GRUPA KĘTY S.A.

ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

(in thousand PLN)

INCOME STATEMENT

INCOME STATEMENT	Note	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Total operating income, including:		**942 248**	**825 525**
Sales revenue	14.1	806 993	706 838
Other operating income	14.2	11 184	6 304
Dividends	14.3	124 071	112 383
Change of inventories of finished goods and work in progress		**(9 173)**	**19 870**
Cost of manufacturing products for own needs		**5 420**	**5 166**
Total operating costs, including:		**(790 583)**	**(746 624)**
Depreciation/Amortisation	18,20	(30 919)	(30 609)
Materials, energy and the value of goods and materials sold	14.8	(542 156)	(486 881)
External services		(114 150)	(106 365)
Taxes and charges		(6 078)	(5 631)
Employee benefits	14.7	(87 757)	(81 540)
Other operating costs	14.4	(9 523)	(35 598)
Profit on operating activities		**147 912**	**103 937**
Finance income	14.5	1 585	227
Finance costs	14.6	(2 587)	(5 343)
Profit before tax		**146 910**	**98 821**
Income tax expense	15	3 911	(812)
Net profit on continuing operations		**150 821**	**98 009**
Basic net earnings per share (PLN)	16	16.01	10.45
Diluted net earnings per share (PLN)	16	15.99	10.43

In 2015 and 2014, the Company did not discontinue any operations.

(in thousand PLN)

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Net profit for the period		**150 821**	**98 009**
Other comprehensive income to be charged to profit or loss, including:		**(2 851)**	**2 521**
Valuation of cash flow hedging instruments		(11)	1 128
Result from cash flow hedge		(2 842)	1 607
Income tax related to other comprehensive income		2	(214)
Other comprehensive income not to be charged to profit or loss, including:		**147**	**(420)**
Actuarial gains (losses)	24.2.1	182	(519)
Income tax related to actuarial gains (losses)		(35)	99
Comprehensive income for the period		**148 117**	**100 110**

(in thousand PLN)

BALANCE SHEET

ASSETS	Note	31.12.2015 (audited)	31.12.2014 (audited)
I. Non-current assets		**735 330**	**711 907**
Property, plant and equipment	18	348 876	310 318
Intangible assets	20	6 300	6 483
Shares and interests	21	380 042	395 032
Advance payments for property, plant and equipment	23	112	74
II. Current assets		**209 445**	**262 794**
Inventories	25	72 012	106 380
Current tax receivables	26	410	0
Trade and other receivables	27	126 729	153 945
Derivative financial instruments	38	1 377	674
Cash and cash equivalents	28	8 917	1 795
Total assets		**944 775**	**974 701**
EQUITY AND LIABILITIES			
I. Equity		**731 412**	**714 662**
Share capital	29.1	67 505	67 352
Share premium	29.2	22 043	14 512
Non-registered capital from the issue of shares	29.3	0	1 601
Capital from the valuation of property, plant and equipment	29.4	3 003	3 174
Capital from share based payments	29.5	13 959	11 244
Capital from the valuation of hedging instruments	29.6	(699)	(690)
Result from cash flow hedge	29.7	(2 070)	772
Retained earnings	29.8	627 671	616 697
II. Long-term liabilities		**70 776**	**73 429**
Liabilities related to loans	30	23 798	20 904
Provisions due to employee benefits	24.2	1 459	1 761
Subsidies	31	32 279	33 320
Deferred income tax liability	15.1	13 240	17 444
III. Short-term liabilities		**142 587**	**186 610**
Liabilities related to loans	30	72 854	109 157
Income tax liabilities	26	0	1 639
Trade and other liabilities	33	57 785	63 537
Provisions and accruals	32	8 609	9 330
Derivative financial instruments	38	2 239	1 526
Subsidies	31	1 100	1 421
Total equity and liabilities		**944 775**	**974 701**

(in thousand PLN)

CASH FLOW STATEMENT

	Note	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Cash flow from operating activities			
Profit before tax		**146 910**	**98 821**
Adjustments:		**39 611**	**51 930**
Depreciation/Amortisation	18,20	30 919	30 609
Recognition of revaluation write-downs for interests	14.4	4 829	14 715
Recognition of revaluation write-downs for property, plant and equipment		345	737
Profit from net currency translation differences		(1 638)	608
(Profit) / loss from the sale of property, plant and equipment	14.4	(34)	(230)
Interest		1 937	3 074
Proceeds from the sale of interests in a subsidiary	21	9 000	0
Expenditure on the acquisition of a subsidiary's business	22	(4 600)	0
Realised result on transactions hedging the price of aluminium charged to equity		(2 842)	1 607
Costs of share based payments	14.7	1 600	591
Liquidated property, plant and equipment		95	219
Cash flow from operating activities before the change of working capital		**186 521**	**150 751**
Change in inventories		35 979	(46 139)
Change in net receivables		30 905	(11 562)
Change in short-term liabilities, except for loans		(16 481)	17 490
Change in provisions		(1 693)	1 597
Change in subsidies		(1 362)	(1 421)
Net cash generated from operating activities		**233 869**	**110 716**
Tax (paid) / refunded	26	(2 049)	891
Net cash from operating activities (including dividends)		**231 820**	**111 607**
Cash flow from investing activities			
(+) Proceeds:		**158**	**306**
Sale of intangible assets and property, plant and equipment		158	306
(-) Expenses:		**(62 456)**	**(28 552)**
Acquisition of intangible assets and property, plant and equipment		(62 456)	(28 510)
Acquisition of subsidiaries		0	(42)
Net cash from investing activities		**(62 298)**	**(28 246)**
Cash flow from financing activities			
(+) Proceeds:		**34 205**	**44 294**
Net proceeds from the issue of shares		7 685	6 683
Proceeds from borrowings		26 520	37 611
(-) Expenses:		**(196 605)**	**(129 207)**
Dividends and other payments to equity holders	17	(136 059)	(93 808)
Repayments of borrowings		(58 431)	(32 305)
Interest		(2 115)	(3 094)
Net cash from financing activities		**(162 400)**	**(84 913)**

Total net cash flow:		**7 122**	**(1 552)**
- change in cash due to currency translation differences		0	0
Cash and cash equivalents at the beginning of the period		**1 795**	**3 347**
Cash and cash equivalents at the end of the period	**28**	**8 917**	**1 795**

