



GRUPA KĘTY S.A.

ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

**PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION**

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STATEMENT OF PROFIT OR LOSS

	Note	2022	2021
Revenue from contracts with customers	14.1	2,291,626	1,645,923
Other operating revenue	14.2	6,853	7,436
Dividends	14.3	501,975	398,101
Change in the level of products and work in progress		4,133	79,468
Cost of manufacturing of products for own needs		6,240	5,902
Total operating costs, including:		(2,077,443)	(1,578,198)
Depreciation	18, 19, 20	(55,524)	(53,965)
Materials and energy and the value of materials and trade goods sold	14.9	(1,650,590)	(1,158,436)
Third-party services		(187,670)	(198,318)
Taxes and fees		(7,318)	(6,568)
Employee benefits	14.8	(169,312)	(155,324)
Revaluation of financial assets	14.4	(475)	(1,253)
Other operating costs	14.5	(6,554)	(4,334)
Profit on operating activities		733,384	558,632
Financial revenue	14.6	106	474
Finance costs	14.7	(22,364)	(5,500)
Profit before tax		711,126	553,606
Income tax	15	(12,018)	(30,435)
Net profit on continued operations		699,108	523,171
Basic net earnings per share (PLN)	16	72.45	54.24
Diluted net earnings per share (PLN)	16	72.44	54.12

In 2022 and 2021, the Company did not discontinue any operations.

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	2022	2021
Net profit for the period		699,108	523,171
Other comprehensive income recognised in profit or loss		(2,188)	(555)
Valuation of cash flow hedging instruments	39.2	(2,701)	(686)
Income tax related to other comprehensive income		513	131
Other comprehensive income recognised outside profit or loss		432	333
Actuarial gains (losses)	24.2.2	533	411
Income tax related to actuarial gains (losses)		(101)	(78)
Comprehensive income for the period		697,352	522,949

BALANCE SHEET

ASSETS	Note	31.12.2022	31.12.2021
I. Non-current assets		1,020,429	884,468
Property, plant and equipment	18	589,115	474,436
Intangible assets	19	25,497	7,369
Right-of-use assets	20	11,382	11,551
Shares and interests	21	374,223	371,618
Advance payments for the purchase of property, plant and equipment	23	17,992	19,494
Deferred tax assets	15.1	2,220	0
II. Current assets		603,093	575,934
Inventories	25	261,589	263,200
Trade and other receivables	27	338,436	304,955
Derivative financial instruments	39	270	1,873
Cash and cash equivalents	28	2,798	5,906
Total assets		1,623,522	1,460,402
EQUITY/LIABILITIES			
I. Equity		950,514	753,454
Share capital	29.1	68,025	68,025
Share premium	29.2	60,254	60,254
Capital from share based payments	29.3	35,668	30,582
Capital from the revaluation of hedging instruments	29.4	(1,198)	990
Retained earnings	29.5	787,765	593,603
II. Long-term liabilities		346,703	269,404
Loan payables	30	300,141	211,073
Lease liabilities	31	3,553	3,562
Payables on account of intangible assets purchase	34.3	15,743	0
Provisions for employee benefits	24.2	1,737	2,211
Subsidies	32	25,529	26,322
Deferred income tax provision	15.1	0	26,236
III. Short-term liabilities		326,305	437,544
Loan payables	30	95,339	217,181
Lease liabilities	31	177	177
Income tax payables	26	32,676	26,885
Trade payables and other liabilities	34.1	173,960	171,915
Contractual liabilities	34.2	3,672	1,741
Provisions and accruals	33	17,847	18,013
Derivative financial instruments	39	1,748	650
Subsidies	32	886	982
Total equity/liabilities		1,623,522	1,460,402

STATEMENT OF CASH FLOWS

	Note	2022	2021
Cash flow from operating activities			
Profit before tax		711,126	553,606
Adjustments:		78,522	58,521
Depreciation	18, 19, 20	55,524	53,965
Recognition of write-downs of property, plant and equipment	14.5	12	1,095
Net (profit)/loss from currency translation differences		(1,089)	(2,672)
(Profit)/loss from sales of property, plant and equipment	14.2, 14.5	213	(186)
Interest		20,311	4,744
Costs of share based payments	14.8	2,480	1,575
Liquidation of property, plant and equipment		1,071	0
Cash flow from operating activities before the change of working capital and tax payment		789,648	612,127
Change in inventories		1,611	(157,483)
Change in net receivables		(33,481)	(115,882)
Change in short-term liabilities, except for loans	45	(34,558)	71,518
Change in provisions	45	(107)	182
Change in subsidies		(889)	(983)
Net cash generated from operating activities before tax payment		722,224	409,479
Tax (paid)/refunded	26	(34,271)	(5,014)
Net cash from operating activities		687,953	404,465
Cash flow from investing activities			
(+) Proceeds:		448	328
Sales of intangible assets, and property, plant and equipment		448	328
(-) Expenses:		(130,161)	(56,807)
Acquisition of intangible assets, and property, plant and equipment		(130,161)	(56,807)
Net cash from investing activities		(129,713)	(56,479)
Cash flow from financing activities			
(+) Proceeds:		57,947	211,417
Net proceeds from the issue of shares		0	6,327
Proceeds from loans and credits		57,947	205,090
(-) Expenses:		(619,294)	(562,815)
Dividends	17	(505,378)	(430,073)
Repayment of loans		(91,090)	(127,754)
Interest on loans		(22,649)	(4,811)
Payment of lease liabilities		(177)	(177)
Net cash from financing activities		(561,347)	(351,398)
Total net cash flows:		(3,107)	(3,412)
Change in cash due to currency translation differences		(1)	1
Cash and cash equivalents at the beginning of the period		5,906	9,317
Cash and cash equivalents at the end of the period	28	2,798	5,906

STATEMENT OF CHANGES IN EQUITY

Present year	Share capital	Share premium	Capital from share based payments	Capital from the revaluation of hedging instruments	Retained earnings	Total equity
Equity as at 31.12.2021	68,025	60,254	30,582	990	593,603	753,454
Comprehensive income for the period:	0	0	0	(2,188)	699,540	697,352
<i>Net profit for the period</i>	0	0	0	0	699,108	699,108
<i>Other comprehensive income</i>	0	0	0	(2,188)	432	(1,756)
Valuation of share based payments	0	0	5,086	0	0	5,086
Payment of dividend	0	0	0	0	(505,378)	(505,378)
Equity as at 31.12.2022	68,025	60,254	35,668	(1,198)	787,765	950,514

Previous year	Share capital	Share premium	Capital from share based payments	Capital from the revaluation of hedging instruments	Retained earnings	Total equity
Equity as at 31.12.2020	67,973	53,979	27,324	1,545	500,172	650,993
Comprehensive income for the period:	0	0	0	(555)	523,504	522,949
<i>Net profit for the period</i>	0	0	0	0	523,171	523,171
<i>Other comprehensive income</i>	0	0	0	(555)	333	(222)
Valuation of share based payments	0	0	3,258	0	0	3,258
Issue of shares	52	6,275	0	0	0	6,327
Payment of dividend	0	0	0	0	(430,073)	(430,073)
Equity as at 31.12.2021	68,025	60,254	30,582	990	593,603	753,454

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

1. General information

The financial statements of Grupa Kęty S.A. refer to the year ended 31 December 2022 and comprise comparative data for the year ended 31 December 2021.

Grupa Kęty S.A. (hereinafter referred to as the “Company”) is:

- a joint stock company incorporated in Poland, with its registered office in **Kęty, ul. Kościuszki 111**,
- registered by the District Court in Kraków, 12th Commercial Division of the National Court Register (KRS) in the Register of Entrepreneurs under the number **KRS 0000121845**;
- listed at the Warsaw Stock Exchange under the **ISIN PLKETY000011** number and classified in the metal sector.

The Company has tax identification number: **NIP 549-000-14-68**.

The Company has statistical identification number: **REGON 070614970**.

The basic activities of the Company include production, trade and services related to the processing of aluminium and its alloys. Moreover, the Company deals with managing the Company capital group and commercial intermediation, supplies and marketing, and other activities (including transmission and distribution of natural gas and electric energy).

The lifetime of the Company is unlimited.

2. Identification of the consolidated financial statements

The Company, as a parent of the Capital Group of Grupa Kęty S.A., prepared consolidated financial statements for the year ended 31 December 2022.

The consolidated financial statements of Grupa Kęty S.A. are published at the same date as the separate statements.

The consolidated statements of Grupa Kęty S.A. are available on the website: www.grupakety.com.

3. Membership of the Company Management Board

The Company’s Management Board, as at the date of approving these statements for publication, consisted of:

- Mr Dariusz Mańko – President of the Management Board/CEO,
- Mr Piotr Wysocki – Member of the Management Board/Vice CEO,
- Mr Rafał Warpechowski – Member of the Management Board/CFO,
- Mr Tomasz Grela – Member of the Management Board.

In 2022 the membership of the Company Management Board did not change.

4. Financial statements approval

These financial statements were approved for publication by the Management Board on 23 March 2023.

5. Investments in other companies

The Company has the following direct investments in the subsidiaries:

No.	Company name	Registered office	Core business	Percent of share capital and total number of votes as at 31.12.2022	Percent of share capital and total number of votes as at 31.12.2021	Date of control takeover by Grupa Kęty S.A.
1.	Alupol Packaging S.A.	Tychy, Poland	Production and trade in plastic packaging	100.00%	100.00%	04/1998
2.	Aluprof S.A.	Bielsko-Biała, Poland	Production of construction joinery	100.00%	100.00%	06/1998
3.	Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	100.00%	100.00%	09/1999
4.	Aluform Sp. z o.o.	Tychy, Poland	Profiles production services	100.00%	100.00%	6/2009
5.	Grupa Kety Italia S.R.L.	Milan, Italy	Commercial intermediation	100.00%	100.00%	5/2014

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

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

6. Professional judgement and estimates

6.1. Professional judgement

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

6.2. Uncertainty of estimates

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

Deferred income tax assets

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

Impairment of assets

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

More information about the assumptions and results of impairment tests for non-financial assets, for which the Company identified impairment indicators in 2022 in relation to the outbreak of war in Ukraine and increase in interest rates, has been presented in note 14.10.

Valuation of provisions and accruals

Provisions for employee benefits comprise retirement and disability benefits. They were measured by a licensed actuary with the use of actuarial methodology. The assumptions adopted for that purpose are specified in note 24.2. The valuation of other provisions and accruals, including provisions for bonuses and unused employee holiday is

based on the estimates of the Management Board. The costs of recognised provisions and accruals reflect the most accurate estimate of expenditure needed to fulfil the current obligation as at the balance-sheet date. If the effect of the change of money value in time is material, the provision amount corresponds to the present value of expenditure which, as expected, will be necessary to satisfy the obligation.

Fair value of derivative financial instruments

Fair value of financial instruments for which there is no active market is measured with the application of appropriate valuation techniques. In order to select the applicable methods and assumptions, the Company is guided by a professional opinion. The method of fair value determination for individual financial instruments is specified in notes 12.1, 40 and 42.

Write-down of inventories

The information about the method of determining the value of inventories is presented in note 12.14.

Write-down of receivables

The information about the method of determining the value of receivables is presented in note 12.15.

Fair value of the share option plan for the management staff

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

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

Depreciation/amortisation rates

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

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

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

Estimates and uncertainties in that area have been described in note 12.4.

Uncertainty related to tax settlements

Regulations concerning VAT tax, corporate income tax and social security contributions are subject to frequent changes. Such changes result in the absence of appropriate points of reference, inconsistent interpretations and few established precedents that could be applied. The binding regulations are also unclear, which results in different opinions as to their legal interpretation. Tax settlements and other areas of activities (e.g. customs or foreign exchange issues) may be subject to inspections by authorities that are entitled to impose penalties and fines. Consequently, the amounts disclosed in financial statements may change in the future as a result of final decisions of tax inspection authorities.

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

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

7. Basis for the financial statements preparation

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

The financial statements were prepared assuming that the Company will continue as a going concern in the foreseeable future for the period of at least 12 months from the balance-sheet date.

For the thorough understanding of the financial standing and the results of the Company operations as a parent of the Capital Group, these financial statements should be read together with the consolidated financial statements of the Capital Group of Grupa Kęty S.A. for the year ended 31 December 2022, which will be available on the Company website at: grupakety.com, at the date of these statements publication.

Based on the analyses as at the date of preparing these statements, the Management Board believes that there is no hazard to the continuation of the Company operations in the foreseeable future covering the period of at least 12 months of the balance-sheet date.

The analyses comprised, in particular, the assessment of the impact of COVID-19 pandemics on the activities of the Company (note 7.3), climate issues (note 7.2), and war in Ukraine (note 7.1). The analyses comprised many factors which may change in the future.

7.1. Impact of the war in Ukraine on the operations of the Company

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

The Company runs its business in Ukraine through Alupol LLC with its registered office in Borodianka, which is an indirect subsidiary of Grupa Kęty S.A. (the owner of Alupol LLC is the Aluform sp. z o.o. subsidiary of Grupa Kęty S.A.). Owing to the situation referred to above, the company suspended its operations on 24 February 2022. The suspended production was resumed to limited extent in May 2022.

