GRUPA KĘTY S.A.

ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

(in thousand PLN)

INCOME STATEMENT

INCOME STATEMENT	Note	01.01.2014 - 31.12.2014 (audited)	01.01.2013 - 31.12.2013 (audited)
Total operating income, including:		**825 525**	**708 298**
Sales revenue	14.1	706 838	605 848
Other operating income	14.2	6 304	4 398
Dividends	14.3	112 383	98 052
Change ~~of~~ in inventories of finished goods and work in progress		**19 870**	**2 940**
Cost of manufacturing products for own needs		**5 166**	**4 982**
Total operating costs, including:		**(746 624)**	**(643 402)**
Depreciation/Amortisation	18,20	(30 609)	(29 168)
Materials, energy and the value of goods and materials sold	14.8	(486 881)	(419 732)
External services		(106 365)	(83 762)
Taxes and charges		(5 631)	(5 889)
Employee benefits	14.7	(81 540)	(73 838)
Other operating costs	14.4	(35 598)	(31 013)
Profit on operating activities		**103 937**	**72 818**
Finance income	14.5	227	253
Finance costs	14.6	(5 343)	(5 836)
Profit before tax		**98 821**	**67 235**
Income tax expense	15	(812)	311
Net profit on continuing operations		**98 009**	**67 546**
Basic net earnings per share (PLN)	16	10.45	7.29
Diluted net earnings per share (PLN)	16	10.43	7.23

In 2014 and 2013, the Company did not discontinue any operations.

Dariusz Mańko	Adam Piela	Andrzej Stempak
President of the Management Board	*Member of the Management Board*	*President of the Management Board*
		Dekret Centrum Rachunkowe Sp. z o.o.

Kęty, 17 March 2015

(in thousand PLN)

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01.2014 -31.12.2014 (audited)	01.01.2013 - 31.12.2013 (audited)
Net profit for the period		**98 009**	**67 546**
Other comprehensive income to be charged to profit or loss, including:		**2 521**	**(3 718)**
Valuation of cash flow hedging instruments		1 128	(3 708)
Result from cash flow hedge		1 607	(716)
Income tax related to other comprehensive income		(214)	706
Other comprehensive income not to be charged to profit or loss, including:		**(420)**	**(249)**
Actuarial gains (losses)	24.2.1	(519)	(307)
Income tax related to other comprehensive income		99	58
Comprehensive income for the period		**100 110**	**63 579**

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Kęty, 17 March 2015

(in thousand PLN)

BALANCE SHEET

ASSETS	Note	31.12.2014 (audited)	31.12.2013 (audited)
I. Non-current assets		**711 907**	**727 192**
Property, plant and equipment	18	310 318	312 115
Intangible assets	20	6 483	5 679
Shares and interests	21	395 032	409 282
Advance payments for property, plant and equipment	23	74	116
II. Current assets		**262 794**	**205 825**
Inventories	25	106 380	60 241
Current tax receivables	26	0	1 300
Trade and other receivables	27	153 945	140 782
Derivative financial instruments	38	674	155
Cash and cash equivalents	28	1 795	3 347
Total assets		**974 701**	**933 017**
EQUITY AND LIABILITIES			
I. Equity		**714 662**	**699 068**
Share capital	29.1	67 352	67 138
Share premium	29.2	14 512	4 563
Non-registered capital from the issue of shares	29.3	1 601	3 479
Capital from the valuation of property, plant and equipment	29.4	3 174	3 382
Capital from share based payments	29.5	11 244	10 230
Capital from the valuation of hedging instruments	29.6	(690)	(1 604)
Result from cash flow hedge	29.7	772	(835)
Retained earnings	29.8	616 697	612 715
II. Long-term liabilities		**73 429**	**74 819**
Liabilities related to loans	30	20 904	20 809
Provisions due to employee benefits	24.2	1 761	1 334
Subsidies	31	33 320	34 105
Deferred income tax liability	15.1	17 444	18 571
III. Short-term liabilities		**186 610**	**159 130**
Liabilities related to loans	30	109 157	103 364
Income tax liabilities	26	1 639	0
Trade and other liabilities	33	63 537	43 933
Provisions and accruals	32	9 330	7 640
Derivative financial instruments	38	1 526	2 136
Subsidies	31	1 421	2 057
Total equity and liabilities		**974 701**	**933 017**

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Kęty, 17 March 2015

(in thousand PLN)

CASH FLOW STATEMENT

	Note	01.01.2014 - 31.12.2014 (audited)	01.01.2013 - 31.12.2013 (audited)
Cash flow from operating activities			
Profit before tax		**98 821**	**67 235**
Adjustments:		**51 930**	**63 227**
Depreciation/Amortisation	18,20	30 609	29 168
Recognition of revaluation write-downs for interests	14.4	14 715	27 568
Recognition of revaluation write-downs for property, plant and equipment		737	0
Profit from net currency translation differences		608	2 281
(Profit) / loss from the sale of property, plant and equipment	14.4	(230)	196
Interest		3 074	4 065
Realised result on transactions hedging the price of aluminium charged to equity		1 607	(716)
Costs of share based payments	14.7	591	647
Other items (net)		219	18
Cash flow from operating activities before the change of working capital		**150 751**	**130 462**
Change in inventories		(46 139)	7 774
Change in net receivables		(11 562)	(14 840)
Change in short-term liabilities, except forloans		17 490	208
Change in provisions		1 597	1 953
Change in subsidies		(1 421)	138
Net cash generated from operating activities		**110 716**	**125 695**
Tax (paid) / refunded	26	891	990
Net cash from operating activities (including dividends)		**111 607**	**126 685**
Cash flow from investing activities			
(+) ~~Proceeds:~~ Inflows:		**306**	**146**
Sale of intangible assets and property, plant and equipment		306	146
(-) ~~Expenses:~~ Outflows:		**(28 552)**	**(23 116)**
Acquisition of intangible assets and property, plant and equipment		(28 510)	(23 116)
Acquisition of subsidiaries		(42)	0
Net cash from investing activities		**(28 246)**	**(22 970)**
Cash flow from financing activities			
(+) ~~Proceeds:~~Inflows:		**44 294**	**15 881**
Net proceeds from the issue of shares		6 683	8 216
Proceeds from borrowings		37 611	7 665
(-) ~~Expenses:~~Outflows:		**(129 207)**	**(117 398)**
Dividends and other payments due to owners	17	(93 808)	(55 721)
Repayments of borrowings		(32 305)	(57 333)
Interest		(3 094)	(4 344)
Net cash from financing activities		**(84 913)**	**(101 517)**

Total net cash flow:		**(1 552)**	**2 198**
- change in cash due to currency translation differences		0	0
Cash and cash equivalents at the beginning of the period		**3 347**	**1 149**
Cash and cash equivalents at the end of the period	**28**	**1 795**	**3 347**

Dariusz Mańko	Adam Piela	Andrzej Stempak
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Kęty, 17 March 2015

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from the valuation of property, plant and equipment	Capital from share based payments	Capital from the valuation of hedging instruments	Result from cash flow hedge	Retained earnings	**Total equity**
Equity as of 1 January 2014 (audited)	**67 138**	**4 563**	**3 479**	**3 382**	**10 230**	**(1 604)**	**(835)**	**612 715**	**699 068**
Comprehensive income for the period:	0	0	0	0	0	914	1 607	97 589	**100 110**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*98 009*	***98 009***
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*914*	*1 607*	*(420)*	***2 101***
Valuation of share based payments	0	0	0	0	1 014	0	0	0	**1 014**
Transfer due to depreciation/amortisation	0	0	0	(208)	0	0	0	208	**0**
Issue of shares	214	9 949	(1 878)	0	0	0	0	0	**8 285**
Payment of dividend	0	0	0	0	0	0	0	(93 815)	**(93 815)**
Equity as of 31 December 2014 (audited)	**67 352**	**14 512**	**1 601**	**3 174**	**11 244**	**(690)**	**772**	**616 697**	**714 662**

Dariusz Mańko	Adam Piela	Andrzej Stempak
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Kęty, 17 March 2015

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY (PREVIOUS YEAR)

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from the valuation of property, plant and equipment	Capital from share based payments	Capital from the valuation of hedging instruments	Result from cash flow hedge	Retained earnings	**Total equity**
Equity as of 1 January 2013 (audited)	**66 964**	**0**	**0**	**3 761**	**9 099**	**1 398**	**(119)**	**600 804**	**681 907**
Comprehensive income for the period:	0	0	0	0	0	(3 002)	(716)	67 297	**63 579**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*67 546*	***67 546***
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*(3 002)*	*(716)*	*(249)*	***(3 967)***
Valuation of share based payments	0	0	0	0	1 131	0	0	0	**1 131**
Transfer due to depreciation/amortisation	0	0	0	(379)	0	0	0	379	**0**
Issue of shares	174	4 563	3 479	0	0	0	0	0	**8 216**
Payment of dividend	0	0	0	0	0	0	0	(55 765)	**(55 765)**
Equity as of 31 December 2013 (audited)	**67 138**	**4 563**	**3 479**	**3 382**	**10 230**	**(1 604)**	**(835)**	**612 715**	**699 068**

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Kęty, 17 March 2015

COMPLEMENTARY INFORMATION AND EXPLANATIONS

1. General information

These financial statements of Grupa Kęty S.A. cover the year ended on 31 December 2014 and provide comparative data with regard to the year ended on 31 December 2013.
Grupa KĘTY S.A. ('the Company') is a joint-stock company incorporated in Poland with its registered office located in Kęty, at ul. Kościuszki 111.

The Company was established as a result of the transformation of a state-owned company Zakłady Metali Lekkich "KĘTY" into a sole-shareholder company of the State Treasury pursuant to the notary deed dated 3 March 1992. On 1 April 1992, the Company was registered in the District Court in Bielsko-Biała, VI Commercial Department under the RHB number 1768/92, and on 9 July 2002, the District Court in Kraków, XII Commercial Department of the National Court Register, entered the Company into the National Court Register under the **KRS number 0000121845**.
The Company's tax identification number **(NIP) 549-000-14-68** was assigned by the Tax Office in Oświęcim.
The Company's business statistical number **(REGON)** is: **070614970.**

In 1995, the Company's shares were floated at Warsaw Stock Exchange and the Company became a listed company. In accordance with the classification of Warsaw Stock Exchange, the Company operates in the metallurgical sector.
The Company's basic range of activity includes the production, trade and the rendering of services related to the processing of aluminium and its alloys. In addition, the Company is involved in the trade intermediation, supplies, marketing and other activities (including the transmission and distribution of natural gas and electricity).

The Company's lifetime is indefinite.

2. The identification of the consolidated financial statements

The Company has prepared consolidated financial statements for the year which ended on 31 December 2014.
The Company's consolidated financial statements are published at the same time as the separate financial statements. The Company's consolidated financial statements are available at www.grupakety.com.

3. The Company's Management Board

The Company's Management Board, as of 31 December 2014, comprised:
1. Dariusz Mańko – President of the Management Board/Chief Executive Officer
2. Adam Piela – Member of the Management Board/Chief Financial Officer

During the financial year and by the date of the approval of these financial statements for publication, there were no membership alterations in the Company's Management Board.

4. The approval of the financial statements

These financial statements were approved for publication by the Management Board on 17 March 2015.

5. The Company's investments

The Company holds investments in the following subsidiaries:

(in thousand PLN)

No.	Company name	Registered office	Scope of basic business activities	Shares in basic capital and shares in total votes as at 31-12-2014	Shares in basic capital and shares in total votes as at 31-12-2013	Date of control take-over by Grupa Kęty S.A.
1.	Alupol Sp. z o.o.	Tychy, Poland	Production of and trade in plastic packaging	100.00 %	100.00 %	04/1998
2.	Aluprof S.A.	Bielsko-Biała, Poland	Manufacture of construction woodwork	100.00 %	100.00 %	06/1998
3.	Alutech Sp. z o.o. w likwidacji	Kęty, Poland	Production, trade and provision of services	100.00 %	100.00 %	03/1999
4.	Dekret Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	100.00 %	100.00 %	09/1999
5.	Alutrans System Sp. z o.o.	Bielany Wrocławskie, Poland	Production ~~activity~~	100.00 %	100.00 %	04/2000
6.	Metalplast-Stolarka Sp. z o.o.	Goleszów, Poland	Manufacture of construction woodwork	100.00 %	100.00 %	07/2006
7.	Alupol LLC Sp. z o.o.	Borodianka, Ukraine	Manufacture of aluminium sections	100.00 %	100.00 %	12/2004
8.	Aluform Sp. z o.o.	Tychy, Poland	Manufacture of profiles	100.00 %	100.00 %	6/2009
9.	Grupa Kęty Italia s.r.l.	Milan, Italy	Trading intermediation	100.00 %.	0 %	5/2014

As at 31 December 2014, the Company's share in the total number of votes in subsidiaries equalled the Company's share in the capitals of these entities.

Furthermore, the Company holds investments in other business entities with the gross value of 840 thousand PLN. Investments in other business entities are subject in full to an impairment loss.

Investments in other business entities were made in the 1990's as a result of the conversion of the Company's debt into shares or interests of the entities undergoing restructuring processes.

6. Other significant accounting judgments and estimates

6.1. Professional opinion

In the process of the application of accounting principles (policy) with regard to the issues specified in note 6.2, the professional opinion of the management was the most significant aspect, besides accounting estimates.

6.2. Uncertainty of estimates

In the following parts, basic assumptions related to the future as well as other key sources of uncertainty as of the balance sheet date were discussed, including a significant risk of considerable correction of carrying amounts for assets and liabilities in the next financial year.

Impairment of assets

Impairment tests carried out by the Company in 2014 and 2013 under IAS 36, in the cases of indicators of impairment, did not show the need to establish revaluation write-downs for assets with finite useful lives. Furthermore, the Company carried out impairment tests for shares and interests held by it in subsidiaries. The information about the results of the test and established write-downs is included in note 21.

Impairment tests are developed on the basis of macro- and microeconomic assumptions whose realisation is not certain and are often beyond the Company's control.

Valuation of provisions and accruals

Long-term provisions for employee benefits comprise retirement benefits and disability benefits. They were measured by a licensed actuary with the application of actuarial methodology. The assumptions adopted for that purpose are specified in note 24.2. The valuation of other provisions and accruals, including provisions for bonuses and for unused holiday is based on the estimates of the Management Board. The amounts of created provisions and accruals reflect the most appropriate estimate of cash expenditure required to satisfy the present obligation as at the balance sheet date. 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.

Fair value of derivative financial instruments

Fair value of financial instruments for which there is no active market is measured by the application of appropriate valuation techniques. In order to select the applicable methods and assumptions, the Company is guided by a professional opinion. The method of fair value determination for individual financial instruments is specified in notes 12.11, 38 and 40.

Revaluation write-downs for inventories

The Company assesses the value and the probability of the inflow of future economic benefits from the inventories of tangible current assets held by it. In the case of circumstances substantiating that the inflow will be lower than the value of the said tangible assets, the Company creates revaluation write-downs for inventories up to the net realisable value. The information about the method of determining the value of inventories is presented in note 12.12.

Revaluation write-downs for receivables

The Company assesses the value and the probability of generating economic benefits from its receivables.In the case of indicators that the future inflows will not cover the value of the receivables, the Company creates a revaluation write-down for receivables up to the realisable value. The information about the method of determining the value of receivables is presented in note 12.13.

Fair value of the share options programme for the management staff

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

The assumptions adopted for that purpose are specified in note 24.

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 12.2 and 12.6.

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

7. The basis for the preparation of the financial statements

These financial statements have been prepared on the basis of the historical cost concept, except for derivative financial instruments which are valued at fair value; and equity revalued with regard to the periods subject to hyperinflation in accordance with IAS 29.

The financial statements are presented in thousands PLN, unless specified otherwise.

The financial statements have been prepared based on the going concern assumption for the Company in the foreseeable future, comprising the period of at least 12 months from the balance sheet date. As of the day of the approval of these financial statements for publication, there are no circumstances implying any threats to the continuation of the Company's activities.

In order to fully understand the financial standing and the results of the operations of the Company as the parent company of the Capital Group, these financial statements should be read jointly with the annual consolidated financial statements of the Capital Group of Grupa Kęty S.A. for the financial year ended on 31 December 2014. The financial statements will be available on the Company's website at www.grupakety.com by the date specified in the current report concerning the date of submitting the Company's annual financial statements and the annual consolidated financial statements of the Capital Group for 2014.

7.1. Declaration of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') adopted by the EU. As of the date of the approval of these financial statements for publication, having regard for the IFRS implementation process in progress in the EU and the Company's business activities, within the scope of the accounting principles applied by the Company, there are no differences between the IFRSs which had been implemented and the IFRSs adopted by the European Union.

IFRS comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC').

7.2. Functional currency and the presentation currency for these financial statements

The Polish zloty ('PLN') is the functional currency for the Company and the presentation currency for these financial statements.

8. Changes in applied accounting principles and changes in presentations

The following standards were adopted for the first time by the Company in the financial year beginning on 1 January 2014 or later:

a) IFRS 10 *Consolidated Financial Statements*

The new standard superseded the guidelines concerning the control and consolidation included in IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control in such a way that all entities are subject to the same criteria for defining control. The amended definition is accompanied by comprehensive guidelines concerning the application. The application of the above standard does not influence the separate financial statements.

b) IFRS 11 *Joint Arrangements*

The new standard superseded IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities − Non-Monetary Contributions by Venturers*. The changes in definitions have limited the number of types of joint arrangements to two, namely joint operations and joint ventures. At the same time, the existing possibility of selecting the proportionate consolidation for jointly-controlled entities has been eliminated. Now, all participants in joint arrangements have an obligation to recognise them using the equity method. The application of the above standard does not influence the separate financial statements.

c) IFRS 12 *Disclosure of Interests in Other Entities*

The new standard is applicable to entities holding interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard superseded the disclosure requirements set forth in IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. According to IFRS 12, entities must disclose information that enables users of financial statements to evaluate the nature of, the risks associated with, and financial effects of investments in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To this effect, the new standard sets forth the requirement of disclosing information concerning multiple areas, including significant judgements and assumptions made in determining if an entity controls, has joint control or has significant influence upon other entities; detailed information concerning the significance of non-controlling interests in a group's activities and cash flows; concise financial information about subsidiaries with significant non-controlling interests; and detailed information about interests in unconsolidated structured entities. The application of the above standard does not influence the separate financial statements.

d) Amended IAS 27 *Separate Financial Statements*

IAS 27 has been amended in relation to the published IFRS 10 *Consolidated Financial Statements*. Amended IAS 27 has the objective of setting requirements to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidelines concerning control and consolidated financial statements have been superseded by IFRS 10. The application of the above amendments does not influence the separate financial statements.

e) Amended IAS 28 *Investments in Associates and Joint Ventures*

The amendments to IAS 28 resulted from the IASB's draft concerning joint arrangements. The Board decided to include the principles concerning the accounting for joint ventures using the equity method in IAS 28, as this method applies both to joint ventures and associates. Apart from this exception, other guidelines remained unchanged. The application of the above amendments does not influence the separate financial statements.

f) Transition guidance – amendments to IFRS 10, IFRS 11 and IFRS 12

The amendments clarify transition guidance for IFRS 10 *Consolidated Financial Statements*. The entities adopting IFRS 10 should assess whether they have control on the first day of the annual period for which IFRS 10 was applied for the first time and, if the conclusions from this assessment differ from the conclusions under IAS 27 and SIC 12, comparable data should be restated, if practicable. The amendments also provide for additional transitional relief to IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information only to data for the immediately preceding period. In addition, the amendments eliminate the requirement to present comparative information for the disclosures related to unconsolidated structured entities for periods preceding the period in which IFRS 12 was applied for the first time. The application of the above amendments does not influence the separate financial statements.

g) Investment entities − amendments to IFRS 10, IFRS 12 and IAS 27

The amendments introduce the definition of 'an investment entity' to IFRS 10. Such entities will have an obligation to recognise its subsidiaries at fair value through profit or loss, and consolidate only those subsidiaries which provide to them services related to the company's investing activities. Also, IFRS 12 has been amended by introducing new disclosures concerning investment entities. The application of the above amendments does not influence the separate financial statements.

h) Offsetting financial assets and financial liabilities – amendments to IAS 32

The amendments introduce additional clarifications as regards the application of IAS 32 to explain inconsistencies encountered in the application of certain offsetting criteria. They, among other things, clarify the meaning of the phrase: 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement, if appropriate conditions are met. The application of the above amendments does not influence the separate financial statements.

i) Recoverable amount disclosures for non-financial assets – amendments to IAS 36

The amendments remove the requirement of disclosing recoverable amount when the cash-generating unit contains goodwill or intangible assets with indefinite useful lives and no impairment was confirmed. The application of the above amendments does not influence the separate financial statements.

j) The novation of derivatives and the continuation of hedge accounting – amendments to IAS 39

These amendments allow hedge accounting to continue when a derivative, which has been designated as a hedging instrument, is novated (i.e. parties agreed to replace the original counterparty with a new one) to effect the clearing of the instrument with a central counterparty as a result of laws or regulations, if specific conditions are met. The application of the above amendments does not influence the separate financial statements.