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from the valuation of property, plant and equipment	Capital from share based payments	Capital from the valuation of hedging instruments	Result from cash flow hedge	Retained earnings	**Total equity**
Equity as of 1 January 2015 (audited)	**67 352**	**14 512**	**1 601**	**3 174**	**11 244**	**(690)**	**772**	**616 697**	**714 662**
Comprehensive income for the period:	0	0	0	0	0	(9)	(2 842)	150 968	**148 117**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*150 821*	***150 821***
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*(9)*	*(2 842)*	*147*	***(2 704)***
Valuation of share based payments	0	0	0	0	2 715	0	0	0	**2 715**
Transfer due to depreciation/amortisation	0	0	0	(171)	0	0	0	171	**0**
Acquisition of a subsidiary's business	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(4 093)*	***(4 093)***
Issue of shares	153	7 531	(1 601)	0	0	0	0	0	**6 083**
Payment of dividend	0	0	0	0	0	0	0	(136 072)	**(136 072)**
Equity as at 31 December 2015 (audited)	**67 505**	**22 043**	**0**	**3 003**	**13 959**	**(699)**	**(2 070)**	**627 671**	**731 412**

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY (PREVIOUS YEAR)

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

COMPLEMENTARY INFORMATION AND EXPLANATIONS

1. General information

These financial statements of Grupa Kęty S.A. cover the year ended on 31 December 2015 and provide comparative data with regard to the year ended on 31 December 2014.
Grupa Kęty S.A. is:
- a joint-stock company incorporated in Poland with its registered office located in **Kęty, at ul. Kościuszki 111;**
- registered in the District Court in Kraków, 12th Commercial Division of the National Court Register (KRS) in the Register of Entrepreneurs under **No. KRS 0000121845;**
- listed at Warsaw Stock Exchange under No. **ISIN PLKETY000011** and classified in the metal sector.

The Company's tax identification number **(NIP) 549-000-14-68** was assigned by the Tax Office in Oświęcim.
The Company's business statistical number **(REGON)** is: **070614970.**

The Company's basic range of activity includes the production, trade and the rendering of services related to the processing of aluminium and its alloys. In addition, the Company is involved in the trade intermediation, supplies, marketing and other activities (including the transmission and distribution of natural gas and electricity).

The Company's lifetime is indefinite.

2. The identification of the consolidated financial statements

The Company has prepared consolidated financial statements for the year which ended on 31 December 2015.
The Company's consolidated financial statements are published at the same time as the separate financial statements. The Company's consolidated financial statements are available at www.grupakety.com.

3. The Company's Management Board

The Company's Management Board, as of 31 December 2015, comprised:

1. Dariusz Mańko – President of the Management Board/Chief Executive OfficerAdam Piela – Member of the Management Board/Chief Financial Officer During the financial year and by the date of the approval of these financial statements for publication, there were no membership alterations in the Company's Management Board.

4. The approval of the financial statements

These financial statements were approved for publication by the Management Board on 16 March 2016.

(in thousand PLN)

5. The Company's investments

The Company holds investments in the following subsidiaries:

No.	Company name	Registered office	Core business	Shares in basic capital and shares in total votes as at 31-12-2015	Shares in basic capital and shares in total votes as at 31-12-2014	Date of control take-over by Grupa Kęty S.A.
1.	Alupol Sp. z o.o.	Tychy, Poland	Production of and trade in plastic packaging	100.00 %	100.00 %	04/1998
2.	Aluprof S.A.	Bielsko-Biała, Poland	Production of construction woodwork	100.00 %	100.00 %	06/1998
3.	Alutech Sp. z o.o. w likwidacji	Kęty, Poland	Production, trade and provision of services	100.00 %	100.00 %	03/1999
4.	Dekret Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	100.00 %	100.00 %	09/1999
5.	Alutrans System Sp. z o.o**.	Bielany Wrocławskie, Poland	Production	100.00 %	100.00 %	04/2000
6.	Metalplast-Stolarka Sp. z o.o.	Goleszów, Poland	Production of construction woodwork	100.00 %	100.00 %	07/2006
7.	Alupol LLC Sp. z o.o. *	Borodianka, Ukraine	Production of aluminium sections	0.00 %	100.00 %	12/2004
8.	Aluform Sp. z o.o.	Tychy, Poland	Manufacture of profiles	100.00 %	100.00 %	6/2009
9.	Grupa Kęty Italia s.r.l.	Milan, Italy	Trading intermediation	100.00 %	100.00 %	5/2014

* In December 2015, shares in Alupol LLC were sold to a subsidiary Aluform sp. z o.o.

** In December 2015, Grupa Kęty S.A., as part of restructuring processes in the Group, acquired the enterprise of its subsidiary Alu Trans System sp. z o.o. Alu Trans System carried out business activities in the area of the production of transport aluminium systems; the activities, as a result of an agreement, will be carried out from 2016 by Grupa Kęty S.A.

As at 31 December 2015, the Company's share in the total number of votes in subsidiaries equalled the Company's share in the capitals of these entities.

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

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

6. Other significant accounting judgments and estimates

6.1. Professional opinion

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

6.2. Uncertainty of estimates

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

Impairment of assets

Impairment tests carried out by the Company in 2015 and 2014 under IAS 36, in the cases of indicators of impairment, did not show the need to establish revaluation write-downs for assets with finite useful lives. Furthermore, the Company carried out impairment tests for shares and interests held by it in subsidiaries. The information about the results of the test and established write-downs is included in note 21.

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

Valuation of provisions and accruals

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

Fair value of derivative financial instruments

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

Revaluation write-downs for inventories

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

Revaluation write-downs for receivables

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

Fair value of the share options programme for the management staff

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

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

Depreciation/amortisation rates

Depreciation/amortisation rates are determined on the basis of the projected useful lives of property, plant and equipment and intangible assets. The assumptions adopted for that purpose are specified in notes 12.2 and 12.6.

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

7. The basis for the preparation of the financial statements

The financial statements have been prepared on the basis of the historical cost concept, except for derivative financial instruments which are carried at fair value; property, plant and equipment classified as 'energy-related assets' carried at a revalued amount; and equity revalued with regard to the periods subject to hyperinflation in accordance with IAS 29.

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

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

In order to fully understand the financial standing and the results of the operations of the Company as the parent company of the Capital Group, these financial statements should be read jointly with the annual consolidated financial statements of the Capital Group of Grupa Kęty S.A. for the financial year ended on 31 December 2015. The financial statements will be available on the Company's website at www.grupakety.com by the date specified in the current report concerning the date of submitting the Company's annual financial statements and the annual consolidated financial statements of the Capital Group for 2015. **Declaration of compliance**

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

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

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

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

8. Changes in applied accounting principles and changes in presentations

In the financial year beginning on 1 January 2015, the Company applied the following new and amended standards: IFRIC 21 *Levies* and Annual Improvements from 2013.
The amendments did not affect the Company's financial statements.

