-107 434	105 296	-1 935 963
Gross profit on sales	**236 145**	**16 926**	**-2 086**	**250 985**
Selling expenses	-42 729	-674		-43 403
Operating profit (before administrative expenses, other operating income and other operating expenses)	**193 416**	**16 252**	**-2 086**	**207 582**
% margin	*8,9%*	*13,1%*	-	*9,5%*
Administrative expenses				-35 579
Other operating income/ other operating expenses				6 719
Depreciation/ amortization				35 680
EBITDA*				**214 402**
% margin				*9,8%*
Finance income/ finance costs				1 931
Profit before tax				**180 653**
Income tax expense				-29 038
Net profit for the year				**151 615**

(in PLN thousand)

2020	Casting alloys	Other	Consolidation exclusions	**Total**
Total volume (tons), of which:	157 955	41 055	-23 365	175 645
- inter-segment sales	*1 385*	*21 980*	*-23 365*	-
Of which:				
Volume of goods and production services (tons), of which:	157 955	12 644	-14 009	156 590
- inter-segment sales	*1 385*	*12 624*	*-14 009*	-
Volume of raw materials, scrap and production services (tons), of which:	-	28 411	-9 356	19 055
- inter-segment sales	-	*9 356*	*-9 356*	-
Sales of finished goods, raw materials, goods for resale and services, of which:	1 052 343	89 428	-80 169	1 061 602
- inter-segment sales	*11 469*	*68 700*	*-80 169*	-
Cost of sales	-946 948	-81 893	79 499	-949 342
Gross profit on sales	**105 395**	**7 535**	**-670**	**112 260**
Selling expenses	-26 038	-188	-	-26 226
Operating profit (before administrative expenses, other operating income and other operating expenses)	**79 357**	**7 347**	**-670**	**86 034**
% margin	*7,5%*	*8,2%*	-	*8,1%*
Administrative expenses				-24 228
Other operating income/ other operating expenses				4 977
Depreciation/ amortization				31 207
EBITDA*				**97 990**
% margin				*9,2%*
Finance income/ finance costs				-1 092
Profit before tax				**65 691**
Income tax expense				-10 645
Net profit for the year				**55 046**

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

(in PLN thousand)

Segment results are monitored by the Management Board at the level of gross profit and operating profit, before administrative expenses.

Assets and liabilities *are not* monitored by the Management Board at segment level. The reconciliation with the data presented in the statement of comprehensive income is as follows:

1. Inter-segment sales are eliminated on consolidation, as presented in a separate column „Consolidation exclusions";
2. The following items were presented in aggregate/ on a net basis: Other operating income/ other operating expenses; Finance income/ finance costs.

Geographical information

Business activities of the Alumetal S.A. Capital Group are mostly conducted in the territory of Poland, where three out of four production plants are located. In the supplies structure, supplies from the Polish market over supplies from the German and other markets predominate, while in the sales structure – sales to other markets are prevailing.

Presented below is the information on the Group's revenues from external customers, by geographical area:

Customer location	*Sales value (year ended 31 December 2021)*	*Sales value (year ended 31 December 2020)*	*Sales structure (year ended 31 December 2021)*	*Sales structure (year ended 31 December 2020)*
Poland	498 577	331 313	22,8%	31,2%
Germany	499 876	202 199	22,9%	19,0%
Other European countries	1 188 495	528 090	54,3%	49,8%
Total	2 186 948	1 061 602	100%	100%

The above information on revenues is based on data according to the place of delivery to customers' plants.

In 2021, as in 2020, the Group realised sales with a value exceeding 10% of its total annual revenue to the following business entities:

- the Volkswagen Group,
- the Nemak Group.

In 2021, as in 2020, the Group did not receive supplies from a single supplier with a value exceeding 10% of the total annual sales revenues.

(in PLN thousand)

12. Revenues and expenses

12.1. Revenue from contracts with customers

	Year ended 31 December 2021	*Year ended 31 December 2020*
Sales of finished goods	2 125 640	1 035 770
Sales of raw materials and scrap	40 404	20 071
Sales of goods for resale	7 603	605
Sales of services	13 301	5 156
	2 186 948	**1 061 602**

12.2. Costs by type

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020*
Depreciation/ amortization	12.3	35 700	31 207
Inventory impairment write-downs/ Reversal of inventory impairment write-downs for the period	12.3	-62	239
Materials and energy		1 863 537	898 698
External services, of which:		72 944	45 185
- repair services		7 273	4 918
- transport services		41 698	24 516
- advisory services		1 901	1 664
Taxes and charges		4 415	3 691
Employee allowances	12.4	72 299	52 131
Other costs by type		3 441	2 449
Cost of goods for resale, raw materials and scrap sold		22 965	16 540
Total costs by type, of which:		**2 075 239**	**1 050 140**
Items recognised in cost of sales		1 935 963	949 342
Items recognised in selling expenses		43 403	26 226
Items recognised in administrative expenses		35 579	24 228
Change in stocks of finished goods		60 294	50 344

(in PLN thousand)

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

	Year ended 31 December 2021	*Year ended 31 December 2020*
Depreciation of property, plant and equipment and right-of-use assets	31 219	26 849
Amortization of intangible assets	383	523
Inventory impairment	-62	239
Included in cost of sales	**31 539**	**27 611**
Depreciation of property, plant and equipment	1 596	1 489
Included in selling expenses	**1 596**	**1 489**
Depreciation of property, plant and equipment and right-of-use assets	2 394	2 262
Amortization of intangible assets	88	81
Included in administrative expenses	**2 482**	**2 343**
Depreciation of property, plant and equipment	20	3
Included in prepaid and accrued expenses	**20**	**3**

12.4. Employee allowances

	Year ended 31 December 2021	*Year ended 31 December 2020*
Wages and salaries	55 928	40 779
Social security costs	9 671	7 655
Cost of incentive scheme	2 728	-108
Retirement benefits	88	140
Cost of contributions to the Employee Capital Plans (PPK)	286	45
Amounts transferred to the Social Fund	1 279	1 236
Other employee benefits – severance pay	–	784
Other employee benefits (training, health care, work hygiene and safety, meals and other)	2 319	1 600
Total employee allowances, of which:	**72 299**	**52 131**
Items recognised in cost of sales	55 014	41 288
Items recognised in selling expenses	3 742	2 795
Items recognised in administrative expenses	12 865	7 952
Items recognised in prepaid and accrued expenses	678	96

(in PLN thousand)

12.5. Other operating income

	Note	*Year ended 31 December 2021*	*Year ended 31 December 2020*
Gains on the sale of property, plant and equipment		439	27
Subsidy (incl. recognition of accrued income)	28.3	2 498	2 576
Settlement of energy certificates in revenues		643	–
Compensation for electricity costs		3 324	–
Inflow from execution of contractors' recovery plan		–	272
Net effect of insurance expense and indemnities		11	30
Received awards and compensations		19	227
Return of VAT from abroad		2	23
Recoveries from renovations		225	534
Co-financing of wages and salaries due to the anti-crisis shield in connection with COVID-19		–	2 939
Other		46	82
Total other operating income		**7 207**	**6 710**

12.6. Other operating expenses

	Year ended 31 December 2021	*Year ended 31 December 2020*
Penalties and compensations paid	47	33
Allowance for expected credit losses	–	56
Allowance for made advance delivery payment	–	403
Donations granted	25	289
Cost of liquidation of property, plant and equipment	–	620
Other	384	332
Total other operating expenses	**488**	**1 733**

12.7. Finance income

	Year ended 31 December 2021	*Year ended 31 December 2020*
Interest, of which:	1	595
- bank interest	1	186
- reimbursement of interest paid on tax assets	–	409
FX gains	3 224	–
Total finance income	**3 225**	**595**

(in PLN thousand)

12.8. Finance costs

	Year ended 31 December 2021	*Year ended 31 December 2020*
Interest on bank loans	919	695
Interest on trade and administrative liabilities	4	8
Lease-related interest	74	5
Interest on factoring services	78	–
FX losses	–	869
Other	219	110
Total finance costs	**1 294**	**1 687**

13. Components of other comprehensive income

	Year ended 31 December 2021	*Year ended 31 December 2020*
Cumulative translation differences	-1 091	-894
Total components of other comprehensive income	**-1 091**	**-894**

(in PLN thousand)

14. Income tax

14.1. Tax expense

The main components of income tax expense for the year ended 31 December 2021 and 31 December 2020 are as follows:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Recognised in profit or loss:		
Current income tax:	*29 575*	*3 030*
Current tax expense	29 575	3 030
Deferred tax:	*-1 885*	*7 124*
Relating to origination and reversal of temporary differences	-1 885	7 124
Local business tax and innovation tax of foreign operation (subsidiary)	1 348	491
Income tax reported in the consolidated profit or loss	**29 038**	**10 645**

14.2. 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 calculated using the effective interest rate of the Group for the year ended 31 December 2021 and 31 December 2020 is as follows:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Accounting gross profit	180 653	65 691
Tax at statutory tax rate in Poland of 19% (both in 2021 and 2020)	34 324	12 481
Utilisation of tax credit relating to SEZ operations	-3 184	-13 345
Effect of difference in tax rate of the foreign subsidiary	-957	921
Effect of difference in tax rate of Polish operation	-79	-12
Local business tax and innovation tax of foreign operation (subsidiary)	1 348	491
Effect of tax-exempted revenues and non-tax-deductible expenses, of which:	572	38
- *PFRON (National Disabled Persons Rehabilitation Fund) expenses*	*54*	*59*
- *cost of incentive scheme*	*518*	*-21*
Effect of change in deferred tax asset relating to applicable tax credits	-3 261	10 096
Other	275	-25
Tax expense at effective tax rate of 16.1% in 2021 (2020: 16.2%)	29 038	10 645
Tax (expense)/ tax income reported in the consolidated profit or loss	29 038	10 645