9. New standards and interpretations published which have not come into force yet

In these financial statements, the Company did not decide to apply earlier the following published standards, interpretations or amendments to existing standards prior to their effective dates. According to the Company's estimates, the influence of all changes specified below resulting from the application of a given standard for the first time will not materially affect the financial statements. This regards to:

a) IFRS 9 *Financial Instruments*

IFRS 9 supersedes IAS 39. The standard will apply to annual periods beginning on or after 1 January 2018.

The standard introduces one model with only two categories in the classification of financial assets: carried at fair value and carried at amortised cost. The classification is established as at the initial recognition and depends on the financial instruments management model adopted by an entity and the characteristics of contractual cash flows from these instruments.
IFRS 9 introduces a new model for determining revaluation write-downs, i.e. the expected credit losses model.
The majority of IAS 39 requirements as regards the classification and measurement of financial liabilities were moved to IFRS 9 in the same form. The key change entails the requirement for entities to present the effects of changes in own credit risk due to financial liabilities designated at fair value though profit or loss in other comprehensive income.
As regards hedge accounting, the amendments aimed at greater adaptation of hedge accounting to risk management.
The Company will apply IFRS 9 when it is adopted by the European Union.
As at the date of these financial statements, IFRS 9 has not been adopted by the European Union yet.

b) **Defined benefit plans: employee contributions – amendments to IAS 19**

The amendments to IAS 19 *Employee Benefits* were published by the International Accounting Standards Board in November 2013 and apply to annual periods beginning on or after 1 July 2014.
The amendments allow for the recognition of employees' contributions as a reduction in the service costs in the period in which the related service is rendered by an employee, instead of attributing contributions to periods of service, if the amount of the contribution is independent of the number of years of service.
The Company will apply the amendments to IAS 19 from 1 January 2015.
As at the date of these financial statements, the amendments to IAS 19 have not been adopted by the European Union yet.

c) Annual Improvements to IFRSs: 2010-2012 Cycle

In December 2013, the International Accounting Standards Board published a document titled *Annual Improvements to IFRSs: 2010-2012 Cycle*, which amends seven standards. The improvements incorporate presentation, recognition and measurement changes, as well as terminology and editing changes. The amendments apply in majority of cases to annual periods beginning on 1 July 2014.
The Company will apply the said Improvements to IFRSs from 1 January 2015.
As at the date of these financial statements, Improvements to IFRSs have not been adopted by the European Union yet.

d) Annual Improvements to IFRSs: 2011-2013 Cycle

In December 2013, the International Accounting Standards Board published a document titled *Annual Improvements to IFRSs: 2011-2013 Cycle*, which amends four standards. The improvements incorporate presentation, recognition and measurement changes, as well as terminology and editing changes. The amendments apply to annual periods beginning on 1 July 2014.
The Company will apply the said Improvements to IFRSs from 1 January 2015.
As at the date of these financial statements, Improvements to IFRSs have not been adopted by the European Union yet.

e) IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 applies to annual periods beginning on or after 1 January 2016. The standard permits entities which are first-time adopters of IFRS to account for amounts related to rate regulation in accordance with their previous accounting principles. To enhance comparability with entities that already apply IFRSs and do not recognise such amounts, IFRS 14 requires that the amounts related to rate regulation should be presented separately from other items in the statement of financial position and the statement of profit or loss and other comprehensive income.

f) IFRIC 21 *Levies*

IFRIC 21 was published on 20 May 2013 and applies to financial years beginning on or after 17 June 2014.

The interpretation provides for the guidance on when to recognise liabilities for levies which are not income tax. The obligating event is the event defined in the law that triggers the payment of the levy. The fact than an entity will continue its business in the next period or prepares statements according to the going concern principle does not create an obligation to recognise a liability. The same principles for recognising a liability apply to annual and interim financial statements. The application of this interpretation to liabilities due to emission rights is optional.
The Company will apply IFRIC 21 for annual periods beginning from 1 January 2015.

g) Amendments to IFRS 11 concerning acquisitions of interests in joint operations

According to this amendment to IFRS 11, the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply to the acquisition of his interest all of the principles on business combinations accounting specified in IFRS 3 and other standards with the exception of those principles that conflict with the guidance in IFRS 11.
The amendment applies to annual periods beginning on 1 January 2016.
The Company will apply the said amendment for annual periods beginning from 1 January 2016.
As at the date of these financial statements, this amendment has not been adopted by the European Union yet.

h) Amendments to IAS 16 and IAS 38 concerning amortisation and depreciation

The amendment clarifies that the depreciation method that is based on revenue is not appropriate, as revenue generated by an activity that includes the use of given assets reflects also factors other than the consumption of economic benefits from a given asset.
The amendment applies to annual periods beginning on 1 January 2016.
The Company will apply the said amendment for annual periods beginning from 1 January 2016.
As at the date of these financial statements, this amendment has not been adopted by the European Union yet.

i) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was published by the International Accounting Standards Board on 28 May 2014 and applies to annual periods beginning on or after 1 January 2017.

The principles specified in IFRS 15 will apply to all contracts generating revenue. The core principle of the new standard is that an entity will recognise revenue upon the transfer of goods or services to customers at the transaction price. All goods or services sold in packages that can be separated within such a package should be recognised separately, and all rebates and discounts related to the transaction price should be in principle allocated to particular elements of such a package. When the revenue is variable, according to the new standard, variable amounts are included in revenue, if it is highly probable that there will be no revenue reversal in the future due to the revaluation. In addition, according to IFRS 15, the costs incurred to obtain and secure a contract with a customer should be activates and settled in time for the period of consuming benefits from such a contract.

The Company will apply IFRS 15 for annual periods beginning from 1 January 2017.
As at the date of these financial statements, IFRS 15 has not been adopted by the European Union yet.

j) Amendments to IAS 16 and IAS 41 concerning bearer plants

The amendments require the reporting of certain bearer plants such as grape vines, rubber trees and oil palms (i.e. those bearing produce for many years and which are not to be sold as cuttings or which are not to be harvested) according to IAS 16 *Property, Plant and Equipment*, as their cultivation is analogous to production. As a result, the amendments bring such plants into the scope of IAS 16 and not IAS 41. Agricultural produce from such plants remain under IAS 41.
The amendments were published on 30 June 2014 and apply to annual periods beginning on 1 January 2016.
The Company will apply the said amendment for annual periods beginning from 1 January 2016.
As at the date of these financial statements, this amendment has not been adopted by the European Union yet.

k) Amendments to IAS 27 concerning the equity method in separate financial statements

The amendment to IAS 27 allows for the application of the equity method as one of optional methods of recognising investments in subsidiaries, jointly controlled entities and associates in separate financial statements.
The amendments were published on 12 August 2014 and apply to annual periods beginning on 1 January 2016.
The Company will apply the said amendment for annual periods beginning from 1 January 2016.
As at the date of these financial statements, this amendment has not been adopted by the European Union yet.

l) Amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associates or joint ventures

The amendments address the present conflict between IFRS 10 and IAS 28. Recognition depends on whether non-monetary assets sold or contributed to an associate or a joint venture constitute a business.
When non-monetary assets constitute a business, the investor will recognise full gains or losses on transaction. And if assets do not meet the definition of a business, the investor recognises gains or losses excluding the part being the interests of other investors.
The amendments were published on 11 September 2014 and apply to annual periods beginning on 1 January 2016.
The Company will apply the said amendment for annual periods beginning from 1 January 2016.
As at the date of these financial statements, this amendment has not been adopted by the European Union yet.

m) Annual Improvements to IFRSs: 2012-2014 Cycle

In September 2014, the International Accounting Standards Board published a document titled *Annual Improvements to IFRSs: 2012-2014 Cycle*, which amends four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments apply to annual periods beginning on 1 January 2016.
The Company will apply the said Improvements to IFRSs from 1 January 2016.
As at the date of these financial statements, Improvements to IFRSs have not been adopted by the European Union yet.

n) Amendments to IAS 1

On 18 December 2014, as part of the so-called ‘Disclosure Initiative’, the International Accounting Standards Board published an amendment to IAS 1. The amendment aimed at clarifying the materiality concept and at explaining that if an entity deems certain information immaterial, it should not disclose it, even if such disclosure is in principle required under another IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and statement of profit or loss and other comprehensive income may be aggregated and disaggregated depending on their materiality. There are also additional guidelines related to the presentation of subtotals in these statements. The amendments apply to annual periods beginning on 1 January 2016.
The Company will apply the said amendment for annual periods beginning from 1 January 2016.
As at the date of these financial statements, Improvements to IFRSs have not been adopted by the European Union yet.

o) Amendments to IFRS 10, IFRS 12 and IAS 28 concerning the application of the consolidation exception in the case of investment entities

On 18 December 2014, the International Accounting Standards Board published a narrow-scope amendment. The amendment to IFRS 10, IFRS 12 and IAS 28 published under the title *Investment Entities: Applying the Consolidation Exception* clarifies the requirements concerning investment entities and provides certain relief.
The standard explains that an entity should measure at fair value through profit or loss all its subsidiaries that are investment entities. In addition, the standard clarifies that the consolidation exemption, if the higher level parent prepares publically available financial statements, is applicable whether or not subsidiaries are consolidated or measured at fair value through profit or loss according to IFRS 10 in the financial statements of the parent of the highest or higher level. The amendments apply to annual periods beginning on 1 January 2016.
The Company will apply the said amendments from 1 January 2016.

As at the date of these financial statements, Improvements to IFRSs have not been adopted by the European Union yet.

(in thousand PLN)

10. Error correction

These financial statements do not contain error corrections.

11. Areas of estimates

The Management Board's main estimates and adopted assumptions are presented in applicable notes to the financial statements:

- estimates and assumptions concerning useful lives of property, plant and equipment and intangible assets are presented in notes 12.2 and 12.6
- estimates concerning revaluation write-downs for inventories are presented in note 25
- estimates and assumptions concerning revaluation write-downs for receivables are presented in note 27
- estimates concerning employee benefits and provisions are presented in notes 24.2 and 32
- estimates concerning the share options programme are presented in note 24.1
- estimates concerning discounted cash flows applied in the calculation of the revaluation write-down for interests in subsidiaries are presented in note 21

12. Significant accounting principles

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

12.1. The translation of items in foreign currency

Transactions expressed in currencies other than the Polish zloty are translated into the Polish zloty according to the exchange rate effective on the date of the transaction.

As of the balance sheet date, monetary assets and liabilities expressed in currencies other than the Polish zloty are translated into the Polish zloty according to the applicable average exchange rate for a given currency determined by the National Bank of Poland and effective at the end of the reporting period. Currency translation differences resulting from translation and settlement are recognised in finance income (costs) respectively 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 of the transaction date.

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

	31 December 2014	31 December 2013
USD	3.5072	3.0120
EUR	4.2623	4.1472
GBP	5.4648	4.9828

12.2. Property, plant and equipment

Property, plant and equipment are disclosed in accordance with the purchase price/generation cost less depreciation and impairment losses, except for property, plant and equipment classified as 'energy-related assets' which are measured according to the revalued amount model, i.e. at the fair value as of the revaluation date less depreciation and any possible impairment losses. The Company's 'energy-related assets' are property, plant and equipment related to the transmission and distribution of electrical energy. The initial value of property, plant and equipment includes their purchase price increased with all costs directly related to the purchase and the adjustment of a given asset to usable conditions. Costs also include the cost of spare parts replacement in plant and machinery at the moment of the 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 running costs of maintenance and repair works, are charged to the income statement at the moment of their incurrence.

(in thousand PLN)

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. Costs of overhauls also constitute components.

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

Type	Period	
Buildings and structures	25 - 75	years
Plant and machinery, including:	10 - 40	years
- crucial components	15 - 25	years
Energy-related assets	15-91	years
Means of transport	7 - 15	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 the 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 potential net proceeds from sales and the carrying amount of this item) are recognised in the income statement for the period in which such derecognition took place.

Property, plant and equipment under construction are property, plant and equipment currently under construction or assembly and are disclosed in accordance with the purchase prices or generation costs. Property, plant and equipment under construction is not subject to depreciation until it construction has been finished and it can be put into use. The final value, the useful life and the depreciation method for the assets are reviewed on an annual basis and, if necessary, corrected effective from the beginning of the next financial year. 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 charged to the next planned periodical repairs.

12.3. Leases

In the period, the Company was not a party to any finance lease agreements.

The Company as a lessee

Lease agreements pursuant to which the lessor retains substantially all risks and rewards resulting from the possession of the lease subject fall into the category of operating lease agreements. Lease fees under operating lease agreements as well as further lease payments are recognised in the income statement as costs with the application of the straight line method throughout the lease period.

The Company as a lessor

Lease agreements pursuant to which the Company retains substantially all risks and rewards resulting from the possession of the lease subject fall into the category of operating lease agreements. The initial direct costs incurred in the course of negotiating operating lease agreements are added to the carrying amount of the asset being the lease subject and disclosed in the whole lease period on the same basis as the rental income. Lease fees are recognised as revenue in the income statement with the application of the straight line method throughout the lease period. Conditional lease fees are recognised as revenue within the period when they become due.

12.4. Impairment of non-current assets, excluding financial assets

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

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

The recoverable amount of an asset or of a cash-generating unit reflects the fair value less costs of sale for this asset or cash-generating unit, or its value in use, whichever is higher. This value 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 created. 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 entailing the effects of taxation reflecting 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 'other operating costs'.

As at each balance sheet date, the Company assesses whether there are indicators implying that the impairment loss disclosed in previous periods with regard to a given asset is unnecessary or should be decreased. Should such indicators occur, the Company estimates the recoverable amount for this 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 a case, 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 a given asset that would be determined (after deducting the depreciation) if, in the previous years, the impairment loss for this asset was not recognised at all. The reversal of the impairment loss for an asset, if the reason for impairment does not exist any longer, is recognised immediately as revenue in the income statement. Following the reversal, in the following 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 with the exit value.

12.5. Borrowing costs

Borrowing costs are recognised as costs in the income statement in the period in which they were incurred. Borrowing costs that may be directly attributed to the acquisition, construction or production of a qualifying asset affect its initial value as a part of the cost of that asset. The costs are capitalised when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Borrowing costs include interest calculated using the effective interest method, financial charges in respect of finance lease agreements 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 this asset in the amount determined by applying the capitalisation rate to the expenditure made on this asset. The capitalisation rate is the weighted average of all borrowing costs applicable to loans and credits that are outstanding during the period, other than loans taken specifically for the purpose of obtaining a qualifying asset.

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

12.6. 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. After initial recognition, intangible assets are disclosed at their purchase price or generation cost less amortisation and impairment losses. Expenditure incurred on intangible assets generated internally, except for capitalised expenditure incurred on development works, are not capitalised and are recognised in the costs of the period in which they were incurred.

The Company determines whether the useful life of intangible assets is finite or indefinite. Intangible assets with finite 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 finite 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 constitute a change in estimates and 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 finite useful lives is recognised in the income statement 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.

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

Costs of research and development works

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

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

Other development costs are recognised in the income statement upon their incurrence. The development costs are recognised as intangible assets according to the historical cost concept and are subject to amortisation charges and impairment losses.

Other

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

Subsequent expenditure

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

Amortisation

Intangible assets are subject to amortisation on a straight-line basis taking into account their useful life unless it is indefinite. Amortisation begins from the period in which the intangible assets become available for use. The estimated useful life is as follows:

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

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

12.7. Interests and shares in subsidiaries

Interests and shares in subsidiaries are recognised at historical cost less any possible impairment losses.

12.8. Advance payments for property, plant and equipment

In this item, the Company presents advance payments for the purchase of property, plant and equipment. The period for the completion of the deliveries for which the advance payments have been made is usually shorter than 12 months. The advance payments, as non-monetary assets, are measured at their historical cost less any possible impairment losses.

12.9. Financial assets

Financial assets are divided into the following categories:

- Held-to-maturity investments
- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and defined maturity that the Company intends and is able to hold to maturity, other than:

- designated on initial recognition as assets at fair value through profit or loss;

- designated as available for sale;
- meeting the definition of loans and receivables.

Held-to-maturity investments are measured at amortised cost with the application of the effective interest method. Held-to-maturity investments are qualified as long-term assets if their maturity exceeds 12 months counting from the balance sheet date.

An asset is a financial asset at fair value through profit or loss if it meets one of the conditions below:

a) Is classified as held for trading. Financial assets are classified as held for trading if they are:

- acquired mainly to be sold in a short period of time;
- a part of the portfolio of defined financial instruments managed jointly and for which it is probable that they will generate profits in a short period of time;
- derivatives, except for derivatives being an element of the hedge accounting and financial guarantees agreements;

b) classified, according to IAS 39, in this category at the time of their initial recognition.

Financial assets at fair value through profit or loss are measured at their fair value having regard for their market value as of the balance sheet date, net of costs of the sale. Changes of the values of these financial instruments are recognised in the income statement as operating income or operating costs. If a contract contains one or more embedded derivatives, the whole contract may be classified as a financial asset at fair value through profit or loss. It does not pertain to cases when an embedded derivative does not materially affect cash flows from the contract or the separation of embedded derivatives is clearly prohibited. Financial assets may be, upon the initial recognition, classified as at fair value through profit or loss, if the criteria set below are met: (i) such a classification eliminates or materially decreases the incoherence of the treatment when both the valuation and the principles of recognising losses or gains are subject to other regulations; or (ii) assets are a part of a group of financial assets which are managed and measured on the basis of fair value, according to the documented strategy of risk management; or (iii) financial assets contain embedded derivatives which should be recognised separately. No financial assets were classified in the reporting period as at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised in current assets unless their maturity exceeds 12 months from the balance sheet date. Loans granted and receivables with the maturity exceeding 12 months from the balance sheet date are recognised as non-current assets. Loans and receivables, after the initial recognition, are measured at amortised cost.

Available-for-sale financial assets are non-derivative financial assets classified as available for sale or not classified in any of the three aforementioned categories of assets. Available-for-sale financial assets are recognised at fair value without deducting costs of the transaction. In the event of a lack of exchange quotations on the active market and the impossibility of a reliable determination of their fair value using alternative methods, available-for-sale financial assets are measured at their purchase price adjusted with the impairment loss. The positive and negative difference between the fair value and the purchase price of available-for-sale assets (if there is a market price established on the active regulated market or if their fair value can be determined using another reliable method), less deferred income tax, is recognised in other comprehensive income. The decrease in the value of available-for-sale assets resulting from impairment is recognised as other operating cost through the reclassification of the write-down from other comprehensive income.

The acquisition and sale of financial assets are recognised as of the transaction date. Upon the initial recognition, a financial asset is measured at fair value increased, in the case of an asset not classified as at fair value through profit or loss, with transaction costs which can be directly related to the purchase.

A financial asset is derecognised from the balance sheet when the Company loses control over the contractual rights constituting a given financial instrument, which usually takes place in the case of the sale of a financial instrument or when all cash flows attributable to a given instrument are transferred to an independent third party and substantially all risks and rewards were transferred.

