GRUPA KĘTY S.A.

ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

(PLN ‘000)

STATEMENT OF PROFIT OR LOSS

	Note	2021	2020
Revenue from contracts with customers	14.1	1,645,923	1,149,226
Other operating revenue	14.2	7,436	1,720
Dividends	14.3	398,101	258,574
Change in the level of products and work in progress		**79,468**	**6,378**
Cost of manufacturing of products for own needs		**5,902**	**6,339**
Total operating costs, including:		**(1,578,198)**	**(1,107,379)**
Depreciation	18, 19, 20	(53,965)	(51,059)
Materials and energy and the value of materials and trade goods sold	14.9	(1,158,436)	(748,209)
Third-party services		(198,318)	(164,922)
Taxes and fees		(6,568)	(6,215)
Employee benefits	14.8	(155,324)	(132,975)
Revaluation of financial assets	14.4	(1,253)	548
Other operating costs	14.5	(4,334)	(4,547)
Profit on operating activities		**558,632**	**314,858**
Financial revenue	14.6	474	235
Finance costs	14.7	(5,500)	(9,035)
Profit before tax		**553,606**	**306,058**
Income tax	15	(30,435)	(9,905)
Net profit on continued operations		**523,171**	**296,153**
Basic net earnings per share (PLN)	16	54.24	30.84
Diluted net earnings per share (PLN)	16	54.12	30.79

In 2021 and 2020, the Company did not discontinue any operations.

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2021	2020
Net profit for the period		**523,171**	**296,153**
Other comprehensive income recognised in profit or loss		**(555)**	**589**
Valuation of cash flow hedging instruments	39.2	(686)	657
Income tax related to other comprehensive income		131	(68)
Other comprehensive income recognised outside profit or loss		**333**	**(218)**
Actuarial gains (losses)	24.2.2	411	(269)
Income tax related to actuarial gains (losses)		(78)	51
Comprehensive income for the period		**522,949**	**296,524**

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BALANCE SHEET

ASSETS	Note	31.12.2021	31.12.2020
I. Non-current assets		**884,468**	**875,052**
Property, plant and equipment	18	474,436	485,432
Intangible assets	19	7,369	6,918
Right-of-use assets	20	11,551	11,719
Shares and interests	21	371,618	369,935
Advance payments for the purchase of property, plant and equipment	23	19,494	1,048
II. Current assets		**575,934**	**306,442**
Inventories	25	263,200	105,717
Trade and other receivables	27	304,955	189,073
Derivative financial instruments	39	1,873	2,335
Cash and cash equivalents	28	5,906	9,317
Total assets		**1,460,402**	**1,181,494**
EQUITY/LIABILITIES			
I. Equity		**753,454**	**650,993**
Share capital	29.1	68,025	67,973
Share premium	29.2	60,254	53,979
Capital from share based payments	29.3	30,582	27,324
Capital from the revaluation of hedging instruments	29.4	990	1,545
Retained earnings	29.5	593,603	500,172
II. Long-term liabilities		**269,404**	**282,987**
Loan payables	30	211,073	223,217
Lease liabilities	31	3,562	3,571
Provisions for employee benefits	24.2	2,211	2,344
Subsidies	32	26,322	27,296
Deferred income tax provision	15.1	26,236	26,559
III. Short-term liabilities		**437,544**	**247,514**
Loan payables	30	217,181	130,577
Lease liabilities	31	177	177
Income tax payables	26	26,885	1,194
Trade payables and other liabilities	34.1	171,915	94,558
Contractual liabilities	34.2	1,741	1,481
Provisions and accruals	33	18,013	18,109
Derivative financial instruments	39	650	427
Subsidies	32	982	991
Total equity/liabilities		**1,460,402**	**1,181,494**

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STATEMENT OF CASH FLOWS

	Note	2021	2020
Cash flow from operating activities			
Profit before tax		**553,606**	**306,058**
Adjustments:		**58,521**	**61,294**
Depreciation	18, 19, 20	53,965	51,059
Recognition of write-downs of property, plant and equipment	14.5	1,095	146
Net (profit)/loss from currency translation differences		(2,672)	2,642
(Profit)/loss from sales of property, plant and equipment	14.2, 14.5	(186)	156
Interest		4,744	6,552
Realised result on transactions hedging the price of aluminium recognised in equity		0	303
Costs of share based payments	14.8	1,575	436
Cash flow from operating activities before the change of working capital and tax payment		**612,127**	**367,352**
Change in inventories	44	(157,483)	(9,505)
Change in net receivables	44	(115,882)	(12,749)
Change in short-term liabilities, except for loans	44	71,518	19,806
Change in provisions	44	182	3,170
Change in subsidies	44	(983)	(991)
Net cash generated from operating activities before tax payment		**409,479**	**367,083**
Tax (paid)/refunded	26	(5,014)	(5,353)
Net cash from operating activities		**404,465**	**361,730**
Cash flow from investing activities			
(+) Proceeds:		**328**	**203**
Sales of intangible assets, and property, plant and equipment		328	203
(-) Expenses:		**(56,807)**	**(46,541)**
Acquisition of intangible assets, and property, plant and equipment		(56,807)	(46,541)
Net cash from investing activities		**(56,479)**	**(46,338)**
Cash flow from financing activities			
(+) Proceeds:		**211,417**	**137,207**
Net proceeds from the issue of shares		6,327	16,109
Proceeds from loans and credits		205,090	121,098
(-) Expenses:		**(562,815)**	**(450,021)**
Dividends	17	(430,073)	(336,654)
Repayment of loans		(127,754)	(106,726)
Interest on loans		(4,811)	(6,464)
Payment of lease liabilities		(177)	(177)
Net cash from financing activities		**(351,398)**	**(312,814)**
Total net cash flows:		**(3,412)**	**2,578**
Change in cash due to currency translation differences		1	92
Cash and cash equivalents at the beginning of the period		**9,317**	**6,647**
Cash and cash equivalents at the end of the period	**28**	**5,906**	**9,317**

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STATEMENT OF CHANGES IN EQUITY

Present year	Share capital	Share premium	Capital from share based payments	Capital from the revaluation of hedging instruments	Retained earnings	**Total equity**
Equity as at 31 December 2020	**67,973**	**53,979**	**27,324**	**1,545**	**500,172**	**650,993**
Comprehensive income for the period:	0	0	0	(555)	523,504	**522,949**
Net profit for the period	*0*	*0*	*0*	*0*	*523,171*	***523,171***
Other comprehensive income	*0*	*0*	*0*	*(555)*	*333*	***(222)***
Valuation of share based payments	0	0	3,258	0	0	**3,258**
Issue of shares	52	6,275	0	0	0	**6,327**
Payment of dividend	0	0	0	0	(430,073)	**(430,073)**
Equity as at 31 December 2021	**68,025**	**60,254**	**30,582**	**990**	**593,603**	**753,454**

Previous year	Share capital	Share premium	Capital from share based payments	Capital from the revaluation of hedging instruments	Retained earnings	**Total equity**
Equity as at 31 December 2019	**67,825**	**38,018**	**26,392**	**956**	**540,891**	**674,082**
Comprehensive income for the period:	0	0	0	589	295,935	**296,524**
Net profit for the period	*0*	*0*	*0*	*0*	*296,153*	***296,153***
Other comprehensive income	*0*	*0*	*0*	*589*	*(218)*	***371***
Valuation of share based payments	0	0	932	0	0	**932**
Issue of shares	148	15,961	0	0	0	**16,109**
Payment of dividend	0	0	0	0	(336,654)	**(336,654)**
Equity as at 31 December 2020	**67,973**	**53,979**	**27,324**	**1,545**	**500,172**	**650,993**

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SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

1. General information

The financial statements of Grupa Kęty S.A. refer to the year ended 31 December 2021 and comprise comparative data for the year ended 31 December 2020.
Grupa Kęty S.A. (hereinafter referred to as the "Company") is:
- a joint stock company incorporated in Poland, with its registered office in **Kęty, ul. Kościuszki 111.**
- registered by the District Court in Kraków, 12th Commercial Division of the National Court Register (KRS) in the Register of Entrepreneurs under the number **KRS 0000121845**;
- listed at the Warsaw Stock Exchange under the **ISIN PLKETY000011** number and classified in the metal sector;

The Company has tax identification number: **NIP 549-000-14-68**.
The Company has statistical identification number: **REGON 070614970**.
The basic activities of the Company include production, trade and services related to the processing of aluminium and its alloys. Moreover, the Company deals with managing the Company capital group and commercial intermediation, supplies and marketing, and other activities (including transmission and distribution of natural gas and electric energy).
The lifetime of the Company is unlimited.

2. Identification of the consolidated financial statements

As the parent company of the Grupa Kęty S.A. Capital Group, the Company prepared consolidated financial statements for the year ended 31 December 2021.
The consolidated financial statements of the Company are published at the same date as the separate statements. The consolidated statements of the Company are available on the website: www.grupakety.com.

3. Membership of the Company Management Board

The Company's Management Board, as at the date of approving these statements for publication, consisted of:
Mr Dariusz Mańko – President of the Management Board/CEO,
Mr Piotr Wysocki – Member of the Management Board/Vice CEO,
Mr Rafał Warpechowski – Member of the Management Board/CFO,
Mr Tomasz Grela – Member of the Management Board.
In 2021 the membership of the Company Management Board did not change.

4. Financial statements approval

These financial statements were approved for publication by the Management Board on 24 March 2022.

5. Investments in other companies

The Company has the following investments in the subsidiaries:

Item	Company name	Registered office	Core business	Percent of share capital and total number of votes as at 31.12.2021	Percent of share capital and total number of votes as at 31.12.2020	Date of control take-over by Grupa Kęty S.A.
1.	Alupol Packaging S.A.	Tychy, Poland	Production and trade in plastic packaging	100,00 %	100,00 %	04/1998
2.	Aluprof S.A.	Bielsko-Biała, Poland	Production of construction joinery	100,00 %	100,00 %	06/1998

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3.	Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	100,00 %	100,00 %	09/1999
4.	Aluform Sp. z o.o.	Tychy, Poland	Profiles production services	100,00 %	100,00 %	6/2009
5.	Grupa Kety Italia S.R.L.	Milan, Italy	Commercial intermediation	100,00 %	100,00 %	5/2014

Moreover, the Company has investments in other business operators of the gross value of PLN 840,000. Investments in other business operators are fully covered with an impairment loss provision.

The investments in other business operators date back to the 1990s, and result from the conversion of the Company amounts receivable into shares or interests in companies undergoing restructuring processes.

6. Professional judgement and estimates

6.1. Professional judgement

In the process of accounting principles (policy) application to the issues specified in note 6.2, apart from the accounting estimates, the professional judgement of the management was most significant.

6.2. Uncertainty of estimates

Further herein the basic assumptions related to the future as well as other key sources of uncertainty as at the balance-sheet date are discussed, including the risk of considerable adjustment of the carrying amounts of assets and liabilities.

Deferred income tax assets

The Company recognises the deferred income tax asset on the basis of the assumption that, in the future, tax profit is to be obtained enabling its utilisation. A deterioration of the generated tax results could cause these assumptions to become unjustified in the future.

Impairment of assets

In 2021, owing to the absence of impairment indicators, the Company did not carry out impairment tests with regard to property, plant and equipment; the tests did not reflect any impairment. In 2020, owing to the COVID-19 pandemic, the Company carried out impairment tests with regard to property, plant and equipment, which did not reflect any impairment, either.

Assessment of the risk of assets impairment requires estimations with regard to the potential indicators of impairment, and in case of identification, carrying out impairment tests. Impairment tests are developed on the basis of macro- and microeconomic assumptions as well as financial projections for the subsequent years, whose realisation is not certain and is often beyond the Company's control.

The write-down of property, plant and equipment recognised during the year is related to the individual assessment of their wear and tear, and the possibility of generating financial benefits by the assets.

Valuation of provisions and accruals

The long-term provisions for employee benefits comprise retirement and disability benefits. They were measured by a licensed actuary with the use of actuarial methodology. The assumptions adopted for that purpose are specified in note 24.2. The valuation of other provisions and accruals, including provisions for bonuses and unused employee holiday is based on the estimates of the Management Board. The costs of recognised provisions and accruals reflect the most accurate estimate of expenditure needed to fulfil the current obligation as at the balance-sheet date. If the effect of the change of money value in time is material, the provision amount corresponds to the present value of expenditure which, as expected, will be necessary to satisfy the obligation.

Fair value of derivative financial instruments

Fair value of financial instruments for which there is no active market is measured with the application of appropriate valuation techniques. In order to select the applicable methods and assumptions, the Company is guided by a professional opinion. The method of fair value determination for individual financial instruments is specified in notes 12.10, 39 and 41.

Write-down of inventories

The Company assesses the value and the probability of obtaining future economic benefits in relation to the possessed inventories. In the case of circumstances substantiating that the amount obtained will be lower than the value of inventories, the Company recognises write-downs of inventories up to the realisable net sales price. The information about the method of determining the value of inventories is presented in note 12.14.

Write-down of receivables

The Company uses provision matrices to measure the expected write-downs of credit losses in reference to trade receivables. In order to determine the expected credit losses, trade receivables are grouped based on the probability of credit risk characteristics. The Company uses its historical data regarding credit losses, adjusted in the respective cases on the basis of information applicable to the future. The information about the method of determining the value of receivables is presented in note 12.15.

Fair value of the share option plan for the management staff

The Company runs a share option plan for the management staff. The fair value of the plan is determined as at the date of launching the plan by an actuary with the use of actuarial methodology. In addition, as at each balance-sheet date, the Company assesses the probability of accomplishment of the particular non-market conditions for the take-up of shares, by making an appropriate adjustment of the number of the share options assumed in valuation.

The assumptions adopted for that purpose are specified in note 24.1.

Depreciation/amortisation rates

Depreciation/amortisation rates are determined on the basis of the projected useful lives of property, plant and equipment, intangible assets, and right-of-use assets. The assumptions adopted for that purpose are specified in notes 12.3 and 12.7.

Each year, the Company verifies the assumed useful lives based on current estimates.

Uncertainty of estimates as regards identification of contracts and business relations in reference to IFRS 16

Professional judgement is described in note 12.4.

Uncertainty related to tax settlements

Regulations concerning VAT tax, corporate income tax and social security contributions are subject to frequent changes. Such changes result in the absence of appropriate points of reference, inconsistent interpretations and few established precedents that could be applied. The binding regulations are also unclear, which results in different opinions as to legal interpretation of tax regulations. Tax settlements and other areas of activities (e.g. customs or foreign exchange issues) may be subject to inspections of authorities that are entitled to impose penalties and fines, and any additional tax obligations resulting from such inspections must be paid with penal interest.

Consequently, the amounts recognised and disclosed in financial statements may change in the future as a result of final decisions of tax inspection authorities.

On 15 July 2016, amendments were introduced to the Polish General Tax Code to account for the provisions of the General Anti-Abuse Rule (‘GAAR’). GAAR is to prevent the establishment and use of artificial legal arrangements created in order to avoid payment of tax in Poland. GAAR defines tax avoidance as an act committed primarily to achieve a tax advantage contrary, in the given circumstances, with the subject and purpose of the provisions of the Tax Act. In accordance with GAAR, such act does not result in a tax advantage if the mode of operation is artificial. The above regulations will call for a much more insightful judgement when assessing tax implications of individual transactions.

The Company recognises and measures current and deferred income tax assets or liabilities in accordance with IAS 12 *Income Taxes* on the basis of taxable profit (loss), the tax base, unused tax losses, unused tax credits and tax rates, taking into account the evaluation of the uncertainty related to tax settlements.

7. Basis for the financial statements preparation

The financial statements were prepared on the basis of the historical cost concept, except for derivative financial instruments which were measured at fair value, and equity revalued with regard to the periods subject to hyperinflation in accordance with IAS 29.

The figures in the financial statements are presented in PLN thousands, unless otherwise indicated.

The financial statements were prepared assuming that the Company will continue as a going concern in the foreseeable future for the period of at least 12 months from the balance-sheet date. As at the date of approval of these financial statements for publication, there were no circumstances implying that the Company would not continue as a going concern.

For the thorough understanding of the financial standing and the results of the Company operations as a parent of the Capital Group, these financial statements should be read together with the consolidated financial statements of the Capital Group of Grupa Kęty S.A. for the year ended 31 December 2020. The statements will be available on the Company website at: grupakety.com, at the date of these statements publication.

The assessment of the impact of COVID-19 pandemic on the operations of the Company has been made on a current basis in reference to the analysis of many factors which may change in the future. Based on the analysis, as at the date of preparing these statements, the Management Board believes that there is no hazard to the continuation of the Group operations in the foreseeable future covering the period of at least 12 months of the balance-sheet date.

7.1. Impact of COVID-19 pandemic on the Company operations

Grupa Kęty S.A. and the Group companies have implemented a series of actions in reference to the necessity of adjusting to the changing conditions of operation and prevention of COVID-19 infections spreading. Action plans have been developed in order to ensure the continuity of critical infrastructure operation and provision of key services in the event of a crisis situation. The actions are being adjusted on a current basis to the prevailing conditions and changes in the binding regulations.

The Company has implemented a series of preventive actions in order to limit the possibility of the virus spreading, which include:

- introduction of a series of procedures and guidelines regarding people and materials traffic, specifically consisting in minimisation of direct contacts, provision of the possibility of remote working, introduction of procedure ensuring the availability of the key personnel of the Group companies;
- provision of protective equipment (masks, gloves) to the employees as well as disinfectants, and introduction of sanitary, hygiene and sanitising procedures;
- limitation of business trips and participation in meetings, extended use of other means of communication, such as teleconferences, messenger systems, or video conferences.

7.2. Analysis of the impact of the change in the economic situation in relation to COVID-19 on the valuation of the Company assets and liabilities

Write-downs of inventories to net realisable value

Changes in the basic prices of raw materials utilised by the Company in production, combined with effective trade activities and hedging of the margins applied by the Company, contributed to the lack of necessity of recognising major write-downs of inventories to net realisable value.

Assessment of the expected credit loss (ECL)

The Company has implemented a series of actions related to monitoring the financial standing of its contractors in order to secure the proper collectability of the amounts receivable. The main element of the Company policy in that regard is the insurance of receivables at specialised companies, obtaining insurance ratings for the particular customers and application of other forms of receivables security. In effect of the analyses carried out, which included the analysis of the current term structure of receivables, as well as the examination of contractors carried out by the insurance companies, the expected credit loss ratio applicable to receivables has not significantly changed compared to the end of 2020. In 2021, the Company did not experience any major problems in collecting receivables.

The solutions implemented under the so called 'anti-crisis shields' should additionally contribute to reduction of the potential liquidity problems at the contractors.

The Company has been analysing on a current basis the market situation, the information on contractors and the data provided by the companies insuring receivables which could indicate a deterioration of situation in the respective area, and in case of the actual deterioration the Group is going to update the estimations used in the ECL calculation in the future.

Impairment of property, plant and equipment, intangible assets, and right-of-use assets

The outbreak of COVID-19 epidemic brought about significant changes in the conditions of operation and economic situation, which the Company considered to be a reason to carry out property, plant and equipment impairment tests at the end of Q.1, 2020. The tests carried out based on the projections updated at the end of Q.1 did not reflect any necessity for recognising impairment allowances. Further in 2020 and in 2021 there were no new reasons for property, plant and equipment impairment.

Liquidity situation

As at the date of preparing these financial statements, the financial standing of the Company was stable. Cash flows from operating activities in 2021 amounted to PLN 404,465,000 (in 2020: PLN 361,730,000). So far, the Company has not identified liquidity problems or any risk of servicing loan agreements or other financing agreements. At the present moment, the Company assesses that it has sufficient sources of finance to carry out the current operating activities and investment projects, and to pay out dividend. Information about the available credit limits is presented in note 30.

7.3. Statement of compliance

These financial statements were prepared in accordance with the International Financial Reporting Standards (‘IFRS’) adopted by the EU.

7.4. Functional and presentation currency of these financial statements

The functional and presentation currency of these financial statements is Polish zloty (‘PLN’).

8. Changes in the applied accounting policies

The accounting principles (policy) applied in preparing these financial statements are consistent with the ones applied in preparing the financial statements of the Company for the year ended 31 December 2020, except for amendments to standards and new standards or interpretations adopted by the European Union, which are binding for the periods commencing on or after 1 January 2021.