Before the outbreak of the war, roughly 60% of Alupol LLC business consisted in extruding aluminium profiles for Grupa Kęty S.A. The Ukrainian company's inability to run business in the period between March and May 2022, and limitation of its production output in the other part of the year, reduced the production capacity of Grupa Kęty S.A. by about 5% per year. Nevertheless, within the scale of 2022, owing to the coverage of the reduced production capacity of Alupol LLC by other production plants of the Company, has not significantly affected the sales generated by the Company.

The situation of Alupol LLC in relation to the Russian invasion on Ukraine has been analysed on the current basis, and may result in an update of the above information. Moreover, owing to the market turbulence indirectly resulting from the war in Ukraine, as well as the growing inflation, the Company covered higher basic costs of materials, utilities, third-party services, interest payables, and payroll. The above negative factors had been compensated by higher income and margins, whereby the Company recorded profit growth compared to 2021.

The Company has no other major suppliers or recipients in Ukraine, or any other major assets or liabilities towards companies in Ukraine, Russia or Belarus.

The Company has no suppliers or recipients in Russia or Belarus.

7.2. Impact of climate (risks) on the operations and financial standing

The Company has not identified any major impact of the climate action agenda, aimed at achieving climate neutrality in compliance with Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), at the current and foreseeable future operations of the Company.

Specifically, the 2023 Budget and the 2025 Strategy of the Company and the Capital Group do not provide for a major impact of climate issues on the business run by the Company.

The Company neither directly owns assets for which there would be a duty to redeem CO₂ emission allowances, nor has been imposed with a duty to reduce its carbon footprint. The Company does not possess its own sources of electric energy or gas, either.

All property, plant and equipment comply with legal requirements, both the currently binding ones and those that may be reasonably expected in the future.

The Company has not currently identified any requirement that would be imposed on it by the EU regulations (including the one referred to above) to invest in or modernise the possessed assets.

The impact of environmental risks on the financial data disclosed in these statements has been presented in note 38.6.

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

In 2022 the Company had no downtimes owing to COVID-19 infections, therefore, it has not identified any impact on the measurement of assets in relation to the COVID-19 pandemic.

7.4. Statement concerning the true and fair preparation of the separate financial statements

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

7.5. Functional and presentation currency of these financial statements

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

8. Changes in the applied accounting policies

The accounting principles (policy) applied in preparing these financial statements are consistent with the ones applied in preparing the financial statements of the Company for the year ended 31 December 2021, except for amendments to standards and new standards or interpretations adopted by the European Union, which are binding for the periods commencing on or after 1 January 2022.

The following amendments to the existing standards issued by the International Accounting Standards Board ('IASB') and approved for application in the EU, have been applied for the first time in the financial statements of the Company for the year 2022:

- Amendments to IAS 16 *Property, Plant and Equipment* – 'Proceeds before Intended Use' approved by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – 'Onerous Contracts – Cost of Fulfilling a Contract' approved by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 *Business combinations* – 'Reference to the Conceptual Framework' with amendments to IFRS 3, approved by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to various standards: *Annual Improvements to IFRSs 2018-2020 Cycle* – amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41, focusing mainly on removing discrepancies and clarifying the terms used, approved by the EU on 28 June 2021 (amendments to IFRS 1, IFRS 9, and IAS 41 effective for annual periods beginning on or after 1 January 2022). The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

The above mentioned amendments to standards did not have any major effect on the financial statements of the Company for the year 2022.

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

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

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – in accordance with the decision of the European Commission, the process of approval of the standard in its preliminary version will not be initiated prior to the release of the standard in its final version – by the date of the approval of these financial statements the standard had not been approved by the EU – effective for annual periods beginning on or after 1 January 2016;

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- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – the works leading to the approval of these amendments have been deferred indefinitely by the EU – the effective date has been deferred by the IASB indefinitely;
 - IFRS 17 *Insurance Contracts* (issued on 18 May 2017), including amendments to IFRS 17 (issued on 25 June 2020) – effective for annual periods beginning on or after 1 January 2023;
 - Amendments to IAS 1: Amendments to IAS 1: *Presentation of Financial Statements* ‘Classification of Liabilities as Current or Non-current’, ‘Classification of Liabilities as Current or Non-current’ – Deferral of Effective Date’ and ‘Non-current Liabilities with Covenants’ (published on 23 January 2020, 15 July 2020, and 31 October 2022, respectively) – by the date of approval of these financial statements not approved by the EU – effective for annual periods beginning on or after 1 January 2024;
 - Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies* (issued on 12 February 2021) – effective for annual periods beginning on or after 1 January 2023;
 - Amendments to IAS 8: *Definition of Accounting Estimates* (issued on 12 February 2021) – effective for annual periods beginning on or after 1 January 2023;
 - Amendments to IAS 12: *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (issued on 7 May 2021) – effective for annual periods beginning on or after 1 January 2023;
 - Amendments to IFRS 16 *Leases: Lease Liability Measurement in Sale and Leaseback* (issued on 22 September 2022) – by the date of approval of these financial statements not approved by the EU – effective for annual periods beginning on or after 1 January 2024;
 - Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (issued on 9 December 2021) – effective for annual periods beginning on or after 1 January 2023.

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

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

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

10. Error corrections

These financial statements do not contain error corrections.

11. Estimation areas

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

- estimations and assumptions applicable to the useful life of property, plant and equipment as well as intangible assets are presented in notes 12.3 and 12.7;
- estimations concerning the write-downs of inventories are presented in note 25;
- estimations applicable to write-downs of property, plant and equipment are presented in note 14.10;
- estimations and assumptions concerning the write-downs of receivables are presented in note 27;
- estimations applicable to employee benefits and provisions are presented in notes 24.2 and 33;
- estimations applicable to the options plan are presented in note 24.1;
- estimations applicable to discounted cash flows used in the calculation of the possible write-downs of shares in subsidiaries are presented in note 21;
- estimations applicable to the fair value of derivative financial instruments are presented in notes 39 and 42;
- estimations applicable to identification of contracts and business relations in reference to IFRS 16 are presented in note 12.4;
- estimations concerning impairment indicators are presented in note 7.2;
- estimations concerning impairment tests are presented in note 14.10;

- estimations concerning deferred income tax assets are presented in note 15.1;
- estimations concerning the write-downs of interests and shares are presented in note 21.

12. Significant accounting principles

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

12.1. Measurement at fair value

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

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

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

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

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

The non-financial assets held by the Company are not measured at fair value.

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

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

For assets and liabilities disclosed in the financial statements the Company determines whether transfers have occurred between the hierarchy levels as at each balance-sheet date, by verifying assignment to the particular levels based on the significance of input data from the lowest level that matters in fair value measurement as a whole.

12.2. Translation of items expressed in foreign currencies

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

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

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

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

	31.12.2022	31.12.2021
USD	4.4018	4.0600
EUR	4.6899	4.5994
GBP	5.2957	5.4846

12.3. Property, plant and equipment

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

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

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

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

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

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

The final value, the useful life and the depreciation method for the assets are reviewed on annual basis and, if necessary, adjusted on the date of the estimate correction.

Useful life assessment requires verification of the technical condition and availability of assets.

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 the potential net proceeds from sales and the carrying amount of the item) are recognised in profit or loss for the period in which such derecognition took place.

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

12.4. Leases

Company as a lessee

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

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

Right-of-use assets

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

on straight-line basis for over the shorter of the two terms: the estimated useful life or the lease term. The right-of-use assets are tested for impairment.

Lease liabilities

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

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

Short-term and low-value-assets lease contracts

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

Company as a lessor

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

Lease term for contracts with extension option

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

Lease term for unlimited term contracts

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

Incremental borrowing rate of the lessee

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

12.5. Impairment of non-financial non-current assets

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

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

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

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

12.6. Borrowing costs

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

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

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

12.7. Intangible assets

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

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

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

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

Costs of research and development works

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

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

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

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

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

Subsequent expenditure

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

Depreciation

The estimated useful life of intangible assets is as follows:

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

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

12.8. Interests and shares in subsidiaries

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

The Company controls a given entity when it has:

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

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

Also verified is the risk of assets impairment, and in case of impairment identification, estimates regarding the assets recoverability.

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

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

12.10. Financial assets

Financial assets are classified in the following measurement categories:

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

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

Measurement at the moment of initial recognition

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

Derecognition

Financial assets are derecognised from the books of account if:

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

Measurement after initial recognition

For the purpose of measurement after initial recognition, financial assets are classified in one of the four categories:

- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income,
- capital instruments measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

Debt instruments – financial assets measured at amortised cost

A financial asset is measured at amortised cost if the following conditions are jointly fulfilled:

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

In the category of financial assets measured at amortised cost the Company assigns:

- trade receivables other than subject to factoring or ones from provisional pricing,
- loans fulfilling the SPPI classification test, which in accordance with the business model are reflected as held to obtain cash flows,
- cash and cash equivalents.

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

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

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss

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

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

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

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

If the Company:

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

12.11. Impairment of financial assets

In compliance with IFRS 9, the Company determines the expected credit losses ('ECL') related to debt instruments measured at amortised cost and at fair value through other comprehensive income, regardless of whether impairment indicators are present.

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

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

The Company recognises write-downs of receivables in the part which is not covered with security or recoverable, for example for:

- receivables overdue for over 9 months;
- litigated receivables;
- contractors under liquidation or bankruptcy;
- interest charged on untimely paid receivables.

For debtors whose financial standing does not ensure repayment of amounts due, and the receivables are overdue for longer than 6 months, the Company recognises write-downs ranging from 50% to 100% of the receivables value.

The main method of securing receivables is their insurance at specialised insurance companies.

Compared with the preceding years, in the last 4 years there were two concurrent trends perceived: a major drop in the value of write-downs, and dynamic growth of sales. This resulted from effective debt-collection activities, as well as very good market situation. Considering the above (cyclical trend reversal and downgrade in the economic situation, also as a result of the war in Ukraine, and some payment problems among the customers), in order to maintain the rationality of calculations for 2022 and 2021, the correction ratio which increases the default rate by 4 has been introduced – before the above correction ratio has been introduced, the ratio equalled roughly 0.011% (2021: 0.0445%).

Write-downs of receivables are reflected in a separate item of the statement of profit or loss entitled 'Write-downs of financial assets – IFRS 9'.

Cancelled receivables, overdue receivables or uncollectible receivables decrease the previous write-downs recognised for them. Uncollectible receivables for which write-downs were not recognised or the write-downs were not in full amount, are recognised in other operating costs or finance costs, respectively.

12.12. Embedded derivatives

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

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

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

During 2022 and in 2021, and also as at 31 December 2022, the Company had not identified any embedded derivatives.

12.13. Derivative financial instruments and hedging

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

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

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

In hedge accounting, hedge is classified as:

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

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

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

The Company uses only instruments hedging the future cash flows.

Cash flow hedging instruments

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

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

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

12.14. Inventories

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

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

Measurement of the particular categories of inventories:

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

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

Inventories are valued at the lower of cost or net realisable value. The FIFO method is applied to outgoing materials measurement. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale. Inventories are accounted for in the balance sheet less the recognised write-downs.

As at the balance sheet date, the Company compares the value of the particular inventories with their realisable sales prices, less the costs of closing the sales.

For damaged or non-rotating inventories (specifically for longer than 6 months), which have lost their commercial or useful characteristics, write-downs are made based on individual assessment of the particular items. While estimating the value of the required write-downs for such inventories, the realisable value is taken into account, which in most cases is the net sales price of aluminium scrap. The inventories of the Company are mainly aluminium products, or products with several-dozens share of aluminium in the total value.

For other inventory items, their realisable net sales price post the balance-sheet date is considered. The net realisable sales price is the estimated sales price in the ordinary course of business less the estimated costs of finishing and the estimated costs necessary to close the sales. If the price is lower than the value of the inventories determined at the cost of purchase/manufacturing, write-downs updating their value are recognised. The realisable sales price less the costs of finishing and the estimated costs of closing the sales for the particular product assortment is determined as at the valuation date on the basis of data of the current sales transactions or orders (completed or confirmed sales orders and estimated production costs).

12.15. Trade and other receivables

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

Other receivables include, in particular, advance payments for the future purchase of property, plant and equipment, intangible assets and inventories. Advance payments are presented based on the nature of the assets to which they relate, as non-current or current assets, respectively. As non-monetary assets, advance payments are not discounted. State-budget receivables are presented in other non-financial assets, except for corporate income tax receivables, which represent a separate balance sheet item.

12.16. Business combinations and acquisitions

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

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

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

12.17. Cash and cash equivalents

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

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

12.18. Equity

Share capital

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

Share premium

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

Dividends

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

Capital from share based payments

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

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

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

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

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

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

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

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

12.20. Trade payables and other liabilities

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

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

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

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

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

12.21. Provisions

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

12.22. Retirement benefits

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

12.23. Share based payments

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

12.23.1 Equity-settled transactions

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

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

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

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

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

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

12.24. Revenue

12.24.1 Revenue from contracts with customers

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

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

- identification of contract with a customer;
- identification of performance obligation under the contract with the customer;
- transaction price determination;
- allocation of the transaction price to the particular performance obligation;
- recognition of revenue at the moment the performance obligation under the contract is completed.