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

New standards, amendments and interpretations not applied yet
There are a number of standards and amendments to standards as well as interpretations applicable to annual periods beginning on or after 1 January 2015, which were not yet applied in the preparation of these financial statements. The Company does not predict that any of them might have any material impact on the Company's financial statements, except for the ones listed below:

IFRS 9 *Financial Instruments* is related to the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014. The standard replaces the guidelines of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 retains, although in a simplified form, the mixed-measurement model and defines three basic categories of financial assets measurements: assets measured at amortised cost, assets measured at fair value though other comprehensive income and assets measured at fair value through profit or loss**.** The classification basis depends on an entity's business model and the characteristics of contractual cash flows from financial assets. Investments in equity instruments must be measured at fair value through profit or loss with an irrevocable election to present changes at fair value in other comprehensive income at initial recognition, without the possibility of further reclassification. A new expected credit loss model is introduced, which replaces the incurred loss model under IAS 39. In the case of financial liabilities, there were no changes in their classification and measurement, except for the recognition of changes related to own credit risk in other comprehensive income for liabilities at fair value through profit or loss. IFRS 9 alleviates the requirements regarding hedge effectiveness by replacing the precise hedge effectiveness test. It calls for an economic relation between the hedged item and the hedging instrument, and the hedge ratio must be the same as the one actually applied by an entity for its risk management purposes. Current documentation is still required, but its scope differs from the scope laid down in IAS 39. The standard applies to annual periods beginning on or after 1 January 2018. Earlier application is possible. The Company has not yet assessed all the effects of IFRS 9 application.

(in thousand PLN)

IFRS 15 *Revenue from Contracts with Customers* is related to the recognition of revenue and establishes the principles that an entity must apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Revenue is recognised when the customer takes control of goods or services and, hence, is able to direct the use of and obtain benefits from such goods or services. The standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard applies to annual periods beginning on or after 1 January 2017. Earlier application is possible. The Company is currently assessing the impact of IFRS 15.

There are no other IFRS's and IFRIC's which have not come into force yet, and which, as expected, could have material impact on the Company.

10. Error correction

These financial statements do not contain error corrections.

11. Areas of estimates

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

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

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

12.1. The translation of items in foreign currency

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

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

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

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

	31 December 2015	31 December 2014
USD	3.9011	3.5072
EUR	4.2615	4.2623
GBP	5.7862	5.4648

12.2. Property, plant and equipment

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

(in thousand PLN)

Property, plant and equipment, at the moment of their purchase, are divided into individual components constituting items of significant value to which separate useful lives can be assigned. Costs of overhauls also constitute components.

Depreciation is calculated 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
Energy-related assets	15-91	years
Means of transport	7 - 15	years
Other property, plant and equipment	5 - 10	years

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

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

12.3. Leases

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

The Company as a lessee

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

The Company as a lessor

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

12.4. Impairment of non-financial non-current assets

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

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

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

As at each balance sheet date, the Company assesses whether there are indicators implying that the impairment loss disclosed in previous periods with regard to a given asset is unnecessary or should be decreased. Should such indicators occur, the Company estimates the recoverable amount for this asset. The impairment loss recognised beforehand is reversed only and exclusively if, from the time when the last impairment loss was recognised, there has been a change of the estimated values applied to determine the recoverable amount of a given asset. In such a case, the carrying amount of the asset is increased up to the level of its recoverable amount. The increased amount cannot exceed the carrying amount of a given asset that would be determined (after deducting the depreciation) if, in the previous years, the impairment loss for this asset was not recognised at all. The reversal of the impairment loss for an asset, if the reason for impairment does not exist any longer, is recognised immediately as revenue in the income statement. Following the reversal, in the following periods, the depreciation charge for a given asset is adjusted in a manner which allows for, within the remaining useful life of the asset in question, systematic write-down of its verified carrying amount decreased with the exit value.

12.5. Borrowing costs

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

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

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

12.6. Intangible assets

Intangible assets purchased in a separate transaction are initially measured at the purchase price, whereas the development costs, which meet the recognition criteria, are measured at their generation cost. After initial recognition, intangible assets are disclosed at their purchase price or generation cost less amortisation and impairment losses. Expenditure 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 finite or indefinite. Intangible assets with finite useful lives are amortised for the useful life and tested for impairment each time the indicators implying their impairment occur. The period and the amortisation method for intangible assets with finite useful lives are verified at least at the end of each financial year. Changes in the assumed useful life or the assumed manner of consuming economic benefits generated from a given asset constitute a change in estimates and are recognised through a change of the period or amortisation method respectively, effective from the beginning of the next financial year.

The amortisation charge for intangible assets with finite useful lives is recognised in the income statement under the 'depreciation/amortisation' item. Intangible assets with indefinite useful lives and intangible assets not put into use are tested for impairment at the end of each financial year and every six months, if indicators of impairment occur.

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

Costs of research and development works

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

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

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

Other

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

Subsequent expenditure

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

Amortisation

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

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

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

12.7. Interests and shares in subsidiaries

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

12.8. Advance payments for property, plant and equipment

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

12.9. Financial assets

Financial assets are divided into the following categories:

- Held-to-maturity investments
- Financial assets at fair value through profit or loss

- Loans and receivables
- Available-for-sale financial assets

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

- designated on initial recognition as assets at fair value through profit or loss;
- designated as available for sale;
- meeting the definition of loans and receivables.

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

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

a) Is classified as held for trading. Financial assets are classified as held for trading if they are:acquired mainly to be sold in a short period of time;

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

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

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

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

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

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

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

12.10. Impairment of financial assets

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

12.10.1 *Assets recognised at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future losses due to the non-collection of receivables that have not been incurred yet) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of a given asset is decreased directly or through the establishment of a revaluation write-down. The amount of the loss is recognised in profit or loss.

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

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

12.10.2 *Financial assets recognised at cost*

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

12.10.3 *Available-for-sale financial assets*

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

12.11. Derivative financial instruments and hedging

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

Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are charged directly to the net profit or loss for the financial year.

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

In hedge accounting, hedging instruments are classified as:

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

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

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

The Company uses only instruments hedging future cash flows.

Cash flow hedging instruments

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

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

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

12.12. Inventories

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

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

Materials	at purchase price. The value of outgoing materials is determined by 'first-in first-out' method.
Finished products and work in progress	costs of direct materials and workmanship as well as the appropriate surcharge for the indirect production costs determined assuming the normal utilisation of the production capacity, and excluding the borrowing costs. The value of outgoing products and semi-finished products is determined by 'first-in first-out' method.
Trade goods	at purchase price. The value of outgoing trade goods is determined by 'first-in first-out' method.