- Amendment to IFRS 16 *Leases* – a practical expedient which exempts lessees from assessing whether a Covid-19-related lease contract amendment represents a lease modification within the meaning of IFRS 16 *Leases* – effective for reporting periods beginning on or after 1 June 2020.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – regarding Interest Rate Benchmark Reform (Phase 2) – effective for reporting periods beginning on or after 1 January 2021.
- Amendments to IFRS 4 *Insurance Contracts* – Deferral of IFRS 9 – effective for reporting periods beginning on or after 1 January 2021.
- Amendment to IFRS 16 *Leases* – Covid-19-Related Rent Concessions referring to periods post 30 June 2021 – the amendments are effective from 1 April 2021 in relation to the reporting years beginning on or after 1 January 2021 and later.

Application of the above mentioned amendments to standards and interpretations did not have any major effect on the financial statements of the Company for the year 2021.

9. New standards and interpretations issued, but not yet effective

As at the date of preparing these financial statements, the following new standards or amendments to the existing standards were issued by the IASB, but are not yet effective.

- Amendments to IFRS 3, IAS 16, IAS 37 – 2018-2020 Annual Improvements Cycle, which is effective for the reporting periods beginning on or after 1 January 2022.
- IFRS 17 *Insurance Contracts*, including amendments to IFRS 17 – effective for reporting periods beginning on or after 1 January 2023.

The Company decided not to apply earlier any standard, interpretation or amendment that have been issued but are not yet effective in the light of the European Union regulations.

The effective dates are the dates resulting from the contents of standards issued by the International Financial Reporting Council. The dates of the standards adoption in the European Union may differ from the dates of adoption resulting from the content of the respective standards and are announced at the time of approving them for adoption by the European Union.

In the opinion of the Company, the amended but not approved standards are not going to affect the reporting of the Company.

10. Error corrections

These financial statements do not contain error corrections.

11. Estimation areas

The main estimations of the Management Board and the assumptions made are presented in the respective explanatory notes to the financial statements:

- estimations and assumptions applicable to the useful life of property, plant and equipment as well as intangible assets are presented in notes 12.3 and 12.7;
- estimates concerning the write-downs of inventories are presented in note 25;
- estimations applicable to write-downs of property, plant and equipment are presented in note 18.6;
- estimates concerning the write-downs of receivables are presented in note 27;
- estimations applicable to employee benefits and provisions are presented in notes 24.2 and 33;
- estimations applicable to the options plan are presented in note 24.1;
- estimations applicable to discounted cash flows used in the calculation of the possible write-downs of shares in subsidiaries are presented in note 21;
- estimations applicable to the fair value of derivative financial instruments are presented in note 39;
- estimations applicable to identification of contracts and business relations in reference to IFRS 16 are presented in note 12.4;
- estimations concerning impairment indicators are presented in note 7.2;
- estimates concerning deferred income tax assets are presented in note 15.1;
- estimates concerning the write-downs of interests and shares are presented in note 21.

12. Significant accounting principles

Except for those described in note 8, the adopted accounting principles were applied in a continuous manner in all presented periods.

12.1. Measurement at fair value

The Company measures financial instruments such as derivatives at fair value at each balance sheet date. Moreover, the value of financial instruments measured at amortised cost is reflected in the notes to the financial statements.

The fair value is defined as the price that would be received from the sale of an asset or paid in order to transfer a liability in the transaction conducted on normal conditions between market participants at the valuation date. The valuation of fair value is based on the assumption that the sale transaction of a component of assets or the transfer of a liability occurs either:

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

Both the principal and the most advantageous markets must be accessible to the Company.

The fair value of an asset or a liability is measured with the assumption that market participants act in their economic best interest when pricing an asset or liability.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 –Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 –Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 –Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Summary of significant accounting principles applicable to measurement at fair value

The Company has introduced policies and procedures for both recurring measurement at fair value of e.g. investment properties and unquoted financial assets, and non-recurring measurement of e.g. assets held for distribution in discontinued operations.

Independent appraisers are engaged to measure significant assets, such as properties or acquisition transactions.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

12.2. Translation of items expressed in foreign currencies

Transactions in currencies other than PLN are translated into PLN at a rate applicable as at the transaction conclusion date.

As at the balance-sheet date, monetary assets and liabilities expressed in currencies other than PLN are translated into PLN at the mean exchange rate of a given currency determined by the National Bank of Poland as at the end of the reporting period. Exchange differences resulting from translation and settlements are recognised under financial income or financial costs, or – in the cases provided for in the accounting policy – capitalised in the value of assets.

Non-monetary assets and liabilities recognised at the historical cost expressed in a foreign currency are disclosed at the historical exchange rate as at the transaction date.

The following exchange rates have been assumed for the purposes of balance sheet valuation:

	31.12.2021	**31.12.2020**
USD	4.0600	3.7584
EUR	4.5994	4.6148
GBP	5.4846	5.1327

12.3. Property, plant and equipment

Property, plant and equipment are recognised at purchase price/generation cost less depreciation and impairment losses.

The initial value of property, plant and equipment includes their purchase price increased for costs directly related to the purchase and the adjustment of a given asset to usable condition.

Costs also include the cost of spare parts replacement in plant and machinery at the moment of cost incurrence, provided that the recognition criteria have been met. The costs incurred after the date of the commissioning of a given component of property, plant and equipment, such as the current costs of maintenance and repair works, are recognised in profit or loss at the moment of their incurrence.

At the moment of their purchase, property, plant and equipment are divided into individual components constituting items of significant value to which separate useful lives can be assigned. Also the costs of general overhauls are the components of the assets.

Depreciation is calculated with the application of the straight-line method for the estimated useful life of a given asset which amounts to:

Type	Period	
Buildings and structures	25-75	years
Plant and machinery, including:	10-40	years
- crucial components	15-25	years
Means of transport	7-15	years
Other property, plant and equipment	5-10	years

The final value, the useful life and the depreciation method for the assets are reviewed on annual basis and, if necessary, adjusted effective from 1 January the next financial year.

A given item of property, plant and equipment can be derecognised from the balance sheet after having been sold or in the case when no economic benefits are expected to occur as a result of further utilisation of such an asset. Any gains or losses resulting from the derecognition of a given asset from the balance sheet (calculated as a difference between the potential net proceeds from sales and the carrying amount of the item) are recognised in profit or loss for the period in which such derecognition took place.

Property, plant and equipment under construction are assets currently under construction or assembly and are disclosed at purchase prices or generation costs. Property, plant and equipment under construction are not depreciated until the termination of the construction, i.e. only at the moment when the asset becomes available for use. Each time an overhaul is carried out, the costs of the same are reported in the carrying amount of property, plant and equipment, if the recognition criteria are met, and are recognised in the next planned periodical repairs.

12.4. Leases

Company as a lessee

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

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

Right-of-use assets

The Company recognises right-of-use assets at the lease commencement date (i.e. the day when the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. The cost of the right-of-use assets covers the amount of the recognised lease liabilities, the initially incurred direct costs, and any lease payments made on or before the commencement date, less any lease incentives received. If the Company has no reasonable certainty that at the end of the lease term it will obtain the ownership of the leased item, the recognised right-of-use assets are depreciated on straight-line basis for over the shorter of the two terms: the estimated useful life or the lease term. The right-of-use assets are tested for impairment.

Lease liabilities

At the commencement date, the Company measures lease liabilities at the present value of the lease payments due as at that date. Lease payments cover fixed payments (including basically fixed lease payments), less any lease incentives due and variable payments that are tied to an index or rate, which are expected to be payable under residual value guarantees. Lease payments include also the exercise price of the purchase option, if it is reasonably certain that the Company will exercise the option, as well as penalties payable for terminating the lease, if the lease terms provide for the possibility of the lease termination by the Company. Variable lease payments that are not tied to an index or rate are recognised as cost in the period when the event or condition resulting in payment occurs.

In the calculation of the present value of the lease payments, the Company applies the incremental borrowing rate of the lessee, as at the lease commencement date, if the interest rates implicit in the lease cannot be easily determined. After the commencement date the amount of lease liabilities is increased in order to reflect interest, and reduced for the lease payments made. Moreover, the carrying amount of lease liabilities is subject to remeasurement if the lease term changes, the substantially fixed lease payments are revised or the judgement regarding the purchase of underlying assets is adjusted.

Short-term and low-value-assets lease contracts

The Company applies an exemption from recognising short-term leases in reference to its short-term lease contracts [e.g. for plant and machinery] (i.e. lease contracts for 12 months or shorter of the commencement date, without purchase option). Further, the Company applies an exemption from recognising low-value assets lease contracts. Lease payments under short-term lease contracts or low-value-assets lease contracts are recognised as costs on straight-line basis over the lease term.

Company as a lessor

Lease agreements in accordance with which the Company maintains generally the whole risk related to and all benefits resulting from owning an object of lease are classified as operating lease agreements. The initial direct costs incurred in the course of negotiating operating leases are added to the carrying amount of the property, plant and equipment being the leased item and disclosed over the entire lease term on the same basis as the rental income. Conditional lease payments are recognised as revenue in the period when they become due.

Lease term for contracts with extension option

The Company determines the lease term as irrevocable, jointly with the lease terms covered with the lease extension option, if it is reasonably certain that the option will be effected, as well as periods covered with the lease termination option, if it is reasonably certain that the option will not be effected. The Company applies judgement in estimating whether there is a sufficient certainty of availing of the extension option.

Lease term for unlimited term contracts

The Company avails of lease contracts concluded for unlimited terms and ones that transformed into contracts for unlimited term in the situations specified in the Civil Code, in which both parties have the option of termination. Determining the lease term, the Company specifies the period of the contract enforceability.

Incremental borrowing rate of the lessee

As regards lease contracts, for which the Company is not able to easily determine the interest rate, it applies incremental borrowing rate of the lessee. It is the interest rate the Company would have to pay to borrow funds in the same currency and with similar security, to finance an asset similar to the lease's right-of-use asset in value, over a similar term and in a similar economic environment.

12.5. Impairment of non-financial non-current assets

As at each balance-sheet date, the Company assesses whether there are indicators of impairment of any non-financial non-current assets. In the event of the determination that such indicators exist or in necessity of conducting an annual impairment test, the Company estimates the recoverable amount for a given non-current asset or a cash flow generating unit the asset is allocated to.

Independently of the existence of the indicators, each year, the Company carries out impairment tests for intangible assets with an indefinite useful life and intangible assets not put into use.

The recoverable amount of an asset or of a cash flow generating unit is equivalent to the fair value less the costs of sale of the asset or the cash flow generating unit, or its value in use, whichever is higher. The amount is determined for individual assets, unless a given asset does not individually generate cash inflows being primarily independent from those generated by other assets or asset groups. Should the carrying amount of an asset be higher than its recoverable amount, impairment occurs and a write-down up to the determined recoverable amount is recognised. For the estimation of the value in use, the projected cash flows are discounted to their present value with the application of a discount rate prior to inclusion of the effects of taxation, which reflects the current estimated value of money in time as well as the risk typical for a given asset. Impairment losses for tangible assets utilised in the course of continuing operations are disclosed in the 'Other operating costs' item.

As at each balance-sheet date, the Company assesses whether there are indicators implying that the impairment loss, disclosed in the previous periods with regard to a given asset, could be unnecessary, or whether it should be decreased.

If the indicators exist, the Company estimates the recoverable amount for the asset. The impairment loss recognised beforehand is reversed only and exclusively if, from the time when the last impairment loss was recognised, there has been a change of the estimated values applied to determine the recoverable amount of a given asset. In such event, the carrying amount of the asset is increased up to the level of its recoverable amount. The increased amount cannot exceed the carrying amount of the asset, which would be determined (after amortisation deduction), if in the previous years impairment would have been reflected on account of loss of value in reference to that asset. The reversal of the impairment loss for an asset is recognised immediately as revenue in profit or loss, if the rationale for impairment loss recognition no longer exists. Following the reversal, in the subsequent periods, the depreciation charge for a given asset is adjusted in a manner which allows, within the remaining useful life of the asset in question, for the systematic write-down of its verified carrying amount decreased for the exit value.

12.6. Borrowing costs

Borrowing costs are recognised as costs in the statement of profit or loss in the period in which they were incurred. Borrowing costs that may be directly attributed to the acquisition, construction or production of a qualifying asset affect its initial value as a part of the cost of that asset. The costs are capitalised when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Borrowing costs include interest calculated using the effective interest rate, financial charges in respect of finance leases and currency translation differences arising from borrowings up to the amount corresponding to an adjustment of interest costs.

Borrowing costs which were incurred without any specific purpose and used for the purpose of financing the acquisition or production of a qualifying asset affect the initial value of that asset in the amount determined by applying the capitalisation rate to the expenditure made on that asset. The capitalisation rate is the weighted average of all borrowing costs applicable to the borrowings that are outstanding during the period, other than loans taken specifically for the purpose of obtaining a qualifying asset.

Currency translation differences arising from foreign currency loans and credits (both special-purpose and general ones) affect the initial value of a qualifying asset to the extent that they are regarded as an adjustment of interest costs. The value of currency translation differences adjusting the interest cost is the difference between the interest cost on similar borrowings that the Company would incur in its functional currency and the cost incurred for the foreign currency borrowings.

12.7. Intangible assets

Intangible assets purchased in a separate transaction are initially measured at the purchase price, whereas the development costs, which meet the recognition criteria, are measured at their generation cost. The purchase price of intangible assets acquired in a business combination amounts to their fair value as at the combination date. After initial recognition, intangible assets are disclosed at their purchase price or generation cost less amortisation and impairment losses. Expenditure on intangible assets generated internally, except for capitalised expenditure on development works, are not capitalised and are recognised in the costs of the period in which they were incurred.

The Company determines whether the useful life of intangible assets is definite or indefinite. Intangible assets with definite useful lives are amortised for the useful life and tested for impairment each time the indicators implying their impairment occur. The period and the amortisation method for intangible assets with definite useful lives are verified at least at the end of each financial year. Changes in the assumed useful life or the assumed manner of consuming economic benefits generated from a given asset represent a change in the estimated value and are recognised through a change of the period or amortisation method, respectively, effective from the beginning of the next financial year.

Intangible assets with indefinite useful lives and intangible assets not put into use are tested for impairment at the end of each financial year and every six months, if indicators of impairment occur.

The Company does not have any intangible assets of indefinite useful lives.

Costs of research and development works

The costs of research works are recognised as costs at the moment of incurrence.

The Company capitalises costs of development works only if all of the following aspects can be evidenced:

- the technical feasibility to finish an intangible asset;
- the intention to finish the intangible asset and utilise or sell it;
- the ability to utilise or sell it;
- future economic benefits acquired by the Company owing to the utilisation of the intangible asset;
- availability of adequate technical, financial and other resources to complete the development works;

- the ability to reliably measure the expenditure attributable to the intangible asset incurred in the course of development works.

Other development costs are recognised in the income statement upon their incurrence. The development costs are recognised as intangible assets pursuant to the historical cost concept and are subject to amortisation charges and impairment losses. Capitalised expenditure is depreciated throughout the planned period of generating sales revenues on the respective project.

Other intangible assets (including software) acquired by the Company are recognised at their purchase cost less amortisation and impairment losses. Expenditure made on goodwill generated internally or trademarks is recognised in profit or loss at its incurrence.

Subsequent expenditure

Subsequent expenditure on the components of the existing intangible assets is subject to capitalisation only when it is probable that the expected future economic benefits related to a given component will flow in. Other expenditure is recognised in the income statement at its incurrence.

Depreciation

The estimated useful life of intangible assets is as follows:

Software	5–7 years
Capitalised development costs	5-10 years

Any gains or losses resulting from the derecognition of intangible assets from the balance sheet are measured based on the difference between the net proceeds from sales and the carrying amount of a given asset and are recognised in profit or loss at their derecognition from the balance sheet.

12.8. Interests and shares in subsidiaries

Interests and shares in subsidiaries are accounted for at historical cost less any impairment losses. Subsidiaries are entities controlled by the Company.

The Company controls a given entity when it has:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to exercise its power over the entity to affect the amount of its returns.

The Company verifies whether it controls other entities, if a situation occurs indicating a change of one or several aforementioned control requirements.

12.9. Advance payments for the purchase of property, plant and equipment

The advance payments, as non-monetary assets, are measured at their historical cost less any possible impairment losses. The period for the completion of the deliveries for which advance payments were made is usually shorter than 12 months.

12.10. Financial assets

Financial assets are classified in the following measurement categories:

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

The Company classifies a financial assetd based on the Company business model as regards managing financial assets and characteristics resulting from contractual cash flows for the financial asset ('SPPI criterion'). The Company reclassifies investments in financial assets only if the model of managing the assets changes.

Measurement at the moment of initial recognition

Except for some trade receivables, at the moment of initial recognition, the Company measures a financial asset at its fair value, which in the event of financial assets not measured at fair value through profit or loss is increased for the transaction costs that may be directly assigned to the purchase of those financial assets.

Derecognition

Financial assets are derecognised from the books of account if:
- the rights to obtain cash flows from the financial assets expire, or
- the rights to obtain cash flows from the financial assets are transferred, and the Company has transferred basically the whole risk and all benefits on account of their possession.

Measurement after initial recognition

For the purpose of measurement after initial recognition, financial assets are classified in one of the four categories:
- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income,
- capital instruments measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

Debt instruments – financial assets measured at amortised cost

- A financial asset is measured at amortised cost if the following conditions are jointly fulfilled:
- the financial asset is held in accordance with the business model aiming at holding financial assets in order to obtain contractual cash flows; and
- the terms and conditions of a contract applicable to the financial asset result in generation of cash flows at specific dates, which is only a repayment of the principal amount and the interest on the outstanding principal amount.

In the category of financial assets measured at amortised cost the Company assigns:
- trade receivables other than subject to factoring or ones from provisional pricing,
- loans fulfilling the SPPI classification test, which in accordance with the business model are reflected as held to obtain cash flows,
- cash and cash equivalents.

Interest income is calculated with the use of the effective interest rate, and is recognised in profit or loss in the ‘Interest income’ item.

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

A financial asset is measured at fair value through other comprehensive income if the following conditions are jointly fulfilled:

- the financial asset is held in accordance with the business model which aims at both contractual cash flows obtaining and sale of financial assets; and
- the terms and conditions of a contract applicable to the financial asset result in generation of cash flows at specific dates, which is only a repayment of the principal amount and the interest on the outstanding principal amount.

Interest income, FX differences, profits or losses on account of impairment are recognised in profit or loss and calculated in the same way, as for the financial assets measured at amortised cost. Other changes in goodwill are recognised through other comprehensive income. At the moment of derecognition of a financial asset, the total profit or loss previously recognised in other comprehensive income is reclassified from the ‘Equity’ item to profit or loss.

Interest income is calculated with the use of the effective interest rate, and is recognised in profit or loss in the ‘Interest income’ item.

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

At the moment of initial recognition, the Company may make an irrevocable election regarding recognition in other comprehensive income of future fair value changes of the investment in a capital instrument which is not held for trading, and which is not a contingent consideration reflected by the acquiring company within business combination, to which IFRS 3 applies. Such election is made separately for each capital instrument. The accumulated profits or losses recognised in other comprehensive income are not subject to reclassification to profit or loss. Dividends are recognised in profit or loss at the moment the company becomes entitled to receive dividend, unless the dividend is clearly a regaining of a part of the costs of investment.

In the presented reporting periods there were no capital instruments measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss

Financial assets which do not fulfil the criteria to be measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The profit or loss on debt instruments measured at fair value is recognised in profit or loss.

Dividend is recognised in profit or loss at the moment the Company becomes entitled to receive dividend.

In the presented periods there were no financial assets measured at fair value through profit or loss.

If the Company:

- possesses a valid legal title to set-off the reflected amounts, and
- plans to settle in the net amount, or at the same time realise an asset and pay a liability,

the financial asset and the financial liability are set off and are recognised in the balance sheet at net amount.

12.11. Impairment of financial assets

The Company has been applying IFRS 9, which means that it determines the expected credit losses (‘ECL’) related to debt instruments measured at amortised cost and at fair value through other comprehensive income, regardless of whether impairment indicators are present.

With regard to trade receivables, the Company applies the simplified approach and measures the write-down for expected credit losses at an amount equal to the expected credit losses throughout the receivables lifetime, with the use of a provisions matrix. The Company uses its historical data regarding credit losses, adjusted in the respective cases on the basis of information applicable to the future.

With regard to other financial assets, the Company measures the write-down for expected credit losses in the amount equal to 12-month expected credit losses. If the credit risk related to the respective financial instrument is much higher from the moment of the initial recognition, the Company measures the write-down for expected credit losses on account of the financial instrument at the amount equivalent to the expected credit losses throughout the lifetime.