Identification of contract with a customer

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

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

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

Most products are manufactured according to individual customer requirements. However, they are created based on specific standards or industry requirements. Sales and deliveries are based on customer orders or long-term commercial contracts.

The Company does not carry out typical stock production, as production is carried out based on the aforementioned orders and contracts. The Company sets payment terms individually with each customer. This is usually a bank transfer with payment term ranging from 14 to 90 days. The Company bases its decision on the credit limit granted by insurance companies. On a case-by-case basis, the Company independently assesses the customer's financial standing and sometimes requires prepayment for the delivered product.

The execution of orders/contracts is based on Incoterms. Most often, the Company offers products with delivery to the customer. Sales prices are set in two forms: fixed prices for a specific quantity and period or prices based on price formulas related to a market index, LME index, plus a fixed premium.

The Company contractors do not have the right to return the purchased product or withdraw from the contract once the order has been confirmed. The Company provides its customers with high quality products and issues quality certificates. In the event of the delivery of material which does not comply with the order, the customer may file a complaint, which is then considered by the competent Company services. Only in the event that the customer's complaint is acknowledged, the customer has the right to obtain a reimbursement of the money paid or re-delivery of defect-free goods.

In the case of the sales of goods, products, materials and waste, the contract contains only one performance obligation – the sale of the good in question. Revenue is recognised at a specific point in time, i.e. when the customer obtains control over the goods.

The services provided by the Company include mainly IT support for the companies of the Capital Group of Grupa Kęty S.A., office space rental, energy and gas supply, and production. All the services are settled on a monthly basis.

As part of the analysis of the IFRS 15 guidelines, the Company considered the following aspects, among other things:

- variable prices – this issue is practically non-existent, as only a few customers have reserved the right to a discount in the event of early payment for deliveries;
- right of return – contracts concluded with customers do not provide for the right to return the delivered product as a result of a unilateral decision by the customer;
- guarantees – the Company provides a guarantee for the products it sells, which is only an assurance to the customer that the product in question conforms to the specifications agreed upon by the parties, and a guarantee does not constitute an additional service. The Company products are quality checked by the customers at delivery or immediately thereafter, so there is no possibility of significant warranty returns between two accounting periods (the Company is only liable for the delivered product until the change of its physical and chemical properties, which means until the product is reworked). The scale of complaints received by the Company is negligible;
- the Company has no transactions covering the sale of a bundle of goods and services or a bundle of several services, provided at different times or prices. As regards the sale of goods, products, materials and waste as well as in the case of the provision of both production and non-production services (they are not stretched over time and are invoiced as soon as the object of the service is handed over to the customer, which is done systematically) and non-production services (invoiced systematically on a monthly basis);
- advances received from customers – they are used in very few cases of cooperation with customers with unreliable financial standing. Manufacturing and sales of a product take place immediately after the advance payment is made by the customer, which means that the solution does not comprise a financing element;
- trade credit is a standard solution for the Company sales, hence there is no financing element – no need for price allocation on this account;
- after-sales services – there are no additional services or above-standard guarantees or consultancy that could result in the allocation of the sales price;
- the Company is a principal and not an agent in its sales contracts, despite the fact that it uses intermediaries in some sales areas;
- the Company does not provide discounts on the scale of the turnover with a customer.

12.24.1 Interest

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

12.24.2 Dividends

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

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

12.24.3 Rental income

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

12.24.4 Other operating revenue

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

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

12.24.5 Subsidies

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

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

12.24.6 Financial revenue

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

12.25. Costs

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

12.25.1 Operating costs

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

12.25.2 Revaluation of financial assets

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

12.25.3 Other operating costs

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

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

12.25.4 Finance costs

Finance costs comprise specifically:

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

12.26. Taxes

12.26.1 Current tax

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

12.26.2 Deferred tax

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

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

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

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

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

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

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

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

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

12.26.3 Operating allowances under decisions on aid

In 2021 the Company received a decision on aid for a new investment project within the Polish Investment Zone [Polska Strefa Inwestycji] programme. The Company recognises the benefits resulting from the obtained state aid in accordance with IAS 12 *Income Taxes*. The Company recognises deferred income tax assets in the amount of the available state aid granted to the Company as at the particular balance sheet dates. The decision enables exemption from income tax of the revenue generated on the activities specified in the decision, up to the value of the state aid limit, which depends on the capital expenditures under the decision, as well as the intensity of state aid in the relevant region.

12.26.4 *Uncertainty over income tax treatments*

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

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

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

12.26.5 *VAT*

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

- when VAT paid upon the purchase of assets or services is not recoverable from the tax authorities; then, it is recognised accordingly as a part of the purchase price of a given asset or a part of the cost item; and
- for receivables and liabilities recognised including VAT;

The net VAT amount recoverable from or payable to the tax authorities is recognised in the balance sheet as a part of public law receivables or payables.

12.27. Net earnings per share

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

13. Information on business segments

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

14. Revenue and costs

14.1. Revenue from contracts with customers

Sales by territories	2022	2021
Poland, including	1,199,780	964,838
– to related companies	487,915	395,708
EU without Poland, including:	919,115	578,798
– to related companies	16,350	8,947
Other European countries, including:	158,398	89,317
– to related companies	15,941	13,667
Other countries	14,333	12,970
Revenue from contracts, including:	2,291,626	1,645,923
– to related companies	520,206	418,322

The sales in the table above are recognised for the country of the registered office of the counterparty within a sale transaction. A major sales concentration applies to the Aluprof S.A. subsidiary and amounts to approximately 20% of the total sales value (22% in the preceding year).

Sales by items	2022	2021
Products, including:	2,250,822	1,610,721
– to related companies	498,933	398,667
Services, including:	27,579	23,079
– to related companies	21,112	19,085
Trade goods and materials, including:	13,225	12,123
– to related companies	161	570
Revenue from contracts, including:	2,291,626	1,645,923
– to related companies	520,206	418,322

All major revenue is recognised in compliance with IFRS 15.38, i.e. at the time of transfer of control over an asset. There are no major services or delivery contracts settled in periods longer than a month. In both periods there was no revenue recognised at the percent of completion.

14.2. Other operating revenue

	2022	2021
Risk provisions reversed	448	0
Write-down of inventories	472	42
Profit on sales of property, plant and equipment	0	186
Subsidies	889	983
Penalties and damages	739	1,000
Compensation on account of electric energy prices increase	3,124	4,535
Past due liabilities	232	46
Free-of-charge deliveries	566	515
Tax payer's remuneration	52	37
Other	331	92
Total	6,853	7,436

14.3. Dividends

Paying company	2022	2021
Aluprof S.A.	337,000	220,000
Alupol Packaging S.A.	141,000	159,000
Aluform Sp. z o.o.	23,566	18,679
Dekret Centrum Rachunkowe Sp. z o.o.	382	369
Other entities	27	53
Total	501,975	398,101

14.4. Revaluation of financial assets – IFRS 9

	2022	2021
Credit profit (loss) on trade receivables	(475)	(1,253)
Total	(475)	(1,253)

14.5. Other operating costs

	2022	2021
Write-down of property, plant and equipment	(12)	(1,095)
Provisions for costs of damages	0	(281)

Loss on sales of property, plant and equipment	(213)	0
Promotion and publicity	(1,530)	(627)
Business trips	(667)	(271)
Property damage	(95)	(549)
Liquidation of property, plant and equipment	(1,071)	(157)
Inventories scrapping	(626)	(130)
Fines and damages	(380)	(375)
Donations	(849)	(531)
Membership fees	(106)	(65)
Aid to Ukrainian immigrants	(988)	0
Other	(17)	(253)
Total	(6,554)	(4,334)

14.6. Financial revenue

	2022	2021
Interest	106	127
Surplus of currency translation gains over currency translation losses	0	347
Total	106	474

14.7. Finance costs

	2022	2021
Interest on borrowings	(19,575)	(4,601)
Interest on provisions for employee benefits	(77)	(41)
Interest on right-of-use assets	(168)	(169)
Other interest	(589)	(66)
Surplus of currency translation losses over currency translation gains	(1,315)	0
Bank commissions	(640)	(623)
Total	(22,364)	(5,500)

14.8. Costs of employee benefits

	2022	2021
Payroll	(129,179)	(119,629)
Social insurance	(23,041)	(20,577)
Other employee benefits	(14,612)	(13,543)
Costs of share based payments	(2,480)	(1,575)
Total	(169,312)	(155,324)

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

	2022	2021
Materials consumption	(1,539,446)	(1,120,576)
Energy consumption	(89,339)	(42,266)
Value materials and trade goods sold	(13,289)	(11,074)
Result on hedging transactions	(8,516)	15,480
Total	(1,650,590)	(1,158,436)

14.10. Impairment tests for non-financial non-current assets

As at 31 December 2022, and during 2022, the market capitalisation of Grupa Kęty S.A. continued to exceed the book value of the Company net assets.

	31.12.2022	31.12.2021
Market capitalisation of Grupa Kęty S.A.	4,410,119	5,886,953
Equity (net assets) of Grupa Kęty S.A.	950,514	753,454
Market value excess over net assets	3,459,605	5,133,499

The Company considered the increase in interest rates observed in 2022 to be an impairment indicator. In 2021 the Company had not identified any indicators of property, plant and equipment impairment.

As the Company does not identify separate a cash-generating unit, the test was performed for the Company as a single cash-generating unit.

For the purpose of analysing the indicators of possible impairment, the Company assets were divided into:

- assets involved in the Company operations. These assets include property, plant and equipment, intangible assets and right-of-use assets used directly in the Company operations and in the supervision and management of the Company;
- assets comprising capital investments in subsidiaries – the verification of the assets' recoverable amount has been described in note 21.

	31.12.2022	31.12.2021
Property, plant and equipment	589,115	474,436
Intangible assets	25,497	7,369
Right-of-use assets	11,382	11,551
Value threatened with impairment	625,994	493,356

Key assumptions used in the asset impairment test performed:

- all assets listed above constitute a single cash-generating unit,
- the recoverable amount corresponds to the value in use of the assets calculated on the basis of the cash flow projections included in the 2023 Budget and 2025 Strategy adopted by the Management and Supervisory Boards, and the value estimated for 2026 and 2027 on the basis of forecasts for 2025;
- for periods post 2025, residual value was determined assuming no increase in cash flows in the subsequent years;
- the cash flows included in calculations reflect the Company's short-term and strategic plans, as well as its current and projected production and sales potential;
- for the test purposes, it has been assumed that the Company generates cash flows based on variable prices dependent on aluminium prices, therefore, fluctuations in LME prices do not have a significant impact on the Company margins, whereas the margin levels have been assumed to be maintained;
- within the 5-year detailed projections, annual replacement expenditures have been assumed at half the depreciation charges, and for the residual period, in the amount of depreciation for the last year of the detailed projection.

	31.12.2022
WACC	11.12%
Value threatened with impairment	625,994

The impairment test results reflect that the discounted cash flows generated by the Company exceed the value of fixed assets threatened with impairment.

Susceptibility analysis

No justified or probable changes in the key assumptions made by the management with regard to valuation of the recoverable amount result in reducing the recoverable amount of property, plant and equipment subject to testing below the carrying amount of the assets.

15. Income tax

The main components of the tax payables are as follows:

Income tax structure	2022	2021
Current tax	(40,062)	(30,705)
Deferred tax	28,044	270
Income tax recognised in the statement of profit or loss	(12,018)	(30,435)

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

Effective tax rate	%	2022	%	2021
Gross financial result		711,126		553,606
Tax at the state rate	19%	(135,114)	19%	(105,185)
Dividends and share in profits	(13)%	95,375	(14)%	75,629
Allowances within the Polish Investment Zone [Polska Strefa Inwestycji] programme	(4)%	29,166	0%	132
Impact of other tax-exempt revenue and non-tax costs	0%	(1,445)	0%	(1,011)
Income tax recognised in the statement of profit or loss	2%	(12,018)	5%	(30,435)

15.1. Deferred income tax provision/asset

	01.01.2022	Impact on result	Impact on other comprehensive income	31.12.2022
Employee benefits (payroll)	726	140	0	866
Provisions for employee benefits	3,078	(114)	(101)	2,863
Other provisions and accruals	212	(20)	0	192
Write-down of receivables	1,150	81	0	1,231
Write-down of inventories	1,869	9	0	1,878
Write-down of property, plant and equipment	78	488	0	566
Currency translation losses on the valuation of FX positions	199	345	0	544
CIT exemption under the Polish Investment Zone [Polska Strefa Inwestycji] programme	132	29,166	0	29,298
Valuation of hedging transactions	(233)	0	513	280
Interest on loans	0	285	0	285
Interest on liabilities	63	(26)	0	37
Other time of income recognition	495	253	0	748
Difference between the carrying amount and the tax value of property, plant and equipment, intangible assets, and right-of-use assets	(34,048)	(2,420)	0	(36,468)
Currency translation gains on the valuation of FX positions	(172)	72	0	(100)
Costs accrued	215	(215)	0	0
Total	(26,236)	28,044	412	2,220

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GRUPA KĘTY S.A.