(in PLN thousand)

14.3. Deferred tax

	Consolidated Statement of Financial Position as at		*Effect of translation of foreign subsidiary recognised in the statement of financial position*	*Consolidated Statement of Comprehensive Income for the year ended*	
	31 Dec 2021	*31 Dec 2020*	*31 Dec 2021*	*31 Dec 2021*	*31 Dec 2020*
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	15 404	17 996	9	-2 601	3 399
Calculated compensations	–	-26		26	29
Accrued interest	-1	-2		1	8
FX gains	-565	-1 120		555	-789
Provision for retirement benefits	209	221		-12	17
Receivables impairment write-down	–	–		–	-58
Inventories impairment write-downs	23	67		-44	42
Property, plant and equipment impairment write-down	28	28		–	–
Unpaid wages, salaries and allowances	775	482		293	95
FX losses	658	1 060		-402	581
Unpaid bank costs/ interest	6	1		5	1
Provision for services	426	53		373	34
Value of received energy certificates	1 218	–		1 218	–
Purchase of intangible services in excess of limit	–	100		-100	-381
Tax loss of Polish entity	–	47		-47	47
Tax loss of the foreign subsidiary	1 865	2 550	-44	-641	-53
Deferred tax asset relating to unused tax credits	5 313	2 052		3 261	-10 096
Deferred tax expense				**1 885**	**-7 124**
Deferred tax asset/ liability, net, of which:					
Deferred tax asset from continuing operations	25 463	23 582			
Deferred tax liability with respect to continuing operations	-84	-73			

Tax loss of the foreign subsidiary

As part of deferred tax assets, the Group recognized deferred tax assets in the amount of PLN 1 865 thousand calculated based on the tax loss of the foreign entity. This item applies to cumulative tax losses incurred in the years 2017-2021 by the subsidiary company, Alumetal Group Hungary Kft. Under Hungarian tax law, a taxpayer may deduct from the reported taxable income a tax loss from previous years, provided that (i) this loss was incurred no more than 5 years before the date of tax settlement (ii) a maximum tax loss deduction limit in one year is 50% of income.

The Group has concluded that there are no material risks of non-realisability of the assets described above, basing primarily on the assumed budgets and forecasts for 2022 and for the subsequent years, and after taking into account the historical data.

In recognizing deferred tax assets, the Management Board of the parent company applied professional judgment regarding, among others, the future economic situation of the Alumetal Group Hungary Kft, sales revenues, profitability of the Hungarian company and macroeconomic variables. As these forecasts are subject to uncertainty, it may turn out that, despite the best knowledge of the parent's Management Board, they may not materialise.

Changes to the above assumptions may result in non-utilization of recognized asset and, as a consequence, in its impairment. The Group anticipates that the tax losses recognized under deferred tax assets will be realized in the period from 2022 to 2025. The Group has not reported any unrecognized deferred tax assets.

Tax credits (Income tax reliefs with respect to the activities in special economic zones)

Alumetal Poland sp. z o.o. has conducted its business operations in the Kostrzyńsko-Słubicka Special Economic Zone and in the Tarnobrzeska Special Economic Zone based on appropriate licences, which define the terms and conditions that are required to be fulfilled to benefit from income tax relief (i.e. tax credit). These terms and conditions were presented in Note 10.24.3 of these consolidated financial statements.

As a result, the Group is entitled to benefit from public aid in the form of income tax relief with respect to the SEZ activities.

In accordance with IAS 12 *Income Taxes* and detailed regulations governing functioning of partial income tax exemption (relief) for the Polish entities, based on the prepared long-term financial forecasts, the Group assessed and recognised a deferred tax asset relating to public aid planned to be used in the ensuing years. The deferred tax asset referred to above was recognised in the nominal value of a potential future income tax expense, which will result in the utilization of a tax relief (relating to the investment expenditure incurred to the reporting date) to the extent, to which it is possible that taxable profit will be available against which the carry-forward of unused tax credit could be utilized.

The estimate of the Group as at 31 December 2021 was performed based on the long-term financial forecasts.

Change in the value of the deferred tax asset between said dates results mainly from the utilisation of public aid in this period (decrease in the deferred tax asset in correspondence with net profit) and from the incurred qualified investment expenditure in the period building up the pool of available public aid (increase in the deferred tax asset in correspondence with net profit).

Any deterioration or improvement of realised tax results in the future may have impact on the level of estimated deferred tax asset. However, change in the forecasted tax results of Alumetal Poland Sp. z o.o. (given the pool of public aid available at the reporting date) does not bear any significant impact on the change in the estimate of this asset due to a relatively short period of time assigned for asset realization.

The table below shows the key values related to the Company's SEZ activity (in PLN thousand) at individual reporting dates, which, apart from financial forecasts for the subsequent years, are the basis to calculate the available state aid.

	31.12.2021	*31.12.2020*
SEZ asset at the reporting date (at nominal value)	–	2 052
12-month period ended	*31.12.2021*	*31.12.2020*
Discounted SEZ aid obtained (after taking into account the intensity of public aid – 50% of qualifying expenditure, and in the case of the Nowa Sól plant - since July 2014 - 35%)	989	2 855
Utilized discounted SEZ aid	2 820	11 709

The cumulative value of qualifying expenditure incurred until 31 December 2021 in nominal value (after taking into account the intensity of public aid in the amount of 50% of qualifying expenditure, and 35% in the case of the Nowa Sól plant from July 2014 and use through the subsidies received) is PLN 122 140 thousand. The cumulative value of the state aid used for income tax exemption until 31 December 2021 in nominal value is PLN 136 121 thousand.

In addition, on 19 January 2021, the subsidiary Alumetal Poland sp. z o.o. received a decision from the Kostrzyńsko-Słubicka SEZ on granting support for the implementation of the project "Expansion of the department of automatic processing of scrap raw materials" in Nowa Sól in the form of exemption from corporate profits tax in the amount of up to 35% of eligible investment expenditure under the Polish Investment Zone program. The conditions necessary to be met in order to benefit from the income tax exemption are set out in note 10.24.3of these consolidated financial statements.

The key values realized at the reporting date related to the received decision on support under the Polish Investment Zone (PSI) program are as follows (in PLN thousand):

	31.12.2021	*31.12.2020*
SEZ asset at the reporting date (at nominal value)	5 313	–
12-month period ended	*31.12.2021*	
Discounted SEZ aid obtained (after taking into account the intensity of public aid – 35% of qualifying expenditure)	4 912	–
Utilized discounted SEZ aid	–	–

15. 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 period.

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 period increased by the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

In 2020, the exercise price of instruments convertible to equity instruments was above their market value, therefore there is no dilution effect in this period. Details of the Incentive Scheme III and IV are described in Note 21.2.

(in PLN thousand)

The Group has no dilutive financial instruments other than those described above.

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 2021	*Year ended 31 December 2020*
Net profit from continuing operations	151 615	55 046
Net profit	**151 615**	**55 046**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share (accounting for share split)	15 582 689	15 479 493
Dilution effect		
Stock options for share-based payments subject to IFRS 2 *Share-based Payments*	199 461	–
Weighted average number outstanding ordinary shares adjusted for dilution effect (accounting for share split)	15 782 150	15 479 493
Earnings per share		
- basic from the profit for the year	9.73	3.56
- diluted from the profit for the year	9.61	3.56

(in PLN thousand)

16. Intangible assets

Year ended 31 December 2021	*Patents and licenses*	*Reach licenses*	*Other*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2021	**798**	**1 434**	**3 854**	**185**	**6 271**
Purchases	–	–	–	568	**568**
Transfer from assets under construction	–	–	13	–	13
Transfer from intangible assets under construction	43	–	32	-75	–
Cumulative translation differences	–	–	–	–	–
Gross carrying amount as at 31 December 2021	**841**	**1 434**	**3 899**	**678**	**6 852**
Amortization and impairment as at 1 January 2021	**612**	163	**2 715**	–	**3 490**
Amortization charge for the period	98	97	276	–	**471**
Cumulative translation differences	–	–	–	–	–
Amortization and impairment as at 31 December 2021	**710**	**260**	**2 991**	–	**3 961**
Net carrying amount as at 1 January 2021	**186**	**1 271**	**1 139**	**185**	**2 781**
Net carrying amount as at 31 December 2021	**131**	**1 174**	**908**	**678**	**2 891***

* of which PLN 3 thousand relates to Hungary, Alumetal Group Hunagry Kft.