12.12. Embedded derivatives

If a hybrid (combined) instrument comprises a host contract which is an asset under the IFRS 9, the Company applies the requirements specified in paragraphs 4.1.1-4.1.5 of IFRS 9 to the whole hybrid contract.

If a hybrid (combined) instrument comprises a host contract which is not an asset under the IFRS 9, the embedded derivative is separated from the host contract and accounted for as a derivative under IFRS 9 only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

Embedded derivatives are accounted for in a manner similar to individual derivative instruments which are not treated as hedging instruments.

The scope in which the economic characteristics and risk specific to a given embedded derivative instrument expressed in a foreign currency are directly related to the economic characteristics and risk specific to the host contract, also covers situations when the currency of the host contract is a typical currency for purchase or sale agreements of non-financial items on the market of a given transaction.

The assessment whether an embedded derivative should be separated is conducted by the Company at the time of its initial recognition.

12.13. Derivative financial instruments and hedging

Derivatives that the Company uses to hedge itself against the risk of changes in raw materials prices and the currency risk include mainly currency forward contracts and futures contracts for the purchase of aluminium. Such derivative financial instruments are measured at fair value. Derivatives are recognised as assets if their value is positive and liabilities if their value is negative.

Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are recognised directly in profit or loss for the period, in the statement of profit or loss.

The fair value of currency forward and futures contracts is determined by reference to the present forward rates for contracts with similar maturity.

In hedge accounting, hedge is classified as:

- fair value hedge against the risk of changes in the fair value of a recognised asset or liability, or
- cash flow hedge against changes in cash flows which may be attributed to a specific type of risk related to a recognised asset, liability or forecast transaction, or
- the hedging of shares in net assets in a foreign entity.

Currency risk hedge for a probable future liability is recognised as cash flow hedge. The hedge of the risk of interest rates of loans adjusts interest costs.

Upon hedge establishment, the Company formally assigns and documents the hedging relation as well as the purpose of risk management and the strategy for the hedge establishment. The documentation contains the identification of the hedging instrument, of the hedged item or transaction, the nature of the risk being hedged as well as the manner of assessing the effectiveness of a given hedging instrument in compensating for the risk of changes of fair value of the item being hedged or cash flows related to the hedged risk. It is expected that the hedging will be highly effective in compensating for changes of fair value or cash flows resulting from the risk being hedged. The effectiveness of hedging is assessed on an ongoing basis to check whether it is highly effective in all reporting periods for which it was established.

The Company uses only instruments hedging the future cash flows.

Cash flow hedging instruments

Cash flow hedge is a hedge against the variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable planned transaction and could affect profit or loss. The portion of gains or losses on a hedging instrument being an effective hedge is recognised in other comprehensive income and the non-effective part is recognised in profit or loss for the period, in the statement of profit or loss.

If a hedged planned transaction subsequently results in the recognition of a financial asset or a financial liability, any gains or losses related to it that were recognised in other comprehensive income and accumulated in equity are moved to the income statement in the same periods in which the acquired asset or assumed liability affects profit or loss.

If a hedge of a planned transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the planned transaction related to a non-financial asset or a non-financial liability becomes a probable future liability to which fair value hedge will apply, then gains or losses that were recognised in other comprehensive income are reclassified from equity to profit or loss in the same period(s) in which the acquired non-financial asset or assumed liability affects profit or loss.

12.14. Inventories

Inventories are valued at the lower of cost or net realisable value.

The purchase price or generation cost of an item of inventories covers for the costs of purchase, costs of conversion and other costs of bringing inventories to their present location and condition.

Measurement of the particular categories of inventories:

- materials and trade goods – at purchase price,
- finished goods and work in progress – at the cost of direct materials and workmanship as well as the appropriate surcharge for the indirect production costs determined assuming the normal utilisation of the production capacity, except for the cost of third-party finance.

The value of outgoing materials, trade goods, finished products and work in progress is determined on the ‘first-in first-out’ basis.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale. Inventories are accounted for in the balance sheet less the recognised write-downs.

12.15. Trade and other receivables

Trade receivables are reflected and recognised at initially recognised amounts including the write-down for the expected credit losses throughout the useful time. Should the influence of the money value in time be significant, the value of receivables is determined by discounting the forecast future cash flows to the present value at the discount rate reflecting the current market valuations of the money value in time. If a discounting method has been applied, the increase in receivables related to the lapse of time is recognised as interest in finance income.

Other receivables include, in particular, advance payments for the future purchase of property plant and equipment, intangible assets and inventories. Advance payments are presented based on the nature of the assets to which they relate, as non-current or current assets, respectively. As non-monetary assets, advance payments are not discounted.

State-budget receivables are presented in other non-financial assets, except for corporate income tax receivables, which represent a separate balance sheet item.

Write-downs of receivables are recognised, respectively, in other operating costs or in finance costs, depending on the type of receivables for which a write-down was recognised. Cancelled receivables, overdue receivables or uncollectible receivables decrease the previous write-downs recognised for them. Uncollectible receivables for which write-downs were not recognised or the write-downs were not in full amount, are recognised in other operating costs or finance costs, respectively.

12.16. Business combinations and acquisitions

Business acquisitions are accounted for under IFRS 3 using the 'acquisition method', except for situations when the Company acquires a jointly-controlled entity. In the case of the acquisition of a subsidiary's business, the acquisition is accounted for using the pooling of interests method.

The acquisition method involves the recognition of assets acquired and liabilities assumed at their fair values as at the acquisition date and the determination of goodwill or gain from a bargain purchase as the difference between the cost and fair value of acquired net assets.

The pooling of interests method involves the recognition of assets acquired and liabilities assumed at their book values determined pursuant to the Company principles. The difference between the consideration and the book value of the acquired net assets is accounted for in a separate item of retained earnings.

12.17. Cash and cash equivalents

Cash and short-term deposits recognised in the balance sheet comprise cash at bank and cash in hand as well as short-term deposits with the original maturity not exceeding three months.

The balance of cash and cash equivalents recognised in the statement of cash flows comprises the aforementioned cash and cash equivalents. The Company does not have any overdraft facilities which would serve cash management.

12.18. Equity

Share capital

The share capital consists of shares issued by the Company, as registered in the National Court Register ('KRS') and those not yet registered. Share capital is recognised at the value resulting from the restatement of the nominal value registered in the KRS in accordance with the requirements of IAS 29.

Share premium

Differences between the fair value of the payment received and the nominal value of shares are recognised in the share premium supplementary capital. The value of the share premium existing prior to 1 January 1997 was restated in accordance with IAS 29.

Dividends

Dividends are recognised as liabilities in the period when they were approved by virtue of a resolution.

Capital from share based payments

The Company key employees are entitled to subscribe for the Company shares at a fixed price. The capital from share based payments reflects the fair value of the options granted.

Capital from the revaluation of hedging instruments and capital from the result on cash flow hedging transactions

As specified in detail in note 12.10, the Company is a party to forward and futures contracts hedging future cash flows. The portion of gains or losses on a hedging instrument being an effective hedge is recognised in other comprehensive income in the 'Capital from the valuation of hedging instruments' item.

If the result on a hedged transaction refers to a transaction subsequently resulting in the recognition of a financial asset or a financial liability, the related gains or losses remain in the item of cash-flow hedging equity until the hedged item or transaction influences the profit or loss, and then the result in question is charged to profit or loss.

12.19. Interest-bearing bank loans, borrowings and debt securities

Upon the initial recognition, all bank loans, borrowings and debt securities are recognised at fair value less the costs of obtaining such a loan or credit.

After the initial recognition, interest bearing loans, borrowings and debt securities are measured at amortised cost with the application of effective interest rate. When determining the amortised cost, the costs of obtaining a loan as well as discounts or premiums attained during the settlement of a liability are taken into consideration.

Gains and losses are recognised in profit or loss upon the derecognition of a given liability from the balance sheet, and also as a result of settlement using the effective interest rate.

12.20. Trade payables and other liabilities

Short-term trade payables are recognised in the payable amounts due.

Financial liabilities not constituting financial instruments measured at their fair value through profit or loss are measured at amortised cost with the application of the effective interest rate method.

The Company excludes a financial liability from its balance sheet when the liability expires, i.e. when the obligation set forth in the contract is satisfied, cancelled or expired. The replacement of the existing debt instrument by an instrument with substantially different terms and conditions between the same entities is recognised by the Company as the expiration of the original financial liability and the recognition of a new one. Similarly, significant modifications of the terms and conditions of an agreement concerning an existing financial liability are recognised by the Company as the expiration of the original financial liability and the recognition of a new financial liability. The differences of the respective carrying amounts related to the exchange are recognised in the income statement.

Other non-financial liabilities are recognised in the amount due.

That item comprises, in particular, VAT payables to the tax office, income tax advances on remuneration, payables to the Social Security Institution (ZUS) due to contributions on remuneration, and liabilities due to received advance payments, which will be settled through the delivery of goods, services or property, plant and equipment.

12.21. Provisions

Provisions are recognised only when the Company has a current liability (either legal or customary) resulting from past events and when it is probable that the satisfaction of such a liability will necessitate the outflow of economic benefits, and when it is possible to conduct a reliable estimation of the amount of the liability. If the Company expects that the costs covered by the provision are to be reimbursed, e.g. pursuant to an insurance agreement, the reimbursement is recognised as a separate asset, yet only when it is virtually certain that the reimbursement will actually take place. Costs related to a given provision are recognised in profit or loss less any reimbursements. Should the influence of the money value in time be significant, the value of the provision is determined by discounting the forecast future cash flows to the present value at the gross discount rate reflecting the current market valuations of the money value in time as well as an optional risk related to a given liability. In the event of the application of a discounting method, the increase in the provision related to the lapse of time is recognised as finance costs.

12.22. Retirement benefits

In accordance with the corporate remuneration systems, the Company employees are entitled to retirement benefits and disability benefits. Retirement benefits and disability benefits are paid once, upon a given employee's retirement due to old age or disability. The value of the benefits is determined as one-month remuneration as at the date of acquiring the right to the benefit. The Company recognises a provision for future liabilities due to retirement benefits and disability benefits for the purpose of assigning costs to the periods they refer to. In accordance with IAS 19, retirement and disability benefits are defined benefit plans applicable after the employment period. The present value of these liabilities as at each balance sheet date is calculated by an independent actuary. The accrued liabilities equal the discounted payables to be made in the future having regard for the staff turnover and they refer to the period ending on the balance-sheet date. Demographic data as well as information about the staff turnover are based on historical data. Actuarial gains and losses due to ex-post adjustments of actuarial assumptions and changes in actuarial assumptions are recognised in equity through other comprehensive income in the period in which they occurred. Employment costs cover, among other things the costs of past and current employment. The cost of interest on net liabilities on account of the specific benefits is recognised in finance costs.

12.23. Share based payments

The Company employees (including the Management Board Members) receive a part of their remuneration in the form of treasury shares. As a result, they provide services in return for shares or rights to shares ('equity-settled transactions').

12.23.1 *Equity-settled transactions*

The cost of equity-settled transactions with the employees is measured by reference to fair value as at the date of vesting the rights. The fair value is determined by an independent actuary on the basis of the binominal model discussed in more detail in note 24.1. The valuation of equity-settled transactions takes into account market conditions of acquiring the rights (related to the price of the Company shares). The costs of equity-settled transactions are recognised together with the corresponding increase in equity in the period when the conditions concerning the effectiveness/results and/or the provision of work or service are met, ending on the date when the particular employees become fully entitled to the given benefits ('vesting date'). The costs of share options granted to the Company employees are recognised in the income statement, and the costs of options granted to employees of subsidiaries are recognised as the increase in the carrying amount of investments in subsidiaries.

The cumulated cost recognised due to equity-settled transactions as at each balance-sheet date until the vesting date reflects the progress of the period of acquiring (vesting) the rights and the number of share options, to which rights will be finally acquired in the opinion of the Company Management Board as of that day, based on the best possible estimates.

In the event of modifications of the conditions governing the granting of equity-settled awards, in order to comply with the minimum requirements, the costs are recognised as if the conditions have not been modified. Furthermore, the costs related to each increase in the transaction value as a result of the modification are recognised at the date of the change.

In the event of cancelling the equity-settled award, it is treated as if it was qualified on the cancellation date and all the award related costs not yet recognised are immediately recognised. It also refers to awards for which the conditions other than the vesting conditions subject to the Company control or an employee control are not met. However, in the event of replacing the cancelled award with a new one, specified as a substitution award on the date of its granting, the cancelled award and the new one are treated as if they constituted a modification of the original award, i.e. in accordance with the provisions of the paragraph above.

No costs are stated for not finally qualified awards, except for those awards for which the qualification depends on market conditions or conditions other than the vesting conditions, which are treated as acquired regardless of the fact of meeting the market conditions or conditions other than the acquiring (vesting) conditions, provided, however, that all other conditions with regard to the efficiency/results and/or the provision of work or services have been complied with.

The effect of the issued options is considered when determining the diluted earnings per share.

12.24. Revenue

12.24.1 *Revenue from contracts with customers*

The Company applies IFRS 15 *Revenue from Contracts with Customers* to all contracts with customers, except for lease contracts under IFRS 16 *Leases*, financial instruments and other rights or contractual liabilities under IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures*.

The basic principle of IFRS 15 is to recognise revenue at the moment of transfer of goods and services to the customer, in the value reflecting the price expected by the Company in exchange for the transfer of the goods and services. The principles are applied with the use of a five-step model:

- identification of contract with a customer;
- identification of performance obligation under the contract with the customer;
- transaction price determination;
- allocation of the transaction price to the particular performance obligation;

recognition of revenue at the moment the performance obligation under the contract is completed.

Identification of contract with a customer

The Company reflects a contract with the customer only if the following criteria are met:

- the parties entered into agreement (in writing, orally or in accordance with other established commercial practices) and are committed to perform their obligations;
- the Company is able to identify the rights of each of the parties regarding the goods or services which are to be transferred;
- the Company is able to identify the payment terms for the goods and services which are to be transferred;
- the agreement has an economic content (i.e. it may be expected that as a result of the contract, the risk, the distribution in time or the amount of future cash flows of the Company will change); and
- it is probable that the Company receives consideration which is due to it in exchange for the goods or services which will be transferred to the customer.

When assessing whether the receipt of the amount of consideration is probable, the Company considers only the ability and the intent of the customer to pay the consideration amount in due time. The amount of consideration which will be due to the Company may be lower than the price determined in the contract if the consideration is variable, because the Company may offer a price discount to the customer.

Identification of performance obligation

At the moment of entering into contract, the Company assesses the goods or services committed in the contract with the customer and identifies as performance obligation every commitment to transfer to the customer the goods or services (or a package of goods or services), which may be separated or a group of separate goods or services, which are basically the same and for which the transfer to the customer has the same characteristics.
The good or service committed are separate if the following conditions are jointly fulfilled:

- the customer may acquire benefits from the goods or services either directly or indirectly by relationship with other resources, which are easily accessible for the customer; and
- the commitment of the Company to transfer goods or services to the customer may be identified as separate in reference to other obligations specified in the contract.

Transaction price determination

In order to determine the transaction price, the Company considers the contract terms and conditions and the applied established commercial practices. The transaction price is a part of consideration, which in accordance with the Company expectation will be due to it in exchange for the committed goods and services transfer to the customer, except for the amounts collected on behalf of third parties (for example some sales taxes). The consideration determined in the contract with the customer may cover fixed amounts, variable amounts or both.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the committed goods or services to a customer, by applying one of the following methods, depending on which of them will enable the Company to better foresee the amount of the consideration it is entitled to:

- expected value, which is the total of the products of the possible amounts of consideration and their respective probability of occurrence. The expected value may be a proper estimate of the amount of variable consideration, if the Company concludes a large number of similar contracts;
- most probable value, which is a single, most probable amount from the interval of the possible amounts of consideration (i.e. a single most probable result of the contract). The most probable value may be a proper estimate of the amount of variable consideration, if the contract has only two possible results (e.g. the Company either receives a performance bonus or not).

The Company includes in the transaction price a part of the whole of the variable remuneration amount solely to such extent, in which there is a high probability that a reversal of a major part of the previously reflected accumulated revenues will not occur at the moment when the uncertainty associated with the variable consideration is subsequently resolved.

The Company estimates the amount of variable consideration by applying the expected value method.

Allocation of the transaction price to the particular performance obligation

The Company allocates the transaction price to each performance obligation (or to a separate good or service) in the amount which reflects the amount of consideration, which in accordance with the expectation of the Company is due to it in exchange for the committed goods or services.

Performance obligation fulfilment

The Company recognises revenue at the moment of fulfilment of a performance obligation (or when fulfilment is pending) by way of transferring the committed goods or services to the customer. In reference to the contracts applicable to ongoing services, based on which the Company is entitled to receive consideration from the customer in the amount which is directly equivalent to the value assumed by the customer for the performance to date, the Company recognises revenue in the amount due as at the moment of invoice issue.

Consideration for the contracting party vs consideration for the intermediary

If another entity is engaged in the delivery of goods or services to the customer, the Company determines whether the nature of the Company obligation is a performance obligation consisting in the delivery of the specific goods or services (which means that the Company is a contracting party), or in ordering with another entity to deliver the goods or services (which means that the Company is an intermediary).

The Company is a contracting party if it controls the committed goods or services before they are handed-over to the customer. The Company does not have to act as the contracting party, if it obtains the legal title to the product only on temporary basis, before it is transferred to the customer. The Company acting in a contract as the contracting party may perform the obligation itself or may entrust the performance of the obligation or any part thereof to another entity (e.g. subcontractor) on its behalf. In such situation the Company recognises revenue in the amount of gross consideration, to which – according to the Group expectation – it is going to be entitled in exchange for the transferred goods or services.

The Company acts as an intermediary, if its performance obligation consists in ensuring the delivery of goods or services by another entity. In such situation the Company recognises revenue in the amount of any fee or commission to which – according to its expectation – it is going to be entitled in exchange for ensuring the delivery of the goods or services by another entity.

Significant financing component

If in reference to contracts with customers the period between the transfer of the committed good or service to the customer and the moment of payment for the good or service exceeds one year, the Company assesses that the contracts include a significant financing component. For the purpose of determining the transaction price, the Company adjusts the promised consideration amount for a significant financing component, by applying a discount rate which would be applied in case of entering into a separate finance transaction between the Company and its customer at the moment of entering into contract.

The Company has decided not to adjust the promised amount of the consideration for the effects of a significant financing component, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and the moment of payment for that good or service by the customer will be one year or less.

In-kind consideration

As regards contracts in which the customer committed to pay consideration otherwise than in monetary form, in order to determine the transaction price the Company measures the in-kind consideration (or promise of in-kind consideration) at fair value. If the Company cannot reasonably measure the fair value of the in-kind consideration, it measures it directly by reference to the individual sales price of goods or services committed to a customer (or class of customers) in exchange for consideration.

Warranties

The Company provides warranties for sold products, which represent a commitment towards the customer that the respective product complies with the specification agreed by the parties. The Company recognises such warranties pursuant to IAS 37 *Provisions, contingent liabilities and contingent assets.*

Some non-standard contracts with customers provide for extended warranties. Such warranties represent a separate service, reflected as a performance obligation, to which some of the transaction price is allocated.

Capitalised costs of arranging contract conclusion

The Company recognises additional costs of arranging the conclusion of a contract with a customer as an asset, if it expects to regain the costs. Additional costs of arranging contract conclusion include costs incurred by the Company for the purpose of arranging the conclusion of a contract with a customer, which would not have been incurred by the Company if the contract had not been concluded. These include *commissions on sales*. The costs of arranging contract conclusion incurred regardless of whether the agreement had been concluded, are recognised at the moment of their incurrence, unless the costs are clearly charged to the customer, whether the contract is concluded or not. The Company recognises other costs of arranging contract conclusion as costs at the moment of their incurrence, if the depreciation period of an asset, which would otherwise be recognised by the Company, is one year or less. An asset is systematically depreciated, in consideration of the period of transferring to the customer of the goods or services to which the asset is related. The Company reviews the depreciation period in order to reflect a significant change in the expected period of transferring to the customer the goods or services to which the asset is related.

Contractual assets

Within contractual assets, the Company reflects the right to consideration in exchange for goods or services transferred to the customer, if the right depends on a condition other than lapse of time (for example on future performance of the Company). The Company assesses whether there has or has not been an impairment of asset on account of the contract, at the same principle as is applicable to an asset under IFRS 9.

