



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



Kęty, 15 March 2022

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I. Issuer and its Capital Group corporate data

1. Description of ALUMETAL S.A.

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

A. Issuer corporate data

Name and legal form:	ALUMETAL Spółka Akcyjna [joint stock company]
Registered office:	ul. Tadeusza Kościuszki 111, 32-650 Kęty
Telephone number:	+48 (33) 47 07 100
Fax number:	+48 (33) 47 07 101
Website:	www.alumetal.pl
E-mail address:	alumetal@alumetal.pl
National Court Register (KRS) number:	0000177577
Statistical number, REGON:	357081298
Tax identification number, NIP:	5492040001

ALUMETAL S.A. (hereinafter: the „Company”, „Issuer”) was incorporated in 1999 and entered in the Register of Entrepreneurs on 19 October 2001 as a limited liability company (*spółka z ograniczoną odpowiedzialnością*) operating under the name „ALUMETAL” sp. z o.o. Based on the resolution of the Shareholders' Meeting of „Alumetal” sp. z o.o. of 5 September 2003, the Company was transformed into a joint stock company Alumetal S.A. The transformation was registered with the competent registry court on 28 October 2003.

ALUMETAL Spółka Akcyjna is registered in the Register of Entrepreneurs maintained by the District Court for Kraków-Śródmieście in Cracow, 12th Economic Department of the National Court Register, Entry No. KRS 0000177577. The Company was incorporated for an indefinite period of time. The Company operates based on the provisions of the Code of Commercial Companies and other legal regulations binding the commercial-law companies, as well as based on the provisions of its Statutes and of other internal regulations.

The Company's scope of business is defined in § 4 of its Statutes, being in particular:

- head office and holding operations, except for financial holdings (PKD 70.10.Z).

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

- 9 800 570 shares are ordinary bearer shares, series A;
- 1 507 440 shares are ordinary bearer shares, series B;
- 3 769 430 shares are ordinary bearer shares, series C;
- 150 770 shares are ordinary bearer shares, series D;
- 150 770 shares are ordinary bearer shares, series E;
- 100 513 shares are ordinary bearer shares, series F;
- 103 196 shares are ordinary bearer shares, series G.

In the event of Company liquidation, the above shares are not preference shares as regards voting right, right to dividend or distribution of assets.

Shares series D, E and F were issued under the Incentive Program (Scheme) II adopted based on the Resolution No. 5 of the Extraordinary Annual General Meeting of the Company of 28 May 2014.

The Management Board of the Stock Exchange in Warsaw (WSE) passed on 11 July 2014 Resolution No. 802/2014 on admittance to public trading on the main market of the WSE of the ALUMETAL S.A.'s shares, series A, B and C. Following that, the Management Board of the WSE, based on the Resolution No. 811/2014 of 16 July 2014, resolved that as of 17 July 2014 the Company's ordinary (bearer) shares will be introduced to public trading in the ordinary procedure, and on that date the first quotation of the Company took place.

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

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

B. Subsidiary companies

Presented below is basic information on related companies, which are direct subsidiaries of the Company.

ALUMETAL Poland sp. z o.o.

The Company holds 100% shares in the issued capital of ALUMETAL Poland sp. z o.o., which give it the right to exercise 100% votes at the shareholders' meeting of this company.

Corporate information:

Name and legal form:	Alumetal Poland spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office:	ul. Przemysłowa 8, 67-100 Nowa Sól
Issued capital:	PLN 164 981 300
Main scope of business activities:	Production of aluminium casting alloys, master alloys and aluminium for steel de-oxidation.

T+S sp. z o.o.

The Company holds 100% shares in the issued capital of T+S sp. z o.o., which give it the right to exercise 100% votes at the shareholders' meeting of this company.

Corporate information:

Name and legal form:	T + S spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office:	ul. Tadeusza Kościuszki 111, 32-650 Kęty
Issued capital:	PLN 350 000
Main scope of business activities:	Production of fluxes and salts, which are supplementary materials in the casting industry.

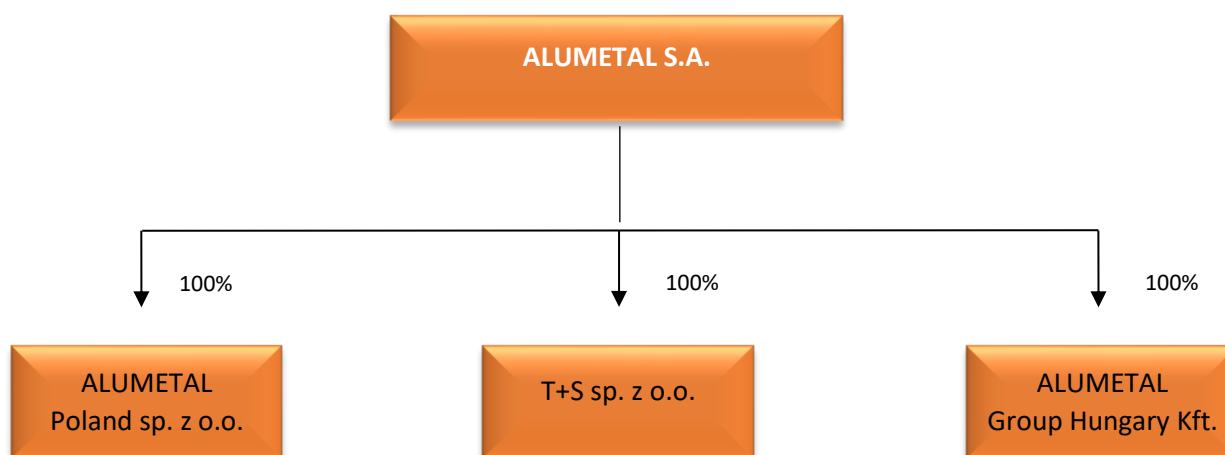
ALUMETAL Group Hungary Kft.

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

Corporate information:

Name and legal form:	ALUMETAL Group Hungary Kft.
Registered office:	2903 Komárom, Irinyi Janos u. 10., Hungary
Issued capital:	HUF 5 500 000 000
Main scope of business activities:	Casting of light metals

As at 31 December 2021, the organizational structure of the Alumetal Group was as follows:



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

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

ALUMETAL Poland sp. z o.o. is the main production company of the Group in Poland that manufactures its main products: secondary and primary aluminium casting alloys and master alloys. ALUMETAL Poland sp. z o.o. owns all three Polish production plants of the Group, which are located in Kęty (Małopolskie Voivodship), Nowa Sól (Lubuskie Voivodship) and Gorzyce (Podkarpackie Voivodship).

T+S sp. z o.o. renders services of support production company (chemical division) which consist in the production of fluxes and salts which are used mainly by the Alumetal Group, but which are also sold to the external clients in the casting and smelting industries.

ALUMETAL Group Hungary Kft. is a Hungarian-law based production company, manufacturing secondary aluminium casting alloys in a production plant in Komarom.

In the reporting period, none of the companies of the Alumetal Group had self-reporting organizational units within the meaning of article 5 point 4 of the Act on freedom of economic activity.

As at 31 December 2021, the following entities were consolidated:

- ALUMETAL S.A.,
- ALUMETAL Poland sp. z o.o.,
- T+S sp. z o.o., and
- ALUMETAL Group Hungary Kft.

2. Changes in the organisational structure of ALUMETAL S.A.

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

3. Organisational and capital relations of ALUMETAL S.A.

The Issuer is related by type of organisation and by capital to the subsidiary companies of the Alumetal Group in the manner specified above, while maintaining the policy of the performance of duties of Group companies' board members by the persons making up the Management Board of ALUMETAL S.A. The exception to this rule is ALUMETAL Group Hungary Kft., as described below in point II.1.

