



**THE CAPITAL GROUP OF GRUPA KĘTY S.A.**

**CONSOLIDATED 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)

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|  | Note       | 2021               | 2020               |
|--|------------|--------------------|--------------------|
| Revenue from contracts with customers  | 13.1       | 4,597,575          | 3,533,340          |
| - including from associates  |            | 249                | 1,545              |
| Other operating revenue  | 13.3       | 18,699             | 15,190             |
| <b>Share in profit/(loss) of an entity accounted for using the equity method</b> | 22         | <b>(296)</b>       | <b>(748)</b>       |
| <b>Change in the level of product inventories and work in progress</b>           |            | <b>177,554</b>     | <b>3,566</b>       |
| <b>Cost of manufacturing of products for own needs</b>                           |            | <b>19,121</b>      | <b>17,416</b>      |
| <b>Total operating costs, including:</b>   |            | <b>(4,066,605)</b> | <b>(3,042,939)</b> |
| Depreciation   | 17, 18, 20 | (153,646)          | (146,593)          |
| Consumption of materials, energy and value of goods and materials sold           | 13.9       | (2,952,437)        | (2,079,987)        |
| Third-party services   |            | (344,399)          | (266,963)          |
| Taxes and fees   |            | (19,378)           | (17,619)           |
| Employee benefits  |            | (558,704)          | (493,821)          |
| Revaluation of financial assets – IFRS 9   | 13.4       | 270                | (5,319)            |
| Other operating costs  | 13.5       | (38,311)           | (32,637)           |
| <b>Net profit on operating activities</b>  |            | <b>746,048</b>     | <b>525,825</b>     |
| Financial revenue  | 13.6       | 1,911              | 1,616              |
| Finance costs  | 13.7       | (15,054)           | (22,207)           |
| <b>Profit before tax</b>   |            | <b>732,905</b>     | <b>505,234</b>     |
| Income tax   | 14         | (137,537)          | (74,716)           |
| <b>Net profit on continued operations</b>  |            | <b>595,368</b>     | <b>430,518</b>     |
| Attributable to non-controlling interests  |            | 730                | 337                |
| Attributable to owners of the parent   |            | <b>594,638</b>     | <b>430,181</b>     |
| <b>Profit on abandoned operations</b>  |            | <b>0</b>           | <b>0</b>           |
| <b>Profit for the period</b>   |            | <b>595,368</b>     | <b>430,518</b>     |

### Earnings per share

|  | 2021  | 2020  |
|--|-------|-------|
| Profit on continued operations – basic   | 61.65 | 44.80 |
| Profit on continued operations – diluted | 61.51 | 44.72 |
| Profit on abandoned operations – basic   | 0     | 0     |
| Profit on abandoned operations – diluted | 0     | 0     |
| Profit on operations – basic             | 61.65 | 44.80 |
| Profit on operations – diluted           | 61.51 | 44.72 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | Note | 2021           | 2020           |
|---|------|----------------|----------------|
| <b>Net profit for the period</b>  |      | <b>595,368</b> | <b>430,518</b> |
| <b>Other comprehensive income recognised in profit or loss before tax</b>         |      | <b>5,404</b>   | <b>3,369</b>   |
| Cumulative translation adjustment for related parties                             |      | 4,077          | (355)          |
| Change of results due to hedge accounting   |      | 1,327          | 3,724          |
| <b>Other comprehensive income not recognised in profit or loss before tax</b>     |      | <b>3,536</b>   | <b>(2,728)</b> |
| Actuarial gains (losses)  | 24.3 | 3,536          | (2,728)        |
| <b>Other comprehensive income before tax for the period</b>                       |      | <b>8,940</b>   | <b>641</b>     |
| Income tax related to other comprehensive income recognised in profit or loss     |      | (252)          | (650)          |
| Income tax related to other comprehensive income not recognised in profit or loss |      | (702)          | 437            |
| <b>Other net comprehensive income</b>   |      | <b>7,986</b>   | <b>428</b>     |
| <b>Comprehensive income for the period</b>  |      | <b>603,354</b> | <b>430,946</b> |
| Comprehensive income attributable to: Non-controlling interests                   |      | 730            | 337            |
| <b>Owners of the parent</b>   |      | <b>602,624</b> | <b>430,609</b> |

## CONSOLIDATED BALANCE SHEET

| ASSETS   | Note | 31.12.2021       | 31.12.2020       |
|--|------|------------------|------------------|
| <b>I. Non-current assets</b>                                       |      | <b>1,722,788</b> | <b>1,671,676</b> |
| Property, plant and equipment                                      | 17   | 1,460,925        | 1,451,189        |
| Right-of-use assets  | 18   | 40,718           | 43,678           |
| Intangible assets  | 20   | 49,696           | 34,746           |
| Goodwill   | 13.8 | 20,051           | 20,060           |
| Investment properties  | 19   | 2,773            | 2,724            |
| Interests in associates  | 22   | 1,267            | 2,604            |
| Long-term receivables  | 26   | 1,110            | 1,999            |
| Advance payments for the purchase of property, plant and equipment | 26   | 68,950           | 2,676            |
| Deferred tax assets  | 14.1 | 77,298           | 112,000          |
| <b>II. Current assets</b>  |      | <b>1,804,027</b> | <b>1,217,208</b> |
| Inventories  | 25   | 900,685          | 516,591          |
| Income tax receivables   | 14.3 | 1,353            | 2,240            |
| Trade and other receivables  | 27   | 789,505          | 541,020          |
| Contractual assets   | 13.2 | 0                | 141              |
| Borrowings   | 23   | 0                | 31               |
| Derivative financial instruments                                   | 38   | 8,674            | 6,015            |
| Cash and cash equivalents  | 28   | 103,810          | 151,170          |
| <b>Total assets</b>  |      | <b>3,526,815</b> | <b>2,888,884</b> |
| <b>EQUITY/LIABILITIES</b>  |      |                  |                  |
| <b>I. Equity</b>   |      | <b>1,769,443</b> | <b>1,586,936</b> |
| Share capital  | 29.1 | 68,025           | 67,973           |
| Share premium capital  | 29.2 | 60,254           | 53,979           |
| Capital from share based payments                                  | 29.3 | 30,582           | 27,344           |
| Hedging reserve  | 29.4 | 4,751            | 3,676            |
| Retained earnings  | 29.5 | 1,628,957        | 1,461,558        |
| Cumulative translation adjustment for foreign companies            | 29.6 | (24,179)         | (28,256)         |
| <b>Equity attributable to owners of the parent</b>                 |      | <b>1,768,390</b> | <b>1,586,274</b> |
| Equity attributable to non-controlling interests                   |      | 1,053            | 662              |
| <b>II. Long-term liabilities</b>                                   |      | <b>548,313</b>   | <b>564,954</b>   |
| Loan payables  | 30   | 421,733          | 440,086          |
| Lease liabilities  | 31   | 17,090           | 19,868           |
| Other liabilities  | 33.1 | 11,344           | 1,385            |
| Provisions   | 32   | 499              | 499              |
| Provisions for employee benefits                                   | 24.2 | 20,403           | 21,563           |
| Deferred income  | 34   | 33,910           | 35,599           |
| Deferred tax liability   | 14.1 | 43,334           | 45,954           |
| <b>III. Short-term liabilities</b>                                 |      | <b>1,209,059</b> | <b>736,994</b>   |
| Loan payables  | 30   | 535,041          | 272,771          |
| Lease liabilities  | 31   | 4,854            | 4,679            |
| Income tax payables  | 14.3 | 50,993           | 30,835           |
| Trade payables and other liabilities                               | 33.2 | 526,093          | 352,802          |
| Contractual liabilities  | 33.3 | 34,056           | 20,015           |
| Provisions and accruals  | 32   | 51,522           | 51,635           |
| Derivative financial instruments                                   | 38   | 2,810            | 1,478            |
| Deferred income  | 34   | 3,690            | 2,779            |
| <b>Total equity/liabilities</b>                                    |      | <b>3,526,815</b> | <b>2,888,884</b> |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share capital | Share premium capital | Capital from share based payments | Hedging reserve | Retained earnings | Cumulative translation adjustment for foreign companies | Equity attributable to owners of the parent | Equity attributable to non-controlling interests | Total equity     |
|--|---------------|-----------------------|-----------------------------------|-----------------|-------------------|---|---|--|------------------|
| <b>Equity as at 31 December 2020</b>   | <b>67,973</b> | <b>53,979</b>         | <b>27,344</b>                     | <b>3,676</b>    | <b>1,461,558</b>  | <b>(28,256)</b>   | <b>1,586,274</b>                            | <b>662</b>                                       | <b>1,586,936</b> |
| Comprehensive income for the period:   | 0             | 0                     | 0                                 | 1,075           | 597,472           | 4,077   | 602,624                                     | 730  | 603,354          |
| <i>Net profit for the period</i>       | <i>0</i>      | <i>0</i>              | <i>0</i>                          | <i>0</i>        | <i>594,638</i>    | <i>0</i>  | <i>594,638</i>                              | <i>730</i>                                       | <i>595,368</i>   |
| <i>Other comprehensive income</i>      | <i>0</i>      | <i>0</i>              | <i>0</i>                          | <i>1,075</i>    | <i>2,834</i>      | <i>4,077</i>  | <i>7,986</i>                                | <i>0</i>   | <i>7,986</i>     |
| Valuation of share based payments      | 0             | 0                     | 3,238                             | 0               | 0                 | 0   | 3,238                                       | 0  | 3,238            |
| Dividends to non-controlling interests | 0             | 0                     | 0                                 | 0               | 0                 | 0   | 0   | (339)  | (339)            |
| Dividends to owners of the parent      | 0             | 0                     | 0                                 | 0               | (430,073)         | 0   | (430,073)                                   | 0  | (430,073)        |
| Issue of shares                        | 52            | 6,275                 | 0                                 | 0               | 0                 | 0   | 6,327                                       | 0  | 6,327            |
| <b>Change in capital in the period</b> | <b>52</b>     | <b>6,275</b>          | <b>3,238</b>                      | <b>1,075</b>    | <b>167,399</b>    | <b>4,077</b>  | <b>182,116</b>                              | <b>391</b>                                       | <b>182,507</b>   |
| <b>Equity as at 31 December 2021</b>   | <b>68,025</b> | <b>60,254</b>         | <b>30,582</b>                     | <b>4,751</b>    | <b>1,628,957</b>  | <b>(24,179)</b>   | <b>1,768,390</b>                            | <b>1,053</b>                                     | <b>1,769,443</b> |

|  | Share capital | Share premium capital | Capital from share based payments | Hedging reserve | Retained earnings | Cumulative translation adjustment for foreign companies | Equity attributable to owners of the parent | Equity attributable to non-controlling interests | Total equity     |
|--|---------------|-----------------------|-----------------------------------|-----------------|-------------------|---|---|--|------------------|
| <b>Equity as at 31 December 2019</b>   | <b>67,825</b> | <b>38,018</b>         | <b>26,392</b>                     | <b>602</b>      | <b>1,369,869</b>  | <b>(27,901)</b>   | <b>1,474,805</b>                            | <b>1,332</b>                                     | <b>1,476,137</b> |
| Comprehensive income for the period:   | 0             | 0                     | 0                                 | 3,074           | 427,890           | (355)   | <b>430,609</b>                              | 337  | <b>430,946</b>   |
| <i>Net profit for the period</i>       | <i>0</i>      | <i>0</i>              | <i>0</i>                          | <i>0</i>        | <i>430,181</i>    | <i>0</i>  | <i>430,181</i>                              | <i>337</i>                                       | <i>430,518</i>   |
| <i>Other comprehensive income</i>      | <i>0</i>      | <i>0</i>              | <i>0</i>                          | <i>3,074</i>    | <i>(2,291)</i>    | <i>(355)</i>  | <i>428</i>                                  | <i>0</i>   | <i>428</i>       |
| Valuation of share based payments      | 0             | 0                     | 952                               | 0               | 0                 | 0   | <b>952</b>                                  | 0  | <b>952</b>       |
| Dividends to non-controlling interests | 0             | 0                     | 0                                 | 0               | 0                 | 0   | <b>0</b>                                    | (554)  | <b>(554)</b>     |
| Dividends to owners of the parent      | 0             | 0                     | 0                                 | 0               | (336,654)         | 0   | <b>(336,654)</b>                            | 0  | <b>(336,654)</b> |
| Issue of shares                        | 148           | 15,961                | 0                                 | 0               | 0                 | 0   | <b>16,109</b>                               | 0  | <b>16,109</b>    |
| Other changes                          | 0             | 0                     | 0                                 | 0               | 453               | 0   | <b>453</b>                                  | (453)  | <b>0</b>         |
| <b>Change in capital in the period</b> | <b>148</b>    | <b>15,961</b>         | <b>952</b>                        | <b>3,074</b>    | <b>91,689</b>     | <b>(355)</b>  | <b>111,469</b>                              | <b>(670)</b>                                     | <b>110,799</b>   |
| <b>Equity as at 31 December 2020</b>   | <b>67,973</b> | <b>53,979</b>         | <b>27,344</b>                     | <b>3,676</b>    | <b>1,461,558</b>  | <b>(28,256)</b>   | <b>1,586,274</b>                            | <b>662</b>                                       | <b>1,586,936</b> |



## CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>Cash flow from operating activities</i>   | Note       | 2021             | 2020             |
|--|------------|------------------|------------------|
| <b>Profit before tax</b>   |            | <b>732,905</b>   | <b>505,234</b>   |
| <b>Adjustments:</b>  |            | <b>170,625</b>   | <b>173,362</b>   |
| Share in net profit of entities accounted for using the equity method  |            | 296              | 748              |
| Depreciation   | 17, 18, 20 | 153,646          | 146,593          |
| Recognition/(reversal) of write-downs of non-current assets  |            | 1,270            | (16)             |
| Net (profit)/loss from currency translation differences  |            | (528)            | 9,807            |
| Change in the valuation of investment properties   |            | 51               | 214              |
| (Profit)/loss from sales of property, plant and equipment  |            | (469)            | (409)            |
| Interest   |            | 11,065           | 14,402           |
| Proceeds/(expenses) related to hedging instruments recognised in equity  |            | 0                | 303              |
| Costs of share based payments  |            | 3,238            | 952              |
| Other items (net)  |            | 2,056            | 768              |
| <b>Cash flow from operating activities before the change of working capital and tax payment</b>                                |            | <b>903,530</b>   | <b>678,596</b>   |
| Change in inventories  |            | (384,094)        | (67,781)         |
| Change in net receivables  |            | (247,421)        | 3,820            |
| Change in short-term liabilities, except for loans and leases  |            | 179,532          | 61,826           |
| Change in provisions   |            | 2,262            | 13,190           |
| Change in deferred income  |            | (778)            | (564)            |
| <b>Net cash generated from operating activities before tax payment</b>   |            | <b>453,031</b>   | <b>689,087</b>   |
| Dividends from associates  |            | 1,141            | 2,123            |
| Tax paid   |            | (85,169)         | (54,590)         |
| <b>Net cash from operating activities</b>  |            | <b>369,003</b>   | <b>636,620</b>   |
| <i>Cash flow from investing activities</i>   |            |                  |                  |
| <b>(+) Proceeds:</b>   |            | <b>1,399</b>     | <b>1,684</b>     |
| Sales of intangible assets, and property, plant and equipment  |            | 1,399            | 1,604            |
| Paid loans   |            | 0                | 80               |
| <b>(-) Expenses:</b>   |            | <b>(218,521)</b> | <b>(145,555)</b> |
| Acquisition of intangible assets, and property, plant and equipment  |            | (218,521)        | (145,555)        |
| <b>Net cash from investing activities</b>  |            | <b>(217,122)</b> | <b>(143,871)</b> |
| <i>Cash flow from financing activities</i>   |            |                  |                  |
| <b>(+) Proceeds:</b>   |            | <b>485,805</b>   | <b>284,512</b>   |
| Net proceeds from the issue of shares  |            | 6,327            | 16,109           |
| Proceeds from loans and credits  |            | 479,478          | 268,403          |
| <b>(-) Expenses:</b>   |            | <b>(685,104)</b> | <b>(730,535)</b> |
| Dividends to owners of the parent  |            | (430,073)        | (336,654)        |
| Dividends to minority shareholders   |            | (347)            | (554)            |
| Repayment of loans and borrowings  |            | (237,861)        | (373,681)        |
| Payment of lease liabilities   |            | (5,909)          | (5,060)          |
| Interest on borrowings   |            | (10,905)         | (14,576)         |
| Interest on lease liabilities  |            | (9)              | (10)             |
| <b>Net cash from financing activities</b>  |            | <b>(199,299)</b> | <b>(446,023)</b> |
| Net increase/decrease of the balance of cash and cash equivalents before change on account of currency translation differences |            | (47,418)         | 46,726           |
| Change in cash due to currency translation differences   |            | 58               | 852              |
| <b>Net increase/decrease of cash and cash equivalents</b>  |            | <b>(47,360)</b>  | <b>47,578</b>    |
| <b>Cash and cash equivalents at the beginning of the period</b>  |            | <b>151,170</b>   | <b>103,592</b>   |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>28</b>  | <b>103,810</b>   | <b>151,170</b>   |

## SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

### 1. GENERAL INFORMATION

The Grupa Kęty S.A. Capital Group ('the Group') comprises the parent company, namely Grupa Kęty S.A. ('parent company', 'the parent', 'the Company') and its subsidiaries (see note 4).

Basic information about the Company:

Name of the parent: Grupa Kęty S.A.

Name of the parent at the highest group level: Grupa Kęty S.A.

Name of the reporting company or other identification data: Grupa Kęty S.A.

Explanation of changes in the name of the reporting company or other identification data, if the changes were introduced from the end of the previous reporting period: no changes.

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

Registered address of the company office: not applicable

Country of incorporation: Poland

Legal form of the company: joint stock company

Basic place of business: Kęty, ul. Kościuszki 111, Polska

Company 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 a tax identification number **NIP 5490001468**;

- the Company has been assigned the code **LEI 2594007JKYYF3WGI0129**.

The lifetime of the parent company as well as of the Group companies is unlimited.

The core business of the Group includes:

production, trade and services related to the processing of aluminium and its alloys; production, trade and services related to aluminium façade systems and window and door systems, special systems (fire-resistant doors and partition walls, smoke-resistant partitions), roller-shutter systems and roll-up gates for the construction industry; production and sales of materials for packaging as well as plastic packaging. The Group is also involved in the provision of speciality construction services associated with the preparation and installation of aluminium systems, trade intermediation, supplies, and marketing.

### 2. THE MANAGEMENT BOARD OF THE PARENT COMPANY

The parent company Management Board, as at the balance-sheet date, 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 and from the balance-sheet date to the date of preparing these consolidated financial statements there were no changes in the membership of the parent company Management Board.

### 3. FINANCIAL STATEMENTS APPROVAL

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

### 4. CAPITAL GROUP COMPOSITION

As at the balance-sheet date, the Group consists of Grupa Kęty S.A. and the following subsidiaries:

| 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 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 Kęty Italia SRL                                     | Milan, Italy                 | Commercial intermediation   | Grupa Kęty S.A.                  | 100.00% | 100.00% | 05/2014 | EPS   |
| Aluminium Kęty EMMI d.o.o.                                | Slovenska Bistrica, Slovenia | Processing of aluminium profiles  | Aluform Sp. z o.o.               | 100.00% | 100.00% | 06/2016 | EPS   |
| Aluminium Kęty Deutschland GmbH                           | Dortmund, Germany            | Trade and marketing services  | Aluform Sp. z o.o.               | 100.00% | 100.00% | 06/2016 | EPS   |
| Aluminium Kęty 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   |
| Glassprof sp. z o.o. (earlier: Aluprof Serwis Sp. z o.o.) | Bielsko-Biała, Poland        | Production of fire glass  | 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   |
| 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 |

## **5. BASIS FOR THE CONSOLIDATED FINANCIAL STATEMENTS PREPARATION**

The consolidated financial statements were prepared on the basis of the historical cost concept, except for investment properties and 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 consolidated financial statements were prepared assuming that the Group will continue as a going concern in the foreseeable future for the period of at least 12 months from the balance-sheet date.

Statement of compliance. As at the date of approval of these consolidated financial statements for publication, there were no circumstances implying that the Group would not continue as a going concern.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ('IFRS') adopted by the EU.

### **5.1. ASSESSMENT OF LEGITIMACY OF THE GOING CONCERN ASSUMPTION**

The assessment of the impact of the COVID-19 pandemic on the operations of the Group 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. According to the Group estimations, the war in Ukraine shall not affect the Group operations within the coming 12 months, either. The detailed description of the impact of the military actions in Ukraine on the operations of the Group has been provided in note 43 'Post-balance-sheet events'.

### **5.2. IMPACT OF COVID-19 PANDEMIC ON THE GROUP 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 Group 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.

### **5.3. ANALYSIS OF THE IMPACT OF THE CHANGE IN THE ECONOMIC SITUATION IN RELATION TO COVID-19 ON THE VALUATION OF THE GROUP ASSETS AND LIABILITIES**

#### ***Write-downs of inventories to net realisable value***

Changes in the basic prices of raw materials utilised by the Group in production, combined with effective trade activities and hedging of the margins applied by the Group, 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 Group 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 Group 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 2022, the Group did not experience any major problems in collecting receivables.

The Group 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***

In 2021 the Group did not carry out impairment tests for non-current assets with definite useful life, as there were no indicators of impairment. The Group carried out impairment tests for trademarks with indefinite useful life and goodwill. The test did not reflect any impairment.

In 2000, due to the outbreak of COVID-19 epidemic, there were significant changes in the conditions of operation and economic situation, which the Group considered to be a reason to carry out impairment tests for non-current assets. The tests carried out in 2020 based on the then current projections did not reflect any necessity for recognising impairment allowances.

***Liquidity situation***

The financial standing of the Company is stable. So far, the Group has not identified liquidity problems or any risk of servicing loan agreements or other financing agreements. At the present moment, the Group 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 28.

**5.4. STATEMENT CONCERNING THE TRUE AND FAIR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Management Board of Grupa Kęty S.A. hereby declares that, according to their best knowledge, these consolidated financial statements and comparative data were prepared in accordance with the accounting principles applicable at Grupa Kęty S.A. (presented in these financial statements) and they present a true and fair view of the assets, the financial standing and the financial result of Grupa Kęty S.A., whereas the Management Board report presents a true view of the standing of Grupa Kęty S.A., including the description of basic risks and threats.

**5.5. FUNCTIONAL AND PRESENTATION CURRENCY OF THESE FINANCIAL STATEMENTS**

The Polish zloty (PLN) is the functional currency of the parent as well as other companies based in Poland included in these consolidated financial statements. It is at the same time the presentation currency for these consolidated financial statements.

The subsidiaries based outside the Polish territory use functional currencies other than the Polish zloty. Depending on the country of their respective registered offices, these are: EUR – euro, GBP – British pound, CZK – Czech koruna, HUF – Hungarian forint, UHR – Ukrainian hryvnia, RON – Romanian leu, DKK – Danish krone, USD – US dollar.

**6. MAJOR PROFESSIONAL JUDGEMENTS AND ESTIMATES**

**6.1. PROFESSIONAL JUDGEMENT**

In the process of accounting principles (policy) application, apart from the accounting estimates, the professional judgement of the management was most significant.

**6.2. UNCERTAINTY OF ESTIMATES**

The preparation of the financial statements in accordance with IFRS requires the adoption of specific estimates and assumptions, which affect the amounts disclosed in these financial statements. The majority of estimates are based on analyses and the best knowledge of the Management Board. Although the adopted estimates and assumptions are based on the Management Board's best knowledge of the current events and developments, the actual results may differ from the estimates.