12.10. Impairment of financial assets

As at each balance sheet date, the Company assesses whether there are objective indicators of impairment of a financial asset or a group of financial assets.

12.10.1 *Assets recognised at amortised cost*

If there are any objective indicators implying that a loss has occurred due to the impairment of granted loans and receivables measured at the amortised cost, then the amount of the impairment loss equals the difference between the carrying amount of a given financial asset and the present value of estimated future cash flows (except for future losses due to the failure to collect receivables which have not been suffered yet) discounted at the original effective interest rate (i.e. the interest rate determined upon the initial recognition). The carrying amount of a given asset is decreased directly or through the establishment of a revaluation write-down. The amount of the loss is recognised in profit or loss.

First, the Company assesses whether there are any objective indicators implying impairment of particular financial assets which are significant individually as well as the indicators of the impairment of financial assets without individual significance. Should such an analysis imply that there are no objective indicators of the impairment of an individually assessed financial asset, regardless of whether it is significant or not, the Company includes this asset in the group of financial assets of similar characteristics related to the credit risk and performs a collective assessment for impairment. The assets assessed individually for impairment for which the impairment loss has been recognised or it has been established that the existing impairment loss is not to be changed, are not taken into consideration in the collective assessment of a group of assets for impairment.

If, in the next period, the impairment loss decreases and the decrease can be objectively related to an event following the recognition of the impairment loss, then the impairment loss recognised previously is reversed. Subsequent reversal of the impairment loss is recognised in profit or loss to the extent to which, on the reversal day, the carrying amount of a given asset does not exceed its amortised cost.

12.10.2 *Financial assets recognised at cost*

If there are any objective indicators implying the impairment of a non-listed equity instrument not recognised at its fair value, as its fair value cannot be reliably determined, or of a derivative instrument which is related and needs to be accounted for through the delivery of such a non-listed equity instrument, then the amount of the impairment loss is determined as a difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the market rate of return for similar financial assets.

12.10.3 *Available-for-sale financial assets*

If there are any objective indicators implying the impairment of an available-for-sale financial asset, then the amount constituting the difference between the purchase price of the asset (less any repayments of the principal and interest) and its present fair value, less any impairment losses for this asset previously recognised in profit or loss, is derecognised from the equity and reclassified to profit or loss. One cannot recognise the reversal of the impairment loss for equity instruments classified as available for sale in profit or loss. If, in the next period, the fair value of a debt instrument available for sale increases, and the increase in question can be objectively related to an event subsequent to the recognition of the impairment loss in profit or loss, then the amount of the reversed impairment loss is recognised in profit or loss.

12.11. Derivative financial instruments and hedging

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

Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are recognised in the net financial result for the financial year.

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

In hedge accounting, hedging instruments are classified as:

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

The hedging of the currency risk for the probable future liability is recognised as cash flow hedge.

Upon the establishment of the hedge, the Company 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 Company uses only instruments hedging future cash flows.

Cash flow hedging instruments

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. A portion of gains or losses on the hedging instrument that is an effective hedge is recognised in other comprehensive income, and the ineffective portion is recognised in the 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 period(s) in which the acquired asset or assumed liability affects 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 liability affects profit or loss.

12.12. Inventories

Inventories are measured at the lower of: purchase price/manufacture cost and net realisable value.

Costs incurred to bring each component of inventories to its current location and condition, both with regard to the present and the previous year, are recognised in the following manner:

Materials	at purchase price. The value of outgoing materials is determined by 'first-in first-out' method.
Finished products and work in progress	costs 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, and excluding the borrowing costs. The value of outgoing products and semi-finished products is determined by 'first-in first-out' method.
Trade goods	at purchase price. The value of outgoing trade goods is determined by 'first-in first-out' method.

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 reported in the balance sheet less established revaluation write-downs.

12.13. Trade and other receivables

Trade receivables whose maturity is usually from 30 to 90 days are disclosed and recognised at initially invoiced amounts net of doubtful debt allowances on receivables. Valuation allowances are estimated when the recovery of the full amount of receivables ceases to be probable. Uncollectible receivables are written off to the income statement at the time of confirming their uncollectibility.

If the influence of the time value of money is significant, the value of receivables is determined by discounting the forecasted future cash flows to the present value at the gross discount rate reflecting the present market valuations of the money value in time. In the event of the application of a discounting method, the increase in receivables due to the lapse of time is recognised as finance income.

Other receivables comprise in particular advance payments due to future purchases of services and inventories, and cash from the hedging of futures and forwards.

As non-monetary assets, advance payments are not discounted.

Receivables are revalued, having special regard for the degree of the probability of their payment, by establishing a revaluation write-down, regarding:

- receivables from debtors being liquidated or going bankrupt — up to the amount of the receivable not subject to the guarantee or other security for a receivable, reported to the liquidator or judge commissioner in bankruptcy proceedings;
- receivables from debtors in the case of dismissing the bankruptcy petition, if the assets of the debtor are not sufficient to cover the costs of the bankruptcy proceedings — to the full amount of the receivable;
- receivables contested by debtors and whose payment is delayed by the debtor and, according to the assessment of the debtor's assets and finances, the payment of receivables in the contractual amount is not probable — up to the amount not covered by the guarantee or other security;
- overdue or current receivables, where the probability of their collection is low, in cases justified by the type of business or the structure of customers — in the amount of a reliably estimated write-down.

Doubtful debts allowances on receivables are recognised, respectively, in other operating costs or in finance costs, depending on the type of receivables for which a valuation allowance was established. Cancelled receivables, overdue receivables or uncollectible receivables decrease the previous valuation allowances established for them. Uncollectible receivables for which valuation allowance were not established or the allowances were not in full amount, are recognised in other operating costs or finance costs respectively.

12.14. Cash loans granted

They are measured using the effective interest method at amortised cost. Detailed accounting policy is described in notes 12.9 and 12.10.

12.15. Cash and cash equivalents

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

The balance of cash and cash equivalents recognised in the cash flow statement comprises the aforementioned cash and cash equivalents. The Company does not have any overdraft facilities which would be used to manage cash.

12.16. Equity

Share capital

Share capital is recognised at the value resulting from the restatement of the nominal value registered in the National Court Register in accordance with IAS 29.

Share premium

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

Capital from the issue of shares not registered in the National Court Register

This capital reflects the value of shares at the issue price subscribed for by eligible persons; as at the balance sheet date, the shares were not registered in the National Court Register.

Capital from the valuation of non-current assets

The Company, as regards the valuation of property, plant and equipment classified as 'energy-related assets', applies, pursuant to IAS 16, the measurement model based on the revalued amount. The capital reflects the increase in the net value of property, plant and equipment classified as 'energy-related assets' revalued after the decrease due to depreciation charges in relation to the value of property, plant and equipment prior to the revaluation after the decrease due to depreciation charges and impairment losses.

Dividends

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

Capital from share based payments

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

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

As specified in detail in note 12.11, the Company is a party to forwards/futures hedging future cash flows. The portion of gains or losses on the hedging instrument being an effective hedge is recognised in other comprehensive income in 'capital from the valuation of hedging instruments'.

If the result on the 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 a separate item of capitals from the result on completed cash flow hedging transactions until the item or transaction being hedged influences the profit or loss, and then the result in question is charged to profit or loss.

12.17. Interest-bearing bank loans, cash loans and debt securities

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

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

Gains and losses are recognised in the income statement upon the derecognition of a given liability from the balance sheet as well as as a result of the settlement using the effective interest rate method.

12.18. Trade and other liabilities

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

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

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

Other non-financial liabilities comprise, in particular, VAT liabilities towards the tax office, income tax advances on remunerations, liabilities towards the Social Security Institution (ZUS) due to contributions from remunerations and liabilities due to received advance payments, which will be settled through the delivery of goods, services or property, plant and equipment. Other non-financial liabilities are recognised in the payable amount due.

12.19. Provisions

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

12.20. Retirement benefits

In accordance with the corporate remuneration systems, the Company's employees are entitled to retirement benefits and disability benefits. Retirement benefits and disability benefits are paid once, upon a given employee's retirement or resigning from work due to disability. The levels of retirement benefits and disability benefits are provided for in the Labour Code in the amount of one-month remuneration payable on the date of becoming entitled to such benefits. The Company creates a provision for future liabilities due to retirement benefits and disability benefits with the purpose of assigning costs to the periods they refer to. Pursuant to IAS 19, retirement benefits and disability benefits are post-employment defined benefit plans. 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 charged to equity through other comprehensive income in the period in which they occurred.

12.21. Share based payments

The Company's employees (including the members of the Management Board) receive benefits in the form of treasury shares; as a result, they provide services in return for shares or rights to shares ('transactions cleared in equity instruments').

12.21.1 *Transactions cleared in equity instruments*

The cost of transactions cleared with the employees in equity instruments is measured by reference to fair value as of the date of granting rights. The fair value is determined by an independent expert on the basis of the binominal model further discussed in note 24. The valuation of transactions cleared in equity instruments takes into account market conditions of acquiring rights (related to the price of the Company's shares).

The costs of transactions cleared in equity instruments are recognised together with the corresponding increase in equity in the period when the conditions concerning the effectiveness/results and/or the provision of work or services were met, ending on the day of acquiring full rights to given benefits ('entitlement date') by particular employees. The costs of share options granted to internal employees of the parent company are recognised in the income statement, and the costs of options granted to employees of subsidiaries are recognised as the increase in the carrying amount of investments in subsidiaries.

The cumulated cost recognised due to the transactions cleared in equity instruments as at each balance sheet date until the entitlement date reflects the lapse of the period for acquiring the rights and the number of awards the rights to which – in the opinion of Company's Management Board as of that day, based on the best possible estimates of the number of equity instruments – are finally acquired.

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

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

The diluting impact of issued options is taken into account when determining earnings per share as an additional dilution of shares (see note 16).

12.22. Revenue

Revenue is recognised in the amount equalling the economic benefits which the Company is likely to achieve in relation to a given transaction and which can be reliably measured. Revenue is recognised at fair value of received or due payments less VAT, excise tax and rebates. When recognising revenue, the criteria specified below apply as well.

12.22.1 *The sale of products, trade goods, materials and services*

Revenue from the sale of products, trade goods, materials and services is recognised if the amount of the revenue can be reliably measured, there is a probability that the Company will generate economic benefits from the transaction and all commensurate costs may be measured reliably. Revenue from the sale of products, trade goods and materials is recognised when significant risk and rewards of their ownership were transferred to the buyer and when the Company is no longer permanently engaged in the management of the sold goods to the extent to which such a function is usually performed for goods owned by someone, and when the Company has no effective control over them. Revenue from services is recognised following the provision of a given service. Revenue comprises amounts received and due for delivered products, trade goods, materials and services less any discounts related to deliveries and services as well as VAT, excise duty and fuel duty. The amount of the revenue is determined at fair value of received or due payment. Revenue obtained from the settlement of cash flow hedging transactions adjusts the revenue from the sale of products, trade goods, materials and services.

Revenue and costs related to services for which their commencement and termination dates fall in different reporting periods are recognised on the basis of the percentage of service completion (measured with the degree of the cost-based progress), if the result from the transaction can be measured reliably, i.e. when one can determine the amount of the revenue from the service contract and the costs of the service, and when it is probable that the Company will generate economic benefits from the contract and the degree of the contract completion can be determined reliably. When meeting the conditions is not possible, revenue is recognised only to the level of the costs incurred by a given date; however, not higher than the costs that the Company expects to recover.

12.22.2 *Interest*

Interest income is recognised on an ongoing basis as the interest accrues (using the effective interest rate method constituting the discount rate for future cash flows throughout the estimated useful life of financial instruments) with regard to the net carrying amount of a given financial asset.

12.22.3 *Dividends*

Dividends are recognised upon the determination of the shareholders' and partners' rights to obtain them.

12.22.4 *Rental income*

Income from the rental of real properties is recognised on a straight-line basis throughout the rental period with regard to contracts in progress.

12.22.5 *Governmental subsidies*

Should a reasonable certainty exist that a subsidy is to be obtained and all related conditions are met, the governmental 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' account and then gradually, by means of equal annual write-downs, written down to the income statement throughout the estimated useful life of the related asset.

12.23. Taxes

12.23.1 *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 on the balance sheet date.

12.23.2 *Deferred tax*

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

Deferred income tax liability is recognised with regard to all taxable temporary differences:

- save for cases when the deferred income tax liability is created 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 are subject to the investor's control and when it is probable that temporary differences will not be reversed in the foreseeable future.

Deferred income 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 created 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 this asset.

Deferred income tax assets and deferred income tax liabilities are measured with the application of tax rates forecasted 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 on the balance sheet date.

Income tax related to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income in relation to items included in other comprehensive income, or directly in equity in relation to items recognised directly in equity.

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

12.23.3 *VAT*

Revenue, costs, assets and liabilities are recognised net of 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 with VAT.

(in thousand PLN)

Net VAT amount recoverable from or payable to the tax authorities is recognised in the balance sheet as a part of receivables or liabilities.

13. Information about operating segments

The Company has two internally separated business segments: the Extruded Products Segment and 'Other' business segment which comprises central functions in the Capital Group. As the Company's financial statements are published simultaneously with the consolidated financial statements, the Company, under IFRS 8 item 4, presents the information about segments only in the consolidated financial statements.

14. Revenue and costs

14.1. Sales revenue

Sales by territories	**01.01.2014 - 31.12.2014** (audited)	**01.01.2013 - 31.12.2013** (audited)
Poland, including:	**468 529**	**390 593**
to related parties	180 559	155 981
EU, excluding Poland, including:	**221 396**	**195 383**
to related parties	342	391
Other European countries, including:	**11 241**	**15 108**
to related parties	2 944	8 060
Other countries	**5 672**	**4 764**
Total sales	**706 838**	**605 848**
Sales to related parties	**183 845**	**164 432**

The sale in the table above is recognised for the country of the counterparty being a party to a sale transaction.

Sales by items	**01.01.2014 - 31.12.2014 (audited)**	**01.01.2013 - 31.12.2013 (audited)**
Products, including:	**673 494**	**571 699**
to related parties	167 518	146 270
Services, including:	**24 509**	**27 733**
to related parties	16 327	18 162
Trade goods and materials, including:	**8 835**	**6 416**
to related parties	0	0
Total sales	**706 838**	**605 848**
Sales to related parties	183 845	164 432

In both periods, there was no revenue recognised using the percentage of completion method.

(in thousand PLN)

14.2. Other operating income

	01.01.2014 - 31.12.2014 (audited)	**01.01.2013 - 31.12.2013** (audited)
Doubtful debts allowances on receivables	0	784
Revaluation write-downs of property, plant and equipment	0	545
Gains from the disposal of property, plant and equipment	230	0
Subsidies	1 421	2 039
Fines and damages	4 196	545
Overdue liabilities	270	62
VAT refund from abroad	4	2
Payer's remuneration	21	15
Abatement for bad debts in VAT	78	306
Other	84	100
TOTAL	**6 304**	**4 398**

14.3. Due dividends

Paying entity	**01.01.2014 - 31.12.2014** (audited)	**01.01.2013 - 31.12.2013** (audited)
Aluprof S.A.	66 725	45 000
Alupol Packaging S.A.	30 000	40 911
Aluform sp. z o.o.	15 468	12 103
Dekret Sp. z o.o.	190	38
TOTAL	**112 383**	**98 052**

(in thousand PLN)

14.4. Other operating costs

	01.01.2014 - 31.12.2014 (audited)	01.01.2013 - 31.12.2013 (audited)
Revaluation write-down of property, plant and equipment	(737)	(15)
Revaluation write-down of inventories	(83)	(29)
Doubtful debts allowances on receivables	(12 845)	0
Revaluation write-down of interests in subsidiaries	(14 715)	(27 568)
Provision for costs of damages	0	(430)
Loss from the disposal of non-current assets, excluding non-financial assets	0	(196)
Promotion and publicity	(1 139)	(898)
Business trips	(699)	(642)
Property damage	(4 403)	(23)
Liquidations of property, plant and equipment	(220)	(552)
Cancelled receivables	(127)	(32)
Scrapping of inventories	(1)	(6)
Fines and damages	(70)	(5)
Donations	(147)	(113)
Court costs related to lawsuits for the payment of receivables	(15)	(117)
Membership fees	(19)	(19)
Scholarships	(2)	(27)
Discontinued investment projects	(51)	(130)
Other	(325)	(211)
TOTAL	**(35 598)**	**(31 013)**

14.5. Finance income

	01.01.2014 - 31.12.2014 (audited)	01.01.2013 - 31.12.2013 (audited)
Interest	223	245
Other	4	8
TOTAL	**227**	**253**

14.6. Finance costs

	01.01.2014 - 31.12.2014 (audited)	01.01.2013 - 31.12.2013 (audited)
Interest on borrowed loans and credits	(3 073)	(4 088)
Interest on provisions for employee benefits	(72)	(87)
Other interest	(8)	0
Surplus of negative currency translation differences over positive ones	(2 072)	(1 354)
Paid discounts	0	(48)
Paid commissions	(118)	(259)
TOTAL	**(5 343)**	**(5 836)**

(in thousand PLN)

14.7. Costs of employee benefits

	01.01.2014 - 31.12.2014 (audited)	**01.01.2013 - 31.12.2013** (audited)
Remunerations	(63 849)	(58 715)
Social security contributions	(11 758)	(10 642)
Other benefits for employees	(5 342)	(3 834)
Costs of share based payments programme	(591)	(647)
TOTAL	**(81 540)**	**(73 838)**

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

	01.01.2014 - 31.12.2014 (audited)	**01.01.2013 - 31.12.2013** (audited)
Consumption of materials	(449 554)	(376 211)
Energy consumption	(30 211)	(33 334)
Value of resold materials and goods	(7 195)	(5 570)
Result from hedging transactions	79	(4 617)
Costs of materials and energy	**(486 881)**	**(419 732)**

15. Income tax expense

Main components of tax deduction are as follows:

Income tax structure	**01.01.2014 - 31.12.2014** (audited)	**01.01.2013 - 31.12.2013** (audited)
Current income tax recognised in the income statement	(1 908)	41
Deferred income tax	1 096	270
Income tax recognised in the income statement	**(812)**	**311**

The reconciliation of the income tax on gross financial result prior to taxation at the statutory tax rate with the income tax calculated at the Company's effective tax rate for the financial year is as follows:

Effective tax rate	**%**	**01.01.2014 - 31.12.2014** (audited)	**%**	**01.01.2013 - 31.12.2013** (audited)
Gross financial result		**98 821**		**67 235**
Tax at the national rate of 19%	19%	(18 776)	19%	(12 775)
Dividends and shares in profits	-20%	21 353	-28%	18 630
Impact of other tax-exempt revenue and non-tax costs	3%	(3 389)	8%	(5 544)
Tax deduction recognised in the income statement	**2%**	**(812)**	**-1%**	**311**

(in thousand PLN)

15.1. Deferred income tax

	As at 01.01.2014	Impact on result	Impact on other compre-hensive income	As at 31.12.2014
Employee benefits (remunerations)	343	35	0	378
Provisions for employee benefits	1 571	284	99	1 954
Other provisions and accruals	198	(45)	0	153
Revaluation write-downs for receivables	505	2 240	0	2 745
Revaluation write-downs for inventories	407	11	0	418
Revaluation write-downs for property, plant and equipment	268	122	0	390
Currency translation differences from the valuation of items in foreign currencies	260	181	0	441
Tax loss	279	(140)	0	139
Valuation of hedging transactions	406	0	31	437
Interest on loans	31	3	0	34
Abatements due to new technologies	112	(112)	0	0
Other	45	10	0	55
Difference between the carrying amount and the tax value of property, plant and equipment	(22 853)	(1 069)	0	(23 922)
Currency translation differences from the revaluation of items in foreign currencies	(114)	(424)	0	(538)
Valuation of hedging transactions	(29)	0	(99)	(128)
TOTAL DEFERRED INCOME TAX	**(18 571)**	**1 096**	**31**	**(17 444)**

	As at 01.01.2013	Impact on result	Impact on other compre-hensive income	As at 31.12.2013
Employee benefits (remunerations)	320	23	0	343
Provisions for employee benefits	1 275	238	58	1 571
Other provisions and accruals	12	186	0	198
Revaluation write-downs for receivables	689	(184)	0	505
Revaluation write-downs for inventories	416	(9)	0	407
Revaluation write-downs for property, plant and equipment	369	(101)	0	268
Currency translation differences from the valuation of items in foreign currencies	145	115	0	260
Tax loss	0	279	0	279
Valuation of hedging transactions	90	(43)	359	406
Interest on loans	56	(25)	0	31
Abatements due to new technologies	0	112	0	112
Other	0	45	0	45
Difference between the carrying amount and the tax value of property, plant and equipment	(22 387)	(466)	0	(22 853)
Currency translation differences from the revaluation of items in foreign currencies	(214)	100	0	(114)
Valuation of hedging transactions	(376)	0	347	(29)
TOTAL DEFERRED INCOME TAX	**(19 605)**	**270**	**764**	**(18 571)**

(in thousand PLN)

According to the Company's estimates, out of the above items, deferred income tax liability related to property, plant and equipment amounting to 23,922 thousand PLN (previous year: 22,853 thousand PLN); and a part of deferred income tax asset in the item 'Provisions' amounting to 335 thousand PLN (previous year: 253 thousand PLN) are of long-term nature. The remaining part of the item 'Provisions' is of short-term nature. Other items are of short-term nature.