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

II. Statement of Corporate Governance

1. Principles of management of the Issuer and its Capital Group

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

The expression of the above principle of management is the observing by the ALUMETAL S.A. Capital Group of the policy of the performance of duties of Group companies' board members by the persons making up the Management Board of ALUMETAL S.A., as well as possible appointment to the boards of subsidiary companies of additional persons, as required by business tasks of those subsidiary companies. As part of the compliance with this policy, in the period from 4 January 2021 to 2 February 2022, the mandate of a Management Board Member of ALUMETAL Poland sp. z o.o. and T+S sp. z o.o. was held by Mr Rafał Karolczyk.

The exception is the Hungarian-law based Group company, ALUMETAL Group Hungary Kft., which does not have management board within the meaning of Polish regulations, and the persons authorised to manage and represent this company as at the date of the preparation of this Directors' Report are Mr Andrzej Słupski and Mr Zoltan Gyori. This exception is the effect of the requirements of Hungarian laws.

The subsidiary companies of the Alumetal Group do not have own supervisory bodies. The sole governing body of this type is the Supervisory Board at ALUMETAL S.A.

The principles of functioning and information about Issuer authorities are presented below in point II.3.

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

2. Description of changes of the Statutes of ALUMETAL S.A

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

3. Authorities of ALUMETAL S.A.

A. Annual General Meeting

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

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

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

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

- 1) creation and elimination of all types of capital and funds, including special purpose capital and funds;
- 2) Company liquidation;
- 3) re-acquisition of own shares for redemption purposes, cancellation or decrease of the Company's issued capital;
- 4) disposal or lease of the Company's enterprise or an organised part thereof, or establishment of a limited property right thereon (*limited right in rem*), disposal of the Company's interest in subsidiary companies;
- 5) merger with another entity (business combination);
- 6) amendments to the Company's Statutes;
- 7) adoption of Regulations of the Company's Annual General Meeting.

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

On 19 May 2021, the Ordinary Annual General Meeting passed resolutions regarding the following:

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

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

B. Supervisory Board

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

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

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

Until the date of the publication of this Directors' Report, the composition of the Supervisory Board presented above did not change.

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

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

The Supervisory Board holds its meetings at least once every quarter.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In the case of a voting tie, the casting vote is that of the Chairman of the Supervisory Board.

The powers of the Supervisory Board include, in particular:

- 1) authorization of Work Regulations of Management Board;
- 2) authorization of the Company's annual capital-financial plans, budget and strategic plans submitted by the Management Board;
- 3) issuance of consent for the formation of branches, plants, representative offices, enterprises and other establishments at home and abroad, in the tax-free zones, acceding to the already incorporated companies with Polish and foreign capital, Company's participation in the economic organizations operating in the territory of Poland and abroad, as well as acquisition of interest in other commercial-law based entities and formation of new companies;
- 4) appointment or change of an entity authorised to perform statutory audit of the Company's financial statements and to render financial audit (revision) services for the Company;
- 5) concluding by the Company or by its subsidiary companies of a non-regular business scope agreement (including a loan or credit agreement, or agreements regarding realization of new investments and/ or issuance of sureties or guarantees, or other collateral for third party liabilities, excluding subsidiary companies within their ordinary scope of business) with a view to acquisition or disposal of a property item, incurring a liability or disposing a right with a value exceeding PLN 1 000 000.00 (in words: one million zloty) or its foreign currency equivalent, as part of one or a series of related transactions;
- 6) consenting to concluding by the Company of a significant contract with a related entity within the meaning of appropriate Regulation of the Minister of Finance, except for routine (performed as part of the Company's operating activity) transactions concluded on the arm's length basis with the subsidiary, in which the Company holds majority interest;
- 7) disposal or lease of subsidiary company's enterprise or an organised part thereof, or establishment of a limited property right thereon (*limited right in rem*), disposal of the Company's interest in subsidiary companies;
- 8) appointment, removal or suspension from the management board of individual or all Management Board Members and delegating members of the Supervisory Board to temporarily perform the duties of members of the Management Board, as well as determining the number of Management Board members;

- 9) drafting and submitting to the Ordinary Annual General Meeting of the Company of a concise assessment of the Company's position, including the assessment of the internal control and material risks management systems;
- 10) considering and providing opinions on the matters which are to be the subject of resolutions of Annual General Meeting;
- 11) authorization of the policies, procedures and bylaws developed by the committees operated by the Company.

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

- assessment of the Directors' Report on activities of ALUMETAL S.A. for the year 2020 and of the financial statements of ALUMETAL S.A. for the year ended 31 December 2020, assessment of Management Board's proposal regarding 2020 profit appropriation, and assessment of the Directors' Report on activities of the ALUMETAL S.A. Capital Group for the year 2020 and of the consolidated financial statements of the ALUMETAL S.A. Capital Group for the year ended 31 December 2020;
- acceptance of the report of ALUMETAL S.A.'s Supervisory Board on the assessment of Directors' Report on activities of ALUMETAL S.A. for the year 2020 and of the financial statements of ALUMETAL S.A. for the year ended 31 December 2020, on the assessment of Management Board's proposal regarding 2020 profit appropriation, as well as on the assessment of Directors' Report on activities of the ALUMETAL S.A. Capital Group for the year 2020 and of the consolidated financial statements of the ALUMETAL S.A. Capital Group for the year ended 31 December 2020;
- assessment of the need to separate the internal audit function;
- acceptance of the Report of ALUMETAL S.A.'s Management Board on the assessment of internal control and risk management systems;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. an assessment of the position of the ALUMETAL S.A. Capital Group in 2020;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. of the Report on activities of Supervisory Board in 2020;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. of the assessment of the manner in which the Company complies with disclosure obligations regarding the application of corporate governance rules;
- drafting and submitting to the Ordinary Annual General Meeting of ALUMETAL S.A. of information on non-pursuing sponsoring, charity or other similar activities.

C. Audit Committee

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

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

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

The tasks of the Audit Committee comprise, in particular:

1. Monitoring of the following:
 - a. financial reporting process at the Company;
 - b. efficiency of the internal control and risk management systems, and of the internal audit and the compliance system, if operated at the Company;
 - c. performance of financial audit activities, especially of the audit performed by an external audit firm, while observing all conclusions and factual findings of the Audit Supervision Committee (*Komisja Nadzoru Audytowego*) arising from the control of an audit company.
2. Controlling and monitoring of independence of a certified auditor and the entity authorised to audit financial statements, especially where services other than attest services are rendered to the Company;
3. Informing Supervisory Board about audit results and explaining how the performed audit contributed to the truth and fairness of the financial reporting at the Company, and what was the role of the Audit Committee during the course of the audit;
4. Assessing independence of a certified auditor and consenting to his rendering of allowed non-audit services;
5. Developing the policy of selecting audit firm authorised to audit financial statements;
6. Developing the policy of rendering by an audit firm and by a member of audit firm network of allowed non-audit services;
7. Determining the procedure for the selection of an audit firm by the Company;
8. Presenting to the Supervisory Board recommendations referred to in article 16 of Regulation [(EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities], in accordance with the policies referred to in point 5 and 6 above;
9. Forwarding recommendations aimed at ensuring truth and fairness of the reporting process at the Company;
10. During the process of audit firm selection, presenting to the Supervisory Board the recommendations referred to in article 130 para. 2 and 3 of the Act [of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight].