The change of accounting estimates is recognised in the period in which an estimate was changed or in current and future periods if a change in the estimate is related both to the current period and future periods.

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 a significant risk of considerable adjustment of the carrying amounts of assets and liabilities in the subsequent financial year.

***Assessment of control or influence over other entities***

Determining whether the parent company controls an entity requires an assessment whether it has rights to direct relevant activities of the company. Determining what constitutes relevant activities of a company and which investor controls the company requires a judgement. The following factors are taken into consideration when assessing the situation and determining the nature of relationships: voting rights, relative voting power, dilution of voting rights of other investors and the scope of their participation in the process of appointing key management personnel or members of the Supervisory Board.

***Impairment of assets***

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 Group's control. The test assumptions, susceptibility analysis and recognised write-downs are presented in note 13.8.

Impairment tests carried out by the Group in the current and in the previous year under IAS 36 did not show any need to recognise write-downs of goodwill and intangible assets with an indefinite useful life.

In 2021 the Group did not carry out impairment tests for non-current assets with definite useful life, as there were no indicators of impairment.

As regards other non-current assets, i.e. property, plant and equipment, intangible assets subject to depreciation, and right-of-use assets, in 2020 the Group carried out impairment tests owing to the pandemic, but the tests did not reflect any impairment of the assets.

#### ***Valuation of provisions for employee benefits***

The provisions for employee benefits comprise only jubilee bonuses, retirement and disability benefits, and death in service 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 analysis of the provisions for employee benefits sensitivity to a change in key assumptions is presented in note 24.1.

#### ***Valuation of other provisions and accruals***

The valuation of other provisions and accruals, including provisions for annual bonuses, unused employee holiday and warranty repairs is based on the estimates of the Management Board. If the effect of the change of money in time is material, the provision amount corresponds to the present value of expenditure which, as expected, will be necessary to satisfy the obligation.

#### ***Deferred income tax asset***

The Group 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. An improvement of the generated tax results because of carrying out business in special economic zones may cause an increase in the related recognised asset in the future. Details concerning deferred income tax assets related to the tax abatement associated with the operations in special economic zones are presented in note 14.1.

#### ***Fair value of 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 Group is guided by a professional opinion. The method of fair value determination for individual financial instruments is specified in notes 10.4, 10.21, and 38.

#### ***Fair value of investment property***

The fair value of investment property is determined on the basis of the valuation carried out by a professional appraiser. The method of determining the fair value of investment property is described in note 19.

#### ***Write-down of inventories***

The Group assesses the value and the probability of obtaining future economic benefits in relation to the possessed inventories of tangible current assets held by it. In the case of circumstances substantiating that the amount obtained will be lower than the value of the said tangible assets, the Group recognises write-downs of inventories up to the realisable value. The information about the method of determining the value of inventories is presented in note 10.13.

#### ***Write-down of receivables***

The Group 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 Group uses its historical data regarding credit losses, adjusted in the respective cases on the basis of information regarding the future. The information about the method of determining the value of receivables is presented in note 10.16. Moreover, should the Group identify any risk of non-realisation of any financial assets, it assesses the risk and recognises additional write-downs of receivables.

***Fair value of the share option plan for the management staff***

The Group runs a share option plan for the management staff. The fair value of the plan is determined as of the date of launching the plan by a licensed actuary with the use of actuarial methodology. In addition, as at each balance-sheet date, the Group 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.

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

Professional judgement is described in note 7.

***Revenue recognition***

The Group applies the percentage-of-completion method for the settlement of long-term contracts fulfilling the conditions of recognition of revenue over time, in accordance with IFRS 15. The method requires the Group to estimate the proportion of the costs of the works already completed to the total budgeted costs. If the percentage of completion were higher by 1% than the percentage estimated by the Company, the revenue would increase by PLN 213,000 (previous year: PLN 213,000). If the actual costs of construction contracts in progress as at the balance-sheet date at the time of their completion were higher than the budgeted costs by 1%, the gross result would decrease by PLN 35,000 (previous year: PLN 195,000).

***Depreciation/amortisation rates***

Depreciation/amortisation rates are determined on the basis of the projected useful lives of property, plant and equipment and intangible assets. The assumptions adopted for that purpose are specified in notes 10.6 and 10.11. For a majority of the acquired trademarks, the Group determined the useful life as indefinite. When determining the useful life for trademarks, the Group took into account the following factors:

- the anticipated period of generating economic benefits from the utilisation of the trademarks;
- the anticipated period of having control over the trademarks;
- the level of future benefits from the utilisation of the trademarks;
- the anticipated activities of competitors and potential competitors.

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

***Uncertainty related to tax settlements***

Regulations concerning VAT tax, corporate income tax and social security contributions are subject to frequent changes. The binding regulations are also unclear, which results in different opinions as to the 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 any additional liabilities resulting from such inspections may be immediately payable.

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

The Polish General Tax Code comprises provisions applicable to 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 was artificial. The above regulations will call for a much more insightful judgement when assessing tax implications of individual transactions.

The Group 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. CHANGES IN THE APPLIED ACCOUNTING POLICIES AND CHANGES IN PRESENTATION**

### **7.1. IFRS AMENDMENTS**

The accounting principles (policy) applied in preparing these consolidated financial statements are consistent with the ones applied in preparing the annual financial statements 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*. It is 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). They are effective for reporting periods beginning on or after 1 January 2021.
- Amendments to IFRS 4 *Insurance Contracts* – Deferral of IFRS 9. It is effective for reporting periods beginning on or after 1 January 2021.
- Amendment to IFRS 16 *Leases* – Covid-19-Related Rent Concessions, which are effective for periods after 1 June 2021. The amendments are effective from 1 April 2021 in relation to the reporting years beginning on or after 1 January 2021.

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

## **8. NEW STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE**

The Group 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 below standards or amendments thereto have not yet been approved:

- 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.

In the opinion of the Group, the above planned changes shall not have any impact on the data presented by the Group.

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.

## **9. ERROR CORRECTIONS**

These consolidated financial statements do not contain error corrections.

## **10. SIGNIFICANT ACCOUNTING PRINCIPLES**

The adopted accounting principles were applied in a continuous manner in all presented periods.

### **10.1. CONSOLIDATION PRINCIPLES**

The consolidated financial statements cover the financial statements of Grupa KĘTY S.A. and the financial statements of its subsidiaries prepared for the current year. The financial statements of subsidiaries are prepared for the same reporting period as the ones of the parent, with the use of coherent accounting principles applied to transactions and economic events of similar nature.

The financial figures of all Group companies are prepared in accordance with the Group accounting policies consistent with IFRS. All significant intercompany balances and transactions, including unrealised profits on transactions within the Group, are eliminated. Unrealised losses are eliminated, unless there is evidence of impairment.

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

Subsidiaries are fully consolidated from the date of taking control over them by the Group. The consolidation is abandoned on the date the control is no longer exercised.

The transactions of taking over the control of entities are settled with the purchase method. The remuneration paid for the acquisition of a subsidiary is determined as the fair value of transferred assets and incurred liabilities or equity instruments issued by the Group. The remuneration paid comprises the fair value of assets or liabilities resulting from the determination of the conditional element of the contractual remuneration. The costs related to the acquisition are



recognised in the profit or loss at the time they are incurred. Identifiable assets acquired and liabilities assumed in the process of the business entities merger are measured initially at their fair value as at the acquisition date. For each acquisition, the Group recognises non-controlling interests in the acquiree at the fair value or proportional value of the part of net assets of the acquiree applicable to non-controlling interests.

The surplus of the paid remuneration, the fair value of any possible, previously held interests in the equity of the acquiree as at the acquisition date and of the non-controlling interests over the fair value of identifiable net assets acquired, is recognised as goodwill. If the value is lower than the fair value of net assets of the subsidiary, the differences are recognised directly in other operating income of the statement of profit or loss.

The consolidated financial statements are prepared with the use of the full consolidation method. The consolidation covers all of the Group companies (the composition of the Group is presented in note 4).

In order to carry out the consolidation with the full method, the Group applies the following procedures:

- adding up all items of assets, equity and liabilities, revenue and expenses from the financial statements of the parent company and those of the subsidiaries;
- excluding, as at the acquisition date, the book value of the parent company's investment in each subsidiary and the part of equity which corresponds to the parent company's interest;
- determining the non-controlling interests in the net profit or loss of subsidiaries for the respective reporting period;
- determining and presenting, separately from the equity of the parent, the non-controlling interests in net assets of subsidiaries;
- excluding the balance of intercompany transactions;
- excluding all unrealised gains or losses on transactions within the Group;
- excluding revenue and costs related to transactions within the Group.

Changes in the ownership interest of the parent company which do not result in the loss of control over a subsidiary are recognised as equity transactions. In such cases, in order to reflect the changes in relative interests in a subsidiary, the Group adjusts the carrying amount of non-controlling interests. Any differences between the amount of the adjustment of the non-controlling interests and the fair value of the amount paid or received are recognised in equity and attributed to the owners of the parent.

## **10.2. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

Associates are entities in which the parent company has significant influence directly or through subsidiaries, and which are neither its subsidiaries nor joint ventures.

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control.

The financial year of associates, joint ventures, and the parent company is the same. Associates and joint ventures apply accounting principles consistent with the Group principles.

The Group investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method. According to the equity method, the investment in an associate or joint venture is initially recognised at cost and then adjusted to reflect the Group's share in the financial result and other comprehensive income of the associate or joint venture. If the Group's share in losses of the associate or joint venture exceeds the value of its shares in that entity, the Group discontinues recognising its share in further losses. Additional losses are recognised only to the extent corresponding to legal or customary obligations adopted by the Group or payments made on behalf of the associate or joint venture.

The investment in an associate or joint venture is recognised using the equity method from the date on which the entity acquired the status of a joint venture or associate. On the date of making the investment in an associate or joint venture, the amount by which the investment costs exceed the Group's share in the net fair value of identifiable assets and liabilities of that entity is recognised as goodwill and recognised in the carrying amount of the investment. The amount by which the Group's share in net fair value of identifiable assets and liabilities exceeds the cost of the investment is directly recognised in profit or loss in the period in which the investment was made.

When assessing the need for the recognition of the impairment of the Group's investment in an associate or joint venture, IFRS 9 applies. If necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as an individual asset, comparing its recoverable amount with the carrying amount.

The Group ceases to apply the equity method on the day when the investment is no longer an associate or joint venture and when it is classified as held for sale. The difference between the carrying amount of an associate or joint venture at the date of cessation of the use of the equity method and the fair value of the retained shares and profits from the partial sale of shares in the entity is taken into account when calculating the profit or loss on the sales of the associate or joint venture.

If the Group reduces its interest in an associate or joint venture, but it still accounts for it using the equity method, it transfers to profit or loss a part of profit or loss recognised previously in other comprehensive income, corresponding to the decrease in the interest, if the profit or loss is subject to reclassification to profit or loss at the time of the sales of related assets or liabilities.

### **10.3. INTERESTS IN JOINT OPERATIONS**

Joint operation is a type of a joint arrangement whereby the parties that have joint control have rights to net assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

If an entity being a part of the Group participates in a joint operation, the Group, as a party to such operation, recognises the following in connection with its interest in such operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output of the joint operation;
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interests in joint operations in accordance with the relevant IFRS related to individual components of the assets, liabilities, revenue and expenses. If a Group company enters into transactions with a joint operation to which a different entity not being part of the Group is a party, it is deemed that the Group entered into transactions with other parties to the joint operation, and gains and losses arising from the transactions are recognised in the Group's consolidated financial statements only to the extent related to the interest of the other party in the joint operation.

If a Group company enters into a transaction involving joint operation to which a different Group company is a party, the Group does not recognise its share of profits or losses until the resale of those assets to a third party.

### **10.4. MEASUREMENT AT FAIR VALUE**

The Group 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:

- on the principal market for the asset or liability; or
- 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 Group.

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.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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 Group 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 Group 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.

### **10.5. TRANSLATION OF ITEMS EXPRESSED IN FOREIGN CURRENCIES**

As of the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated into the functional currency at the exchange rate of a given currency applicable as at the end of the reporting period. Currency translation differences resulting from the settlement of items and from the translation are recognised in finance income or costs or, in the cases provided for in the accounting principles (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. Non-monetary assets and liabilities recognised at fair value expressed in a foreign currency are revalued to the fair value at the exchange rate binding on the valuation date.

As at the balance-sheet date, the assets and liabilities of foreign subsidiaries are translated into the Group statements currency at the exchange rate binding at the balance-sheet date, whereas the statements of profit or loss and statements of other comprehensive income are translated at the mean exchange rate for a given reporting period, from the last days of the particular months of the given period, in consideration of the exchange rates at the beginning of the preceding period. Currency translation differences resulting from such a translation are recognised in other comprehensive income and accumulated in a separate item of equity. At the moment of disposal of a given foreign company, the deferred currency translation differences accumulated in the equity corresponding to a given foreign entity are recognised in the income statement. Goodwill originating at the acquisition of a foreign company and any adjustments on account of fair value measurement of assets and liabilities at such acquisition are treated as the assets and liabilities of such foreign company and translated at the mean exchange rate of the given currency determined by the National Bank of Poland as at the balance-sheet date.

The table below presents the applied exchange rates:

| Currency | Exchange rate at the<br>end of the reporting<br>period | Average exchange<br>rate in the reporting<br>period |        |        |
|----------|--|---|--------|--------|
|          | 31.12.2021   | 31.12.2020  | 2021   | 2020   |
| EUR      | 4.5994   | 4.6148  | 4.5804 | 4.4576 |
| 100 HUF  | 1.2464   | 1.2638  | 1.2749 | 1.2700 |
| UAH      | 0.1487   | 0.1326  | 0.1414 | 0.1451 |
| RON      | 0.9293   | 0.9479  | 0.9308 | 0.9213 |
| CZK      | 0.1850   | 0.1753  | 0.1782 | 0.1686 |
| GBP      | 5.4846   | 5.1327  | 5.3155 | 5.0220 |
| USD      | 4.0600   | 3.7584  | 3.8667 | 3.8963 |
| DKK      | 0.6184   | 0.6202  | 0.6159 | 0.5979 |

## 10.6. 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. Property, plant and equipment, at the moment of their purchase, are divided into individual components constituting items of significant value to which separate useful lives can be assigned. Each time, when making overhauls, their costs 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.

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            | 25-100 years |
| Plant and machinery, including:     | 10-40 years  |
| - crucial components                | 15-25 years  |
| Means of transport                  | 5-10 years   |
| Other property, plant and equipment | 5-10 years   |

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 time when they become available for use.

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

## **10.7. LEASES**

### ***Group as a lessee***

At the moment of concluding a contract, the Group 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 Group 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 Group recognises a right-of-use asset and a lease liability.

### ***Right-of-use assets***

The Group 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 Group 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 Group measures the 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 Group 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 Group. 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 Group applies the weighted average 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 in-substance 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 Group 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 Group 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.

### ***Group as a lessor***

Leases under which the Group retains substantially all the risks and rewards of ownership of the leased item are operating leases. 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 Group 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 Group applies judgement in estimating whether there is a sufficient certainty of availing of the extension option.

### ***Lease term for unlimited term contracts***

The Group 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 Group specifies the period of the contract enforceability.

***Incremental borrowing rate of the lessee***

As regards lease contracts, for which the Group is not able to easily determine the interest rate, it applies incremental borrowing rate of the lessee. It is the interest rate the Group 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.

**10.8. IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS**

As at each balance-sheet date, the Group 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 Group estimates the recoverable amount for a given asset or a cash-generating unit the asset is allocated to. Independently from the existence of the indicators, each year, the Group 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-generating unit reflects the fair value of this asset or cash-generating unit less the costs of sale or value in use, whichever is higher. That recoverable 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 a separate item of 'Other operating costs'.

As at each balance-sheet date, the Group assesses whether there are indicators implying that the impairment loss of an asset other than goodwill, disclosed in the previous periods with regard to a given asset, is unnecessary, or whether it should be decreased. Should such indicators occur, the Group 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 have been determined (after amortisation deduction), had no impairment been reflected in the previous years 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. Following the reversal, in the subsequent periods, the depreciation charge for a given asset is adjusted in a manner which allows for, within the remaining useful life of the asset in question, systematic write-down of its verified carrying amount decreased for the exit value. The impairment loss recognised for goodwill is not reversed in further periods.

**10.9. BORROWING COSTS**

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. Other borrowing costs are recognised as costs in the income statement in the period in which they were incurred. Borrowing costs include interest calculated using the effective interest rate, financial charges in respect of 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 loans, credits and lease 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 Group would incur in its functional currency and the cost incurred for the foreign currency borrowings.

## **10.10. INVESTMENT PROPERTIES**

The initial recognition of investment properties is based on the purchase price including the transaction costs. The carrying amount of an asset includes costs of the replacement of a component of an investment property on the date of its incurrence, provided that the applicable recognition criteria have been met, and does not include the costs related to the current maintenance of these properties. After the initial recognition, investment properties are recognised at their fair value. Gains and losses resulting from the changes of the fair value of investment properties are recognised in the income statement in the period in which they occurred.

Investment properties are derecognised from the balance sheet in the event of their disposal or a permanent withdrawal of a given investment property from use, if no future benefits resulting from the sale are expected. All gains or losses resulting from the derecognition of an investment property from the balance sheet are recognised in the income statement in the period of such a derecognition.

Assets are transferred to investment properties only if a change of their utilisation method takes place, which must be confirmed with the termination of the proprietor's use of a given asset or conclusion of an operating lease.

If an asset is utilised by the Group, it becomes an investment property and the Group applies the principles specified in the part 'Property, plant and equipment' until the day of changing the manner of the property utilisation. In the event of transferring assets from inventories to investment properties, the difference between the fair value of the property as of the transfer date and its previous carrying amount is recognised in the income statement. In the event of a transfer of investment properties to the assets utilised by the proprietor or to inventories, the alleged cost of such an asset assumed for the disclosure in another category equals the fair value of the property determined as at the date of the change of its utilisation.

## **10.11. 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 Group 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 are recognised through a change of the period or amortisation method, respectively, effective from the beginning of the next financial year. The amortisation charge for intangible assets with definite useful lives is recognised in profit or loss under the 'Depreciation/Amortisation' item. 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.

### ***Costs of research and development works***

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

The Group 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 Group 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.

### ***Other intangible assets***

Other intangible assets (including software) acquired by the Group 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**

Intangible assets are subject to amortisation on a straight-line basis taking into account their useful life unless it is indefinite. Intangible assets other than intangible assets with indefinite useful lives are amortised from the day they become available for use. The estimated useful life is as follows:

|                               |            |
|-------------------------------|------------|
| Software                      | 5-10 years |
| Capitalised development costs | 5-10 years |
| Database of customers         | 15 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.

#### **10.11.1. GOODWILL**

Goodwill from the acquisition of an entity is initially recognised at the amount of the surplus of the total of:

- (i) the payment made,
  - (ii) the amount of all non-controlling interests in the acquired entity, and
  - (iii) in the case of a business combination achieved in stages, of the fair value as at the date of the acquisition of the interest in the capital of the acquired entity which previously belonged to the acquiring entity,
- over the net amount determined as at the date of the acquisition of the amounts of the identifiable assets acquired and the liabilities assumed.

After the initial recognition, goodwill is recognised at the initial value less accumulated impairment losses. The impairment test is conducted once a year or more frequently, if any indicators of impairment occur. Goodwill is not subject to depreciation.

As of the date of the acquisition, the acquired goodwill is allocated to each of the cash-generating units which may take advantage of the merger synergy. Each unit or a group of units the goodwill has been allocated to:

- corresponds to the lowest level in the Group at which the goodwill is monitored due to internal managing needs, and
- is not larger than one operating segment defined pursuant to IFRS 8 *Operating Segments*.

The impairment loss is determined through the valuation of the recoverable amount of the cash-generating unit to which the respective goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than the carrying amount, impairment loss is recognised. If goodwill constitutes a part of a cash-generating unit and part of the business within that unit is sold, for the determination of gains or losses from the sale of such business, the goodwill related to the business sold is included in its carrying amount. In such circumstances, the goodwill sold is determined based on the relative value of the business sold and the value of the retained part of the cash-generating unit.

#### **10.12. ADVANCE PAYMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

The period for the completion of the deliveries for which advance payments were made is usually shorter than 12 months; however, due to the nature of the acquired asset, they are recognised as long-term receivables. The advance payments, as non-monetary assets, are measured at their historical cost less any possible impairment losses.

#### **10.13. 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.

## **10.14. FINANCIAL ASSETS**

### **Financial assets classification**

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 Group classifies a financial asset based on the Group business model as regards managing financial assets and characteristics resulting from contractual cash flows for the financial asset ('SPPI criterion'). The Group 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 Group 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, which 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 are transferred, and the Group 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 Group assigns:

- trade receivables,
- 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 item of finance income.

### **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 item of finance income.

In the presented period, the Group did not classify any items in the category of debt instruments measured at fair value through other comprehensive income.



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

At the moment of initial recognition, the Group 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 period, the Group did not classify any items in the category of equity 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 investments measured at fair value is recognised in the statement of profit or loss.

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

If the Group:

- 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.

In the presented periods, the Group did not classify any items in the categories of: debt instruments – financial assets measured at fair value through other comprehensive income; and equity instruments – financial assets measured at fair value through other comprehensive income

## **10.15. IMPAIRMENT OF FINANCIAL ASSETS**

The Group 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 within the EPS and FPS portfolios, the Group 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 Group uses its historical data regarding credit losses, adjusted in the respective cases on the basis of information regarding the future.

With regard to trade receivables within the ASS portfolio, due to its significant fragmentation and higher risk profile compared to the EPS and FPS segments, it is expected that the historical repayment rates of receivables may not represent the full image of the expected credit losses, to which the Group may be exposed. The risk of counterparty insolvency within the ASS segment is assessed based on the counterparty ratings assigned in accordance with the receivables insurance agreements availed of by the Group, or – if a respective counterparty is not covered by an insurance agreement as at the balance-sheet date – with the use of an internal scoring model. Based on such rating, the identified credit risk is transformed into a probability of default. In accordance with IFRS 9 *Financial Instruments*, the expected credit loss is calculated in consideration of the estimates of potential refunds from the collaterals established (mainly receivables insurance agreements signed by the Company).

With regard to other financial assets, the Group 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 Group 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.

The Group assesses that the credit risk related to the specific financial instrument is much higher from the date of its initial recognition, if the delay in payment exceeds 90 days.

At the same time, the Group assesses that default of a debtor takes place when the delay in payment exceeds 180 days.

## **10.16. 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 in the interest item of finance income.

Other receivables include, in particular, advance payments for the future purchase of inventories. 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.

## **10.17. 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 Group 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 Group 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 Group 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, and payables to the Social Security Institution (ZUS) due to contributions on remuneration.

## **10.18. CONTRACTUAL LIABILITIES**

These are liabilities due to received advance payments, which will be settled through the delivery of trade goods, services, or property, plant and equipment.

## **10.19. BANK LOANS**

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

After the initial recognition, interest bearing loans 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.

## **10.20. EMBEDDED DERIVATIVES**

If a hybrid (combined) instrument comprises a host contract which is an asset under the IFRS 9, the Group 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 Group at the time of its initial recognition.

## **10.21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING**

Derivative instruments are recognised in the balance sheet as financial assets or financial liabilities and measured at fair value. The Group uses forward and futures contracts.

The main purpose of concluding forward contracts on the FX market is to hedge future cash flows against the currency risk resulting from operating, investing and financing activities.