Annual financial statements for the period from 1 January 2022 to 31 December 2022
(PLN '000)

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

According to the Company estimates, long-term are: the provision on deferred income tax liability related to property, plant and equipment amounting to PLN 36,468,000 (previous year: PLN 34,048,000), part of deferred tax asset in the item of 'Provisions for employee benefits' amounting to PLN 330,000 (previous year: PLN 420,000), part of deferred tax asset on the write-downs of receivables amounting to PLN 915,000 (previous year: PLN 915,000), and part of the asset on account of income tax exemption on the operation under the Polish Investment Zone [Polska Strefa Inwestycji] programme amounting to PLN 27,303,000 (previous year: PLN 0.00). Other items are of short-term nature. As at 31 December 2022, there were no negative temporary differences associated with investments in subsidiaries, which means that a deferred income tax asset was not recognised (previous year PLN 0.00) – see note 21.

	2022	2021
Asset (provision) at the beginning of the period	(26,236)	(26,559)
Change in the asset (provision) due to the valuation of derivative financial instruments charged to other comprehensive income	513	131
Deferred income tax on actuarial gains/losses	(101)	(78)
Deferred income tax recognised in profit or loss	28,044	270
Asset (provision) at the end of the period	2,220	(26,236)

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

The Company committed to incur capital expenditures in the minimum amount of PLN 220 million by 30 June 2024, and increase headcount by 25 people in the period from 1 July 2024 to 1 July 2025.

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

balance-sheet date, the Company has not yet reached the level of the minimum capital expenditures set out in the decision on aid.

The Company assumes that the conditions will be fulfilled. To a great extent, the conditions regarding the incurrence of capital expenditures had been secured as at 31 December 2022 with agreements signed.

In order to estimate the value of the possible benefits stemming from the decisions on aid, an assumption has been made compliant with the gross profit levels on the investment project set out in the 2025 Strategy of the Company.

The amounts of available discounted state aid (state aid limit)	31.12.2022	31.12.2021
Aid decisions expiring in 2023 – aid limit of 35%	20,393	132

As at 31 December 2022, the Company has not availed of the public aid under the decision issued.

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

Value of assets broken down into the expected periods of use	31.12.2021	31.12.2021
Year 2023	1,995	0
Year 2024	5,731	0
Year 2025	7,666	0
Year 2026	9,547	0
Year 2027	4,359	0
Total	29,298	0

16. Earnings per share

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

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

	2022	2021
Net profit	699,108	523,171
Weighted average number of ordinary shares assumed for the calculation of basic earnings per ordinary share	9,650,152	9,644,757
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per ordinary share	9,650,666	9,666,851
Earnings per share in PLN	72.45	54.24
Diluted earnings per share in PLN	72.44	54.12

In 2022, the eligible employees did not acquire shares within the share option plans. In 2022, 660 options for 660 shares expired, as they have not been taken up within the time frame determined in the programme.

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

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

The potential number of ordinary shares, determined in accordance with IAS 33, associated with the employee options plan increasing the number of shares and assumed for the calculation of diluted earnings per share is 514 (in 2021: 22,094).

The period for 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 plan.

The average market price for the Company shares in 2022 was PLN 568.14 (in 2021: PLN 599.71).

17. Dividends paid and proposed for payment

In 2022, the Company paid out dividend amounting to PLN 505,378,000 (PLN 52.37 per share), while in 2021 the dividend amounted to PLN 430,073,000 (PLN 44.57 per share). As at the date of these financial statements publication, no recommendation of the Management Board with regard dividend payment from 2022 profit has been issued.

18. Property, plant and equipment

	01.01.2022	Increases	Sales	Liquidation	Shifts	31.12.2022
Gross value	877,727	169,980	(1,701)	(19,515)	0	1,026,491
Land	4,170	0	0	0	550	4,720
Buildings and structures	228,438	0	0	(15)	25,159	253,582
Plant and machinery	461,746	0	0	(3,806)	23,080	481,020
Means of transport	14,952	0	(1,701)	0	4,305	17,556
Other property, plant and equipment	146,393	0	0	(15,694)	25,384	156,083
Property, plant and equipment under construction	22,028	169,980	0	0	(78,478)	113,530
Amortisation	400,321	53,371	(1,040)	(18,258)	0	434,394
Buildings and structures	56,575	5,152	0	(8)	0	61,719
Plant and machinery	219,616	24,110	0	(3,730)	0	239,996
Means of transport	8,301	1,516	(1,040)	0	0	8,777
Other property, plant and equipment	115,829	22,593	0	(14,520)	0	123,902
Write-downs	2,970	1,254	0	(1,242)	0	2,982
Buildings and structures	1,685	2	0	0	0	1,687
Plant and machinery	110	3	0	(68)	0	45
Other property, plant and equipment	1,175	1,249	0	(1,174)	0	1,250
Net value	474,436	115,355	(661)	(15)	0	589,115
Land	4,170	0	0	0	550	4,720
Buildings and structures	170,178	(5,154)	0	(7)	25,159	190,176
Plant and machinery	242,020	(24,113)	0	(8)	23,080	240,979
Means of transport	6,651	(1,516)	(661)	0	4,305	8,779
Other property, plant and equipment	29,389	(23,842)	0	0	25,384	30,931
Property, plant and equipment under construction	22,028	169,980	0	0	(78,478)	113,530

	01.01.2021	Increases	Sales	Liquidation	Shifts	31.12.2021
Gross value	840,433	42,376	(300)	(4,782)	0	877,727
Land	3,442	0	0	0	728	4,170
Buildings and structures	226,962	0	0	(6)	1,482	228,438
Plant and machinery	453,520	0	0	(3,478)	11,704	461,746
Means of transport	13,400	0	(300)	0	1,852	14,952
Other property, plant and equipment	124,512	0	0	(1,298)	23,179	146,393
Property, plant and equipment under construction	18,597	42,376	0	0	(38,945)	22,028
Amortisation	353,180	52,030	(159)	(4,730)	0	400,321
Buildings and structures	51,680	4,899	0	(4)	0	56,575
Plant and machinery	199,293	23,801	0	(3,478)	0	219,616
Means of transport	6,946	1,514	(159)	0	0	8,301

Other property, plant and equipment	95,261	21,816	0	(1,248)	0	115,829
Write-downs	1,821	1,225	0	(76)	0	2,970
Buildings and structures	1,685	0	0	0	0	1,685
Plant and machinery	69	67	0	(26)	0	110
Other property, plant and equipment	67	1,158	0	(50)	0	1,175
Net value	485,432	(10,879)	(141)	24	0	474,436
Land	3,442	0	0	0	728	4,170
Buildings and structures	173,597	(4,899)	0	(2)	1,482	170,178
Plant and machinery	254,158	(23,868)	0	26	11,704	242,020
Means of transport	6,454	(1,514)	(141)	0	1,852	6,651
Other property, plant and equipment	29,184	(22,974)	0	0	23,179	29,389
Property, plant and equipment under construction	18,597	42,376	0	0	(38,945)	22,028

18.1. Depreciation of property, plant and equipment

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

18.2. Changes of estimates concerning useful lives

In 2022 and 2021, the Company did not make any significant changes in the useful lives of property, plant and equipment.

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

As at 31 December 2022 fixed assets within the group of land and buildings/structures were covered with mortgage capped to PLN 150 million to secure the loan at the PKO BP S.A. The loan has also been secured with a registered pledge on fixed assets within the group of plant and equipment of the value of PLN 57 million. As at 31 December 2021, the mortgage formed a security for the amount of PLN 312 million.

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

18.4. Capitalisation of finance costs

In 2022 and 2021, the Company capitalised interest amounting to PLN 4,595,000 and PLN 86,000, respectively, in relation to financing the purchase of property, plant and equipment (the costs capitalisation rate amounted to 8.2%).

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

As at 31 December 2022 contractual liabilities related to the purchase of property, plant and equipment amounted to PLN 70,202,000, and as at 31 December 2021 – to PLN 87,324,000.

At the end of 2022, the most significant items of the said liabilities were related to the construction of a production hall and purchase of two aluminium profile extrusion presses. At the end of 2021, the most significant items of the said liabilities were related to the construction of a production hall and purchase of two aluminium profile extrusion presses.

18.6. Impairment losses

In 2022 the Company carried out impairment tests with regard to property, plant and equipment, which did not reflect any impairment. Description of the impairment tests with regard to non-financial assets is presented in note 14.10.

In 2021, due to the absence of impairment indicators, the Company did not carry out any impairment tests with regard to property, plant and equipment.

On the basis of an individual assessment of the usefulness of property, plant and equipment, in 2022 the Company recognised write-downs amounting to PLN 1,254,000, and reversed write-downs amounting to PLN 1,242,000 due to liquidation of property, plant and equipment. Respectively, in 2021 the Company recognised write-downs of PLN 1,225,000 and reversed write-downs of PLN 76,000.

19. Intangible assets

	01.01.2022	Increases	Shifts	31.12.2022
Gross value	34,210	20,112	0	54,322
Development costs	5,078	0	0	5,078
Computer software	27,528	0	2,223	29,751
Intangible assets not put into use	1,604	20,112	(2,223)	19,493
Amortisation	26,841	1,984	0	28,825
Development costs	4,292	267	0	4,559
Computer software	22,549	1,717	0	24,266
Write-downs	0	0	0	0
Net value	7,369	18,128	0	25,497
Development costs	786	(267)	0	519
Computer software	4,979	(1,717)	2,223	5,485
Intangible assets not put into use	1,604	20,112	(2,223)	19,493

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

Contractual liabilities

As at the presented balance-sheet dates, the Company did not have any contractual obligations related to the purchase of intangible assets. Intangible assets comprise primarily the computer software purchased. A major intangible asset, which has not been put into use yet is the integrated ERP software being implemented. The system will be used throughout the Capital Group of Grupa Kęty S.A. The planned commencement of the software use falls between the years 2024 and 2025.

Impairment losses

In 2022, owing to impairment indicators present, the Company carried out impairment tests with regard to intangible assets, which did not reflect any impairment. Description of the impairment tests with regard to non-financial assets is presented in note 14.10. In 2021, the Company did not carry out impairment tests for intangible assets as there were

no indicators of impairment. In 2022, the Company did not recognise and did not reverse write-downs of intangible assets.

Restricted disposal

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

20. Right-of-use assets

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

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

20.1. Company as a lessee

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

	31.12.2022	31.12.2021
Gross value at the beginning of the period	12,057	12,057
Depreciation	(169)	(168)
Gross book value at the end of the period	12,057	12,057
Accumulated amortisation	(675)	(506)
Net value at the end of the period	11,382	11,551

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

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

Costs on account of		2022	2021
Lease interest	Finance costs	(168)	(169)
Depreciation	Operating costs (depreciation)	(169)	(168)
Short-term and low-value lease	Operating costs (third-party services)	(479)	(506)
Total		(816)	(843)

	31.12.2022	31.12.2021
Value of future lease payments, including:	11,869	12,046
Within up to 1 year	177	177
From 2 to 5 years	29	28
Over 5 years	11,663	11,841
Discount	(8,139)	(8,307)
Present value of lease liabilities	3,730	3,739
Including short-term lease	177	177

20.2. Company as a lessor

The Company is a party to an office space rental agreement for a subsidiary. The agreement was concluded for unlimited term with one-month notice period. The income on the agreement was PLN 455,000 in 2022 (in 2021: PLN 439,000). Apart from the agreement, the Company as a lessor was not a party to any major agreements of that kind in the reporting period.

21. Interests and shares

	31.12.2022	31.12.2021
Gross value of long-term investments, including:	375,063	372,458
Interests or shares in subsidiaries	374,223	371,618
Interests or shares in other entities	840	840
Write-down of long-term investments, including:	840	840
Interests or shares in other entities	840	840
Net value of long-term investments, including:	374,223	371,618
Interests or shares in subsidiaries	374,223	371,618
Interests or shares in other entities	0	0

Investments in subsidiaries by net carrying amounts:	31.12.2022	31.12.2021
Alupol Packaging S.A.	181,603	180,461
Aluprof S.A.	152,791	151,496
Dekret Centrum Rachunkowe Sp. z o.o.	1,302	1,134
Aluform Sp. z o.o.	38,485	38,485
Grupa Kęty Italia SRL	42	42
Total	374,223	371,618

In 2022 and 2021 the value of share options granted to the employees of the subsidiaries within the Management Options Plan increased the value of interests and shares in the companies for PLN 2,606,000 and PLN 1,683,000, respectively – a description of the Management Options Plan is provided in note 24.1.

As at 31 December 2022 and 31 December 2021, interests and shares in subsidiaries were not used as a security for the Company liabilities.

Write-downs for other companies refer to interests in other companies acquired at the end of the 1990s on account of unpaid debts.

The results generated by the Company subsidiaries in 2022 as well as the net assets of the companies still greatly exceed their value recognised in non-current assets under the item 'Interests and shares', which has not been affected by the outbreak of war in Ukraine or interest rates increases. A similar situation had been observed in 2021.