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

12.13. Trade and other receivables

Trade receivables whose maturity is usually from 30 to 90 days are disclosed and recognised at initially invoiced amounts including the write-down for doubtful receivables. The write-down for receivables is estimated when the recovery of the full amount of receivables ceases to be probable. Uncollectible receivables are written off to the income statement at the time of confirming their uncollectibility.

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

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

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

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

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

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

12.14. 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's principles. The difference between the consideration and acquired net assets is accounted for in a separate item of retained earnings.

12.15. Cash loans granted

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

12.16. Cash and cash equivalents

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

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

12.17. Equity

<u>Share capital</u>

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

Share premium

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

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

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

Capital from the valuation of non-current assets

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

Dividends

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

Capital from share based payments

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

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

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

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

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

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

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

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

12.19. Trade and other liabilities

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

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

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

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

12.20. Provisions

Provisions are established only when the Company has a current liability (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 the income statement less any reimbursements. Should the influence of the money value in time be significant, the value of the provision is determined by discounting the forecasted future cash flows to the present value at the gross discount rate reflecting the current market valuations of the money value in time as well as an optional risk related to a given liability. In the event of the application of a discounting method, the increase in the provision related to the lapse of time is recognised as finance costs.

12.21. Retirement benefits

In accordance with the corporate remuneration systems, the Company's employees are entitled to retirement benefits and disability benefits. Retirement benefits and disability benefits are paid once, upon a given employee's retirement or resigning from work due to disability. The levels of retirement benefits and disability benefits are provided for in the Labour Code in the amount of one-month remuneration payable on the date of becoming entitled to such benefits. The Company creates a provision for future liabilities due to retirement benefits and disability benefits with the purpose of assigning costs to the periods they refer to. Pursuant to IAS 19, retirement benefits and disability benefits are post-employment defined benefit plans. The present value of these liabilities as at each balance sheet date is calculated by an independent actuary. The accrued liabilities equal the discounted payables to be made in the future having regard for the staff turnover and they refer to the period ending on the balance sheet date. Demographic data as well as information about the staff turnover are based on historical data. Actuarial gains and losses due to ex-post adjustments of actuarial assumptions and changes in actuarial assumptions are charged to equity through other comprehensive income in the period in which they occurred.

12.22. Share based payments

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

12.22.1 *Transactions cleared in equity instruments*

The cost of transactions cleared with the employees in equity instruments is measured by reference to fair value as of the date of granting rights. The fair value is determined by an independent expert on the basis of the binominal model further discussed in note 24. The valuation of transactions cleared in equity instruments takes into account market conditions of acquiring rights (related to the price of the Company's shares). The costs of transactions cleared in equity instruments are recognised together with the corresponding increase in equity in the period when the conditions concerning the effectiveness/results and/or the provision of work or services were met, ending on the day of acquiring full rights to given benefits ('entitlement date') by particular employees. The costs of share options granted to internal employees of the parent company are recognised in the income statement, and the costs of options granted to employees of subsidiaries are recognised as the increase in the carrying amount of investments in subsidiaries.

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

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

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

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

12.23. Revenue

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

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

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

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

12.23.2 *Interest*

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

12.23.3 *Dividends*

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

12.23.4 *Rental income*

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

12.23.5 *Governmental subsidies*

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

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

12.24. Taxes

12.24.1 *Current tax*

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

12.24.2 *Deferred income 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 of the balance sheet date between the tax value of assets and liabilities and their carrying amount stated in the financial statements.

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

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

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

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

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

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

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

(in thousand PLN)

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

12.24.3 ***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; andfor receivables and liabilities recognised including VAT.Net VAT amount recoverable from or payable to the tax authorities is recognised in the balance sheet as a part of receivables or liabilities.

13. Information about operating segments

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

14. Revenue and costsSales revenue

Sales by territories	**01.01.2015 - 31.12.2015** (audited)	**01.01.2014 - 31.12.2014** (audited)
Poland, including:	**518 156**	**468 529**
to related parties	210 501	180 559
EU, excluding Poland, including:	**268 975**	**221 396**
to related parties	585	342
Other European countries, including:	**11 040**	**11 241**
to related parties	2 566	2 944
Other countries	**8 822**	**5 672**
Total sales	**806 993**	**706 838**
Sales to related parties	**213 652**	**183 845**

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

Sales by items	**01.01.2015 - 31.12.2015 (audited)**	**01.01.2014 - 31.12.2014 (audited)**
Products, including:	**775 344**	**673 494**
to related parties	197 346	167 518
Services, including:	**23 659**	**24 509**
to related parties	16 178	16 327
Trade goods and materials, including:	**7 990**	**8 835**
to related parties	128	0
Total sales	**806 993**	**706 838**
Sales to related parties	213 652	183 845

(in thousand PLN)

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

14.2. Other operating income

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Revaluation write-downs for receivables	2 651	0
Profit from the disposal of property, plant and equipment	34	230
Subsidies	1 361	1 421
Fines and damages	6 739	4 196
Past due liabilities	111	270
VAT refund from abroad	12	4
Payer's remuneration	23	21
Abatement for bad debts in VAT	89	78
Other	164	84
TOTAL	**11 184**	**6 304**

14.3. Due dividends

Paying entity	**01.01.2015 - 31.12.2015** (audited)	**01.01.2014 - 31.12.2014** (audited)
Aluprof S.A.	71 000	66 725
Alupol Packaging S.A.	40 000	30 000
Aluform Sp. z o.o.	13 001	15 468
Dekret Sp. z o.o.	69	190
Other	1	0
TOTAL	**124 071**	**112 383**

(in thousand PLN)

14.4. Other operating costs

	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Revaluation write-down for property, plant and equipment	(345)	(737)
Revaluation write-down for inventories	(1 430)	(83)
Revaluation write-down for receivables	(302)	(12 845)
Revaluation write-down for interests in subsidiaries	(4 829)	(14 715)
Promotion and publicity	(901)	(1 139)
Business trips	(618)	(699)
Property damage	(54)	(4 403)
Liquidations of property, plant and equipment	(95)	(220)
Cancelled receivables	(210)	(127)
Scrapping inventories	(2)	(1)
Fines and damages	(233)	(70)
Donations	(184)	(147)
Court costs related to lawsuits for the payment of receivables	(54)	(15)
Membership fees	(19)	(19)
Scholarships	(2)	(2)
Discontinued investment projects	(0)	(51)
Other	(245)	(325)
TOTAL	**(9 523)**	**(35 598)**

14.5. Finance income

	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Interest	507	223
Surplus of positive currency translation differences over negative ones	1 066	0
Other	12	4
TOTAL	**1 585**	**227**

(in thousand PLN)