Year ended 31 December 2020	*Patents and licenses*	*Reach licenses*	*Other*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2020	**792**	**1 434**	**3 747**	**231**	**6 204**
Purchases	–	–	–	67	**67**
Transfer from assets under construction	–	–	–	–	–
Transfer from intangible assets under construction	6	–	107	-113	–
Cumulative translation differences	–	–	–	–	–
Gross carrying amount as at 31 December 2020	**798**	**1 434**	**3 854**	**185**	**6 271**
Amortization and impairment as at 1 January 2020	**479**	67	**2 341**	–	**2 887**
Amortization charge for the period	133	96	374	–	**603**
Cumulative translation differences	–	–	–	–	–
Amortization and impairment as at 31 December 2020	**612**	163	**2 715**	–	**3 490**
Net carrying amount as at 1 January 2020	**313**	**1 367**	**1 406**	**231**	**3 317**
Net carrying amount as at 31 December 2020	**186**	**1 271**	**1 139**	**185**	**2 781**

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

(in PLN thousand)

17. Property, plant and equipment

Year ended 31 December 2021

	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 2021	**9 232**	**167 712**	**323 978**	**11 396**	**6 397**	**56 421**	**20**	**575 156**
Purchases	–	–	–	–	–	23 988	1 347	25 335
Sale	–	–	-897	-332	–	–	–	-1 229
Liquidation	–	–	-719	–	–	–	–	-719
Costs of periodic repairs – overhauls	–	182	3 338	–	37	-3 557	–	–
Spare parts – purchase	–	–	-282	–	–	–	–	-282
Transfer to intangible assets	–	–	–	–	–	-13	–	-13
Transfers	9 031	22 840	36 069	314	657	-67 544	-1 367	–
Cumulative translation differences	-56	-680	-966	-29	-14	-2	–	-1 747
Gross carrying amount as at 31 December 2021	**18 207**	**190 054**	**360 521**	**11 349**	**7 077**	**9 293**	–	**596 501**
Depreciation and impairment as at 1 January 2021	–	**36 460**	**172 968**	**7 813**	**4 238**	–	–	**221 479**
Depreciation charge for the period	–	5 456	27 883	1 059	563	–	–	34 961
Impairment – reversal	–	–	–	–	–	–	–	–
Sale	–	–	-897	-287	–	–	–	-1 184
Liquidation	–	–	-719	–	–	–	–	-719
Cumulative translation differences	–	-119	-536	-23	-11	–	–	-689
Depreciation and impairment as at 31 December 2021	–	**41 797**	**198 699**	**8 562**	**4 790**	–	–	**253 848**
Net carrying amount as at 1 January 2021	**9 232**	**131 252**	**151 010**	**3 583**	**2 159**	**56 421**	**20**	**353 677***
Net carrying amount as at 31 December 2021	**18 207**	**148 257**	**161 822**	**2 787**	**2 287**	**9 293**	–	**342 653****

* of which PLN 89 179 thousand related to Hungary, Alumetal Group Hunagry Kft.
** of which PLN 80 723 thousand related to Hungary, Alumetal Group Hunagry Kft.

(in PLN thousand)

Year ended 31 December 2020

	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 2020	**9 312**	**168 166**	**303 256**	**11 143**	**6 400**	**10 859**	**18 936**	**528 072**
Purchases	–	–	–	–	–	47 277	13 489	60 766
Sale	–	–	-19	-307	–	–	–	-326
Liquidation	–	-47	-10 505	–	-2	–	–	-10 554
Costs of periodic repairs – overhauls	–	–	1 563	–	–	-1 563	–	–
Spare parts – purchase	–	–	-393	–	–	–	–	-393
Transfer to intangible assets	–	–	–	–	–	–	–	–
Transfers	–	554	31 390	596	16	-151	-32 405	–
Cumulative translation differences	-80	-961	-1 314	-36	-17	-1	–	-2 409
Gross carrying amount as at 31 December 2020	**9 232**	**167 712**	**323 978**	**11 396**	**6 397**	**56 421**	**20**	**575 156**
Depreciation and impairment as at 1 January 2020	**–**	**31 667**	**159 481**	**6 763**	**3 737**	–	–	**201 648**
Depreciation charge for the period	–	4 930	23 580	1 376	513	–	–	30 399
Impairment - reversal	–	–	–	–	–	–	–	–
Sale	–	–	-19	-307	–	–	–	-326
Liquidation	–	-47	-9 691	–	-2	–	–	-9 740
Cumulative translation differences	–	-90	-383	-19	-10	–	–	-502
Depreciation and impairment as at 31 December 2020	–	**36 460**	**172 968**	**7 813**	**4 238**	–	–	**221 479**
Net carrying amount as at 1 January 2020	**9 312**	**136 499**	**143 775**	**4 380**	**2 663**	**10 859**	**18 936**	**326 424**
Net carrying amount as at 31 December 2020	**9 232**	**131 252**	**151 010**	**3 583**	**2 159**	**56 421**	**20**	**353 677**

(in PLN thousand)

Land and buildings with a carrying amount of PLN 96 806 thousand (as at 31 December 2020 – PLN 93 005 thousand) are pledged as mortgage collateral for bank loans and borrowings of the Group (Note 26).

There were no significant capitalized borrowing costs in the year ended 31 December 2021 or 31 December 2020.

During the course of impairment indicator analysis performed in accordance with IAS 36 *Impairment of assets*, the Management Board of the parent analysed, among others, evidence deriving from the internal reporting as well as the factors obtained from the external sources of information which were described in more detail in Note 10.7 to these consolidated financial statements.

As a result of the analysis, no indicators were identified pointing to the necessity to carry out tests for impairment of assets in the Alumetal Group.

18. Leases

18.1. The Group as lessee

The Group is, within the meaning of IFRS 16, a lessee for perpetual usufruct of land and lease contracts for technical gas tanks. The lease term is estimated as follows:

- for perpetual usufruct of land – until 2089;
- for lease contracts for technical gas tanks – 10 years.

The Group also has lease contracts with a lease term of 12 months or less and low-value lease contracts. The Group uses the exemption for short-term leases and leases for which the underlying asset is of low value.

The Group's lease liabilities are secured by the lessor's ownership title to leased asset. In general, the Group 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:

Year ended 31 December 2021 and 31 December 2020	*RPU**	*Technical gas tanks*	*Total*
As at 1 January 2020	5 056	1 188	6 244
Increases (new leases)	–	776	776
Decreases	–	113	113
Depreciation	72	132	204
As at 31 December 2020	4 984	1 719	6 703
Depreciation	73	195	268
As at 31 December 2021	4 911	1 524	6 435

** Right of perpetual usufruct of land*

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

	2021	*2020*
As at 1 January	4 385	3 776
Increases (new leases)	–	776
Decreases	–	-115
Interest	74	5
Payments	-263	-138
FX (gains)/ losses	-14	81
As at 31 December	4 182	4 385
Short-term	272	281
Long-term	3 910	4 104

The maturity analysis of lease liabilities is presented in Note 34.5 *Liquidity risk.*

(in PLN thousand)

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

	2021	*2020*
Depreciation of ROU assets	268	204
Interest on lease liabilities	74	5
FX differences	-14	81
Profit/ (loss) on liquidation of fixed assets – IFRS 16	–	-2
Total amount recognized in the consolidated statement of comprehensive income	328	288

The total lease-related cash outflow in 2021 was PLN 263 thousand (in 2020 - PLN 138 thousand).

In 2020, the Group did not make any payments for the perpetual usufruct right to land, including interest on this right. The official consent to defer payment related to the epidemiological situation caused by COVID-19.

19. Other assets

19.1. Other non-financial assets

	31 December 2021	*31 December 2020*
Excess of social assets over Social Fund liabilities	6	35
Insurance	113	87
IT services	2	5
Connection fee*	1 243	1 345
Development work in progress	3 975	181
Other	5	4
Total, of which:	**5 344**	**1 657**
- short-term portion	208	215
- long-term portion	5 136	1 442

** Connection fee resulting from the concluded contract with the gas connection contractor and at the same time the supplier of gas fuel to the Plant in Hungary reclassified in 2019 to Other non-financial assets and accounted for over a period of 20 years*

20. 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 Group operates such Fund and makes periodic contributions to this Fund based on the established basic contribution amount. The Funds' purpose is to subsidize social activities, loans to employees and other social expenditures.

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

	31 December 2021	*31 December 2020*
Cash and cash equivalents	664	658
Social Fund liabilities	691	623
Balance after netting off	**-27**	**35**

	Year ended 31 December 2021	*Year ended 31 December 2020*
Amounts transferred (contributions) to the Social Fund during the year	1 279	1 236
Non-refundable expenditure by the Fund	1 210	1 087

(in PLN thousand)

21. Employee benefits

21.1. Retirement and disability benefits

The Group entities provide retirement benefits to the retiring employees in the amount defined in the Remuneration Regulations of the Group. 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:

	2021	2020
At the beginning of the period as at 1 January	**1 162**	**1 074**
Present service costs	104	98
Interest expense	17	19
Actuarial gains or losses	-96	105
Past service costs	–	–
Cost of benefits paid out	-87	-134
At the end of the period as at 31 December	**1 100**	**1 162**
Net short-term employee benefit liabilities	**187**	**94**
Net long-term employee benefit liabilities	**913**	**1068**

The main assumptions adopted for the valuation of employee benefits as at the reporting date are as follows:
- Mortality tables of Statistics Poland (GUS) - from 2020
- 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 2022-01-01 and beyond (each year) – 3.92%
- forecast increases in the basis of benefits in nominal terms - 10.0% in 2022, 7% in 2023, 5% from 2024 and beyond.

The sensitivity analysis of provisions for retirement and disability pension benefits for the initial amount of provisions as at 31 December 2021 amounting to PLN 1 100 thousand 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 (employee turnover) ratio -1.0%	1 155	55	5.0%
Rotation (employee turnover) ratio +1.0%	1 051	-49	-4.5%
Probability of disability retirement -0.5%	1 095	-5	-0.5%
Probability of disability retirement +0.5%	1 106	6	0.5%
Discount rate – 0.5%	1 164	64	5.8%
Discount rate +0.5%	1 043	-57	-5.2%
Remuneration -1.0%	990	-110	-10.0%
Remuneration +1.0%	1 231	131	11.9%

The costs of contributions to the Employee Capital Plans (PPK) are presented in the Note 12.4 Employee benefits.

21.2. Incentive programs

Incentive Program III

The Annual General Meeting of Alumetal S.A. 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 key personnel (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 corresponding 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 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 directly preceding the date of exercising rights from allocated given series subscription warrants. In addition, exercising rights from subscription warrants may take place on the following conditions: achieving by the Company of an appropriate level of consolidated EBITDA; achieving an appropriate level of normalized consolidated net profit by the Company; achieving an appropriate rate of return on the Company's shares in relation to the dynamics of changes in the WIG index.