Net results generated by the Company subsidiaries	2022	2021
Alupol Packaging S.A.	216,202	141,780
Aluprof S.A.	228,642	232,447
Dekret Centrum Rachunkowe Sp. z o.o.	321	382
Aluform Sp. z o.o.*	(6,480)	23,566
Grupa Kęty Italia SRL	47	82
Total	438,732	398,257

*Result reduction due to one-off write-down amounting to PLN 15,252,000 with regard to the value of shares in Alupol LLC in Ukraine.

Information about dividends received from subsidiaries has been presented in note 14.3.

Net assets of the Company subsidiaries	31.12.2022	31.12.2021
Alupol Packaging S.A.	453,772	377,298
Aluprof S.A.	318,560	427,160
Dekret Centrum Rachunkowe Sp. z o.o.	1,737	1,612
Aluform Sp. z o.o.	70,659	100,667
Grupa Kęty Italia SRL	455	405
Total	845,183	907,142

The impairment tests for shares/interest in subsidiaries did reflect any impairment.

Assumptions made for the impairment tests:

- the recoverable amount corresponds to the value in use of the assets estimated on the basis of the cash flow projections included in the 2023 Budget and 2025 Strategy adopted by the Management and Supervisory Boards, and the value estimated for 2026 and 2027 on the basis of forecasts for 2025;
- the cash flows included in calculations reflect the short-term and strategic plans of the respective cash-generating units, as well as their current and projected production and sales potential; bearing in mind the applied price policies, a reflection of the costs of materials as an element of the sales price has been assumed;
- residual value was determined assuming no increase in cash flows in the residual period;
- within the 5-year detailed projections, annual replacement expenditures have been assumed at half the depreciation charges, and for the residual period, in the amount of depreciation for the last year of the detailed projection;
- the assumed WACC levels are: 11.58% for Alupol Packaging S.A. and 11.90% for other companies.

No justified or probable changes in the key assumptions made by the management with regard to valuation of the recoverable amount of cash-generating units result in reducing the recoverable amount of property, plant and equipment subject to testing below the carrying amount of the assets.

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

In 2022 and 2021, the Company did not acquire other entities and did not make any changes in the organisational structure.

23. Advance payments for property, plant and equipment

Advance payments for property, plant and equipment amounting to PLN 17,992,000 (in 2021: PLN 19,494,000) comprise cash paid to suppliers for the purchase of property, plant and equipment.

24. Employee benefits

24.1. Employee share plans

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

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

24.1.1 Basic information regarding share option plans

	2020 plan, 2022 tranche	2020 plan, 2021 tranche	2020 plan, 2020 tranche
Number of share options under the plan	90,000	90,000	90,000
Number of shares in sub-part A	13,500	13,500	13,500
Number of shares in sub-part B	22,500	22,500	22,500
Number of shares in sub-part C	27,000	27,000	27,000
Number of shares in sub-part D	27,000	27,000	27,000
Sub-part A – return on shares	=WIG	=WIG	=WIG
Sub-part B – return on shares	WIG+15%	WIG+15%	WIG+15%
Sub-part C – EBITDA increase	28%-33%	28%-33%	28%-33%
Sub-part D – net earnings increase	28%-33%	28%-33%	28%-33%

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

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

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

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

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

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

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

24.1.2 Fair value of share options

	2020 plan, 2022 tranche	2020 plan, 2021 tranche	2020 plan, 2020 tranche
Date of granting options	13 October 2022	19 October 2021	16 September 2020
Number of options granted to the Company employees	42,500	44,500	44,500
Number of options granted to the subsidiaries	47,500	45,500	45,500
Expected dividends	PLN 268.72	PLN 252.16	PLN 199.67
Assumed volatility index for the underlying instrument	19%	17%	16%
Historical volatility index (%)	30%	28%	27%
Risk-free interest rate (%)	7,8%	2,4%	1%
Expected period of options validity (in months)	72 months	72 months	72 months
Weighted average share price (PLN)	358.10	358.10	358.10
Plan fair values at launch date in PLN '000	9,789	20,089	7,556
Parameter A accomplishment	YES	YES	YES
Parameter B accomplishment	YES	YES	YES
Parameter C accomplishment	0%*	0%*	100%
Parameter D accomplishment	0%*	0%*	100%

*Management Board estimates

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

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

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

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

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

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

Options costs in the period	2022	2021
2020 tranche of the 2020 plan	1,173	1,283
2021 tranche of the 2020 plan	1,167	292
2022 tranche of the 2020 plan	140	0
Total options costs in the period	2,480	1,575

The above amounts increased the remuneration costs in the period as well as the Company equity.
Future costs of option plans are as follows:

Future costs of the option plans	2023	2024	2025
2020 tranche of the 2020 plan	880	0	0
2021 tranche of the 2020 plan	1,167	875	0
2022 tranche of the 2020 plan	560	560	420
Total	2,607	1,435	420

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

The value of options allocated in subsidiaries (incrementing)	31.12.2022	31.12.2021
Aluprof S.A.	7,929	6,634
Alupol Packaging S.A.	6,117	4,975
Dekret Centrum Rachunkowe Sp. z o.o.	1,120	952
Total	15,166	12,561

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

Balance as at 31.12.2022	2022 tranche	2021 tranche	2020 tranche
Number of granted options	90,000	90,000	90,000
Number of options expired due to the failure to comply with the condition of being employed for three years from the plan launch date	0	0	2,000
Number of options which do not meet non-market parameters: C and D	54,000	54,000	0
Number of options assumed for valuation	36,000	36,000	88,000
Number of options granted	Vesting pending	Vesting pending	Vesting pending
Number of options which were not taken up by the balance-sheet date	as above	as above	as above
Number of options exercised	as above	as above	as above
Programme launch date	13 October 2022	19 October 2021	16 September 2020
Date of acquiring rights to options	30 September 2025	30 September 2024	30 September 2023
Plan termination date	30 September 2028	30 September 2027	30 September 2026
Total vesting period	72 months	72 months	72 months
The remaining period to acquire rights	33 months	21 months	9 months
Option exercise price	PLN 358.10	PLN 358.10	PLN 358.10

24.2. Long-term employee benefits

Long-term provision for employee benefits	31.12.2022	31.12.2021
Balance at the beginning of the period	2,211	2,344
Decreases	(474)	(133)
Balance at the end of the period	1,737	2,211

24.2.1 Basic actuarial estimates as at the balance-sheet date

	31.12.2022	31.12.2021
Discount rate as at 31 December	7.07%	3.41%

Assumptions concerning the increase in future remuneration as at 31 December 2022:

- 8% – increase in the bases of retirement benefits in 2023;
- 6% – increase in the bases of retirement benefits in 2024;

- 4% – increase in the bases of retirement benefits in 2025;
- 2.5% – increase in the bases of retirement and disability benefits in subsequent years;
- average age: 43 years for employees with unlimited term employment contracts and 35 years for employees with fixed-term employment contracts;
- the projected employee turnover rate:
 - employees with unlimited term employment contracts – 2.2%;
 - employees with fixed-term employment contracts – 5.1%.

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

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

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

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

- for the average age of employees with unlimited term employment contracts – 2.2%;
- for the average age of employees with fixed-term employment contracts – 7.2%.

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

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

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

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

24.2.2 Actuarial gains/losses and sensitivity analysis

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

	Retirement benefits	Disability benefits	Death in service benefits	Total
01.01.2022	2,201	110	69	2,380
Current employment cost	161	14	12	187
Interest costs	71	5	2	78
Actuarial gains/(losses) recognised in other comprehensive income	(550)	(15)	32	(533)
(Payments)	(143)	(15)	(50)	(208)
31.12.2022	1,740	99	65	1,904
<i>Long-term</i>	<i>1,591</i>	<i>85</i>	<i>61</i>	<i>1,737</i>
<i>Short-term</i>	<i>149</i>	<i>14</i>	<i>4</i>	<i>167</i>

	Retirement benefits	Disability benefits	Death in service benefits	Total
01.01.2021	2,356	114	64	2,534
Current employment cost	189	15	11	215
Interest costs	38	2	1	41
Actuarial gains/(losses) recognised in other comprehensive income	(416)	11	(6)	(411)
Past employment cost	173	0	0	173
(Payments)	(139)	(33)	0	(172)
31.12.2021	2,201	110	69	2,380
<i>Long-term</i>	<i>2,049</i>	<i>97</i>	<i>66</i>	<i>2,212</i>
<i>Short-term</i>	<i>155</i>	<i>13</i>	<i>3</i>	<i>168</i>

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

2022	Discount rate	Discount rate	Base	Base
Change	-0.5 p.p.	+0.5 p.p.	-1 p.p	+1 p.p.
Retirement benefits	87	(80)	(160)	183
Disability benefits	6	(6)	(6)	6
Death in service benefits	5	(5)	(4)	4
Total change in provisions	98	(91)	(170)	193

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

25. Inventories

	31.12.2022	31.12.2021
Materials	112,808	118,551
Work in progress	89,765	82,205
Finished products	59,016	62,444
Total	261,589	263,200

No security was imposed on the Company inventories in the 2022 and in 2021.

In 2022 the Company reversed write-downs of inventories with regard to materials amounting to PLN 472,000 disclosed in 'Other operating revenue', and recognised PLN 517,000 write-downs with regard to the value of finished products and work in progress (reflected as an adjustment in the balance of products). In 2021 the Company reversed write-downs of inventories with regard to materials amounting to PLN 42,000 disclosed in 'Other operating revenue', and recognised PLN 4,393,000 write-downs with regard to the value of finished products and work in progress (reflected as an adjustment in the balance of products).

Write-downs	31.12.2022	31.12.2021
Materials	1,057	1,530
Work in progress	3,682	2,902
Finished products	5,144	5,407
Total	9,883	9,839

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

	2022	2021
Value of products sold	1,872,568	1,314,393
Value of materials sold	13,289	11,074
Total	1,885,857	1,325,467

26. Income tax receivables (payables)

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

Title	2022	2021
Tax (liability) for the period:	(40,125)	(30,705)
Tax receivables for the previous years	63	0
Paid income tax advances for the period	7,743	3,820
Tax receivables/(payables)	(32,676)	(26,885)
Paid tax (received refunds for previous years)	26,828	1,194
Tax paid (refunded) recognised in the statement of cash flows	34,271	5,014

27. Trade and other receivables

	Short-term receivables	31.12.2022	31.12.2021
Gross receivables		349,663	316,015
Trade liabilities to related parties		91,332	100,486
Trade receivables from other entities		243,789	206,425
Public law receivables (except for income tax)		3,248	6,189
Prepayments (trade-related) for suppliers – other entities		531	389
Receivables related to settlement of closed transactions hedging the aluminium price		6,182	56
Prepaid expenses		3,078	1,303
Other		1,503	1,167
Write-downs		11,227	11,060
Receivables from other entities		10,180	10,013
Other		1,047	1,047
Net receivables		338,436	304,955
Trade liabilities to related parties		91,332	100,486
Trade receivables from other entities		233,609	196,412
Public law receivables (except for income tax)		3,248	6,189
Prepayments (trade-related) for suppliers – other entities		531	389
Receivables related to settlement of closed transactions hedging the aluminium price		6,182	56
Prepaid expenses		3,078	1,303
Other		456	120

The conditions of intercompany transactions are presented in note 37.2 of the supplementary information and explanatory notes. Trade receivables do not bear interest and usually have 30 to 90 days maturity. The Company has implemented a policy for sales only to verified customers and has taken out receivables insurance at specialised

companies. Consequently, according to the management's opinion, there is no additional credit risk exceeding the level established by the write-down of commercial receivables.

Changes in the write-downs of receivables:

	31.12.2022	31.12.2021
At the beginning of the period	11,060	9,865
Increase	475	1,253
Reversal/revaluation	(308)	(58)
At the end of the period	11,227	11,060

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

Value of receivables (ageing structure)	31.12.2022	31.12.2021
Gross receivables	349,663	316,015
Not overdue	295,545	304,590
Overdue:		
up to 3 months	44,271	1,578
3 to 6 months	0	0
6 to 12 months	0	0
over 12 months	9,847	9,847
Write-down of receivables	11,227	11,060
Not overdue	1,380	1,213
Overdue:		
up to 3 months	0	0
3 to 6 months	0	0
6 to 12 months	0	0
up to 12 months	0	0
over 12 months	9,847	9,847
Net receivables	338,436	304,955
Not overdue	294,165	303,377
Overdue:		
up to 3 months	44,271	1,578
3 to 6 months		
6 to 12 months	0	0
over 12 months	0	0

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

28. Cash and cash equivalents

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

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

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

	31.12.2022	31.12.2021
Current accounts and short-term deposits	2,798	5,906
Cash recognised in the balance sheet and the statement of cash flows	2,798	5,906

As at 31 December 2022, the Company had PLN 2,708,000 of restricted availability cash in its VAT accounts (31 December 2021: PLN 2,063,000). The cash may be used only for the purpose of output VAT, CIT, PIT and ZUS [social security] payments to authorities or as VAT payments to the Company suppliers.