14.6. Finance costs

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Interest on borrowed loans and credits	(1 932)	(3 073)
Interest on provisions for employee benefits	(50)	(72)
Other interest	(267)	(8)
Surplus of negative currency translation differences over positive ones	0	(2 072)
Paid commissions	(338)	(118)
TOTAL	**(2 587)**	**(5 343)**

14.7. Costs of employee benefits

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Remunerations	(66 667)	(63 849)
Social security contributions	(13 077)	(11 758)
Other benefits for employees	(6 413)	(5 342)
Costs of share based payments programme	(1 600)	(591)
TOTAL	**(87 757)**	**(81 540)**

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

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Consumption of materials	(496 878)	(449 554)
Energy consumption	(32 144)	(30 211)
Value of resold materials and goods	(6 951)	(7 195)
Result from hedging transactions	(6 183)	79
Costs of materials and energy	**(542 156)**	**(486 881)**

15. Income tax expense

Main components of tax deduction are as follows:

Income tax structure	**01.01.2015 - 31.12.2015** (audited)	**01.01.2014 - 31.12.2014** (audited)
Current income tax recognised in the income statement	0	(1 908)
Deferred income tax	3 911	1 096
Income tax recognised in the income statement	**3 911**	**(812)**

(in thousand PLN)

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

Effective tax rate	**%**	**01.01.2015 - 31.12.2015** (audited)	**%**	**01.01.2014 - 31.12.2014 (audited)**
Gross financial result		**146 910**		**98 821**
Tax at the national rate of 19%	19%	(27 913)	19%	(18 776)
Dividends and shares in profits	-16%	23 573	-20%	21 353
Impact of other tax-exempt revenue and non-tax costs	-6%	8 251	3%	(3 389)
Tax deduction recognised in the income statement	**-3%**	**3 911**	**1%**	**(812)**

15.1. Deferred income tax

	As at 01.01.2 015	**Impact on result**	**Impact on other compre hensive income**	**Acquisi-tion of a subsi-diary's busi-ness**	**As at 31.12.2 015**
Employee benefits (remunerations)	378	54	0	0	432
Provisions for employee benefits	1 954	(316)	(35)	26	1 629
Other provisions and accruals	153	23	0	141	317
Revaluation write-downs for receivables	2 745	(817)	0	0	1 928
Revaluation write-downs for inventories	418	257	0	126	801
Revaluation write-downs for property, plant and equipment	390	(72)	0	0	318
Currency translation differences from the valuation of items in foreign currencies	441	(200)	0	0	241
Tax loss	139	6 113	0	0	6 252
Valuation of hedging transactions	437	(147)	136	0	426
Interest on loans	34	10	0	0	44
Liabilities not paid	55	82	0	0	137
Sales adjustments	0	421	0	0	421
Difference between the carrying amount and the tax value of property, plant and equipment	(23 922)	(1 269)	0	32	(25 159)
Currency translation differences from the revaluation of items in foreign currencies	(538)	220	0	0	(318)
Valuation of hedging transactions	(128)	0	(133)	0	(261)
Costs adjustments	0	(448)	0	0	(448)
TOTAL DEFERRED INCOME TAX	**(17 444)**	**3 911**	**32**	**325**	**(13 240)**

(in thousand PLN)

	As at 01.01.2014	Impact on result	Impact on other comprehensive income	As at 31.12.2014
Employee benefits (remunerations)	343	35	0	378
Provisions for employee benefits	1 571	284	99	1 954
Other provisions and accruals	198	(45)	0	153
Revaluation write-downs for receivables	505	2 240	0	2 745
Revaluation write-downs for inventories	407	11	0	418
Revaluation write-downs for property, plant and equipment	268	122	0	390
Currency translation differences from the valuation of items in foreign currencies	260	181	0	441
Tax loss	279	(140)	0	139
Valuation of hedging transactions	406	0	31	437
Interest on loans	31	3	0	34
Abatements due to new technologies	112	(112)	0	0
Liabilities not paid	45	10	0	55
Difference between the carrying amount and the tax value of property, plant and equipment	(22 853)	(1 069)	0	(23 922)
Currency translation differences from the revaluation of items in foreign currencies	(114)	(424)	0	(538)
Valuation of hedging transactions	(29)	0	(99)	(128)
TOTAL DEFERRED INCOME TAX	**(18 571)**	**1 096**	**31**	**(17 444)**

According to the Company's estimates, out of the above items, deferred income tax liability related to property, plant and equipment amounting to 25,159 thousand PLN (previous year: 23,922 thousand PLN); and a part of deferred income tax asset in the item 'Provisions' amounting to 277 thousand PLN (previous year: 335 thousand PLN) are of long-term nature. The remaining part of the item 'Provisions' is of short-term nature. Also, a portion of the asset due to the tax loss amounting to 3,247 thousand PLN is of long-term nature. Other items are of short-term nature.

	2015 (audited)	2014 (audited)
Assets (liability) as at 01.01.2015 / 01.01.2014	**(17 444)**	**(18 571)**
Change in the asset (liability) due to the valuation of derivative financial instruments charged to equity	3	(214)
Deferred income tax related to business acquisition	325	0
Assets due to exercised forwards and futures charged to equity	0	146
Deferred income tax on actuarial gains/losses	(35)	99
Deferred income tax charged to profit or loss	3 911	1 096
Assets (liability) as at 31.12.2015 / 31.12.2014	**(13 240)**	**(17 444)**

16. Earnings per share

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

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

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

(in thousand PLN)

	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Net profit	**150 821**	**98 009**
Weighted average number of ordinary shares assumed for the calculation of basic earnings per ordinary share	9 422 210	9 374 746
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per ordinary share	9 431 124	9 392 451
Earnings per ordinary share in PLN	16.01	10.45
Diluted earnings per ordinary share in PLN	15.99	10.43

In 2015, eligible persons acquired the rights to subscribe for 26,160 shares from the first part of the 2012 programme for 117.10 PLN. By the balance sheet date, the said shares have not been subscribed for. Furthermore, 7,500 shares from the third part of the 2012 programme have not been subscribed for by the balance sheet date.

In addition, during 2015, eligible persons subscribed for 48,450 shares at 125.57 PLN from the third part of the 2009 programme.

In 2014, eligible persons acquired the rights to purchase 68,700 shares from the third part of the 2009 programme for 125.57 PLN. In addition, during 2014, the eligible persons subscribed for: 4,350 shares from the third part of the 2006 programme and 52,200 shares from the second part of the 2009 programme and 12,750 shares from the third part of the 2009 programme.

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

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

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

The average market price for the Company's share during 2015 was 298.86 PLN (2014: 235.36 PLN).

The potential number of ordinary shares associated with the employee options programme increasing the number of shares and assumed for the calculation of diluted earnings per share is 8,914 shares (previous year: 17,705 shares).