The unit issue price of the shares covered by the new incentive program will be PLN 48.60, which will be reduced by the sum of benefits paid by the Company per one share of the Company to its shareholders, being in particular dividends 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);
- 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) and for the financial year 2020 (i.e. PLN 2.92). No dividend was paid or the financial year 2019;
- 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 the financial year 2020 (i.e. PLN 2.92) and by paid or declared dividend for 2021. No dividend was paid or the financial year 2019.

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.

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 103 196 series D subscription warrants. All these warrants were taken up by the Eligible Persons in 4Q 2019. The right to subscribe for G-series Incentive Shares, resulting from the Eligible Holdings of series D subscription warrants, was exercised in February 2021 by taking up 97 180 G-series shares, and then in October 2021 by taking up the remaining 6 016 G-series shares.

Due to the failure to meet the conditions for series E subscription warrants in 2019, the cost related to these warrants was written off in 2019. 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.

(in PLN thousand)

Due to the non-fulfilment of non-market conditions for F-series subscription warrants in 2020, the cost related to these warrants was written off in mid-2020. In 2020, the Company fulfilled the condition related to achieving the appropriate return on the Company's shares in relation to the dynamics of changes in the WIG index, which means that 51 598 subscription warrants of this series were taken up by Eligible Persons on 24 March 2021. The right to take up 51 598 I-series shares in exchange for F-series subscription warrants may be exercised by the Entitled Persons not earlier than from 1 July 2022 and no later than until 31 December 2022.

Detailed policies of the 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 and calculated it in accordance with IFRS 2 *Share-based Payment.*

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

	31 December 2021	*31 December 2020*
Capital under Incentive Program III	431	1 838

Year ended	*31 December 2021*	*31 December 2020*
Cost of Incentive Program III	121	-108

The value of the instruments without market condition was determined using the finite difference method *(the FDM method),* while that of the 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 performed in 2018:

- 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.

(in PLN thousand)

Incentive Program IV

The Annual General Meeting of Alumetal S.A. adopted on 12 November 2020 a resolution on the establishment of an incentive program for the years 2021-2023 (Incentive Program IV) for the management and key personnel of the Alumetal Group (Eligible Persons). The assumptions of this incentive program provide for a conditional increase in the Company's share capital through the issue of free-of-charge and non-transferable three tranches of subscription warrants (series G, H and I) and the corresponding three tranches of new shares of the Company (series J, K, and L) with a total nominal value not exceeding PLN 46,438.20, of which:

- up to 154,794 subscription warrants, series G, which will entitle their holders to take up not more than 154,794 shares, series J, of the Company during the period from 1 July 2023 to 31 December 2025;
- up to 154,794 subscription warrants, series H, which will entitle their holders to take up not more than 154,794 shares, series K, of the Company during the period from 1 July 2024 to 31 December 2025;
- up to 154,794 subscription warrants, series I, which will entitle their holders to take up not more than 154,794 shares, series L, of the Company during the period from 1 July 2025 to 31 December 2025.

The issue of subscription warrants (the G-, H- and I-series subscription warrants) 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 IV participation agreement to the date directly preceding the date of exercising rights from allocated given series subscription warrants. In addition, exercising rights from subscription warrants may take place on the following conditions: achieving by the Company of an appropriate level of consolidated EBITDA; achieving an appropriate level of normalized consolidated net profit by the Company; achieving an appropriate rate of return on the Company’s shares in relation to the dynamics of changes in the WIG index.

The unit issue price of the shares covered by the new incentive scheme will be PLN 36.40, which will be reduced by the sum of benefits paid by the Company per one share of the Company to its shareholders, being in particular dividends paid in the following manner:

- for each J-series share, the issue price of PLN 36.40 will be reduced by paid gross dividend (per share) for the year 2020, 2021 and by paid or declared dividend for 2022;
- for each K-series share, the issue price of PLN 36.40 will be reduced by paid gross dividend (per share) for the year 2020, 2021, 2022 and by paid or declared dividend for 2023;
- for each L-series share, the issue price of PLN 36.40 will be reduced by paid gross dividend (per share) for the year 2020, 2021, 2022, 2023 and by paid or declared dividend for 2024.

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

Detailed rules of this incentive scheme (Program IV) were described in the Incentive Program Policy adopted by the Supervisory Board on 19 January 2021.

The Company performed valuation of the cost of this incentive program and calculated it in accordance with IFRS 2 *Share-based Payment.*

The revaluation of the Incentive Scheme IV showed its cost at the level of PLN 8 895 thousand which will be recognized in the Group's costs in Q1 2021 - Q3 2025.

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 2021	*31 December 2020*
Capital under Incentive Program IV	2 607	–

Year ended	*31 December 2021*	*31 December 2020*
Cost of Incentive Program IV	2 607	–

(in PLN thousand)

The following assumptions and parameters were adopted for the valuation of the Incentive Program IV performed in the first quarter of 2021:

- grant date (valuation date)	- 20 January 2021
- the price of the underlying assets (shares of Alumetal SA) included in valuation	- PLN 55.00/share,
- risk-free interest rate in the years 2023, 2024 and 2025	- 0.1%, 0.2% and 0.3%,
- value of the underlying asset price volatility in the years 2023, 2024 and 2025	- 29%, 28%, 27%
- value of WIG index volatility in the years 2023, 2024 and 2025	- 20%, 18%, 17%
- the value of the expected dividend in 2021-2025 respectively	- PLN 2.92; PLN 3.11; PLN 3.41; PLN 3.75 and PLN 4.10.

22. Inventories

	31 December 2021	*31 December 2020*
Raw materials and waste (at acquisition cost)	168 796	81 695
Work in progress and semi-finished goods (at cost of production)	87 562	53 717
Finished goods	101 637	70 331
Goods for resale	37	828
Advance payments for supplies	–	638
Total inventories at the lower of cost (cost of production) and net realizable value, of which:	**358 032**	**207 209**
Inventory impairment write-downs	*-363*	*-431*

Inventory items pledged as collaterals for loans and borrowings were described in detail in Note 26.

23. Trade and other receivables

	31 December 2021	*31 December 2020*
Trade receivables	381 851	249 100
State budget receivables – VAT	22 193	13 676
Prepayments for assets under construction	21 391	–
Inventory prepayments	444	–
Other third-party receivables	90	222
Total short-term receivables, net, of which:	**425 969**	**262 998**
Allowance for expected credit losses	*-1 589*	*-1 589*
Total short-term receivables, gross	**427 558**	**264 587**

Trade receivables are non-interest bearing and usually have approx. 60-day collection period.

(in PLN thousand)

Factoring

On 15 September 2014, the Group concluded a factoring agreement with the Bank UniCredit Luxembourg S.A., whereby a full factoring was established on the Euro-based receivables from one of the customers of the Alumetal Group at the risk of this customer, with no recourse to the Alumetal Group, and with no limit (limited in practice only by the scale of cooperation with this customer); the concluded factoring agreement provided for a flexible use of this service. As at 31 December 2021, the value of discounted invoices was EUR 4 969 thousand (as at 31 December 2020 – EUR 0.00).

Allowance for expected credit losses

The Group has prepared a provision matrix to value the allowance for expected credit losses in relation to trade receivables. Trade receivables were grouped based on the similarity of credit risk characteristics and were assigned the probability of credit losses determined based on historical data on credit losses, adjusted, where appropriate, for the impact of information on the future.

Details concerning credit risk management were presented in Note 34.4.

As at 31 December 2021, trade receivables of PLN 1 589 thousand (as at 31 December 2020: PLN 1 589 thousand) were covered by appropriate allowance.

Movements in the balance of receivables' impairment write-down were as follows:

	2021	**2020**
Impairment write-down as at 1 January	1 589	1 837
Increase	–	56
Utilisation/ Reversal	–	-304
Impairment write-down as at 31 December	**1 589**	**1 589**

Presented below is the analysis of trade and other receivables (with no state budget receivables), which as at 31 December 2021 and 31 December 2020 were past due, but which were not deemed as irrecoverable, and for which no impairment write-down was recognised.

				Past due, but recoverable			
	Total	*Current*	*< 30 days*	*31 – 90 days*	*91 - 180 days*	*181-365 days*	*> 366 days*
31 Dec 2021	381 941	371 935	9 769	221	–	5	11
31 Dec 2020	249 322	242 176	6 868	72	3	167	36

Since the first half of 2016, the Group has insured its receivables from sales to unrelated entities (except for sales to the three largest customers of the Group). As a result, the credit risk of the Company became materially limited. However, one should note that pursuant to the policies operating in the contracts of this type, part of receivables of each customer is not insured due to the so-called own-share of the policyholder. In addition, as provided in the insurance contract, the Company's Management Board has the right to take a sale decision that originates receivables from customers in the amount higher than the coverage limit granted by the insurer.

24. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for various periods of time, from one day to one month, depending on the current needs of the Group for cash, and bear set interest rate. The fair value of cash and cash equivalents corresponds to their carrying amount. Cash and cash equivalents reported in the statement of cash flow comprise cash and cash equivalents reduced by outstanding overdraft facilities, which are an integral element of cash management.

(in PLN thousand)

The balance of cash and cash equivalents presented in the consolidated statement of cash flow is composed of the following items:

	31 December 2021	*31 December 2020*
Cash on hand and cash at bank	5 045	19 202
Overdraft facilities	-153 612	-82 408
Cash and cash equivalents reported in the consolidated statement of cash flow	**-148 567**	**-63 206**

Included in the balance of cash and cash equivalents as at 31 December 2021 is the amount of PLN 642 thousand gathered on the VAT accounts (as at 31 December 2020 - PLN 5 769 thousand). These funds can be relatively easily used to pay the tax part of purchase invoices and public-legal obligations (VAT, CIT, PIT, Social Security contributions, customs duties), and therefore the Group does not include them in the balance of cash of restricted use.