	2014 (audited)	**2013** (audited)
Assets (liability) as at 01.01.2014 / 01.01.2013	**(18 571)**	**(19 605)**
Change in the asset (liability) due to the valuation of derivative financial instruments charged to equity	(214)	706
Assets due to exercised forwards and futures charged to equity	146	0
Deferred income tax on actuarial gains/losses	99	58
Deferred tax charged to the result for the period	1 096	270
Assets (liability) as at 31.12.2014 / 31.12.2013	**(17 444)**	**(18 571)**

16. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period attributable to all the Company's regular shareholders by the weighted average number of issued ordinary shares in the whole period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to all the Company's regular shareholders by the weighted average number of issued ordinary shares and potential shares in the period.

Below, we present the data related to the profit and the number of shares used to calculate basic and diluted earnings per share:

	01.01.2014 - 31.12.2014 (audited)	**01.01.2013 - 31.12.2013** (audited)
Net profit	**98 009**	**67 546**
Weighted average number of ordinary shares assumed for the calculation of basic earnings per ordinary share	9 374 746	9 261 876
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per ordinary share	9 392 451	9 336 972
Earnings per ordinary share in PLN	10.45	7.29
Diluted earnings per ordinary share in PLN	10.43	7.23

In 2014, eligible persons acquired the rights to purchase 68,700 shares from the third part of the 2009 programme for 125.57 PLN. In addition, during 2014, the eligible persons subscribed for: 4,350 shares from the third part of the 2006 programme and 52,200 shares from the second part of the 2009 programme and 12,750 shares from the third part of the 2009 programme. The said figures were taken into consideration in the calculation of the weighted average number of (subscribed for) shares and of the weighted average number of potential shares.

In 2013, eligible persons acquired the rights to purchase 68,700 shares from the second part of the 2009 programme for 117.63 PLN. In addition, during 2013, the eligible persons subscribed for: 13,375 shares from the third part of the 2009 programme and 68,700 shares from the first part of the 2009 programme and 16,500 shares from the second part of the 2009 programme. The said figures were taken into consideration in the calculation of the weighted average number of shares and of the weighted average number of potential shares.

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

The average market price for the Company's share during 2014 was 235.36 PLN (2013: 165.42 PLN).

The potential number of ordinary shares associated with the employee options programme increasing the number of shares and assumed for the calculation of diluted earnings per share is 17,705 shares (previous year: 75,096).

(in thousand PLN)

17. Dividends paid and proposed for payment

	Year ended on 31 December 2014	Year ended on 31 December 2013
Dividend from ordinary shares declared for the previous year and paid in the period:	93 808	55 721
TOTAL	**93 808**	**55 721**

In 2014, the Company paid dividend amounting to 93,808 thousand PLN (10 PLN per share). In 2013, the Company paid dividend amounting to 55,721 thousand PLN (6 PLN per share).

The Management Board plans to allocate the profit for the year amounting to 98,009,459.57 PLN to the payment of dividend and to cover actuarial losses related to post-employment employee benefits amounting to 420,225 PLN. As intended by the Management Board, the final level of dividend is to be 11 PLN per share (previous year: 10 PLN per share). As estimated by the Management Board, taking into consideration potential shares, the dividend will amount to 103,944,368 PLN (for 9,449,488 shares) and will be financed partially from retained earnings. Under the loan agreement, the payment of the dividend exceeding 60% of the consolidated net profit requires the consent of BNP Paribas Bank Polska S.A. Consolidated net profit of the Capital Group for 2014 amounted to 169,031 thousand PLN.

18. Property, plant and equipment

	31.12.2014 (audited)	**31.12.2013** (audited)
Gross value of property, plant and equipment	**499 801**	**478 960**
Land	8 293	8 293
Buildings and structures	129 779	127 846
Plant and machinery	267 968	262 118
Energy-related assets	12 141	12 132
Means of transport	6 880	6 597
Other property, plant and equipment	64 150	59 616
Property, plant and equipment under construction	10 590	2 358
Depreciation of property, plant and equipment	**187 431**	**165 434**
Buildings and structures	25 957	23 738
Plant and machinery	109 170	95 162
Energy-related assets	5 182	4 428
Means of transport	2 952	2 791
Other property, plant and equipment	44 170	39 315
Revaluation write-downs of property, plant and equipment	**2 052**	**1 411**
Buildings and structures	887	887
Plant and machinery	424	482
Energy-related assets	13	13
Means of transport	5	11
Other property, plant and equipment	723	18
Net value of property, plant and equipment	**310 318**	**312 115**
Land	8 293	8 293
Buildings and structures	102 935	103 221
Plant and machinery	158 374	166 474
Energy-related assets	6 946	7 691
Means of transport	3 923	3 795
Other property, plant and equipment	19 257	20 283
Property, plant and equipment under construction	10 590	2 358

(in thousand PLN)

	01.01.2014	Increases	Sale	Liquidations	Shifts	31.12.2014
Gross value of property, plant and equipment	**478 960**	**28 267**	**(648)**	**(6 778)**	**0**	**499 801**
Land	8 293	0	0	0	0	8 293
Buildings and structures	127 846	0	0	(82)	2 015	129 779
Plant and machinery	262 118	0	0)	(538)	6 388	267 968
Energy-related assets	12 132	0	0	(2)	11	12 141
Means of transport	6 597	0	(648)	0	931	6 880
Other property, plant and equipment	59 616	0	0	(6 156)	10 690	64 150
Property, plant and equipment under construction	2 358	28 267	0	0	(20 035)	10 590
Depreciation of property, plant and equipment	**165 434**	**29 037**	**(572)**	**(6 468)**	**0**	**187 431**
Buildings and structures	23 738	2 295	0	(76)	0	25 957
Plant and machinery	95 162	14 470	0	(462)	0	109 170
Energy-related assets	4 428	754	0	0	0	5 182
Means of transport	2 791	733	(572)	0	0	2 952
Other property, plant and equipment	39 315	10 785	0	(5 930)	0	44 170
Revaluation write-downs of property, plant and equipment	**1 411**	**723**	**0**	**(82)**	**0**	**2 052**
Buildings and structures	887	0	0	0	0	887
Plant and machinery	482	0	0	(58)	0	424
Energy-related assets	13	0	0	0	0	13
Means of transport	11	0	0	(6)	0	5
Other property, plant and equipment	18	723	0	(18)	0	723
Net value of property, plant and equipment	**312 115**	**(1 493)**	**(76)**	**(228)**	**0**	**310 318**
Land	8 293	0	0	0	0	8 293
Buildings and structures	103 221	(2 295)	0	(6)	2 015	102 935
Plant and machinery	166 474	(14 470)	0)	(18)	6 388	158 374
Energy-related assets	7 691	(754)	0	(2)	11	6 946
Means of transport	3 795	(733)	(76)	6	931	3 923
Other property, plant and equipment	20 283	(11 508)	0	(208)	10 690	19 257
Property, plant and equipment under construction	2 358	28 267	0	0	(20 035)	10 590

	01.01.2013	Increases	Sale	Liquidations	Shifts	31.12.2013
Gross value of property, plant and equipment	**458 669**	**24 560**	**(892)**	**(3 377)**	**0**	**478 960**
Land	8 293	0	0	0	0	8 293
Buildings and structures	125 831	0	(493)	0	2 508	127 846
Plant and machinery	249 367	0	(82)	(1 903)	14 736	262 118
Energy-related assets	11 794	0	0	(49)	387	12 132
Means of transport	5 955	0	(317)	(143)	1 102	6 597
Other property, plant and equipment	51 118	0	0	(1 282)	9 780	59 616
Property, plant and equipment under construction	6 311	24 560	0	0	(28 513)	2 358
Depreciation of property, plant and equipment	**140 945**	**27 882**	**(559)**	**(2 834)**	**0**	**165 434**
Buildings and structures	20 036	3 904	(202)	0	0	23 738
Plant and machinery	82 757	13 890	(40)	(1 445)	0	95 162

(in thousand PLN)

Energy-related assets	3 851	577	0	0	0	4 428
Means of transport	2 597	654	(317)	(143)	0	2 791
Other property, plant and equipment	31 704	8 857	0	(1 246)	0	39 315
Revaluation write-downs for property, plant and equipment	**1 941**	**15**	**0**	**(545)**	**0**	**1 411**
Buildings and structures	887	0	0	0	0	887
Plant and machinery	989	4	0	(511)	0	482
Energy-related assets	13	0	0	0	0	13
Means of transport	0	11	0	0	0	11
Other property, plant and equipment	52	0	0	(34)	0	18
Net value of property, plant and equipment	**315 783**	**(3 337)**	**(333)**	**2**	**0**	**312 115**
Land	8 293	0	0	0	0	8 293
Buildings and structures	104 908	(3 904)	(291)	0	2 508	103 221
Plant and machinery	165 621	(13 894)	(42)	53	14 736	166 474
Energy-related assets	7 930	(577)	0	(49)	387	7 691
Means of transport	3 358	(665)	0	0	1 102	3 795
Other property, plant and equipment	19 362	(8 857)	0	(2)	9 780	20 283
Property, plant and equipment under construction	6 311	24 560	0	0	(28 513)	2 358

18.1. Changes of estimates concerning useful lives

Liquidations of property, plant and equipment resulted directly from faster wear of property, plant and equipment than expected when compared to their useful lives. In addition, from 1 January 2014, on the basis of the analysis of useful lives, the Company extended useful lives of selected components of property, plant and equipment. As a result, in 2014, depreciation costs decreased by 4,229 thousand PLN.

18.2. Limitations in the handling of property, plant and equipment

As at 31 December 2014, property, plant and equipment representing the group of land with the value of 252 thousand PLN and property, plant and equipment representing the group of buildings and structures with the value of 10,784 thousand PLN (last year: property, plant and equipment representing the group of land with the value of 252 thousand PLN and property, plant and equipment representing the group of buildings and structures with the value of 11,777 thousand PLN) constituted the security for the loan borrowed from BNP Paribas.
The information about loans secured with property, plant and equipment is to be found in note 30.

In addition, under the agreements concerning the co-financing of projects from the funds of the European Union, the Company cannot, in the period of 5 years starting from 31.12.2012, dispose of or otherwise transfer the ownership of property, plant and equipment with the value of 79,126 thousand PLN (previous year: 83,271 thousand PLN), composed of:

- buildings and structures with the value of: 34,793 thousand PLN (previous year: 36,116 thousand PLN).
- plant and machinery with the value of: 41,402 thousand PLN (previous year: 43,175 thousand PLN).
- means of transport with the value of: 130 thousand PLN (previous year: 137 thousand PLN)
- other property, plant and equipment with the value of: 2,801 thousand PLN (previous year: 3,843 thousand PLN)

The information about received subsidies to property, plant and equipment can be found in note 31.

18.3. Capitalisation of finance costs

In 2014, the Company capitalised interest related to the financing of the purchase of property, plant and equipment amounting to 1 thousand PLN (previous year: 136 thousand PLN).

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

As at the balance sheet date, contractual liabilities related to the purchase of property, plant and equipment amounted to 2,905 thousand PLN (31 December 2013: 930 thousand PLN).

At the end of 2014 and at the end of 2013, the most important items of the said liabilities were related to the purchase and conversion of aluminium machining machines.

18.5. Impairment losses

In 2014 and in 2013, the Company did not carry out impairment tests as there were no indicators of impairment.

On the basis of an individual assessment of the usability of property, plant and equipment, in 2014, the Company established revaluation write-downs amounting to 722 thousand PLN and reversed revaluation write-downs amounting to 81 thousand PLN (previous year: creation of revaluation write-downs amounting to 15 thousand PLN).

18.6. Property, plant and equipment utilised pursuant to finance lease agreements

As at 31 December 2014 and 31 December 2013, the Company did not use any property, plant and equipment under any finance lease agreements.

18.7. Land used under the right of perpetual usufruct

The Company uses land on which industrial building are situated pursuant to the right of perpetual usufruct of land. The area of the land used under the right of perpetual usufruct as at 31.12.2014 amounts to 358,898.5 m^2 (previous year: 358,898.5 m^2). In 2014, annual fees for the right of perpetual usufruct of land amounted to 189 thousand PLN (189 thousand PLN in 2013). The rights of perpetual usufruct of land the Company owns will expire in 2089. Apart from the fees for the perpetual usufruct, the Company also pays the real estate tax due to the own-like possession of the said land. The amount of the real estate tax paid on land under the right of perpetual usufruct amounted in 2014 to 213 thousand PLN (2013: 213 thousand PLN). The Company recognises the obtained rights of perpetual usufruct as land and discloses them in the financial statements as property, plant and equipment.

18.8. Property, plant and equipment recognised at revalued amount

The Company holds a concession to transmit and distribute electrical energy. Since 1 January 2011, the Company has changed the valuation method for property, plant and equipment related to the transmission of electrical energy. By then, the Company had valued the said assets at purchase price. To more faithfully reflect the fair value of the said assets, the Company changed the valuation of energy-related assets to the model of valuation at a revalued amount according to IAS 16.31. The revalued amount was determined with the replacement value method using the cost approach, the replacement value method and index method technique. The valuation was based on nationwide pricing catalogues, having regard for the regional division. The valuation was carried out by an independent expert.

As a result, as at 01.01.2011, the value of energy-related assets increased by 5,454 thousand PLN, which accounted for the increase in the fair value of the energy-related assets over their book value. At the same time, the revaluation capital increased by 4,418 thousand PLN and the deferred income tax liability increased by 1,036 thousand PLN. The Company settled the change in the accounting policy as regards the model of the valuation at a revalued amount for the group of energy-related assets according to IAS 8.17 in the books for 2011, i.e. in the year in which the change was made.

Pursuant to the Code of Commercial Companies, the amounts of the capital from the revaluation of property, plant and equipment cannot be allocated to the payment of the dividend for shareholders.

According to its accounting policy, the Company will revalue energy-related assets in the periods of 5 years. The next valuation of energy-related assets is scheduled on 1 January 2016.

The energy-related assets comprise buildings, structures and systems related to the transmission of electrical energy and power grids with transformers.

The value of energy-related assets determined at the purchase price, less depreciation charges and impairment losses amounts to 3,028 thousand PLN (31 December 2012: 4,176 thousand PLN).

(in thousand PLN)

19. Leases

19.1. Finance lease

The Company is not a party to any finance lease agreements.

19.2. Liabilities due to operating lease – the Company as a lessee

In 2014, the Company incurred the costs of renting office space in Bielsko-Biała from its subsidiary Aluprof S.A. amounting to 260 thousand PLN (260 thousand PLN in the previous year). Other rental and lease costs amounting to 319 thousand PLN (2013: 168 thousand PLN) are related to an occasional hire of machinery and storage rooms.
Operating lease agreements under which the Company is a lessee are concluded usually for an indefinite period of time and provide for the possibility of their termination upon a one month notice of termination.

19.3. Receivables from operating lease – the Company as a lessor

Standard rental and lease agreements with the Company as one of the parties thereto are concluded for an indefinite period of time and provide for several-months' notice of termination. The concluded agreements are related mainly to the lease of office space. In 2014, the Company's income from rental and lease agreements amounted to 475 thousand PLN (previous year: 483 thousand PLN). Operating lease agreements under which the Company is a lessor are concluded usually for an indefinite period of time and provide for the possibility of their termination upon one month notice of termination.

20. Intangible assets

	31.12.2014 (audited)	**31.12.2013** (audited)
Gross value of intangible assets	**22 435**	**20 110**
Development costs	3 299	3 066
Computer software	18 083	16 794
Intangible assets not put into use	1 053	250
Amortisation and revaluation write-downs of intangible assets	**15 936**	**14 423**
Development costs	2 487	2 248
Computer software	13 449	12 175
Revaluation write-downs	**16**	**8**
Computer software	16	8
Net value of intangible assets	**6 483**	**5 679**
Development costs	812	818
Computer software	4 618	4 611
Intangible assets not put into use	1 053	250

(in thousand PLN)

Movement	01.01.2014	Increases	Liquidations	Shifts	31.12.2014
Gross value of intangible assets	**20 110**	**2 391**	**(66)**	**0**	**22 435**
Development costs	3 066	0	0	233	3 299
Computer software	16 794	0	(66)	1 355	18 083
Intangible assets not put into use	250	2 391	0	(1 588)	1 053
Amortisation of intangible assets	**14 423**	**1 572**	**(59)**	**0**	**15 936**
Development costs	2 248	239	0	0	2 487
Computer software	12 175	1 333	(59)	0	13 449
Revaluation write-downs	**8**	**8**	**0**	**0**	**16**
Computer software	8	8	0	0	16
Net value of intangible assets	**5 679**	**811**	**(7)**	**0**	**6 483**
Development costs	818	(239)	0	233	812
Computer software	4 611	(1 341)	(7)	1 355	4 618
Intangible assets not put into use	250	2 391	0	(1 588)	1 053

Movement	01.01.2013	Increases	Liquidations	Shifts	31.12.2013
Gross value of intangible assets	**17 826**	**2 354**	**(70)**	**0**	**20 110**
Development costs	3 065	0	(70)	71	3 066
Computer software	14 655	0	0	2 139	16 794
Intangible assets not put into use	106	2 354	0	(2 210)	250
Amortisation of intangible assets	**13 207**	**1 286**	**(70)**	**0**	**14 423**
Development costs	2 096	222	(70)	0	2 248
Computer software	11 111	1 064	0	0	12 175
Revaluation write-downs	**8**	**0**	**0**	**0**	**8**
Computer software	8	0	0	0	8
Net value of intangible assets	**4 611**	**1 068**	**0**	**0**	**5 679**
Development costs	969	(222)	0	71	818
Computer software	3 536	(1 064)	0	2 139	4 611
Intangible assets not put into use	106	2 354	0	(2 210)	250

<u>Amortisation of intangible assets</u>

All intangible assets are subject to amortisation, except for intangible assets in progress, which include computer software in the deployment process and the costs of development works under way.

All amortisation charges for intangible assets are recognised in full in 'Depreciation/Amortisation' item of operating costs in the income statement.

<u>Significant intangible assets</u>

Intangible assets comprise primarily the computer software purchased.

Other significant intangible assets comprise an integrated ERP-class system with the value of 1,058 thousand PLN (900 thousand PLN in the previous year) and the estimated useful life remaining after the balance sheet date of 4 years; and the costs of completed development works in the form of a manufacturing technology with the value of 811 thousand PLN (969 thousand PLN in the previous year) and the remaining useful life of 4 years.

<u>Impairment losses</u>

In 2014 and in 2013, the Company did not carry out impairment tests as there were no indicators of impairment. In 2014 and in 2013, the Company did not establish and did not reverse revaluation write-downs for intangible assets.