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

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

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

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

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

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

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

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

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

The Company operates the following policies: *The Policy for the Selection of an Entity Authorised to Audit Statutory Financial Statements of the Company and of the Capital Group* („*Polityka wyboru podmiotu uprawnionego do badania ustawowego sprawozdań finansowych Spółki i Grupy Kapitałowej*”), adopted by Resolution of the Supervisory Board on 10 October 2017 and *The Policy of*

Providing Allowed Non-audit Services by an Audit Firm Performing the Audit of the Financial Statements of the Company and of the Capital Group, by Entities related to that Audit Firm or by Member of Audit Firm's Network („Polityka świadczenia przez firmę audytorską przeprowadzającą badanie Spółki i Grupy Kapitałowej przez podmioty powiązane z tą firmą audytorską lub przez członka sieci firmy audytorskiej dozwolonych usług niebędących badaniem”), adopted by Resolution of the Supervisory Board on 10 October 2017 and then modified on 6 February 2020.

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

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

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

- Prohibition to render, directly or indirectly, by the certified auditor or an audit firm conducting statutory audit of the financial statements of the Company or of the Capital Group, entity related to that audit firm or belonging to the network of that audit firm, of forbidden non-audit services to the Company, its holding companies, or to the entities controlled in the EU territory in the following periods:
 - over the period from the commencement of audited period to issuance of auditor's report; and
 - in the financial year directly preceding the period referred to above in relation to legal services including:
 - i. providing general legal advisory,
 - ii. negotiating on behalf of audited company,
 - iii. acting in an advocacy role in the resolution of litigation;

- The prohibited non-audit services referred to above are the following:
 - a) Tax services relating to:
 - preparation of tax forms/ returns,
 - income tax,
 - customs duty liabilities,
 - identification of public aid (government grants) and tax incentives, unless the support of a certified auditor or an audit firm for such services is required by law,
 - support in the field of tax inspections carried out by taxation authorities, unless the support of a certified auditor or an audit firm for such inspections is required by law,
 - calculation of direct and indirect tax, and deferred income tax,
 - provision of tax advisory;
 - b) Services covering any participation in management or a decision-making process of audited entity, including, in particular, services of working capital management, providing financial information, operating process optimization, cash management, determining transfer prices, enhancement of supply chain efficiency etc.
 - c) Keeping books of account and preparation of accounting records and financial statements;
 - d) Payroll-related services;
 - e) Development and implementation of internal control procedures or the procedures of risk management relating to financial information preparing and control, or development and implementation of technological systems for financial information handling;
 - f) Valuation services, including those performed in connection with actuarial or support services in legal dispute settlement;
 - g) Legal services comprising the following: providing general legal advisory, negotiations on behalf of audited company, acting in an advocacy role in the resolution of litigation;
 - h) Services related to the internal audit function of audited entity;
 - i) Services related to financing, capital structure and capital allocation and investment strategy of a client, for whom audit services are rendered, except for such attest services relating to financial statements as issuance of comfort letters for share issue prospectuses of audited company;
 - j) Conducting promotional activities and trading in shares of audited company on own account or underwriting share issuance for audited entity;
 - k) Human Capital related services with regard to:
 - Executives that may exercise significant influence on preparing accounting documentation or financial statements subject to statutory audit, if such services comprise:
 - Recruitment or selection of candidates for such posts,
 - Checking the credentials/ references of candidates for such positions,
 - Development of organizational structure; and
 - Cost control.
 - l) Other non-audit services.

In 2021, 9 meetings of the Audit Committee were held, as well as twice resolutions were adopted outside the meeting using e-mail facility.

D. Management Board

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

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

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

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

Pursuant to the provisions of § 12 section 5 of the Company's Statutes, the Company's Management Board is appointed for a joint 3-year term by the Supervisory Board, which determines the number of Management Board members from one to five persons and appoints President and Vice-president of the Management Board, and which may delegate its own members to temporarily perform the duties of Management Board members. Removal of Management Board Members is executed in accordance with the provisions of the Code of Commercial Companies.

The powers of the Management Board comprise, in particular:

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

- i) adopting Work Regulations and other principles, policies and instructions regulating operating Company's business.

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

Resolutions of the Management Board are adopted by an absolute majority of votes. In the case of a voting tie, the casting vote is that of the President of the Management Board. Resolutions of the Management Board may also be taken with the use of the writing procedure or through the use of the means of distance communication.

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

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

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

4. Shareholding structure

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

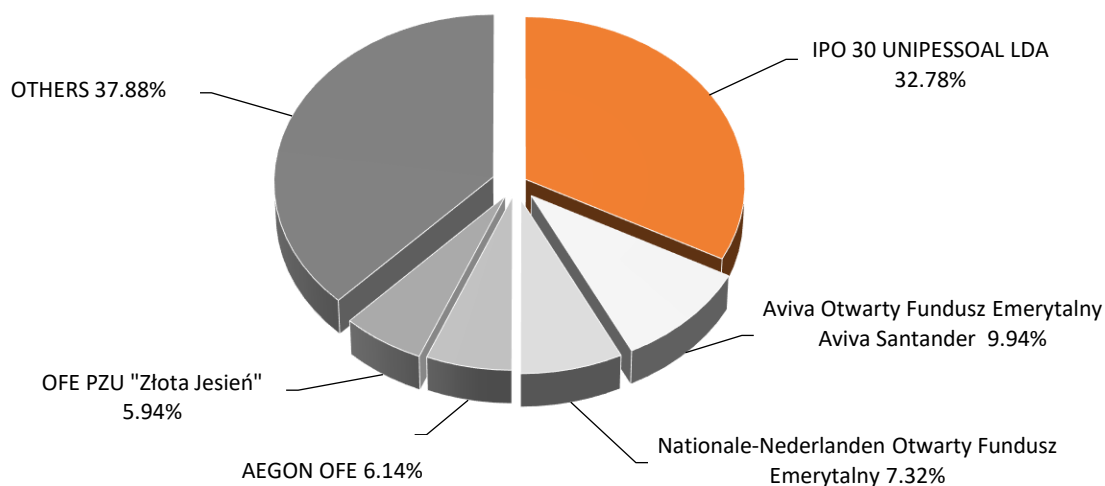
On 19 October 2021, the Company received information about the notification from Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A. (Aviva PTE), acting on behalf of Aviva Otwarty Fundusz Emerytalny Aviva Santander (Aviva OFE), that in connection with the transactions carried out on 8 October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

As at 31 December 2021, the Company had below information (in accordance with the notifications based on the Act of 29 July 2005 on public offering, terms and conditions of introducing financial instruments into organised system of trading and on public companies) ("Act on public offering") on the shareholders holding, directly or indirectly through subsidiary companies, at least 5% of the total number of votes at the Annual General Meeting of ALUMETAL S.A.

Shareholders holding, directly or indirectly through subsidiary companies, at least 5% of the total number of votes at the Annual General Meeting of ALUMETAL S.A. as at 31 December 2021				
Shareholder	No. of shares	% of issued capital	No. of votes	% of votes at the AGM
IPO 30 UNIPESOAŁ LDA*	5 108 221	32.78	5 108 221	32.78
Aviva Otwarty Fundusz Emerytalny Aviva Santander	1 548 833	9.94	1 548 833	9.94
Nationale-Nederlanden Otwarty Fundusz Emerytalny	1 140 650	7.32	1 140 650	7.32
AEGON Otwarty Fundusz Emerytalny	956 216	6.14	956 216	6.14
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	925 305	5.94	925 305	5.94
Others	5 903 464	37.88	5 903 464	37.88
Total	15 582 689	100.00	15 582 689	100.00

*entity controlled by Mr Grzegorz Stulgis

Shareholding structure as at 31 December 2021



According to the contents of the notifications forwarded to the Company, as at 15 March 2022 the shareholding structure of ALUMETAL S.A. covered by the obligation to report significant blocks of shares did not change.