25. Issued capital, reserve capital and other reserves

25.1. Issued capital

Issued capital	*31 December 2021*	*31 December 2020*
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
Ordinary shares, series G, with a nominal value of PLN 0.10 each	103 196	–
	15 582 689	**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 15 March 2022, the shareholders of ALUMETAL S.A. required to report significant blocks of shares did not change.

(in PLN thousand)

Shareholder rights

Each share, series A, B, C, D, E, F and G 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 2021	*31 December 2020*
IPO 30 UNIPESSOAL LDA (*formerly* IPO 30 FIZAN A/S)		
share in equity	32.78%	32.99%
share in the number of votes	32.78%	32.99%
Aviva Otwarty Fundusz Emerytalny Aviva Santander (*formerly* Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK)		
share in equity	9.94%	10.04%
share in the number of votes	9.94%	10.04%
Nationale-Nederlanden Otwarty Fundusz Emerytalny		
share in equity	7.32%	7.37%
share in the number of votes	7.32%	7.37%
Aegon Otwarty Fundusz Emerytalny		
share in equity	6.14%	6.18%
share in the number of votes	6.14%	6.18%
Otwarty Fundusz Emerytalny PZU „Złota Jesień”		
share in equity	5.94%	5.98%
share in the number of votes	5.94%	5.98%
Krzysztof Błasiak		
share in equity	2.71%	2.63%
share in the number of votes	2.71%	2.63%
Szymon Adamczyk		
share in equity	1.89%	1.80%
share in the number of votes	1.89%	1.80%
Przemysław Grzybek		
share in equity	1.16%	1.08%
share in the number of votes	1.16%	1.08%
Agnieszka Drzyżdżyk		
share in equity	0.11%	0.05%
share in the number of votes	0.11%	0.05%
Others		
share in equity	32.01%	31.88%
share in the number of votes	32.01%	31.88%

(in PLN thousand)

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

	15 March 2022
IPO 30 UNIPESSOAL LDA (*formerly* IPO 30 FIZAN A/S)	
share in equity	32.78%
share in the number of votes	32.78%
Aviva Otwarty Fundusz Emerytalny Aviva Santander (*formerly* Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK)	
share in equity	9.94%
share in the number of votes	9.94%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	
share in equity	7.32%
share in the number of votes	7.32%
Aegon Otwarty Fundusz Emerytalny	
share in equity	6.14%
share in the number of votes	6.14%
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	
share in equity	5.94%
share in the number of votes	5.94%
Krzysztof Błasiak	
share in equity	2.71%
share in the number of votes	2.71%
Szymon Adamczyk	
share in equity	1.89%
share in the number of votes	1.89%
Przemysław Grzybek	
share in equity	1.16%
share in the number of votes	1.16%
Agnieszka Drzyżdżyk	
share in equity	0.11%
share in the number of votes	0.11%
Others	
share in equity	32.01%
share in the number of votes	32.01%

25.2. Share premium

Share premium was created from the excess of the issue price of series D, E, F and G shares over their nominal value in the total amount of PLN 16 204 thousand (as at 31 December 2020 - PLN 11 921 thousand).

25.3. 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 Poland Sp. z o.o. and Alumetal S.A. have been prepared in accordance with International Financial Reporting Standards, while the financial statements of T+S Sp. z o.o. have been prepared in accordance with Polish Accounting Standards. Statutory financial statements of Alumetal Group Hungary Kft. have been prepared in accordance with Hungarian Accounting Policies and restated for consolidation purposes in accordance with the accounting policy of the Group. 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 and other appropriate restrictions.

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

The multi-product agreement concluded on 10 November 2005, with subsequent amendments, between the Company, Alumetal Poland Sp. z o.o., Alumetal Group Hungary Kft. and T+S Sp. z o.o. as borrowers and ING Bank Śląski S.A. as lender, and the investment loan agreement for financing the investment project in Hungary concluded on 15 October 2015 between Alumetal Sp. z o.o. 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 normalised consolidated net profit for the prior financial year. In March 2022, an annex to the loan agreement with ING Bank Śląski S.A. was signed, allowing for the payment of dividend in the amount not exceeding 75% of normalized, consolidated net profit for the prior financial year.

25.4. Dividends paid and proposed

Dividends paid

On 19 May 2021, the Ordinary Annual General Meeting resolved to appropriate the Company’s profit for the year from 1 January to 31 December 2020 in the following manner:

- PLN 32 663 thousand was allocated for distribution to the Company's shareholders from the Company's net profit for 2020,
- PLN 43 thousand was allocated to the transfer to the Company’s Social Fund.

A decision was made to pay dividend to the Company's Shareholders in the total amount of PLN 45 484 thousand, i.e. PLN 2.92 per share, with the amount of PLN 32 663 thousand coming from the Company's net profit for the financial year 2020 intended for distribution, and the remaining amount of PLN 12 821 thousand being released from other reserves previously created with intended distribution for dividend payment. The Shareholders entitled to the dividend were the Shareholders who were entitled to the Shares on 8 June 2021. The dividend payment date was set for 28 June 2021 and payment of dividend was made on that date.

Proposed dividend

In accordance with the dividend policy of the Company, the Management Board will request for a dividend payment for 2021 at the level of 71.5% of normalized consolidated net profit (normalized net profit is net profit adjusted by the impact of asset valuation in the form of CIT exemption), i.e. in the amount of PLN 105 962 thousand, which means that the amount of dividend per share would be PLN 6.80. The Management Board will propose the payment of dividend in July 2022.

26. Interest-bearing bank loans and borrowings

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

[1] *Currency means only the currency of the limit and may therefore differ from the currency of the credit*
[2] *As part of the loan agreement, the available limit increased formally by PLN 6.6 million to PLN 72.6 million as a security mechanism of the Bank against EUR/PLN and USD/PLN exchange rates fluctuations and against the occurrence of past due debt*
[3] *The limit of the investment loan was EUR 10 million (loan repaid in monthly installments of EUR 167 thousand from November 2016, the last installment of EUR 147 thousand payable in October 2022)*
[4] *Within the limits made available, the Alumetal Group companies have the right to activate letters of credit and guarantees for suppliers and other beneficiaries, which automatically reduces the possibility of using an overdraft facility by similar amounts; guarantees issued by banks within the available credit limits to counterparties and other non-financial institutions in the amount of PLN 7.1 million (31 December 2021) and PLN 13.8 million (31 December 2020) as part of the activities of the Alumetal S.A. Group companies*
[5] *In June 2021, credit limit was launched for all Alumetal Group companies at Credit Agricole Bank Polska S.A. with a total amount of PLN 40 million to replace the loan at DNB Bank Polska S.A. which was fully repaid by 30 June2021.*

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

(in PLN thousand)

The collaterals for loans and borrowings established on the assets of the Group were as follows:

As at 31 December 2021

Type of liability	*Creditor*	*Type of assets pledged as collateral*	*Value of assets pledged as collateral**
Contractual mortgage	ING Bank Śląski S.A.	Assets under construction, buildings and constructions, land, right of perpetual usufruct of land	42 861
Maximum (capped) mortgage	Bank Handlowy w Warszawie S.A.	Assets under construction, buildings and constructions, land, right of perpetual usufruct of land	37 874
Consolidated mortgage	Credit Agricole Bank Polska S.A.	Assets under construction, buildings and constructions, land, right of perpetual usufruct of land	30 652
Transfer of receivables	Credit Agricole Bank Polska S.A.	Receivables	3 000
Pledge	Credit Agricole Bank Polska S.A.	Property, plant and equipment	18 394
Pledge	Bank Handlowy SA	Finished goods	8 600

** On the basis of carrying amount*

As at 31 December 2020

Type of liability	*Creditor*	*Type of assets pledged as collateral*	*Value of assets pledged as collateral**
Maximum (capped) mortgage	ING Bank Śląski S.A.	Assets under construction, buildings and constructions, right of perpetual usufruct of land	65 262
Contractual mortgage	ING Bank Śląski S.A.	Assets under construction, buildings and constructions, right of perpetual usufruct of land	9 396
Maximum mortgage	Bank Handlowy w Warszawie S.A.	Assets under construction, buildings and constructions, right of perpetual usufruct of land	21 797
Transfer of receivables	ING Bank Śląski S.A.	Receivables	3 141
Transfer of receivables	DNB Bank Polska S.A.	Receivables	6 314
Pledge	ING Bank Śląski S.A.	Property, plant and equipment	2 682
Pledge	ING Bank Śląski S.A.	Pure raw materials and raw materials scrap	6 000
Pledge	DNB Bank Polska S.A.	Raw materials scrap, semi-finished goods scrap, finished goods	45 000
Pledge	Bank Handlowy SA	Finished goods	8 600

** On the basis of carrying amount*

Other collaterals/ securities (not related to loans and borrowings) established on the Group's assets were as follows:

As at 31 December 2021:

Type of liability	***Creditor***	***Type of assets pledged as collateral***	***Value of assets pledged as collateral/ security (in HUF thousand)****
Mortgage	Ministry of Foreign Affairs and Trade**	Assets under construction, buildings and constructions, land	3 625 162

** On the basis of carrying amount*

*** In 2014, Alumetal Group Hungary Kft. received from the Hungarian government a binding offer for a cash subsidy for the project "Construction of a Production Plant in Hungary" and accepted it, and the support agreement concluded in this respect finally entered into force formally on 2 February 2016.*

The collateral for the long-term investment loan taken out by Alumetal S.A. at ING Bank Śląski S.A. in the amount of EUR 10 000 thousand for the purpose of financing the construction of a production plant in Hungary is the mortgage on the property at the production plant of Alumetal Poland sp. z o.o. in Nowa Sól with a net carrying amount as at 31 December 2021 of PLN 42 861 thousand (as at 31 December 2020 - of PLN 43 298 thousand).