<u>Limited disposal</u>

Under the agreements concerning the co-financing of projects from the funds of the European Union, the Company cannot, in the period of 5 years from 31.12.2012, dispose of or otherwise transfer the ownership of intangible assets, which comprise the production management software with the value of 49 thousand PLN (102 thousand in the previous year).

(in thousand PLN)

The information about received subsidies to property, plant and equipment can be found in note 31.

21. Other investments – interests and shares

	31.12.2014 (audited)	**31.12.2013** (audited)
Gross value of long-term investments, including:	**449 340**	**448 875**
Interests or shares in subsidiaries	448 500	448 035
Interests or shares in other entities	840	840
Revaluation write-down for long-term investments, including:	**54 308**	**39 593**
Interests or shares in subsidiaries	53 468	38 753
Interests or shares in other entities	840	840
Net value of long-term investments, including:	**395 032**	**409 282**
Interests or shares in subsidiaries	395 032	409 282
Interests or shares in other entities	0	0

Investments in subsidiaries by carrying amounts

Company name	**31.12.2014** (audited)	**31.12.2013** (audited)
Alupol Packaging S.A., Tychy	176 742	176 608
Aluprof S.A., Bielsko-Biała	147 115	146 919
Alutech Sp. z o.o. w likwidacji, Kęty	1 395	1 395
Dekret Sp. z o.o., Kęty	318	307
Alu Trans System Sp. z o.o., Bielany Wrocławskie	0	0
Metalplast-Stolarka Sp. z o.o., Goleszów	13 918	13 836
Alupol LLC, Ukraine	17 017	31 732
Aluform sp. z o.o., Tychy	38 485	38 485
Grupa Kęty Italia, Italy	42	0
TOTAL	**395 032**	**409 282**

The Company operates the options programme for the management staff which also covers the employees of the Company's subsidiaries. The Company recognises the value of the share options granted to employees of subsidiaries as investments in net assets of these companies. As a result, in the reporting period, the value of interests in subsidiaries increased by 423 thousand PLN (previous year: 485 thousand PLN). More information about the share options programme can be found in note 24.1.

As at 31.12.2014 and as at 31.12.2013, 41,000 shares of Aluprof S.A. accounting for 60.3% of all shares of Aluprof S.A. constituted the security for the loan granted to the Company by BNP Paribas Bank Polski S.A.

The situation in Ukraine was, in the presented periods, the indicator of the impairment of interests in a subsidiary Alupol LLC based in Ukraine. The impairment tests for the interests held in subsidiaries carried out as at 31.12.2014 showed the necessity of establishing the revaluation write-down for interests in Alupol LLC amounting to 14,715 thousand PLN (previous year: a write-down of 27,568 thousand PLN). Furthermore, as a result of the analysis, the Management Board decided to establish a write-down for receivables from Alupol LLC amounting to 9,583 thousand PLN. The allocation of these write-downs to particular assets corresponds to the Management Board's assessment of their realisation.

(in thousand PLN)

The Company created the following revaluation write-downs for the interests held by it in subsidiaries:

Revaluation write-downs for interests in subsidiaries	**31.12.2014** (audited)	**31.12.2013** (audited)
Alupol LLC, Ukraine	46 483	31 768
Alu Trans System Sp. z o.o., Bielany Wrocławskie	6 985	6 985
TOTAL REVALUATION WRITE-DOWNS FOR SUBSIDIARIES	**53 468**	**38 753**

The key assumptions adopted to determine the value in use of Alu Trans System sp. z o.o. and Alupol LLC Ukraina:

- market level, penetration rate and market share; decisions of regulators concerning prices; availability of services; the level of selling costs needed to replace products and compete with existing or new market players; the impact of changes in net revenue on costs; and
- the level of investment expenses which may depend on the necessity to implement new technologies.

The values assigned to each parameter reflect past events adjusted with expected changes in the period subject to the business plan; however, they may be affected by unpredictable political, economic and legal changes.

	31.12.2014	**31.12.2013**
Cash-generating units	**Alupol LLC Ukraina**	**Alupol LLC Ukraina**
The basis for recoverable amount	Value in use	Value in use
Value of interests at purchase price	63 500	63 500
Recoverable amount determined under IAS 36	17 017	31 732
Revaluation write-down to recoverable amount	46 483	31 768
Source of data	Forecast	Forecast
Estimate basis	5-year cash flow forecast	5-year cash flow forecast
Marginal growth rate(1)	5%	2%
Applied discount rate(2)	31.11%	22.50%

1) In 2014, the rate of 5% is the nominal growth rate at the level of expected inflation rate for Ukraine (0% in real terms)
2) The applied discount rate is based on the pre-tax discount rate defined in IAS 36.

In 2014 and in 2013, the recoverable amount was determined on the basis of discounted cash flows. In 2014, the increase in the applied discount rate by 5 p.p. would result in the decrease in the recoverable amount of Alupol Ukraina by 2,914 thousand PLN (previous year: a decrease by 4,840 thThe decrease in the marginal growth rate by 1% would result in the decrease in the recoverable amount of Alupol Ukraina by 1,358 thousand PLN (previous year: a decrease by 1,746 th

The impairment tests carried out by the Company in Alupol Ukraina are based on the assumptions and data available as at the balance sheet date. Any possible changes in interest rates or any potential collapse of the Ukrainian economy after 31.12.2014 will be charged to the results of further years as the events after the reporting period reflecting the development of the economic situation in this country. Additional information about the events after the reporting period is available in note 45.

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

In the financial year, the Company subscribed for 100% of shares for the amount of 42 thousand PLN in a newly established limited liability company called Group Kęty Italia with its registered office in Italy.

23. Advance payments for property, plant and equipment

Other receivables amounting to 74 thousand PLN (previous year: 116 thousand PLN) comprise advance payments for property, plant and equipment under construction.

24. Employee benefits

24.1. Employee shares programmes

The Company, within the Capital Group, has been implementing three options programmes for the management staff:
the programmes from 2006, from 2009 and from 2012.

24.1.1 *The 2006 programme*

In 2006, the Company within the Capital Group of Grupa Kęty S.A. commenced the implementation of the options programme for the management staff.
Its basic assumptions are as follows:
The programme is divided into three parts: 91,600 options for the purchase of shares of Grupa Kęty S.A. in each part.
The individual parts commence in 2006, 2007 and 2008 accordingly.
The period in which eligible employees were entitled to acquire shares under this programme ended in 2012.

24.1.2 *The 2009 programme*

Furthermore, in October 2009, Grupa Kęty S.A. launched the implementation of a new options programme for the management staff. The basic assumptions of the programme are as follows:
a) for a 25% part for a given year, attaining the 'return on shares' index at the minimum level equal or higher than the change rate of the WIG index calculated for the same period as the 'return on shares' index;
b) for a 25% part for a given year, attaining the 'return on shares' index at the level of at least 9 percentage points higher than the change rate of the WIG index calculated for the same period as the 'return on shares';
c) for a 25% part for a given year, attaining the 'EBITDA per share increase' index at the level of 40%;
d) for a 25% part for a given year, attaining the 'net earnings per share increase' index at the level of 48%.
The 'return on shares' calculated for the first part corresponds to the quotient of the average share price of Grupa Kęty S.A. in the first quarter of 2012 increased with the value of dividends paid by the Company in the period from 1 April 2009 to 31 March 2012 and the average share price of the Company at Warsaw Stock Exchange in the first quarter of 2009. For the second part, the quotient of the average share price of Grupa Kęty S.A. in the first quarter of 2013 increased with the value of dividends paid by the Company in the period from 1 April 2010 to 31 March 2013 and the average share price of the Company at Warsaw Stock Exchange in the first quarter of 2010. For the third part, the quotient of the average share price of Grupa Kęty S.A. in the first quarter of 2014 increased with the value of dividends paid by the Company in the period from 1 April 2014 to 31 March 2014 and the average share price of the Company at Warsaw Stock Exchange in the first quarter of 2011. 'EBITDA per share increase' calculated for the first part means the quotient of the consolidated EBITDA per share attained by the Capital Group in 2011 and the consolidated EBITDA per share attained by the Capital Group in 2008. For the second part, the quotient of the consolidated EBITDA per share attained by the Capital Group in 2012 and the consolidated EBITDA per share attained by the Capital Group in 2009. For the third part, the quotient of the consolidated EBITDA per share attained by the Capital Group in 2013 and the consolidated EBITDA per share attained by the Capital Group in 2010. 'Net earnings per share increase' calculated for the first part means the quotient of the consolidated net earnings per share attained by the Capital Group in 2011 and the consolidated net earnings per share attained by the Capital Group in 2008. For the second part, the quotient of the consolidated net earnings per share attained by the Capital Group in 2012 and the consolidated net earnings per share attained by the Capital Group in 2009. For the third part, the quotient of the consolidated net earnings per share attained by the Capital Group in 2013 and the consolidated net earnings per share attained by the Capital Group in 2010.

The right to acquire share options will arise following the satisfaction of the programme conditions.
The purchase price of the shares from the new issue will equal the average price of the share of Grupa Kęty S.A. for the period from January to March in the years 2006-2008 for individual parts.
Stronger motivation of a larger group of employees to increase the shareholder value and the introduction of a factor making it possible to retain the Capital Group's key employees for a longer time are the main objectives of the new programme.
Parameter 'c', i.e. the increase in EBITDA, was not accomplished for the first, second and third parts of the programme launched in 2009.
As a result, under this programme, the Company's employees acquired the right to subscribe for 39,450 share options from each part of the programme. The remaining share options were granted to employees of other companies of the Capital Group.

(in thousand PLN)

The purchase price of the shares from the new issue will equal the average price of the share of Grupa Kęty S.A. for the period from January to March in the years 2006-2008 for individual parts.

24.1.3 *The 2012 programme*

On 24 September 2012, the Capital Group launched the implementation of a new options programme for the management staff. The principles and conditions of the programme are identical as for the 2009 programme, except for:

- the number of share options in particular parts which will amount to 61,500.

The conditions of the 2012 programme are as follows:

- parameter 'a', i.e. return on shares, at the level of WIG index or higher;
- parameter 'b', i.e. return on shares, at the level +9% against WIG index or higher;
- parameter 'c', i.e. EBITDA increase, by 52% or more against the basis year;
- parameter 'd', i.e. net earnings per share increase, by 64% or more against the basis year.

The number of options for particular programmes is as follows:

- parameter 'a' – 9,225 options (15% of the total programme)
- parameter 'b' – 15,375 options (25% of the total programme)
- parameters 'c' and 'd' – 18,450 options for each parameter (30% of the total programme for each parameter)

The first, second and third part of the 2012 programme were launched in each year in the period from 2012 to the end of 2014.

Under this programme, the Company's eligible employees acquired options to subscribe for 35,340 shares of Grupa Kęty S.A. from the first part of the 2012 programme, 35,340 share options from the second part of the 2013 programme and 36,500 share options from the third part of the 2014 programme. The Management Board assumes that all non-market parameters, i.e. 'c' and 'd', will not be accomplished for these parts of the programme.

Three-year employment period in the Capital Group calculated separately for each part from the launch date of a given part is the common condition for all aforementioned programmes.

The above assumptions concerning market conditions were taken into account in the measurement of fair value of options as at the balance sheet date.

The Company recognises the programme costs proportionally to the period of acquiring rights to options.

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

Fair values as at the date of the programme launch	Fair value	Valuation date
First part of the 2006 programme	3 429	31-07-2006
Second part of the 2006 programme	6 496	31-08-2007
Third part of the 2006 programme	1 496	11-08-2008
First part of the 2009 programme	3 878	30-09-2009
Second part of the 2009 programme	2 218	30-09-2010
Third part of the 2009 programme	1 344	23-09-2011
First part of the 2012 programme	1 285	24-09-2012
Second part of the 2012 programme	2 837	24-09-2013
Third part of the 2012 programme	6 342	8-09-2014
Total	**29 325**	

Options granted to employees of subsidiaries proportionally to the period of acquiring rights are recognised by the Company as an increase in the value of interests in these subsidiaries.

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

The period of acquiring the rights for the third part of the 2006 programme ended on 11 August 2011. Only parameter 'a', i.e. change in the share market price, was accomplished. As a result, eligible employees acquired the right to subscribe for 18,475 shares at 125.44 PLN per share.

(in thousand PLN)

The period of acquiring the rights for the first part of the 2009 programme ended on 30 September 2012. Parameters 'a', 'b' and 'd' were accomplished. As a result, eligible employees acquired the right to subscribe for 68,700 shares at 66.54 PLN per share.

The period of acquiring the rights for the second part of the 2009 programme ended on 30 September 2013. Parameters 'a', 'b' and 'd' were accomplished. As a result, eligible employees acquired the right to subscribe for 68,700 shares at 117.63 PLN per share.

The period of acquiring the rights for the second part of the 2009 programme ended on 30 September 2014. Parameters 'a', 'b' and 'd' were accomplished. As a result, eligible employees acquired the right to subscribe for 68,700 shares at 117.63 PLN per share.

The Company recognises the programme costs proportionally to the period of acquiring rights to options granted to the Company's employees.

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

Options costs in the period	2014	2013
Second part of the 2009 programme	0	219
Third part of the 2009 programme	132	276
First part of the 2012 programme	104	85
Second part of the 2012 programme	189	67
Third part of the 2012 programme	166	0
Total options costs in the period	**591**	**647**

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

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

The value of options allocated in subsidiaries (incrementally)	2014	2013
Aluprof S.A.	1 565	1 370
Alupol Packaging S.A.	1 255	1 121
Dekret sp. z o.o.	137	125
Metalplast Stolarka sp. z o.o.	789	707
Alutech sp. z o.o. w likwidacji	134	134
Total	**3 880**	**3 457**

The amounts stated above increase the value of investments in subsidiaries as well as the Company's equity.

The amount of 91 thousand PLN allocated to Metalplast Karo due to the liquidation of this company was charged to the net profit.

Future costs of options are as follows:

Future costs of options	2015	2016	2017
First part of the 2012 programme	71	0	0
Second part of the 2012 programme	189	142	0
Third part of the 2012 programme	482	482	402
Total	**742**	**624**	**402**

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

(in thousand PLN)

The table below presents fair values of share options as at the date of launching particular programmes.

	First part of the 2009 programme	**Second part of the 2009 programme**	**Third part of the 2009 programme**	**First part of the 2012 programme**	**Second part of the 2012 programme**	**Third part of the 2012 programme**
Date of granting options	30 September 2009	30 September 2010	23 September 2011	24 September 2012	24 September 2013	8 September 2014
Expected dividends	12.70 PLN	15 PLN	15 PLN	15 PLN	15 PLN	30 PLN
Assumed volatility index for the underlying instrument	23%	23%	24%	25%	23%	21%
Historical volatility index (%)	47%	35%	35%	35%	32%	31%
Risk-free interest rate (%)	5.75%	5.19%	5.33%	4.30%	3.71%	2.30%
Forecasted period of options validity (in months)	68 months	68 months	68 months	68 months	68 months	68 months
Weighted average share price (PLN)	66.54	117.63	125.57	117.10	117.10	117.10

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

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

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

31-12-2014	**First part of the 2009 programme**	**Second part of the 2009 programme**	**Third part of the 2009 programme**	**First part of the 2012 programme**	**Second part of the 2012 programme**	**Third part of the 2012 programme**
Number of granted options	91 600	91 600	91 600	61 500	61 500	61 500
Number of options expired due to the failure to comply with the condition of being employed for three years from the programme launch date	0	0	0	0	0	0
Number of options which do not meet non-market parameters: C and D	22 900	22 900	45 800	36 900	36 900	36 900
Number of options assumed for valuation	68 700	68 700	45 800	24 600	24 600	24 600
Number of options assumed for valuation and granted to employees of Grupa Kęty S.A.	39 450	39 450	26 300	14 136	14 136	14 600
Number of options assumed for valuation and granted to employees of subsidiaries	29 250	29 250	19 500	10 464	10 464	10 464
Programme launch date	30 September 2009	30 September 2010	23 September 2011	24 September 2012	24 September 2013	8 September 2014
Date of acquiring rights to options	30 September 2012	30 September 2013	22 September 2014	23 September 2015	23 September 2016	8 September 2017

(in thousand PLN)

Programme termination date	30 September 2015	30 September 2016	22 September 2017	23 September 2018	23 September 2019	8 September 2020
Total programme period	36 months	36 months	36 months	36 months	36 months	36 months
The remaining period to acquire rights	Period ended	Period ended	Period ended	9 months	21 months	33 months
Option exercise price	66.54 PLN per share	117.63 PLN per share	125.57 PLN per share	117.10 PLN per share	117.10 PLN per share	117.10 PLN per share

24.2. Long-term employee benefits

Long-term provision for employee benefits	**31.12.2014** (audited)	**31.12.2013** (audited)
As at 01.01.2014/01.01.2013	**1 334**	**1 453**
increases	427	0
decreases	0	(119)
As at 31.12.2014/31.12.2013	**1 761**	**1 334**

Retirement benefits and disability benefits

The Company pays, to those employees who retire or become disabled, retirement benefits or disability benefits.

The levels of retirement benefits and disability benefits are determined pursuant to the Labour Code and are equal to one month's remuneration.

However, the employees employed with the Company as at 30 April 2012, whose employment will have ended by 31 December 2018 due to retirement, had the option to conclude with the employer the agreement on the payment of the retirement benefit specified in the wages regulations (if, at the same time, they resigned from the increases in their individual basic remunerations specified in the agreement dated 27 April 2012) or, by not signing it, they could express their automatic consent to the payment of the retirement benefit pursuant to the rules defined in the Labour Code.

In the case of other employees, retirement benefits will be paid as per applicable provisions of the Labour Code.

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

	2014	**2013**
Discount rate as at 31 December	2.60%	4.50%

Assumptions concerning the increase in future remunerations as at 31 December 2014:
3% − an increase in the bases of retirement benefits in 2015-2017
2.5% – an increase in the bases of retirement and disability benefits in the remaining years
The average age of employees is 42 years.
The forecasted employee turnover rate:
- for employees below the average age – 3.20%
-for employees above the average age – 2.20%, declining with age

Assumptions concerning the increase in future remunerations as at 31 December 2013:
2.5% – an increase in the bases of retirement and disability benefits in 2014
3% − an increase in the bases of retirement benefits in 2015
2.5% – an increase in the bases of retirement and disability benefits in the remaining years
The forecasted employee turnover rate is 5.90%

The short-term part of the provision for retirement benefits is recognised in other short-term provisions.
The provisions for retirement benefits, disability benefits and death in service benefits were calculated using an individual method, for each employee separately. The provision was calculated using the present value of the Company's future long-term liabilities due to the retirement and disability benefits. The provision calculated in such a way is discounted according to the actuarial methodology. The actuarial discount is the product of the

(in thousand PLN)

financial discount and the probability for a given employee to reach the retirement age during the employment in the Company. 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 disability to work;
- the risk of death.