B. Share issue and re-acquisition of own shares

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

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

- a) The Management Board is authorized to re-acquire, on behalf of and for the benefit of the Company, own shares in the total number of not more than 2 321 923 shares (in words: two million three hundred twenty one thousand nine hundred twenty three), i.e. 15% (in words: fifteen percent) of the issued capital held by the Company on the day the Annual General Meeting adopts a resolution authorizing the Management Board to re-acquire Company's own shares for redemption; subject to re-acquisition may be fully paid-up Shares,
- b) the remuneration (purchase price) for the Shares will not be lower than PLN 25.00 (in words: twenty five zloty) per Share and not higher than PLN 45.00 (in words: forty five zloty) per Share,
- c) the total minimum amount of remuneration for the re-acquired Shares will not be lower than PLN 25.00 (in words: twenty-five zloty), and the total maximum amount of remuneration for the re-acquired Shares shall not exceed PLN 104 486 535.00 (in words: one hundred and four million four hundred and eighty-six thousand five hundred thirty five zloty),
- d) the funds allocated to the payment of remuneration for the re-acquired Shares will come exclusively from the Company's own funds and will come exclusively from the amounts which, pursuant to art. 348 § 1 of the Code of Commercial Companies may be allocated for distribution,
- e) The Shares may be re-acquired outside the regulated market - as part of one or more invitations to submit offers for the sale of shares to the Company for their redemption, whereby invitations will be addressed to all shareholders of the Company holding bearer shares, with the proviso that:
 - i. the re-acquisition of the Shares may take place at the price determined by the Management Board, taking into account the limits specified in sec. 2 letter b), and the price will be the same for all Shares purchased under a given invitation to tender for the sale of shares,
 - ii. The Management Board shall determine the number of shares purchased under a given invitation to submit offers for the sale of shares, taking into account the limits specified in para. 2 letter a),
 - iii. In the event that the received offers to sell shares exceed the number of shares covered by the invitation to submit offers, the Management Board or the investment firm on behalf of the Company will make an adjustment to the number of shares that the Company will re-acquire under said invitation from each of the shareholders submitting shares sale offer, using the mechanism of proportional reduction,
- f) the authorization of the Management Board to re-acquire the Shares covers the period from 1 October 2020 to 30 September 2024, but no longer than until the funds allocated for their re-acquisition are exhausted,

- g) the date of the commencement and completion of Shares re-acquisition will be made public by the Company's Management Board, pursuant to art. 56 of the Act of 29 July 2005 on public offering, terms and conditions of introducing financial instruments into organised system of trading and on public companies ("Act on public offering"), and the date for the re-acquisition of the Shares will be announced prior to the commencement of re-acquisition,
- h) the Shares may be re-acquired under public tender offer for the Company's shares.

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

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

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

During the reporting period and in the period to the date of the preparation of this Directors' Report, the Company did not obtain any information on the existence of special powers or restrictions on the transfer of ownership right to the shares of ALUMETAL S.A. or execution of voting rights from those shares.

D. Agreements that in the future may cause changes to the current shareholding and bondholding structure

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

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

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

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

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

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

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

* indirectly through IPO 30 UNIPESOAL LDA

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

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

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

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

6. Emoluments of the members of Management and Supervisory Boards

Remuneration of Supervisory Board Members		Year ended 31 December 2021 (in PLN thousand)
Grzegorz Stulgis	Chairman of the Supervisory Board	72
Michael Pedersen	Member of the Supervisory Board	36
Michał Wnorowski	Member of the Supervisory Board	66
Paweł Małyska	Member of the Supervisory Board	66
Szymon Adamczyk	Member of the Supervisory Board	36
Total remuneration paid		276

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

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

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

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

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

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

7. Incentive Programs

A. Incentive Program III for the years 2018-2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Value of capital and cost of incentive programs	Year ended 31 December 2021 (in PLN thousand)	Year ended 31 December 2020 (in PLN thousand)
Capital under Incentive Program III	346	1 475
Cost of Incentive Program III	97	-87

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

B. Incentive Program IV for the years 2021-2023

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

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

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

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

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

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

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

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

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

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

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

Value of capital and cost of incentive programs	Year ended 31 December 2021 (in PLN thousand)	Year ended 31 December 2020 (in PLN thousand)
Capital under Incentive Program IV	2 607	0
Cost of Incentive Program IV	2 607	0

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

8. Diversity policy

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

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

9. Rules of best practice and corporate governance

A. Best practice and corporate governance

During the reporting period until 30 June 2021, the set of the rules of corporate governance called „The Code of Best Practice for WSE Listed Companies 2016” („Best Practice 2016”), representing an

Appendix to the Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange dated 13 October 2015, was in effect. As of 1 July 2021, a new set of corporate governance rules came into force at the Company under the name "Best Practices of WSE Listed Companies 2021" ("Best Practices 2021"), which is available on the website of the Warsaw Stock Exchange S.A. at <https://www.gpw.pl/dobre-praktyki2021>. Information on the status of application of the Best Practices 2021 by the Company is available on its website at: <http://alumetal.pl/relacje-inwestorskie/lad-korporacyjny>.

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

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

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

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

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

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

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

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

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

The current strategy of the Alumetal Group for the years 2018-2022 developed and announced in 2018 does not contain the elements indicated in this principle, however, in the future, during the development of the strategy for the coming years, the Company will consider the possibility of their inclusion and subsequent publication on the website.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has cooperated with the local communities of the sites, in which registered office of ALUMETAL S.A, the production plants of ALUMETAL Poland sp. z o.o. and the ALUMETAL Group Hungary Kft. are located, and directly with respective local government units. For many years now, the Alumetal Group has been involved in aid programs at local level, mainly through the financial support which is directed to the didactic-educational centres, as well as to independent associations and social organizations, cultural facilities, sports clubs, and directly for the organization of cultural events.

In the event of natural disasters or other unforeseeable circumstances, ALUMETAL S.A. organizes material support and assistance to employee sufferers and their families.

ALUMETAL S.A. does not operate any special sponsoring policy. The decision on the form of assistance is made by the Management Board on an individual basis.

Objective	Value of support (in PLN thousand)
Cultural institutions	1.6
Sports	15.0
Total	16.6

C. Internal control system and risk management

The Management Board of the parent is responsible for the internal control system of the entire Group and for its efficiency during the process of preparation of periodic reports, separate and consolidated accounts, prepared and published in accordance with the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and on the conditions for recognition as equivalent the information required by laws of non-EU member states (the "Decree on current and periodic information").

The supervision function over financial statements and periodic reports preparation process carried out mainly by the finance division of the Group is realised by the Financial Director of ALUMETAL S.A. – Member of the Management Board (CFO).

The main method to ensure efficiency of the internal control and risk management systems with respect to the process of separate and consolidated accounts preparation is that of ensuring adequacy, truth and fairness, and correctness of the financial information disclosed in periodic reports and in financial accounts, and that of ensuring confidential information privacy and security.