In the year ended 31 December 2021, Alumetal S.A. and Alumetal Poland sp.z o.o. issued sureties and guarantees for trade liabilities of Alumetal Group Hungary Kft. to the suppliers of the Hungarian company. The total value of these sureties as at 31 December 2021 was the equivalent of PLN 6 659 thousand (as at 31 December 2020, it was PLN 2 569 thousand).

In connection with signing on 14 February 2020 of project co-financing agreement between National Center for Research and Development *(NCBiR- Narodowe Centrum Badań i Rozwoju)* and T + S sp. z o.o., this entity issued on 21 February 2020 a blank promissory note together with declaration in favour of the NCBiR.

Loan agreements with banks contain certain covenants which the Alumetal Group is obliged to meet at the consolidated level, namely:

a) profitability ratios - the amount of the EBITA margin,
b) debt ratios - share of equity, debt servicing capacity and total debt to EBITDA,
c) efficiency indicators - the level of current assets and inventory turnover ratio.

Due to the decline in consolidated sales revenues and EBITDA in the first half of 2020 due to the pandemic and the sharp increase in the demand for working capital in the second half of 2020, the Group did not meet two covenants in this period: the debt service coverage ratio and the inventory turnover ratio (inventory days ratio) set forth in the loan agreements with ING Bank Ślaski S.A.

On 1 March 2021, ING Bank Śląski S.A. assured the Company in writing that it accepts the exceeding of these ratios without any consequences. In addition, on 4 March 2021, an annex to the investment loan agreement with ING Bank Śląski S.A. came into effect, which modified the wording of the debt service coverage ratio to more adequately account for the current situation of the Alumetal Group (the original agreement was signed in 2015 and was closely related to the construction of the production plant in Hungary).

In 2021, the bank covenants were met.

27. Provisions

As at 31 December 2021 and as at 31 December 2020, the Group did not create provisions except for provisions for retirement and disability benefits, as there were no other titles to create provision in this balance sheet item.

(in PLN thousand)

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

28.1. Trade and other financial liabilities (current)

	31 December 2021	*31 December 2020*
Trade payables with no reverse factoring balances	274 651	158 451
Lease liabilities	272	281
Trade payables covered by reverse factoring	3 919	1 543
Payroll liabilities	2 615	2 359
Investment liabilities	2 683	7 757
Other liabilities	312	243
Total	**284 452**	**170 634**

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

On 28 June 2011, Alumetal Poland sp. z o.o. signed an agreement (with subsequent amendments) with Bank Handlowy w Warszawie S.A. relating to collaboration between the parties in the matter of acquisition by the Bank, based on separate agreements, of trade receivables against ALUMETAL Poland sp. z o.o. attributable to its business partners, with a total limit of PLN 7 million (full factoring for the suppliers realised at their cost).

28.2. Other non-financial liabilities

	31 December 2021	*31 December 2020*
VAT	503	161
Personal income tax	906	678
Social security	2 731	2 506
Employee Capital Plans (PPK) liabilities	45	42
PFRON	26	43
Excise tax	9	9
Other	-	1
Total, of which:	**4 220**	**3 440**
- short-term portion	4 220	3 440
- long-term portion	–	–

28.3. Accruals and deferred income

	31 December 2021	*31 December 2020*
Accrued expenses, of which:		
- unused annual leave	1 175	955
- employee bonus, incl. annual bonus	1 744	383
Accrued income, of which:		
- subsidies	20 011	21 627
- energy efficiency (performance) certificates	7 016	1 394
Total, of which:	**29 946**	**24 359**
- short-term portion	5 374	3 811
- long-term portion	24 572	20 548

The received financial compensation (subsidies) reported in the consolidated statement of financial position relate to the subsidies received by Polish companies of the Alumetal Group from the EU Funds, the monitoring period of which (reporting period to the institution granting the subsidy) has ended.

In addition, in 2020, T+S sp. z o.o. signed an agreement with the National Center for Research and Development (NCBiR) for co-financing the project *"Technology of recycling aluminum dross from the production process of secondary aluminum casting alloys".* The main goal of this project is to develop a technology for the processing of post-production waste generated in the production process of aluminum casting alloys. The project will be implemented in six phases, one of which is industrial research and five are development works. The value of co-financing in the agreement with NCBiR amounts to PLN 25 746 thousand. By the date of the preparation of these consolidated financial statements, the sum of the subsidy installments paid amounted to PLN 1307 thousand.

In addition, in 2014, the Alumetal Group Hungary Kft. received from the Hungarian government a binding offer, and accepted it, concerning cash subsidy for the project *"Construction of a production plant in Hungary"*, and the underlying agreement became finally effective on 2 February 2016. In 1Q 2018 and in 1Q 2019, annexes were signed that modified the contract in the part relating to beneficiary's obligations concerning employee headcount, contract security (performance bond) and the date for project realization. Currently, the Company is obligated to: (i) construct a production plant with a production capacity of at least 55 000 tons per year (obligation realised); (ii) maintain yearly average employee headcount at 100 persons starting from 2019 to 2026 (with at least 2.7% of employees of higher education) while retaining total wage bill at a pre-defined level verified cumulatively; (iii) maintain project life-period for at least 7 years, (iv) realize sales revenue at certain pre-defined level verified cumulatively throughout the monitoring period, and (v) start plant operation not later than on 31 December 2018 (obligation realised). In the event that Alumetal Group Hungary Kft. does not realise the above obligations or obligations in the field of labour law, environmental protection or tax law, it may be required to return part or all of the subsidy together with interest; however, according to the current state of knowledge of the Management Board, as at the date of the preparation of these consolidated financial statements there is no such risk.

The total amount of fifteen advance payments made towards subsidy in the years 2016-2019 amounted to HUF 1 480 211 000 being the equivalent of PLN 20 506 thousand.

In connection with the implementation in recent years by the subsidiary, Alumetal Poland sp. z o.o., of several investment projects that met the requirements of the Act of 20 May 2016 on energy efficiency (the Act implements Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency) in the form of, among others, positive result of energy efficiency audit for individual investments carried out, the subsidiary received a benefit in the form of property rights resulting from energy efficiency certificates, the so-called *white certificates* (in order to obtain property rights resulting from white certificates, energy should be saved in the amount of at least 10 toe / year, where 1 toe is the equivalent of 11.63 MWh), with a value of PLN 7 659 thousand. As a result of the sale of the above energy efficiency certificates, Alumetal Poland sp. z o.o. received in 2021 the amount of PLN 7 154 thousand (in Q4 2020 - PLN 605 thousand).

The obtained effect from the receipt of certificates is taken to *other operating income* in the profit and loss account in proportion to the depreciation period of equipment covered by an energy-saving investment in the same way as the settlement of grants, which is presented in Note 10.23.4.

29. Commitment to incur capital expenditure

As at 31 December 2021, the committed capital expenditure of the Group amounted to PLN 62 699 thousand. The most significant item were the liabilities arising from the concluded contracts for the realization of the investment project called Expansion of the department of automatic processing of scrap raw materials *(„Rozbudowa wydziału automatycznego przetwarzania surowców złomowych")* at Alumetal Poland sp. z o.o. Zakład Nowa Sól in the amount of PLN 55 923 thousand.

As at 31 December 2020, the committed capital expenditure of the Group amounted to PLN 10 357 thousand. The most significant item were the liabilities arising from the concluded contracts for the realization of the investment project called Modernization of Kęty Plant *(„Modernizacja zakładu w Kętach")* at Alumetal Poland sp. z o.o. Zakład Kęty in the amount of PLN 8 153 thousand.

(in PLN thousand)

30. Contingent liabilities and contingent assets

30.1. Court proceedings

On 4 February 2020, the subsidiary of Alumetal Group Hungary Kft. filed a suit to order the defendant, the Hungarian company, EON, to pay damages in the amount of HUF 133 038 324 (equivalent of approximately PLN 1.66 million) with interest. The court proceedings concern non-reimbursement of the connection fee by NKM (formerly Egaz-Degaz). During court proceedings before the court of first instance, on 20 May 2021, an unfavorable judgment was issued for Alumetal Group Hungary Kft. against which Alumetal Group Hungary Kft. appealed on 4 June 2021. On 7 October 2021, an appeal hearing was held during which the court of second instance upheld the appeal of Alumetal Group Hungary Kft., waived the contested decision and ordered the court of first instance to issue a new decision based on the arguments presented during the proceedings. On 6 January 2022, another hearing was held at which the court of first instance rejected the claim of Alumetal Group Hungary Kft. After reviewing court justification, on 21 February 2022, the subsidiary appealed against the verdict.

Apart from the foregoing court proceedings, the Company or its subsidiaries did not participate in any significant proceedings pending before a court, body competent for arbitration or a public administration body as at 31 December 2021and as at the date of the preparation of these consolidated financial statements.

30.2. Tax settlements

Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) may be subject to review and investigation by a number of authorities, 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. The above circumstances create tax risks in Poland that are considerably greater than those typically found in countries with more stable tax systems.

Tax settlements may become subject to inspection by tax authorities within a period of five years after the end of the year in which the tax payment was made. Therefore, as a result of tax inspections, current tax liabilities of the Company may be increased by additional amounts. As at 31 December 2021, neither the Company, nor any of its subsidiaries were parties to conducted tax proceedings.