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

24.2.2 *Actuarial gains/losses and sensitivity analysis*

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

2014	**Retirement benefits**	**Disability benefits**	**Death in service benefits**	**Total**
As at 2014-01-01	**1 857**	**118**	**0**	**1 975**
Costs of current employment	52	12	**0**	**64**
Interest cost	67	5	**0**	**72**
Actuarial (gains)/losses charged to other comprehensive income	490	(16)	**45**	**519**
(Payments)	(267)	(35)	(9)	**(311)**
As at 2014-12-31	**2 199**	**84**	**36**	**2 319**
long-term	*1 651*	*75*	*35*	***1 761***
short-term	*548*	*9*	*1*	***558***

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

2014	**Financial discount rate**		**Planned increases in the bases**	
Change	**-1 p.p.**	**+ 1 p.p.**	**-1 p.p.**	**+ 1 p.p.**
Retirement benefits	206	(169)	**(196)**	**162**
Disability benefits	8	(7)	**(7)**	**7**
Death in service benefits	5	(4)	**(4)**	**4**
Total change in provision	**219**	**(180)**	**(207)**	**173**

2013	**Retirement benefits**	**Disability benefits**	**Total**
As at 2013-01-01	**1 962**	**117**	**2 079**
Costs of current employment	43	0	**43**
Interest cost	82	5	**87**
Actuarial (gains)/losses charged to other comprehensive income	282	25	**307**
(Payments)	(512)	(29)	**(541)**
As at 2013-12-31	**1 857**	**118**	**1 975**
long-term	*1 229*	*106*	***1 335***
short-term	*628*	*12*	***640***

(in thousand PLN)

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

2013	**Financial discount rate**		**Planned increases in the bases**	
Change	**-1 p.p.**	**+ 1 p.p.**	**-1 p.p.**	**+ 1 p.p.**
Retirement benefits	93	(81)	**(96)**	**106**
Disability benefits	12	(10)	**(10)**	**12**
Total change in provision	**105**	**(91)**	**(106)**	**118**

25. Inventories

	31.12.2014 (audited)	**31.12.2013** (audited)
Materials	45 531	19 258
Work in progress	34 976	19 513
Finished products	25 873	21 470
TOTAL	**106 380**	**60 241**

In the financial year ended on 31 December 2014, the Company recognised revaluation write-downs of inventories amounting to 83 thousand PLN.

In the financial year ended on 31 December 2013, the Company recognised revaluation write-downs of inventories amounting to 29 thousand PLN.

Revaluation write-downs of inventories are as follows:

Revaluation write-down	**31.12.2014** (audited)	**31.12.2013** (audited)
Materials	522	439
Work in progress	359	363
Finished products	1 218	1 339
TOTAL	**2 099**	**2 141**

No securities were established on the Company's inventories.

Below, we present the information about the value of inventories recognised as cost at the time of their sale:

	01.01.2014 - 31.12.2014 (audited)	**01.01.2013 - 31.12.2013** (audited)
Value of sold products	591 511	521 797
Value of resold materials	7 195	5 570
TOTAL	**598 706**	**527 367**

26. Income tax receivables (liabilities)

Income tax receivables constitute the difference between the advance payments paid by the Company and the current tax liabilities resulting from CIT-8 tax return. Reconciliation of income tax receivables:

(in thousand PLN)

Item	2014 (audited)	2013 (audited)
Tax (liability) for the period:	(2 048)	0
- (including tax recognised in other comprehensive income)	(146)	0
- (including tax recognised in the income statement)	(1 908)	0
Paid income tax advances for the period	409	1 300
Income tax receivable/(liability)	**(1 639)**	**1 300**
Paid tax (received refunds for previous years)	(1 293)	(2 249)
Tax for previous years (refund)	(7)	(41)
Tax paid (refunded) recognised in the cash flow statement	**(891)**	**(990)**

27. Trade and other receivables

Short-term receivables	31.12.2014 (audited)	31.12.2013 (audited)
Gross receivables	**176 026**	**149 895**
Trade receivables towards related parties	61 552	62 204
Trade receivables towards other entities	101 206	81 113
Down payments (trade-related) for suppliers – related parties	991	0
Down payments (trade-related) for suppliers – other entities	1 110	788
Receivables from employees	15	38
Settlements related to transactions hedging the aluminium price	6 136	3 086
Receivables due to the subscription of shares	1 601	0
Other receivables	3 415	2 666
Revaluation write-downs	**22 081**	**9 113**
Trade receivables towards related parties	10 912	1 534
Trade receivables towards other entities	9 395	5 804
Other receivables	1 774	1 775
Net receivables	**153 945**	**140 782**
Trade receivables towards related parties	50 640	60 670
Trade receivables towards other entities	91 811	75 309
Down payments (trade-related) for suppliers – related parties	991	0
Down payments (trade-related) for suppliers	1 110	788
Receivables from employees	15	38
Settlements related to transactions hedging the aluminium price	6 136	3 086
Receivables due to the subscription of shares	1 601	0
Other receivables	1 641	891

The conditions of related party transactions are presented in note 36.2 of the complementary information and explanations. Trade receivables do not bear interest and usually have 30- up to 90-day maturity. The Company has implemented an appropriate policy concerning the sale only to verified customers and insures receivables in specialized companies. Consequently, according to the management's opinion, there is no additional credit risk exceeding the level established by the revaluation write-down for uncollectible receivables applicable to the Company's trade receivables.

(in thousand PLN)

Changes in the revaluation write-down for receivables were as follows:

	Year ended on 31 December 2014	Year ended on 31 December 2013
At the beginning of the period	9 113	9 279
Increase	13 425	2 530
Reversal	(1 447)	(2 500)
Utilisations/revaluations	990	(196)
At the end of the period	**22 081**	**9 113**

In the period, the Company recognised a write-down for a receivable from Alupol LLC Ukraina due to the unstable political situation in Ukraine – details are described in note 36.

Below, we present the analysis of trade receivables which were overdue, but were not deemed impaired:

	Total	Not overdue	Overdue, but not impaired			
			up to 3m	up to 6m	up to 12m	over 12m
31 December 2014	142 451	117 426	20 431	3 200	1 390	4
31 December 2013	135 979	103 758	20 543	2 490	4 012	5 176

Non-impaired overdue receivables are related mainly to receivables from related parties whose activities are controlled by the Company. In the Company's opinion, the credit quality of overdue receivables is good.

28. Cash and cash equivalents

Cash at bank bears interest at variable interest rates; the level of such rates depends on the interest rate of one-day bank term deposits. Short-term term deposits are made for periods of various length from one day to one month depending on the Company's current demand for cash, and bear interest at applicable interest rates.

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

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

	31.12.2014 (audited)	**31.12.2013** (audited)
Bank deposits (current accounts) and short-term deposits	1 795	3 347
Cash recognised in the balance sheet and in the cash flow statement	**1 795**	**3 347**

As at 31 December 2014, Grupa Kęty S.A. had unused granted credit funds amounting to 75,574 thousand PLN with regard to which all conditions precedent had been complied with (72,456 thousand PLN as at 31 December 2013).

(in thousand PLN)

29. Share capital and reserve capitals

29.1. Share capital

	31.12.2014 (audited)	**31.12.2013** (audited)
Share capital, including:	**67 352**	**67 138**
Value registered in the National Court Register	23 452	23 238
Revaluation in accordance with IAS 29	43 900	43 900
The number of shares registered in the National Court Register	*9 380 788*	*9 295 413*

29.1.1 *Nominal value of shares*

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

On 15 February 2005, the court registered the decrease in the Company's share capital through the redemption of 1,575,117 shares with the value at cost of 71,108 thousand PLN acquired by the Company with the purpose of redeeming them by way of a public notice in 2002. The redemption took place by decreasing the share capital by 13,965 thousand PLN, share premium by 43,453 thousand PLN and retained earnings by 13,690 thousand PLN.

On 30 May 2005, the court registered the increase in the Company's share capital through the issue of 300,000 series D shares taken up by eligible persons in August 2004 under the Company's incentive programme initiated in 2003.

After these changes, the nominal value of the registered share capital amounted to 23,064 thousand PLN. Share capital was divided into 9,225,663 shares with the nominal value of 2.50 PLN each. During 2013, the National Court Register registered the increase in the capital from the subscription of 68,700 series F employee shares and 1,050 series E employee shares.

During 2014, the National Court Register registered the increase in the capital from the subscription of 68,700 series F employee shares and 16,675 series E employee shares.

The Company's shareholders are entitled to dividend in the declared amount, if such amount is declared. One ordinary share entitles its holder to one vote at the Company's General Meeting of Shareholders.

29.1.2 *Rights of shareholders*

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

29.2. Share premium

	31.12.2014 (audited)	**31.12.2013** (audited)
Share premium value	14 512	4 563
Share premium value	**14 512**	**4 563**

During 2014, 85,375 shares with the nominal value of 214 thousand PLN and with the issue value of 10,162 thousand PLN were registered in the National Court Register.

During 2013, 69,750 shares with the nominal value of 174 thousand PLN and with the issue value of 4,737 thousand PLN were registered in the National Court Register.

(in thousand PLN)

29.3. Capital from the issue of shares not registered in the National Court Register

	31.12.2014 (audited)	**31.12.2013** (audited)
Value of non-registered shares at issue price	1 601	3 479
Value of non-registered shares at issue price	**1 601**	**3 479**

As at 31.12.2014, eligible persons subscribed for 12,750 shares with the nominal value of 32 thousand PLN and at the issue price of 1,601 thousand PLN. The said shares were not registered by the National Court Register.

29.4. Capital from the valuation of property, plant and equipment

	31.12.2014 (audited)	**31.12.2013** (audited)
Fair value of property, plant and equipment	3 919	4 177
Deferred income tax liability	(745)	(795)
Capital from the valuation of property, plant and equipment	**3 174**	**3 382**

29.5. Capital from share based payments

	31.12.2014 (audited)	**31.12.2013** (audited)
Capital at the beginning of the period	10 230	9 099
Costs of the period	591	647
The value of share options granted to employees of subsidiaries in the period increasing the carrying amount of investments in subsidiaries	423	484
Capital from share based payments at period end	**11 244**	**10 230**

The Company has implemented programmes of granting share options under which certain members of the management staff and of top management of the Company and its subsidiaries were granted options to subscribe for the Company's shares (cf. note 24.1 of the complementary information and explanations).

The capital reflects the fair value of the options granted to the Company's employees, proportionally to the period of acquiring rights.

29.6. Capital from the valuation of hedging instruments

	31.12.2014 (audited)	**31.12.2013** (audited)
Futures hedging cash flows due to the purchase of aluminium	282	(1 550)
Forwards hedging cash flows due to exchange rate changes	(1 134)	(430)
Deferred income tax	162	376
Capital from the valuation of hedging instruments at period end	**(690)**	**(1 604)**

29.7. Result from cash flow hedging transactions

The Company applies hedge accounting to transactions hedging future cash flows due to the purchase of aluminium. The result on such transactions constitutes a separate item of equity as long as the item being hedged influences the result.

The related capital is presented below:

	31.12.2014 (audited)	**31.12.2013** (audited)
Realised result on futures hedging cash flows due to the purchase of aluminium	772	(835)
Result from cash flow hedging transactions at period end	**772**	**(835)**

(in thousand PLN)

29.8. Retained earnings

	31.12.2014 (audited)	31.12.2013 (audited)
Profit from previous years	517 981	544 482
Transfer from the capital from the valuation of non-current assets carried at revalued amount	1 127	918
Net actuarial gains (losses)	(420)	(249)
Financial result for the period	98 009	67 564
Retained earnings at period end	**616 697**	**612 715**

30. Interest-bearing bank loans and credits

Maturity period	31.12.2014 (audited)	31.12.2013 (audited)
Up to 1 year	109 157	103 364
From 1 to 2 years	11 106	9 231
From 2 to 5 years	9 798	11 578
TOTAL LOANS AND CREDITS	**130 061**	**124 173**

LONG-TERM LOANS				
Lender	**Loan currency**	**Security**	**31.12.2014**	**31.12.2013**
BNP Paribas Polska	PLN	First capped mortgage on real properties owned by Grupa Kęty S.A. and Alupol Packaging Kęty sp. z o.o. up to 50 million PLN, including the assignment of rights from insurance policies for the said real properties up to 35 million PLN.	10 904	20 809
BNP Paribas Polska	PLN	Collective mortgage on the Company's real properties up to 36 million PLN. The assignment of rights from the insurance policy for the said real property amounting to 36 million.	10 000	0
TOTAL LONG-TERM LOANS:			**20 904**	**20 809**

(in thousand PLN)

SHORT-TERM LOANS				
Lender	**Loan cur-rency**	**Security**	**31.12.2014**	**31.12.2013**
BNP Paribas Polska	PLN	Short-term part of long-term loans – the same securities as in the case of the long-term loan.	9 946	9 248
ING Bank Polska	EUR, PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. and Metalplast Stolarka Sp. z o.o.	9	2
BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 50 million PLN), Metalplast Stolarka Sp. z o.o. (up to 10 million PLN), Alupol Packaging S.A. (up to 20 million PLN), Aluprof S.A. (up to 20 million PLN) + blank promissory notes of these companies.	8 607	2 642
Bank PeKaO S.A.	EUR, USD, CHF	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 130 million PLN), Alupol Packaging S.A. (up to 30 million PLN), Aluprof S.A. (up to 25 million PLN), Metalplast-Stolarka sp. z o.o. (up to 18 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 10 million PLN).	71 645	51 453
Bank Societe Generale	EUR, PLN	Surety of Aluprof S.A. up to 5 million PLN	15 768	14 400
Bank PKO BP	PLN, EUR, USD	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 100 million PLN), Alupol S.A. (up to 20 million PLN), Aluprof S.A. (up to 80 million PLN), Alu Trans System sp. z o.o. (up to 8 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 50 million PLN), Romb S.A. (up to 5 million PLN)	1 682	24 105
Alutech Sp. z o.o.	PLN	N/A	1 500	1 514
TOTAL SHORT-TERM LOANS:			**109 157**	**103 364**

All the Company's loans bear interest at variable interest rates determined on market terms on the basis of WIBOR/EURIBOR/LIBOR rates plus the bank's margin.

31. Subsidies

	31.12.2014 (audited)	**31.12.2013** (audited)
Long-term deferred income		
Subsidies	33 320	34 105
Total long-term subsidies	**33 320**	**34 105**
Short-term deferred income		
Subsidies	1 421	2 057
Total short-term subsidies	**1 421**	**2 057**

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

Below, we present the main projects financed by the European Union:

The Company has been implementing two projects related to the purchase and construction of property, plant and equipment.

The first project is related to the co-financing under the measure: "4.5 Support for investment of considerable importance to the economy in Priority Axis 4 'Investments in innovative undertakings' under Operational Programme Innovative Economy". The project is to be implemented in the period: 2009 - 2011.

Eligible costs: 12,900,000 PLN, where 50% is subsidised. Under this programme, the Company received subsidies of 6,389 thousand PLN. The project's duration until 31.12.2016 is the basic condition for the said project. In this period, the Company cannot dispose of or otherwise transfer the ownership of the property, plant and equipment financed with the subsidy.

In addition, the Company is obliged to carry out business activities defined by it in the application until 31.12.2016.
The project aimed at the establishment in the Company of its own Research and Development Centre. The project resulted in the launch of formalised and centralised R&D activities in the Company. The new Research and Development Centre also affects the current operations of the Company mainly through the optimisation of conducted R&D processes and the diversification of the production.
The main measurables for the project are as follows:
The value of purchased new property, plant and equipment/intangible assets used to implement the project = 12,900,000.00
The number of purchased new components of property, plant and equipment/intangible assets used to implement the project = 21
The number of implemented technologies
The number of new jobs
The number of new products
The number of new services
The number of new products and produced technologies introduced to the market
The implementation of organisational or marketing innovation
The establishment of proprietary R&D department
The number of new R&D projects carried out by the beneficiary
The number of enterprises from the SME sector cooperating with the Applicant
The number of employees with higher education among new employees
The number of hired graduates from schools of higher education
The number of subcontractors selected using environmental criteria
As at the balance sheet date, the Company met all conditions for the subsidy.

The second project is related to the co-financing under the measure: "4.4 New investments of high innovation potential in Priority Axis 4 'Investments in innovative undertakings' under Operational Programme Innovative Economy". The project is to be implemented in the period: 2009 - 2011.
Eligible costs: 69,609,000 PLN, where 50% is subsidised. Under this programme, by the end of December 2012, the Company received subsidies of 33,942 thousand PLN. The project's duration until 31.12.2017 is the basic condition for the said project. In this period, the Company cannot dispose of or otherwise transfer the ownership of the property, plant and equipment financed with the subsidy.
In addition, the Company is obliged to carry out business activities defined by it in the application until 31.12.2017.
The project was related to the purchase, assembly and launch of an innovative aluminium profiles production line.
The project comprised the construction of a production hall and the purchase of an innovative production line along with associated devices.

The main measurables for the project are as follows:
An innovative aluminium profiles production line = 1
A set of devices accompanying the innovative aluminium profiles production line = 1
Production hall = 1
The number of new jobs
The number of new products
The implementation of organisational or marketing innovation
The establishment of proprietary R&D department or the establishment of permanent cooperation with an R&D unit
The value of export revenue generated solely from the sale of products (goods and services) resulting from the project
An increase in revenue resulting from the implementation of the project
An increase in output
As at the balance sheet date, the Company met all conditions for the subsidy.

(in thousand PLN)

32. Provisions and accruals

32.1. Provisions and short-term accruals

	31.12.2014 (audited)	31.12.2013 (audited)
Provisions		
provision for jubilee bonuses and retirement benefits	558	640
costs of damages	430	430
Accruals		
provision for the costs of unused holiday	1 652	1 339
costs of annual bonus	6 311	4 504
cogeneration fees	344	692
provision for other costs	35	35
TOTAL PROVISIONS AND SHORT-TERM ACCRUALS	**9 330**	**7 640**

	As at 01.01.2014	Increases	Utilisation	As at 31.12.2014
Provisions and short-term accruals	**7 640**	**8 572**	**(6 882)**	**9 330**
provision for jubilee bonuses and retirement benefits	640	230	(312)	558
provision for the costs of unused holiday	1 339	1 652	(1 339)	1 652
costs of annual bonus	4 504	6 311	(4 504)	6 311
costs of damages	430	0	0	430
cogeneration fees	692	344	(692)	344
provision for other costs	35	35	(35)	35

	As at 01.01.2013	Increases	Utilisation	As at 31.12.2013
Provisions and short-term accruals	**5 261**	**7 555**	**(5 176)**	**7 640**
provision for jubilee bonuses and retirement benefits	626	555	(541)	640
provision for the costs of unused holiday	903	1 339	(903)	1 339
costs of annual bonus	3 685	4 504	(3 685)	4 504
costs of damages	0	430	0	430
cogeneration fees	0	692	0	692
provision for other costs	47	35	(47)	35

33. Short-term trade and other liabilities

	31.12.2014 (audited)	31.12.2013 (audited)
Trade liabilities towards related parties	6 039	4 681
Trade liabilities towards non-related parties	41 411	25 861
Prepayments (trade-related) from customers	805	1 937
Public law liabilities (except for income tax liabilities)	7 458	6 476
Remuneration liabilities	3 157	2 898
Securities	4	5

(in thousand PLN)

Liabilities due to the purchase of property, plant and equipment	4 130	1 542
Other	533	533
TOTAL SHORT-TERM LIABILITIES	**63 537**	**43 933**

The conditions of related party transactions are presented in note 36.2 of the complementary information and explanations.

Trade liabilities do not bear interest and are usually settled within 30-60 days.

Other liabilities do not bear interest and their average payment period is 30 days.

The Company's liabilities disclosed above are not secured.

34. Off-balance sheet liabilities and receivables

Item	31.12.2014	31.12.2013
Bank guarantee for LC Corp Sky Tower concerning the proper performance of the contract*	3 593	3 593
Total granted guarantees	**3 593**	**3 593**

* The Group executed construction works in Sky Tower skyscraper in Wrocław. The guarantee expires on 31.01.2015.

In addition, the Company received or granted guarantees and sureties presented in the table below. According to the Company's present estimates, the guarantees and sureties presented below will not be realised.