The internal control and risk management systems operated by the Group in the process of financial reporting were created mainly owing to the following:

- operating a Group-wide, authorised and uniform (consistent) accounting policy;
- clear segregation of duties and well-defined work organization and supervision in the financial reporting process, as defined by procedures, instructions and regulations, and included in the following documents:
 - Warehouse instructions,
 - Instructions on hard close and financial statements close process (FSCP),
 - Instructions on registration of data in the integrated IT management system,
 - Physical count instructions,
 - Organizational rules,
 - Procedure for describing and confirming purchase invoices in the Capital Group,
 - Procedure for accepting, registering, scanning and archiving purchase invoices,
 - Regulations on circularization of confidential information,
 - Procedures for preparation of periodic reports,
 - Internal ESPI regulations;
- application of integrated IT management system which considerably limits the risk of data inconsistency and irregularity (minimization of technical-type risk);
- results and control reports analysis by Group's internal specialists at individual stages of reports preparation and arriving at financial results (minimization of substantial-type risk);
- financial results and financial ratios analysis at each level of business by appropriate control units, at the level of a subsidiary and the parent;
- regular cooperation with financial-accounting, tax and legal advisors to ensure correct (consistent with binding accounting policies and legal regulations) recognition and disclosure of individual business operations and business events in periodic reports and annual accounts,
- audit of financial statements by an audit firm.

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

III. Representations concerning non-financial reporting

Due to the fact that the Company does not meet the conditions defined in article 49b para. 1 of the Act of 29 September 1994 on accounting (the „Accounting Act”), the „*Representations concerning non-financial reporting by the ALUMETAL S.A. Capital Group*” are provided in the Directors' Report on the activities of the ALUMETAL S.A. Capital Group for the year 2021.

Pursuant to the provisions of article 49b para. 11 of said Act, „an entity being a subsidiary company, including lower level subsidiary company, may be exempted from preparing representations on non-financial information or report on non-financial information, if its higher level/ultimate parent company having registered office or place of management in the territory of the European Economic Area (EEA) prepares the representations of the capital group or the report of the capital group on non-financial reporting in accordance with the laws of an EEA's member state it is subject to, which covers this particular entity and its subsidiary companies of all levels. If this is the case, the entity discloses in its directors' report on activities the name and the registered office of its higher level/ ultimate parent company preparing such representations or report of the capital group on non-financial reporting covering this particular entity and all-level subsidiary companies of this capital group”.

IV. Information about business activities of ALUMETAL S.A.

The scope of business activities of the Company has been defined in § 4 of the Company's Statutes and comprises, in particular, the head office and holding-related activities, except for financial holdings (PKD 70.10.Z).

ALUMETAL S.A. is a holding company which renders to the companies of the Alumetal Group the following services:

- management (including development, investment, energy management services, production support and controlling services),
- trading services,
- financial services,
- IT services,
- people advisory services (HR & Payroll),
- accounting services.

The exception to the above is the ALUMETAL Group Hungary Kft., which in the area of tax and HR & payroll has been serviced in 2021 by companies from its mother country.

The above services have been rendered based on contracts for services between ALUMETAL S.A. and ALUMETAL Poland sp. z o.o., T+S sp. z o.o. and Alumetal Group Hungary Kft. Providing the above services supports at the same time the possibility of generating financial means by the subsidiary companies and regular payment of dividends for ALUMETAL S.A., which are the main source of income of the Company.

V. Assessment of situation of ALUMETAL S.A.

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

The financial statements for 2021 as well as the comparative data for the prior financial year have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and the related interpretations issued in the form of regulations of the European Commission.

The entity authorised to audit the financial statements of the Company is PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., with its registered office at ul. Polna 11 in Warsaw, based on the audit contract dated 8 June 2020.

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

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 (in PLN thousand)	Year ended 31 December 2020 (in PLN thousand)
Statutory audit of consolidated and separate financial statements	185	165
Review of interim financial statements	60	60
Total	245	225

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

2. Sources of revenues of ALUMETAL S.A.

A. Revenue from holding activities of ALUMETAL S.A.

During the reporting period, the source of revenues of ALUMETAL S.A. as holding company were dividends from subsidiary companies and the following services rendered solely to the subsidiary companies: management including development, investment, production support and controlling services) and trading services, HR and payroll (people management/ advisory), financial, accounting and IT services.

The Company does not conduct manufacture or production activities, which are realised only by the subsidiary companies.

Presented in the table below are revenues of ALUMETAL S.A.:

Structure of revenues of ALUMETAL S.A.	in PLN thousand	
	Year ended 31 December 2021	Year ended 31 December 2020
Revenue from dividends	29 000	33 000
Revenue from contracts with customers	15 012	9 566
Total revenues from conducted activities	44 012	42 566

A significant source of revenues of ALUMETAL S.A. are dividends from subsidiary companies:

Dividends received, of which from:	in PLN thousand	
	Year ended 31 December 2021	Year ended 31 December 2020
Alumetal Poland sp. z o.o.	29 000	33 000
T+S sp. z o.o.	–	–
Total	29 000	33 000

The level of dividend paid by subsidiary companies depends on the need for finance of ALUMETAL S.A. and on the financial results achieved by those companies.

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

B. Finance income

The source of finance income of ALUMETAL S.A. is the received interest, mainly on the long-term loan granted to the ALUMETAL Group Hungary Kft.

C. One-off revenue items

In 2021, there were no significant one-off revenue items.

3. Cost of business activities of ALUMETAL S.A.

The recorded revenue from the sale of services to related entities cover the cost of sale of services rendered by ALUMETAL S.A.

Nevertheless, ALUMETAL S.A. as a holding company incurs the costs of execution of own business tasks. The most significant cost items in this area are advisory, audit and legal services and the costs relating to the activities of the governing bodies of ALUMETAL S.A. and to its status of a public company, as well as the costs of incentive scheme valuation and remuneration with surcharges.

Finance costs are mainly interest on loans.

4. Results, ratios, balance sheet structure and financial position of ALUMETAL S.A.

The table below shows summarized 2021 results of Alumetal S.A. compared to the prior year:

ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME & STATEMENT OF CASH FLOWS	In PLN thousand		In EUR thousand	
	12 -month period of 2021	12 -month period of 2020	12 -month period of 2021	12 -month period of 2020
Revenue from holding activities	44 012	42 566	9 615	9 514
Operating profit	26 150	32 166	5 713	7 189
EBITDA	26 927	33 066	5 882	7 390
Profit before tax	26 197	32 615	5 723	7 290
Net profit	26 175	32 707	5 718	7 310
Net cash flow from operating activities	30 457	32 142	6 654	7 184
Net cash flow from investing activities	13 903	-20 658	3 037	-4 617
Net cash flow from financing activities	-50 494	-9 112	-11 031	-2 037
Total net cash flow	-6 134	2 372	-1 340	530
Basic net earnings per share attributable to equity holders of the parent (in PLN & EUR)	1.68	2.11	0.37	0.47
Diluted net earnings per share attributable to equity holders of the parent (in PLN & EUR)	1.66	2.11	0.36	0.47

ITEMS OF THE STATEMENT OF FINANCIAL POSITION	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Total assets	293 671	310 300	63 850	67 240
Non-current assets	281 639	288 873	61 234	62 597
Current assets	10 668	14 596	2 320	3 163
Shareholders' equity	278 690	291 002	60 593	63 058
Issued capital	1 558	1 548	339	335
Non-current liabilities	888	849	193	184
Current liabilities	14 093	18 449	3 064	3 998
Number of shares	15 582 689	15 479 493	15 582 689	15 479 493
Basic carrying amount per share (in PLN & EUR)	17.88	18.80	3.89	4.07
Diluted carrying amount per share (in PLN & EUR)	17.66	18.82	3.84	4.08
Planned or paid dividend per share (in PLN & EUR)	6.80*	2.92	1.48*	0.63

* *dividend planned*

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

- components of assets and liabilities – at the average NBP exchange rate prevailing as at 31 December 2021 i.e. EUR/PLN 4.5994, and 31 December 2020 i.e. EUR/PLN 4.6148
- components of the statement of comprehensive income and the statement of cash flow – at the exchange rate being the mathematical average of the NBP exchange rates prevailing at the last days of the month: for 12 months of 2021 - EUR/PLN 4.5775 and for 12 months of 2020 - EUR/PLN 4.4742.