The main purpose of concluding futures contracts for the purchase of aluminium is to hedge future cash flows related to future expenditures on the purchase of aluminium.

The purpose of hedging the price of aluminium is to minimise the risk of business activities as a result of changes occurring in the macroeconomic environment related to the fluctuations in the main raw material prices.

The forward/futures contracts and derivative instruments are accounted for at the purchase price and measured as at the balance sheet date at fair value and recognised in the consolidated financial statements as financial assets or financial liabilities. Gains and losses from the measurement at fair value of the financial instruments which do not comply with the hedge accounting principles are recognised directly in profit or loss. The fair value of future or forwards contracts is

calculated on the basis of the present net value of future cash flows related to these contracts, quoted market prices of forward contracts calculated with the application of the present interest rates. Forward/futures contracts and derivative instruments which cannot be classified as hedging instruments are recognised as instruments held for trading.

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

The valuation is based on market valuations of identical transactions at commercial banks.

Currency risk hedge for a probable future liability is recognised as cash flow hedge.

Upon the establishment of the hedge, the Group formally assigns and documents the hedging relation as well as the purpose of risk management and the strategy for 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 Group holds the following hedging instruments:**

***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 the statement of profit or loss.

If a hedged forecast 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 the statement of profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast 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 non-financial liability affects profit or loss.

Gains and losses resulting from the change of the fair value of derivative instruments which do not meet the conditions enabling the application of hedge accounting principles are recognised directly in the statement of profit or loss.

The Group ceases to apply the hedge accounting principles when the hedging instrument expired or was sold, its utilisation ended or it was exercised, or when the hedging ceased to meet the conditions enabling the application of hedge accounting principles with regard to it. In such a case, total profit or loss on a hedging instrument recognised in other comprehensive income and accumulated in equity are still recognised in equity until the forecast transaction occurs. If the Group no longer expects the forecast transaction to take place, total net profit or loss accumulated in equity are charged to the statement of profit or loss.

## **10.22. 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 Group does not have any overdraft facilities which would be related to cash management.

## **10.23. EQUITY**

Until the end of 1996, the parent company operated in the conditions of hyperinflation. Upon the transition to IFRS, i.e. on 1 January 2004, in accordance with the requirements of IAS 29, the parent company restated the equity components except for retained earnings from the previous years with the application of the general price index starting from the dates when the given equity items were contributed or otherwise emerged until 31 December 1996.

### **Share capital**

Share capital is recognised at the value resulting from the restatement of the nominal value in accordance with the requirements of IAS 29 described above.

### **Share premium supplementary capital**

Differences between the fair value of the payment received and the nominal value of shares are recognised in the share premium supplementary capital.

### **Dividends**

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

### **Capital from the valuation of share based payments**

The Group key employees are entitled to take up the parent company shares at a fixed price. The capital from share based payments reflects the fair value of the options granted.

### **Hedging reserve**

The Group is a party to forward/futures contracts hedging the future cash flows. The portion of gains or losses on a hedging instrument being an effective hedge is recognised directly in other comprehensive income in the 'Hedging reserve' 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 'Hedging reserve' item until the hedged item or transaction influences the profit or loss, and then the result in question is charged to profit or loss.

### **Retained earnings**

In this item, the Group presents retained earnings (loss), the profits which according to the owners' decision are retained in the Group, and actuarial gains (losses) related to post-employment benefits.

### **Currency translation differences for subsidiaries**

The item comprises foreign exchange gains and losses on translation of the data of consolidated subsidiaries for which the functional currency is other than PLN. The Group translates the data in accordance with the following procedures:

- assets and liabilities – at the exchange rate as at the balance-sheet date;
- revenue and costs – at the average weighted exchange rate from a given period.

## **10.24. ACCRUALS**

Accruals are amounts due payable for goods or services which were received or provided, but have not been paid for, invoiced or formally agreed with a supplier yet, including amounts due to employees.

Accruals comprise, for example, remuneration with add-ons paid once, related to annual periods, and short-term provisions for unused holiday.

## **10.25. SUBSIDIES**

Subsidies comprise cash obtained to finance the acquisition or generation of property, plant and equipment under construction and development works. They are settled similarly to depreciation charges for property, plant and equipment financed from these sources.

## **10.26. PROVISIONS**

Provisions are recognised only when the Group has a current liability 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 Group 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. If a discounting method has been applied, the increase in provisions related to the lapse of time is recognised in the interest item of finance costs.

## **10.27. PROVISIONS FOR WARRANTY REPAIRS**

The Group recognises a provision for the costs of expected warranty repairs related to the construction services rendered by the Group. The assumptions made for the calculation of the provision for warranty repairs are based on the current levels of sale and available up-to-date information concerning the risk and costs of warranty repairs.

## **10.28. PROVISIONS FOR EMPLOYEE BENEFITS**

In accordance with the corporate remuneration systems, the Group 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. Depending on the operating segment, the value of the benefits is equal either to one-month remuneration or a multiple of minimum remuneration as at the respective day. The Group 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. Net interest cost on net defined benefit liability is recognised in finance costs.

## **10.29. CONTINGENT LIABILITIES AND OTHER LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET**

A contingent liability is:

- a possible obligation that may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the Group control;
- a present obligation that arises from past events but is not recognised in the consolidated financial statements because it is not probable that spending cash to satisfy the obligation is necessary.

## **10.30. STATEMENT OF PROFIT OR LOSS**

The natural classification is the basic reporting classification of costs in the statement of profit or loss. Profit or loss is the aggregate amount resulting from the deduction of costs from revenue after adjustment with the change in the level of products and adjustment with the costs of the production of benefits for own needs, except for the components of other comprehensive income. Change in the level of products comprises the balance-sheet change of the level of finished goods and work in progress adjusted with write-downs.

## **10.31. STATEMENT OF COMPREHENSIVE INCOME**

The statement of comprehensive income comprises net profit from the statement of profit or loss and other comprehensive income in breakdown into other comprehensive income which can be recognised in profit or loss and other comprehensive income which will be recognised outside profit or loss.

## **10.32. STATEMENT OF CASH FLOWS**

The statement of cash flows from operating activities is prepared with indirect method.

## **10.33. CAPITAL MANAGEMENT**

Capital management takes place from the Capital Group perspective and aims at preserving the ability to ensure the Group's optimal operations, having regard for the accomplishment of investment plans, so that the Group can generate value and ensure return on investment for shareholders, as well as benefits for other stakeholders.

## **10.34. SHARE BASED PAYMENTS**

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

### **10.34.1. 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 expert as at the date of vesting the rights on the basis of the binominal model discussed further herein in supplementary information and explanatory notes. The valuation of equity-settled transactions takes into account market conditions of acquiring the rights (related to the price of the parent 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 the provision of work are met, ending on the date when the particular employees become fully entitled to the given benefits ('vesting date'). 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 awards the rights to which – in the opinion of Group Management Board as of that day, based on the best possible estimates of the number of equity instruments – are finally acquired.

No costs are recognised for not finally qualified awards, except for those awards for which the qualification depends on market conditions and which are treated as qualified regardless of the fact of meeting the market conditions, provided, however, that all other non-market conditions are met.

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 had 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. 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 share options is considered when determining the diluted earnings per share.

## **10.35. REVENUE**

### **10.35.1. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Group 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 Group 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 Group 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 Group is able to identify the rights of each of the parties regarding the goods or services which are to be transferred;
- the Group 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 Group will change); and
- it is probable that the Group 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 Group 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 Group may be lower than the price determined in the contract, if the consideration is variable, because the Group may offer a price discount to the customer.

#### **Identification of performance obligation**

At the moment of entering into contract, the Group 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 Group 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 Group 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 Group expectation will be due to the Group 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.

#### **Allocation of the transaction price to the particular performance obligation**

The Group 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 Group is due to the Group in exchange for the committed goods or services.

#### **Performance obligation fulfilment**

The Group 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 Group 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 Group recognises revenue in the amount due as at the moment of invoice issue.

#### **Warranties**

The Group 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 Group recognises such warranties pursuant to IAS 37 *Provisions, contingent liabilities and contingent assets*.

#### **Contractual assets**

Within contractual assets, the Group 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 Group). The Group 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 the receivables the Group 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 Group 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 Group as cost (impairment loss).

#### **Contractual liabilities**

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

### **10.35.2. 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.

### **10.35.3. RENTAL INCOME**

The income from the rental of investment properties 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.

### **10.35.4. 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 and trade goods 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.

### **10.35.5. 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.

### **10.35.6. FINANCIAL REVENUE**

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

## **10.36. 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 to the matching principle. In order to ensure the principle of the matching of 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.

### **10.36.1. OPERATING COSTS**

They comprise costs directly and indirectly related to the operations of the Group in breakdown into particular types of costs.

### **10.36.2. REVALUATION OF FINANCIAL ASSETS**

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

### **10.36.3.OTHER OPERATING COSTS**

These are costs indirectly related to the operations of the Group, 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 and trade goods over their reversal in a given period;

### **10.36.4.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.

## **10.37. TAXES**

### **10.37.1.CURRENT TAX**

Current 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.

### **10.37.2.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 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 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 Group 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.



## Tax exemptions related to operations in Special Economic Zones

Subsidiaries: Alupol Packaging S.A. and Alupol Films sp. z o.o. carry out business activities in Special Economic Zones pursuant to appropriate permits. Moreover, in 2021, the companies of Grupa Kęty S.A. and Romb S.A. received decisions on aid for new investment projects. These enable exemption from income tax of the revenue generated on the activities specified in the respective permits/aid decisions, up to the value of the state aid limit, which depends on the capital expenditures under the particular permits/aid decisions, as well as the intensity of state aid in the relevant region.

The Group recognises the benefits resulting from the obtained state aid in accordance with IAS 12 *Income Taxes*. The Group recognises deferred income tax assets in the amount of the available state aid granted to the Group as at the particular balance sheet dates.

### 10.37.3. VAT

Revenue, costs and assets 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.

## 11. 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.

The Group calculates diluted net earnings per share including potential shares. Potential shares are related to the options plan run by the Group. See note 24.1 for more information about the share options plan.

## 12. INFORMATION ON OPERATING SEGMENTS

Business was allocated to operating segments by the Management Board based on operating reports which are used for making decisions. The Group management reporting is based on operating segments. The organisation and management of the Group are based on segment division in reference to the type of products and services offered. Each of the segments constitutes a business unit or a set of business units offering different products and serving different markets.

The Group settles transactions between individual segments as if they referred to non-related entities, namely with the application of the present market prices.

An operating segment is a part of the Group:

- which is engaged in business activities from which it may generate revenue and incur costs;
- whose business results are regularly reviewed by the Group management staff in order to make decisions about the resources allocated to a given segment and to assess the activities of the segment; and
- for which separate financial information is available.

Operating segments presented by the Group are identical with the reporting segments presented in these consolidated financial statements.

**The Group operations comprise three basic operating areas and are divided into:**

- the Extruded Products Segment (EPS),
- the Aluminium Systems Segment (ASS),
- the Flexible Packaging Segment (FPS).
- The item 'Other' contains figures of the so-called Centre, i.e. the area of Grupa Kęty S.A. responsible for the management of such areas as finance, information technology, public relations, investor relations, risk management, capital investments, human resources, as well as the figures of Dekret Centrum Rachunkowe Sp. z o.o. which provides accounting, HR, and payroll services to the Capital Group companies.

**The particular segments are engaged in the following activities:**

- EPS – production and sale of aluminium profiles;
- ASS – production and sales of systems for the construction industry and the provision of construction services related to their assembly;
- FPS – production and sales of materials for packaging as well as plastic packaging.

Note 4 presents the assignment of the particular subsidiaries to business segments.

### 12.1. FINANCIAL RESULTS OF THE SEGMENTS

The operating segments results are assessed mainly on the basis of revenue, operating profit (EBIT), operating profit plus depreciation and amortisation (EBITDA), and capital expenditure.

The tables below present revenue and profits as well as assets and liabilities of the particular operating segments of the Group.

2021

|  | FPS | EPS | ASS | Other | Eliminations | Total |
|--|-----|-----|-----|-------|--------------|-------|
|--|-----|-----|-----|-------|--------------|-------|

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|  |                |                |                |                |                  |                |
|--|----------------|----------------|----------------|----------------|------------------|----------------|
| <b>Statement of profit or loss</b>                                   |                |                |                |                |                  |                |
| Sales  | 1,170,148      | 1,818,415      | 1,994,850      | 19,670         | (405,508)        | 4,597,575      |
| - outside of the Group   | 1,170,030      | 1,434,769      | 1,992,215      | 312            | 0                | 4,597,326      |
| - to related parties   | 118            | 383,646        | 2,635          | 19,358         | (405,508)        | 249            |
| Dividends  | 0              | 0              | 0              | 398,048        | (398,048)        | 0              |
| Write-down of materials and trade goods                              | 1,576          | (1,080)        | (5,707)        | 0              | 0                | (5,211)        |
| Write-downs of receivables   | 186            | (1,253)        | 1,337          | 0              | 0                | 270            |
| Write-downs of property, plant and equipment, and intangible assets  | 21             | (1,288)        | (3)            | 0              | 0                | (1,270)        |
| <b>Operating profit (EBIT)</b>                                       | <b>254,780</b> | <b>217,217</b> | <b>301,123</b> | <b>380,446</b> | <b>(407,518)</b> | <b>746,048</b> |
| Depreciation   | 33,353         | 68,621         | 48,373         | 3,220          | 79               | 153,646        |
| <b>EBITDA</b>  | <b>288,133</b> | <b>285,838</b> | <b>349,496</b> | <b>383,666</b> | <b>(407,439)</b> | <b>899,694</b> |
| Interest income  | 58             | 123            | 1,628          | 5              | 0                | 1,814          |
| Interest costs and discounts   | (2,814)        | (4,762)        | (4,878)        | (386)          | 0                | (12,840)       |
| <b>Profit before tax</b>   | <b>251,327</b> | <b>213,664</b> | <b>296,955</b> | <b>378,475</b> | <b>(407,516)</b> | <b>732,905</b> |
| Income tax   | (48,643)       | (41,353)       | (56,160)       | 6,771          | 1,848            | (137,537)      |
| <b>Net profit</b>  | <b>202,684</b> | <b>172,311</b> | <b>240,795</b> | <b>385,246</b> | <b>(405,668)</b> | <b>595,368</b> |
| <b>Balance sheet</b>   |                |                |                |                |                  |                |
| Total assets   | 1,086,344      | 1,215,301      | 1,262,926      | 465,693        | (503,449)        | 3,526,815      |
| Liabilities  | 325,708        | 708,746        | 773,966        | 108,229        | (159,277)        | 1,757,372      |
| <b>Other data</b>  |                |                |                |                |                  |                |
| Expenditures on property, plant and equipment, and intangible assets | 8,159          | 66,920         | 99,083         | 1,315          | 0                | 175,477        |

2020

|  | FPS            | EPS            | ASS            | Other          | Eliminations     | Total          |
|--|----------------|----------------|----------------|----------------|------------------|----------------|
| <b>Statement of profit or loss</b>                                   |                |                |                |                |                  |                |
| Sales  | 937,669        | 1,279,941      | 1,605,066      | 17,748         | (307,084)        | 3,533,340      |
| - outside of the Group   | 937,599        | 992,857        | 1,601,046      | 293            | 0                | 3,531,795      |
| - to related parties   | 70             | 287,084        | 4,020          | 17,455         | (307,084)        | 1,545          |
| Dividends  | 0              | 0              | 0              | 278,519        | (278,519)        | 0              |
| Write-down of materials and trade goods                              | (1,565)        | (2,123)        | (2,144)        | 0              | 0                | (5,832)        |
| Write-downs of receivables   | 61             | 548            | (5,928)        | 0              | (1)              | (5,320)        |
| Write-downs of property, plant and equipment, and intangible assets  | 0              | 264            | 144            | 0              | 0                | 408            |
| <b>Operating profit (EBIT)</b>                                       | <b>196,120</b> | <b>106,497</b> | <b>238,161</b> | <b>243,477</b> | <b>(258,430)</b> | <b>525,825</b> |
| Depreciation   | 32,750         | 65,542         | 45,206         | 3,048          | 47               | 146,593        |
| <b>EBITDA</b>  | <b>228,870</b> | <b>172,039</b> | <b>283,367</b> | <b>246,525</b> | <b>(258,383)</b> | <b>672,418</b> |
| Interest income  | 889            | 258            | 455            | 8              | 0                | 1,610          |
| Interest costs and discounts   | (4,671)        | (6,521)        | (4,296)        | (390)          | 0                | (15,878)       |
| <b>Profit before tax</b>   | <b>188,783</b> | <b>99,630</b>  | <b>233,882</b> | <b>241,422</b> | <b>(258,483)</b> | <b>505,234</b> |
| Income tax   | (14,233)       | (20,314)       | (44,478)       | 4,139          | 170              | (74,716)       |
| <b>Net profit</b>  | <b>174,550</b> | <b>79,316</b>  | <b>189,404</b> | <b>245,561</b> | <b>(258,313)</b> | <b>430,518</b> |
| <b>Balance sheet</b>   |                |                |                |                |                  |                |
| Total assets   | 1,003,602      | 1,061,520      | 970,360        | 375,824        | (522,422)        | 2,888,884      |
| Liabilities  | 287,505        | 526,640        | 508,062        | 84,165         | (104,424)        | 1,301,948      |
| <b>Other data</b>  |                |                |                |                |                  |                |
| Expenditures on property, plant and equipment, and intangible assets | 37,278         | 55,109         | 58,386         | 1,275          | 0                | 152,048        |

- The column 'Eliminations' contains inter-segment transactions and consolidation adjustments. In the statement of profit or loss it is mainly related to the sale of aluminium profiles by the EPS to the ASS. As regards assets and liabilities, eliminations comprise mainly investments in financial assets (shares and interests) and inter-segment settlements. All of the transactions are concluded on arm's length basis.

## 12.2. GEOGRAPHIC STRUCTURE OF NON-CURRENT ASSETS

| Geographic structure of non-current assets | 31.12.2021 | 31.12.2020 |
|--|------------|------------|
| Poland                                     | 1,482,203  | 1,469,508  |
| EU (without Poland)                        | 78,353     | 71,572     |
| Ukraine                                    | 13,607     | 11,317     |

|              |                  |                  |
|--------------|------------------|------------------|
| USA*         | 1,267            | 2,604            |
| <b>Total</b> | <b>1,575,430</b> | <b>1,555,001</b> |

\*Refers to the value of investments in an associated company, information in note 22.

The above fixed assets comprise property, plant and equipment, intangible assets, right-of-use assets, goodwill, investment properties and investments in associates.

### 13. REVENUE AND COSTS

#### 13.1. GEOGRAPHIC AND ITEM STRUCTURE OF REVENUE FROM CONTRACTS WITH CUSTOMERS

| <b>Geographic structure of revenue from contracts with customers</b> | <b>2021</b>      | <b>2020</b>      |
|--|------------------|------------------|
| Poland   | 2,309,480        | 1,798,384        |
| EU (without Poland)  | 1,771,045        | 1,503,869        |
| Other European countries   | 340,523          | 159,547          |
| Other countries  | 176,527          | 71,540           |
| including to related parties*  | 249              | 1,545            |
| <b>Total</b>   | <b>4,597,575</b> | <b>3,533,340</b> |
| <b>including to related parties*</b>                                 | <b>249</b>       | <b>1,545</b>     |

\*Refers to an associate, information in note 22.

The sales in the table above are recognised for the country of the counterparty within a sale transaction. In the current year and the previous year there was no sales concentration above 10% to one recipient.

| <b>Item structure of revenue from contracts with customers</b> | <b>2021</b>      | <b>2020</b>      |
|--|------------------|------------------|
| <b>Products, including:</b>                                    | <b>3,951,904</b> | <b>3,046,154</b> |
| - plastic packaging of the FPS                                 | 1,155,517        | 927,657          |
| - aluminium products of the EPS                                | 1,778,153        | 1,254,209        |
| - aluminium systems of the ASS                                 | 1,395,867        | 1,145,453        |
| Consolidation adjustments**                                    | (377,633)        | (281,165)        |
| including to related parties*                                  | 72               | 1,526            |
| <b>Services, including:</b>                                    | <b>26,181</b>    | <b>21,243</b>    |
| - the FPS  | 9,909            | 6,752            |
| - the EPS  | 12,960           | 13,811           |
| - the ASS  | 10,428           | 7,602            |
| - central functions  | 19,670           | 17,748           |
| Consolidation adjustments***                                   | (26,786)         | (24,670)         |
| including to related parties*                                  | 99               | 5                |
| <b>Construction services of the ASS</b>                        | <b>4,532</b>     | <b>7,225</b>     |
| <b>Materials and trade goods, including:</b>                   | <b>614,958</b>   | <b>458,718</b>   |
| - sold by the FPS  | 4,722            | 3,260            |
| - sold by the EPS  | 27,302           | 11,921           |
| - sold by the ASS  | 584,023          | 444,786          |
| Consolidation adjustments****                                  | (1,089)          | (1,249)          |
| including to related parties*                                  | 78               | 14               |
| <b>Total</b>   | <b>4,597,575</b> | <b>3,533,340</b> |
| <b>including from related parties</b>                          | <b>249</b>       | <b>1,545</b>     |

\*Refers to an associate, information in note 22.

\*\*Refers mainly to aluminium profiles sale by EPS to ASS.

\*\*\*Refers mainly to the cooperation between the ASS and the EPS, and services of the central units provided to the segments.

\*\*\*\*Refers mainly to aluminium scrap sales by the ASS to the EPS.

#### 13.2. REVENUE FROM CONSTRUCTION CONTRACTS AS WELL AS ASSETS AND LIABILITIES DUE TO THE CONTRACTS

Long-term construction contracts are one of the main sources of sales revenue. The tables below present the impact of construction contracts on the presented revenue and financial result of the Group.

|   | <b>2021</b>  | <b>2020</b>  |
|---|--------------|--------------|
| Costs incurred  | (3,322)      | (8,866)      |
| <b>Revenue in the statement of profit or loss, including:</b> | <b>1,686</b> | <b>7,225</b> |

|   |       |         |
|---|-------|---------|
| Invoiced revenue  | 2,064 | 8,657   |
| Revenue estimated based on the percentage of completion | (378) | (1,432) |

The table below presents the effects of the valuation of construction services contracts in progress as at the balance-sheet date (including contracts in progress from previous periods):

| <b>Assets/liabilities related to construction contracts</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Contractual assets  | 0                 | 141               |
| Liabilities related to construction contracts               | 572               | 991               |

In accordance with the Group estimations, the above contractual assets and liabilities will be realised within up to 12 months.