Contractual receivables

Within receivables the Company recognises the right to consideration in exchange for goods or services transferred to the customer, if the right is unconditional (the only condition of the consideration becoming due is the lapse of a certain time). The Company recognises receivables in accordance with IFRS 9. At the moment of initial recognition of receivables on account of the contract, any differences between the price of receivables under IFRS 9 and the respective previously recognised amount of revenue are reflected by the Company as cost (impairment loss).

Contractual liabilities

Under contractual liabilities the Company reflects the consideration received or due from the customer, to which a duty to transfer goods or services to customer is related.

Assets resulting from the right to refund

Within the assets resulting from the right to refund, the Company reflects the right to regain products from customers after the performance of the duty to refund the consideration paid.

Consideration refund commitment

The Company recognises the consideration refund commitment if after the consideration receipt it expects that the whole consideration or some part of it will be refunded to the customer. The consideration refund commitment is measured at the amount of the consideration received (or receivables), to which – according to the company expectations – it is not entitled (i.e. at the amount not reflected in the transaction price). The consideration refund commitment (and the respective change of transaction price as well as the resulting change of obligation under the contract) is reviewed at the end of each reporting period in reference to a change in circumstances.

12.24.1 *Interest*

Interest income is recognised gradually when interest accrues (taking into account the effective interest rate being the rate discounting future cash inflows over the estimated time of use of financial instruments) to the net carrying amount of a given financial asset.

12.24.2 *Dividends*

Dividends are recognised when the shareholders' rights to receive them are determined.

The Company is a group of operationally-related entities. The purpose of the existence of the group is to achieve better operational synergy. Accordingly, the Company accounts for the dividend income in its separate financial statements in operating activities.

12.24.3 *Rental income*

The rental income is recognised on a straight-line basis throughout the rental period in the item of contracts with customers of the statement of profit or loss.

12.24.4 *Other operating revenue*

This is income indirectly related to the operations, in particular:

- profit from the sale of property, plant and equipment and intangible assets;
- the surplus of reversed provisions charged previously to other operating costs over their recognition in a given period;
- received fines and damages;
- the surplus of reversed write-downs of materials over their recognition in a given period;
- the surplus of reversed write-downs of property, plant and equipment and intangible assets over their recognition in a given period.

12.24.5 *Subsidies*

Should a reasonable certainty exist that a subsidy is to be obtained and all related conditions are met, the subsidies are recognised at their fair value.

If a given subsidy is related to a cost item, then it is recognised as revenue proportionally to the costs the subsidy is intended to compensate for. If the subsidy is related to an asset, then its fair value is recognised in the 'Deferred income' item and then gradually, by means of equal annual write-downs, recognised in profit or loss throughout the estimated useful life of the related asset.

12.24.6 *Financial revenue*

Financial revenue includes mainly interest income and net gains from positive currency translation differences on receivables and liabilities in foreign currencies.

12.25. Costs

Costs are probable decreases in economic benefits during the period determined reliably in the form of a decrease in the value of assets or an increase in the value of liabilities or provisions which will result in a decrease in equity or an increase in its shortage in a manner other than the withdrawal of funds by shareholders or owners. The costs are recognised in the income statement according based on the matching principle. In order to ensure the principle of matching the revenue and costs, the assets or liabilities for a given period comprise prepayments or accruals including costs or revenue referring to future periods and the costs for that period which have not been incurred yet.

12.25.1 *Operating costs*

They comprise costs directly and indirectly related to the operations of the Company as broken down into particular the types of costs.

12.25.2 *Revaluation of financial assets*

It comprises the net value of recognised and reversed write-downs of receivables over their reversals in the specific period.

12.25.3 *Other operating costs*

These are costs indirectly related to the operations of the Company, in particular:

- recognised litigation provisions;
- donations granted;
- accrued or paid fines and damages;
- losses in tangible current or non-current assets;
- losses from the disposal of property, plant and equipment and intangible assets;
- the surplus of recognised write-downs of materials over their reversal in a given period;

12.25.4 *Finance costs*

Finance costs comprise specifically:

- interest on credits, loans and other borrowings, including the discount of liabilities;
- changes in the provisions resulting from the approaching of the maturity of a liability (the so called 'unwinding of the discount' effect);
- losses from net currency translation differences on receivables and liabilities expressed in foreign currencies.

12.26. Taxes

12.26.1 *Current tax*

Current income tax liabilities and receivables for the current period and for previous periods are measured at the amounts of the expected payment to tax authorities (reimbursable from the tax authorities) with the application of the tax rates and tax regulations already legally or practically binding at the balance-sheet date.

12.26.2 *Deferred tax*

For the sake of financial reporting, the deferred income tax is calculated based on the balance sheet liabilities method in relation to the temporary differences as at the balance-sheet date between the tax value of assets and liabilities and their carrying amount.

Deferred income tax liability is recognised with regard to all taxable temporary differences, save for cases when:

- the deferred tax liability originates as a result of the initial recognition of goodwill or the initial recognition of an asset or a liability for the transaction which neither constitutes a business combination nor, upon its conclusion, influences the gross financial result or the revenue to be taxed or tax loss; and
- in the event of taxable temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures, except for situations when the dates of reversing temporary differences may be controlled by the investor and when it is probable that temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised on all deductible temporary differences as well as unused tax abatements and unused tax losses carried forward to the following years in an amount of probable future taxable revenue which will allow for using the aforementioned differences, assets and losses, save for the cases when:

- deferred income tax assets on deductible temporary differences are recognised as a result of the initial recognition of an asset or a liability for the transaction which neither constitutes a business combination nor, upon its conclusion, influences the gross financial result or the revenue to be taxed or tax loss; and
- in the event of deductible temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures, deferred income tax asset is recognised in the balance sheet only in an amount for which it is probable that the aforementioned temporary differences will be reversed in the foreseeable future and taxable income will be generated allowing for the deduction of deductible temporary differences.

The carrying amount of the deferred income tax asset is verified as at each balance-sheet date and is subject to a relevant decrease by the amount corresponding to the lack of likelihood of generating taxable revenue in the amount sufficient to partly or fully realise the deferred income tax asset. The non-recognised deferred income tax asset is subject to revaluation as at each balance-sheet date and is recognised up to the amount reflecting the likelihood of generating future taxable revenue in an amount enabling the recovery of that asset.

Deferred income tax assets and deferred income tax liabilities are measured with the application of tax rates forecast for the period when the asset will be realised or the liability reversed, applying, as the basis, the tax rates (and tax regulations) in force on the balance-sheet date or those which will certainly be in force in the future at the balance-sheet date.

Income tax applicable to the items recognised outside profit or loss is recognised in other comprehensive income for items to be reflected in other comprehensive income, or directly in equity for items to be reflected directly in equity.

The Company sets off deferred income tax assets against deferred income tax liabilities only and exclusively when it has an enforceable legal title to set off the receivables against liabilities due to the current tax, and the deferred income tax is related to the same tax-payer and the same tax authority.

12.26.3 *Uncertainty over income tax treatments*

If in the opinion of the Company it is probable that the Company's approach to a tax issue or a group of tax issues will be accepted by the tax authority, the Company determines taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates in consideration of the approach to tax planned or applied in its tax returns. Assessing the probability, the Company assumes that the tax authority entitled to control and question the tax treatment method is going to carry out such control and have access to any information.

If the Company decides that it is not probable that the tax authority accepts the Company's approach to a tax issue or a group of tax issues, then the Company reflects the consequences of the uncertainty in the tax booked for the period of the determination. The Company recognises an income tax liability with the use of one the two methods below which best reflects the possible materialisation of the uncertainty:

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- the Company determines the most probable scenario – it is an individual amount from among the possible results; or
- the Company recognises the expected value, which is the total of probability-weighted amounts from among the possible results.

12.26.4 *VAT*

Revenue, costs, assets and liabilities are recognised less VAT, except:

- when VAT paid upon the purchase of assets or services is not recoverable from the tax authorities; then, it is recognised accordingly as a part of the purchase price of a given asset or a part of the cost item; and
- for receivables and liabilities recognised including VAT;
- the net VAT amount recoverable from or payable to the tax authorities is recognised in the balance sheet as a part of public law receivables or payables.

12.27. Net earnings per share

Net earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in the given reporting period.

13. Information on business segments

The Company has two internally-separated operating segments, i.e. the Extruded Products Segment and other activities ('Other') including central functions. Due to the fact that the Company financial statements are published simultaneously with the consolidated financial statements, the Company presents business segment information only in the consolidated financial statements, pursuant to IFRS 8.4.

14. Revenue and costs

14.1. Revenue from contracts with customers

Sales by territories	2021	2020
Poland, including	**964,838**	**675,858**
– to related companies	395,708	298,634
EU without Poland, including:	**578,798**	**451,735**
– to related companies	8,947	6,719
Other European countries, including:	**89,317**	**14,068**
– to related companies	13,667	4,472
Other countries	**12,970**	**7,565**
Revenue from contracts, including:	**1,645,923**	**1,149,226**
– to related companies	418,322	309,825

The sales in the table above are recognised for the country of the registered office of the counterparty within a sale transaction. A major sales concentration applies to the Aluprof S.A. subsidiary and amounts to approximately 22% of the total sales value (24% in the preceding year).

Sales by items	2021	2020
Products, including:	**1,610,721**	**1,120,474**
– to related companies	398,667	292,205
Services, including:	**23,079**	**23,506**
– to related companies	19,085	17,404
Trade goods and materials, including:	**12,123**	**5,246**
– to related companies	570	216
Revenue from contracts, including:	**1,645,923**	**1,149,226**
– to related companies	418,322	309,825

(PLN '000)

In both periods there was no revenue recognised at the percent of completion.

14.2. Other operating revenue

	2021	2020
Write-down of inventories	42	0
Profit on sales of property, plant and equipment	186	0
Subsidies	983	991
Penalties and damages	1,000	439
Compensation on account of electric energy prices increase in 2020	4,535	0
Past due liabilities	46	10
Free-of-charge deliveries	515	61
VAT bad-debt relief	0	17
Tax payer's remuneration	37	32
Other	92	170
Total	**7,436**	**1,720**

14.3. Dividends

Paying company	2021	2020
Aluprof S.A.	220,000	150,000
Alupol Packaging S.A.	159,000	84,300
Aluform Sp. z o.o.	18,679	23,966
Dekret Centrum Rachunkowe Sp. z o.o.	369	308
Other	53	0
Total	**398,101**	**258,574**

14.4. Revaluation of financial assets – IFRS 9

	2021	2020
Credit profit (loss) on trade receivables	(1,253)	548
Total	**(1,253)**	**548**

14.5. Other operating costs

	2021	2020
Write-down of property, plant and equipment	(1,095)	(146)
Provisions for costs of damages	(281)	0
Write-down of materials	0	(830)
Loss on sales of property, plant and equipment	0	(156)
Promotion and publicity	(627)	(488)
Business trips	(271)	(143)
Abandoned investments	0	(905)
Property damage	(549)	(30)
Liquidation of property, plant and equipment	(157)	0
Inventories scrapping	(130)	(257)
Fines and damages	(375)	(263)
Donations	(531)	(737)
Membership fees	(65)	(95)

(PLN '000)

Other	(253)	(497)
Total	**(4,334)**	**(4,547)**

14.6. Financial revenue

	2021	2020
Interest	127	235
Surplus of currency translation gains over currency translation losses	347	0
Total	**474**	**235**

14.7. Finance costs

	2021	2020
Interest on borrowings	(4,601)	(6,402)
Interest on provisions for employee benefits	(41)	(60)
Interest on right-of-use assets	(169)	(169)
Other interest	(66)	(40)
Surplus of currency translation losses over currency translation gains	0	(1,883)
Bank commissions	(623)	(481)
Total	**(5,500)**	**(9,035)**

14.8. Costs of employee benefits

	2021	2020
Payroll	(119,629)	(103,428)
Social insurance	(20,577)	(18,259)
Other employee benefits	(13,543)	(10,852)
Costs of share based payments	(1,575)	(436)
Total	**(155,324)**	**(132,975)**

14.9. Costs of materials and energy, and the value of goods and materials sold

	2021	2020
Materials consumption	(1,120,576)	(695,177)
Energy consumption	(42,266)	(40,170)
Value materials and trade goods sold	(11,074)	(7,325)
Result on hedging transactions	15,480	(5,537)
Total	**(1,158,436)**	**(748,209)**

15. Income tax

The main components of the tax payables are as follows:

Income tax structure	2021	2020
Current tax	(30,705)	(8,045)
Deferred tax	270	(1,860)
Income tax recognised in the statement of profit or loss	**(30,435)**	**(9,905)**

Reconciliation of the income tax on gross financial result prior to taxation at the statutory tax rate with the income tax calculated at the Company effective tax rate:

(PLN '000)

Effective tax rate	%	2021	%	2020
Gross financial result		**553,606**		**306,058**
Tax at the state rate of 19%	19%	(105,185)	19%	(58,151)
Dividends and share in profits	(14)%	75,629	(16)%	49,129
Allowances within the Polish Investment Zone [Polska Strefa Inwestycji] programme	0	132	0	0
Impact of other tax-exempt revenue and non-tax costs	0%	(1,011)	0%	(883)
Income tax recognised in the statement of profit or loss	**5%**	**(30,435)**	**3%**	**(9,905)**

15.1. Deferred income tax provision

	01.01.2021	Impact on result	Impact on other comprehensive income	31.12.2021
Employee benefits (payroll)	615	111	0	726
Provisions for employee benefits	3,085	71	(78)	3,078
Other provisions and accruals	180	32	0	212
Write-down of receivables	915	235	0	1,150
Write-down of inventories	1,043	826	0	1,869
Write-down of property, plant and equipment	346	(268)	0	78
Currency translation losses on the valuation of FX positions	605	(406)	0	199
CIT exemption under the Polish Investment Zone [Polska Strefa Inwestycji] programme	0	132	0	132
Valuation of hedging transactions	(364)	0	131	(233)
Interest on loans	24	(24)	0	0
Interest on liabilities	53	10	0	63
Sales adjustments	428	67	0	495
Difference between the carrying amount and the tax value of property, plant and equipment, intangible assets, and right-of-use assets	(33,261)	(787)	0	(34,048)
Currency translation gains on the valuation of FX positions	(444)	272	0	(172)
Costs accrued	216	(1)	0	215
Total	**(26,559)**	**270**	**53**	**(26,236)**

	01.01.2020	Impact on result	Impact on other comprehensive income	31.12.2020
Employee benefits (payroll)	570	45	0	615
Provisions for employee benefits	2,888	146	51	3,085
Other provisions and accruals	184	(4)	0	180
Write-down of receivables	1,095	(180)	0	915
Write-down of inventories	925	118	0	1,043
Write-down of property, plant and equipment	486	(140)	0	346
Currency translation losses on the valuation of FX positions	38	567	0	605
Valuation of hedging transactions	(296)	0	(68)	(364)
Interest on loans	30	(6)	0	24

(PLN '000)

Interest on liabilities	43	10	0	53
Sales adjustments	365	63	0	428
Difference between the carrying amount and the tax value of property, plant and equipment, intangible assets, and right-of-use assets	(30,647)	(2,614)	0	(33,261)
Currency translation gains on the valuation of FX positions	(105)	(339)	0	(444)
Costs adjustment	(258)	258	0	0
Costs accrued	0	216	0	216
Total	**(24,682)**	**(1,860)**	**(17)**	**(26,559)**

According to the Company estimates, out of the above items, deferred tax liability related to property, plant and equipment amounting to PLN 34,048,000 (previous year: PLN 33,261,000), and a part of deferred tax asset in the item of 'Provisions for employee benefits' amounting to PLN 420,000 (previous year: PLN 445,000) are of long-term nature. Also deferred income tax assets on write-downs of receivables amounting to PLN 915,000 (previous year: PLN 915,000) are of long-term nature. Other items are of short-term nature. As at 31 December 2021, the total amount of deductible temporary differences associated with investments in subsidiaries, for which deferred income tax asset was not recognised, amounted to PLN 0.00 (previous year: PLN 0.00), as described in detail in note 21.

In September 2021 the Company received decisions on aid for investment projects within the Polish Investment Zone [Polska Strefa Inwestycji] programme.

The Company committed to incur capital expenditures in the minimum amount of PLN 220 million by 30 June 2024.

The income on the above projects will be subject to tax exemption, in accordance with the applicable tax regulations. The limit of exemption depends on the capital expenditures incurred. The Company has recognised benefits resulting from the aforesaid exemptions along with the acquisition of the rights to them, i.e. along with the incurring of eligible costs. The intensity of state aid of which the Company may avail equals 35% of the eligible costs. As at the balance-sheet date, the Company recognised the below assets on that account in the amount of PLN 132,000.

	2021	**2020**
Assets (provision) as at 01.01.2021 / 01.01.2020	**(26,559)**	**(24,682)**
Change in the asset (liability) due to the valuation of derivative financial instruments charged to other comprehensive income	131	(68)
Deferred income tax on actuarial gains/losses	(78)	51
Deferred income tax recognised in profit or loss	270	(1,860)
Assets (provision) as at 31.12.2021 / 31.12.2020	**(26,236)**	**(26,559)**

16. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period assigned to regular shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period assigned to regular shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period.

	2021	**2020**
Net profit	**523,171**	**296,153**
Weighted average number of ordinary shares assumed for the calculation of basic earnings per ordinary share	9,644,757	9,602,844
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per ordinary share	9,666,851	9,618,767
Earnings per ordinary share in PLN	54.24	30.84
Diluted earnings per ordinary share in PLN	54.12	30.79

(PLN '000)

In 2021, the eligible employees acquired 20,795 shares of Grupa Kęty S.A. under the 2015 plan.

In 2020, the eligible employees acquired 59,350 shares of Grupa Kęty S.A. (10,500 shares under the 2012 plan and 48,850 shares under the 2015 plan).

The said figures were taken into consideration in the calculation of the weighted average number of (taken up) shares and of the weighted average number of potential shares.

The potential number of ordinary shares, determined in accordance with IAS 33, associated with the employee options plan increasing the number of shares and assumed for the calculation of diluted earnings per share is 22,094 (in 2020: 15,923).

The period of exercising the rights to acquire shares will have expired after 36 months from the date of acquiring the rights. See note 24.1 for more information about the options plan.

The average market price for the Company shares in 2021 was PLN 599.71 (in 2020: PLN 409.35).

17. Dividends paid and proposed for payment

In 2021 the Company paid dividend in the amount of PLN 430,073,000 (PLN 44.57 per share), and in 2020 – in the amount of PLN 336,654,000 (PLN 34.99 per share). As at the date of these financial statements publication the formal decision regarding dividend payment declaration for 2021 has not been taken.