Net profit for the entire year 2021 amounted to PLN 26 175 thousand, while for 2020 – to PLN 32 707 thousand.

The table below shows the listing of the most significant financial ratios that facilitate comprehensive assessment of the profitability, liquidity and indebtedness of ALUMETAL S.A.

Financial ratio	Ratio description	2021	2020	2019	2018	2017	2016	2015	2014
Return on assets (ROA) (%)	Net profit/Total assets	8.9%	10.5%	22.4%	15.0%	13.3%	25.3%	24.7%	0.8%
Return on equity (ROE) (%)	Net profit/Shareholders' equity at the beginning of the period	9.0%	12.7%	24.8%	17.1%	15.5%	35.9%	30.8%	0.8%
Liquidity I	Total current assets/Current liabilities	0.8	0.8	1.1	1.0	1.0	1.3	0.6	0.8
Capital immobility ratio (multiplicity)	Total non-current assets/ Total current assets	26.4	19.8	25.7	25.4	24.6	59.4	45.0	60.6
Stability of financing (%)	(Shareholders' equity + Non-current liabilities)/Total equity and liabilities	95.2%	94.1%	96.5%	96.1%	96.0%	98.7%	96.2%	98.1%
Debt ratio (%)	(Total equity and liabilities – Shareholders' equity)/Total assets	5.1 %	6.2%	9.3%	12.3%	14.7%	15.4%	5.4%	2.2%

The financial position of ALUMETAL S.A. is closely related to the financial position of the entire Group due to the fact that the financial policy and risk management are realized at the consolidated level.

The margins earned by the business managed by ALUMETAL S.A. are highly stable, the balance of interest liabilities is low, the return on assets ratio is high, and the financial liquidity is good, which means that the perspective of ALUMETAL S.A. discharging its liabilities on time is safe.

5. Intra-Group transactions

In the reporting period, the Issuer did not make any significant transactions with related entities on the terms and conditions other than those prevailing in the arm's length transactions.

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

A. Taking up 97 180 G-series Shares as part of the Incentive Program III

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

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

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

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

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

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

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

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

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

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

i.e. WSE taking a decision to introduce these shares to trading on the same regulated market, to which other Company's shares marked with the code PLALMTL00023 were introduced.

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

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

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

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

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

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

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

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

C. Change of the bank financing the Alumetal Group

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

D. Increasing credit limits at ING Bank Śląski S.A. and Bank Handlowy w Warszawie S.A.

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

E. Payment of dividend for 2020

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

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

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

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

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

On 26 July 2021, the short-term loan agreement with ING Bank Śląski S.A. with the equivalent of PLN 46 million was extended for another year. In addition, on 2 August 2021, the loan agreement with Bank Handlowy w Warszawie S.A. was extended by one year without changing the amount of the credit limit with the equivalent of PLN 54 million.

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

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

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

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

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

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

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

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

On 22 November 2021, the Central Securities Depository of Poland ("KDPW") issued a Statement on concluding an agreement for registration in the depository of securities of up to 6 016 ordinary bearer G-series Shares marked with the new PLALMTL00056 ISIN code. According to the Statement, registration of the G-series Shares was carried out based on settlement orders referred to in §6 of Detailed Rules of Operation of KDPW, in connection with deregistration of subscription warrants marked with the PLALMTL00031 code, from which the right to take up the above-mentioned shares was exercised. On 25 November 2021, the Company received information from the registration intermediary about recording on 23 November 2021 on shareholder investment accounts of 6 016 ordinary bearer G-series Shares with a nominal value of PLN 0.10 (in words: ten groszy) each, marked with the PLALMTL00056 ISIN code.

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

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

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

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

On 21 January 2022, the Management Board was informed that on 18 January 2022, the District Court for Kraków-Śródmieście in Cracow, 12th Economic Department of the National Court Register, registered a change in the Company's issued capital and the related amendment to the Company's Statutes.

Registration of the change in issued capital took place in connection with the issuance of 6 016 (in words: six thousand sixteen) ordinary bearer G-series Shares, about which the Company informed in the current report No. 34/2021 and the increase in the issued capital on the date of share issue, which took place based on the Resolution No. 3 of the Extraordinary Annual General Meeting of 7 November 2017, subsequently amended by Resolution No. 5 of the Extraordinary Annual General Meeting of 3 October 2018, regarding the incentive program for the management of the Alumetal Group for the years 2018-2020 ("Incentive Program III") in connection with the issue by the Company of 6 016 (in words: six thousand sixteen) ordinary bearer G-series Shares.

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

- 9 800 570 shares are ordinary bearer shares, series A;
- 1 507 440 shares are ordinary bearer shares, series B;
- 3 769 430 shares are ordinary bearer shares, series C;
- 150 770 shares are ordinary bearer shares, series D;

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

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

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

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

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

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

VI. Realised investment and development work

1. Information on major research and development achievements

The most significant development achievement of ALUMETAL S.A. in 2021 was operational improvement of the ALUMETAL Group Hungary Kft., the first foreign subsidiary company of the Group, which has systematically increased its scale of business and efficiency, which translated to professional development also of the ALUMETAL S.A.' employees who participate in management and oversight functions for this entity. A matter of significant importance is also commercial and operational development of the project called *Development of Master Alloy Plant in Gorzyce* (Rozbudowa Zakładu Stopów Wstępnych w Gorzycach) where investments were made in new technologies for the Group, development is carried out of the most technologically advanced types of alloys, as well as effective implementation is made of investment processes related to the completion in 2020 of the project of the *Modernization of the production plant in Kęty* (Modernizacja Zakładu w Kętach).

The continued development challenge was also the investment of the subsidiary company, T + S Sp. z o.o, in which employees of Alumetal S.A. also participated. The aim of this research-development project, which is to be implemented in the years 2020-2022, is to develop a technology for processing post-production waste resulting from the production of aluminium casting alloys.

2. Strategy and development directions of ALUMETAL S.A.

It is expected that in the foreseeable future, ALUMETAL S.A. will continue to realize the tasks of a holding entity consisting in rendering management services (including development, investment, energy management services, production support and controlling services), commercial, financial, IT, HR and payroll services as well as accounting services to subsidiary companies.

The execution of these tasks will contribute to the realization of Group's development plans and to the achievement of its strategic objectives, which are primarily building company's value for the shareholders through, among others, increasing sales volumes of Group products and maximizing profitability, while retaining the Company's dividend capacity.

3. Financing the development of ALUMETAL S.A. and its subsidiary companies

Financing of ALUMETAL S.A. is closely related to the financial situation of the entire Alumetal Group.

Owing to high operating cash flows, the Alumetal Group is able to finance its development from own financial resources, while retaining the capacity to realize the adopted dividend policy. Good and stable operational profitability of the Group, satisfactory financial liquidity and low debt cause that the financial standing of the Group is very good. The ratio of Net debt/EBITDA, as the most significant ratio from the point of view of loan and credit agreements amounted to 0.7 at the end of 2021. Given the fact that in the loan agreements this covenant is set at the level of 3.0, the achieved ratio clearly indicates that the Group has considerable potential to finance its further development and realize at the same time the provisions of the adopted dividend policy.