### 13.3. OTHER OPERATING REVENUE

|  | <b>2021</b>   | <b>2020</b>   |
|--|---------------|---------------|
| Reversed write-downs of property, plant and equipment      | 0             | 16            |
| Gains from the disposal of property, plant and equipment   | 469           | 408           |
| Subsidies  | 3,434         | 6,575         |
| Penalties and damages                                      | 3,996         | 2,778         |
| Inventory-taking surpluses                                 | 1,552         | 1,753         |
| Past due liabilities                                       | 283           | 79            |
| Received free-of-charge deliveries                         | 346           | 444           |
| Received bonuses from suppliers                            | 666           | 335           |
| Compensation on account of electric energy prices increase | 5,180         | 0             |
| Other  | 2,773         | 2,802         |
| <b>Total</b>   | <b>18,699</b> | <b>15,190</b> |

### 13.4. REVALUATION OF FINANCIAL ASSETS

|                                  | <b>2021</b> | <b>2020</b> |
|----------------------------------|-------------|-------------|
| Revaluation of trade receivables | 270         | (5,319)     |

### 13.5. OTHER OPERATING COSTS

|  | <b>2021</b>     | <b>2020</b>     |
|--|-----------------|-----------------|
| Provisions for costs of damages                                    | (937)           | (2,983)         |
| Provisions for costs of complaints                                 | (2,100)         | 0               |
| Write-down of property, plant and equipment, and intangible assets | (1,270)         | 0               |
| Write-down of materials  | (5,211)         | (5,833)         |
| Promotion and publicity  | (11,957)        | (9,726)         |
| Business trips   | (2,325)         | (2,176)         |
| Waste disposal   | (3,413)         | (1,579)         |
| Liquidation of property, plant and equipment                       | (859)           | (905)           |
| Inventory shortages  | (1,993)         | (2,517)         |
| Property damage  | (810)           | (404)           |
| Penalties and damages  | (1,200)         | (562)           |
| Donations  | (963)           | (1,473)         |
| Court costs related to receivables litigation                      | (231)           | (273)           |
| Revaluation of investment properties                               | (51)            | (214)           |
| Other  | (4,991)         | (3,992)         |
| <b>Total</b>   | <b>(38,311)</b> | <b>(32,637)</b> |

### 13.6. FINANCIAL REVENUE

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
|--|-------------|-------------|

|              |              |              |
|--------------|--------------|--------------|
| Interest     | 1,815        | 1,610        |
| Discounts    | 96           | 6            |
| <b>Total</b> | <b>1,911</b> | <b>1,616</b> |

### 13.7. FINANCE COSTS

|  | 2021            | 2020            |
|--|-----------------|-----------------|
| Interest on leases and loans   | (11,608)        | (15,059)        |
| Discount of provisions for employee benefits                           | (295)           | (255)           |
| Other interest   | (937)           | (565)           |
| Surplus of currency translation losses over currency translation gains | (21)            | (4,057)         |
| Discounts  | (238)           | (314)           |
| Bank commissions   | (1,933)         | (1,929)         |
| Other  | (22)            | (28)            |
| <b>Total</b>   | <b>(15,054)</b> | <b>(22,207)</b> |

### 13.8. IMPAIRMENT OF ASSETS WITH INDEFINITE USEFUL LIFE

Due to the nature of the business, the majority of single non-current assets of the Group do not generate cash flows which would be independent of flows generated by other assets. Individual cash-generating units are the companies belonging to the particular operating segments.

The allocation of goodwill to the particular units generating cash flows is presented in the table below:

|   | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| Aluprof S.A. – Aluminium Systems Segment          | 17,102        | 17,102        |
| Other companies of the Aluminium Systems Segment* | 2,538         | 2,547         |
| Extruded Products Segment                         | 61            | 61            |
| Flexible Packaging Segment                        | 350           | 350           |
| <b>Total</b>                                      | <b>20,051</b> | <b>20,060</b> |

\*Change in goodwill in other companies stems from currency translation differences from the conversion of currency.

#### Write-downs of goodwill

| Company name                | Operating segment | 31.12.2021 | 31.12.2020 |
|-----------------------------|-------------------|------------|------------|
| Aluprof S.A.                | ASS               | 650        | 650        |
| Aluprof System Hungary Kft. | ASS               | 121        | 121        |
| Romb S.A.                   | ASS               | 185        | 185        |
| <b>Total</b>                |                   | <b>956</b> | <b>956</b> |

In the presented periods, the Group performed annual impairment tests for units to which goodwill and intangible assets with indefinite useful lives were assigned.

Impairment tests carried out in the presented years did not indicate any need to recognise write-downs.

The below impairment test results reflect the breakdown into companies belonging to particular operating segments.

Recognised write-downs are presented in the table below:

| Cash-generating units   | Aluprof Belgium N.V.<br>(part of the Aluminium<br>Systems Segment) | Aluprof S.A.<br>(part of the Aluminium<br>Systems Segment) | Other companies<br>of the Aluminium<br>Systems Segment* | Other segments*                 |
|---|--|--|---|---------------------------------|
| Basis of recoverable<br>amount                                    | Value in use   | Value in use   | Value in use  | Value in use                    |
| Goodwill  | 2,490  | 17,102   | 48  | 411                             |
| Intangible assets with<br>indefinite useful lives<br>(trademarks) | 0  | 22,500   | 0   | 0                               |
| Valuation amount  | Many times exceeding<br>the tested values**                        | Many times exceeding<br>the tested values**                | Immaterial  | Immaterial                      |
| Impairment  | Not determined   | Not determined   | Not determined  | Not determined                  |
| Source of data  | Proprietary projections  | Proprietary projections                                    | Proprietary projections                                 | Proprietary projections         |
| Valuation basis   | 5-year cash flows<br>projection                                    | 5-year cash flows<br>projection                            | 5-year cash flows<br>projection                         | 5-year cash flows<br>projection |

|                                     |                          |                          |            |            |
|-------------------------------------|--------------------------|--------------------------|------------|------------|
| Incremental growth rate             | 0%                       | 0%                       | 0%         | 0%         |
| Discount rate applied <sup>1)</sup> | 6.02%                    | 7.46%                    | 7.46%      | 7.46%      |
| <b>Susceptibility analysis:</b>     |                          |                          |            |            |
| Interest rate +1%                   | No impact on test result | No impact on test result | Immaterial | Immaterial |
| Cash-flows -1%                      | No impact on test result | No impact on test result | Immaterial | Immaterial |

<sup>1)</sup> The discount rate applied is based on the discount rate prior to inclusion of the effects of taxation, as defined by IAS 36.

\*Collective data for FPS and EPS, tests were made separately for each segment.

\*\*No justified or probable changes in the key assumptions made by the management with regard to the recoverable amount of the units make the carrying amount of the units exceed their recoverable amount.

Cash flows projections were based on 2022 budget assumptions, as well as the strategic assumptions of the Group until the year 2025.

Cash flows projections assume growth of revenue and maintenance of the 2021 margin level for all tested units. Within 5-year detailed projections replacement expenditure was assumed at half the annual depreciation charges, and for the residual period, in the amount of depreciation of the last year of the detailed projection.

### 13.9. COSTS OF MATERIALS AND ENERGY, AND THE VALUE OF GOODS AND MATERIALS SOLD

|   | 2021               | 2020               |
|---|--------------------|--------------------|
| Materials consumption                     | (2,469,260)        | (1,666,781)        |
| Energy consumption                        | (105,296)          | (99,271)           |
| Value of resold materials and trade goods | (364,840)          | (304,013)          |
| Result on hedging transactions            | (13,041)           | (9,922)            |
| <b>Total</b>                              | <b>(2,952,437)</b> | <b>(2,079,987)</b> |

### 14. INCOME TAX

|   | 2021             | 2020            |
|---|------------------|-----------------|
| Current tax   | (106,165)        | (71,732)        |
| Deferred tax  | (31,372)         | (2,984)         |
| <b>Income tax recognised in the statement of profit or loss</b> | <b>(137,537)</b> | <b>(74,716)</b> |

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

| Effective tax rate   | %          | 2021             | %          | 2020            |
|--|------------|------------------|------------|-----------------|
| <b>Gross financial result</b>  |            | <b>732,905</b>   |            | <b>505,234</b>  |
| Tax at the state rate of 19%   | 19%        | (139,252)        | 19%        | (95,994)        |
| Effect of differences in tax rates of subsidiaries operating in other countries                                  | 0%         | 2,029            | 0%         | (575)           |
| Change in the estimate of deferred income tax asset related to the operations in the Special Economic Zone [SEZ] | 0%         | (26)             | (4)%       | 22,598          |
| Impact of tax-exempt revenue and non-tax costs   | 0%         | (288)            | 0%         | (745)           |
| <b>Income tax recognised in the statement of profit or loss</b>  | <b>19%</b> | <b>(137,537)</b> | <b>15%</b> | <b>(74,716)</b> |

### 14.1. DEFERRED INCOME TAX PROVISION

|                             | 01.01.2021 | Deferred income tax in the statement of profit or loss | Deferred income tax in other comprehensive income | Cumulative translation adjustment for subsidiaries | 31.12.2021 |
|-----------------------------|------------|--|---|--|------------|
| Assets, of which:           | 138,329    | (32,573)   | (702)   | 2  | 105,056    |
| Employee benefits (payroll) | 1,914      | 271  | 0   | 0  | 2,185      |

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|  |                |                |            |              |               |
|--|----------------|----------------|------------|--------------|---------------|
| Provisions for employee benefits (holidays, bonuses, retirement benefits or disability benefits)                       | 10,077         | (53)           | (702)      | 2            | 9,324         |
| Other provisions and accruals  | 2,662          | 2,704          | 0          | 0            | 5,366         |
| Write-down of receivables  | 6,961          | (676)          | 0          | 0            | 6,285         |
| Write-down of inventories  | 4,551          | 2,036          | 0          | 0            | 6,587         |
| Unrealised profits on inventories  | 5,269          | 50             | 0          | 0            | 5,319         |
| Write-downs of non-current assets  | 3,708          | 169            | 0          | 0            | 3,877         |
| Currency translation differences from the revaluation of items in foreign currencies (receivables, liabilities, loans) | 1,586          | (630)          | 0          | 0            | 956           |
| CIT abatement due to the operations in SEZ   | 77,754         | (39,423)       | 0          | 0            | 38,331        |
| Tax loss   | 114            | 1755           | 0          | 0            | 1,869         |
| Difference between the carrying amount and the tax value of property, plant and equipment                              | 21,561         | 2,067          | 0          | 0            | 23,628        |
| Interest on loans  | 48             | (37)           | 0          | 0            | 11            |
| Other  | 2,124          | (806)          | 0          | 0            | 1,318         |
| <i>Set-off for presentation purposes</i>   | (26,329)       |                |            |              | (27,758)      |
| <b>Deferred tax assets</b>   | <b>112,000</b> |                |            |              | <b>77,298</b> |
| Provisions, of which:  | <b>72,283</b>  | <b>(1,201)</b> | <b>252</b> | <b>(242)</b> | <b>71,092</b> |
| Difference between the carrying amount and the tax value of property, plant and equipment                              | 64,959         | 2,295          | 0          | (242)        | 67,012        |
| Valuation of investment properties   | 1,763          | (869)          | 0          | 0            | 894           |
| Derivative financial instruments   | 862            | 0              | 252        | 0            | 1,114         |
| Other  | 4,699          | (2,627)        | 0          | 0            | 2,072         |
| <i>Set-off for presentation purposes</i>   | (26,329)       |                |            |              | (27,758)      |
| <b>Deferred tax provision</b>  | <b>45,954</b>  |                |            |              | <b>43,334</b> |

|  | 01.01.2020     | Deferred income tax in the statement of profit or loss | Deferred income tax in other comprehensive income | Cumulative translation adjustment for subsidiaries | 31.12.2020     |
|--|----------------|--|---|--|----------------|
| Assets, of which:  | <b>137,067</b> | <b>451</b>   | <b>437</b>  | <b>374</b>   | <b>138,329</b> |
| Employee benefits (payroll)  | 1,747          | 167  | 0   | 0  | 1,914          |
| Provisions for employee benefits (holidays, bonuses, retirement benefits or disability benefits)                       | 5,694          | 3,572  | 437   | 374  | 10,077         |
| Other provisions and accruals  | 5,871          | (3,209)  | 0   | 0  | 2,662          |
| Write-down of receivables  | 7,147          | (186)  | 0   | 0  | 6,961          |
| Write-down of inventories  | 3,369          | 1,182  | 0   | 0  | 4,551          |
| Unrealised profits on inventories  | 2,612          | 2,657  | 0   | 0  | 5,269          |
| Write-downs of non-current assets  | 3,834          | (126)  | 0   | 0  | 3,708          |
| Currency translation differences from the revaluation of items in foreign currencies (receivables, liabilities, loans) | 669            | 917  | 0   | 0  | 1,586          |
| CIT abatement due to the operations in SEZ   | 86,251         | (8,497)  | 0   | 0  | 77,754         |
| Tax loss   | 0              | 114  | 0   | 0  | 114            |
| Difference between the carrying amount and the tax value of property, plant and equipment                              | 19,759         | 1,802  | 0   | 0  | 21,561         |
| Interest on loans  | 114            | (66)   | 0   | 0  | 48             |
| Other  | 0              | 2,124  | 0   | 0  | 2,124          |
| <i>Set-off for presentation purposes</i>   | (21,965)       |  |   |  | (26,329)       |
| <b>Deferred tax assets</b>   | <b>115,102</b> |  |   |  | <b>112,000</b> |
| Provisions, of which:  | <b>67,398</b>  | <b>3,435</b>   | <b>650</b>  | <b>800</b>   | <b>72,283</b>  |
| Difference between the carrying amount and the tax value of property, plant and equipment                              | 61,411         | 2,748  | 0   | 800  | 64,959         |
| Valuation of investment properties   | 1,813          | (50)   | 0   | 0  | 1,763          |
| Derivative financial instruments   | 399            | (187)  | 650   | 0  | 862            |
| Other  | 3,775          | 924  | 0   | 0  | 4,699          |

|  |               |               |
|--|---------------|---------------|
| <i>Set-off for presentation purposes</i> | (21,965)      | (26,329)      |
| <b>Deferred tax provision</b>            | <b>45,433</b> | <b>45,954</b> |

According to the Group estimates, the following amounts recognised above were of long-term nature:

|   | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Deferred tax assets related to tax exemptions for the operations in SEZ     | 19,518            | 56,325            |
| Deferred tax assets related to provisions and accruals                      | 3,971             | 4,162             |
| Deferred tax provision related to investment property                       | (894)             | (824)             |
| Net deferred tax asset (provision) related to property, plant and equipment | (43,888)          | (42,937)          |
| <b>Total long-term assets (provisions)</b>                                  | <b>(21,293)</b>   | <b>16,726</b>     |

The deferred tax assets and provisions items, except for the ones listed above, are short-term.

The table below presents the dates and amounts of settling tax losses, for which the Group did not recognise deferred tax assets:

| <b>Titles on which no deferred tax assets were recognised</b>          | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| CIT exemption due to the operations in SEZ valid till 31 December 2026 | 0                 | 6,504             |
| <b>Total non-recognised deferred income tax assets</b>                 | <b>0</b>          | <b>6,504</b>      |

Some Group companies operate on the basis of permits in special economic zones as well as decisions on aid for investment projects in the relevant areas – in accordance with the legal regulations, taxable income of such companies generated in the zones on the activities specified in the respective permits/aid decisions is subject to tax exemption during the term of the permit/decision. The exemption limit depends on the capital expenditure made under the particular permits.

Reconciliation of the change in deferred income tax asset (liability) charged to net profit and other comprehensive income.

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| <b>Assets (provision) as at 31.12.2021 / 31.12.2020</b>                                     | <b>66,046</b> | <b>69,669</b> |
| Valuation of derivative financial instruments recognised in other comprehensive income      | (252)         | (650)         |
| Actuarial valuation recognised in other comprehensive income                                | (702)         | 437           |
| Deferred income tax recognised in profit or loss  | (31,372)      | (2,984)       |
| Cumulative translation adjustment for subsidiaries recognised in other comprehensive income | 244           | (426)         |
| <b>Assets (provision) as at 31.12.2021 / 31.12.2020</b>                                     | <b>33,964</b> | <b>66,046</b> |

## 14.2. TAX EXEMPTIONS RELATED TO OPERATIONS IN SPECIAL ECONOMIC ZONES AND DECISIONS ON AID FOR NEW INVESTMENT PROJECTS

Alupol Packaging S.A. and Alupol Films sp. z o.o. (Flexible Packaging Segment) operate in Special Economic Zones on the basis of permits. Moreover, in 2021, Grupa Kęty S.A. and Romb S.A. received decisions on aid for new investment projects. Therefore, as regards their income from the operations defined in the relevant permits/decisions, the companies may take advantage of corporate income tax exemptions, upon fulfilment of the conditions specified in the permits/decisions. The maximum level of exemptions (state aid limit) depends on the amount of eligible capital expenditure made under each permit/aid decision. The zone operation permits held by the Group and the periods of tax exemptions availing expire on 31 December 2026, whereas the aid decisions expire in 2031 and 2033, respectively. In order to estimate the value of the possible benefits of the permits/aid decisions related to operation in the relevant areas/Special Economic Zones, an assumption has been made compliant with the gross profit level on the said investment projects presented in the Group 2025 Strategy, corrected for the major temporary differences (differences between the value of tax depreciation and balance-sheet depreciation). As regards the decisions for which the exemption conditions have not yet been fulfilled, the Group estimates their performance based on proprietary projections.

The table below presents the amounts of available discounted state aid (state aid limit):



| <b>The amounts of available discounted state aid (state aid limit)</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| Permits expiring on 31 December 2026 – aid limit of 40%                | 48,638            | 48,638            |
| Permits expiring on 31 December 2026 – aid limit of 35%                | 81,279            | 81,279            |
| Aid decisions expiring in 2023 – aid limit of 35%                      | 132               | 0                 |
| Aid decisions expiring in 2031 – aid limit of 25%                      | 447               | 0                 |
| <b>Total</b>   | <b>130,496</b>    | <b>129,917</b>    |

In accordance with the applicable regulations, the state aid limit is determined based on discounted expenditures on the purchase of property, plant and equipment under the permits/aid decisions obtained. The discount is made as at the date of the permit issue, based on the discount rate announced by the Office for Competition and Consumer Protection.

The table below presents the amounts of the discounted state aid utilised starting from the permit issue date:

| <b>The amounts of the discounted state aid availed of</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Permits expiring on 31 December 2026 – aid limit of 40%   | 48,638            | 39,757            |
| Permits expiring on 31 December 2026 – aid limit of 35%   | 50,436            | 26,776            |
| <b>Total</b>  | <b>99,074</b>     | <b>66,533</b>     |

In accordance with the applicable regulations, the nominal amounts of tax exemptions obtained are discounted as at the date of the permit issue, under which the settlement is made, with the use of the discount rate announced by the Office for Competition and Consumer Protection. Such discounted amounts may not exceed the state aid limits.

The table below presents the nominal value of state aid availed of:

| <b>The nominal value of state aid availed of (value of the utilised tax exemptions)</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Permits expiring on 31 December 2026 – aid limit of 40%                                 | 61,580            | 50,536            |
| Permits expiring on 31 December 2026 – aid limit of 35%                                 | 59,312            | 30,975            |
| <b>Total</b>  | <b>120,892</b>    | <b>81,511</b>     |

The table below presents the planned use of deferred tax assets resulting from operations in Special Economic Zones, broken down into the particular years.

| <b>Value of assets broken down into the expected periods of use</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Year 2021   | 0                 | 21,430            |
| Year 2022   | 18,813            | 10,608            |
| Year 2023   | 19,332            | 11,006            |
| Year 2024   | 186               | 11,439            |
| Year 2025   | 0                 | 11,660            |
| Year 2026   | 0                 | 11,611            |
| <b>Total</b>  | <b>38,331</b>     | <b>77,754</b>     |

### 14.3. INCOME TAX RECEIVABLES (PAYABLES)

Income tax receivables (liabilities) comprise the differences between paid tax advances and the current income tax for the given year.

|                        | 31.12.2021 | 31.12.2020 |
|------------------------|------------|------------|
| Income tax receivables | 1,353      | 2,240      |
| Income tax payables    | (50,993)   | (30,835)   |

### 15. EARNINGS/(LOSS) PER SHARE

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

|   | 2021           | 2020           |
|---|----------------|----------------|
| <b>Net profit attributable to owners of the parent</b>  | <b>594,638</b> | <b>430,181</b> |
| Weighted average number of ordinary shares assumed for the calculation of earnings per 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      |
| Basic earnings per share from the basic profit for the period attributable to owners of the parent (in PLN)   | 61.65          | 44.80          |
| Diluted earnings per share from the basic profit for the period attributable to owners of the parent (in PLN) | 61.50          | 44.72          |

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 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 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).

### 16. DIVIDENDS PAID AND PROPOSED FOR PAYMENT

In 2021 the parent 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).

Moreover, Aluprof Netherlands N.V. paid dividend to its minority shareholders amounting to PLN 374,000 (in 2020: PLN 554,000).

As at the date of these financial statements publication, the Management Board has not made a decision yet with regard to the recommended dividend payment from 2021 profit.