Granted guarantees and sureties from subsidiaries

For:	Purpose	Amount	Maturity
Aluprof S.A.	Security for a working capital loan	5 000	31-03-2015
Alupol Packaging Kęty Sp. z o.o.	Trade credit surety	5	No maturity
Alupol Packaging S.A.	Trade credit surety	10	No maturity
Metalplast Stolarka Sp. z o.o.	Surety for guarantees granted by the Company to Bank PeKaO S.A.	3 737	31-10-2018
Metalplast Stolarka Sp. z o.o.	Surety for guarantees granted by the Company to Euler Hermes	2 367	17-04-2017
Metalplast Stolarka Sp. z o.o.	A line for insurance guarantees of Euler Hermes – an aval	20 000	28-02-2018
Metalplast Stolarka Sp. z o.o., Aluprof S.A., Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o.o.	Limit for the hedging of forwards and futures	35 000	31-10-2025

Received guarantees and sureties from subsidiaries

From:	Purpose	Amount	Maturity
Aluprof S.A.	Loan security	5 000	31-03-2015

In addition:

- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alutrans sp. z o.o., Alupol Packaging Kęty sp. z o.o. and Romb S.A. entered into an agreement with PKO BP S.A. for an overdraft facility up to the total amount of 100 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amounts of the said loan utilised by other companies as at the balance sheet date amounted to 8,424 thousand PLN. The agreement is valid until 30.09.2015.
- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o. and Metalplast Stolarka sp. z o.o. entered into an agreement with Pekao S.A. for an overdraft facility up to the total amount of 130 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities

(in thousand PLN)

related to this loan. The amounts of the said loan utilised by other companies as at the balance sheet date amounted to 33,672 thousand PLN. The agreement is valid until 31.10.2015.

- Grupa Kęty S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with ING S.A. for an overdraft facility up to the total amount of 50 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amount of the said loan utilised by Metalplast Stolarka as at the balance sheet date amounted to 21,393 thousand PLN. The agreement is valid until 31.07.2015.
- Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with BNP Paribas Polska S.A. for an overdraft facility up to the total amount of 50 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amount of the said loan utilised by Metalplast Stolarka as at the balance sheet date amounted to 9,816 thousand PLN. The agreement is valid until 30.06.2015.
- Grupa Kęty S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with BNP Paribas Polska S.A. for a guarantee facility up to the total amount of 15 million PLN, and Grupa Kęty S.A. granted its surety for the said agreement. As at the balance sheet date, Metalplast Stolarka issued guarantees under this agreement amounting to 11,407 thousand PLN. The agreement is valid until 31.07.2015.
- Grupa Kęty S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with ING for a guarantee facility up to the total amount of 20 million PLN, and Grupa Kęty S.A. granted its surety for the said agreement. As at the balance sheet date, Metalplast Stolarka issued guarantees under this agreement amounting to 4,958 thousand PLN. The agreement is valid until 30.07.2023.

34.1. Tax accounts

Tax accounts as well as other areas of activity subject to the applicable regulations (e.g. customs and exchange issues) can be controlled by administrative authorities entitled to impose high penalties. The lack of reference to well-established legal regulations in Poland results in inconsistencies and inaccuracies in legal regulations. Differences in opinions with regard to the interpretation of tax regulations both in tax authorities and between individual governmental bodies and enterprises cause uncertainty and conflicts. As a result, the tax risk in Poland is much higher than usual tax risk in the countries where tax systems are more developed.

Tax accounts may be subject to audits for five years starting from the end of the year in which a given tax was paid.

As at the balance sheet date, no tax-related proceedings or tax audits towards the Company were in progress.

35. Shareholding structure

The shareholding structure of Grupa Kęty S.A. is as follows:

Entity	Number of shares 31-12-2014	Interest in capital	Number of shares 31-12-2013	Interest in capital
Aviva OFE Aviva BZ WBK	1 691 276	18.00%	1 691 276	18.14%
ING OFE	1 610 534	17.15%	1 610 534	17.27%
OFE PZU "Złota Jesień"	921 000	9.80%	921 000	9.88%
PTE Allianz Polska	499 748	5.32%	-	-
OFE Bankowy PKO BP	-	-	586 929	6.30%
Others	4 670 980	49.73%	4 513 749	48.41%
Total	**9 393 538**	**100%**	**9 323 488**	**100%**

The number of shares as at 31.12.2014 comprises 12,750 shares subscribed for by eligible persons in December 2014 and admitted to trade at the stock exchange by the National Depository for Securities (KDPW) in January 2015.

36. Related party transactions

The table below presents the total amounts of trade transactions concluded with related parties in the financial year in question (in thousand PLN). Sale transactions were related mainly to the sale of products, and purchases were related mainly to the purchase of services.

Subsidiary		Sale	Purchases	Dividends	Net receivables	Liabilities	Revaluation write-downs for receivables
Aluprof S.A.	2014	150 291	4 061	66 725	38 352	769	19
	2013	127 844	4 091	45 000	41 236	773	14
Alupol Packaging S.A.	2014	1 026	0	30 000	282	0	0
	2013	1 198	0	40 911	268	0	0
Alutech Sp. z o.o. w likwidacji	2014	4	0	0	0	0	0
	2013	11	14	0	0	14	0
Alu Trans System Sp. z o.o.	2014	9 882	108	0	4 432	37	1 310
	2013	7 943	122	0	4 284	15	1 490
Dekret Sp. z o.o.	2014	745	1 305	190	65	136	0
	2013	711	1 320	38	71	135	0
Aluprof Węgry Ltd	2014	342	518	0	0	92	0
	2013	391	547	0	5	34	0
Metalplast Stolarka Sp. z o.o.	2014	6 148	310	0	2 612	93	0
	2013	5 388	560	0	2 129	12	25
Alupol Ukraina Sp. z o.o.	2014	2 944	1 182	0	3 844	0	9 583
	2013	8 060	0	0	10 945	0	0
ROMB S.A.	2014	590	8	0	132	1	0
	2013	601	9	0	136	2	0
Aluform Sp. z o.o.	2014	2 188	51 108	15 468	486	4 367	0
	2013	1 484	41 529	12 103	274	3 308	0
Alupol Packaging Kęty Sp. z o.o.	2014	9 685	429	0	1 301	383	0
	2013	10 801	413	0	1 322	388	5
Aluprof System Czechy Ltd	2014	0	146	0	0	77	0
Group Kęty Italia Ltd	2014	0	491	0	125	84	0
Total	**2014**	**183 845**	**59 666**	**112 383**	**51 631**	**6 039**	**10 912**
Total	**2013**	**164 432**	**48 605**	**98 052**	**60 670**	**4 681**	**1 534**

In addition, in mid-2013, the Company received a loan amounting to 1,500 thousand PLN from Alutech sp. z o.o. The said loan bears interest on market terms.

In the present year, the Company recognised as cost the revaluation write-down for receivables from Alupol Ukraina amounting to 9,583 thousand PLN. Last year, the Company recognised as cost the revaluation write-down for receivables from Alu Trans System sp. z o.o. amounting to 1,310 thousand PLN.
In addition, during 2014, the Company established a revaluation write-down for interests in Alupol Ukraina amounting to 14,715 thousand PLN. Last year, the Company established a revaluation write-down for interests in Alupol Ukraina amounting to 27,568 thousand PLN.

Furthermore, in the reporting period, the Company paid a donation to 'Grupa Kęty Dzieciom Podbeskidzia' ('Grupa Kęty to the Children of Podbeskidzie Region') Foundation amounting to 54 thousand PLN (previous year: 50 thousand PLN). The said Foundation was established by Grupa Kęty S.A. in 2011. The Company

contributed 50 thousand PLN as the Founder's capital. The Foundation is a non-profit organisation accomplishing social objectives.
Apart from the transactions described in note 34 (guarantees and sureties) and note 36.5, the Group did not carry out any other related party transactions.

The transactions with the Management Board and the Supervisory Board are described in note 36.4 of the financial statements. There were no other significant related party transactions apart from the above transactions and balances.

36.1. The Group's parent company

The Company is the parent company in the Capital Group.
The composition of the Capital Group as at 31 December 2014 was as follows:

(in thousand PLN)

Company name	Registered office	Scope of basic business activities	Parent's name	Shares in the basic capital as at 31-12-2014	Shares in the basic capital as at 31-12-2013	Date of control take-over	Reporting segment
Alupol Packaging S.A.	Tychy, Poland	Production of and trade in plastic packaging	Grupa Kęty S.A.	100.00 %	100.00 %	04/1998	FPS
Aluprof S.A.	Bielsko-Biała, Poland	Manufacture of construction woodwork	Grupa Kęty S.A.	100.00 %	100.00 %	06/1998	ASS
Alutech Sp. z o.o. w likwidacji	Kęty, Poland	Production, trade and provision of services	Grupa Kęty S.A.	100.00 %	100.00 %	03/1999	Other
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00 %	100.00 %	09/1999	Other
Alu Trans System Sp. z o.o.	Wrocław, Poland	Production activity	Grupa Kęty S.A.	100.00 %	100.00 %	04/2000	Other
Aluprof Węgry	Budapest, Hungary	Trade and provision of services	Aluprof S.A.	100.00 %	100.00 %	07/2000	ASS
Metalplast-Stolarka Sp. z o.o.	Goleszów, Poland	Manufacture of construction woodwork	Grupa Kęty S.A.	100.00 %	100.00 %	07/2000	BSS
Alupol LLC	Borodianka, Ukraine	Manufacture of aluminium sections	Grupa Kęty S.A.	100.00 %	100.00 %	12/2004	EPS
Aluprof Deutschland GmbH	Bayreuth, Germany	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	02/2005	ASS
Aluprof System Romania s.r.l	Bucharest, Romania	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	The sale of window and door joinery from aluminium and PVC	Aluprof S.A.	100.00 %	100.00 %	05/2005	ASS
Impet Sp. z o.o. (closed on 30.09.2014)	Bielsko-Biała, Poland	Trade – sale of steel systems	Aluprof S.A.	0 %	100.00 %	06/2005	ASS
Aluprof UK Ltd.	Hale, United Kingdom	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	05/2006	ASS
ROMB S.A. (Metalplast KARO Złotów S.A. until 28 July)	Złotów, Poland	Production and provision of services	Aluprof S.A.	100.00 %	100.00 %	04/2007	BAS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production and trade	Alupol Packaging S.A.	100.00 %	100.00 %	05/2009	FPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade	Grupa Kęty S.A.	100.00 %	100.00 %	06/2009	EPS
Aluprof System Ukraina	Kiev, Ukraine	Trade – sale of steel systems	Aluprof S.A.	100.00 %	100.00 %	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	Aluprof S.A.	100.00 %	100.00 %	1/2012	ASS
Grupa Kęty Italia s.r.l.	Milan, Italy	Trading intermediation	Grupa Kęty S.A.	100.00 %	0.00 %	5/2014	EPS
Marius Hansen Facader A/S	Viborg, Denmark	Manufacture and assembly of construction woodwork	Aluprof S.A.	100.00 %	0.00 %	6/2014	ASS
Aluprof System USA, Inc.	Wilmington, USA	Distribution of aluminium systems for the building industry	Aluprof S.A.	100.00 %	0.00 %	7/2014	ASS
Alupol Films Sp. z o.o.	Kęty, Poland	Production and trade	Alupol Packaging Kęty Sp. z o.o.	100.00 %	-	12/2014	FPS

(in thousand PLN)

36.2. Conditions of related party transactions

All transactions between related parties are concluded at market prices and are related to the current operating activities.

36.3. Other transactions with members of the Management Board

The Company did not conduct any transactions with the members of the Management Board apart from those specified in notes 36.4 and 36.5.

36.4. Remunerations of the members of the Company's authorities

Management Board:	2014	2013
Costs of short-term employee benefits	1 568	1 440
Costs of the provision for annual bonuses and other benefits	2 757	2 700
Total costs of remunerations of the members of the Management Board	**4 325**	**4 140**
The valuation of the costs of options for treasury shares due when the programme is implemented*	450	433
Total payments to the members of the Management Board	**4 775**	**4 573**

* The details of the programme are described in note 24.1. If the market conditions for the allocation of options are not fulfilled, despite the recognition of the costs of the programme, eligible persons will not acquire the right to subscribe for shares.

In addition, there are no agreements between Grupa KĘTY S.A. and managing persons which provide for a compensation in the case of their resignation or dismissal from their positions with no important reason or where their dismissal is related to the Issuer's merger by acquisition, except for the conditions included in the term of notice and conditions included in non-competition agreements.
Remunerations and benefits under the options programme due to the members of the Management Board, top management and members of the Company's Supervisory Board are as follows:

	2014	2013
Company's proxies*	854	637
Company's Management Board*	4 775	4 573
Supervisory Board	551	536
TOTAL	**6 180**	**5 746**

* The presented remunerations cover the costs of provisions for annual bonuses for the management staff and share options costs recognised in the income statement. The details of the share options programme are described in note 24.1 and note 36.5. Pursuant to the principles of the programme and IFRS 2, the costs of share options constitute the valuation of the options programme as at the date of its launch. The costs of options are recognised in the income statement on a straight line basis throughout the validity period of the programme, i.e. 36 months.
According to IFRS 2, the costs presented in such a way constitute the cost of remunerations for the Company, but do not reflect the value of possible benefits that employees may obtain in the future on this account. Employees' possible benefits depend on the level of share prices in the future as compared to the acquisition price resulting from the conditions for particular parts of the options programme.

36.5. Participation of the top management in the employee shares programme

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

Under the programme, the members of the Management Board hold options entitling them to purchase 30,450 shares from the first part of the 2009 programme, to purchase 30,450 shares from the second part of the 2009 programme, and options to purchase 30,450 shares from the third part of the 2009 programme (fulfilled conditions 'a', 'b' and 'd'). By the end of 2014, the members of the Management Board subscribed for shares from the first and the second part of the 2009 programme.

In addition, after meeting the programme conditions, the members of the Management Board will acquire the right, according to the terms and conditions of the programme, to purchase up to 27,280 options from the first part and up to 27,280 shares from the second part of the 2012 programme as well as up to 28,000 shares from the third part of the 2012 programme. The costs of benefits related to share options granted to the members of the Management Board recognised in the income statement for 12 months of 2014 amounted to 450 thousand PLN (504 thousand PLN for 12 months of 2013).

(in thousand PLN)

Options to purchase shares were also granted to proxies. The proxies hold options entitling them to purchase 9,000 share options from the first part of the 2009 programme, 9,000 shares from the second part of the 2009 programme, and 9,000 shares from the third part of the 2009 programme (fulfilled conditions 'a', 'b' and 'd'). By the end of 2014, proxies subscribed for all shares from the aforementioned parts of the 2012 programme.

In addition, the proxies acquired the right to purchase 8,060 share options from the first part and 8,060 share options from the second part of the 2012 programme as well as 8,000 share options from the third part of the 2012 programme. The costs of related benefits recognised in the income statement for 12 months of 2014 amounted to 134 thousand PLN (149 thousand PLN for 12 months of 2013).

The details of the programme are described in note 24.1.

There were no other significant related party transactions apart from the above transactions and balances.

37. Objectives and principles of financial risk management

Basic risks which may affect the Company's financial result include: the risk of changes of the prices of basic raw materials, interest rate risk, currency risk, credit risk and extraordinary events risk. 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 Company also monitors the risk of market prices applicable to all financial instruments managed by it. The extent of the risk in the period is discussed in note 37.1 of complementary information and explanations. The Company's accounting principles for derivative instruments are discussed in note 12.11 of complementary information and explanations.
The basic objectives of the company's financial risk management process are as follows:

- ensuring financial liquidity;
- limiting the direct impact of interest rates, exchange rates and the primary aluminium prices on the company's results;
- limiting the negative impact of extraordinary events.

Sensitivity analysis

By managing interest rate risk and currency risk, the Company aims to reduce the impact of short-term fluctuations on the Company's profits. However, persisting changes of exchange rates and interest rates will have an impact on the Company's profits.

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

For items affecting the income statement

Risk	Change	31.12.2014	31.12.2013
Increase in interest rates	1%	(1 271)	(1 479)
Increase in EUR/PLN exchange rate	5%	138	175
Increase in USD/PLN exchange rate	5%	(548)	(135)
Increase in GBP/PLN exchange rate	5%	43	9

For items affecting equity

Risk	Change	31.12.2014	31.12.2013
Increase in EUR/PLN exchange rate for hedging instruments	5%	(15)	(130)
Increase in aluminium price for hedging instruments	5%	55	75

Fair values

Below, we present the detailed information concerning fair values of financial instruments that can be estimated:

Cash and cash equivalents, short-term bank term deposits and short-term bank loans. The fair value of the said instruments is close to their carrying amounts due to their short maturity.

Financial receivables and financial liabilities. The fair value of the said instruments is close to their carrying amounts due to their short-term nature.

(in thousand PLN)

Long-term interest-bearing bank loans and credits. The fair value of the said instruments is close to their carrying amounts due to the fluctuating nature of their interest rates as well as the market level.

Financial assets	Under IAS 39	31 December 2014	31 December 2013
Financial receivables	LR	151 844	139 853
Cash	LR	1 795	3 347
Hedging instruments*		674	155

Financial liabilities	Under IAS 39	31 December 2014	31 December 2013
Financial liabilities	OFLatAC	52 117	32 622
Bank loans	OFLatAC	130 061	124 173
Hedging instruments*		1 526	2 136

* Derivative hedging instruments which meet the requirements of hedge accounting.

Abbreviations:
LR – Granted loans and receivables
OFLatAC – Other financial liabilities at amortised cost

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

37.1. Risk related to changes in the prices of basic raw materials

37.1.1 Aluminium, aluminium scrap

Primary aluminium and aluminium scrap are the basic raw materials used by the Company. Primary aluminium is mainly purchased on the basis of annual contracts and the price is determined on a monthly basis individually for each delivery. Prices of aluminium scrap purchased on the market are not based on the price formulas directly related to the aluminium quotations at the London Metal Exchange; however, there is a significant correlation of the scrap prices with movements of metals at the London Metal Exchange. The information about instruments hedging the price risk is presented in note 38.1.2.

37.2. Interest rate risk

Grupa Kęty S.A. records a surplus of financial resources or uses borrowings through long- and short-term bank loans. Interest on bank term deposits and loans depends on 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 company faces the risk of interest rates fluctuations, which may result in the decrease in the rate of return from financial term deposits or an increase in costs of borrowed loans.

Interest rate risk is related to the following items:

Variable interest	Maturity periods		
31-12-2014	< 1 year	1-2 years	2-3 years
Cash	1 795	0	0
Bank loans in PLN	(73 175)	(11 731)	(9 798)
Bank loans in EUR	(25 542)	0	0
Bank loans in USD	(9 815)	0	0
TOTAL	**(106 737)**	**(11 731)**	**(9 798)**

(in thousand PLN)

Variable interest	**Maturity periods**		
31-12-2013	< 1 year	1-2 years	2-3 years
Cash	3 347	0	0
Bank loans in PLN	(75 822)	(9 231)	(11 578)
Bank loans in EUR	(22 817)	0	0
Bank loans in USD	(4 725)	0	0
TOTAL	**(100 017)**	**(9 231)**	**(11 578)**

37.3. Liquidity risk

The Company monitors the risk of the lack of funds using the periodical liquidity planning tool. The tool takes into account maturity dates both for investments and financial assets (e.g. accounts of receivables, of other financial assets) and forecasted cash flows from operating activities.

The Company aims to maintain the balance between the continuity and flexibility of financing using various financing sources such as overdraft facilities, bank loans.

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

31-12-2014	**Maturities**				
	On demand	Less than 3 months	From 3 months to 12 months	From 1 to 3 years	More than 3 years
Bank loans	0	2 398	109 170	17 195	4 900
Other financial liabilities	0	52 117	0	0	0
Derivatives hedging cash flows	0	330	1 196	0	0
Contingent liabilities	0	8 593	84 712	2 367	65 064
TOTAL	**0**	**63 438**	**195 078**	**19 562**	**69 964**

31-12-2013	**Maturities**				
	On demand	Less than 3 months	From 3 months to 12 months	From 1 to 3 years	More than 3 years
Bank loans	0	2 376	103 331	21 745	0
Other financial liabilities	0	32 622	0	0	0
Derivatives hedging cash flows	0	918	1 218	0	0
Contingent liabilities	0	0	109 369	5 960	73 079
TOTAL	**0**	**35 916**	**213 918**	**27 705**	**73 079**

37.4. Currency risk

The Company records revenue and expenses in three basic currencies (PLN, EUR and USD). Revenue and expenses in other currencies do not exert significant influence on the Company's currency risk. The balance of revenue and expenses in foreign currencies is positive for EUR and negative for USD, but the EUR surplus exceeds the USD deficit. It results in the exposure to changes in EUR/USD and PLN/EUR relations.