The used and planned sources for Group development financing are mainly partially retained net profits, investment loans and public aid available to Group companies, both in the case of the Hungarian project and in the case of investments in Polish production plants located in special economic zones (SEZ) as part of previously obtained zone permits, as well as in connection with the decision received at the beginning of 2021 on support under the Polish Investment Zone in Nowa Sól program.

The source of financing working capital remains the current financial surplus, short-term loan agreements and factoring agreements.

The companies of the Alumetal Group have concluded a number of agreements that have secured financing for the development of ALUMETAL S.A. and the entire Group in recent years and for the near future:

- an investment loan of 15 October 2015 between ALUMETAL S.A. and ING Bank Śląski S.A. taken out with a view to granting a loan to the subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of a production plant in Hungary, in the amount of EUR 10 million with the maturity date set at 14 October 2022; in November 2017, the repayment of this loan began with a repayment schedule in 60 monthly instalments;
- contract of 21 October 2015 for cash subsidy between ALUMETAL Group Hungary Kft. and the Hungarian Ministry of Foreign Affairs and Trade;
- contract of 14 February 2020 for co-financing of a research and development project by NCBiR, the aim of which is to develop a technology for processing post-production waste generated in the production of aluminium casting alloys;
- a long-term loan agreement of 26 October 2015 between ALUMETAL S.A. and the subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of the production plant in Hungary, in the amount of EUR 10 million with the maturity date set at 14 October 2022; in November 2017, the repayment of this loan began with a repayment schedule in 60 monthly instalments;
- an agreement between ALUMETAL Group Hungary Kft. and Citibank Europe pls Hungarian Branch Office for a short-term bank loan equivalent to EUR 1,850 million, which in Q3 2021 was extended for another year;

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

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

VII. Human capital management

1. Recruitment policy

The recruitment policy of the Company depends on its current personnel needs. The activities of the recruitment policy at Alumetal S.A. focus on securing optimum levels of employment appropriate to the execution of business objectives of the Company and of the Alumetal Group, and are based on the two key aspects: internal and external recruitment.

Internal recruitment consists in vertical or horizontal promotion of employees. Vertical promotions consist in promoting employees upwards in the posts hierarchy, by extending the scope of their responsibility and accountability and increasing teams of subordinated employees of a newly promoted person. Specialist (horizontal) promotions consist in extending employee tasks, developing employee qualifications, experience and specialist knowledge of the given discipline.

External recruitment policy is aimed at attracting already experienced top class specialists, whose knowledge and competences, when coupled with the experience of the current employees, will ensure continuity and the best possible realization of business processes by the ALUMETAL S.A.

2. Structure of employment

Employment headcount as at 31 December 2021 stood at 54 persons and remained at the same level as it was as at 31 December 2020.

Company	31 December 2021	31 December 2020
White-collar employees	54	54

3. Communication

ALUMETAL S.A. places great emphasis on development of communication skills. It was ensured that the internal and external communication is clear, adequate and transparent, and emphasis was placed on the importance of such values as trust, openness, cooperation and loyalty.

To formalize the rules and customs binding in the Group in this area, *The Code of Ethics of the ALUMETAL Group (Kodeks Etyki Grupy ALUMETAL)* was introduced, under which all employees should be treated equally, irrespective of employee race, nationality, professed religion, gender, age, sexual orientation, biological fitness or political view.

4. Professional development and training

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

Employees of ALUMETAL S.A. participate in:

- adaptation training – part of the program is a one-day training during which employees with longer period of service at ALUMETAL S.A. share their knowledge on the matters related to the functioning and working at the Company. The new employee receives material information on employee-related matters, learns about binding rules and regulations, about used systems and used basic technologies,
- all-Company projects – in the form of, for example, training relating to communication and client servicing or management skills,
- individual specialist training – in the form of, for example, training relating to project management, finance or issues resulting from labour law requirements,
- computer training – in the form of applications required to perform work in certain departments,
- language training.

VIII. Quality, environmental protection and labour hygiene and safety

ALUMETAL S.A., as part of its services rendered to subsidiary companies, also shaped the policy in the area of environmental protection, labour quality, hygiene and safety. The operated policy of high-quality products is the result of adopted development strategy and aspirations formulated in the strategic objectives of the Alumetal Group. Similarly, environmental protection and labour hygiene and safety are embedded in the Group's policy. The result of the application of said policies is employees' and Management's involvement in the activities that ensure safer impact of business activities on natural environment and their taking initiatives that allow to continually improve labour hygiene and safety as part of a continuous improvement process.

In 2021, at ALUMETAL S.A., as a holding company, a supervision audit according to the IATF 16949:2016 norm was conducted by the TÜV Rheinland certification body, which ended with a positive result. In December 2021, the Supervisory Board of the Company approved the Management Board's plan to reduce the carbon footprint per ton of Alumetal Group products by 30% by 2027.

IX. Loans and borrowings, and other financial agreements

1. Loans and borrowings taken out

	Available limit ⁽⁴⁾	Currency ⁽¹⁾	Maturity date	Limit utilised at 31 Dec 2021 (in PLN thousand)	Limit utilised at 31 Dec 2020 (in PLN thousand)
Aggregate limit facility for several Group companies at ING Bank Śląski S.A. with an interest rate based on 1M LIBOR (USD) + margin, 1M WIBOR (PLN) + margin, 1M EURIBOR (EUR) + margin	5 000 ⁽²⁾	PLN	18.09.2022	1 677	17
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	30.06.2022	633	-
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	30.06.2021	-	-
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	05.08.2022	1 467	1
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				11 367	16 880

⁽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 for the entire Alumetal Group in the amount of PLN 66 million, Alumetal S.A. has a restriction in the form of sublimit in the amount of PLN 5 million

⁽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 June 2021.

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.

2. Loans granted

In 2021, the Alumetal Group operated the following loans granted by ALUMETAL S.A.:

- issuance on 26 October 2015 of a long-term loan by ALUMETAL S.A. to its subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of a production plant in Hungary, in the amount of EUR 10 million and with the maturity date set at 14 October 2022 - the value of the loan disbursed as at 31 December 2021 was EUR 1 650 000;
- a short-term loan agreement signed on 22 January 2021 by Alumetal S.A. and its subsidiary Alumetal Poland sp. z o.o. for the purpose of financing current operations in the amount of not more than PLN 15 million, the agreement provided for the disbursement of loan in one instalment or in tranches no later than 30 June 2021, and its repayment no later than by 31 December 2021 - this loan was disbursed gradually in the period January-February 2021 in full and repaid in full as one-off payment on 25 June 2021.

3. Financial resource management and capacity to discharge liabilities

The Company independently manages its own financial resources and external sources of finance. At the date of the preparation of this Directors' Report, no facts or circumstances were identified that would indicate a threat to the continued activity of the Company. ALUMETAL S.A. benefits from the financial strength of the entire Alumetal Group (among others, from the dividend and credit policy) and availability of high-value credit facilities. The Company discharges its liabilities on time and currently there is no threat to its ability to meet financial commitments or to continue as a going concern.

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

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

As at 31 December 2021, the Company was not a party to any significant litigation proceedings before the court of justice, court of arbitration or public administration body.

2. Sureties for loans and borrowings and guarantees issued

In 2021, ALUMETAL S.A. issued sureties 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 4 915 thousand.

During the reporting period, ALUMETAL S.A. did not receive or obtain any significant sureties or guarantees.

3. Contingent liabilities

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

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

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

XI. Financial risk management objectives and policies

The main type of business activity of the Company is conducting operations of a holding company. As part of these operations, the Company manages the financial risk of the companies of the ALUMETAL S.A. Capital Group. The financial position of ALUMETAL S.A. is closely related to the financial position of its subsidiary companies, which effectively means that the risks of those companies are also the risks of the Issuer.