### 17. PROPERTY, PLANT AND EQUIPMENT

|                          | 31.12.2021       | 31.12.2020       |
|--------------------------|------------------|------------------|
| <b>Gross value</b>       | <b>2,681,629</b> | <b>2,551,429</b> |
| Land                     | 31,673           | 30,433           |
| Buildings and structures | 773,215          | 733,513          |
| Plant and machinery      | 1,374,902        | 1,346,671        |
| Means of transport       | 67,848           | 62,974           |

|  |                    |                    |
|--|--------------------|--------------------|
| Other property, plant and equipment              | 378,080            | 330,790            |
| Property, plant and equipment under construction | 55,911             | 47,048             |
| <b>Amortisation</b>                              | <b>(1,200,301)</b> | <b>(1,080,725)</b> |
| Buildings and structures                         | (185,339)          | (165,642)          |
| Plant and machinery                              | (703,503)          | (638,541)          |
| Means of transport                               | (39,770)           | (34,778)           |
| Other property, plant and equipment              | (271,689)          | (241,764)          |
| <b>Write-downs</b>                               | <b>(20,403)</b>    | <b>(19,515)</b>    |
| Buildings and structures                         | (6,564)            | (6,865)            |
| Plant and machinery                              | (12,371)           | (12,349)           |
| Other property, plant and equipment              | (1,468)            | (301)              |
| <b>Net value</b>                                 | <b>1,460,925</b>   | <b>1,451,189</b>   |
| Land   | 31,673             | 30,433             |
| Buildings and structures                         | 581,312            | 561,006            |
| Plant and machinery                              | 659,028            | 695,781            |
| Means of transport                               | 28,078             | 28,196             |
| Other property, plant and equipment              | 104,923            | 88,725             |
| Property, plant and equipment under construction | 55,911             | 47,048             |

| Property, plant and equipment                    | 31.12.2020         | Increases        | Decreases       | Shifts    | Currency translation differences | 31.12.2021         |
|--|--------------------|------------------|-----------------|-----------|----------------------------------|--------------------|
| <b>Gross value</b>                               | <b>2,551,429</b>   | <b>156,292</b>   | <b>(29,684)</b> | <b>0</b>  | <b>3,592</b>                     | <b>2,681,629</b>   |
| Land   | 30,433             | 0                | 0               | 1,287     | (47)                             | 31,673             |
| Buildings and structures                         | 733,513            | 0                | (3,578)         | 42,358    | 922                              | 773,215            |
| Plant and machinery                              | 1,346,671          | 0                | (12,040)        | 38,277    | 1,994                            | 1,374,902          |
| Means of transport                               | 62,974             | 0                | (3,831)         | 8,524     | 181                              | 67,848             |
| Other property, plant and equipment              | 330,790            | 0                | (9,721)         | 56,468    | 543                              | 378,080            |
| Property, plant and equipment under construction | 47,048             | 156,292          | (514)           | (146,914) | (1)                              | 55,911             |
| <b>Amortisation</b>                              | <b>(1,080,725)</b> | <b>(144,925)</b> | <b>26,997</b>   | <b>0</b>  | <b>(1,648)</b>                   | <b>(1,200,301)</b> |
| Buildings and structures                         | (165,642)          | (21,363)         | 2,255           | 0         | (589)                            | (185,339)          |
| Plant and machinery                              | (638,541)          | (76,393)         | 12,027          | 0         | (596)                            | (703,503)          |
| Means of transport                               | (34,778)           | (7,870)          | 2,976           | 0         | (98)                             | (39,770)           |
| Other property, plant and equipment              | (241,764)          | (39,299)         | 9,739           | 0         | (365)                            | (271,689)          |
| <b>Write-downs</b>                               | <b>(19,515)</b>    | <b>(1,381)</b>   | <b>493</b>      | <b>0</b>  | <b>0</b>                         | <b>(20,403)</b>    |
| Buildings and structures                         | (6,865)            | (17)             | 318             | 0         | 0                                | (6,564)            |
| Plant and machinery                              | (12,349)           | (66)             | 44              | 0         | 0                                | (12,371)           |
| Means of transport                               | 0                  | (40)             | 40              | 0         | 0                                | 0                  |
| Other property, plant and equipment              | (301)              | (1,258)          | 91              | 0         | 0                                | (1,468)            |
| <b>Net value</b>                                 | <b>1,451,189</b>   | <b>9,986</b>     | <b>(2,194)</b>  | <b>0</b>  | <b>1,944</b>                     | <b>1,460,925</b>   |
| Land   | 30,433             | 0                | 0               | 1,287     | (47)                             | 31,673             |
| Buildings and structures                         | 561,006            | (21,380)         | (1,005)         | 42,358    | 333                              | 581,312            |
| Plant and machinery                              | 695,781            | (76,459)         | 31              | 38,277    | 1,398                            | 659,028            |
| Means of transport                               | 28,196             | (7,910)          | (815)           | 8,524     | 83                               | 28,078             |
| Other property, plant and equipment              | 88,725             | (40,557)         | 109             | 56,468    | 178                              | 104,923            |
| Property, plant and equipment under construction | 47,048             | 156,292          | (514)           | (146,914) | (1)                              | 55,911             |

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| Property, plant and equipment                    | 31.12.2019       | Increases        | Decreases       | Shifts      | Currency translation differences | 31.12.2020         |
|--|------------------|------------------|-----------------|-------------|----------------------------------|--------------------|
| <b>Gross value</b>                               | <b>2,440,841</b> | <b>152,048</b>   | <b>(45,307)</b> | <b>(78)</b> | <b>3,925</b>                     | <b>2,551,429</b>   |
| Land   | 29,674           | 0                | 0               | 0           | 759                              | 30,433             |
| Buildings and structures                         | 713,445          | 0                | (3,690)         | 22,895      | 863                              | 733,513            |
| Plant and machinery                              | 1,295,348        | 0                | (11,190)        | 60,929      | 1,584                            | 1,346,671          |
| Means of transport                               | 60,149           | 0                | (4,292)         | 7,037       | 80                               | 62,974             |
| Other property, plant and equipment              | 316,803          | 0                | (25,155)        | 38,526      | 616                              | 330,790            |
| Property, plant and equipment under construction | 25,422           | 152,048          | (980)           | (129,465)   | 23                               | 47,048             |
| <b>Amortisation</b>                              | <b>(984,068)</b> | <b>(136,461)</b> | <b>41,866</b>   | <b>0</b>    | <b>(2,062)</b>                   | <b>(1,080,725)</b> |
| Buildings and structures                         | (149,063)        | (19,679)         | 2,546           | 0           | 554                              | (165,642)          |
| Plant and machinery                              | (573,428)        | (72,662)         | 9,618           | 0           | (2,069)                          | (638,541)          |
| Means of transport                               | (31,688)         | (7,451)          | 4,405           | 0           | (44)                             | (34,778)           |
| Other property, plant and equipment              | (229,889)        | (36,669)         | 25,297          | 0           | (503)                            | (241,764)          |
| <b>Write-downs</b>                               | <b>(20,716)</b>  | <b>(209)</b>     | <b>1,410</b>    | <b>0</b>    | <b>0</b>                         | <b>(19,515)</b>    |
| Buildings and structures                         | (7,475)          | (1)              | 611             | 0           | 0                                | (6,865)            |
| Plant and machinery                              | (12,740)         | (28)             | 419             | 0           | 0                                | (12,349)           |
| Means of transport                               | (122)            | (59)             | 181             | 0           | 0                                | 0                  |
| Other property, plant and equipment              | (379)            | (121)            | 199             | 0           | 0                                | (301)              |
| <b>Net value</b>                                 | <b>1,436,057</b> | <b>15,378</b>    | <b>(2,031)</b>  | <b>(78)</b> | <b>1,863</b>                     | <b>1,451,189</b>   |
| Land   | 29,674           | 0                | 0               | 0           | 759                              | 30,433             |
| Buildings and structures                         | 556,907          | (19,680)         | (533)           | 22,895      | 1,417                            | 561,006            |
| Plant and machinery                              | 709,180          | (72,690)         | (1,153)         | 60,929      | (485)                            | 695,781            |
| Means of transport                               | 28,339           | (7,510)          | 294             | 7,037       | 36                               | 28,196             |
| Other property, plant and equipment              | 86,535           | (36,790)         | 341             | 38,526      | 113                              | 88,725             |
| Property, plant and equipment under construction | 25,422           | 152,048          | (980)           | (129,465)   | 23                               | 47,048             |

The gross value increase item covers acquisitions, whereas the amortisation increase item refers to depreciation of the particular groups of property, plant and equipment. The shift item presents values of property, plant and equipment put into use in the reporting period.

**Changes of estimates concerning useful lives, and the capitalisation of finance costs**

In the presented periods, the Group did not make any significant changes in the useful lives of property, plant and equipment. Write-downs and liquidation of property, plant and equipment resulted mainly from their sale, or faster-than-expected wear and tear as compared to their useful lives.

|   | 2021  | 2020  |
|---|-------|-------|
| Net value of liquidated property, plant and equipment | 2,194 | 2,031 |

The Group capitalises interest related to financing of the adjustment to the Group needs of the acquired property, plant and equipment.

|   | 2021 | 2020 |
|---|------|------|
| Interest charged to property, plant and equipment | 441  | 70   |

**Restrictions on the disposal of property, plant and equipment**

|  | 31.12.2021     | 31.12.2020     |
|--|----------------|----------------|
| Registered pledge on property, plant and equipment; group of plant and machinery | 57,000         | 57,000         |
| Mortgage on land, buildings and structures                                       | 517,000        | 517,000        |
| <b>Total value of property, plant and equipment securing loans*</b>              | <b>574,000</b> | <b>574,000</b> |
| <b>Total value of restricted property, plant and equipment</b>                   | <b>574,000</b> | <b>574,000</b> |

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

**Contractual liabilities**

| By operating segments      | 31.12.2021     | 31.12.2020    |
|----------------------------|----------------|---------------|
| Extruded Products Segment  | 91,804         | 9,219         |
| Flexible Packaging Segment | 11,461         | 1,131         |
| Aluminium Systems Segment  | 54,378         | 21,099        |
| Joint expenditure          | 8              | 82            |
| <b>Total</b>               | <b>157,651</b> | <b>31,531</b> |

At the end of the current year, the major items of the said liabilities were related to:

- construction of a new production and warehouse hall at the Aluminium Systems Segment;
- construction of a production hall and purchase of presses at the Extruded Products Segment.

### Impairment losses

The companies within the particular operating segments are cash-generating units for impairment tests (details of the companies of the Group and their business segments are included in note 4). In 2021 the Group did not carry out impairment tests of property, plant and equipment, as there were no indicators of impairment. In 2020, the impairment tests carried out have not reflected any necessity of recognising write-downs. The recognised impairment losses are related to individual assessment of the usefulness of the particular items of property, plant and equipment and the possibility of generating positive net cash flows by them.

## 18. RIGHT-OF-USE ASSETS

### 18.1. GROUP AS A LESSEE

| Right-of-use assets      | 31.12.2021      | 31.12.2020     |
|--------------------------|-----------------|----------------|
| <b>Gross value</b>       | <b>54,068</b>   | <b>52,242</b>  |
| Land                     | 32,796          | 32,760         |
| Buildings and structures | 14,611          | 12,866         |
| Plant and machinery      | 1,246           | 1,512          |
| Means of transport       | 5,415           | 5,104          |
| <b>Amortisation</b>      | <b>(13,350)</b> | <b>(8,564)</b> |
| Land                     | (1,391)         | (926)          |
| Buildings and structures | (8,191)         | (4,950)        |
| Plant and machinery      | (956)           | (700)          |
| Means of transport       | (2,812)         | (1,988)        |
| <b>Net value</b>         | <b>40,718</b>   | <b>43,678</b>  |
| Land                     | 31,405          | 31,834         |
| Buildings and structures | 6,420           | 7,916          |
| Plant and machinery      | 290             | 812            |
| Means of transport       | 2,603           | 3,116          |

|                          | 31.12. 2020    | Increases      | Decreases    | Currency translation differences | 31.12. 2021     |
|--------------------------|----------------|----------------|--------------|----------------------------------|-----------------|
| <b>Gross value</b>       | <b>52,242</b>  | <b>1,678</b>   | <b>(262)</b> | <b>410</b>                       | <b>54,068</b>   |
| Land                     | 32,760         | 0              | 0            | 36                               | 32,796          |
| Buildings and structures | 12,866         | 1,678          | 0            | 67                               | 14,611          |
| Plant and machinery      | 1,512          | 0              | (262)        | (4)                              | 1,246           |
| Means of transport       | 5,104          | 0              | 0            | 311                              | 5,415           |
| <b>Amortisation</b>      | <b>(8,564)</b> | <b>(4,910)</b> | <b>262</b>   | <b>(138)</b>                     | <b>(13,350)</b> |
| Land                     | (926)          | (463)          | 0            | (2)                              | (1,391)         |
| Buildings and structures | (4,950)        | (3,236)        | 0            | (5)                              | (8,191)         |
| Plant and machinery      | (700)          | (478)          | 262          | (40)                             | (956)           |
| Means of transport       | (1,988)        | (733)          | 0            | (91)                             | (2,812)         |
| <b>Net value</b>         | <b>43,678</b>  | <b>(3,232)</b> | <b>0</b>     | <b>272</b>                       | <b>40,718</b>   |

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|                          |        |         |   |      |        |
|--------------------------|--------|---------|---|------|--------|
| Land                     | 31,834 | (463)   | 0 | 34   | 31,405 |
| Buildings and structures | 7,916  | (1,558) | 0 | 62   | 6,420  |
| Plant and machinery      | 812    | (478)   | 0 | (44) | 290    |
| Means of transport       | 3,116  | (733)   | 0 | 220  | 2,603  |

  

|                          | 31.12. 2019    | Increases      | Decreases      | Currency translation differences | 31.12. 2020    |
|--------------------------|----------------|----------------|----------------|----------------------------------|----------------|
| <b>Gross value</b>       | <b>48,848</b>  | <b>4,608</b>   | <b>(1,604)</b> | <b>390</b>                       | <b>52,242</b>  |
| Land                     | 32,822         | 0              | 0              | (62)                             | 32,760         |
| Buildings and structures | 11,470         | 2,042          | (1,042)        | 396                              | 12,866         |
| Plant and machinery      | 948            | 780            | (216)          | 0                                | 1,512          |
| Means of transport       | 3,608          | 1,786          | (346)          | 56                               | 5,104          |
| <b>Amortisation</b>      | <b>(4,261)</b> | <b>(3,924)</b> | <b>396</b>     | <b>(775)</b>                     | <b>(8,564)</b> |
| Land                     | (464)          | (464)          | 0              | 2                                | (926)          |
| Buildings and structures | (2,210)        | (2,652)        | 180            | (268)                            | (4,950)        |
| Plant and machinery      | (434)          | (482)          | 216            | 0                                | (700)          |
| Means of transport       | (1,153)        | (326)          | 0              | (509)                            | (1,988)        |
| <b>Net value</b>         | <b>44,587</b>  | <b>684</b>     | <b>(1,208)</b> | <b>(385)</b>                     | <b>43,678</b>  |
| Land                     | 32,358         | (464)          | 0              | (60)                             | 31,834         |
| Buildings and structures | 9,260          | (610)          | (862)          | 128                              | 7,916          |
| Plant and machinery      | 514            | 298            | 0              | 0                                | 812            |
| Means of transport       | 2,455          | 1,460          | (346)          | (453)                            | 3,116          |

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

| Costs on account of | 2021           | 2020           |
|---------------------|----------------|----------------|
| Lease interest      | (703)          | (1,035)        |
| Depreciation        | (4,910)        | (3,867)        |
| Low-value lease     | (450)          | (470)          |
| Short-term lease    | (610)          | (630)          |
| <b>Total</b>        | <b>(6,673)</b> | <b>(6,002)</b> |

Value of future lease payments

|   | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| Value of future lease payments            | 50,920        | 55,581        |
| Discount                                  | (28,976)      | (31,034)      |
| <b>Present value of lease liabilities</b> | <b>21,944</b> | <b>24,547</b> |
| Including short-term lease                | 4,854         | 4,679         |

The weighted average incremental borrowing rate of the Group as a lessee, applied to lease liabilities discounting as at 31 December 2021, amounted to 4.14% (31 December 2020 – 4.20%).

## 18.2. GROUP AS A LESSOR

Occasionally, the Group concludes finance lease contracts with its customers in reference to machinery, and with commercial representatives in reference to cars. As at the balance-sheet date, the Group had more than ten contracts pending repayment. The Group did not recognise any uncollectible lease payments.

The terms and conditions of the contracts concluded by the Group are as follows:

- the finance covers the period from 18 to 60 months;
- the object of the contracts may be machinery or cars;
- the contracts cover for the option of the lease object purchase by the user after repayment, at a price lower than the market value on the day of acquisition;
- the contracts cover for termination option, for example if arrears amount to 3 monthly instalments;

- the user may terminate the contract providing that they cover any losses of the lessor resulting from the termination;
- the contracts forbid sub-leasing of the object of lease or assignment of the rights under the contract.

The contracts do not contain any contingent lease payments depending on future factors other than the lapse of time.

|   | 31.12.2021   | 31.12.2020   |
|---|--------------|--------------|
| <b>Gross lease investment</b>                           | <b>1,118</b> | <b>1,731</b> |
| Up to 1 year  | 616          | 819          |
| Between 1 and 5 years                                   | 502          | 912          |
| <b>Present value of minimum lease payments</b>          | <b>1,060</b> | <b>1,627</b> |
| Up to 1 year  | 573          | 758          |
| Between 1 and 5 years                                   | 487          | 869          |
| <b>Unearned finance income (discount)</b>               | <b>58</b>    | <b>104</b>   |
| <b>Unguaranteed residual value vested in the lessor</b> | <b>292</b>   | <b>390</b>   |

## 19. INVESTMENT PROPERTIES

|   | 31.12.2021   | 31.12.2020   |
|---|--------------|--------------|
| <b>Net value at the beginning of the period</b> | <b>2,724</b> | <b>3,315</b> |
| Expenditure on property improvement             | 148          | 428          |
| Transfer to property, plant and equipment       | (48)         | (805)        |
| Fair value adjustment as a result of valuation  | (51)         | (214)        |
| <b>Net value at the end of the period</b>       | <b>2,773</b> | <b>2,724</b> |

The investment properties recognised at the balance-sheet date are related mainly to the administration and office building owned by the Aluprof S.A. subsidiary, rented to third parties.

The Group revalues investment properties at the end of each reporting year.

The carrying amount of investment properties is based on fair values determined on the basis of the valuation conducted by a qualified independent expert (fair value hierarchy – 3). The approach applied by the expert was based on comparing market prices of rents in accordance with the income method and straight capitalisation of gross revenue technique.

| <b>Data used for the valuation</b> | 31.12.2021 | 31.12.2020 |
|------------------------------------|------------|------------|
| Usable area in m <sup>2</sup>      | 777        | 777        |
| Percentage of vacancies            | 10%        | 10%        |
| Monthly rent per m <sup>2</sup>    | 38-42      | 38-42      |
| Annual rental revenue              | 260        | 261        |
| Upkeep costs                       | 196        | 197        |
| Assumed capitalisation rate        | 8%         | 8,5%       |

The standard property rental agreements are concluded for unlimited time and comprise a possibility of their termination by any of the parties with one-month notice period.

## 20. INTANGIBLE ASSETS (EXCEPT FOR GOODWILL)

|                                    | 31.12.2021      | 31.12.2020      |
|------------------------------------|-----------------|-----------------|
| <b>Gross value</b>                 | <b>139,407</b>  | <b>121,761</b>  |
| Development costs                  | 10,899          | 9,866           |
| Computer software                  | 44,013          | 41,921          |
| Aluprof trademark                  | 22,500          | 22,500          |
| Database of customers              | 43,927          | 43,927          |
| ROMB trademark                     | 1,900           | 1,900           |
| Other intangible assets            | 212             | 244             |
| Intangible assets not put into use | 15,956          | 1,403           |
| <b>Amortisation</b>                | <b>(87,811)</b> | <b>(85,115)</b> |
| Development costs                  | (8,481)         | (8,018)         |
| Computer software                  | (35,191)        | (33,177)        |

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Database of customers              | (43,927)       | (43,676)       |
| Other intangible assets            | (212)          | (244)          |
| <b>Write-downs</b>                 | <b>(1,900)</b> | <b>(1,900)</b> |
| ROMB trademark                     | (1,900)        | (1,900)        |
| <b>Net value</b>                   | <b>49,696</b>  | <b>34,746</b>  |
| Development costs                  | 2,418          | 1,848          |
| Computer software                  | 8,822          | 8,744          |
| Aluprof trademark                  | 22,500         | 22,500         |
| Database of customers              | 0              | 251            |
| Intangible assets not put into use | 15,956         | 1,403          |

|   | 31.12.2020      | Increases      | Decreases      | Shifts   | Currency translation differences | 31.12.2021      |
|---|-----------------|----------------|----------------|----------|----------------------------------|-----------------|
| <b>Gross value</b>                      | <b>121,761</b>  | <b>19,185</b>  | <b>(1,569)</b> | <b>0</b> | <b>30</b>                        | <b>139,407</b>  |
| Development costs                       | 9,866           | 0              | (50)           | 1068     | 15                               | 10,899          |
| Computer software                       | 41,921          | 0              | (1,488)        | 3,564    | 16                               | 44,013          |
| Aluprof trademark                       | 22,500          | 0              | 0              | 0        | 0                                | 22,500          |
| Database of customers                   | 43,927          | 0              | 0              | 0        | 0                                | 43,927          |
| ROMB trademark                          | 1,900           | 0              | 0              | 0        | 0                                | 1,900           |
| Other intangible assets                 | 244             | 0              | (31)           | 0        | (1)                              | 212             |
| Intangible assets not put into use      | 1,403           | 19,185         | 0              | (4,632)  | 0                                | 15,956          |
| <b>Amortisation</b>                     | <b>(85,115)</b> | <b>(3,811)</b> | <b>1,135</b>   | <b>0</b> | <b>(20)</b>                      | <b>(87,811)</b> |
| Development costs                       | (8,018)         | (503)          | 50             | 0        | (10)                             | (8,481)         |
| Computer software                       | (33,177)        | (3,057)        | 1,054          | 0        | (11)                             | (35,191)        |
| Database of customers                   | (43,676)        | (251)          | 0              | 0        | 0                                | (43,927)        |
| Other intangible assets                 | (244)           | 0              | 31             | 0        | 1                                | (212)           |
| <b>Write-downs of intangible assets</b> | <b>(1,900)</b>  | <b>0</b>       | <b>0</b>       | <b>0</b> | <b>0</b>                         | <b>(1,900)</b>  |
| ROMB trademark                          | (1,900)         | 0              | 0              | 0        | 0                                | (1,900)         |
| <b>Net value of intangible assets</b>   | <b>34,746</b>   | <b>15,374</b>  | <b>(434)</b>   | <b>0</b> | <b>10</b>                        | <b>49,696</b>   |
| Development costs                       | 1,848           | (503)          | 0              | 1,068    | 5                                | 2,418           |
| Computer software                       | 8,744           | (3,057)        | (434)          | 3,564    | 5                                | 8,822           |
| Aluprof trademark                       | 22,500          | 0              | 0              | 0        | 0                                | 22,500          |
| Database of customers                   | 251             | (251)          | 0              | 0        | 0                                | 0               |
| Intangible assets not put into use      | 1,403           | 19,185         | 0              | (4,632)  | 0                                | 15,956          |

|                                    | 31.12.2019      | Increases      | Decreases       | Shifts   | Currency translation differences | 31.12.2020      |
|------------------------------------|-----------------|----------------|-----------------|----------|----------------------------------|-----------------|
| <b>Gross value</b>                 | <b>129,764</b>  | <b>3,641</b>   | <b>(11,868)</b> | <b>0</b> | <b>224</b>                       | <b>121,761</b>  |
| Development costs                  | 9,098           | 0              | 0               | 742      | 26                               | 9,866           |
| Computer software                  | 38,539          | 0              | (473)           | 3,657    | 198                              | 41,921          |
| Aluprof trademark                  | 22,500          | 0              | 0               | 0        | 0                                | 22,500          |
| Database of customers              | 43,927          | 0              | 0               | 0        | 0                                | 43,927          |
| ROMB trademark                     | 1,900           | 0              | 0               | 0        | 0                                | 1,900           |
| MHF trademark                      | 2,394           | 0              | (2,394)         | 0        | 0                                | 0               |
| Schelfhaut trademark               | 9,001           | 0              | (9,001)         | 0        | 0                                | 0               |
| Other intangible assets            | 244             | 0              | 0               | 0        | 0                                | 244             |
| Intangible assets not put into use | 2,161           | 3,641          | 0               | (4,399)  | 0                                | 1,403           |
| <b>Amortisation</b>                | <b>(90,620)</b> | <b>(6,208)</b> | <b>11,868</b>   | <b>0</b> | <b>(155)</b>                     | <b>(85,115)</b> |
| Development costs                  | (7,689)         | (303)          | 0               | 0        | (26)                             | (8,018)         |



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|   |                |                |          |          |           |                |
|---|----------------|----------------|----------|----------|-----------|----------------|
| Computer software                       | (30,544)       | (2,977)        | 473      | 0        | (129)     | (33,177)       |
| Database of customers                   | (40,748)       | (2,928)        | 0        | 0        | 0         | (43,676)       |
| MHF trademark                           | (2,394)        | 0              | 2,394    | 0        | 0         | 0              |
| Schelfhaut trademark                    | (9,001)        | 0              | 9,001    | 0        | 0         | 0              |
| Other intangible assets                 | (244)          | 0              | 0        | 0        | 0         | (244)          |
| <b>Write-downs of intangible assets</b> | <b>(1,900)</b> | <b>0</b>       | <b>0</b> | <b>0</b> | <b>0</b>  | <b>(1,900)</b> |
| ROMB trademark                          | (1,900)        | 0              | 0        | 0        | 0         | (1,900)        |
| <b>Net value of intangible assets</b>   | <b>37,244</b>  | <b>(2,567)</b> | <b>0</b> | <b>0</b> | <b>69</b> | <b>34,746</b>  |
| Development costs                       | 1,409          | (303)          | 0        | 742      | 0         | 1,848          |
| Computer software                       | 7,995          | (2,977)        | 0        | 3,657    | 69        | 8,744          |
| Aluprof trademark                       | 22,500         | 0              | 0        | 0        | 0         | 22,500         |
| Database of customers                   | 3,179          | (2,928)        | 0        | 0        | 0         | 251            |
| Intangible assets not put into use      | 2,161          | 3,641          | 0        | (4,399)  | 0         | 1,403          |

### Depreciation of intangible assets

Depreciation charges for intangible assets are recognised in full in the operating costs item of 'Depreciation/Amortisation' in the statement of profit or loss. 'Aluprof' and 'ROMB' trademarks, due to the indefinite useful life, are not subject to depreciation. Every year the Group carries out an impairment test for the trademarks.