As at 31 December 2022, Grupa Kęty S.A. had undrawn committed credit limits amounting to PLN 143,610,000 with regard to which all conditions precedent had been complied with (31 December 2021: PLN 39,863,000).

29. Share capital and reserve capitals

29.1. Share capital

	31.12.2022	31.12.2021
Share capital, including:	68,025	68,025
Value registered in the National Court Register (KRS)	24,125	24,123
Shares which have not been registered in the KRS	0	2
Revaluation under IAS 29	43,900	43,900
<i>Number of shares registered in the KRS</i>	<i>9,650,152</i>	<i>9,649,392</i>
<i>Number of shares which have not been registered in the KRS</i>	<i>0</i>	<i>760</i>

29.1.1 Nominal value of shares

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

In 2022, the National Court Register registered a capital increase due to the take up of 760 shares acquired by the managerial staff under share option plans. In 2021, the National Court Register registered a capital increase due to the take up of 21,295 shares acquired by the managerial staff under share option plans.

A single ordinary share entitles its holder to one vote at the Company General Meeting.

29.1.2 Rights of shareholders

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

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

29.2. Share premium

	31.12.2022	31.12.2021
Share premium	60,254	60,254
Total	60,254	60,254

29.3. Capital from the valuation of share based payments

	31.12.2022	31.12.2021
At the beginning of the period	30,582	27,324
Costs of the period	2,480	1,575
Value of share options granted in the period to the employees of the subsidiaries, as increasing the carrying amount of investments in subsidiaries	2,606	1,683
At the end of the period	35,668	30,582

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

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

29.4. Capital from the revaluation of hedging instruments

	31.12.2022	31.12.2021
Futures contracts hedging cash flows due to the purchase of aluminium	(1,748)	416
Forward contracts hedging cash flows due to exchange rate changes	269	806
Deferred tax	281	(232)
Total	(1,198)	990

29.5. Retained earnings

	31.12.2022	31.12.2021
Previous years profit	88,225	70,099
Net actuarial gains (losses)	432	333
Financial result for the period	699,108	523,171
Total	787,765	593,603

30. Bank loans

Maturity date	31.12.2022	31.12.2021
Up to 1 year	95,339	217,181
between 1 and 2 years	300,141	211,073
Total	395,480	428,254

Long-term loans

Lender	Currency	Security	31.12.2022	31.12.2021
PKO BP	PLN	First capped mortgage on real properties of Grupa Kęty S.A. and Aluform sp. z o.o. (up to the amount of 150 million), along with the assignment of rights under the property insurance policies. Registered pledge on fixed assets up to the amount of PLN 57 million, along with the assignment of rights under the property insurance policy. Joint and several liability of Grupa Kęty S.A. and Aluform Sp. z o.o., plus blank promissory notes of Grupa Kęty S.A. and Aluform Sp. z o.o. and promissory note declaration. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – the credit is being repaid, and the current debt level is the highest possible.	7,300	53,191
BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Packaging S.A., Aluprof S.A., Romb S.A., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o., plus blank promissory notes and promissory note declarations of the aforementioned companies. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – renewable credit facility, maximum debt level: PLN 400 million.	159,379	157,882
PKO BP	PLN, EUR	Joint and several liability of the following companies: Grupy KĘTY S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty Sp. z o.o., Romb S.A., plus blank promissory notes and promissory note declarations of the aforementioned companies. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – renewable credit facility, maximum debt level: PLN 400 million.	133,462	0
Total			300,141	211,073

The XHTML version published is the binding one

GRUPA KĘTY S.A.

Annual financial statements for the period from 1 January 2022 to 31 December 2022
(PLN '000)

Short-term loans			31.12.2022	31.12.2021
Lender	Currency	Security		
PKO BP	PLN	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans.	63,883	65,966
PKO BP	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty Sp. z o.o., Romb S.A., plus blank promissory notes and promissory note declarations of the aforementioned companies. The total amount of credit limit granted to the above companies is PLN 400 million.	0	87,951
ING Bank Polska	EUR, PLN	Joint and several liability of Grupa Kęty S.A. and Aluprof S.A., up to the total amount of PLN 65 million.	11,996	0
BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Packaging S.A., Aluprof S.A., Romb S.A., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o., plus blank promissory notes and promissory note declarations of the aforementioned companies. The total amount of credit limit granted to the above companies is PLN 400 million.	812	0
Pekao S.A.	PLN, EUR, USD	Joint and several liability of the following companies: Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Aluform Sp. z o.o., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o. and Aluminium Kęty EMMI d.o.o., Glassprof sp. z o.o., Aluprof System UK LTD – blank promissory notes and promissory note declarations of the aforementioned companies. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – renewable credit facility, maximum debt level: PLN 530 million.	18,648	63,264
Total			95,339	217,181

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

In 2022 and 2021, the Company complied with all credit/loan covenants.

31. Lease liabilities

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

Characteristics	Type	Currency	31.12.2021	Increase (decrease)	31.12.2022
Long-term loan	Payments on account of land perpetual usufruct rights	PLN	3,562	(9)	3,553
Short-term loan	Payments on account of land perpetual usufruct rights	PLN	177	0	177
Total			3,739	(9)	3,730

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

Maturity date of lease liabilities	31.12.2022	31.12.2021
Up to 1 year	177	177
1 to 2 years	18	17
2-5 years	30	29
Over 5 years	3,505	3,516
Total	3,730	3,739

32. Subsidies

	31.12.2022	31.12.2021
Long-term deferred income		
Subsidies	25,529	26,322
Total	25,529	26,322
Short-term deferred income		
Subsidies	886	982
Total	886	982

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

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

- Co-financing under Measure 4.5. 'Support for investment of considerable importance to the economy'; Priority Axis 4 'Investments in innovative undertakings' under the Innovative Economy Operational Programme. The project implementation period was 2009-2011.
Project eligible costs (construction of a Research and Development Centre): PLN 12,900,000.
Under the programme, the Company received subsidies amounting to PLN 6,389,000. The Company fulfilled all of the subsidy conditions.
- Co-financing under Measure 4.4. 'New investments of high innovation potential'; Priority Axis 4 'Investments in innovative undertakings' under the Innovative Economy Operational Programme. The project implementation period was 2009-2011. Project eligible costs (construction of a hall and halls furnished with aluminium profiles extrusion press): PLN 69,609,000. Under the programme, the Company received subsidies amounting to PLN 33,942,000.

The Company fulfilled all of the subsidy conditions.

33. Short-term provisions and accruals

	31.12.2021	Increases	Utilisation /Reversal	31.12.2022
Short-term provisions and accruals	18,013	14,346	(14,512)	17,847
For retirement and disability benefits	169	204	(205)	168
Indemnities	3,985	0	(448)	3,537
Costs of unused holiday	2,887	3,089	(2,887)	3,089
Costs of annual bonus	10,310	10,045	(10,310)	10,045
Marketing costs	532	830	(532)	830
Other	130	178	(130)	178

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

34. Liabilities

34.1. Trade payables and other liabilities

	31.12.2022	31.12.2021
Trade liabilities to related parties	9,107	5,266
Trade liabilities to other companies	88,538	136,029
Public law payables (except for income tax payables)	11,871	11,363
Payroll payables	9,530	5,938
On account of property, plant and equipment purchase	53,608	12,278
Other	1,306	1,041
Total	173,960	171,915

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

The said liabilities are not secured with the Company assets.

34.2. Contractual liabilities

	31.12.2022	31.12.2021
Prepayments from customers (trade-related)	3,672	1,741

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

34.3. Long-term liabilities on account of intangible assets purchase

	31.12.2022	31.12.2021
Discounted liability	15,743	0

The liability refers to fees payable by the end of 2034, related to the purchase of a licence for the use of computer software.

35. Off-balance-sheet receivables and liabilities

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

Guarantees and security bonds granted to subsidiaries

- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o. and Romb S.A. entered into an agreement with PKO BP S.A. for an overdraft facility up to the total amount of PLN 400 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amounts of the said loan drawn by other companies as at the balance-sheet date amounted to PLN 145,225,000. The agreement is valid till 29 July 2024.
- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films sp. z o.o., Aluform sp. z o.o., Glassprof sp. z o.o., Aluprof System UK LTD, and Aluminium Kety Emmi d.o.o. entered into an agreement with Pekao S.A. for an overdraft facility up to the total amount of PLN 530 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amounts of the said loan drawn by other companies as at the balance-sheet date amounted to PLN 143,077,000. The agreement is valid till 31 October 2023.
- Grupa Kęty S.A. and Aluprof S.A. entered into an agreement with ING S.A. for an overdraft facility and guarantee limit up to the total amount of PLN 65 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. As at the balance-sheet date, Aluprof S.A. was indebted in the amount of PLN 29,927,000 on account of the aforementioned agreement. The agreement is valid

till 31 December 2031. The value of guarantees issued under the agreement amounted to PLN 4,236,000 (solely to Aluprof S.A.). The guarantees granted under the agreements expire on or before 13 February 2027.

- Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o. and ROMB S.A. entered into an agreement with BNP Paribas Polska S.A. for an overdraft facility up to the total amount of PLN 400 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amounts of the said loan drawn by other companies of the Capital Group of Grupa Kęty S.A. as at the balance-sheet date amounted to PLN 156,692,000. The agreement is valid till 18 November 2024.
- Grupa Kęty S.A. and Aluform sp. z o.o. entered into a loan agreement with PKO BP up to the total amount of PLN 260 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. As at the balance sheet date, Aluform sp. z o.o. did not have any debt under the aforementioned agreement. The agreement is valid till 31 March 2024.
- Grupa Kęty S.A. and Aluform sp. z o.o. entered into a loan agreement with ING Bank Śląski S.A. up to the total amount of PLN 200 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. As at the balance sheet date, none of the borrowers was indebted under the agreement.
- Grupa Kęty S.A. granted a security bond on account insurance guarantees issued to the order of Aluprof S.A. for the company of Euler Hermes, in the total amount of PLN 398,000 – the final maturity dates of the guarantee will depend on the receipt of the works acceptance certificates.
- Grupa Kęty S.A., Aluprof S.A. and Aluform sp. z o.o. entered into an agreement with Bank PEKAO SA with regard to a guarantee facility up to the total amount of PLN 50 million. The companies are jointly and severally liable for the liabilities under the agreement. As at 31 December 2022, the value of guarantees issued under the agreement to Grupa Kęty S.A. amounted to PLN 262,000, and to Aluprof S.A. – PLN 3,095,000. The guarantees issued under the agreements expire on or before 19 February 2025.
- Grupa Kęty S.A. and Aluprof S.A. entered into an agreement with Bank BNP Paribas regarding a guarantee limit to the total amount of PLN 20 million. The companies are jointly and severally liable for the liabilities under the agreement. As at 31 December 2022, the value of guarantees issued under the agreement to Aluprof S.A., to the order of Grupa Kęty S.A., amounted to PLN 6.114,000. The guarantees issued under the agreement expire on or before 30 June 2030.

Guarantees and security bonds received from other entities:

- In relation to the carried out investment projects, Grupa Kęty S.A. is a beneficiary of a contract performance bond issued by: ICCREA BANCA S.p.A amounting to PLN 7,675,000; Banca di Credito Cooperativo amounting to PLN 5,117,000; R+V Allegmeine Versicherung AG amounting to PLN 891,000.

35.1. Tax accounts

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

36. Shareholding structure

Balance as at 31.12.2022

Entity	Number of shares 31.12.2022	Percentage of capital
PTE Allianz Polska S.A.*	1,676,763	17.38%
Nationale Nederlanden OFE	1,531,756	15.87%
OFE PZU ŻŁOTA JESIEŃ	863,923	8.95%
Aegon PTE S.A.	644,413	6.68%
NN Life OFE	582,334	6.03%
Others	4,350,963	45.09%
Total	9,650,152	100.00%

*Data based on the notification dated 5 January 2023, regarding the status as at 31 December 2022 (post the merger with Aviva PTE Aviva Santander S.A.)

Moreover, on 3 February 2023, the Company received from Generali Powszechnie Towarzystwo Emerytalne S.A., managing Generali Otwarty Fundusz Emerytalny and Generali Dobrowolny Fundusz Emerytalny, a notification on the take-over of the assets of NN Life Otwarty Fundusz Emerytalny (formerly: Metlife OFE) and NN Life DFE (formerly: Metlife DFE), as a result of which the number of shares held by Generali PTE is 894,045, representing 9.26% of the total number of shares and the total number of votes at the General Meeting of the Company.

Balance as at 31.12.2021

Entity	Number of shares 31.12.2021	Percentage of capital
Nationale Nederlanden OFE	1,527,094	15.82%
OFE AVIVA Santander	1,262,355	13.08%
OFE PZU ŻŁOTA JESIEŃ	843,143	8.74%
AEGON PTE	654,718	6.78%
MetLife OFE	580,562	6.02%
PTE Allianz Polska	490,167	5.08%
Others	4,292,113	44.48%
Total	9,650,152	100.00%

Data based on the structure of assets as at 31 December 2021, originating from the OFE reports.