In connection with the activities conducted in the Special Economic Zones, the Group is required to fulfil certain requirements and obligations attached to the received licenses, which were described in detail in Note 10.24.3. The non-fulfilment by the Group of the license-based obligations and requirements may cause that it will be required to return the already utilised tax relief (tax credits) and may not be able to benefit from similar tax relief in the future. As at the date of the preparation of these consolidated financial statements, the Group believes that there is no risk of its non-fulfilment of the obligations defined in the obtained licenses.

The contingent liabilities relating to the subsidies received were presented in Note 28.3.

31. Related party disclosures

31.1. Executive Board emoluments

	Year ended 31 December 2021	*Year ended 31 December 2020*
Management Board of the parent and subsidiaries:		
Short-term employee benefits (salaries and surcharges)	5 957	2 920
Agnieszka Drzyżdżyk - President of the Management Board, Managing Director	1 759	850
Krzysztof Błasiak - Vice-president of the Management Board, Waste and Metal Management Officer	2 862	1 386
Przemysław Grzybek – Member of the Management Board, CFO	1 336	684

(in PLN thousand)

In the analyzed period, Members of the Management Board participated in the incentive programs described in Note 21.2. As a result of the fulfillment of market condition for 2020 of the Incentive Program III and the fulfillment of both non-market conditions and market condition for 2021 under the Incentive Program IV, Members of the Management Board of Alumetal S.A. are entitled or will be entitled to take up the following number of incentive shares on the following terms:

	I-series shares*	**J-series shares****
	Conditions for 2020 under Incentive Program III	*Conditions for 2021 under Incentive Program IV*
Agnieszka Drzyżdżyk - President of the Management Board, Managing Director	10 577	28 476
Krzysztof Błasiak - Vice-president of the Management Board, Waste and Metal Management Officer	8 256	19 815
Przemysław Grzybek – Member of the Management Board, CFO	6 966	16 719

** I-series shares may be subscribed for by exercising the rights arising from F-series subscription warrants in the period from 1 July to 31 December 2022, and the Issue Price that the Eligible Persons will potentially pay will be PLN 41.60 less dividends per share paid or adopted for the years 2020 and 2021*
*** following achievement of all 3 conditions of the Incentive Program IV for 2021, J-series shares may be subscribed for in the period from 1 July 2023 to 31 December 2025 (due to exercising the rights arising from G-series subscription warrants, to be taken up in the first half of 2022), and the potential Issue Price to be paid by Eligible Persons will be PLN 36.40 less dividends per share paid or adopted for the years 2020, 2021 and 2022.*

Supervisory Board

		Year ended 31 December 2021	*Year ended 31 December 2020*
Total remuneration, of which:		**276**	**204**
Grzegorz Stulgis	Chairman of the Supervisory Board	72	–
Paweł Małyska	Member of the Supervisory Board	66	72
Michał Wnorowski	Member of the Supervisory Board	66	60
Franciscus Bijlhouwer[1]	Member of the Supervisory Board	–	27
Szymon Adamczyk	Member of the Supervisory Board	36	36
Michael Pedersen[2]	Member of the Supervisory Board	36	9

[1] On 31 July 2020, Mr. Frans Bijlhouwer resigned from the function of a member and membership in the Supervisory Board of the Company with effect on the date of the next Annual General Meeting, about which the Company informed the public in the current report No. 11/2020 of 31 July 2020.

[2] On 28 August 2020, the Ordinary Annual General Meeting of the Company appointed to the Supervisory Board of Alumetal S.A. Mr Michael Rohde Pedersen for a joint three-year term of office. To that effect, the Company published the current report No. 17/2020 on 28 August 2020.

Based on the agreement signed in 2018 for the purchase of advisory services from the company operating under the name Szymon Adamczyk Doradztwo, the Group received in 2021 invoices for the total amount of PLN 647 thousand (2020 – PLN 552 thousand).

(in PLN thousand)

32. Additional explanations to the Statement of Cash Flow

The balance of the item *Other (including the costs of incentive scheme)* in the cash flow from operating activities in 2021 in the amount of PLN -2 497 thousand is composed of the following items:

- realized (gains)/ losses on forward transactions in the amount of PLN (-)2 465 thousand

- cumulative translation differences (from translation of foreign subsidiary operations) in the amount of PLN (-)19

- received subsidy for research costs in the amount of PLN (-)13 thousand.

The balance of the item *Other (including the costs of incentive scheme)* in the cash flow from operating activities in 2020 in the amount of PLN 3 992 thousand is composed of the following items:

- realized (gains)/ losses on forward transactions in the amount of PLN (+) 3 251 thousand

- cumulative translation differences (from translation of foreign subsidiary operations) in the amount of PLN (+) 1 013 thousand

- received subsidy for research costs in the amount of PLN (-) 272 thousand.

33. 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 2021 and 31 December 2020, by type of services:

Type of service	*Year ended 31 December 2021**	*Year ended 31 December 2020**
Statutory audit of consolidated and separate financial statements	185	165
Review of interim financial statements	60	60
Total	**245**	**225**

** relates to PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k.*

In addition, fee for the statutory 2021 audit of separate financial statements of the Alumetal Group Hungary Kft. carried out by PricewaterhouseCoopers Könyvvizsgáló Kft. was EUR 11 000.00 (for 2020 - EUR 11 000.00).

34. Risk management objectives and policies

The function of financial risk management at the Alumetal S.A. Capital Group is performed centrally, at the level of the parent of the Group.

The Group's principal financial instruments comprise bank loans (short- and long-term), factoring agreements, reverse factoring for suppliers and short-term deposits.

The objective behind the use of those instruments is to obtain finance to conduct operating and investing activities.

In addition, in connection with the conducted operating activities, the Group has such instruments as trade receivables and trade payables.

Utilisation of the above instruments generates mainly the following types of risk:

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

34.1. Interest rate risk

The Group is exposed to interest rate risk in connection with its use of financial instruments to finance operating and investing activities i.e. short- and long-term loans, factoring services on own receivables and short-term deposits.

The above financial instruments are based on variable interest rate of WIBOR (PLN), EURIBOR (or LIBOR for EUR), BUBOR (HUF) and LIBOR (USD) (or possibly SOFR USD).

The table below demonstrates sensitivity of the gross financial result to interest rate fluctuations, with all other variables remaining unchanged, for the most significant interest rates for the Alumetal Group i.e. EURIBOR/LIBOR EUR, WIBOR, BUBOR and LIBOR USD/SOFR USD.

	Increase/ decrease in FX rate	*Effect on the gross financial result (in PLN thousand)*
Year ended 31 December 2021		
PLN	+ 0.50%	-65
EUR	+ 0.25%	-279
USD	+ 0.25%	-9
HUF	+ 0.25%	+17
PLN	- 0.50%	65
EUR	- 0.25%	279
USD	-0.25%	+9
HUF	- 0.25%	-17
Year ended 31 December 2020		
PLN	+ 0.50%	+114
EUR	+ 0.25%	-223
USD	+0.25%	–
HUF	+ 0.25%	+7
PLN	- 0.50%	-114
EUR	- 0.25%	+223
USD	-0.25%	–
HUF	- 0.25%	-7

The Group does not hedge against interest rate risk because the instruments used are, in the majority of cases, of short-term character. On the other hand, in the case of long-term loans and borrowings, the financial instruments hedging against interest rate risk are based, to a great extent, on the expectations and forecasts, which - under the specific market circumstances in the analysed reporting period - did not encourage the use of those instruments, and therefore they were not used in this area (especially in view of the fact that the investment loan that was taken out in EUR will be fully repaid by October 2022).

34.2. Foreign currency risk

The Group is exposed to foreign currency risk in connection with the transactions of current operations. Such exposure arises from the sale or purchase transactions made in the currencies other than its measurement currency.

The Alumetal Capital Group has widely used the so-called natural hedge mechanism, as sale transactions in foreign currencies have been largely balanced by purchase transactions. Nevertheless, as a result of the lack of balance between these two types of business transactions, some exposure to foreign currency risk is generated.

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

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

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

As at 31 December 2021, the Group reported open currency forward contracts for sale of Euro in Polish zloty in the total amount of EUR 29 061 thousand (as at 31 December 2020 - EUR 16 750 thousand). In addition, the Group reported open currency forward contracts for the purchase of USD in Polish zloty in the total amount of USD 450 thousand (at the end of 2020 – USD 980 thousand).

Due to the execution of an investment project in Hungary, in 2015 the Group started to incur certain foreign currency risk as regards HUF/PLN, and especially EUR/HUF exchange rates. As at 31 December 2021, the Group had open currency forward contracts for sale of EUR in HUF for the total amount of EUR 3 300 thousand (as at 31 December 2020 - EUR 1 400 thousand).

The maturity dates of contracts open as at 31 December 2021 fall within 4 months from the reporting date. The Group does not apply hedge accounting. Revenues and costs resulting from the settlement of currency forward contracts and their valuation are recognized in finance income or finance costs.

The table below demonstrates the sensitivity of gross financial result for individual years (in connection with changes in the value of assets and monetary liabilities) to reasonably possible fluctuations in the exchange rates, with all other variables remaining unchanged.

	Increase/ decrease in FX rate	*Effect on the gross financial result (in PLN thousand)*
31 December 2021 – EUR/ PLN	+ 5%	+3 524
	- 5%	-3 524
31 December 2021 – USD/ PLN	+ 5%	-384
	- 5%	+384
31 December 2021 – EUR/ HUF	+ 5%	-2 521
	- 5%	+2 521

(in PLN thousand)

31 December 2020 – EUR/ PLN	+ 5%	+4 319
	- 5%	-4 319
31 December 2020 – USD/ PLN	+ 5%	-346
	- 5%	+346
31 December 2020 – EUR/ HUF	+ 5%	-3 110
	- 5%	+3 110

34.3. Commodity price risk

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

For these reasons, the Group does not use any instruments hedging against fluctuations in LME's quotations of raw materials.