### Impairment losses

The Group carried out impairment tests for intangible assets with indefinite economic useful lives. Intangible assets with indefinite useful lives comprise the 'Aluprof' and 'ROMB' trademarks. The impairment tests carried out at the end of 2021 and 2020 did not show any impairment of the 'Aluprof' trademark, whereas in the preceding years the value of the 'ROMB' trademark was written down.

In 2020, the Group resigned from the maintenance of the 'MHF' and 'Schelfhaut' trademarks – they were fully covered with write-downs in the preceding years.

The 'Aluprof' and 'ROMB' trademarks are assigned to separate cash-generating units of the Aluminium Systems Segment, and the assumptions for the impairment test that was carried out are presented in the note referring to the impairment tests.

### Intangible assets not put into use

A major item is the fire glass production technology worth PLN 9,474,000. The technology launch is planned for mid 2022, and the expected useful life from the time of adjustment is 10 years.

### Contractual liabilities

As at 31 December 2021 and 31 December 2020, the Group did not have any contractual liabilities related to the acquisition of intangible assets.

## 21. BUSINESS COMBINATIONS

In 2021 and 2020 no business combinations took place.

## 22. INVESTMENTS IN ASSOCIATES

In 2014, the subsidiary Aluprof System USA, Inc with its registered office in the USA entered into a joint venture agreement with two US partners and a new company was established for that purpose, i.e. Aluprof USA LLC with its registered office in New York. The company share capital was USD 220,000, whereas Grupa Kęty S.A., through its subsidiary Aluprof System USA, Inc., took up 45.5% of shares in the company of the initial value of USD 100,100.

The company was involved in the distribution of aluminium systems. The establishment of the company was an element of the Group strategy of systematically increasing the share of export sales in the total sales of all Group segments. In the Aluminium Systems Segment, this strategy is implemented additionally through the establishment of subsidiaries on the markets to which products are exported, which allows the Group to better adjust the products offer to the specific nature of the particular markets and meet their technical and legal requirements more precisely. In 2021, a decision was made with regard to a change in the model of presence on the USA market and closure of the operations of Aluprof USA LLC. In the Group financial statements, the company is recognised using the equity method. The Group presents net operating profit, as the nature of the investment complies with its business. The Group plans that the company winding-up process will have been completed in 2022. A lower value of investment in the associate results mainly from the dividend received in 2021.

## Interests in associates

|                         | 31.12.2021   | 31.12.2020   |
|-------------------------|--------------|--------------|
| Interests in associates | 1,267        | 2,604        |
| <b>Total</b>            | <b>1,267</b> | <b>2,604</b> |

The company basic financial figures:

| STATEMENT OF PROFIT OR LOSS             | 2021           | 2020           |
|---|----------------|----------------|
| <b>Operating income</b>                 | <b>7,933</b>   | <b>8,287</b>   |
| <b>Operating costs</b>                  | <b>(8,584)</b> | <b>(9,931)</b> |
| <b>Loss on operating activities</b>     | <b>(651)</b>   | <b>(1,644)</b> |
| Financial revenue                       | 0              | 0              |
| Finance costs                           | 0              | 0              |
| <b>Loss before tax</b>                  | <b>(651)</b>   | <b>(1,644)</b> |
| Income tax                              | 0              | 0              |
| <b>Net loss on continued operations</b> | <b>(651)</b>   | <b>(1,644)</b> |

The Group share in the net loss of the company valued using the equity method amounts to PLN (296,000) [45.5% \* 651].  
In 2020: PLN (748,000) [45.5% \* 1,644].

| ASSETS                               | 31.12.2021   | 31.12.2020   |
|--------------------------------------|--------------|--------------|
| <b>I. Non-current assets</b>         | <b>4</b>     | <b>15</b>    |
| Property, plant and equipment        | 4            | 15           |
| <b>II. Current assets</b>            | <b>3,808</b> | <b>7,318</b> |
| Trade and other receivables          | 3,321        | 5,713        |
| Cash and cash equivalents            | 487          | 1,605        |
| <b>Total assets</b>                  | <b>3,812</b> | <b>7,333</b> |
| EQUITY/LIABILITIES                   | 31.12.2021   | 31.12.2020   |
| <b>I. Equity</b>                     | <b>2,797</b> | <b>4,728</b> |
| Share capital                        | 893          | 827          |
| Retained earnings                    | 1,904        | 3,901        |
| <b>II. Long-term liabilities</b>     | <b>0</b>     | <b>537</b>   |
| <b>III. Short-term liabilities</b>   | <b>1,015</b> | <b>2,068</b> |
| Trade payables and other liabilities | 1,015        | 2,068        |
| <b>Total equity/liabilities</b>      | <b>3,812</b> | <b>7,333</b> |

## 23. BORROWINGS

|                   | 31.12.2021 | 31.12.2020 |
|-------------------|------------|------------|
| <b>Borrowings</b> | <b>0</b>   | <b>31</b>  |

## 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 share 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, and 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<br>tranche | 2020 plan, 2020<br>tranche |
|--|----------------------------|----------------------------|
| Date of granting options                               | 19 October 2021            | 16 September 2020          |
| Number of options granted to the Group employees       | 90,000                     | 90,000                     |
| 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            | <b>20,089</b>              | <b>7,556</b>               |
| 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 Group 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 tranches as at the balance-sheet date.

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

The amounts recognised below increased remuneration costs in the period as well as the Group equity.

| Costs of the options plans               | 2021         | 2020       |
|--|--------------|------------|
| 2017 tranche of the 2015 plan            | 0            | 462        |
| 2020 tranche of the 2020 plan            | 2,648        | 469        |
| 2021 tranche of the 2020 plan            | 590          | 0          |
| <b>Total options costs in the period</b> | <b>3,238</b> | <b>931</b> |

Future costs of share options plans are as follows:

|                               | 2022         | 2023         | 2024         |
|-------------------------------|--------------|--------------|--------------|
| 2020 tranche of the 2020 plan | 2,429        | 1,822        | 0            |
| 2021 tranche of the 2020 plan | 2,360        | 2,360        | 1,770        |
| <b>Total</b>                  | <b>4,789</b> | <b>4,182</b> | <b>1,770</b> |

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

| Balance as at 31.12.2020  | 2021 tranche         | 2020 tranche         |
|---|----------------------|----------------------|
| Number of granted options   | 90,000               | 90,000               |
| 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   | 90,000               | 90,000               |
| Number of options exercised   | 0                    | 0                    |
| 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. RETIREMENT BENEFITS AND JUBILEE BONUSES

|   | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| Long-term provision for jubilee bonuses, retirement benefits, disability benefits and death in service benefits | 20,403        | 21,563        |
| <b>Total</b>  | <b>20,403</b> | <b>21,563</b> |

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:

|                            | 2022 | 2023 | 2024 | 2025 | 2026 | Other years |
|----------------------------|------|------|------|------|------|-------------|
| Extruded Products Segment  | 6%   | 4%   | 4%   | 4%   | 4%   | 2.5%        |
| Flexible Packaging Segment | 6%   | 6%   | 6%   | 6%   | 6%   | 2.5%        |
| Aluminium Systems Segment  | 6%   | 6%   | 6%   | 6%   | 6%   | 2.5%        |
| Other companies            | 6%   | 6%   | 6%   | 6%   | 6%   | 2.5%        |

Assumptions concerning the increase in future remuneration as at 31 December 2020:

|                           | 2021 | 2022 | 2023 | 2024 | 2025 | Other years |
|---------------------------|------|------|------|------|------|-------------|
| Extruded Products Segment | 4%   | 4%   | 4%   | 4%   | 4%   | 2.5%        |

|                            |    |    |    |    |      |      |
|----------------------------|----|----|----|----|------|------|
| Flexible Packaging Segment | 5% | 5% | 5% | 5% | 5%   | 2.5% |
| Aluminium Systems Segment  | 3% | 3% | 3% | 3% | 2.5% | 2.5% |
| Other companies            | 5% | 3% | 5% | 5% | 5%   | 2.5% |

The short-term part of the provision for jubilee bonuses, retirement benefits, disability benefits and death in service benefits is recognised in other short-term provisions.

The provisions for retirement benefits, disability benefits, death in service benefits and jubilee bonuses were calculated using an individual method, for each employee separately. The provision is calculated using the present value of the Group future liabilities due to employee 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 employee to reach the retirement age during the employment in the Group from the time of acquiring the right to the employee benefit. The aforementioned probability was determined using the Multiple Decrement Model, where the following three risks were taken into account:

- 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.

### 24.3. ACTUARIAL GAINS/LOSSES

The table below presents the statement of changes in liabilities due to employee benefits by the particular items:

|   | Retirement<br>benefits | Disability<br>benefits | Jubilee<br>bonuses | Death in<br>service<br>benefits | Total         |
|---|------------------------|------------------------|--------------------|---------------------------------|---------------|
| <b>31.12.2020</b>   | <b>19,922</b>          | <b>540</b>             | <b>963</b>         | <b>709</b>                      | <b>22,134</b> |
| Current employment cost   | 2,468                  | 92                     | 82                 | 95                              | 2,737         |
| Interest costs  | 270                    | 9                      | 4                  | 12                              | 295           |
| Actuarial losses/(gains) charged to other<br>comprehensive income | (3,462)                | (86)                   | 0                  | 12                              | (3,536)       |
| (Payments)  | (369)                  | (31)                   | (9)                | 0                               | (409)         |
| Cumulative translation adjustment for foreign<br>companies        | (12)                   | 0                      | (3)                | 0                               | (15)          |
| <b>31.12.2021</b>   | <b>18,817</b>          | <b>524</b>             | <b>1,037</b>       | <b>828</b>                      | <b>21,206</b> |
| <i>Short-term</i>   | 709                    | 50                     | 0                  | 44                              | 803           |
| <i>Long-term</i>  | 18,108                 | 474                    | 1,037              | 784                             | 20,403        |

|   | Retirement<br>benefits | Disability<br>benefits | Jubilee<br>bonuses | Death in<br>service<br>benefits | Total         |
|---|------------------------|------------------------|--------------------|---------------------------------|---------------|
| <b>31.12.2019</b>   | <b>15,338</b>          | <b>437</b>             | <b>975</b>         | <b>646</b>                      | <b>17,396</b> |
| Current employment cost   | 1,762                  | 78                     | 85                 | 89                              | 2,014         |
| Interest costs  | 356                    | 9                      | 0                  | 13                              | 378           |
| Actuarial losses/(gains) charged to other<br>comprehensive income | 2,704                  | 53                     | 0                  | (29)                            | <b>2,728</b>  |
| Past employment cost  | (193)                  | 0                      | (45)               | 0                               | (238)         |
| (Payments)  | (343)                  | (37)                   | (129)              | (10)                            | <b>(519)</b>  |
| Cumulative translation adjustment for foreign<br>companies        | 298                    | 0                      | 77                 | 0                               | 375           |
| <b>31.12.2020</b>   | <b>19,922</b>          | <b>540</b>             | <b>963</b>         | <b>709</b>                      | <b>22,134</b> |
| <i>Short-term</i>   | 493                    | 46                     | 0                  | 32                              | 571           |
| <i>Long-term</i>  | 19,429                 | 494                    | 963                | 677                             | 21,563        |

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

| 2021                              | Financial discount rate |                   | Planned increases in the bases |                 |
|-----------------------------------|-------------------------|-------------------|--------------------------------|-----------------|
| <b>Change</b>                     | <b>-0.5 p.p.</b>        | <b>+ 0.5 p.p.</b> | <b>-1 p.p.</b>                 | <b>+ 1 p.p.</b> |
| Retirement benefits               | 2,188                   | (1,795)           | (1,189)                        | 1,353           |
| Disability benefits               | 50                      | (49)              | (20)                           | 29              |
| Death in service benefits         | 15                      | (15)              | (48)                           | 52              |
| <b>Total change in provisions</b> | <b>2,253</b>            | <b>(1,859)</b>    | <b>(1,257)</b>                 | <b>1,434</b>    |

| 2020                              | Financial discount rate |                   | Planned increases in the bases |                 |
|-----------------------------------|-------------------------|-------------------|--------------------------------|-----------------|
| <b>Change</b>                     | <b>-0.5 p.p.</b>        | <b>+ 0.5 p.p.</b> | <b>-1 p.p.</b>                 | <b>+ 1 p.p.</b> |
| Retirement benefits               | 1,541                   | (1,350)           | (395)                          | 474             |
| Disability benefits               | 34                      | (30)              | (13)                           | 14              |
| Death in service benefits         | 50                      | (55)              | (77)                           | 91              |
| <b>Total change in provisions</b> | <b>1,625</b>            | <b>(1,435)</b>    | <b>(485)</b>                   | <b>579</b>      |

## 25. INVENTORIES

|                   | 31.12.2021     | 31.12.2020     |
|-------------------|----------------|----------------|
| Materials         | 461,365        | 256,758        |
| Work in progress  | 188,431        | 99,870         |
| Finished products | 238,622        | 149,515        |
| Trade goods       | 12,267         | 10,448         |
| <b>Total</b>      | <b>900,685</b> | <b>516,591</b> |

Inventories did not secure loans or other debts.

In 2021 the Group recognised write-downs of materials amounting to PLN 5,211,000 (recognised as other operating costs), and PLN 9,109,000 of write-downs of finished products and semi-products (recognised as an adjustment in the balance of products).

In 2020 the Group recognised write-downs of materials amounting to PLN 5,833,000 (recognised as other operating costs), and PLN 364,000 of write-downs of finished products and semi-products (recognised as an adjustment in the balance of products).

| Write-downs                             | 31.12.2021      | 31.12.2020      |
|---|-----------------|-----------------|
| Materials                               | (15,323)        | (13,239)        |
| Work in progress                        | (4,871)         | (3,313)         |
| Finished products                       | (14,483)        | (6,932)         |
| Trade goods                             | (833)           | (471)           |
| <b>Total write-downs of inventories</b> | <b>(35,510)</b> | <b>(23,955)</b> |

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

|   | 2021             | 2020             |
|---|------------------|------------------|
| Value of products sold                    | 2,800,830        | 2,127,062        |
| Value of resold materials and trade goods | 364,841          | 304,013          |
| <b>Total</b>                              | <b>3,165,671</b> | <b>2,431,075</b> |

## 26. LONG-TERM RECEIVABLES AND ADVANCE PAYMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

|   | 31.12.2021    | 31.12.2020   |
|---|---------------|--------------|
| <b>Advance payments for the purchase of property, plant and equipment</b> | <b>68,950</b> | <b>2,676</b> |
| <b>Other receivables:</b>   |               |              |
| Building security deposits  | 311           | 942          |
| Lease receivables   | 487           | 869          |
| Other   | 312           | 188          |
| <b>Total</b>  | <b>1,110</b>  | <b>1,999</b> |

Advances for the purchase of property, plant and equipment refer to prepayments on the construction of halls and two aluminium profiles extrusion presses in Kęty, within the Polish Investment Zone [Polska Strefa Inwestycji] programme, with minimum expenditures of PLN 220 million, construction of a ROMB S.A. plant in Złotów of the value of roughly PLN 90 million, also within the Polish Investment Zone, as well as the extension of production capacity within the other ASS companies.

As a performance bond for construction services, for a part of construction contracts the Company retains security deposits on account of remedying the possible defects. The security deposits have a strict maturity date, and in case no defects are discovered, they are reimbursable in full value.

## 27. TRADE AND OTHER RECEIVABLES

|   | 31.12.2021      | 31.12.2020      |
|---|-----------------|-----------------|
| <b>Gross receivables:</b>                                       | <b>840,962</b>  | <b>611,392</b>  |
| Trade receivables   | 732,344         | 570,239         |
| - including from related parties*                               | 0               | 663             |
| Deposits on account of transactions hedging the aluminium price | 56              | 1,801           |
| Receivables from employees                                      | 191             | 89              |
| Other   | 5,621           | 7,122           |
| <b>Total gross financial receivables (under IFRS 7)</b>         | <b>738,212</b>  | <b>579,251</b>  |
| Public law receivables (except for income tax)                  | 33,675          | 18,594          |
| Prepayments (trade-related) for suppliers                       | 61,991          | 8,811           |
| Prepaid expenses  | 7,084           | 4,736           |
| <b>Total gross non-financial receivables</b>                    | <b>102,750</b>  | <b>32,141</b>   |
| <b>Write-down of receivables</b>                                | <b>(51,457)</b> | <b>(70,372)</b> |
| Trade receivables   | (50,066)        | (68,911)        |
| Prepayments (trade-related) for suppliers                       | 0               | (55)            |
| Other   | (1,391)         | (1,406)         |
| <b>Net receivables:</b>   | <b>789,505</b>  | <b>541,020</b>  |
| Trade receivables   | 682,278         | 501,328         |
| - including from related parties*                               | 0               | 663             |
| Deposits on account of transactions hedging the aluminium price | 56              | 1,801           |
| Receivables from employees                                      | 191             | 89              |
| Other   | 4,230           | 5,716           |
| <b>Total net financial receivables (under IFRS 7)</b>           | <b>686,755</b>  | <b>508,934</b>  |
| Public law receivables (except for income tax)                  | 33,675          | 18,594          |
| Prepayments (trade-related) for suppliers                       | 61,991          | 8,756           |
| Prepaid expenses  | 7,084           | 4,736           |
| <b>Total net non-financial receivables</b>                      | <b>102,750</b>  | <b>32,086</b>   |

\*Refers to an associate, information in note 22.

The conditions of related party transactions are presented in note 36.2 of the supplementary information and explanatory notes.

Trade receivables do not bear interest and usually have 30 to 90 days maturity.

The Group has implemented an appropriate policy related to sales only to verified customers, and applies receivables insurance and other forms of security. Consequently, according to the management's opinion, there is no additional credit risk exceeding the level established by the write-down of the Group uncollectible receivables.

Changes in the write-downs of trade receivables:

|                                       | 2021          | 2020          |
|---------------------------------------|---------------|---------------|
| <b>At the beginning of the period</b> | <b>70,372</b> | <b>72,312</b> |
| Increase                              | 0             | 5,319         |
| Recognition                           | 270           | 0             |
| Utilisation                           | (19,185)      | (7,219)       |
| <b>At the end of the period</b>       | <b>51,457</b> | <b>70,372</b> |

Below presented is the analysis of trade receivables which were overdue, but were not deemed impaired:

| Value of receivables (ageing structure) | 31.12.2021     | 31.12.2020     |
|---|----------------|----------------|
| <b>Gross receivables</b>                | <b>840,962</b> | <b>611,392</b> |
| Not overdue                             | 748,215        | 481,943        |
| <i>Overdue:</i>                         |                |                |
| up to 3 months                          | 39,954         | 71,139         |
| between 3 and 6 months                  | 1,843          | 416            |
| between 6 and 12 months                 | 1,237          | 721            |
| over 12 months                          | 49,713         | 57,173         |
| <b>Write-down of receivables</b>        | <b>51,457</b>  | <b>70,372</b>  |
| Not overdue                             | 1,013          | 3,274          |
| <i>Overdue:</i>                         |                |                |
| up to 3 months                          | 131            | 9,188          |
| between 3 and 6 months                  | 350            | 382            |
| between 6 and 12 months                 | 374            | 675            |
| over 12 months                          | 49,589         | 56,853         |
| <b>Net receivables</b>                  | <b>789,505</b> | <b>541,020</b> |
| Not overdue                             | 747,202        | 478,669        |
| <i>Overdue:</i>                         |                |                |
| up to 3 months                          | 39,823         | 61,951         |
| between 3 and 6 months                  | 1,493          | 34             |
| between 6 and 12 months                 | 863            | 46             |
| over 12 months                          | 124            | 320            |

Overdue receivables not covered by write-downs are insured or subject to other securities. As a result, the Group expects that they will be paid. In the Group's opinion, the credit quality of the receivables, which are overdue but not covered by the write-downs described above is good.

## 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 Group 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.

|  | 31.12.2021     | 31.12.2020     |
|--|----------------|----------------|
| Bank deposits (current accounts) and short-term deposits | 103,765        | 151,126        |
| Cash in hand   | 45             | 44             |
| <b>Total</b>   | <b>103,810</b> | <b>151,170</b> |



As at 31 December 2021, the Group had PLN 11,870,000 of restricted availability cash in its VAT accounts (31 December 2020: PLN 22,226,000). 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, the Group had undrawn committed credit limits amounting to PLN 227,911,000 with regard to which all conditions precedent had been complied with (31 December 2020: PLN 528,183,000).

## 28.1. 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 receivables                         | 2021         | 2020         |
|--|--------------|--------------|
| Balance-sheet change in the balance (+ decrease, – increase) | (249,596)    | 62           |
| Change in the balance reflected in cash flows                | (247,421)    | 3,820        |
| <b>Difference</b>  | <b>2,175</b> | <b>3,758</b> |
| - of which change in contractual assets                      | 2,175        | 3,758        |

| Change in the balance of liabilities   | 2021           | 2020         |
|--|----------------|--------------|
| Balance-sheet change in the balance (– decrease, + increase)                           | 183,250        | 65,106       |
| Change in the balance reflected in cash flows  | 179,532        | 61,826       |
| <b>Difference</b>  | <b>(3,718)</b> | <b>3,280</b> |
| - including change in liabilities on account of property, plant and equipment purchase | (3,718)        | 3,280        |

| Change in provisions  | 2021         | 2020         |
|---|--------------|--------------|
| Balance-sheet change in the balance (– decrease, + increase)  | (1,273)      | 15,919       |
| Change in the balance reflected in cash flows   | 2,262        | 13,190       |
| <b>Difference</b>   | <b>3,535</b> | <b>2,729</b> |
| - including the change in provisions on account of actuarial gains/losses charged to other comprehensive income | 3,535        | 2,729        |

## 29. CAPITAL

### 29.1. SHARE CAPITAL

|   | 31.12.2021       | 31.12.2020       |
|---|------------------|------------------|
| Share capital, including:                             | <b>68,025</b>    | <b>67,973</b>    |
| 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           |
| <i>Number of shares registered in KRS</i>             | <i>9,649,392</i> | <i>9,628,197</i> |
| <i>Number of shares not registered in KRS</i>         | <i>760</i>       | <i>1,160</i>     |

#### Nominal value of shares

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.

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.

#### **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**

|               | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---------------|-------------------|-------------------|
| Share premium | 60,254            | 53,979            |
| <b>Total</b>  | <b>60,254</b>     | <b>53,979</b>     |

In 2021, the National Court Register registered 21,295 shares of the nominal value of PLN 52,000 and the issue value of PLN 6,275,000. 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, the National Court Register registered 58,250 shares of the nominal value of PLN 145,000 and the issue value of PLN 15,756,000. 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**

The Group has implemented share option plans for employees, under which options to take up the Company shares were assigned (more information about the management options plans can be found in note 24.1).

|  | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| Capital at the beginning of the period | 27,344            | 26,392            |
| Costs of the period                    | 3,238             | 952               |
| <b>Total</b>                           | <b>30,582</b>     | <b>27,344</b>     |

The capital reflects the fair value of the options granted to the Group employees, proportionally to the vesting period, according to the valuation as at the plan launch date.