As estimated by the Company, sales revenue depends in over 70% on the exchange rate of EUR; and costs of materials (mainly aluminium) depend in almost 80% on the exchange rate of USD.

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

	31.12.2014		31.12.2013	
	Amount in a foreign currency	Amount translated to thousand PLN	Amount in a foreign currency	Amount translated to thousand PLN
Cash in thousand EUR	0	0	48	201
Cash in thousand USD	396	1 389	501	1 509
Cash in thousand GBP	0	0	1	4
Receivables in thousand EUR	10 275	43 795	7 625	31 622
Receivables in thousand USD	4 056	14 225	3 845	11 581
Receivables in thousand GBP	158	863	35	174
Bank loans in thousand EUR	(5 992)	(25 540)	(5 502)	(22 817)
Bank loans in thousand USD	(2 798)	(9 813)	(1 569)	(4 725)
Liabilities in thousand EUR	(3 635)	(15 493)	(1 326)	(5 499)
Liabilities in thousand USD	(4 777)	(16 754)	(3 673)	(11 063)
Total exposure to currency risk - EUR	**648**	**2 762**	**845**	**3 507**
Total exposure to currency risk - USD	**(3 123)**	**(10 953)**	**(896)**	**(2 698)**
Total exposure to currency risk - GBP	**158**	**863**	**36**	**178**

Information about the hedging of the Company's exchange position is presented in note 38.1.2.

37.5. Credit risk

Trade credit

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

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

	31.12.2014	31.12.2013
Net trade receivables from non-related parties	91 811	75 309
Insured trade receivables	(72 531)	(67 778)
Exposure to trade credit risk	**19 280**	**7 531**

There is no counterparty among non-related parties who exceeds the level of 10% of trade receivables. The concentration level of 10% of trade receivables has been exceeded by a subsidiary Aluprof S.A.As at the balance sheet date, the receivables from this company accounted for 27% of total trade receivables (previous year: 29%).

Cash

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

(in thousand PLN)

37.6. Extraordinary events risk

37.6.1 Property damage risk

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

37.6.2 Profit loss risk

Not only can extraordinary events decrease the Company's assets, but also, to a considerable extent, its capability to generate profit. Such a situation can occur in the case of excluding the whole or a part of any of the Company's production plants from the production process.

37.6.3 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 the third party during their visit at the production facility which belongs to the Company as well as a result of defective operation of the products manufactured by the Company. Moreover, the shares of Grupa Kęty S.A. are quoted at Warsaw Stock Exchange. 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.

37.6.4 Geopolitical risk in the countries in which the Company operates

The Company's activities and the Company's main assets are located mainly in Poland. In addition, the Company is involved in an investment in a subsidiary in Ukraine.

In addition, the Company cooperates with multiple partners from other countries as regards the purchase and sale of trade goods. Increasing geopolitical risk related to the unstable political situation in certain countries may have adverse impact upon the Company by breaking the supply chain for raw materials (mainly aluminium) or due to the loss of some customers. In addition, as compared to previous years, there is greater risk of the impairment of assets (receivables) in the case of the areas where political situation is unstable.

38. Derivative financial instruments

Financial assets	**31.12.2014** (audited)	**31.12.2013** (audited)
Currency forwards hedging cash flows	312	115
Futures for the purchase of aluminium hedging cash flows	362	40
TOTAL FINANCIAL ASSETS	**674**	**155**
Financial liabilities	**31.12.2014** (audited)	**31.12.2013** (audited)
Currency forwards hedging cash flows	30	545
Futures for the purchase of aluminium hedging cash flows	1 496	1 591
TOTAL FINANCIAL LIABILITIES	**1 526**	**2 136**

Currency forwards and futures 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 value of the future cash flows is based on the most reliable estimates of the Management Board, whereas the discount rate is the market interest rate for a similar instrument as of the balance sheet date. In the event of the application of other valuation models, the output data are based on the market data as of the balance sheet date.

(in thousand PLN)

38.1. Hedging

38.1.1 *Cash flow hedge*

The Company applies the principles of hedge accounting to mitigate the adverse impact of the currency risk and of the risk related to aluminium prices. As at the balance sheet date, the Company recognised in equity:

	31.12.2014 (audited)	**31.12.2013** (audited)
Open currency forwards	282	1 550
Open futures for the purchase of aluminium	(1 134)	(430)
Exercised futures for the purchase of aluminium	772	(835)
TOTAL FINANCIAL LIABILITIES	**(80)**	**285**

The aforementioned items will affect the Company's result in 2015.

As at 31 December 2014 , the Company had the following hedging contracts:

Futures for the purchase of aluminium in USD

Exercise date	Fair value	Number of tons	Nominal value	Average USD price
2015-01-21	(27)	425	803	1 890.14
2015-02-18	(25)	650	1 243	1 911.76
2015-03-18	(43)	675	1 290	1 910.45
2015-04-15	(28)	550	1 047	1 903.79
2015-05-20	(9)	350	689	1 967.47
2015-06-17	(19)	325	632	1 944.68
2015-07-15	(25)	200	398	1 992.00
2015-08-19	(24)	200	399	1 993.67
2015-09-16	(24)	200	399	1 997.33
2015-10-21	(38)	300	602	2 008.31
2015-11-18	(46)	350	705	2 014.25
2015-12-16	(17)	150	302	2 011.75
TOTAL	**(325)**	**4 375**	**8 509**	**1 944.93**

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

Exercise date	Fair value	Number of tons	Nominal value in PLN	Average PLN price
2015-01-21	(93)	425	2 817	6 629.10
2015-02-18	(87)	650	4 358	6 704.92
2015-03-18	(150)	675	4 523	6 700.33
2015-04-15	(98)	550	3 672	6 676.97
2015-05-20	(32)	350	2 415	6 900.31
2015-06-17	(67)	325	2 217	6 820.38
2015-07-15	(87)	200	1 397	6 986.34
2015-08-19	(84)	200	1 398	6 992.20
2015-09-16	(83)	200	1 401	7 005.04
2015-10-21	(137)	300	2 113	7 043.54
2015-11-18	(156)	350	2 474	7 064.38
2015-12-16	(60)	150	1 058	7 055.61
TOTAL	**(1 134)**	**4 375**	**29 843**	**6 821.26**

(in thousand PLN)

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

As regards currency risk, in 2014 and 2013, the Company used only forwards for the purchase/sale of currencies.

As the Company's currency position for EUR is long (which means the dominance of revenue denominated in this currency over expenses), whereas for USD, it is short (which means the dominance of expenses denominated in this currency over revenue), the hedging transactions were aimed at the sale of EUR and the purchase of USD, which can take place through the direct sale of EUR for USD, the sale of EUR for PLN or the purchase of USD for PLN.

Amounts and settlement dates for the transactions are not standardised and they are subject to individual agreements with a bank. However, the Company 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.

The table below presents a statement of transactions concluded by Grupa KĘTY S.A.

Sale of EUR for PLN

Delivery date	Fair value as at 31-12-2014 in PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
2015-01-30	0.5	300	1 283	4.2828
2015-02-27	0.4	300	1 285	4.2869
2015-03-31	0.9	400	1 715	4.2927
2015-04-30	0.9	400	1 717	4.2980
2015-05-29	0.8	400	1 719	4.3039
2015-06-30	0.6	400	1 722	4.3091
2015-07-31	0.6	400	1 724	4.3146
2015-08-31	0.5	400	1 726	4.3198
2015-09-30	0.4	400	1 729	4.3250
2015-10-30	0.3	400	1 730	4.3303
2015-11-30	0.3	400	1 732	4.3355
2015-12-31	0.3	400	1 734	4.2828
TOTAL	**6.5**	**4 600**	**19 816**	**4.3074**

Sale of EUR for USD

Delivery date	Fair value as at 31-12-2014 in PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
2015-01-30	82	180	248	1.3763
2015-02-27	40	80	108	1.3596
2015-03-31	34	120	159	1.3263
2015-04-30	40	80	109	1.3600
2015-05-29	40	80	109	1.3604
2015-06-30	40	80	109	1.3606
TOTAL	**276**	**620**	**842**	**1.3583**

The effectiveness of hedging transactions is monitored on an ongoing basis and there is no non-effective hedging whose result or part of the result should be recognised in the income statement.

(in thousand PLN)

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

2014	Shares and interests	Hedging instruments	Own loans and receivables	Financial liabilities carried at amortised cost	Total financial instruments
Revaluation write-downs	(14 715)	0	(12 845)	0	**(27 560)**
Dividends and shares in profits	112 383	0	0	0	**112 383**
Interest income (costs)	0	0	223	(3 081)	**(2 858)**
Profit (loss) from currency translation differences	0	0	2 116	(4 188)	**(2 072)**
Profit (loss) from the disposal of financial instruments	0	79	0	0	**79**
Total profit (loss)	**97 668**	**79**	**(10 506)**	**(7 269)**	**79 972**

2013	Shares and interests	Hedging instruments	Own loans and receivables	Financial liabilities carried at amortised cost	Total financial instruments
Revaluation write-downs	(27 568)	0	784	0	**(26 784)**
Dividends and shares in profits	98 052	0	0	0	**98 052**
Interest income (costs)	0	0	245	(4 088)	**(3 843)**
Profit (loss) from currency translation differences	0	0	(36)	(1 318)	**(1 354)**
Profit (loss) from the disposal of financial instruments	0	(4 481)	0	0	**(4 481)**
Total profit (loss)	**70 484**	**(4 481)**	**993**	**(5 406)**	**61 590**

40. The methods of the measurement at fair value of financial instruments disclosed at fair value (fair value hierarchy)

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

Fair value of currency forwards is determined by reference to the present forward rates for contracts with similar maturity.

As compared to the previous financial year, the Company did not change the method of measuring derivatives.

Derivatives are recognised as assets when their measurement is positive, and as liabilities when their measurement is negative. Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are recognised in the financial result for the reporting year.

In the case of determining fair value on the basis of market quotations, it is classified at the so-called 'Level 1'. In the case of derivatives held by the Company, fair value is determined on the basis of other inputs that are observable either directly or indirectly. As a result, the value is classified at the so-called 'Level 2' of the fair value hierarchy.

Fair value hierarchy	Hierarchy level	31.12.2014 (audited)	31.12.2013 (audited)
Financial assets			
Hedging derivatives	2	674	155
Financial liabilities			
Hedging derivatives	2	1 526	2 136

(in thousand PLN)

41. Capital management

The capital is managed at the level of the Capital Group of Grupa Kęty S.A., in breakdown into business segments to ensure the maintenance of the current operating liquidity of particular companies as well as the financing of agreed acquisitions and development objectives, according to the adopted budgets.

In the reporting periods, no changes were introduced to objectives, principles and processes in this area. The Company monitors equity using the leverage ratio which is the ratio of net debt to total equity increased with net debt. According to the Company's principles, the ratio should not exceed 50%.

The Company's net debt includes interest-bearing borrowings, trade and other liabilities, less cash and cash equivalents.

The table below presents basic financial ratios for the capital management.

	31 December 2014	31 December 2013
Interest-bearing loans and credits	130 061	124 173
Trade and other liabilities	63 537	43 933
Less cash and cash equivalents	(1 795)	(3 347)
Net debt	191 803	164 759
Equity	714 662	699 068
Equity and net debt	906 465	863 827
Leverage ratio	21.16%	19.07%

Leverage ratio = net debt / (net debt + equity)

42. Employment structure

Average employment in the Company was as follows:

	Year ended on 31 December 2014	Year ended on 31 December 2013
Company's Management Board	2	2
Management staff	38	35
White-collar workers	206	198
Blue-collar workers	712	690
Total	**958**	**925**

43. The auditor's remuneration

The auditor's remuneration is presented below:

Figures in PLN	2014	2013
Remuneration for the audit of annual separate and consolidated financial statements	54 000 PLN	62 000 PLN
Remuneration for semi-annual reviews	30 000 PLN	30 000 PLN
Auditor's total remuneration for the period	**84 000 PLN**	**92 000 PLN**

Apart from the above-mentioned services, the Company did not take advantage of other services rendered by the auditor auditing the financial statements of the Company.

(in thousand PLN)

44. The Company as a power company

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

a) a licence to transmit and distribute natural gas;
b) a licence to transmit electricity;
c) a licence to trade in electricity.

To assess the Company's activities and its financial situation and assets, the scope and scale of the Company's activities as a power company are immaterial and do not exert any significant influence upon the financial figures disclosed in the financial statements.

However, pursuant to Article 44 Clause 2 of the Energy Law, the Company must prepare for each of the aforementioned activities a separate balance sheet and a separate income statement. The presented disclosure aims at ensuring equal treatment of customers and the elimination of cross-subsidy.

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

A portion of costs is directly allocated to particular types of licensed activities. However, there are also costs common for these areas of activities. To allocate common costs to own needs and to the licensed activities, the Company applies allocation keys.

The table below presents the types of applied allocation keys.

Percentage of common costs allocated to licensed activities	**01.01.2014 - 31.12.2014** (audited)	**01.01.2013 - 31.12.2013** (audited)
Gas – allocation by ordered capacity	33%	40%
Electricity – allocation by ordered capacity	20.4%	25.9%

The figures for the division of the income statement and the balance sheet to particular activities were separated on the basis of:

- figures from accounts allocated directly to particular activities

- cost Centre numbers allocated directly to particular activities or allocated to items of total costs related to all activities

- separate items recognised in accounts and on the basis of additional statements allocated directly or indirectly using the keys to particular activities

The application of the keys does not significantly adversely affect the true and fair presentation of the assets and finances as well as of the results of particular activities of the Company.

Allocation keys applied to allocate items classified as general items

Revenue-based key (revenue net of excise duty)

Assigning allocation keys to the items of the balance sheet and of the income statement

Balance sheet

Intangible assets and property, plant and equipment

Items not allocated directly to particular activities were divided on the basis of the key according to the average value resulting from revenue-based keys.

Short-term receivables

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

Cash

The Company has more loans than cash; as a result, due to the necessity of financing licensed activities, the Company assumed that the said activities are related to greater debt. The amount needed to finance the aforementioned activities is disclosed in 'equity and liabilities' part of the balance sheet in equity as 'Internal settlements'.

Equity

Presents net assets allocated to licensed activities

Liabilities and provisions for liabilities

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

Income statement

Net sales revenue

Net sales revenue is allocated directly to particular activities; as a result, allocation keys do not have to be used.

Other operating income and finance income

There is no other operating income and finance income related to licensed activities

Operating costs

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

Other operating costs and finance costs

There are no other operating costs related to licensed activities. Finance costs as interest costs were determined by calculating average share of the Company in net assets of licensed activities and the interest rate of loans in PLN.

Income tax expense

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

(in thousand PLN)

The table below presents the income statements and balance sheets of licensed activities

INCOME STATEMENT	Transmission and distribution of natural gas		Transmission of electricity		Trade in electricity	
	2014 (audited)	2013 (audited)	2014 (audited)	2013 (audited)	2014 (audited)	2013 (audited)
Total operating income, including:	**1 940**	**1 787**	**2 376**	**2 567**	**3 472**	**6 262**
Total operating costs, including:	**(1 818)**	**(1 682)**	**(1 818)**	**(2 256)**	**(2 763)**	**(5 318)**
Depreciation/Amortisation	(4)	(8)	(197)	(159)	0	0
Gas/Electricity	(1 535)	(1 461)	(1 183)	(1 568)	(2 107)	(3 816)
Materials	(2)	0	(7)	(27)	0	0
Employee benefits	(123)	(93)	(148)	(177)	0	0
Taxes and charges	(14)	(5)	(15)	(22)	(356)	(1 071)
External services	(2)	0	(52)	(70)	(84)	(79)
Other costs	(138)	(115)	(216)	(233)	(216)	(352)
Profit on operating activities	**122**	**105**	**558**	**311**	**709**	**944**
Finance costs	(24)	(28)	(49)	(72)	(17)	(18)
Profit before tax	**98**	**77**	**509**	**239**	**692**	**926**
Income tax expense	(19)	(15)	(97)	(45)	(131)	(176)
Net profit on continuing operations	**79**	**62**	**412**	**194**	**561**	**750**

BALANCE SHEET	Transmission and distribution of natural gas		Transmission of electricity		Trade in electricity	
Assets	31.12.2014 (audited)	31.12.2013 (audited)	31.12.2014 (audited)	31.12.2013 (audited)	31.12.2014 (audited)	31.12.2013 (audited)
I. Non-current assets	**95**	**118**	**1 430**	**2 021**	**0**	**0**
Property, plant and equipment	95	118	1 430	2 021	0	0
II. Current assets	**746**	**751**	**542**	**482**	**692**	**888**
Trade and other receivables	403	340	542	482	692	888
Prepayments	343	411	0	0	0	0
Total assets	**841**	**869**	**1 972**	**2 503**	**692**	**888**
Equity and liabilities						
I. Equity	**813**	**840**	**1 646**	**2 190**	**550**	**546**
Internal settlements	813	840	1 646	2 190	550	546
II. Long-term liabilities	**18**	**21**	**246**	**173**	**0**	**0**
Deferred income tax liability	18	21	246	173	0	0
III. Short-term liabilities	**10**	**8**	**80**	**140**	**142**	**342**
Trade and other liabilities	10	8	80	140	142	342
Total equity and liabilities	**841**	**869**	**1 972**	**2 503**	**692**	**888**

45. Events after the reporting period

The Company has invested in its subsidiary Alupol LLC in Ukraine. Alupol LLC is based in Borodianka near Kiev. As at the balance sheet date, the Company had assets in Alupol LLC amounting to 20,861 thousand PLN (31.12.2013: 42,677 thousand PLN).

The aforementioned amount comprises the value of interests amounting to 17,017 thousand PLN (31.12.2013: - 31,732 thousand PLN). The decrease in the value of interests results from the establishment by the Company in 2014 of revaluation write-downs for interests on the basis of impairment tests for the investment carried out as at 31.12.2014 (the assumptions for the test are described in note 21). In addition, as at the balance sheet date, Grupa Kęty S.A. had receivables due from Alupol LLC amounting to 3,844 thousand PLN (31.12.2013: -10,945 thousand PLN).

After the reporting period (in March this year), due to the unstable geopolitical situation in Ukraine, market interest rates continued to increase; the National Bank of Ukraine, to contain soaring inflation, increased the basic interest rate from 19.5% to 30%. According to the Company's estimates, the increase in the basic interest rate results in the increase in the discount rate applied in the impairment test for the investment in the subsidiary in Ukraine; taking into account higher interest rates, the rate to be applied in the impairment test as at the date of these financial statements is 39.0% (as at 31.12.2014, it was 31.11%). The application of the present interest rate in the impairment test carried out by the Company in Alupol Ukraina would result in the increase in the recognised revaluation write-down by 4 million PLN. (More information about the impairment test in Alupol Ukraina LLC can be found in note 21).

In addition, the unstable political and economic situation in Ukraine increases the risk for current operations of Alupol Ukraina LLC. Thus, the risk of the necessity of establishing further revaluation write-downs for interests in this company is greater and the risk of the uncollectibility of receivables of Alupol LLC due from external counterparties increases. Also, the risk of the non-payment of the liabilities of the company towards Grupa Kęty S.A. is greater. A ca. 43% decrease in the exchange rate of Ukrainian hryvnia against other convertible currencies after the reporting period adversely affected net assets of Alupol Ukraina LLC and resulted in a greater risk of the uncollectibility of receivables from this company held by Grupa Kęty S.A.

The Management Board has been analysing the situation of the subsidiary on an ongoing basis. Any possible future write-downs related to the deteriorating economic situation and potential military actions in Ukraine as events after the reporting period may be deducted from the result for 2015 or further years.

After the reporting period, there were no other significant events which should be included in these financial statements.

Signatures of all Members of the Management Board

Dariusz Mańko *President of the Management Board*	Adam Piela *Member of the Management Board*
……………………………………….	……………………………

Kęty, 17 March 2015

Signatures of the person entrusted with bookkeeping

Andrzej Stempak
President of the Management Board
Dekret Centrum Rachunkowe Sp. z o.o.

……………………………………….

Kęty, 17 March 2015