18. Property, plant and equipment

	31.12.2021	31.12.2020
Gross value	**877,727**	**840,433**
Land	4,170	3,442
Buildings and structures	228,438	226,962
Plant and machinery	461,746	453,520
Means of transport	14,952	13,400
Other property, plant and equipment	146,393	124,512
Property, plant and equipment under construction	22,028	18,597
Amortisation	**400,321**	**353,180**
Buildings and structures	56,575	51,680
Plant and machinery	219,616	199,293
Means of transport	8,301	6,946
Other property, plant and equipment	115,829	95,261
Write-downs	**2,970**	**1,821**
Buildings and structures	1,685	1,685
Plant and machinery	110	69
Other property, plant and equipment	1,175	67
Net value	**474,436**	**485,432**
Land	4,170	3,442
Buildings and structures	170,178	173,597
Plant and machinery	242,020	254,158
Means of transport	6,651	6,454
Other property, plant and equipment	29,389	29,184
Property, plant and equipment under construction	22,028	18,597

(PLN ‘000)

	01.01.2021	Increases	Sales	Liquidation	Shifts	31.12.2021
Gross value	**840,433**	**42,376**	**(300)**	**(4,782)**	**0**	**877,727**
Land	3,442	0	0	0	728	4,170
Buildings and structures	226,962	0	0	(6)	1,482	228,438
Plant and machinery	453,520	0	0	(3,478)	11,704	461,746
Means of transport	13,400	0	(300)	0	1,852	14,952
Other property, plant and equipment	124,512	0	0	(1,298)	23,179	146,393
Property, plant and equipment under construction	18,597	42,376	0	0	(38,945)	22,028
Amortisation	**353,180**	**52,030**	**(159)**	**(4,730)**	**0**	**400,321**
Buildings and structures	51,680	4,899	0	(4)	0	56,575
Plant and machinery	199,293	23,801	0	(3,478)	0	219,616
Means of transport	6,946	1,514	(159)	0	0	8,301
Other property, plant and equipment	95,261	21,816	0	(1,248)	0	115,829
Write-downs	**1,821**	**1,225**	**0**	**(76)**	**0**	**2,970**
Buildings and structures	1,685	0	0	0	0	1,685
Plant and machinery	69	67	0	(26)	0	110
Other property, plant and equipment	67	1,158	0	(50)	0	1,175
Net value	**485,432**	**(10,879)**	**(141)**	**24**	**0**	**474,436**
Land	3,442	0	0	0	728	4,170
Buildings and structures	173,597	(4,899)	0	(2)	1,482	170,178
Plant and machinery	254,158	(23,868)	0	26	11,704	242,020
Means of transport	6,454	(1,514)	(141)	0	1,852	6,651
Other property, plant and equipment	29,184	(22,974)	0	0	23,179	29,389
Property, plant and equipment under construction	18,597	42,376	0	0	(38,945)	22,028

	01.01.2020	Increases	Sales	Liquidation	Shifts	31.12.2020
Gross value	**821,172**	**41,308**	**(808)**	**(21,239)**	**0**	**840,433**
Land	3,442	0	0	0	0	3,442
Buildings and structures	223,103	0	0	(508)	4,367	226,962
Plant and machinery	447,998	0	0	(1,539)	7,061	453,520
Means of transport	13,648	0	(808)	0	560	13,400
Other property, plant and equipment	120,005	0	0	(18,287)	22,794	124,512
Property, plant and equipment under construction	12,976	41,308	0	(905)	(34,782)	18,597
Amortisation	**322,976**	**49,320**	**(640)**	**(18,476)**	**0**	**353,180**
Buildings and structures	46,594	5,086	0	0	0	51,680
Plant and machinery	176,814	23,348	0	(869)	0	199,293
Means of transport	6,058	1,528	(640)	0	0	6,946
Other property, plant and equipment	93,510	19,358	0	(17,607)	0	95,261
Write-downs	**2,558**	**106**	**0**	**(843)**	**0**	**1,821**
Buildings and structures	1,994	0	0	(309)	0	1,685
Plant and machinery	438	39	0	(408)	0	69
Other property, plant and equipment	126	67	0	(126)	0	67
Net value	**495,638**	**(8,118)**	**(168)**	**(1,920)**	**0**	**485,432**
Land	3,442	0	0	0	0	3,442

(PLN '000)

Buildings and structures	174,515	(5,086)	0	(199)	4,367	173,597
Plant and machinery	270,746	(23,387)	0	(262)	7,061	254,158
Means of transport	7,590	(1,528)	(168)	0	560	6,454
Other property, plant and equipment	26,369	(19,425)	0	(554)	22,794	29,184
Property, plant and equipment under construction	12,976	41,308	0	(905)	(34,782)	18,597

18.1. Depreciation of property, plant and equipment

All property, plant and equipment are subject to depreciation, except for property, plant and equipment under construction. The depreciation charges for property, plant and equipment are recognised in full in the 'Depreciation' item of operating costs in the statement of profit or loss.

18.2. Changes of estimates concerning useful lives

In 2021 and 2020, the Company did not make any significant changes in the useful lives of property, plant and equipment. In 2020 the Company abandoned the task of extending the capacity of the Anodising Plant. The costs related thereto amounted to roughly PLN 905,000.

18.3. Restrictions on the disposal of property, plant and equipment

As at 31 December 2021 and 31 December 2020 fixed assets within the group of land and buildings/structures were covered with a mortgage up to PLN 312 million to secure the loan at BNP Paribas Polska S.A. The loan is also secured with a registered pledge on fixed assets within the group of plant and equipment of the value of PLN 57 million.

The information on loans secured with property, plant and equipment is available in note 30.

18.4. Capitalisation of finance costs

In 2021 and 2020, the Company capitalised interest amounting to PLN 86,000 and PLN 42,000, respectively, in relation to financing the purchase of property, plant and equipment.

18.5. Contractual liabilities related to the purchase of property, plant and equipment

As at 31 December 2021 the contractual liabilities related to the purchase of property, plant and equipment amounted to PLN 87,324,000 and as at 31 December 2020 – to PLN 8,155,000.

At the end of 2021, the most significant items of the said liabilities were related to the construction of a production hall and purchase of two aluminium profile extrusion presses. At the end of 2020, the most significant items of the above liabilities referred to the purchase of a CNC machine.

18.6. Impairment losses

In 2021, due to the absence of impairment indicators, the Company did not carry out any impairment tests with regard to property, plant and equipment. In 2020, owing to the coronavirus pandemic, the Company carried out impairment tests with regard to property, plant and equipment, which did not reflect any impairment.

On the basis of an individual assessment of the usefulness of property, plant and equipment, in 2021 the Company recognised write-downs amounting to PLN 1,225,000 and reversed write-downs amounting to PLN 76,000 due to liquidation. In 2020 the Company recognised write-downs amounting to PLN 106,000 and reversed write-downs amounting to PLN 843,000 due to liquidation.

19. Intangible assets

	31.12.2021	31.12.2020
Gross value	**34,210**	**32,599**
Development costs	5,078	5,044
Computer software	27,528	26,793
Intangible assets not put into use	1,604	762

(PLN '000)

Amortisation	**26,841**	**25,627**
Development costs	4,292	4,008
Computer software	22,549	21,619
Write-downs	**0**	**54**
Computer software	0	54
Net value	**7,369**	**6,918**
Development costs	786	1,036
Computer software	4,979	5,120
Intangible assets not put into use	1,604	762

2021	01.01.2021	Increases	Liquidation	Shifts	31.12.2021
Gross value	**32,599**	**2,217**	**(606)**	**0**	**34,210**
Development costs	5,044	0	0	34	5,078
Computer software	26,793	0	(606)	1,341	27,528
Intangible assets not put into use	762	2,217	0	(1,375)	1,604
Amortisation	**25,627**	**1,766**	**(552)**	**0**	**26,841**
Development costs	4,008	284	0	0	4,292
Computer software	21,619	1,482	(552)	0	22,549
Write-downs	**54**	**0**	**(54)**	**0**	**0**
Computer software	54	0	(54)	0	0
Net value	**6,918**	**451**	**0**	**0**	**7,369**
Development costs	1,036	(284)	0	34	786
Computer software	5,120	(1,482)	0	1,341	4,979
Intangible assets not put into use	762	2,217	0	(1,375)	1,604

2020	01.01.2020	Increases	Liquidation	Shifts	31.12.2020
Gross value	**31,298**	**1,549**	**(248)**	**0**	**32,599**
Development costs	4,302	0	0	742	5,044
Computer software	25,533	0	(248)	1,508	26,793
Intangible assets not put into use	1,463	1,549	0	(2,250)	762
Amortisation	**24,305**	**1,570**	**(248)**	**0**	**25,627**
Development costs	3,787	221	0	0	4,008
Computer software	20,518	1,349	(248)	0	21,619
Write-downs	**0**	**54**	**0**	**0**	**54**
Computer software	0	54	0	0	54
Net value	**6,993**	**(75)**	**0**	**0**	**6,918**
Development costs	515	(221)	0	742	1,036
Computer software	5,015	(1,403)	0	1,508	5,120
Intangible assets not put into use	1,463	1,549	0	(2,250)	762

Contractual liabilities

As at the presented balance-sheet dates, the Company did not have any contractual obligations related to the purchase of intangible assets.

(PLN '000)

Major intangible assets

Intangible assets comprise primarily the computer software purchased.

There are no significant intangible assets.

Impairment losses

In 2021 and in 2020, the Company did not carry out impairment tests for intangible assets as there were no indicators of impairment. In 2021 the Company did not recognise write-downs of intangible assets, and reversed PLN 54,000 write-downs of intangible assets created in 2020.

Restricted disposal

There are no material restrictions on the disposal of intangible assets by the Company.

20. Right-of-use assets

The Company has lease contracts acquired free-of-charge related to the right of perpetual usufruct of land concluded for limited term ending 2089.

Below presented are the carrying amounts of the right-of-use assets and their change in the reporting period.

	31.12.2021	31.12.2020
Gross value	**12,057**	**12,057**
Land	12,057	12,057
Amortisation	**506**	**338**
Land	506	338
Net value	**11,551**	**11,719**
Land	11,551	11,719

20.1. Company as a lessee

Change in the balance of the right-of-use assets

	31.12.2021	31.12.2020
Gross value at the beginning of the period	**12,057**	**12,057**
Increases (decreases)	0	0
Depreciation	(168)	(169)
Total increases (decreases)	(168)	(169)
Gross book value	12,057	12,057
Accumulated amortisation	(506)	(338)
Total net value at the end of the period	**11,551**	**11,719**

The weighted average incremental borrowing rate for the Company lease is 4.5%.

Costs of lease contracts recognised in the statement of profit or loss:

Costs on account of		2021	2020
Lease interest	Finance costs	(169)	(169)
Depreciation	Operating costs (depreciation)	(168)	(169)
Short-term and low-value lease	Operating costs (third-party services)	(506)	(549)
Total		**(843)**	**(887)**

	31.12.2021	31.12.2020
Value of future lease payments, including:	12,046	12,223
Within up to 1 year	177	177

(PLN '000)

From 2 to 5 years	28	28
More than 5 years	11,841	12,018
Discount	(8,307)	(8,475)
Present value of lease liabilities	**3,739**	**3,748**
Including short-term lease	177	177

20.2. Company as a lessor

The Company is a party to an office space rental agreement for a subsidiary. The agreement was concluded for unlimited term with one-month notice period. The income on the agreement was PLN 711,000 in 2021 (in 2020: PLN 667,000). Apart from the agreement, the Company as a lessor was not party to any major agreements of that kind in the reporting period.

21. Interests and shares

	31.12.2021	**31.12.2020**
Gross value of long-term investments, including:	**372,458**	**370,775**
Interests or shares in subsidiaries	371,618	369,935
Interests or shares in other entities	840	840
Write-down of long-term investments, including:	**840**	**840**
Interests or shares in subsidiaries	0	0
Interests or shares in other entities	840	840
Net value of long-term investments, including:	**371,618**	**369,935**
Interests or shares in subsidiaries	371,618	369,935
Interests or shares in other entities	0	0

Investments in subsidiaries by net carrying amounts:

Company name	**31.12.2021**	**31.12.2020**
Alupol Packaging S.A.	180,461	179,721
Aluprof S.A.	151,496	150,664
Dekret Centrum Rachunkowe Sp. z o.o.	1,134	1,023
Aluform Sp. z o.o.	38,485	38,485
Grupa Kęty Italia SRL	42	42
Total	**371,618**	**369,935**

In 2021 and 2020 the value of share options granted to the employees of the subsidiaries within the Management Options Plan increased the value of interests and shares in the companies for PLN 1,683,000 and PLN 495,000, respectively – a description of the Management Options Plan is provided in note 24.1.

As at 31 December 2021 and 31 December 2020, interests and shares in subsidiaries were not used as a security for the Company liabilities.

Write-downs for other companies refer to interests in other companies acquired at the end of the 1990s on account of unpaid debts. Both in 2021 and in 2020, despite COVID-19 pandemic outbreak in 2020, no impairment indicators were identified for investments in subsidiaries.

22. Acquisitions of other entities and changes in the organisational structure

In 2021 and 2020, the Company did not acquire other entities and did not make any changes in the organisational structure.

23. Advance payments for property, plant and equipment

Advance payments for property, plant and equipment amounting to PLN 19,494,000 (previous year: PLN 1,048,000) comprise cash paid to suppliers for the purchase of property, plant and equipment.

(PLN '000)

24. Employee benefits

24.1. Employee share plans

In 2020, the General Annual Meeting of Grupa Kęty S.A. passed another share options plan for the Group key personnel.

The 2020 plan is divided into three tranches. Vesting periods for options under the first tranche start in the launch year of the plan, and for the subsequent tranches – in the subsequent years. Each of the tranches is divided into four sub-parts: A, B, C, D.

24.1.1 Basic information regarding share option plans

	2020 plan, 2021 tranche	2020 plan, 2020 tranche
Number of share options under the plan	90,000	90,000
Number of shares in sub-part A	13,500	13,500
Number of shares in sub-part B	22,500	22,500
Number of shares in sub-part C	27,000	27,000
Number of shares in sub-part D	27,000	27,000
Sub-part A – return on shares	=WIG	=WIG
Sub-part B – return on shares	WIG+15%	WIG+15%
Sub-part C – EBITDA increase	28%-33%	28%-33%
Sub-part D – net earnings increase	28%-33%	28%-33%

A common element for all of the aforesaid plans is the required three-year employment period at the Capital Group calculated separately for each tranche, starting from the date of its launch.

The 'return on shares' for a given tranche of the 2020 plan is understood as the quotient of the average price of Grupa Kęty S.A. shares in 2022, increased for the value of dividend paid by the company in the period from 1 January 2020 to 31 December 2022, to the price of shares in 2019.

'EBITDA increase' per share (where EBITDA is understood to be profit on operating activities plus depreciation) means the quotient of consolidated EBITDA per share attained by the Capital Group of Grupa Kęty S.A. in the second year following the launch year of a given tranche and consolidated EBITDA per share attained by the Capital Group of Grupa Kęty S.A. in the year directly preceding the tranche launch year.

'Net earnings increase' per share for a given tranche means the quotient of consolidated net earnings per share attained by the Capital Group of Grupa Kęty S.A. in the second year following the launch year of a given tranche, to consolidated net earnings per share attained by the Capital Group of Grupa Kęty S.A. in the year directly preceding the tranche launch year.

For the second tranche of the 2020 plan, the above reference periods are shifted for 1 year, and for the third tranche they are shifted for 2 years.

The right to acquire share options will arise following the satisfaction of the plan conditions.

The purchase price of the 2020 plan shares equals the average price of the shares of Grupa Kęty S.A. for the period of 12 months preceding the General Meeting that adopts the given plan, less 5%.

The main objectives of the share option plans comprise additional motivation of a larger group of employees to increase the shareholder value, and introduction of a factor making it possible to retain the key employees of the Grupa Kęty S.A. Capital Group on a long-term basis.

24.1.2 Fair value of share options

	2020 plan, 2021 tranche	2020 plan, 2020 tranche
Date of granting options	*19 October 2021*	*16 September 2020*
Number of options granted to the Company employees	44,500	42,500
Number of options granted to the subsidiaries	45,500	45,500
Expected dividends	PLN 121.39	PLN 98.48
Assumed volatility index for the underlying instrument	17%	16%
Historical volatility index (%)	28%	27%
Risk-free interest rate (%)	2.4%	1%

Expected period of options validity (in months)	68 months	68 months
Weighted average share price (PLN)	358.10	358.10
Plan fair values at launch date in PLN ‘000	**20,089**	**7,556**
Parameter A accomplishment	YES	YES
Parameter B accomplishment	YES	YES
Parameter C accomplishment	0%*	100%*
Parameter D accomplishment	0%*	100%*

*Management Board estimations

The fair value of employee share plans is estimated as of the options granting day based on a binominal model.

The expected period of options validity is determined on the basis of historical data and does not need to explicitly imply the possible ways of exercising them. The assumed volatility index reflects the assumption that the historical volatility index indicates future trends which, naturally, may be completely different in reality.

Upon the measurement of the fair value, no other characteristics concerning the granting of options were taken into consideration.

The Company monitors the probability of attaining the non-market parameters on an ongoing basis and takes them into account in the number of share options assumed for the valuation of the particular parts as at the balance-sheet date.

The Company recognises the scheme costs proportionally to the vesting period for options granted to the Company employees.

The share options costs in the period are presented in the table below.

Options costs in the period	**2021**	**2020**
2017 tranche of the 2015 plan	0	204
2020 tranche of the 2020 plan	1,283	232
2021 tranche of the 2020 plan	292	
Total options costs in the period	**1,575**	**436**

The above amounts increased the remuneration costs in the period as well as the Company equity.

The table below presents the value of share options granted to the employees of the subsidiaries:

The value of options allocated in subsidiaries (incrementing)	**2021**	**2020**
Aluprof S.A.	6,634	5,802
Alupol Packaging S.A.	4,975	4,235
Dekret Centrum Rachunkowe Sp. z o.o.	952	841
Total	**12,561**	**10,878**

Future costs of option plans are as follows:

Future costs of the option plans	**2022**	**2023**	**2024**
First tranche of the 2020 plan	2,423	1,720	0
Second tranche of the 2020 plan	2,360	2,360	1,770
Total	**4,783**	**4,080**	**1,770**

The expected period of options validity is determined on the basis of historical data and does not need to explicitly imply the possible ways of exercising them. The assumed volatility index reflects the assumption that the historical volatility index is the measure indicating future trends which may be different in reality.

Upon the measurement of the fair value, no other characteristics concerning the granting of options were taken into consideration.

Tabular compilation of the information about managerial options of the Company employees:

Balance as at 31.12.2020	**2021 tranche**	**2020 tranche**
Number of granted options	90,000	90,000

(PLN '000)

Number of options expired due to the failure to comply with the condition of being employed for three years from the plan launch date	0	2,000
Number of options which do not meet non-market parameters C and D	54,000	0
Number of options assumed for valuation	36,000	88,000
Number of options granted	Vesting pending	Vesting pending
Number of options which were not taken up by the balance-sheet date	as above	as above
Number of options exercised	as above	as above
Programme launch date	19 October 2021	16 September 2020
Date of acquiring rights to options	30 September 2024	30 September 2023
Plan termination date	30 September 2027	30 September 2026
Total plan period	36 months	36 months
The remaining period to acquire rights	33 months	21 months
Option exercise price	PLN 358.10 per share	PLN 358.10 per share

24.2. Long-term employee benefits

Long-term provision for employee benefits	31.12.2021	31.12.2020
Balance at the beginning of the period	**2,344**	**1,947**
Increases	(133)	397
Balance at the end of the period	**2,211**	**2,344**

24.2.1 *Basic actuarial estimates as at the balance-sheet date*

	2021	2020
Discount rate as at 31 December	3.41%	1.59%

Assumptions concerning the increase in future remuneration as at 31 December 2021:

- 6% − increase in the bases of retirement benefits in 2022;
- 4% − increase in the bases of retirement benefits in 2022-2026;
- 2.5% – increase in the bases of retirement and disability benefits in subsequent years;
- the average age of the Company employees is 42 years: 43 years for employees with unlimited term employment contracts and 32 years for employees with fixed-term employment contracts;
- the projected employee turnover rate:
  - for the average age of employees with unlimited term employment contracts – 2.2%;
  - for the average age of employees with fixed-term employment contracts – 7.2%.

In both employee groups, the turnover rate declines with age to zero.

Assumptions concerning the increase in future remuneration as at 31.12.2020:

- 4% − increase in the bases of retirement benefits in 2021-2025;
- 2.5% – increase in the bases of retirement and disability benefits in subsequent years;
- the average age of the Company employees is 42 years: 43 years for employees with unlimited term employment contracts and 34 years for employees with fixed-term employment contracts;
- the projected employee turnover rate:
  - for the average age of employees with unlimited term employment contracts – 2.3%;
  - for the average age of employees with fixed-term employment contracts – 7.9%.

In both employee groups, the turnover rate declines with age to zero.

The provisions for retirement benefits, disability benefits, and death in service benefits were calculated using an individual method, for each employee separately. The provision is calculated using the present value of the Company future long-term liabilities due to retirement benefits, disability benefits, and death in service benefits. The provision calculated in such a way is discounted in accordance with actuarial methodology. The actuarial discount is the product of the financial discount and the probability for a given Company employee to reach the retirement age. The aforementioned probability was determined using the Multiple Decrement Model, where the following three risks were taken into account:

(PLN '000)

- the possibility of dismissal;
- the risk of the total inability to work;
- the risk of death.

The financial discount rate was determined on the basis of market rates of return on government bonds, whose currency and maturity dates are the same as the currency and the estimated maturity of obligations related to employee benefits.