### **29.4. HEDGING RESERVE**

|   | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Futures contracts hedging cash flows due to the purchase of aluminium | 3,912             | 5,109             |
| Forward contracts hedging cash flows due to exchange rate changes     | 1,952             | (571)             |
| Deferred tax  | (1,113)           | (862)             |
| <b>Total</b>  | <b>4,751</b>      | <b>3,676</b>      |

### **29.5. RETAINED EARNINGS**

|  | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| Previous years profit  | 1,031,485         | 1,033,668         |
| Net actuarial gains (losses)                                   | 2,834             | (2,291)           |
| Net profit attributable to owners of the parent for the period | 594,638           | 430,181           |
| <b>Total</b>   | <b>1,628,957</b>  | <b>1,461,558</b>  |

### **29.6. CUMULATIVE TRANSLATION ADJUSTMENT FOR SUBSIDIARIES**

#### **Reserve capital from currency translation differences**

|  | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| Cumulative translation adjustment for subsidiaries | (24,179)          | (28,256)          |

## **30. LOAN PAYABLES**

| <b>Maturity date</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|----------------------|-------------------|-------------------|
| Short-term           | 535,041           | 272,771           |
| From 1 to 2 years    | 317,883           | 308,111           |

|                       |                |                |
|-----------------------|----------------|----------------|
| Between 2 and 5 years | 103,850        | 44,276         |
| Over 5 years          | 0              | 87,699         |
| <b>Total</b>          | <b>956,774</b> | <b>712,857</b> |

#### Long-term

| Lender          | Loan currency | Security  | 31.12.2021     | 31.12.2020     |
|-----------------|---------------|---|----------------|----------------|
| PKO BP          | PLN           | 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     | 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.  | 256,270        | 124,537        |
| PKO BP          | PLN/EUR       | Joint and several liability of the following companies: 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              | 38,605         |
| BNP PARIBAS     | PLN           | Civil law security bond up to the amount of PLN 120 million, mortgage up to PLN 120 million on the property owned by Alupol Films sp. z o.o.  | 0              | 11,551         |
| mBank           | PLN/EUR       | Joint and several liability of Alupol Packaging Kęty Sp. z o.o. and Alupol Films Sp. z o.o., security bond of Alupol Packaging S.A. up to PLN 108 million, registered pledge for the total value of the property and fixed assets owned by Alupol Packaging Kęty sp. o.o., up to the amount of PLN 108 million.   | 67,994         | 87,671         |
| ING Bank Polska | PLN           | Mortgage up to PLN 96 million, plus declaration on submission to enforcement.   | 44,278         | 58,565         |
| <b>Total</b>    |               |   | <b>421,733</b> | <b>440,086</b> |

#### Short-term

| Lender     | Loan currency   | Security  | 31.12.2021 | 31.12.2020 |
|------------|-----------------|---|------------|------------|
| PKO BP     | PLN             | Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans.   | 65,966     | 66,028     |
| 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.   | 153,944    | 0          |
| ING Polska | EUR/PLN         | Joint and several liability of Grupa Kęty S.A. and Aluprof S.A.   | 57,481     | 37,282     |
| PEKAO      | PLN/EUR/<br>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 | 234,742    | 131,617    |

|                  |          | promissory note declarations of the aforementioned companies.   |                |                |
|------------------|----------|---|----------------|----------------|
| Societe Generale | EUR, PLN | Civil law security bond.  | 0              | 11,743         |
| BNP PARIBAS      | PLN      | Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans. | 11,968         | 23,311         |
| mBank            | EUR      | Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans. | 10,940         | 2,790          |
| <b>Total</b>     |          |   | <b>535,041</b> | <b>272,771</b> |

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

| Maturity date     | 31.12.2021    | 31.12.2020    |
|-------------------|---------------|---------------|
| Short-term        | 4,854         | 4,679         |
| From 1 to 3 years | 3,888         | 6,188         |
| Over 3 years      | 13,202        | 13,680        |
| <b>Total</b>      | <b>21,944</b> | <b>24,547</b> |

### 32. PROVISIONS AND ACCRUALS

|   | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| <b>Long-term provisions:</b>                          | <b>499</b>    | <b>499</b>    |
| Provision for warranty repairs                        | 499           | 499           |
| <b>Short-term provisions:</b>                         | <b>3,753</b>  | <b>1,690</b>  |
| Provision for jubilee bonuses and retirement benefits | 803           | 571           |
| Provision for warranty repairs                        | 2,950         | 1,119         |
| <b>Short-term accruals:</b>                           | <b>47,769</b> | <b>49,945</b> |
| Unused holiday  | 9,821         | 8,733         |
| Annual bonuses  | 18,046        | 22,598        |
| Indemnities   | 4,285         | 4,604         |
| Costs of services in progress                         | 10,321        | 9,336         |
| Financial statements audits                           | 391           | 265           |
| Other   | 4,905         | 4,409         |

#### 32.1. CHANGE IN THE BALANCE OF PROVISIONS AND ACCRUALS

|   | 31.12.2020    | Increases     | Utilisation     | Currency translation differences | 31.12.2021    |
|---|---------------|---------------|-----------------|----------------------------------|---------------|
| <b>Long-term provisions</b>                           | <b>499</b>    | <b>0</b>      | <b>0</b>        | <b>0</b>                         | <b>499</b>    |
| Provision for warranty repairs                        | 499           | 0             | 0               | 0                                | 499           |
| <b>Short-term provisions</b>                          | <b>1,690</b>  | <b>2,253</b>  | <b>(192)</b>    | <b>2</b>                         | <b>3,753</b>  |
| Provision for jubilee bonuses and retirement benefits | 571           | 422           | (192)           | 2                                | 803           |
| Provision for warranty repairs                        | 1,119         | 1,831         | 0               | 0                                | 2,950         |
| <b>Short-term accruals:</b>                           | <b>49,945</b> | <b>44,117</b> | <b>(46,241)</b> | <b>(52)</b>                      | <b>47,769</b> |
| Unused holiday  | 8,733         | 9,822         | (8,733)         | (1)                              | 9,821         |
| Annual bonuses  | 22,598        | 18,094        | (22,598)        | (48)                             | 18,046        |
| Indemnities   | 4,604         | 581           | (900)           | 0                                | 4,285         |
| Costs of services in progress                         | 9,336         | 10,321        | (9,336)         | 0                                | 10,321        |
| Financial statements audits                           | 265           | 394           | (265)           | (3)                              | 391           |
| Other   | 4,409         | 4,905         | (4,409)         | 0                                | 4,905         |

|   | 31.12.2019    | Increases     | Utilisation     | Reversal/<br>Shift | Currency<br>translation<br>differences | 31.12.2020    |
|---|---------------|---------------|-----------------|--------------------|--|---------------|
| <b>Long-term provisions</b>                           | <b>721</b>    | <b>0</b>      | <b>(222)</b>    | <b>0</b>           | <b>0</b>                               | <b>499</b>    |
| Provision for warranty repairs                        | 721           | 0             | (222)           | 0                  | 0                                      | 499           |
| <b>Short-term provisions</b>                          | <b>1,822</b>  | <b>624</b>    | <b>(928)</b>    | <b>170</b>         | <b>2</b>                               | <b>1,690</b>  |
| Provision for jubilee bonuses and retirement benefits | 589           | 68            | (258)           | 170                | 2                                      | 571           |
| Provision for warranty repairs                        | 1,233         | 556           | (670)           | 0                  | 0                                      | 1,119         |
| <b>Short-term accruals:</b>                           | <b>38,428</b> | <b>46,164</b> | <b>(34,701)</b> | <b>0</b>           | <b>54</b>                              | <b>49,945</b> |
| Unused holiday  | 7,050         | 8,679         | (7,050)         | 0                  | 54                                     | 8,733         |
| Annual bonuses  | 17,352        | 22,598        | (17,352)        | 0                  | 0                                      | 22,598        |
| Indemnities   | 3,704         | 900           | 0               | 0                  | 0                                      | 4,604         |
| Costs of services in progress                         | 8,758         | 9,336         | (8,758)         | 0                  | 0                                      | 9,336         |
| Financial statements audits                           | 251           | 242           | (228)           | 0                  | 0                                      | 265           |
| Other   | 1,313         | 4,409         | (1,313)         | 0                  | 0                                      | 4,409         |

### 33. TRADE PAYABLES AND OTHER LIABILITIES

#### 33.1. LONG-TERM LIABILITIES

As a performance bond for construction services for a part of construction contracts, the Company retains security deposits. In the event of any defects that the supplier fails to eliminate pursuant to such a bond, the Group may retain the security deposit and use it to repair such defects.

|   | 31.12.2021    | 31.12.2020   |
|---|---------------|--------------|
| The current value of the estimated amounts due for fire glass production technology | 9,779         | 0            |
| Building security deposits  | 1,565         | 1,385        |
| <b>Total</b>  | <b>11,344</b> | <b>1,385</b> |

#### 33.2. SHORT-TERM TRADE PAYABLES AND OTHER LIABILITIES

|  | 31.12.2021     | 31.12.2020     |
|--|----------------|----------------|
| <b>Short-term liabilities:</b>                       | <b>526,093</b> | <b>352,802</b> |
| Trade receivables                                    | 409,990        | 257,932        |
| On account of property, plant and equipment purchase | 48,645         | 34,342         |
| Payroll payables                                     | 22,258         | 20,450         |
| <b>Total financial liabilities (under IFRS 7)</b>    | <b>480,893</b> | <b>312,724</b> |
| Public law payables (except for income tax payables) | 41,034         | 35,922         |
| Other  | 4,166          | 4,156          |
| <b>Total non-financial liabilities</b>               | <b>45,200</b>  | <b>40,078</b>  |

The conditions of related-party transactions are presented in note 36.2 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 one month.

The said liabilities are not secured with the Group assets.

#### 33.3. CONTRACTUAL LIABILITIES

|  | 31.12.2021    | 31.12.2020    |
|--|---------------|---------------|
| Contractual liabilities related to construction contracts                            | 572           | 991           |
| Contractual liabilities related to other contracts (advance payments for deliveries) | 33,484        | 19,024        |
| <b>Total</b>   | <b>34,056</b> | <b>20,015</b> |

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

### 34. DEFERRED INCOME

|                      | 31.12.2021    | 31.12.2020    |
|----------------------|---------------|---------------|
| Long-term subsidies  | 33,880        | 35,558        |
| Other                | 30            | 41            |
| <b>Total</b>         | <b>33,910</b> | <b>35,599</b> |
| Short-term subsidies | 1,620         | 1,644         |
| Other                | 2,070         | 1,135         |
| <b>Total</b>         | <b>3,690</b>  | <b>2,779</b>  |

The subsidies received are mainly related to the performance of projects co-financed under the European Union assistance programmes and to co-financing of the costs of development works.

In the previous years, the Group carried out three large projects co-financed from the EU funds, related to the purchase and construction of property, plant and equipment. The Group complied with all of the conditions of the said subsidies.

Moreover, in March 2017, Aluprof S.A. signed a co-finance agreement for the project entitled: 'The Construction of the Research and Innovation Centre to Conduct Research and Development Works on the Development of Innovative Systems for the Construction Industry', under Measure 2.1. 'Support for Investments in R&D Infrastructure of Enterprises', within the Smart Growth Operational Programme 2014–2020, subsidised by the European Regional Development Fund. The total cost of the project is PLN 65,939,000, including eligible costs of PLN 43,440,000.

The project has been financed from the company own funds and state aid under the EU funds. The total amount of eligible expenditures less the flat-rate percent of income equals PLN 28,093,000 to 108. The maximum co-financing amount is PLN 5,847,000 to 108. By the end of 2021, the Group received PLN 5,847,000 of subsidy within the project. The expenditures eligibility period for the project started on 27 April 2016 and ended on 31 December 2019.

The project comprised the construction of and the provision of equipment for the Research and Innovation Centre, which will carry out research and development works. The structure of the usable area of approximately 15,000 m<sup>2</sup> was on a plot of land of 11 ha located in the Cieszyn District.

The objective of the project was to create a state-of-the-art facilities for carrying out research and development works on designing construction solutions of break-through technical parameters, unique on the global scale. The major emphasis was placed on creating modern systems for passive buildings, characterised with ultra-high thermal insulation properties and super-high strength and tightness, as well as wall systems meeting extremely high fire resistance requirements, and also fire-rated systems. The project was to ensure the unquestionable leadership position in the industry for Aluprof S.A. The basic condition for the project is to achieve the project objective and its durability by 21 December 2024. In that period, the Group is not allowed to dispose of or otherwise transfer the ownership of the property, plant and equipment financed with the subsidy. In addition, the Group is obliged to carry out business activities in the scope specified in the application.

The key measurable indicators of the project are:

- product indicators, i.e. the number of fixed assets and intangible assets purchased, and the value of expenditure on the purchase of scientific and research devices;
- result indicators, i.e. employment increase, the number of R&D projects performed with the use of the co-financed research infrastructure, and the value expenditures on R&D activities

In the opinion of the Group, the aforesaid indicators will be achieved.

### 35. CONTINGENT LIABILITIES

| Title  | 31.12.2021    | 31.12.2020    |
|--|---------------|---------------|
| Bank performance bonds for construction contracts, as provided by the ASS      | 14,069        | 13,150        |
| Insurance performance bonds for construction contracts, as provided by the ASS | 1,785         | 2,219         |
| Subsidies in the period of conditions fulfilment                               | 5,847         | 5,847         |
| <b>Total</b>   | <b>21,701</b> | <b>21,216</b> |

Construction-related guarantees refer to the proper performance of construction service contracts, and their validity dates depend on the terms and conditions of the particular contracts.

Additional information regarding the subsidy has been provided in note 34.

Apart from the aforementioned liabilities, there are no other contingent liabilities.

#### 35.1. TAX ACCOUNTS

Tax accounts may be subject to audits until the date when such tax accounts are lapsed according to tax regulations (5 years in Poland) starting from the end of the year in which a given tax was paid. As a result of the control procedures,

the Group's current tax settlements may be increased for additional liabilities. According to the Group, as at the balance sheet date, there was no risk justifying the creation of provisions for tax settlements.

## 36. SHAREHOLDING STRUCTURE AND RELATED PARTY TRANSACTIONS

### 36.1. SHAREHOLDING STRUCTURE

| Entity                    | Number of shares<br>31.12.2021 | Percentage of capital | Number of shares<br>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%                |
| <b>Total*</b>             | <b>9,650,152</b>               | <b>100.00%</b>        | <b>9,629,357</b>               | <b>100.00%</b>        |

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

### 36.2. TERMS OF INTERCOMPANY TRANSACTIONS

Intercompany transactions are concluded on arm's length basis.

Apart from the transactions described in notes 13 and 36, the Group did not enter into any other significant intercompany transactions. Note 12.2 describes the standard sales transactions with the USA associate (a related company).

### 36.3. OTHER TRANSACTIONS WITH MEMBERS OF THE MANAGEMENT BOARD

The Group did not enter into any transactions with the Management Board members, except those described in note 36.

### 36.4. REMUNERATION OF THE GROUP KEY MANAGEMENT STAFF

The Group key management staff include: members of the Supervisory Board and members of the Management Board of the parent company.

| 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           |
| <b>Total remuneration of the Management Board at Grupa Kęty S.A.</b> | <b>9,140</b>  | <b>6,454</b> |
| Remuneration at other Group companies***                             | 1,254         | 763          |
| <b>Total remuneration of the Management Board</b>                    | <b>10,394</b> | <b>7,217</b> |

\*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).

| <b>Supervisory Board:</b>            | <b>2021</b> | <b>2020</b> |
|--------------------------------------|-------------|-------------|
| Remuneration for functions fulfilled | 953         | 883         |
| In-kind benefits*                    | 9           | 8           |
| <b>Total</b>                         | <b>962</b>  | <b>891</b>  |

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

### **36.5. PARTICIPATION OF KEY MANAGEMENT STAFF IN THE EMPLOYEE SHARE PLAN**

As described in details in note 24.1, the Group has implemented management option plans enabling the acquisition of the Company shares.

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 has been vested with the 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.

| <b>Number of share options in the vesting period granted to members of the Management Board</b> | <b>Number of granted options</b> | <b>End date of the vesting period</b> | <b>Number of options meeting the vesting conditions</b> |
|---|----------------------------------|---------------------------------------|---|
| Share options under the first 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  |

### **37. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT**

The basic risk factors which may affect the financial result of the Group 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 events. The Management Board verifies and agrees on the principles of the management of each of the aforementioned risks and these principles are briefly discussed below. The Group also monitors the risk of market prices applicable to all financial instruments managed by it.

**The basic objectives of the Group financial risk management process are as follows:**

- ensuring financial liquidity;
- limiting the direct impact of fluctuations in interest rates, exchange rates and aluminium prices on the Group results;
- limiting the negative consequences of extraordinary events.

**Risk management strategies applied:**

- the risk of changes in the prices of basic raw materials – natural hedge strategy, i.e. offering variable prices to the customers based on the current price, e.g. aluminium quoting at LME, and conclusion of futures contracts to hedge the aluminium prices;
- interest rate risk – strategy of diversification of short-term base rates (the Group applies 1M, 3M, and 3M rates, which define fixed interest level in the respective periods of one, three or six 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, plus use of revolving 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 insurance of the receivables from customers, and use of legal liabilities security measures;
- liquidity risk – diversification of lenders, adjustment of loans repayment periods to the capabilities of the Group, 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 regard project finance;
- risk of exceptional occurrences – focus on risk limitation by way of risk transfer (insurance), technical audits aimed at risk mitigation, and diversification of the places of operation.
- operating risk – the Group 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 Report on the Group Operations.

**Financial risk management objectives of the Capital Group:**

- The interest rate risk and currency risk are managed in order to limit the impact of short-term market fluctuations on the Group results.
- Managing the risk of changes in the prices of basic raw materials is aimed at the elimination of short-term impact of changes in the raw materials prices on the Group results, and specifically when the transfer of costs to the customer or arranging deliveries at fixed prices are not possible.
- Credit risk management is to reduce the possible financial losses on account of unpaid receivables and ensure financial liquidity.
- Liquidity risk management is to ensure the possibility of timely payment of liabilities by all of the Capital Group companies.
- 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 to supervise the reasons and places of such risk occurrence, plus obtaining indemnities under insurance policies.
- The major risks of the Capital Group, covering also other (non-financial) areas, have been described in the Report of the Management Board.
- 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. Major risks of the Capital Group have been described in detail in the Report of the Management Board.

## **37.1. RISK RELATED TO CHANGES IN THE PRICES OF BASIC MATERIALS**

### **37.1.1. ALUMINIUM, BILLETS, ALUMINIUM SCRAP**

Primary aluminium, billets and scrap are the basic raw materials used by the Group. Primary aluminium is mainly purchased on the basis of annual contracts and the price is determined on a monthly basis individually for each delivery. Prices of aluminium scrap purchased on the market are not based on the price formulas directly related to the aluminium quotations at the LME; however, there is a significant correlation of their prices with the metal quotations at the LME. The risk of changes in the prices of basic raw materials is mitigated by futures contracts for the purchase of aluminium, and properly created sales formulas. As regards the EPS, the risk of aluminium prices fluctuations is transferred to the customer through price formulas, or in case of fixed prices are hedged with term contracts. At the ASS, aluminium sales prices are mainly based on price lists, which means that the dominating form of risk limitation is the strategy of hedging with term contracts.

### **37.1.1. PLASTICS**

Plastics (granulates and films) are one of the basic raw materials of the Flexible Packaging Segment and represent about 75% of the value of the purchased raw materials. Polypropylene granulate is purchased both on the spot market and based on contracts. Polyester films and polyethylene granulate are purchased on spot market. The prices of the materials depend on the global market situation. The Flexible Packaging Segment implements the procurement policy by way of buying acceptable quality materials at the lowest possible price. Sales to the Films Business are based on spot market and every growth of raw materials prices translates into the product price. In the Packaging Business, half of the transactions are based on index models, which enable the pass of raw material price changes to customers. In most of the index models, prices are updated once a quarter, based on the raw materials price indexes on the European market. In case of sales covered with raw-materials indexation, the risk that changes in raw materials prices will not be passed to customers is eliminated, we only observe a shift in time. The spot part of the Packaging Business operates in the same way as the Films Business.

## **37.2. INTEREST RATE RISK**

The Group records a surplus of financial resources or uses borrowings through long- and short-term bank loans. Interest on bank term deposits and loans is variable and depends on the interest rates applicable on the interbank market such as WIBOR (for loans in PLN), LIBOR and EURIBOR (for foreign currency loans). As a result, the Group is exposed to the interest rate risk, which may result in lower rate of return on deposits or higher costs of borrowed loans.

As estimated by the Group, the following items are exposed to the interest rate risk:

- cash,
- loans and lease,
- cash.

**Interest rate risk refers to the following items, broken down into maturity dates:**

| Variable interest |            |           |           |              |
|-------------------|------------|-----------|-----------|--------------|
|                   | 31.12.2021 | < 1 year  | 1–2 years | Over 3 years |
| Cash              |            | 103,810   | 0         | 0            |
| Bank loans in PLN |            | (430,804) | (253,689) | (103,850)    |
| Bank loans in EUR |            | (97,132)  | (64,194)  | 0            |
| Bank loans in USD |            | (7,105)   | 0         | 0            |
| Total             |            | (431,231) | (317,883) | (103,850)    |

| Variable interest |            |           |           |              |
|-------------------|------------|-----------|-----------|--------------|
|                   | 31.12.2020 | < 1 year  | 1–2 years | Over 3 years |
| Cash              |            | 151,170   | 0         | 0            |
| Bank loans in PLN |            | (189,975) | (242,929) | (189,621)    |
| Bank loans in EUR |            | (79,908)  | (7,536)   | 0            |
| Total             |            | (118,713) | (250,465) | (189,621)    |

**Susceptibility analysis**

By managing interest rate risk and currency risk, the Group aims to reduce the impact of short-term interest rates and FX rates fluctuations on the Group results. However, persisting changes in exchange rates and interest rates will have an impact on the Group results.

The tables below present the estimates of the Group risks related to changes in interest rates and exchange rates of the main currencies.

For the items affecting the statement of profit or loss

| Risk                           | Change | Change of gross profit – 2021 | Change of gross profit – 2020 |
|--------------------------------|--------|-------------------------------|-------------------------------|
| Increase in interest rates     | 1 p.p% | (9,550)                       | (7,129)                       |
| EUR/PLN exchange rate increase | 5 p.p% | (5,403)                       | 2,709                         |
| USD/PLN exchange rate increase | 5 p.p% | (21)                          | (565)                         |
| GBP/PLN exchange rate increase | 5 p.p% | 1,393                         | 123                           |

For the items affecting the equity

| Risk  | Change | 31.12.2021 | 31.12.2020 |
|---|--------|------------|------------|
| EUR/PLN exchange rates increase for hedging instruments | 5%     | (10,668)   | (2,093)    |
| USD/PLN exchange rates increase for hedging instruments | 5%     | (4,150)    | (2,534)    |
| GBP/PLN exchange rates increase for hedging instruments | 5%     | (34)       | (629)      |
| Higher aluminium price for hedging instruments          | 5%     | 5,078      | 4,392      |

### 37.3. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the items below are equal to their fair value.

| Financial assets      | Under IFRS 9 | 31.12.2021 | 31.12.2020 |
|-----------------------|--------------|------------|------------|
| Financial receivables | FAatAC       | 686,755    | 508,934    |
| Hedging instruments*  |              | 8,674      | 6,015      |
| Cash                  | FAatAC       | 102,059    | 151,170    |

| Financial liabilities | Under IFRS 9 | 31.12.2021 | 31.12.2020 |
|-----------------------|--------------|------------|------------|
| Financial liabilities | OFLatAC      | 480,893    | 312,724    |
| Hedging instruments*  |              | 2,810      | 1,478      |
| Bank loans            | OFLatAC      | 956,774    | 712,857    |

\*Hedging derivatives meeting the requirements of hedge accounting.