37. Information on intercompany transactions

The table below presents the values of commercial transactions made with related companies in the respective year. Sales transactions referred mainly to products, whereas purchases referred mainly to services. All intercompany transactions were concluded on arm's length basis.

Subsidiary		Sales	Purchases	Dividends	Receivables	Liabilities
Aluprof S.A.	2022	456,707	898,	337,000	84,425	76
	2021	367,611	1,757	220,000	91,027	236
Alupol Packaging S.A.	2022	1,522	0	141,000	355	0
	2021	1,605	0	159,000	280	0
Dekret Centrum Rachunkowe Sp. z o.o.	2022	985	2,439	382	110	252
	2021	952	2,151	369	63	218
Aluprof Hungary Kft.	2022	1,243	532	0	-26	0
	2021	987	563	0	-140	0
Alupol LLC	2022	15,940	5,047	0	0	2,493
	2021	13,667	8,810	0	1,875	193
ROMB S.A.	2022	19,369	68	0	2,752	8
	2021	18,618	61	0	5,291	0
Aluform Sp. z o.o.	2022	1,840	59,796	23,566	284	5,444
	2021	1,250	64,909	18,679	203	3,617
Alupol Packaging Kęty Sp. z o.o.	2022	6,765	75	0	1,187	0
	2021	5,037	67	0	640	31
Alupol Films Sp. z o.o.	2022	661	0	0	90	0
	2021	623	0	0	57	0
Glassprof Sp. z o.o.	2022	65	0	0	18	0
	2021	12	0	0	3	0
Aluprof System Czech Ltd.	2022	47	0	0	4	0
	2021	31	0	0	3	0

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Aluprof Belgium NV	2022	96	0,	0	0	0
	2021	62	0,	0	4	0
Aluprof System Ukraina LLC	2022	0	0	0	0	0
	2021	0	0	0	0	0
Grupa Kety Italia SRL	2022	0	1,910	0	0	445
	2021	0	1,805	0	0	505
Aluminium Kety EMMI d.o.o.	2022	14,770	2,233	0	2,107	37
	2021	7,718	5,263	0	1,158	142
Aluminium Kety Deutschland GmbH	2022	0	2,416	0	0	251
	2021	0	2,318	0	0	267
Aluprof UK	2022	111	0	0	20	0
	2021	81	0	0	15	0
Aluprof Rumunia	2022	85	0	0	6	0
	2021	68	0	0	7	0
Aluminium Kety Czechy s.r.o.	2022	0	1,308	0	0	101
	2021	0	727	0	0	57
Total	2022	520,206	76,722	501,948	91,332	9,107
Total	2021	418,322	88,431	398,048	100,486	5,266

In the reporting period, the Company paid a donation to the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation amounting to PLN 240,000 (previous year: PLN 100,000).

The Foundation was established by Grupa Kęty S.A. in 2011. The Company contributed PLN 50,000 as the founder's capital. The Foundation is a non-profit organisation accomplishing social objectives.

Apart from the above mentioned transactions and those described in notes 35 and 37.2, the Group did not enter into other intercompany transactions.

The transactions with the Management Board and the Supervisory Board are described in notes 37.3, 37.4, 37.5 to the financial statements.

37.1. Capital Group composition

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

As at 31 December 2022, the Capital Group consisted of:

Company name	Registered office	Core business	Parent's name	Percentage of share capital as at 31.12.2022	Percentage of share capital as at 31.12.2021	Date of control take-over	Operating segment
Alupol LLC	Borodianka, Ukraine	Production of aluminium profiles	Aluform Sp. z o.o.	100.00%	100.00%	12/2004	EPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade services	Grupa Kęty S.A.	100.00%	100.00%	06/2009	EPS
Grupa Kety Italia SRL	Milan, Italy	Commercial intermediation	Grupa Kęty S.A.	100.00%	100.00%	05/2014	EPS
Aluminium Kety EMMI d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	Aluform Sp. z o.o.	100.00%	100.00%	06/2016	EPS
Aluminium Kety Deutschland GmbH	Dortmund, Germany	Trade and marketing services	Aluform Sp. z o.o.	100.00%	100.00%	06/2016	EPS
Aluminium Kety CSE s.r.l.	Ostrava, Czech Republic	Trade and marketing services	Aluform Sp. z o.o.	100.00%	100.00%	07/2017	EPS

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Aluprof S.A.	Bielsko-Biała, Poland	Sales of aluminium façade systems and roller shutters for the construction industry	Grupa Kęty S.A.	100.00%	100.00%	06/1998	ASS
Aluprof Hungary Kft.	Dunakeszi, Hungary	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	07/2000	ASS
Aluprof Deutschland GmbH	Schwanewede, Germany	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	02/2005	ASS
Aluprof System Romania SRL	Bucharest, Romania	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2006	ASS
ROMB S.A.	Złotów, Poland	Production and provision of services	Aluprof S.A.	100.00%	100.00%	04/2007	ASS
Aluprof System Ukraina LLC	Kiev, Ukraine	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	11/2009	ASS
Glassprof Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	Aluprof S.A.	100.00%	100.00%	01/2012	ASS
Marius Hansen Facader A/S w likwidacji	Viborg, Denmark	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2014	ASS
Aluprof System USA Inc	Wilmington, USA	Distribution of aluminium systems for the construction industry	Aluprof S.A.	100.00%	100.00%	7/2014	ASS
Aluprof Belgium N.V.	Dendermonde, Belgium	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2015	ASS
Aluprof Netherlands B.V.	Rotterdam, Netherlands	Sales of aluminium systems	Aluprof S.A.	55.00%	55.00%	4/2017	ASS
Alupol Packaging S.A.	Tychy, Poland	Production and trade in plastic packaging	Grupa Kęty S.A.	100.00%	100.00%	04/1998	FPS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production and trade in plastic packaging	Alupol Packaging S.A.	100.00%	100.00%	05/2009	FPS
Alupol Films Sp. z o.o.	Oświęcim, Poland	Production and trade in plastic packaging	Alupol Packaging Kęty Sp. z o. o.	100.00%	100.00%	12/2014	FPS
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00%	100.00%	09/1999	Other

37.2. Terms of intercompany transactions

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

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

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

37.4. Remuneration of the key management staff

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

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Management Board:	2022	2021
Basic remuneration at the parent company*	2,978	2,680
Variable remuneration at the parent company**	7,124	6,442
In kind benefits****	18	18
Total remuneration of the Management Board at Grupa Kęty S.A.	10,120	9,140
Remuneration at other Group companies***	1,396	1,254
Total remuneration of the Management Board	11,516	10,394

*Fixed remuneration comprises: 1) basic remuneration under employment contract; 2) remuneration granted by resolutions of the Supervisory Board.

**Variable remuneration comprises: annual incentive paid in the respective year in reference to the preceding year.

***Fixed remuneration at other companies of the Capital Group of Grupa Kęty S.A. comprises: basic remuneration under employment contract, remuneration granted by resolutions of the Supervisory Board, sick-leave remuneration, annual incentives, and in-kind benefits.

****In-kind benefits comprise: St. Nicholas' Day gift from the Company Social Benefits Fund, car fuel flat-rate allowance, Employee Pension Scheme (PPE) premium, health-care premium.

Moreover, within 12 months ended 31 December 2022, a provision was established for the potential incentives for the Management Board Members in reference to 2022, to be paid out in 2023, in the total amount of PLN 8,304,000 (2021: PLN 8,247,000).

Supervisory Board:	2022	2021
Remuneration for functions fulfilled	1,139	953
In kind benefits*	9	9
Total	1,148	962

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

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

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

In 2022 the members of the Management Board did not take up any shares of the Company.

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

Number of share options in the vesting period granted to members of the Management Board	Number of granted options	End date of the vesting period	Number of options meeting the vesting conditions
Share options under the first tranche of the 2020 plan	30,000	30.09.2023	30,000
Share options under the second tranche of the 2020 plan	30,000	30.09.2024	12,000
Share options under the third tranche of the 2020 plan	30,000	30.09.2025	12,000

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

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

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

38. Objectives and principles of financial risk management

The basic financial risk factors which may affect the financial result of the Group include: the risk of changes in the prices of basic raw materials, interest rate risk, currency risk, credit risk, liquidity risk, and other risks, including climate risk and the risk of extraordinary events. The Management Board verifies and agrees on the principles of the

management of each of the aforementioned risks and these principles are briefly discussed below. The Company also monitors the risk of market prices applicable to all financial instruments managed by it. The value of the risk has been presented in note 38.1 of the supplementary information and explanatory notes.

Objectives of financial risk management and the applied management strategies

- Managing the risk of changes in the prices of basic raw materials is aimed at the elimination of short-term impact of changes in the raw materials prices on the results, and specifically when the transfer of risk to the customer is not possible. There is applied a natural hedge strategy, i.e. offering variable prices to the customers based on the current price, for example aluminium quoting at LME, and conclusion of futures contracts to hedge the aluminium prices;
- The interest rate risk and currency risk are managed in order to limit the impact of short-term market fluctuations on the Group results.
There is applied a strategy of diversification of short-term base rates (the Group applies 1M, 3M, and 6M rates) and acceptance of risk up to the limit of the costs of finance determined in internal procedures, and financing based on fixed interest rates. As regards currency risk, there is applied a natural hedge strategy, i.e. offering variable prices to the customers based on the current exchange rates, adjustment of the raw materials purchase currency to the currencies applied in sales, and entering into forward transactions, plus use of revolving loans in foreign currencies in order to eliminate the consequences of different dates of currency inflows and payables.
- Credit risk management is to reduce the possible financial losses on account of unpaid receivables and ensure financial liquidity.
The activities cover internal verification supported with business intelligence information, plus insurance of the receivables from customers, and use of legal security measures.
- Liquidity risk management is to ensure to the Company the possibility of timely payment of its liabilities.
There is applied a strategy of lenders diversification, adjustment of loans repayment periods to the planned resources of the Company, use of umbrella agreements within the Capital Group of Grupa Kęty S.A., with the possibility of changing debt sub-limits for the particular borrowers, and availing of long-term loans as regards project finance.
- With regard to managing the risk of loss of assets or profit as a result of extraordinary events and the risk of civil-law claims, the Company has implemented an adequate insurance policy which limits the financial losses resulting from such events.

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

38.1.1 Aluminium

Primary aluminium, billets and scrap are the basic raw materials used by the Company. The price is usually determined individually for each delivery based on the quotations at the London Metal Exchange (LME). The prices of aluminium scrap are not based on the price formulas directly related to the aluminium quotations at the LME, however, there is a significant correlation in that regard. The risk of changes in the prices of the aforesaid raw materials is mitigated by futures contracts for the purchase of aluminium, and properly created sales formulas. As regards the EPS, the risk of aluminium prices fluctuations is transferred to the customer through price formulas, or in case of fixed prices are hedged with term contracts.

Information on instruments hedging the price risk is provided in note 39.1.1.

38.2. Interest rate risk

The Company possesses its own financial resources or uses borrowings in the form of long-term and short-term bank loans. Interest on bank term deposits and loans is variable and depends on the interest rates applicable on the interbank market such as WIBOR (for loans in PLN), LIBOR and EURIBOR (for foreign currency loans). As a result, the Group is exposed to the interest rate risk, which may result in varied rates of return on deposits or costs of taken out loans.

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

Items subject to variable interest rates

31.12.2022	Less than 1 year	1 to 2 years
Cash	2,798	0
Bank loans in PLN	(90,407)	(255,696)
Bank loans in EUR	(4,733)	(44,445)
Bank loans in GBP/USD	(199)	0
Total	(92,541)	(300,141)

31.12.2021	Less than 1 year	1 to 2 years
Cash	5,906	0
Bank loans in PLN	(200,211)	(177,636)
Bank loans in EUR	(16,970)	(33,437)
Total	(211,275)	(211,073)

Work is currently pending to reform the WIBOR index with the aim of replacing it with the WIRON index. The final shape of the reform was unknown at the date of publication of this report. The WIBOR quoting is expected to be discontinued in 2025, when the WIRON index shall be ready for application to new financial products.

Susceptibility analysis

The tables below present the Company estimates with regard to the impact of changes in interest rates and main currencies exchange rates on the following items of the profit and loss account: loans, financial liabilities, financial receivables, and cash, affecting the profit and loss account.

Risk	Change	31.12.2022	31.12.2021
Increase in interest rates	1 p.p	(3,965)	(4,283)
Higher EUR/PLN exchange rates	5 p.p	2,690	(1,250)
Higher USD/PLN exchange rates	5 p.p	100	97
Higher GBP/PLN exchange rates	5 p.p	116	115

For the item: hedging instruments, affecting equity.

Risk	Change	31.12.2022	31.12.2021
Higher EUR/PLN exchange rates for hedging instruments	5 p.p	443	8,354
Higher aluminium price for hedging instruments	5 p.p	2,207	1,359

38.3. Currency risk

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

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

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

For the purpose of currency risk limitation, in 2022 Grupa Kęty S.A. applied natural hedge, including replacement of settlements on account of raw materials purchased in USD with the purchases of raw materials in EUR, or by way of maintaining a part of debt in foreign currencies.