24.2.2 Actuarial gains/losses and sensitivity analysis

The table below presents the statement of actuarial gains and losses and the sensitivity analysis by particular items:

	Retirement benefits	**Disability benefits**	**Death in service benefits**	**Total**
01.01.2021	**2,356**	**114**	**64**	**2,534**
Current employment cost	189	15	11	**215**
Interest costs	38	2	1	**41**
Actuarial gains/(losses) recognised in other comprehensive income	(416)	11	(6)	**(411)**
Past employment cost	174	0	0	**174**
(Payments)	(139)	(33)	0	**(172)**
31.12.2021	**2,202**	**110**	**69**	**2,381**
Long-term	*2,049*	*97*	*66*	***2,212***
Short-term	*153*	*13*	*3*	***169***

	Retirement benefits	**Disability benefits**	**Death in service benefits**	**Total**
01.01.2020	**1,974**	**95**	**56**	**2,125**
Current employment cost	179	14	8	**201**
Interest costs	37	2	1	**40**
Actuarial gains/(losses) recognised in other comprehensive income	263	7	(1)	**269**
(Payments)	(97)	(4)	0	**(101)**
31.12.2020	**2,356**	**114**	**64**	**2,534**
Long-term	*2,180*	*102*	*62*	***2,344***
Short-term	*176*	*12*	*2*	***190***

The table below presents the analysis of the sensitivity of the valuation results to the change of basic actuarial assumptions.

2021	**Discount rate**	**Discount rate**	**Base increase**	**Base increase**
Change	**-0.5 p.p**	**+0.5 p.p.**	**-1 p.p**	**+ 1 p.p.**
Retirement benefits	139	(127)	(244)	289
Disability benefits	5	(9)	(7)	7
Death in service benefits	10	(3)	(5)	4
Total change in provisions	**154**	**(139)**	**(256)**	**300**

2020	**Discount rate**	**Discount rate**	**Base increase**	**Base increase**

Change	-0.5 p.p	+0.5 p.p.	-1 p.p	+ 1 p.p.
Retirement benefits	176	(159)	(276)	336
Disability benefits	5	(5)	(9)	10
Death in service benefits	5	(4)	(6)	9
Total change in provisions	**186**	**(168)**	**(291)**	**355**

25. Inventories

	31.12.2021	31.12.2020
Materials	118,551	40,537
Work in progress	82,205	34,575
Finished products	62,444	30,605
Total	**263,200**	**105,717**

In 2021 the Company recognised write-downs of inventories for materials amounting to PLN 42,000 as other operating revenue, and recognised PLN 4,393,000 of write-downs of finished products and semi-products (reflected as an adjustment in the balance of products). The Company recognised write-downs of inventories for materials amounting to PLN 830,000 as other operating costs, and reversed PLN 211,000 of write-downs of finished products and semi-products (reflected as an adjustment in the balance of products).

Write-downs	31.12.2021	31.12.2020
Materials	1,530	1,571
Work in progress	2,902	1,824
Finished products	5,407	2,092
Total	**9,839**	**5,487**

No security was imposed on the Company inventories in the 2021 and in 2020.

Below presented is the information on inventories recognised as cost upon their sale:

	2021	2020
Value of products sold	1,314,393	983,528
Value of materials sold	11,074	7,325
Total	**1,325,467**	**990,853**

26. Income tax receivables (payables)

Income tax receivables (payables) constitute the difference between the advance payments paid by the Company and the current tax liabilities resulting from the CIT-8 tax return.

Title	2021	2020
Tax (liability) for the period:	(30,705)	(8,045)
Paid income tax advances for the period	3,820	6,851
Tax receivables/(payables)	**(26,885)**	**(1,194)**
Paid tax (received refunds for previous years)	1,194	1,498
Tax paid (refunded) recognised in the statement of cash flows	**5,014**	**5,353**

(PLN ‘000)

27. Trade and other receivables

Short-term receivables	31.12.2021	31.12.2020
Gross receivables	**316,015**	**198,938**
Trade liabilities to related parties	100,486	67,643
Trade receivables from other entities	206,425	125,980
Public law receivables (except for income tax)	6,189	509
Prepayments (trade-related) for suppliers – other entities	389	264
Receivables related to settlement of closed transactions hedging the aluminium price	56	1,801
Prepaid expenses	1,303	1,432
Other	1,167	1,309
Write-downs	**11,060**	**9,865**
Receivables from other entities	10,013	8,763
Other	1,047	1,102
Net receivables	**304,955**	**189,073**
Trade liabilities to related parties	100,486	67,643
Trade receivables from other entities	196,412	117,217
Public law receivables (except for income tax)	6,189	509
Prepayments (trade-related) for suppliers – other entities	389	264
Receivables related to settlement of closed transactions hedging the aluminium price	56	1,801
Prepaid expenses	1,303	1,432
Other	120	207

The conditions of intercompany transactions are presented in note 37.2 of the supplementary information and explanatory notes. Trade receivables do not bear interest and usually have 30 to 90 days maturity. The Company has implemented an appropriate policy related to sales only to verified customers and applies receivables insurance taken out at specialised companies. Consequently, according to the management’s opinion, there is no additional credit risk exceeding the level established by the write-down of uncollectible receivables applicable to the Company trade receivables.

Changes in the write-downs of receivables:

	31.12.2021	31.12.2020
At the beginning of the period	**9,865**	**10,540**
Increase	1,253	833
Reversal/revaluation	(53)	(1,508)
At the end of the period	**11,060**	**9,865**

Analysis of trade receivables and write-downs by time intervals:

Value of receivables (ageing structure)	31.12.2021	31.12.2020
Gross receivables	**316,015**	**198,938**
Not overdue	304,590	176,667
Overdue:		
up to 3 months	1,578	13,326
between 3 and 6 months	0	27
between 6 and 12 months	0	516
over 12 months	9,847	8,402
Write-down of receivables	**11,060**	**9,865**

(PLN '000)

Not overdue	1,213	877
Overdue:		
between 3 and 6 months	0	66
between 6 and 12 months	0	4
up to 12 months	0	516
over 12 months	9,847	8,402
Net receivables	**304,955**	**189,073**
Not overdue	303,377	175,790
Overdue:		
between 3 and 6 months	1,578	13,260
between 6 and 12 months	0	23
up to 12 months	0	0
over 12 months	0	0

Non-impaired overdue receivables are related mainly to receivables from related parties whose activities are controlled by the Company and, thus, their credit quality is assumed to be good, whereas the delays in payment do not exceed one month.

28. Cash and cash equivalents

Cash at bank bears interest at variable rates, the value of which depends on the interest rate on overnight bank deposits. Short-term term deposits are made for periods of various lengths from one day to one month depending on the Company current demand for cash and bear interest at the applicable interest rates.

The fair value of cash and cash equivalents is presented in the table below.

For the purpose of the statement of cash flows, cash and cash equivalents are composed of the following items:

	31.12.2021	**31.12.2020**
Bank deposits (current accounts) and short-term deposits	5,906	9,317
Cash recognised in the balance sheet and the statement of cash flows	**5,906**	**9,317**

As at 31 December 2021, the Company had PLN 2,063,000 of restricted availability cash in its VAT accounts (31 December 2020: PLN 5,718,000). The cash may be used only for the purpose of output VAT, CIT, PIT and ZUS [social security] payments to authorities or as VAT payments to the Company suppliers.

As at 31 December 2021, Grupa Kęty S.A. had undrawn credit limits committed amounting to PLN 39,863,000 with regard to which all conditions precedent had been complied with (as at 31 December 2020: PLN 192,576,000).

29. Share capital and reserve capitals

29.1. Share capital

	31.12.2021	**31.12.2020**
Share capital, including:	**68,025**	**67,973**
Value registered at the KRS (National Court Register)	24,123	24,070
Shares not registered in KRS	2	3
Revaluation under IAS 29	43,900	43,900
Number of shares registered in KRS	*9,649,392*	*9,628,197*
Number of shares not registered in KRS	*760*	*1,160*

(PLN ‘000)

29.1.1 *Nominal value of shares*

All the issued shares have nominal value of PLN 2.50 and were fully paid. Due to the requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies*, the Company share capital was subject to revaluation as of the date of the first adoption of the IFRS. The increase in the share capital due to the revaluation as at the balance-sheet date amounted to PLN 43,900,000.

In 2021, the National Court Register registered a capital increase due to the take up of 21,295 shares of H series by the management staff.

In 2020, the National Court Register registered a capital increase due to the take up of 10,500 shares of G series by the management staff, and 47,750 shares of H series by the management staff.

Moreover, as at the balance-sheet date there were 760 shares (1,160 shares as at 31 December 2020) taken up under share option plans for managerial staff, which had not yet been registered in KRS.

The Company shareholders are entitled to dividend in the declared amount, if such amount is declared. A single ordinary share entitles its holder to one vote at the Company General Meeting.

29.1.2 *Rights of shareholders*

All shareholders have equal rights and there are no preference shares.

The Company shareholders are entitled to dividend in the declared amount. A single ordinary share entitles its holder to one vote at the Company General Meeting.

29.2. Share premium

	31.12.2021	31.12.2020
Share premium	60 254	53 979
Total	**60 254**	**53 979**

In 2021, the National Court Register registered 21,295 shares of the nominal value of PLN 52,000 and the issue value of PLN 6,128,000. Moreover, as at 31 December 2021 there were 760 shares of the issue value of PLN 231,000, which had not been registered in the National Court Register as at the balance-sheet date.

In 2020, 58,250 shares of the nominal value of PLN 145,000 and the issue value of PLN 15,756,000 were registered by the National Court Register. Moreover, as at 31 December 2020 there were 1,160 shares of the issue value of PLN 353,000, which had not been registered in the National Court Register as at the balance-sheet date.

29.3. Capital from the valuation of share based payments

	31.12.2021	31.12.2020
Capital at the beginning of the period	**27,324**	**26,392**
Costs of the period	1,575	437
Value of share options granted in the period to the employees of the subsidiaries, as increasing the carrying amount of investments in subsidiaries	1,683	495
Total	**30,582**	**27,324**

The Company has implemented programmes of granting share options under which certain members of the management staff and of senior management of the Company and its subsidiaries were granted options to take up the Company shares (see note 24.1 in the supplementary information and explanatory notes).

The capital reflects the fair value of the options granted to the Company employees and the employees of the subsidiaries, proportionally to the vesting period.

29.4. Capital from the revaluation of hedging instruments

	31.12.2021	31.12.2020
Futures contracts hedging cash flows due to the purchase of aluminium	416	1 744
Forward contracts hedging cash flows due to exchange rate changes	806	164
Result on realised futures contracts hedging cash flows due to the purchase of aluminium		

(PLN '000)

Deferred tax	(232)	(363)
Total	**990**	**1 545**

29.5. Retained earnings

	31.12.2021	31.12.2020
Previous years profit	70,099	204,237
Net actuarial gains (losses)	333	(218)
Financial result for the period	523,171	296,153
Total	**593,603**	**500,172**

30. Bank loans

Maturity date	31.12.2021	31.12.2020
Up to 1 year	217,181	130,577
Between 1 and 2 years	211,073	223,217
Total	**428,254**	**353,794**

Long-term loans

Lender	Currency	Security	31.12.2021	31.12.2020
PKO BP	PLN	First capped mortgage on real properties of Grupa Kęty S.A. and Aluform sp. z o.o., up to PLN 312 million, along with the assignment of rights under the property insurance policies. Registered pledge on fixed assets up to the amount of PLN 57 million, along with the assignment of rights under the property insurance policy. Joint and several liability of Grupa Kęty S.A. and Aluform Sp. z o.o., plus blank promissory notes of Grupa Kęty S.A. and Aluform Sp. z o.o. and promissory note declaration.	53,191	119,157
BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 330 million), Alupol Packaging S.A. (up to PLN 38.5 million), Aluprof S.A. (up to PLN 85.8 million), ROMB S.A. (up to PLN 28.6 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 49.5 million), Alupol Films Sp. z o.o. (up to PLN 60.5 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	157,882	74,187
PKO BP	PLN, EUR,	Joint and several liability of the following companies: of Grupa KĘTY S.A. (up to PLN 150 million), Alupol Packaging S.A. (up to PLN 40 million), Aluprof S.A. (up to PLN 30 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 40 million), ROMB S.A. (up to PLN 25 million), plus blank promissory notes and promissory note declarations.	0	29,873
Total			**211,073**	**223,217**

Short-term loans

Lender	Currency	Security	31.12.2021	31.12.2020
PKO BP	PLN	First capped mortgage on real properties of Grupa Kęty S.A. and Aluform sp. z o.o., up to the amount of 312 million, along with the assignment of rights under the property insurance policies. Registered pledge on fixed assets up to the amount of PLN 57 million, along with the assignment of rights under the property insurance policy. Joint and several liability of Grupa Kęty S.A. and Aluform	65,966	66,029

(PLN '000)

		Sp. z o.o., plus blank promissory notes of Grupa Kęty S.A. and Aluform Sp. z o.o. and promissory note declaration.		
PKO BP	PLN, EUR,	Joint and several liability of the following companies: of Grupa KĘTY S.A. (up to PLN 150 million), Alupol Packaging S.A. (up to PLN 40 million), Aluprof S.A. (up to PLN 30 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 40 million), ROMB S.A. (up to PLN 25 million), plus blank promissory notes and promissory note declarations.	87,951	0
ING Bank Polska	EUR, PLN	Joint and several liability of Grupa Kęty S.A. and Aluprof S.A.	0	22,924
BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 330 million), Alupol Packaging S.A. (up to PLN 38.5 million), Aluprof S.A. (up to PLN 85.8 million), ROMB S.A. (up to PLN 28.6 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 49.5 million), Alupol Films Sp. z o.o. (up to PLN 60.5 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	0	61
Pekao S.A.	PLN, EUR, USD	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 350 million), Alupol Packaging S.A. (up to PLN 40 million), Aluprof S.A. (up to PLN 180 million), Aluform Sp. z o.o. (up to PLN 30 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 40 million), Alupol Films Sp. z o.o. (up to PLN 30 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), Glassprof sp. z o.o. (up to PLN 2.5 million), Aluprof System UK LTD (up to PLN 10 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	63,264	29,820
Bank Societe Generale	EUR, PLN	Security bond by Aluprof S.A. up to PLN 40 million.	0	11,743
Total			**217,181**	**130,577**

The Company loans bear interest at variable rates determined on arm's length basis in reference to WIBOR/EURIBOR/LIBOR plus the bank margin or fixed interest rate.

In 2021 and 2020, the Company complied with all credit/loan covenants.

31. Lease liabilities

The table below presents changes in the balance of the particular discounted values of lease liabilities.

Characteristics	Type	Loan currency	31.12.2020	Increase (decrease)	31.12.2021
Long-term loan	Payments on account of land perpetual usufruct rights	PLN	3,571	(9)	3,562
Short-term loan	Payments on account of land perpetual usufruct rights	PLN	177	0	177
Total			**3,748**	**(9)**	**3,739**

The above liabilities comprise payments for the use of land (land perpetual usufruct rights).

Maturity date of lease liabilities	31.12.2021	31.12.2020
Up to 1 year	177	177
1 to 2 years	17	17
2 to 5 years	29	29
More than 5 years	3,516	3,525
Total	**3,739**	**3,748**

(PLN '000)

32. Subsidies

	31.12.2021	31.12.2020
Long-term deferred income		
Subsidies	26,322	27,296
Total	**26,322**	**27,296**
Short-term deferred income		
Subsidies	982	991
Total	**982**	**991**

The subsidies received are related to the projects co-financed under assistance programmes of the European Union and to the co-financing of the costs of development works carried out by the Company.

Below presented is the information on the main projects subsidised by the European Union, which consisted of two projects related to the purchase and construction of property, plant and equipment.

- Co-financing under Measure 4.5. 'Support for investment of considerable importance to the economy'; Priority Axis 4 'Investments in innovative undertakings' under the Innovative Economy Operational Programme. The project implementation period was 2009-2011.

  Eligible costs: PLN 12,900,000. Under the programme, the Company received subsidies amounting to PLN 6,389,000. The Company fulfilled all of the subsidy conditions.

- Co-financing under Measure 4.5. 'New investments of high innovation potential'; Priority Axis 4 'Investments in innovative undertakings' under the Innovative Economy Operational Programme. The project implementation period was 2009-2011.

  Eligible costs: PLN 69,609,000. Under the programme, the Company received subsidies amounting to PLN 33,942,000.

The Company fulfilled all of the subsidy conditions.

33. Provisions and accruals

33.1. Short-term provisions and accruals

	31.12.2021	31.12.2020
Provisions	**4,154**	**3,894**
For retirement and disability benefits	169	190
Indemnities	3,985	3,704
Accruals	**13,859**	**14,215**
Costs of unused holiday	2,887	2,456
Costs of annual bonus	10,310	11,259
Marketing costs	532	450
Other	130	50
Total	**18,013**	**18,109**

	31.12.2020	Increases	Utilisation	31.12.2021
Short-term provisions and accruals	**18,109**	**14,289**	**(14,385)**	**18,013**
For retirement and disability benefits	190	149	(170)	169
Indemnities	3,704	281	0	3,985
Costs of unused holiday	2,456	2,887	(2,456)	2,887
Costs of annual bonus	11,259	10,310	(11,259)	10,310
Marketing costs	450	532	(450)	532
Other	50	130	(50)	130

(PLN '000)

	31.12.2019	Increases	Utilisation	31.12.2020
Short-term provisions and accruals	**14,960**	**14,403**	**(11,254)**	**18,109**
For retirement and disability benefits	178	188	(176)	190
Indemnities	3,704	0	0	3,704
Costs of unused holiday	1,991	2,456	(1,991)	2,456
Costs of annual bonus	8,864	11,259	(8,864)	11,259
Marketing costs	160	450	(160)	450
Other	63	50	(63)	50

34. Liabilities

34.1. Trade payables and other liabilities

	31.12.2021	31.12.2020
Trade liabilities to related parties	5,266	9,515
Trade liabilities to other companies	136,029	65,225
Public law payables (except for income tax payables)	11,363	8,113
Payroll payables	5,938	5,427
On account of property, plant and equipment purchase	12,278	5,336
On account of completed term contracts	0	0
Other	1,041	942
Total	**171,915**	**94,558**

The conditions of intercompany transactions are presented in note 37.2 of the supplementary information and explanatory notes. Trade payables do not bear interest and are usually settled within 30-60 days. Other liabilities do not bear interest and their average payment period is 30 days.

The said liabilities are not secured with the Company assets.

34.2. Contractual liabilities

	31.12.2021	31.12.2020
Prepayments from customers (trade-related)	**1,741**	**1,481**

The contracts with customers provide that the above amounts should be realised within up to 12 months.

35. Off-balance-sheet receivables and liabilities

The Company received or granted guarantees and security bonds presented in the table below. According to the Company present estimates, the guarantees and security bonds presented below will not be realised.

Guarantees and security bonds granted to subsidiaries

For	Purpose	Amount	Validity
Aluprof S.A.	Security bond for Euler Hermes guarantee	1,302	28.02.2023

Moreover:

- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o. and Romb S.A. entered into an agreement with PKO BP S.A. for an overdraft facility up to the total amount of PLN 180 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amounts of the said loan drawn by other companies as at the balance-sheet date amounted to PLN 64,242,000. The agreement is valid until 29 July 2022.

(PLN '000)

- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films sp. z o.o., Aluform sp. z o.o., Glassprof sp. z o.o., Aluprof System UK LTD, and Aluminium Kety Emmi d.o.o. entered into an agreement with Pekao S.A. for an overdraft facility up to the total amount of PLN 350 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amounts of the said loan drawn by other companies as at the balance-sheet date amounted to PLN 166,871,000. The agreement is valid until 31 October 2022.
- Grupa Kęty S.A. and Aluprof S.A. entered into an agreement with ING S.A. for an overdraft facility up to the total amount of PLN 65 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. As at the balance-sheet date Aluprof S.A. was indebted to the amount of PLN 41,371,000 under that agreement. The agreement is valid until 31 December 2031.
- Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o. and ROMB S.A. entered into an agreement with BNP Paribas Polska S.A. for an overdraft facility up to the total amount of PLN 300 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amount of the said loan drawn by the companies as at the balance sheet date amounted to PLN 98,387,000. The agreement is valid until 18 November 2023.
- Grupa Kęty S.A. and Aluform sp. z o.o. entered into a loan agreement with PKO BP up to the total amount of PLN 260 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. As at the balance sheet date, Aluform sp. z o.o. did not have any debt under the aforementioned agreement. The agreement is valid until 31 March 2024.
- At the request of Grupa KĘTY S.A., Bank PEKAO S.A. has granted a bank guarantee to Polska Spółka Gazownicwa sp. z o.o., ul. Wojciecha Bandrowskiego 16, 33-100 Tarnów, in the amount of PLN 262,000, valid till 4 May 2022. The guarantee represents a security to the liabilities under the inter-operator distribution agreement.