Abbreviations:

FAatAC – Financial assets measured at amortised cost

OFLatAC – Other financial liabilities measured at amortised cost

### 37.4. LIQUIDITY RISK

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

| 31.12.2021  | Below 3 months | 3 -12 months   | 1-3 years      | Over 3 years   |
|---|----------------|----------------|----------------|----------------|
| Bank loans  | 101,423        | 433,618        | 292,427        | 129,306        |
| Lease liabilities   | 1,730          | 3,124          | 3,888          | 13,202         |
| Other financial liabilities                                       | 480,893        | 0              | 0              | 0              |
| Liability on account of fire glass production technology purchase | 0              | 0              | 1,713          | 8,066          |
| Off-balance-sheet liabilities                                     | 0              | 2,760          | 6,941          | 6,152          |
| Derivative financial instruments                                  | 702            | 2,108          | 0              | 0              |
| <b>Total</b>  | <b>584,748</b> | <b>441,610</b> | <b>304,969</b> | <b>156,726</b> |
| 31.12.2020  | Below 3 months | 3 -12 months   | 1-3 years      | Over 3 years   |
| Bank loans  | 28,015         | 334,930        | 873,016        | 30,952         |
| Lease liabilities   | 1,546          | 4,649          | 12,747         | 28,454         |
| Other financial liabilities                                       | 312,780        | 0              | 0              | 0              |
| Off-balance-sheet liabilities                                     | 324            | 2,806          | 10,038         | 0              |
| Derivative financial instruments                                  | 493            | 985            | 0              | 0              |
| <b>Total</b>  | <b>343,158</b> | <b>343,370</b> | <b>895,801</b> | <b>59,406</b>  |

As at 31 December 2021 and 31 December 2020, there were no liabilities payable on demand.

The Group monitors the liquidity risk by way of periodical liquidity planning. The tool applied 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 Group 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.

### 37.5. CURRENCY RISK

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

The Group exposures to the currency risk as at the balance-sheet date are presented in the table below.

|                    | 31.12.2021                 |                               | 31.12.2020                 |                               |
|--------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
|                    | Amount in foreign currency | Amount translated to PLN '000 | Amount in foreign currency | Amount translated to PLN '000 |
| Cash in EUR        | 5,012                      | 23,050                        | 9,486                      | 43,778                        |
| Cash in GBP        | 524                        | 2,873                         | 587                        | 3,013                         |
| Cash in USD        | 2,164                      | 8,784                         | 1,554                      | 5,842                         |
| Receivables in EUR | 67,870                     | 312,159                       | 58,295                     | 269,018                       |
| Receivables in GBP | 5,060                      | 27,752                        | 471                        | 2,420                         |
| Receivables in USD | 2,455                      | 9,969                         | 4,829                      | 18,149                        |

|                                   |                 |                  |               |                |
|-----------------------------------|-----------------|------------------|---------------|----------------|
| Bank loans in EUR                 | (35,075)        | (161,326)        | (15,733)      | (72,603)       |
| Bank loans in GBP                 | 0               | 0                | (797)         | (4,091)        |
| Bank loans in USD                 | (1,750)         | (7,105)          | 0             | 0              |
| Liabilities in EUR                | (61,301)        | (281,950)        | (40,310)      | (186,022)      |
| Liabilities in GBP                | (506)           | (2,775)          | (740)         | (3,800)        |
| Liabilities in USD                | (2,974)         | (12,074)         | (3,376)       | (12,688)       |
| <b>Total exposure to EUR risk</b> | <b>(23,494)</b> | <b>(108,067)</b> | <b>11,738</b> | <b>54,171</b>  |
| <b>Total exposure to GBP risk</b> | <b>5,078</b>    | <b>27,850</b>    | <b>(479)</b>  | <b>(2,458)</b> |
| <b>Total exposure to USD risk</b> | <b>(105)</b>    | <b>(426)</b>     | <b>3,007</b>  | <b>11,303</b>  |

Information about the hedging of the Group exchange position is presented in note 37.4.1

## 37.6. TRADE CREDIT RISK

### Trade credit

In cooperation with the customers, the Group companies apply 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 Group is exposed to the risk of complete or partial insolvency of a given customer or delay in payment.

Sale to reliable, tested customers helps minimise the risk. In addition, the Group insures the trade credit in professional companies providing such types of services. As at the balance sheet date, over 60% of the Group trade receivables not covered by write-downs were insured.

There is no customer whose balance of receivables or liabilities would exceed 10% of receivables or liabilities disclosed in the balance sheet.

### Cash

The Polish companies of the Group are served by the banks operating in Poland, controlled both by the domestic and foreign capital. The foreign companies prefer being served by banks belonging to the same capital groups as the banks cooperating with the Capital Group in Poland. The ratings of the banks may not be lower than BB or BA2 (by Moody's, S&P, Fitch, or Eurorating rating agencies). To minimise the liquidity loss risk, the Group avails of the services of a few banks as well as monitors their financial standing by way of ratings verification.

## 37.7. EXCEPTIONAL OCCURRENCES RISK

### 37.7.1.PROPERTY DAMAGE RISK

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

### 37.7.2.PROFIT LOSS RISK

Exceptional occurrences may significantly limit the capacity of the Group to generate profit. Such a situation can occur in the case of excluding the whole or a part of any of the Group production plants from the production process. In order to limit the risk, the domestic companies of the Capital Group have taken out a business interruption [BI] insurance (profit loss insurance).

### 37.7.3.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 Group production facilities as well as a result of defective operation of products manufactured by the Group. 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 risk is covered with a third-party liability insurance, extended for product liability and product recall clauses.

### 37.7.4.GEOPOLITICAL RISK IN THE COUNTRIES OF THE GROUP OPERATION

The Group activities and the Group key assets are located mainly in Poland. Moreover, the Group runs its activities in other countries, including Ukraine. In the territory of Ukraine, the Group holds assets related to aluminium profiles manufacturing (one profiles extrusion press), as well as assets related to the distribution of aluminium systems.

The unstable political and economic situation in Ukraine results in the exposure of the said assets to the risk, which exceeds the usual economic risk. The Management Board has been analysing the situation of Ukrainian subsidiaries on a

constant basis. Neither property insurance, nor third-party liability insurance covers losses resulting from military actions. The impact of the war outbreak in Ukraine has been described in the 'Post-balance-sheet events' note. The Group cooperates with multiple partners from other countries as regards the purchase and sale of trade goods. The growing geopolitical risk related to the unstable political situation in certain countries may have an adverse impact on the Group by breaking the supply chain for raw materials, or loss of some customers.

### 38. DERIVATIVE FINANCIAL INSTRUMENTS

| Financial assets  | 31.12.2021        | 31.12.2020        |
|---|-------------------|-------------------|
| Currency forward contracts hedging cash flows                             | 3,427             | 490               |
| Futures contracts hedging cash flows related to the purchase of aluminium | 5,247             | 5,525             |
| <b>Total</b>  | <b>8,674</b>      | <b>6,015</b>      |
| <b>Financial liabilities</b>  | <b>31.12.2021</b> | <b>31.12.2020</b> |
| Currency forward contracts hedging cash flows                             | 1,865             | 1,061             |
| Futures contracts hedging cash flows related to the purchase of aluminium | 945               | 417               |
| <b>Total</b>  | <b>2,810</b>      | <b>1,478</b>      |

Currency forward, futures, and swap contracts for the purchase of aluminium 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.

#### 38.1. FORWARD AND FUTURES CONTRACTS

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

|  | 31.12.2021   | 31.12.2020   |
|--|--------------|--------------|
| Open currency forward contracts                      | 1,562        | (571)        |
| Open futures contracts for the purchase of aluminium | 4,302        | 5,108        |
| <b>Total</b>   | <b>5,864</b> | <b>4,537</b> |

The aforementioned items will affect the Group result in 2022. The effectiveness of hedging transactions is monitored on an ongoing basis and in 2021 and 2020 there were no non-effective hedging transactions whose result or part of result should be recognised in the statement of profit or loss.

#### 38.2. CASH FLOW HEDGE

As at 31 December 2021, the Group had the following hedging contracts that were subject to hedge accounting principles. The items below were recognised as a component of equity:

##### Futures contracts for the purchase of aluminium in PLN '000 (after translation)

| Exercise date | Fair value   | Number of tons | Nominal value in PLN '000 | Average PLN price |
|---------------|--------------|----------------|---------------------------|-------------------|
| Q.1, 2022     | 2,746        | 5,250          | 56,949                    | 10,847.4          |
| Q.2, 2022     | 1,558        | 4,025          | 44,325                    | 11,012.4          |
| Q.3, 2022     | (2)          | 25             | 283                       | 11,320.0          |
| <b>Total</b>  | <b>4,302</b> | <b>9,300</b>   | <b>101,557</b>            | <b>10,920.1</b>   |

The Group hedges itself against commodity risk using futures contracts, with the prices of aluminium at the London Metal Exchange [LME] 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:

The risk at the Group results from the purchase of raw materials and products based on primary aluminium, the price of which depends on the quoting on the LME. In order to limit the risk, in 2021 and 2020 hedge fully related to the risk of changes in raw materials prices 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 Group companies enter into futures purchase contracts denominated in USD or EUR, at the amounts equivalent to the product orders received.

The principles of hedging the risk of prices are adjusted to the specifics of the respective operating segments.

Grupa Kęty S.A. (EPS) enters into futures purchase contracts denominated in EUR, at the amounts equivalent to the orders received, 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, whereas it is the total value for the risk of price changes at the exchange.

The hedge level of Aluprof S.A. (ASS) results from the average monthly demand for the raw materials, calculated on the basis of the procurement plan, adjusted for the expected changes in the level of sales.

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 %.

### Currency:

In the reporting periods, in order to hedge the currency risk, the Group used only forward contracts for the purchase/sale of currencies.

As the Group currency position for EUR was usually long (which means the dominance of revenue denominated in this currency over expenses), whereas for USD it was short (which means the dominance of expenses denominated in this currency over revenue), the hedging transactions were aimed at the purchase of USD for PLN. The risk of a long position in EUR is compensated with natural hedging, e.g. purchase of aluminium for EUR (instead of USD), EUR sale forward transactions, and partial financing of operations in EUR.

The amounts and settlement dates for the transactions are not standardised and they are subject to individual agreements with a bank. However, the Group adopted a principle that the currency transactions aimed at hedging cash flows in a given month are concluded with the date of delivery on the last working day of a given month and closed (through the conclusion of opposite transactions) in a given month or realised through a delivery.

### Hedge accounting:

The currency risk at the Group 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.

The principles of currency risk hedging are adjusted to the specifics of the companies.

In 2021, Grupa Kęty S.A. (EPS) entered into hedging transactions with regard to the sale of EUR for PLN, which was aimed at limiting the exchange risk originating from the sales denominated in EUR.

The FPS companies enter into transactions hedging the FX risk related to the sales in GBP. Aluprof hedges its FX risk designating the net position as a difference between the revenue and expenditure in the respective currency. The company applies hedging instruments when the level of the monthly FX position of a given currency, with the stable +/- trend in the last 6 months, exceeds GBP 500,000, or USD 2,000,000, or EUR 1,500,000.

### Effectiveness of hedging transactions:

As regards transactions hedging the volatility of USD/PLN, GBP/PLN, EUR/PLN exchange rates, the transaction effectiveness is the ratio of the amount of cash flows resulting from commercial transactions, adjusted for changes related to their current value as a result of the hedged risk, to the cash flows resulting from the realisation of the hedging transaction, adjusted for the changes related to their current value as a result of the hedged risk.

The main factor of non-effective hedge are the differences in the actual payment dates in the hedged (commercial) transactions and the dates of the hedging transactions, concluded on a standard basis on the last business day of a month. The table below presents a statement of transactions concluded by the Group.

(Sale) of EUR for PLN

| Delivery date | Fair value in PLN '000 | Amount in base currency (EUR '000) | Amount in quoted currency (PLN '000) | Average exchange rate |
|---------------|------------------------|------------------------------------|--------------------------------------|-----------------------|
| Q.1, 2022     | 108                    | 14,150                             | 66,155                               | 4.6753                |
| Q.2, 2022     | 112                    | 13,800                             | 64,907                               | 4.7034                |
| Q.3, 2022     | 5                      | 8,100                              | 38,312                               | 4.7299                |
| Q.4, 2022     | (214)                  | 9,300                              | 43,990                               | 4.7301                |
| <b>TOTAL</b>  | <b>11</b>              | <b>45,350</b>                      | <b>213,364</b>                       | <b>4.7048</b>         |

(Sale) of USD for PLN

| Delivery date | Fair value in PLN | Amount in base currency (USD '000) | Amount in quoted currency (PLN '000) | Average exchange rate |
|---------------|-------------------|------------------------------------|--------------------------------------|-----------------------|
| Q.1, 2022     | 1,286             | 13,750                             | 54,347                               | 3.9525                |
| Q.2, 2022     | (7)               | 11,600                             | 47,524                               | 4.0969                |
| Q.3, 2022     | 338               | 1,800                              | 6,983                                | 3.8794                |
| Q.4, 2022     | 120               | 2,900                              | 11,664                               | 4.0221                |
| <b>TOTAL</b>  | <b>1,737</b>      | <b>30,050</b>                      | <b>120,518</b>                       | <b>4.0106</b>         |

(Sale) of GBP for PLN

| Delivery date | Fair value in PLN | Amount in base currency (GBP '000) | Amount in quoted currency (PLN '000) | Average exchange rate |
|---------------|-------------------|------------------------------------|--------------------------------------|-----------------------|
| Q.1, 2022     | (166)             | 3,197                              | 17,381                               | 5.4367                |
| Q.2, 2022     | (20)              | 1,300                              | 7,184                                | 5.5262                |
| <b>TOTAL</b>  | <b>(186)</b>      | <b>4,497</b>                       | <b>24,565</b>                        | <b>5.4625</b>         |

### 39. REVENUE, COSTS AND LOSSES BY CATEGORIES OF FINANCIAL INSTRUMENTS

| 2021  | Hedging instruments | Financial assets measured at amortised cost | Financial liabilities measured at amortised cost | Total financial instruments |
|---|---------------------|---|--|-----------------------------|
| Write-downs   | 0                   | 270   | 0  | <b>270</b>                  |
| Interest income (costs)                             | 0                   | 1,815                                       | (11,608)   | <b>(9,793)</b>              |
| Profit (loss) from currency translation differences | 0                   | 8,999                                       | (9,026)  | <b>(27)</b>                 |
| Profit (loss) from hedging financial instruments    | (13,041)            | 0   | 0  | <b>(13,041)</b>             |
| <b>Total profit (loss)</b>                          | <b>(13,041)</b>     | <b>11,084</b>                               | <b>(20,634)</b>                                  | <b>(22,591)</b>             |

| 2020  | Hedging instruments | Financial assets measured at amortised cost | Financial liabilities measured at amortised cost | Total financial instruments |
|---|---------------------|---|--|-----------------------------|
| Write-downs   | 0                   | (5,319)                                     | 0  | <b>(5,319)</b>              |
| Interest income (costs)                             | 0                   | 1,640                                       | (15,058)   | <b>(13,418)</b>             |
| Profit (loss) from currency translation differences | 0                   | (2,133)                                     | (1,924)  | <b>(4,057)</b>              |
| Profit (loss) from hedging financial instruments    | (10,095)            | 0   | 0  | <b>(10,095)</b>             |
| <b>Total profit (loss)</b>                          | <b>(10,095)</b>     | <b>(5,812)</b>                              | <b>(16,982)</b>                                  | <b>(32,889)</b>             |

#### 39.1. 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            |
|--|-----------------|-----------------|
| Sales revenue (result on forward contracts)                  | (1,371)         | (172)           |
| Costs of materials consumption (result on futures contracts) | (5,491)         | (8,342)         |
| Costs of materials consumption (result on forward contracts) | (4,601)         | (1,581)         |
| <b>Impact on gross result</b>                                | <b>(11,463)</b> | <b>(10,095)</b> |
| Statement of comprehensive income                            | 2021            | 2020            |
| Impact of valuation  | 1,327           | 3,421           |
| Reclassification to profit or loss                           | 0               | 303             |
| Deferred tax   | (252)           | (650)           |
| <b>Impact on other comprehensive income</b>                  | <b>1,075</b>    | <b>3,074</b>    |

### 40. CAPITAL MANAGEMENT

The Group 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 Group 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 financial leverage ratio at the level of up to 50%, and 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 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, in accordance with the assumed plans.

To retain or adjust the capital structure, the Group may change the value of dividend payable, 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) | 899,694    | 672,418    |
| Net profit   | 595,368    | 430,518    |
| Interest-bearing borrowings and lease liabilities            | 978,718    | 737,404    |
| Cash and cash equivalents                                    | (103,810)  | (151,170)  |
| Net debt   | 874,908    | 586,234    |
| Equity   | 1,769,443  | 1,586,936  |
| Equity and net debt  | 2,644,351  | 2,173,170  |
| Net financial leverage*                                      | 33%        | 27%        |
| Net debt to EBITDA   | 1.0        | 0.87       |
| ROE  | 34%        | 27%        |

\* calculated as net debt/equity and net debt

#### 41. FAIR VALUE MEASUREMENT METHODS (FAIR VALUE HIERARCHY)

The method of the valuation of investment properties at fair value is described in note 19. Detailed information about the valuation of derivative financial instruments is available in note 38.

As compared to the previous financial year, the Group 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 the statement of profit or loss.

| Fair value hierarchy  | Fair value hierarchy level | 31.12.2021    | 31.12.2020   |
|-----------------------|----------------------------|---------------|--------------|
| <b>Assets</b>         |                            |               |              |
| Investment properties | 3                          | 2,773         | 2,724        |
| Hedging derivatives   | 2                          | 8,674         | 6,015        |
| <b>Total</b>          |                            | <b>11,447</b> | <b>8,739</b> |
| <b>Liabilities</b>    |                            |               |              |
| Hedging derivatives   | 2                          | 2,810         | 1,478        |
| <b>Total</b>          |                            | <b>2,810</b>  | <b>1,478</b> |



## 42. STATUTORY AUDITOR'S REMUNERATION

|   | 2021       | 2020       |
|---|------------|------------|
| Remuneration for the audit of financial statements (separate and consolidated ones) | 115        | 100        |
| Remuneration for the audit of financial statements of subsidiaries                  | 265        | 225        |
| Remuneration for semi-annual statements reviews                                     | 70         | 50         |
| Remuneration for the audit of reports on remuneration                               | 25         | 0          |
| Remuneration for open training  | 17         | 0          |
| <b>Total</b>  | <b>492</b> | <b>375</b> |

## 43. POST-BALANCE-SHEET EVENTS

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

The Group runs its business in Ukraine through the companies of Alupol Ukraina LLC with its registered office in Borodianka (within the Extruded Products Segment), and Aluprof System Ukraina LLC with its registered office in Kiev (within the Aluminium Systems Segment). Owing to the situation referred to above, the companies suspended their operations on 24 February 2022.

In effect of the conflict, the Capital Group has lost the possibility to make transactions with its customers on the Ukrainian market, and decided to abandon commercial contacts with companies in Russia and Belarus.

In 2021, the sales transactions of the Group segments in those markets represented, respectively: the Extruded Products Segment – ca. 4%; the Aluminium Systems Segment – ca. 3%; and the Flexible Products Segment – ca. 6% of the sales revenue.

Deliveries from the Ukrainian, Russian and Belarusian market in 2021 were, respectively: the Extruded Products Segment – deliveries of aluminium billets from Russia to Alupol LLC covering the whole demand of the company; the Aluminium Systems Segment – deliveries of profiles from Russia covering roughly 13% of the total Segment demand, mainly deliveries to Aluprof S.A.; the Flexible Products Segment – deliveries of raw materials and materials from Russia and Belarus covering about 14% of the total Segment purchases.

At the present moment, the Group has been searching for alternative suppliers in the Extruded Products Segments, as the operations of Alupol LLC have been suspended. Works are in progress with regard to launching the production of profiles at other suppliers for the purposes of the Aluminium Systems Segment, and within the Flexible Systems Segment orders were directed to suppliers from other countries.

Considering the above, the Management Board is of the opinion that the suspension of operations on the Ukrainian market and abandonment of cooperation with the Russian and Belarusian suppliers should not have a significant effect on the planned sales revenue and the costs of the operating activities of the Group in 2022.

The particular balance-sheet items of the Ukrainian companies of the Group, as at 31 December 2021, reflected in the consolidated financial statements of Grupa KĘTY, are presented in the table below.

| Balance-sheet items                                   | Alupol LLC (EPS) | Aluprof System LLC (ASS) |
|---|------------------|--------------------------|
| <b>Non-current assets, of which:</b>                  | <b>11,624</b>    | <b>2,043</b>             |
| Property, plant and equipment                         | 11,172           | 1,203                    |
| <b>Current assets, of which:</b>                      | <b>21,744</b>    | <b>14,260</b>            |
| Inventories   | 8,568            | 1,120                    |
| Trade and other receivables                           | 10,184           | 11,398                   |
| Cash and cash equivalents                             | 2,993            | 1,742                    |
| <b>Total assets</b>                                   | <b>33,368</b>    | <b>16,303</b>            |
| <b>Equity</b>   | <b>26,292</b>    | <b>2,906</b>             |
| Share capital   | 61,800           | 39                       |
| Retained earnings                                     | 8,201            | (5,249)                  |
| Cumulative translation adjustment for related parties | (43,709)         | 8,116                    |
| <b>Long-term lease liabilities</b>                    | <b>304</b>       | <b>282</b>               |
| <b>Income tax provision</b>                           | <b>0</b>         | <b>17</b>                |
| <b>Short-term liabilities, of which:</b>              | <b>6,772</b>     | <b>13,098</b>            |
| Trade payables and other liabilities                  | 2,828            | 1,252                    |
| Contractual liabilities                               | 3,944            | 11,846                   |

|                                 |               |               |
|---------------------------------|---------------|---------------|
| <b>Total equity/liabilities</b> | <b>33,368</b> | <b>16,303</b> |
|---------------------------------|---------------|---------------|

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 assets impairment, including those related to the Ukrainian companies of the Group, or loss of the Group control over those companies, will be reflected in the financial statements for the reporting periods commencing post 31 December 2021.

Owing to the location in the area occupied by the Russian army, the condition of the companies' assets is hard to be checked. The maximum value of the Group assets exposed to impairment amounts to roughly PLN 49 million – as estimated based on the data of the Ukrainian companies available as at the date of preparing these statements and referring to the status from the end of January 2022 – and covers the assets of the Group Ukrainian companies worth about PLN 41 million, the inventories of Grupa KĘTY S.A. in the process of reworking at Alupol Ukraina LLC worth about PLN 7 million, as well as the assets of other Group companies worth about PLN 1 million.

The Group assess that as at the date of preparing these financial statements it has not lost control over the Ukrainian companies and, thus, there is planned no reclassification of foreign exchange losses in the total net amount of roughly PLN 31 million estimated as at the date of preparing these statements for the item 'Cumulative translation adjustment for foreign companies' to the consolidated statement of profit or loss of the Group.

In case loss of control over the Ukrainian companies is determined, the aforesaid FX differences will be reclassified to the statement of profit or loss. The reclassification will not affect the total value of the consolidated equity of the Group.

The situation of the Group in relation to the Russian invasion on Ukraine has been analysed on the current basis, and may result in an update of the aforementioned estimates.

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

#### 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 of Dekret Centrum Rachunkowe sp. z o.o.* .....