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

- interest rate risk,
- foreign currency risk,
- credit risk,
- liquidity risk.

The financial risk management objectives and policies did not change compared to those valid as at 31 December 2020.

By way of conducting its holding activities, the Company has also managed capital of the companies belonging to the ALUMETAL S.A. Capital Group.

The objectives and policies of financial risk management cover the risks described below:

1. Interest rate risk

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

The above financial instruments are based on variable interest rate of WIBOR and EURIBOR (or possibly LIBOR for EUR). The Company does not hedge against interest rate risk because the instruments used

are, in the majority of cases, of short-term, irregular character, and the scale of their use is rather insignificant.

In addition, the Company took out a long-term investment loan at ING Bank Śląski S.A. in the amount of EUR 10 million, with an interest rate of 1M EURORIBOR + margin, with a view to financing an investment project i.e. the construction of a production plant in Hungary. In 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).

2. Foreign currency risk

In executing its holding services, the Company realizes rather limited sales in foreign currencies. Foreign currency purchases are also made to a very limited extent, and so is the use of foreign currency loans and borrowings for the purpose of current holding-related services. For this reason, in 2021 the risk of foreign currency did not practically occur.

3. Credit risk

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

4. Liquidity risk

In managing the Group's finance and using its financial strength, the Company has free access to, inter alia, bank loans, which ensure that it has adequate financial liquidity.

XII. Risk factors with possible impact on the financial results of ALUMETAL S.A.

The financial results of ALUMETAL S.A. are related, especially in the mid- and long-term, to the financial results of the subsidiary companies.

In the opinion of the Management Board of ALUMETAL S.A., the most significant factors that may have impact on the financial results of the Company and Group are as follows:

1. Macroeconomic situation in Europe

The activities of the Company and the Group are affected by macroeconomic conditions relating to Polish, German, Central European and European economy, economic policy of individual governments, tax systems, GDP, unemployment rate, interest rates, currency exchange rates, inflation rate, consumption levels, investment expenditure and the amount of budget deficit. Fluctuations in the market prices of secondary aluminium have direct impact on the prices of Group products and, to a limited extent, on the margins earned. Market prices of secondary aluminium depend on the supply and demand as well as on other factors, on which the Group has little or no influence, such as general

macroeconomic conditions, situation in the industry sectors that are the key consumers of secondary aluminium alloys, prices of primary aluminium and prices of aluminium scrap. Deterioration of general economic conditions in Europe, and especially in Poland, Germany, Hungary or in the Central and Eastern Europe may have adverse impact on the activities, financial position, financial performance or business perspectives of the Alumetal Group by the end of 2022. Geopolitical situation may also have indirect impact on the results of the Issuer.

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

The geopolitical situation may have a direct or indirect impact on the financial performance of the Company and Alumetal Group. The most recent example of such a situation is the development of the conflict in Ukraine as a result of the Russian invasion. In connection with the outbreak of the war, the Management Board of ALUMETAL S.A. carried out an assessment of potential risks that could affect the operations of the Group.

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

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

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

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

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

3. Situation in the automotive industry

The structure of consumers of secondary aluminium casting alloys is strongly focused on the automotive industry. In consequence, business activities of the Group are sensitive to trend changes in the automotive industry. The economic situation of the automotive industry depends on general economic conditions, including on the level of consumer appetite and expenditure for motor vehicles.

During economic recession or during the periods of low economic growth, it is the automotive industry that usually suffers from shrinking business. In the period from 2005 to the mid of 2013, the EU saw a declining trend in motor vehicles production and sale. Considerable recovery of the automotive industry was noted since the mid of 2013. However, in 2H 2018, reversal of this trend took place, which had unfavourable impact on demand volumes or margin levels realized by manufacturers of secondary aluminium casting alloys. The activities of the Group may be affected by the potential shrinking of automotive industry exports outside Europe (e.g. to Asia or to Northern America) or by constrained vehicles production in the EU caused, among others, by the Brexit decision. In addition, the financial results of the producers of secondary aluminium alloys, including the Alumetal Group, may be affected by the economic situation of individual automotive companies as well as by more stringent regulations on vehicle CO₂ emissions.

A new threat to the automotive industry is the ongoing coronavirus pandemic and the resulting significant decrease in demand for motor vehicles in 2020 and 2021, as well as disturbances in the supply chains of raw materials and components as well as the effects of Russia's military invasion of Ukraine. Interrupted supply chains, e.g. of electrical harnesses from Ukraine, may have impact on production levels in the automotive industry in 2022 and, as a consequence, may affect the financial performance of the Alumetal Group.

4. Relation between purchase prices of aluminium scrap and other main raw materials used in production, and selling prices of secondary aluminium alloys

In principle, the prices of secondary aluminium casting alloys which are the key product of the Group are strongly related to the long-term quotations of aluminium (LME HG) or aluminium alloys (LME AA) on the London Metal Exchange. However, in the short-term this correlation may be subject to fluctuations and thus may not fully reflect the long-term trends.

The key item of operating expenses of the Group is the cost of purchase of raw materials. The primary raw material used in the production process of the Group is aluminium scrap. In addition, the Group uses pure raw materials, inclusive of non-alloyed aluminium for recasting in the form of ingots, silicon metal, cathode nickel, manganese, titanium and magnesium. Scrap and pure raw materials account for the largest part of the cost of production (85-90%).

The prices of secondary aluminium casting alloys, aluminium scrap and of other raw materials used by the Group in the production process are subject to material fluctuations and depend on a number of factors outside the control of the Alumetal Group, including on general economic conditions, supply and demand for metals as a raw material and for semi-finished goods made of those raw materials on the European or global markets. Increase in prices of aluminium scrap may *not* be accompanied by the corresponding increase in prices of alloys produced by the Alumetal Group, which – in turn – may translate into lower margins realized on sold goods and into deterioration of the Group's financial performance in the near future. Similar risk may occur in the event of a decline in the prices of alloys, if not accompanied by a corresponding decline in the prices of aluminium scrap.

5. Limited availability of primary and scrap raw materials in Europe

The main raw material used in the process of production is aluminium scrap (Al scrap). The Group purchases aluminium scrap mainly from the entities trading in aluminium scrap, trade intermediaries and from producers of aluminium goods (as post-production waste).

Despite the fact that the Group uses a diversified pool of external suppliers of aluminium scrap, one may not completely exclude the restriction on availability of this raw material in the near future. Al scrap availability and prices depend on the number of factors outside the control of the Alumetal Group, including on the amount of Al scrap available on the market, demand for the Al scrap by secondary aluminium producers, volume of exports of metals scrap from Europe to other continents, especially to Asia, differences in prices quoted in Europe and in other continents, or on unfavourable weather conditions hindering scrap collection. Lower availability of scrap metals on the European market, higher exports of scrap metals from Europe to other continents or higher regional demand may result in a limited availability or higher prices of aluminium scrap.

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

In this respect, the availability of contracted raw materials is currently safe and will not adversely affect production processes, but it cannot be ruled out that their availability may deteriorate in the future.

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

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

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

7. Higher competition on the market of secondary aluminium alloys

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

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

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

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

9. The risk of the Covid-19 pandemic continuing

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

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

10. Other accidental, unfavourable one-off events

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

XIII. Standpoint of the Management Board as regards forecast results of ALUMETAL S.A.

The Management Board of the Company decided not to publish forecasts of the Company's results.

Agnieszka Drzyżdżyk
President of the
Management Board

Krzysztof Błasiak
Vice-president of the
Management Board

Przemysław Grzybek
Board Member