34.4. Credit risk

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

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

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

Detailed information on the ageing analysis of receivables and receivables impairment write-down was presented in Note 23.

34.5. Liquidity risk

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

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

(in PLN thousand)

A certain liquidity risk may pose the fact that the Alumetal Group Hungary Kft received cash subsidy – should it transpire in the future that this company does not meet its obligations arising from the obtained public aid (described in Note 10.24.3), it may be required to return the received public aid in whole or in part, and this – in turn – may be a significant burden and threat to the liquidity of the Group. However, this risk is assessed as marginal.

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

The table below shows the maturity profile of the Group's financial liabilities at 31 December 2021 and 31 December 2020, based on maturity dates of contractual undiscounted payments.

	< 3 months	*3 – 12 months*	*1 – 5 years*	*> 5 years*	*Total*
31 December 2021					
Trade and other financial liabilities	284 180	–	–	–	284 180
Lease liabilities	–	272	1 088	2 822	4 182
Overdraft facilities	–	153 612	–	–	153 612
Investment loan	2 304	5 285	–	–	7 589*
31 December 2020					
Trade and other financial liabilities	170 353	–	–	–	170 353
Lease liabilities	–	281	1 124	2 980	4 385
Overdraft facilities	–	82 408	–	–	82 408
Investment loan	2 312	14 550	–	–	16 862*

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

34.6. Climate risk

In the near future, the situation on the aluminum alloy production market may be affected by actions aimed at halting adverse climate change, including regulatory and stimulus actions resulting from the Paris Agreement and the European Union's "European Green Deal" strategy.

Changing customer requirements regarding CO2 emissions in the manufacture of their products affect the Plants of the Alumetal Group and the products manufactured there. However, this impact is generally positive because the production of secondary aluminum (casting alloys and master alloys), as a recycling activity, is low-energy and, consequently, significantly less emission-intensive compared to the production of primary aluminum, where energy consumption and CO2 emissions per ton of production are many times higher. In addition, the Alumetal Group successfully completed further attempts to replace aluminum alloys produced so far from primary raw materials, with alloys produced in whole or in part from scrap raw materials, while maintaining the high quality of the manufactured product. In December 2021, the Supervisory Board approved the plan of the Management Board of Alumetal S.A. to reduce the carbon footprint per ton of Alumetal Group products by 30% by 2027.

The Group analysed the impact of climate change on the Consolidated Financial Statements and concluded that climate change has no impact on the carrying amount of its assets and liabilities as at 31 December 2021. In particular, the Alumetal Group considered the impact of climate change on the estimates and judgments made, including the useful life of fixed assets and intangible assets.

(in PLN thousand)

35. Financial instruments

35.1. Fair value of financial instruments, by class

The table below shows the comparison of carrying amounts and fair values of all financial instruments of the Group, by individual classes of assets and liabilities.

	Category in accordance with IFRS 9	*Carrying amount*	
		31 December 2021	*31 December 2020*
Financial assets			
Other financial assets (short-term)	FAaAC	–	–
Trade and other receivables	FAaAC	403 776	249 322
Derivative financial instruments	aFVtPL	760	–
Cash and cash equivalents	FAaAC	5 045	19 202
Total		**409 581**	**268 524**

	Category in accordance with IFRS 9	*Carrying amount*	
		31 December 2021	*31 December 2020*
Financial liabilities			
Interest-bearing loans and borrowings	FLaAC	161 201	99 270
Trade and other financial liabilities	FLaAC	284 180	170 353
Derivative financial instruments	aFVtPL	309	1 104
Total		**445 690**	**270 727**

The fair value of financial instruments the Alumetal S.A. Capital Group held as at 31 December 2021 and 31 December 2020 *did not* differ materially from their carrying amount presented in the respective financial statements 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.

As at 31 December 2021 and 31 December 2020, the Group's financial instruments classified as at fair value through profit or loss (aFVtPL) were derivative financial instruments - currency forward contracts. All these instruments are classified to Level 2 of the fair value hierarchy described in Note 10.2 and in Note 34.2.

(in PLN thousand)

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

Year ended 31 December 2021

	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								
Trade and other receivables	FAaAC	–	2 763	–	–	–	–	**2 763**
Derivative financial instruments	aFVtPL	–	910	–	1 548	–	–	**2 458**
Cash and cash equivalents	FAaAC	1	–	–	–	–	–	**1**
Financial liabilities								
Interest-bearing loans and borrowings	FLaAC	-919	-907	–	–	–	–	**-1 826**
Trade and other financial liabilities	FLaAC	-200	-1 090	–	–	–	–	**-1 290**
Total		**-1 118**	**1 676**	–	**1 548**	–	–	**2 106**

(in PLN thousand)

Year ended 31 December 2020

	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								
Trade and other receivables	FAaAC	409	19 735	-43	–	–	–	**20 101**
Derivative financial instruments	aFVtPL	–	-1 276	–	-1 971	–	–	**-3 247**
Cash and cash equivalents	FAaAC	186	–	–	–	–	–	**186**
Financial liabilities								
Interest-bearing loans and borrowings	FLaAC	-695	-8 501	–	–	–	–	**-9 196**
Trade and other financial liabilities	FLaAC	-14	-8 856	-403	–	–	–	**-9 273**
Total		**-114**	**1 102**	**-446**	**-1 971**	–	–	**-1 429**

(in PLN thousand)

35.3. Change in liabilities from financing activities

Year ended 31 December 2021

	1 January 2021	*Changes from cash flow from financing activities*	*Effect of exchange rates fluctuations*	*Other changes*	*31 December 2021*
Interest-bearing loans and borrowings (long-term)	–	–	–	–	–
Interest-bearing loans and borrowings (short-term)	16 862	-9 181	-92	–	7 589
Overdraft facilities	82 408	71 948	-744	–	153 612
Lease liabilities	4 385	-189	-14	–	4 182
Total liabilities arising from financing activities	**103 655**	**62 578**	**-850**	–	**165 383**

Year ended 31 December 2020

	1 January 2020	*Changes from cash flow from financing activities*	*Effect of exchange rates fluctuations*	*Other changes*	*31 December 2020*
Interest-bearing loans and borrowings (long-term)	15 561	–	1 301	-16 862	–
Interest-bearing loans and borrowings (short-term)	8 534	-8 954	420	16 862	16 862
Overdraft facilities	67 421	13 669	1 318	–	82 408
Lease liabilities	3 776	-133	-80	822	4 385
Total liabilities arising from financing activities	**95 292**	**4 582**	**2 959**	**822**	**103 655**

35.4. Interest rate risk

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

The Group has mainly overdraft facilities which are short-term items with the instalment amounts calculated using variable market indexes of WIBOR, BUBOR, LIBOR USD/ SOFR USD, LIBOR EUR and EURORIBOR. In addition, the Group reported an investment loan at ING Bank Śląski in Euro with the instalment amounts calculated on the basis of 1M EURIBOR. Detailed information regarding debt balance from individual loan liabilities is presented in Note 26.

31 December 2021

Variable interest rate

	<1 year	*1–2 years*	*2-3 years*	*>3 years*	*Total*
Cash assets	5 045	–	–	–	5 045
Overdraft facilities	153 612	–	–	–	153 612
Investment loan	7 589	–	–	–	7 589
Total	**166 246**	–	–	–	**166 246**

(in PLN thousand)

31 December 2020

Variable interest rate

	<1 year	*1–2 years*	*2-3 years*	*>3 years*	*Total*
Cash assets	19 202	–	–	–	19 202
Overdraft facilities	82 408	–	–	–	82 408
Investment loan	16 862	–	–	–	16 862
Total	**118 472**	–	–	–	**118 472**

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 instrument maturity date. The remaining financial instruments of the Group that are not included in the above tables are non-interest bearing and therefore they are not subject to interest rate risk.

36. Capital management

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

The Group monitors capital using the gearing ratio, which is calculated as the ratio of total net debt divided by total capital increased by total net debt. The internal policies of the Group require that the value of this ratio ranged from 30% to 60%. Included in total net debt are all interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the shareholders of the parent.

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

	31 December 2021	*31 December 2020*
Interest-bearing loans and borrowings	161 201	99 270
Trade and other financial liabilities	284 180	170 353
Cash and cash equivalents	-5 045	-19 202
Net debt, total	**440 336**	**250 421**
Shareholders' equity	685 897	573 836
Capital and total net debt	**1 126 233**	**824 257**
Gearing ratio (Total net debt/ Shareholders' equity and total net debt)	39%	30%

37. Employment structure

The average employment in the Group in the year ended 31 December 2021 and 31 December 2020 was as follows:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Management Board of the parent company	3	3
Management Boards of other Group companies	3	3
Administration and logistics department	114	113
Trading department	14	13
Production department	479	469
Total	**613**	**601**

38. Events after the reporting date

Major events that took place after the reporting date include:

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

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

The outbreak of the conflict in Ukraine as a result of the Russian invasion may have impact on the activities of the Alumetal S.A. Capital Group. As at the date of these consolidated financial statements, the military conflict in Ukraine does not have any significant direct negative impact on the activities of the Alumetal Group, as the Group has not purchased the main input materials, i.e. aluminum scrap raw materials from Russia, Belarus or Ukraine, and has not sold its products on these markets.

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

Employees from Ukraine account for a small percentage of all employees (2% as at 31 December 2021 and 1% as at the date of publication of these consolidated financial statements). The Company believes that the impact of the potential loss of these employees on the ability to implement operational processes is negligible.

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

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

Apart from the above-mentioned events and the circumstances described herein, there were no significant events that should have been, but were not, included or disclosed in these consolidated financial statements.

These consolidated financial statements comprise:

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

Kęty, 15 March 2022