35.1. Tax accounts

As at the date of these statements preparing, there were no proceedings or tax control procedures pending in reference to the Company.

36. Shareholding structure

Entity	Number of shares 31.12.2021	Percentage of capital	Number of shares 31.12.2020	Percentage of capital
Nationale Nederlanden OFE	1,527,094	15.82%	1,858,073	19.30%
OFE AVIVA Santander	1,262,355	13.08%	1,297,681	13.48%
OFE PZU ZŁOTA JESIEŃ	843,143	8.74%	847,272	8.80%
AEGON PTE	654,718	6.78%	692,995	7.20%
MetLife OFE	580,562	6.02%	542,834	5.64%
PTE Allianz Polska	490,167	5.08%	503,871	5.23%
Others	4,292,113	44.48%	3,886,631	40.35%
Total*	**9,650,152**	**100.00%**	**9,629,357**	**100.00%**

* The shareholding structure covers for 760 shares taken up in 2021, which were admitted to trading and registered in the KRS in 2022.

37. Information on intercompany transactions

The table below presents the total amounts of commercial transactions made with related companies. Year The sales transactions referred mainly to products, whereas purchases referred mainly to services.

(PLN '000)

Subsidiary		**Sales**	**Purchases**	**Dividends**	**Receivables**	**Liabilities**
Aluprof S.A.	2021	367,611	1,757	220,000	91,027	236
	2020	277,232	2,086	150,000	61,665	308
Alupol Packaging S.A.	2021	1,605	0	159,000	280	0
	2020	1,659	0	84,300	162	0
Dekret Centrum Rachunkowe Sp. z o.o.	2021	952	2,151	369	63	218
	2020	909	2,018	308	63	207
Aluprof Węgry Kft.	2021	987	563	0	-140	0
	2020	431	314	0	78	0
Alupol LLC	2021	13,667	8,810	0	1,875	193
	2020	4,472	8,515	0	4	3,315
ROMB S.A.	2021	18,618	61	0	5,291	0
	2020	12,482	68	0	3,866	0
Aluform Sp. z o.o.	2021	1,250	64,909	18,679	203	3,617
	2020	1,526	60,619	23,966	301	4,554
Alupol Packaging Kęty Sp. z o.o.	2021	5,037	67	0	640	31
	2020	4,259	26	0	413	0
Alupol Films Sp. z o.o.	2021	623	0	0	57	0
	2020	569	0	0	55	0
Glassprof Sp. z o.o.	2021	12	0	0	3	0
	2020	0	0	0	0	0
Aluprof System Czech Ltd.	2021	31	0	0	3	0
	2020	8	0	0	2	0
Aluprof Belgium NV	2021	62	0	0	4	0
	2020	89	0	0	20	0
Aluprof System Ukraina Sp. z o.o	2021	0	0	0	0	0
	2020	0	0	0	0	9
Grupa Kety Italia SRL	2021	0	1,805	0	0	505
	2020	0	1,899	0	0	416
Aluminium Kety EMMI d.o.o.	2021	7,718	5,263	0	1,158	142
	2020	6,063	2,648	0	983	267
Aluminium Kety Deutschland GmbH	2021	0	2,318	0	0	267
	2020	0	1,489	0	0	387
Aluprof UK	2021	81	0	0	15	0
	2020	109	0	0	29	0
Aluprof Rumunia	2021	68	0	0	7	0
	2020	17	0	0	2	0
Aluminium Kety Czechy s.r.o.	2021	0	727	0	0	57
	2020	0	598	0	0	52
Total	**2021**	**418,322**	**88,431**	**398,048**	**100,486**	**5,266**
Total	**2020**	**309,825**	**80,280**	**258,574**	**67,643**	**9,515**

(PLN ‘000)

In the reporting period, the Company made a donation to the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation amounting to PLN 100,000 (the Foundation was established by Grupa Kęty S.A. in 2011). The Company contributed PLN 50,000 as the founder’s capital. The Foundation is a non-profit organisation accomplishing social objectives.

Apart from the above mentioned transactions and those described in notes 35 (Guarantees and security bonds) and 37.2, the Group did not enter into any other intercompany transactions.

The transactions with the Management Board and the Supervisory Board are described in note 37.3 to the financial statements.

37.1. Capital Group composition

The Company is the parent company of the Grupa Kęty S.A. Capital Group.

As at 31 December 2021, the Capital Group consisted of:

Company name	Registered office	Core business	Parent’s name	Percentage of share capital as at 31.12.2021	Percentage of share capital as at 31.12.2020	Date of control take-over	Operating segment
Alupol LLC	Borodianka, Ukraine	Production Production of aluminium profiles	Aluform Sp. z o.o	100.00%	100.00%	12/2004	EPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade services	Grupa Kęty S.A.	100.00%	100.00%	06/2009	EPS
Grupa Kety Italia SRL	Milan, Italy	Commercial intermediation	Grupa Kęty S.A.	100.00%	100.00%	05/2014	EPS
Aluminium Kety EMMI d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	Aluform Sp. z o.o	100.00%	100.00%	06/2016	EPS
Aluminium Kety Deutschland GmbH	Dortmund, Germany	Trade and marketing services	Aluform Sp. z o.o	100.00%	100.00%	06/2016	EPS
Aluminium Kety CSE s.r.l.	Ostrava, Czech Republic	Trade and marketing services	Aluform Sp. z o.o	100.00%	100.00%	07/2017	EPS
Aluprof S.A.	Bielsko-Biała, Poland	Sales of aluminium façade systems and roller shutters for the construction industry	Grupa Kęty S.A.	100.00%	100.00%	06/1998	ASS
Aluprof Hungary Kft.	Dunakeszi, Hungary	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	07/2000	ASS
Aluprof Deutschland GmbH	Schwanewede, Germany	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	02/2005	ASS
Aluprof System Romania SRL	Bucharest, Romania	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2006	ASS
ROMB S.A.	Złotów, Poland	Production and provision of services	Aluprof S.A.	100.00%	100.00%	04/2007	ASS
Aluprof System Ukraina Sp. z o.o.	Kiev, Ukraine	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	Aluprof S.A.	100.00%	100.00%	01/2012	ASS
Marius Hansen Facader A/S in liquidation	Viborg, Denmark	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2014	ASS

(PLN '000)

Aluprof System USA Inc	Wilmington, USA	Distribution of aluminium systems for the construction industry	Aluprof S.A.	100.00%	100.00%	7/2014	ASS
Aluprof Belgium N.V.	Dendermonde, Belgium	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2015	ASS
Aluprof Netherlands B.V.	Rotterdam, Netherlands	Sales of aluminium systems	Aluprof S.A.	55.00%	55.00%	4/2017	ASS
Alupol Packaging S.A.	Tychy, Poland	Production and trade in plastic packaging	Grupa Kęty S.A.	100.00%	100.00%	04/1998	FPS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production and trade in plastic packaging	Alupol Packaging S.A.	100.00%	100.00%	05/2009	FPS
Alupol Films Sp. z o.o.	Oświęcim, Poland	Production and trade in plastic packaging	Alupol Packaging Kęty Sp. z o. o.	100.00%	100.00%	12/2014	FPS
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00%	100.00%	09/1999	Other

37.2. Terms of intercompany transactions

Any intercompany transactions were made at arm's length basis and referred to current operating activities.

37.3. Other transactions with members of the Management Board and the Supervisory Board

The Company did not enter into any transactions with the Management Board or Supervisory Board members, except for those described in notes 37.4 and 37.5.

37.4. Remuneration of the key management staff

The key management staff of the Company include: members of the Supervisory Board and of the Management Board.

Management Board:	**2021**	**2020**
Basic remuneration at the parent company*	2,680	2,546
Variable remuneration at the parent company**	6,442	3,890
In kind benefits****	18	18
Total remuneration of the Management Board at Grupa Kęty S.A.	***9,140***	***6,454***
Remuneration at other Group companies***	1,254	763
Total remuneration of the Management Board	**10,394**	**7,217**

*Fixed remuneration comprises: 1) basic remuneration under employment contract; 2) remuneration granted by resolutions of the Supervisory Board.
**Variable remuneration comprises: annual bonus and annual incentive paid in the respective year in reference to the preceding year.
***Fixed remuneration at other companies of the Capital Group comprises: basic remuneration under employment contract, remuneration granted by resolutions of the Supervisory Board, sick-leave remuneration, annual bonus and in-kind benefits.
****In-kind benefits comprise: St. Nicholas' Day gift from the Company Social Benefits Fund, car fuel flat-rate allowance, Employee Pension Scheme (PPE) premium, health-care premium.

Moreover, within 12 months ended 31 December 2021, a provision was established for the potential incentives for the Management Board in reference to 2021, to be paid out in 2022, in the total amount of PLN 8,247,000 (in 2020: PLN 7,187,000).

Supervisory Board:	**2021**	**2020**
Remuneration for functions fulfilled	953	883
In kind benefits*	9	8

(PLN '000)

Total	**962**	**891**

[*] In-kind benefits comprise Employee Capital Plans (PPK).

37.5. Participation of the Management Board in the employee share plan

As described in details in note 24.1, the Company has implemented an options plan for the management staff.

In 2021 the Management Board members took up 9,630 shares under the 2015 plan, in accordance with the plan conditions.

Moreover, the Management Board members have been vested with share options in accordance with the following table. The right to acquire the below listed shares shall be fulfilled providing that the respective persons are employed by the Group as at the end date of the vesting period.

Number of share options in the vesting period granted to members of the Management Board	Number of granted options	End date of the vesting period	Number of options meeting the vesting conditions
Share options under the second tranche of the 2020 plan	30,000	30.09.2023	30,000
Share options under the second tranche of the 2020 plan	30,000	30.09.2024	12,000

The final number of share options that the Management Board members will be able to exercise will depend on the satisfaction of the plan conditions.

The details of the share options plan are described in note 24.1.

Apart from the transactions and balances referred to above, there were no other significant intercompany transactions.

38. Objectives and principles of financial risk management

The basic risk factors which may affect the financial result of the Company include: the risk of changes in the prices of basic raw materials, interest rate risk, currency risk, credit risk, liquidity risk, and risk related to extraordinary and operating events.

The Management Board verifies and agrees on the principles of the management of each of the aforementioned risks.

The Company also monitors the risk of market prices applicable to all financial instruments managed by it. The extent of the risk in the period is discussed in note 38.1 of supplementary information and explanatory notes.

The basic objectives of the Company financial risk management process are as follows:
- ensuring financial liquidity;
- limiting the direct impact of interest rates, exchange rates and the primary aluminium prices on the Company results;
- limiting the negative consequences of extraordinary and operating events.

Management strategies as regards:

- the risk of changes in the prices of basic raw materials – natural hedge strategy, i.e. offering variable prices to the customers based, for example, on LME quoting of raw materials and conclusion of futures contracts to hedge the raw material prices;
- interest rate risk – strategy of diversification of short-term base rates (the Company applies 1M and 3M rates, which define fixed interest level in the respective periods of one or three months) and acceptance of risk up to the limit of the costs of finance determined in internal procedures, and financing based on fixed interest rates;
- currency risk – natural hedge strategy, i.e. offering variable prices to the customers based on the current exchange rates, adjustment of the raw materials purchase currency to the currencies applied in sales, and entering into forward transactions with the financing banks, plus use of loans in foreign currencies in order to eliminate the consequences of different dates of currency inflows and payables;
- credit risk – internal verification supported with business intelligence information, plus receivables insurance, and application of legal collaterals in reference to liabilities;

- liquidity risk – diversification of lenders, adjustment of loans repayment periods to the capabilities of the Company, use of umbrella agreements within the Capital Group, with the possibility of fast change of debt sub-limits for the particular borrowers, and application of long-term loans as regards project finance;
- risk of exceptional occurrences – limitation strategies by way of risk transfer (insurance), technical audits aimed at risk mitigation, and diversification of the places of operation and sales.
- operating risk – the Company keeps a register of and analyses the major risks, which are limited by actions (blockers) defined in accordance with the risk management system [ERM] adopted by the Group. The actions are described in the risk cards of the respective risks and supervised by the responsible persons. Details regarding the actions have been presented in the Management Board Report.

Risk-management objectives of the Company:

a. The interest rate risk and currency risk are managed in order to limit the impact of short-term market fluctuations on the Company profit.
b. Managing the risk of changes in basic raw materials prices is aimed at the elimination of the impact of raw materials prices fluctuation on the Company results, specifically when the transfer of costs to the customer is not possible.
c. Credit risk management is to reduce the possible financial losses on account of unpaid receivables and ensure the required financial liquidity.
d. Liquidity risk management is to ensure the possibility of timely payment of liabilities by all of the Capital Group companies.
e. Managing the risk of exceptional occurrences is to develop the methods of conduct which will ensure safety to the employees and compliance with laws in exceptional situations, as well as proper supervision of the reasons and places of such risk occurrence, plus obtaining indemnities under insurance policies.
f. Operating risk management The objective of operating risk management is to minimise the negative consequences of changes in the legal environment, as well as to eliminate the organisational irregularities within business activities.
g. Management of the other operating risks, including but not limited to the risk of missing effective supply chain, the risk of disturbances or breaks in IT infrastructure operation, risk of the absence of proper and sufficient staff, is aimed at current adjustment of the methods of conduct to the changes and needs, as well as product and geographical diversification, or other risk limiting actions (blockers) described in the ERM documentation.

38.1. Risk related to changes in the prices of basic materials

38.1.1 Aluminium

Primary aluminium and aluminium scrap are the basic raw materials used in the operations of the Company. Primary aluminium is mainly purchased on the basis of annual contracts and the price is determined on a monthly basis individually for each delivery. Information on instruments hedging the price risk is provided in note 39.1.1

38.2. Interest rate risk

Interest on bank term deposits and loans depends on the interest rates on the interbank market, such as WIBOR (for loans in PLN) and EURIBOR (for foreign currency loans). As a result, the Company is exposed to the interest rate risk, which may result in lower rate of return from financial investments or higher costs of borrowed loans.

As estimated by the Company, the following items are exposed to the interest rate risk:
- cash,
- loans,

Interest rate risk refers to the following balance sheet items as regards cash and loans

Variable interest

31.12.2021	< 1 year	1–2 years
Cash	5,906	0
Bank loans in PLN	(200,211)	(177,636)

(PLN '000)

Bank loans in EUR	(16,970)	(33,437)
Total	**(211,275)**	**(211,073)**

31.12.2020	**< 1 year**	**1–2 years**	**More than 3 years**
Cash	9,317	0	0
Bank loans in PLN	(76,854)	(155,018)	(60,917)
Bank loans in EUR	(53,723)	(7,282)	0
Total	**(121,260)**	**(162,300)**	**(60,917)**

Susceptibility analysis

The tables below present the Company estimates with regard to the impact of changes in interest rates and main currencies exchange rates on the profit and loss account.

For the items: **loans, financial liabilities, financial receivables, and cash**, affecting the profit and loss account:

Risk	**Change**	**31.12.2021**	**31.12.2020**
Increase in interest rates	1%	(4,283)	(3,538)
Higher EUR/PLN exchange rates	5%	(1,250)	(8,280)
Higher USD/PLN exchange rates	5%	97	(1,665)
Higher GBP/PLN exchange rates	5%	115	539

For the item: **hedging instruments**, affecting equity:

Risk	**Change**	**31.12.2021**	**31.12.2020**
Higher EUR/PLN exchange rates for hedging instruments	5%	8,354	2,093
Higher aluminium price for hedging instruments	5%	1,359	1,921

38.3. Categories of financial assets and liabilities

Financial assets	**Under IFRS 9**	**31.12.2021**	**31.12.2020**
Financial receivables	FAatAC	296,954	186,922
Cash	FAatAC	5,906	9,317
Hedging instruments*		1,873	2,335

Financial liabilities	**Under IFRS 9**	**31.12.2021**	**31.12.2020**
Financial liabilities	OFLatAC	159,511	85,503
Bank loans	OFLatAC	428,254	353,794
Lease liabilities	OFLatAC	3,739	3,748
Hedging instruments*		427	427

*Hedging derivatives meeting the requirements of hedge accounting.

Abbreviations:
FAatAC– Financial assets measured at amortised cost
OFLatAC – Other financial liabilities measured at amortised cost

The fair values of all of the above presented financial assets and liabilities are close to their carrying amounts.

38.4. Liquidity risk

The table below presents the Company financial liabilities by maturity periods on the basis of contractual non-discounted payments.

(PLN '000)

31.12.2021	Validity				
	On demand	Below 3 months	3-12 months	1-2 years	Over 2 years
Bank loans and lease	0	177	217,181	214,427	2,208
Other financial liabilities	0	159,512	0	0	0
Cash flow hedging derivatives	0	650	0	0	0
Off-balance-sheet liabilities	0	0	0	0	1,302
Total	**0**	**160,339**	**217,181**	**214,427**	**3,510**

31.12.2020	Validity				
	On demand	Below 3 months	3-12 months	1-2 years	Over 2 years
Bank loans and lease	0	16,668	114,086	223,245	3,544
Other financial liabilities	0	85,503	0	0	0
Cash flow hedging derivatives	0	427	0	0	0
Off-balance-sheet liabilities	0	0	0	0	1,494
Total	**0**	**102,598**	**114,086**	**223,245**	**5,038**

The Company monitors the risk of missing finance with the use of periodical liquidity planning tool. The tool takes into account the maturity dates both for investments and financial assets (e.g. accounts of receivables and other financial assets) and projected cash flows from operating activities.

The Company aims to maintain the balance between the continuity and flexibility of financing using various financing sources such as overdraft facilities or long-term bank loans at different banks.

38.5. Currency risk

The Company records revenue and expenses mainly in four basic currencies (PLN, EUR, GBP and USD). The revenue and expenses in other currencies do not exert significant influence on the Company currency risk. The balance of revenue and expenses in foreign currencies is usually positive for EUR and GBP and negative for USD. It results in an exposure to changes in EUR/PLN, USD/PLN and GBP/PLN exchange rates.

According to the Company estimations, in the period covered by the statements, about 91 % of the Company sales were made directly or indirectly based on prices expressed in EUR (exports in EUR and denominated sales), with roughly 2% settled in GBP.

On the cost side, approximately 73% of costs were incurred or denominated in EUR, 25% paid in PLN and 2% paid in USD. Taking the above into account, EUR/PLN exchange rates will have a significant impact on the Company results, as they will influence both exports profitability and competitiveness on the Polish market as compared to imported goods. The risk results from the lack of possibility to adjust the costs incurred in PLN to the possible drop of sales value resulting from the appreciation of PLN towards EUR.

For the purpose of currency risk limitation, in 2021 Grupa KĘTY S.A. applied natural hedge, including replacement of settlements on account of raw materials purchased in USD with the purchases of raw materials in EUR, or by way of maintaining a part of debt in foreign currencies.

The Company exposure to the currency risk as at the balance sheet date is presented in the table below.

	31.12.2021		31.12.2020	
	Amount in foreign currency	Amount translated to PLN	Amount in foreign currency	Amount translated to PLN
Cash in EUR	6	29	161	743
Cash in USD	753	3,056	738	2,774
Cash in GBP	118	645	792	4,065
Receivables in EUR	28,179	129,605	78,848	363,868

(PLN '000)

Receivables in USD	706	2,865	852	3,202
Receivables in GBP	303	1,664	1,373	7,047
Bank loans in EUR	(10,959)	(50,407)	(61,005)	(281,526)
Bank loans in USD	0	0	0	0
Liabilities in EUR	(22,659)	(104,218)	(47,257)	(218,082)
Liabilities in USD	(979)	(3,975)	(3,875)	(14,564)
Total exposure to change in EUR exchange rates	**(5,433)**	**(24,991)**	**(29,253)**	**(134,997)**
Total exposure to change in USD exchange rates	**480**	**1,946**	**(2,285)**	**(8,588)**
Total exposure to change in GBP exchange rates	**421**	**2,309**	**2,165**	**11,112**

Information about the hedging of the Company exchange position is presented in note 39.1.1

38.6. Credit risk

Trade credit

In cooperation with the customers, the Company applies deferred payment terms with payment periods from a few to 20 days (trade credit). The credit is usually not secured by the borrower in a manner ensuring 100% guarantee of obtaining the funds. Consequently, the Company is exposed to the risk of complete or partial insolvency of a given customer or a delay of the liabilities payment.

Sale to reliable, tested customers helps minimise the risk. In addition, the Company insures the trade credit in professional companies providing such types of services. The Company does not insure receivables from related parties.