17. Dividends paid and proposed for payment

	Year ended on 31 December 2015	Year ended on 31 December 2014
Dividend from ordinary shares declared for the previous year and paid in the period:	136 072	93 808
TOTAL	**136 072**	**93 808**

In 2015, the Company paid dividend amounting to 136,072 thousand PLN (14.41 PLN per share). In 2014, the Company paid dividend amounting to 93,808 thousand PLN (10 PLN per share).

The Management Board intends to allocate the profit for the year amounting to 150,821,060.75 PLN to the payment of dividend and to reserve capital. As recommended by the Management Board, the dividend is to amount to ca. 60% of the consolidated profit of the Capital Group, which amounted to 209.8 million PLN. As a result, the dividend should amount to 125,734,116.90 PLN.

The Management Board proposes that the remaining portion of the profit be allocated to reserve capital. In addition, the Management Board proposes to allocate 147,159 PLN of actuarial gains from the valuation of retirement and disability benefits to reserve capital.

Therefore, as intended by the Management Board, the dividend per share is to amount to ca. 13.30 PLN for assumed 9,453,693 shares (previous year: 14.41 PLN per share).

(in thousand PLN)

18. Property, plant and equipment

	31.12.2015 (audited)	31.12.2014 (audited)
Gross value of property, plant and equipment	**555 535**	**499 801**
Land	8 293	8 293
Buildings and structures	146 460	129 779
Plant and machinery	303 396	267 968
Energy-related assets	12 145	12 141
Means of transport	6 936	6 880
Other property, plant and equipment	73 408	64 150
Property, plant and equipment under construction	4 897	10 590
Depreciation of property, plant and equipment	**204 985**	**187 431**
Buildings and structures	28 427	25 957
Plant and machinery	114 500	109 170
Energy-related assets	5 725	5 182
Means of transport	3 363	2 952
Other property, plant and equipment	52 970	44 170
Revaluation write-downs for property, plant and equipment	**1 674**	**2 052**
Buildings and structures	887	887
Plant and machinery	427	424
Energy-related assets	13	13
Means of transport	5	5
Other property, plant and equipment	342	723
Net value of property, plant and equipment	**348 876**	**310 318**
Land	8 293	8 293
Buildings and structures	117 146	102 935
Plant and machinery	188 469	158 374
Energy-related assets	6 407	6 946
Means of transport	3 568	3 923
Other property, plant and equipment	20 096	19 257
Property, plant and equipment under construction	4 897	10 590

(in thousand PLN)

	As at 01-01-2015	Increases	Sale	Liquidations	Shifts	As at 31-12-2015
Gross value of property, plant and equipment	**499 801**	**68 445**	**(423)**	**(12 288)**	**0**	**555 535**
Land	8 293	0	0	0	0	8 293
Buildings and structures	129 779	0	0	0	16 681	146 460
Plant and machinery	267 968	0	0	(8 546)	43 974	303 396
Energy-related assets	12 141	0	0	(17)	21	12 145
Means of transport	6 880	0	(423)	(12)	491	6 936
Other property, plant and equipment	64 150	0	0	(3 713)	12 971	73 408
Property, plant and equipment under construction	10 590	68 445	0	0	(74 138)	4 897
Depreciation of property, plant and equipment	**187 431**	**29 316**	**(292)**	**(11 470)**	**0**	**204 985**
Buildings and structures	25 957	2 470	0	0	0	28 427
Plant and machinery	109 170	13 768	0	(8 438)	0	114 500
Energy-related assets	5 182	554	0	(11)	0	5 725
Means of transport	2 952	709	(292)	(6)	0	3 363
Other property, plant and equipment	44 170	11 815	0	(3 015)	0	52 970
Revaluation write-downs for property, plant and equipment	**2 052**	**345**	**0**	**(723)**	**0**	**1 674**
Buildings and structures	887	0	0	0	0	887
Plant and machinery	424	3	0	0	0	427
Energy-related assets	13	0	0	0	0	13
Means of transport	5	0	0	0	0	5
Other property, plant and equipment	723	342	0	(723)	0	342
Net value of property, plant and equipment	**310 318**	**38 784**	**(131)**	**(95)**	**0**	**348 876**
Land	8 293	0	0	0	0	8 293
Buildings and structures	102 935	(2 470)	0	0	16 681	117 146
Plant and machinery	158 374	(13 771)	0	(108)	43 974	188 469
Energy-related assets	6 946	(554)	0	(6)	21	6 407
Means of transport	3 923	(709)	(131)	(6)	491	3 568
Other property, plant and equipment	19 257	(12 157)	0	25	12 971	20 096
Property, plant and equipment under construction	10 590	68 445	0	0	(74 138)	4 897

(in thousand PLN)

	As at 01-01-2014	Increases	Sale	Liquidations	Shifts	As at 31-12-2014
Gross value of property, plant and equipment	**478 960**	**28 267**	**(648)**	**(6 778)**	**0**	**499 801**
Land	8 293	0	0	0	0	8 293
Buildings and structures	127 846	0	0	(82)	2 015	129 779
Plant and machinery	262 118	0	0)	(538)	6 388	267 968
Energy-related assets	12 132	0	0	(2)	11	12 141
Means of transport	6 597	0	(648)	0	931	6 880
Other property, plant and equipment	59 616	0	0	(6 156)	10 690	64 150
Property, plant and equipment under construction	2 358	28 267	0	0	(20 035)	10 590
Depreciation of property, plant and equipment	**165 434**	**29 037**	**(572)**	**(6 468)**	**0**	**187 431**
Buildings and structures	23 738	2 295	0	(76)	0	25 957
Plant and machinery	95 162	14 470	0	(462)	0	109 170
Energy-related assets	4 428	754	0	0	0	5 182
Means of transport	2 791	733	(572)	0	0	2 952
Other property, plant and equipment	39 315	10 785	0	(5 930)	0	44 170
Revaluation write-downs for property, plant and equipment	**1 411**	**723**	**0**	**(82)**	**0**	**2 052**
Buildings and structures	887	0	0	0	0	887
Plant and machinery	482	0	0	(58)	0	424
Energy-related assets	13	0	0	0	0	13
Means of transport	11	0	0	(6)	0	5
Other property, plant and equipment	18	723	0	(18)	0	723
Net value of property, plant and equipment	**312 115**	**(1 493)**	**(76)**	**(228)**	**0**	**310 318**
Land	8 293	0	0	0	0	8 293
Buildings and structures	103 221	(2 295)	0	(6)	2 015	102 935
Plant and machinery	166 474	(14 470)	0)	(18)	6 388	158 374
Energy-related assets	7 691	(754)	0	(2)	11	6 946
Means of transport	3 795	(733)	(76)	6	931	3 923
Other property, plant and equipment	20 283	(11 508)	0	(208)	10 690	19 257
Property, plant and equipment under construction	2 358	28 267	0	0	(20 035)	10 590

18.1. Changes of estimates concerning useful lives

Liquidations of property, plant and equipment resulted directly from faster wear of property, plant and equipment than expected when compared to their useful lives.