Exposure to currency risk

	31.12.2022		31.12.2021	
	Amount in foreign currency	Amount translated to PLN	Amount in foreign currency	Amount translated to PLN
Cash in EUR	0	0	6	29
Cash in USD	0	0	753	3,056
Cash in GBP	0	0	118	645
Receivables in EUR	40,701	190,883	28,179	129,605
Receivables in USD	1,005	4,425	706	2,865
Receivables in GBP	457	2,419	303	1,664
Bank loans in EUR	(10,486)	(49,178)	(10,959)	(50,407)
Bank loans in USD	(17)	(74)	0	0
Bank loans in GBP	(24)	(125)	0	0
Liabilities in EUR	(18,742)	(87,896)	(22,659)	(104,218)
Liabilities in USD	(533)	(2,344)	(979)	(3,975)
Liabilities in GBP	(19)	(101)	0	0
Total exposure to change in EUR exchange rates	11,473	53,809	(5,433)	(24,991)
Total exposure to change in USD exchange rates	455	2,007	480	1,946
Total exposure to change in GBP exchange rates	414	2,193	421	2,309

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

38.4. Liquidity risk

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

31.12.2022	Validity				
	On demand	Below 3 months	3-12 months	1-2 years	Over 2 years
Bank loans and lease	0	177	95,339	300,346	3,348
Other financial liabilities	0	160,783	0	0	0
Liabilities related to the purchase of ERP software	0	176	528	803	14,941
Cash flow hedging derivatives	0	91	1,431	0	0
Off-balance-sheet liabilities	0	114	387	0	0
Total	0	161,341	97,685	301,149	18,289

31.12.2021	Validity				
	On demand	Below 3 months	3-12 months	1-2 years	Over 2 years
Bank loans and lease	0	177	217,181	214,427	2,208
Other financial liabilities	0	159,512	0	0	0

Cash flow hedging derivatives	0	650	0	0	0
Off-balance-sheet liabilities	0	0	0	0	1,302
Total	0	160,339	217,181	214,427	3,510

The Company monitors the risk of the lack of finance based on the projected cash flows on operating activities and the planned capital expenditures.

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

38.5. Credit risk

Trade credit

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

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

The level of insured trade receivables is presented below:

	31.12.2022	31.12.2021
Net trade receivables from non-related parties	233,609	196,412
Insured trade receivables	(186,887)	(166,950)
Exposure to trade credit risk	46,722	29,462

There is no counterparty among non-related parties who exceeds the level of 10% of the total value of trade receivables. The level of 10% of the total value of commercial receivables is exceeded by the Aluprof S.A. subsidiary. As at 31 December 2022, the receivables from that company amounted to 25.2% of total trade receivables (31 December 2021: 29.7%).

Cash

The Company cooperates with banks of high capital adequacy ratio. To minimise the risk of the loss of liquidity, the Company uses the services of a few banks and monitors the financial positions of the banks on a current basis.

38.6. Climate risks

The impact of climate risks on the Company operations is described in note 7.2.

As at the date of preparing the Company financial statements for 2022, the climate issues:

- due to their specifics and nature, had no impact on the balance of inventories disclosed in the balance sheet;
- owing to the specifics and nature of business activities, did not affect the revenues disclosed in the statements;
- did not affect the valuation and presentation of financial instruments;
- did not affect the presented information and estimates related to non-current assets; the Company has not identified any non-current assets whose useful life or residual value would be expected to change due to the above issues;
- have not resulted in the need of recognising provisions, including provisions for land reclamation;
- due to the fast turnover of receivables, had no impact on the estimated credit losses with regard to write-downs for receivables;
- due to the nature of business activities, did not affect the estimated cash flows or other assumptions made for the estimation of the impairment of assets in compliance with IAS 36;
- did not affect the assumption of continuation of the Group operations in the foreseeable future, i.e. in the period of at least 12 months of the balance-sheet date.

Moreover, there were no agreements of major importance from the point of view of the Company, whose terms and conditions or objectives would refer to climate issues.

39. Derivative financial instruments

Financial assets	31.12.2022	31.12.2021
Currency forward contracts hedging cash flows	270	942
Futures contracts hedging cash flows for the purchase of aluminium	0	931
Total	270	1,873
Financial liabilities	31.12.2022	31.12.2021
Currency forward contracts hedging cash flows	0	525
Futures contracts hedging cash flows for the purchase of aluminium	1,748	125
Total	1,748	650

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

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

39.1. Cash flow hedge

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

	31.12.2022	31.12.2021
Open currency forward contracts	270	416
Open futures contracts for the purchase of aluminium	(1,748)	806
Total	1,478	1,222

The aforementioned items will affect the Company result in 2023.

39.1.1 Futures contract hedging aluminium prices reflected in hedge accounting

Futures contracts for the purchase of aluminium in PLN (after translation) as at 31.12.2022

Exercise date	Fair value	Number of tons	Nominal value in PLN '000	Average unit price in PLN
Q.1, 2023	(1,647)	4,550	48,709	10,705
Q.2, 2023	(91)	550	5,826	10,593
Q.4, 2023	(10)	25	272	10,880
Total	(1,748)	5,125	54,807	10,694

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

Hedge accounting:

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

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

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

39.1.2 Forward contracts securing currency exchange rates

Sale of EUR for PLN

Delivery date	Fair value in PLN	Amount in base currency (EUR '000)	Amount in quoted currency (PLN '000)	Average exchange rate
Q.1, 2023	145	900	4,406	4.8956
Q.2, 2023	125	900	4,446	4.9400
TOTAL	270	1,800	8,852	4.9178

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

Hedge accounting:

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

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

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

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

Statement of profit or loss	2022	2021
Sales revenue (result on forward contracts)	1,237	402
Costs of materials consumption (result on futures contracts) + cost increase (–) cost decrease	(8,516)	15,480
Impact on gross result	(7,279)	15,882

Other comprehensive income	2022	2021
Impact of valuation	(2,701)	(686)
Income tax	513	131
Impact on comprehensive income	(2,188)	(555)

40. Categories of financial assets and liabilities

Financial assets	Under IFRS 9	31.12.2022	31.12.2021
Financial receivables	FAatAC	331,309	296,954
Cash	FAatAC	2,798	5,906
Hedging instruments*		270	1,873

Financial liabilities	Under IFRS 9	31.12.2022	31.12.2021
Financial liabilities	OFLatAC	160,783	159,511
Bank loans	OFLatAC	395,480	428,254
Lease liabilities	OFLatAC	3,730	3,739

Hedging instruments*	1,748	427
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*Hedging derivatives meeting the requirements of hedge accounting.

Abbreviations:

FAatAC – Financial assets measured at amortised cost

OFLatAC – Other financial liabilities measured at amortised cost

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

41. Revenue and costs items by categories of financial instruments

Year 2022	Shares and interests	Hedging instruments	Financial assets	Financial liabilities measured at amortised cost	Total financial instruments
Write-downs	0	0	(475)	0	(475)
Dividends and share in profits	501,975	0	0	0	501,975
Interest income/(costs)	0	0	106	(20,164)	(20,058)
Profit/(loss) from currency translation differences	0	0	3,037	(4,352)	(1,315)
Profit/(loss) on financial instruments	0	(7,279)	0	0	(7,279)
Total profit (loss)	501,975	(7,279)	2,668	(24,516)	472,848

Year 2021	Shares and interests	Hedging instruments	Financial assets	Financial liabilities measured at amortised cost	Total financial instruments
Write-downs	0	0	(1,253)	0	(1,253)
Dividends and share in profits	398,048	0	0	0	398,048
Interest income/(costs)	0	0	127	(4,770)	(4,643)
Profit/(loss) from currency translation differences	0	0	1,426	(1,765)	(339)
Profit/(loss) on financial instruments	0	15,802	0	0	15,802
Total profit (loss)	398,048	15,802	300	(6,535)	407,615

42. Methods of measurement at fair value

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

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

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

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

	Fair value hierarchy	Hierarchy	31.12.2022	31.12.2021
Assets				
Hedging derivatives		2	270	1,873

Liabilities			
Hedging derivatives	2	1,748	650

43. Capital management

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

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

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

The basic objective of capital management is to maximise the return on equity (ROE) while maintaining a secure and flexible structure of finance.

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

	31.12.2022	31.12.2021
EBITDA (operating profit plus depreciation and amortisation)	788,908	612,597
Net profit	699,108	523,171
Interest-bearing borrowings and lease liabilities	399,210	431,993
Cash	(2,798)	(5,906)
Net debt	396,412	426,087
Equity	950,514	753,454
Equity and net debt	1,346,926	1,179,541
Net financial leverage ratio	29%	36%
Net debt to EBITDA ratio	0.50	0.70
ROE	74%	69%

44. Headcount structure

The average headcount at the Company was as follows:

	2022	2021
Company Management Board	4	4
Management staff	43	43
White-collar workers	301	297
Blue-collar workers	1,070	1,025
Total	1,418	1,369

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

In the presented periods, the balance-sheet changes in the balance of receivables, inventories and subsidies complied with their changes reflected in the statement of cash flows. Differences in the balance-sheet change of the balance of liabilities and provisions compared to their change reflected in the statement of cash flows are presented in the tables below.

	2022	2021
Change in the balance of liabilities		
Balance-sheet change in the balance of liabilities (-decrease +increase)	19,719	77,617
Change in the balance of liabilities reflected in cash flows	(34,558)	71,517
Difference	(54,277)	(6,100)
- including repayment of liabilities on account of property, plant and equipment, or intangible assets purchase	(54,277)	(6,100)
Change in provisions		
Balance-sheet change in the balance of provisions (-decrease +increase)	(640)	(229)
Change in the balance of provisions reflected in cash flows	(107)	182
Difference	533	411
- including the change in provisions on account of actuarial losses charged to other comprehensive income	533	411

46. Statutory auditor's remuneration

	2022	2021
Remuneration for the audit of annual separate and consolidated financial statements	115	115
Remuneration for other services (report on remuneration)	32	28
Remuneration for semi-annual reviews	70	70
Total	217	213

47. The Company as a power company

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

- a licence to trade in gaseous fuels;
- a licence to distribute gaseous fuels;
- a licence to distribute electricity;
- a licence to trade in electricity.

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

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

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

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

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

Percentage of shared costs allocated to licensed activities	2022	2021
Gas – allocation by contracted capacity	11%	14%
Energy – weighted average allocation by keys: quantitative key and contracted capacity key	14.3%	16.6%

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

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

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

Assignment of allocation keys

Balance sheet

Intangible assets and property, plant and equipment

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

Short-term receivables

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

Cash

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

Equity

Presents net assets allocated to licensed activities.

Liabilities and provisions for liabilities

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

Statement of profit or loss

Net sales

Net sales revenue is allocated directly to the particular activities.

Costs of operating activities

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

Finance costs

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

Income tax

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

Statement of profit or loss	Trade in and distribution of gas	Trade in and distribution of gas	Distribution of electricity	Distribution of electricity	Trade in electricity	Trade in electricity
	2022	2021	2022	2021	2022	2021
Total operating revenue, including:	3,213	1,367	1,894	2,076	32	6
Total operating	(3,042)	(1,254)	(1,961)	(1,870)	(20)	(13)

costs, including:						
Depreciation	(2)	0	(80)	(107)	0	0
Gas/energy	(2,975)	(1,172)	(917)	(1,451)	(12)	(3)
Materials	0	(1)	(33)	(8)	0	0
Employee benefits	(61)	(71)	(128)	(132)	0	0
Taxes and fees	0	(2)	(65)	0	0	0
Third-party services	(2)	(2)	(652)	(73)	(8)	(10)
Other costs	(2)	(6)	(86)	(99)	0	0
Profit on operating activities	171	113	(67)	206	12	(7)
Finance costs	0	0	(81)	(25)	0	0
Profit before tax	171	113	(148)	181	12	(7)
Income tax	(32)	(21)	28	(34)	(2)	1
Net profit on continued operations	139	92	(120)	147	10	(6)

Balance sheet

	Trade in and distribution of gas	Trade in and distribution of gas	Distribution of electricity	Distribution of electricity	Trade in electricity	Trade in electricity
Assets	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
I. Non-current assets	0	0	1,011	1,253	0	0
Property, plant and equipment	0	0	1,011	1,253	0	0
II. Current assets	545	217	171	177	0	0
Receivables	545	217	171	177	0	0
Total assets	545	217	1,182	1,430	0	0
Equity/Liabilities						
I. Equity	545	217	990	1,325	0	0
Internal settlements	545	217	990	1,430	0	0
II. Long-term liabilities	0	0	192	105	0	0
Deferred tax liability	0	0	192	105	0	0
III. Short-term liabilities	0	0	0	0	0	0
Total equity/liabilities	545	217	1,182	1,430	0	0

48. Post-balance-sheet events

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

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Signatures of all Members of the Management Board

Dariusz Mańko

President of the Management Board

Rafał Warpechowski

Member of the Management Board

Piotr Wysocki

Member of the Management Board

Tomasz Grela

Member of the Management Board

Signature of the person entrusted with bookkeeping

Andrzej Stempak

President of the Management Board

Dekret Centrum Rachunkowe Sp. z o.o.