The level of insured trade receivables is presented below:

	31.12.2021	31.12.2020
Net trade receivables from non-related parties	196,412	117,217
Insured trade receivables	(166,950)	(81,045)
Exposure to trade credit risk	**29,462**	**36,172**

There is no counterparty among non-related parties who exceeds the level of 10% of trade receivables. The concentration of 10% of commercial receivables is exceeded by the Aluprof S.A. subsidiary. As at 31 December 2021, the receivables from that company amounted to 29.7% of total trade receivables (31 December 2020: 33.4%).

Cash

The Company cooperates with banks of high capital adequacy ratio. To minimise the risk of the loss of liquidity, the Company uses the services of a few banks; in addition, the Company monitors the financial positions of the banks providing services to the Company on an ongoing basis.

38.7. Exceptional occurrences risk

38.7.1 Property damage risk

The Company is in possession of industrial property of considerable value. The property in question in exposed to a number of risks related to exceptional occurrences such as fire, deluge, flooding, construction and assembly risk related to projects. The Company production assets are insured.

38.7.2 Profit loss risk

Exceptional occurrences may significantly limit the capacity of the Company to generate profit. Such a situation can occur in the case of excluding the whole or a part of any of the Company production plants from the production process. The property insurance policy taken out comprises a business interruption (BI) clause (profit loss insurance).

38.7.3 Risk of damage to third parties

Business activities are associated with the risk of causing damage to third parties. Such a case may occur as a result of direct damage done to a third party during their visit at the Company production facilities as well as a result of defective operation of products manufactured by the Company. The shares of Grupa Kęty S.A. are quoted at Warsaw Stock Exchange, therefore, a damage caused to the Company due to wrong decisions of the Management Board (and consequently, a possible decrease in the share price) may result in the shareholders' claims to remedy the damage or reimburse the profits lost by shareholders. The Company has taken out civil liability insurance on account of its business operations, with multiple extensions covering, among other things, product liability insurance.

(PLN '000)

38.7.4 Geopolitical risk in the countries of the Company operation

The production activities and main assets of the Company are located in Poland.

The Company cooperates, however, with multiple partners from other countries as regards the purchase and sale of trade goods. Geopolitical risk related to the unstable political situation in certain countries, including economic sanctions imposed, may have adverse impact on the Company by breaking the supply chain for raw materials (mainly aluminium) or due to the loss of some contractors or loss of assets (receivables) value. In order to limit the risk, the Company applies diversification of the basic raw materials suppliers (and the share of none of the contractors exceeds 40%). Most of the receivables from foreign contractors are insured. Geopolitical risk of the Company is also related to indirect control of assets (through its subsidiary) in the territory of Ukraine under military siege. Neither property insurance, nor third-party liability insurance covers losses resulting from military actions.

38.7.5 Risk related to COVID pandemic

The risk resulting from the Covid pandemic is related to the potential limitations in cross-border transport, labour shortages due to mass infections, quarantine imposing on staff (particularly production staff), staff absences due to the necessity of caring for the ill family members (additional information in notes 7.1 and 7.2).

38.8. Operating risk

The Company has defined and analysed key operating risks. The risks are supervised by the persons managing the particular areas, who define procedures aimed at the risks limitation depending on the needs, report the risk levels and keep incident registers. Major operating risks include: the risk of missing effective supply chain, which results in delays or stoppages in production/sales order performance, the risk of the absence or shortage of proper and sufficient staff, the risk of disturbances or breaks in IT infrastructure operation.

39. Derivative financial instruments

Financial assets	31.12.2021	31.12.2020
Currency forward contracts hedging cash flows	942	239
Futures contracts hedging cash flows for the purchase of aluminium	931	2,096
Total	**1,873**	**2,335**

Financial liabilities	31.12.2021	31.12.2020
Currency forward contracts hedging cash flows	525	75
Futures contracts hedging cash flows for the purchase of aluminium	125	352
Total	**650**	**427**

Currency forward and futures contracts are measured either on the basis of the stock exchange quotations or, in the case of the lack of stock exchange quotations, by discounting values based on the forward rate resulting from the contract and deduction of the amount in the given currency translated at the current exchange rate.

In the event of the application of the discounted cash flows method, the estimated future cash flows are based on the most reliable Management Board estimations, whereas the market interest rate for a similar instrument is applied as the discount rate as at the balance-sheet date. In the event of the application of other valuation models, the output data are based on the market data as at the balance-sheet date.

39.1. Cash flow hedge

The Company applies the principles of hedge accounting to mitigate the adverse impact of the currency risk and of the risk related to a change in aluminium prices. The Company recognised in equity:

	31.12.2021	31.12.2020
Open currency forward contracts	416	164
Open futures contracts for the purchase of aluminium	806	1,744
Total	**1,222**	**1,908**

The aforementioned items will affect the Company result in 2021.

39.1.1 Futures contract hedging aluminium prices reflected in hedge accounting

As at 31 December 2021, the Company availed of the following hedging contracts:

Futures contracts for the purchase of aluminium in PLN (after translation)

Exercise date	Fair value	Number of tons	Nominal value in PLN '000	Average PLN price
Q.1, 2022	313	775	8,252	10,647.90
Q.2, 2022	496	1,075	11,686	10,871.07
Q.3, 2022	(3)	25	283	11,337.52
Total	**806**	**1,875**	**20,221**	**10,784.53**

The Company hedges itself against commodity risk using futures contracts, with the prices of aluminium at the London Metal Exchange as the underlying asset. These futures contracts are standardised and provide for 25 tons of aluminium, whereas they are settled on the third Wednesday of each month.

Hedge accounting:

At the Company, the risk results from the purchase of raw materials, i.e. primary aluminium, the price of which depends on the quoting at the London Metal Exchange.

In 2021 the hedge of risk of raw materials prices fluctuation was applied.

Managing the risk of aluminium prices fluctuations refers to the area of raw materials purchases and products sales.

In order to hedge the aluminium prices the Company enters into futures purchase contracts denominated in EUR, at the amounts equivalent to the orders filed, with the maximum limit of unhedged commercial transactions specified as 1,000 tons of aluminium and the maximum limit of transactions hedging non-confirmed orders of 1,000 tons.

The effectiveness of the concluded transactions is measured by the comparison of the potential change in the value of the future liabilities on account of aluminium purchases at variable prices and the potential change in the value of hedging transactions. Owing to the fact that the settlement base is the same in both cases, the effectiveness ex ante is 100 %.

39.1.2 *Forward contracts securing currency exchange rates*

Sale of EUR for PLN

Delivery date	Fair value in PLN	Amount in base currency (EUR '000)	Amount in quoted currency (PLN '000)	Average exchange rate
Q.1, 2022	341	9,700	45,363	4.6766
Q.2, 2022	244	9,500	44,824	4.7183
Q.3, 2022	5	8,100	38,312	4.7298
Q.4, 2022	(174)	8,100	38,591	4.7643
TOTAL	**416**	**35,400**	**167,090**	**4.7201**

Moreover, with regard to currency risk, the Company applies natural hedge, i.e. compensating for the risk on the income side by taking out liabilities in the same currency.

Hedge accounting:

The currency risk at the Company originates from the purchase of raw materials and sales of products in foreign currencies, as well as in relation to the purchase of property, plant and equipment in foreign currencies.

(PLN '000)

Currency risk management at the Company covers the areas of raw materials purchases, sales of products, and purchase of property, plant and equipment.

The risk is mutually compensated by proper management of the receivables and liabilities/bank loans currency structure.

39.2. Impact of derivative transactions on items of the statement of profit or loss and the statement of comprehensive income

Statement of profit or loss	2021	2020
Costs of materials consumption (result on futures contracts)	15,480	(5,537)
Impact on gross result	**15,480**	**(5,537)**

Other comprehensive income	2021	2020
Impact of valuation	(686)	354
Shift to financial result	0	303
Tax	131	(68)
Impact on comprehensive income	**(555)**	**589**

40. Revenue, costs and losses by categories of financial instruments

Year 2021	Shares and interests	Hedging instruments	Financial assets	Financial liabilities measured at amortised cost	Total financial instruments
Write-downs	0	0	(1,253)	0	(1,253)
Dividends and share in profits	398,048	0	0	0	398,048
Interest income (costs)	0	0	127	(4,770)	(4,643)
Profit (loss) from currency translation differences	0	0	1,426	(1,765)	(339)
Profit (loss) on sale of financial instruments	0	15,802	0	0	15,802
Total profit (loss)	**398,048**	**15,802**	**300**	**(6,535)**	**407,915**

Year 2020	Shares and interests	Hedging instruments	Financial assets	Financial liabilities measured at amortised cost	Total financial instruments
Write-downs	0	0	548	0	548
Dividends and share in profits	258,574	0	0	0	258,574
Interest income (costs)	0	0	235	(6,555)	(6,320)
Profit (loss) from currency translation differences	0	0	7,296	(9,179)	(1,883)
Profit (loss) on sale of financial instruments	0	(5,537)	0	0	(5,537)
Total profit (loss)	**258,574**	**(5,537)**	**8,079**	**(15,734)**	**245,382**

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41. Methods of measurement at fair value

The fair value of futures and forwards is calculated with the use of the present net value of the future cash flows related to these contracts, based on quoted market prices of forward contracts determined with the application of the present interest rates.

Detailed information about the valuation of derivative financial instruments is available in note 39.

The fair value of currency forward contracts is determined by reference to the present forward rates of contracts with similar maturity.

As compared to the previous financial year, the Company did not change the method of measuring derivatives. Derivatives are recognised as assets when their measurement is positive, and as liabilities when their measurement is negative. Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are recognised in profit or loss for the reporting year.

Fair value hierarchy	Hierarchy	31.12.2021	31.12.2020
Assets			
Hedging derivatives	2	1,873	2,335
Liabilities			
Hedging derivatives	2	650	164

42. Capital management

The Company monitors the return on equity using the ROE ratio, which is calculated as net profit to equity for the last 12 months.

The finance structure is monitored by the net financial leverage ratio, which is calculated as net debt to total equity and net liabilities, as well as the net debt to EBITDA ratio, whereas EBITDA is understood as operating profit plus depreciation and amortisation for the last 12 months. The Company net debt comprises interest-bearing loans and borrowings, as well as lease liabilities, less cash and cash equivalents.

The policy of the Company accepts the optimal net debt to EBITDA ratio at the level of up to 2.5.

The basic objective of capital management is to maximise the return on equity (ROE) while maintaining a secure and flexible structure of finance. When preparing the specific guidelines, the division into operating segments is taken into account as well as the necessity of maintaining current liquidity and ensuring financing of development objectives by the respective companies of the segments, in accordance with the assumed plans.

To retain or adjust the capital structure, the Company may change the value of dividend payable to the shareholders, return capital to shareholders or issue new shares. In the reporting periods presented, no changes were introduced to the objectives, principles and processes in that area.

	31.12.2021	31.12.2020
EBITDA (operating profit plus depreciation and amortisation)	612,597	365,917
Net profit	523,171	296,153
Interest-bearing borrowings and lease liabilities	431,993	357,542
Cash	(5,906)	(9,317)
Net debt	426,087	644,378
Equity	753,454	650,993
Equity and net debt	1,179,541	1,295,371
Leverage ratio	36%	50%
Net debt to EBITDA ratio	0.70	1.76
ROE	69%	45%

(PLN '000)

43. Headcount structure

The average headcount at the Company was as follows:

	2021	2020
Company Management Board	4	4
Management staff	43	43
White-collar workers	297	296
Blue-collar workers	1,025	1,009
Total	**1,369**	**1,352**

44. Reasons for differences between balance-sheet changes of some items and changes in the statement of cash flows

In the presented periods, the balance-sheet changes in the balance of receivables, inventories and subsidies comply with their changes reflected in the statement of cash flows.

Differences in the balance-sheet change of the balance of liabilities and provisions compared to their change reflected in the statement of cash flows is presented and explained in the tables below.

Change in the balance of liabilities	2021	2020
Balance-sheet change in the balance of liabilities (-decrease +increase)	77,617	14,254
Change in the balance of liabilities reflected in cash flows	71,517	19,806
Difference	**(6,100)**	**5,552**
- including payment of liabilities on account of property, plant and equipment purchase	(6,100)	5,552

Change in provisions	2021	2020
Balance-sheet change in the balance of provisions (-decrease +increase)	(229)	3,439
Change in the balance of provisions reflected in cash flows	182	3,170
Difference	**411**	**269**
- including the change in provisions on account of actuarial losses charged to other comprehensive income	411	269

45. Statutory auditor's remuneration

	2021	2020
Remuneration for the audit of annual separate and consolidated financial statements	115	100
Remuneration for other services (report on remuneration)	30	0
Remuneration for semi-annual reviews	70	50
Total	**215**	**150**

46. The Company as a power company

Grupa Kęty S.A. Pursuant to the Energy Law, Grupa Kęty S.A. holds:

a) a licence to trade in gaseous fuels;
b) a licence to distribute gaseous fuels;
c) a licence to distribute electricity;
d) a licence to trade in electricity.

As regards the assessment of the Company activities as well as its financial standing and assets, the scope and scale of the Company activities as a power company are immaterial and do not exert any significant influence on the figures disclosed in the financial statements.

However, pursuant to Article 44.2 of the Energy Law, the Company must prepare a separate balance sheet and a separate statement of profit or loss for each of the aforementioned licensed activities. The presented disclosure aims at ensuring equal treatment of customers and the elimination of cross-subsidy.

The Company is in possession of technical infrastructure and purchases electrical energy and gas both to satisfy its own needs and the needs related to their further resale.

Some of the costs are directly allocated to the particular types of the licensed activities, however, there are also common costs for the areas of operation. To allocate common costs to own needs and to the licensed activities, the Company applies allocation keys.

The table below presents the types of the applied allocation keys.

Percentage of shared costs allocated to licensed activities	2021	2020
Gas – allocation by contracted capacity	14%	12%
Energy – weighted average allocation by keys: quantitative key and contracted capacity key	16.6%	17.1%

The figures for allocation of the statement of profit or loss and the balance sheet to the particular activities were separated on the basis of:

- figures from the accounts allocated directly to the particular activities;
- Cost Centre numbers allocated directly to the particular activities or allocated to the items of total costs related to all activities;
- separate items recognised in accounts and on the basis of additional statements allocated directly or indirectly with the use of keys to the particular activities.

The application of the keys does not have a significant effect on the true and fair presentation of the assets and financial standing as well as of the results of particular activities. Allocation keys are applied to allocate items classified as general items. Sales revenue key (revenue net of excise duty). Assigning allocation keys to the items of the balance sheet and of the statement of profit or loss.

Balance sheet

Intangible assets and property, plant and equipment

The items not allocated directly to the particular activities were divided on the basis of the key in reference to the average value resulting from revenue-based keys.

Short-term receivables

As the origination of short-term trade receivables is associated with the revenue generated by the Company, items of short-term receivables related to the licensed activities were identified and allocated directly to the particular types of activities.

Cash

The Company has more loans than cash; as a result, due to the necessity of financing licensed activities, the Company assumed that the said activities require incurring debts. The amount needed to finance the aforementioned activities is disclosed in 'equity and liabilities' of the balance sheet under the item 'Internal settlements'.

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Equity

Presents net assets allocated to licensed activities.

Liabilities and provisions for liabilities

Trade payables and deferred income tax liabilities were allocated according to the detailed identification of items and using the allocation keys defined in the table above. Due to immateriality of the amounts, the allocation of other liabilities was not carried out.

Statement of profit or loss

Net sales

Net sales revenue is allocated directly to the particular activities.

Costs of operating activities

The allocation key applied to allocate items not allocated directly to the particular activities was determined on the basis of the keys described in the table above.

Finance costs

Finance costs as interest costs were determined by calculating the average share of the Company in net assets of licensed activities and the interest rate of loans in PLN.

Income tax

The allocation of income tax to the particular activities is proportional to gross profit of the given activities taking into account the tax calculated for the activities.

Statement of profit or loss	**Trade in and distribution of gas**	**Trade in and distribution of gas**	**Distribution of electricity**	**Distribution of electricity**	**Trade in electricity**	**Trade in electricity**
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Total operating revenue, including:	**1,367**	**1,294**	**2,076**	**1,436**	**6**	**5**
Total operating costs, including:	**(1,254)**	**(1,291)**	**(1,870)**	**(1,287)**	**(13)**	**(14)**
Depreciation	0	(2)	(107)	(133)	0	0
Gas/energy	(1,172)	(1,223)	(1,451)	(848)	(3)	(3)
Materials	(1)	(1)	(8)	(18)	0	0
Employee benefits	(71)	(58)	(132)	(125)	0	0
Taxes and fees	(2)	(2)	0	0	0	0
Third-party services	(2)	(3)	(73)	(82)	(10)	(11)
Other costs	(6)	(2)	(99)	(81)	0	0
Profit on operating activities	**113**	**3**	**206**	**149**	**(7)**	**(9)**
Finance costs	0	(1)	(25)	(20)	0	0
Profit before tax	**113**	**2**	**181**	**129**	**(7)**	**(9)**
Income tax	(21)	0	(34)	(25)	1	2
Net profit on continued operations	**92**	**2**	**147**	**104**	**(6)**	**(7)**

(PLN '000)

Balance sheet	Transmission and distribution of gas	Transmission and distribution of gas	Transmission of electricity	Transmission of electricity	Trade in electricity	Trade in electricity
Assets	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
I. Non-current assets	**0**	**50**	**1,253**	**1,362**	**0**	**0**
Property, plant and equipment	0	50	1,253	1,362	0	0
II. Current assets	**217**	**38**	**177**	**160**	**0**	**0**
Receivables	217	38	177	160	0	0
Total assets	**217**	**88**	**1,430**	**1,522**	**0**	**0**
Equity/Liabilities						
I. Equity	**217**	**85**	**1,325**	**1,416**	**0**	**0**
Internal settlements	217	85	1,430	1,416	0	0
II. Long-term liabilities	**0**	**3**	**105**	**106**	**0**	**0**
Deferred tax liability	0	3	105	106	0	0
III. Short-term liabilities	**0**	**0**	**0**	**0**	**0**	**0**
Total equity/liabilities	**217**	**88**	**1,430**	**1,522**	**0**	**0**

47. Post-balance-sheet events

On 24 February 2022, the Russian army invaded the territory of Ukraine, commencing a military aggression on that country.

Grupa KĘTY S.A. holds 100% of shares in Alupol Ukraina LLC with its register in Borodianka through its subsidiary Aluform sp. z o.o., and 100% shares in Aluprof System Ukraina LLC with its registered office in Kiev through its subsidiary Aluprof S.A. Owing to the situation referred to above, both companies suspended their operations on 24 February 2022.

In 2021, the transactions of Grupy KĘTY S.A. with Alupol Ukraina LLC referred mainly to the sales of aluminium billets and tools to manufacture aluminium profiles and purchase of aluminium profile manufacturing services.

The value of transactions between Grupy KĘTY S.A. and Alupol Ukraina LLC is presented in the table below:

Year	Sales	Purchases
2021	13,667	8,810

Apart from the aforesaid transactions, Grupa KĘTY S.A. did not enter into any major transactions with contractors in Russia, Belarus or Ukraine in 2021.

In accordance with IAS 10.11 and IAS 10.22, the Group has treated the outbreak of war in Ukraine as a post-balance-sheet event, which does not require adjustments as at the balance-sheet date. In result, the consequences of Grupa KĘTY S.A.'s assets impairment resulting from the situation will be reflected in the financial statements for the reporting periods commencing post 31 December 2021.

Owing to the suspension of the operations of Alupol Ukraina LLC , the total production capacity available to the Extruded Product Segment of Grupa KĘTY S.A. has been reduced by roughly 6% a year. The maximum value of Grupa KĘTY S.A.'s assets exposed to impairment in relation to the military conflict in Ukraine – estimated as at the date of preparing these financial statements – amounts to about PLN 7 million and covers the inventories of Grupa KĘTY S.A. in the process of reworking at Alupol Ukraina LLC.

Apart from the events referred to above, there have been no other major post-balance-sheet events that would affect the operations of the Company.

Signatures of all Members of the Management Board

Dariusz Mańko
President of the Management Board ……………………………………….

Rafał Warpechowski
Member of the Management Board ………………………………………

Piotr Wysocki
Member of the Management Board ………………………………………

Tomasz Grela
Member of the Management Board ………………………………………

Signature of the person entrusted with bookkeeping

Andrzej Stempak
President of the Management Board

Dekret Centrum Rachunkowe Sp. z o.o.