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

As at 31 December 2015, property, plant and equipment representing the group of land with the value of 252 thousand PLN and property, plant and equipment representing the group of buildings and structures with the value of 10,906 thousand PLN (previous year: property, plant and equipment representing the group of land with the value of 252 thousand PLN and property, plant and equipment representing the group of buildings and structures with the value of 10,784 thousand PLN) constituted the security for the loan borrowed from BGŻBNP Paribas.
The information about loans secured with property, plant and equipment is available in note 30.

In addition, under the agreements concerning the co-financing of projects from the funds of the European Union, the Company cannot, in the period of 5 years starting from 31.12.2012, dispose of or otherwise transfer the ownership of property, plant and equipment with the value of 76,042 thousand PLN (previous year: 79,126 thousand PLN), composed of:

- buildings and structures with the value of: 34,430 thousand PLN (previous year: 34,793 thousand PLN).plant and machinery with the value of: 39,636 thousand PLN (previous year: 41,402 thousand PLN).means of transport with the value of: 122 thousand PLN (previous year: 130 thousand PLN)other property, plant and equipment with the value of: 1,854 thousand PLN (previous year: 2,801 thousand PLN)The information about received subsidies to property, plant and equipment can be found in note 31.

18.3. Capitalisation of finance costs

In 2015, the Company capitalised interest related to the financing of the purchase of property, plant and equipment amounting to 339 thousand PLN (previous year: 1 thousand PLN).

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

As at the balance sheet date, contractual liabilities related to the purchase of property, plant and equipment amounted to 6,269 thousand PLN (31 December 2014: 2,905 thousand PLN).

At the end of 2015 and at the end of 2014, the most important items of the said liabilities were related to the purchase and conversion of aluminium machining machines.

18.5. Impairment losses

In 2015 and in 2014, the Company did not carry out impairment tests as there were no indicators of impairment.

On the basis of an individual assessment of the usability of property, plant and equipment, in 2015, the Company established revaluation write-downs amounting to 345 thousand PLN and reversed revaluation write-downs amounting to 723 thousand PLN (previous year: creation of revaluation write-downs amounting to 722 thousand PLN and reversal amounting to 81 thousand PLN).

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

As at 31 December 2015 and 31 December 2014, the Company did not use any property, plant and equipment under any finance lease agreements.

18.7. Land used under the right of perpetual usufruct

The Company uses land on which industrial building are situated pursuant to the right of perpetual usufruct of land. The area of the land used under the right of perpetual usufruct as at 31.12.2015 amounts to 358,898.5 m^2 (previous year: 358,898.5 m^2). In 2015, annual fees for the right of perpetual usufruct of land amounted to 189 thousand PLN (189 thousand PLN in 2014). The rights of perpetual usufruct of land the Company owns will expire in 2089. Apart from the fees for the perpetual usufruct, the Company also pays the real estate tax due to the own-like possession of the said land. The amount of the real estate tax paid on land under the right of perpetual usufruct amounted in 2015 to 213 thousand PLN (2014: 213 thousand PLN). The Company recognises the obtained rights of perpetual usufruct as land and discloses them in the financial statements as property, plant and equipment.

18.8. Property, plant and equipment recognised at revalued amount

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

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

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

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

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

The value of energy-related assets determined at the purchase price, less depreciation charges and impairment losses amounts to 2,701 thousand PLN (31 December of the previous year: 3,028 thousand PLN).

19. Leases

19.1. Finance lease

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

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

In 2015, the Company incurred the costs of renting office space in Bielsko-Biała from its subsidiary Aluprof S.A. amounting to 275 thousand PLN (260 thousand PLN in the previous year). Other rental and lease costs amounting to 119 thousand PLN (2014: 319 thousand PLN) are related to an occasional hire of machinery and storage rooms.

Operating lease agreements under which the Company is a lessee are concluded usually for an indefinite period of time and provide for the possibility of their termination upon a one month notice of termination.

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

Standard rental and lease agreements with the Company as one of the parties thereto are concluded for an indefinite period of time and provide for several-months' notice of termination. The concluded agreements are related mainly to the lease of office space. In 2015, the Company's income from rental and lease agreements amounted to 452 thousand PLN (previous year: 475 thousand PLN). Operating lease agreements under which the Company is a lessor are concluded usually for an indefinite period of time and provide for the possibility of their termination upon one month notice of termination.

(in thousand PLN)

20. Intangible assets

	31.12.2015 (audited)	31.12.2014 (audited)
Gross value of intangible assets	**23 855**	**22 435**
Development costs	3 628	3 299
Computer software	18 992	18 083
Intangible assets not put into use	1 235	1 053
Amortisation and revaluation write-downs for intangible assets	**17 539**	**15 936**
Development costs	2 785	2 487
Computer software	14 754	13 449
Revaluation write-downs	**16**	**16**
Computer software	16	16
Net value of intangible assets	**6 300**	**6 483**
Development costs	843	812
Computer software	4 222	4 618
Intangible assets not put into use	1 235	1 053

Movement	01-01-2015	Increases	Liquidations	Shifts	31-12-2015
Gross value of intangible assets	**22 435**	**1 420**	**0**	**0**	**23 855**
Development costs	3 299	0	0	329	3 628
Computer software	18 083	0	0	909	18 992
Intangible assets not put into use	1 053	1 420	0	(1 238)	1 235
Amortisation of intangible assets	**15 936**	**1 603**	**0**	**0**	**17 539**
Development costs	2 487	298	0	0	2 785
Computer software	13 449	1 305	0	0	14 754
Revaluation write-downs	**16**	**0**	**0**	**0**	**16**
Computer software	16	0	0	0	16
Net value of intangible assets	**6 483**	**(183)**	**0**	**0**	**6 300**
Development costs	812	(298)	0	329	843
Computer software	4 618	(1 305)	0	909	4 222
Intangible assets not put into use	1 053	1 420	0	(1 238)	1 235

(in thousand PLN)

Movement	01-01-2014	Increases	Liquidations	Shifts	31-12-2014
Gross value of intangible assets	**20 110**	**2 391**	**(66)**	**0**	**22 435**
Development costs	3 066	0	0	233	3 299
Computer software	16 794	0	(66)	1 355	18 083
Intangible assets not put into use	250	2 391	0	(1 588)	1 053
Amortisation of intangible assets	**14 423**	**1 572**	**(59)**	**0**	**15 936**
Development costs	2 248	239	0	0	2 487
Computer software	12 175	1 333	(59)	0	13 449
Revaluation write-downs	**8**	**8**	**0**	**0**	**16**
Computer software	8	8	0	0	16
Net value of intangible assets	**5 679**	**811**	**(7)**	**0**	**6 483**
Development costs	818	(239)	0	233	812
Computer software	4 611	(1 341)	(7)	1 355	4 618
Intangible assets not put into use	250	2 391	0	(1 588)	1 053

Amortisation of intangible assets

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

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

Significant intangible assets

Intangible assets comprise primarily the computer software purchased.

Other significant intangible assets comprise an integrated ERP-class system with the value of 880 thousand PLN (1,058 thousand PLN in the previous year) and the estimated useful life remaining after the balance sheet date of 3 years; and the costs of completed development works in the form of a manufacturing technology with the value of 843 thousand PLN (811 thousand PLN in the previous year) and the remaining useful life of 3 years.

Impairment losses

In 2015 and in 2014, the Company did not carry out impairment tests as there were no indicators of impairment. In 2015 and in 2014, the Company did not establish and did not reverse revaluation write-downs for intangible assets.

Restricted disposal

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

The information about received subsidies to property, plant and equipment is available in note 31.

21. Other investments – interests and shares

	31.12.2015 (audited)	**31.12.2014** (audited)
Gross value of long-term investments, including:	**386 955**	**449 340**
Interests or shares in subsidiaries	386 115	448 500
Interests or shares in other entities	840	840
Revaluation write-down for long-term investments, including:	**6 913**	**54 308**
Interests or shares in subsidiaries	6 073	53 468
Interests or shares in other entities	840	840
Net value of long-term investments, including:	**380 042**	**395 032**
Interests or shares in subsidiaries	380 042	395 032
Interests or shares in other entities	0	0

(in thousand PLN)

Investments in subsidiaries by carrying amounts

Company name	31.12.2015 (audited)	31.12.2014 (audited)
Alupol Packaging S.A., Tychy	177 121	176 742
Aluprof S.A., Bielsko-Biała	147 806	147 115
Alutech Sp. z o.o. w likwidacji, Kęty	1 395	1 395
Dekret Sp. z o.o., Kęty	369	318
Alu Trans System Sp. z o.o., Bielany Wrocławskie	912	0
Metalplast-Stolarka Sp. z o.o., Goleszów	13 912	13 918
Alupol LLC, Ukraine	0	17 017
Aluform sp. z o.o., Tychy	38 485	38 485
Grupa Kęty Italia, Italy	42	42
TOTAL	**380 042**	**395 032**

The Company operates the options programme for the management staff which also covers the employees of the Company's subsidiaries. The Company recognises the value of the share options granted to employees of subsidiaries as investments in net assets of these companies. As a result, in the reporting period, the value of interests in subsidiaries increased by 1,115 thousand PLN (previous year: 423 thousand PLN). More information about the share options programme is available in note 24.1.

As at 31.12.2015 and as at 31.12.2014, 41,000 shares of Aluprof S.A. accounting for 60.3% of all shares of Aluprof S.A. constituted the security for the loan granted to the Company by BGŻBNP Paribas Bank Polski S.A.

In December 2015, the Company sold, to its subsidiary Aluform sp. z o.o., 100% of its shares in Alupol LLC, Ukraine for 12,188 thousand PLN; this amount represents the measurement at fair value determined by a third party appraiser. During 2015, the Company established revaluation write-downs for interests in Alupol LCC amounting to 4,829 thousand PLN. As a result, the book value of Alupol LLC as at the date of sale amounted to 12,188 thousand PLN. By the end of 2015, for the sale of the shares, the Company had received 9,000 thousand PLN, and the remaining amount was paid in 2016.

Revaluation write-downs for interests in subsidiaries	31.12.2015 (audited)	31.12.2014 (audited)
Alupol LLC, Ukraine	0	46 483
Alu Trans System Sp. z o.o., Bielany Wrocławskie*	6 073	6 985
TOTAL REVALUATION WRITE-DOWNS FOR SUBSIDIARIES	**6 073**	**53 468**

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

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

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

On 31 December 2015, the Company purchased, for 5,371 thousand PLN, from Alu Trans System sp. z o.o., the enterprise of Alu Trans System sp. z o.o. The equity of Alu Trans System sp. z o.o. following the transaction increased to 912 thousand PLN. More information about the transaction is available in note 22.

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

On 31 December 2015, Grupa Kęty S.A. acquired the enterprise of its subsidiary Alu Trans System sp. z o.o.

Alu Trans System carried out business activities in the area of the production of transport aluminium systems; the activities, as a result of an agreement, will be carried out from 2016 by the Extruded Products Segment of

Grupa Kęty S.A. In 2015, Alu Trans System generated sales revenue of 15.4 million PLN (previous year: 19.2 million PLN).

The acquisition of Alu Trans System was accounted for in the books of account of Grupa Kęty S.A. at book values of particular items in the books of account of Alu Trans System sp. z o.o (the same figures as in the consolidated financial statements).

Assets, and equity and liabilities	**Book value of acquired assets, and equity and liabilities (in '000' PLN)**
Property, plant and equipment	651
Inventories	1 610
Receivables	2 003
Cash	99
Liabilities	(3 476)
Deferred income tax asset	325
Provisions for liabilities	(846)
Acquired net assets	366
Total acquisition price	5 371
Difference between the acquisition price and net assets	**(5 005)**
Valuation of interests in Alu Trans System sp. z o.o.	912
Difference between the acquisition price and net assets charged to equity	**(4 093)**

Until the end of 2015, the Company had paid 4,600 thousand PLN for the acquisition of the enterprise of Alu Trans System. The remaining amount, i.e. 771 thousand PLN, was paid in January 2016.
The Company received, from Alu Trans System, cash acquired as a result of the acquisition amounting to 99 thousand PLN.

As a result of the business sale, positive net assets amounting to 912 thousand PLN remained in Alu Trans System sp. z o.o. As a result, Grupa Kęty S.A. reversed the revaluation write-down for interests in the separate financial statements up to the value of net assets in this company. The said revaluation was charged to retained earnings related to the business combination.

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

23. Advance payments for property, plant and equipment

Other receivables amounting to 112 thousand PLN (previous year: 74 thousand PLN) comprise advance payments for property, plant and equipment under construction.

24. Employee benefits

24.1. Employee shares programmes

The Company, within the Capital Group, has been implementing four options programmes for the management staff, i.e. the programmes from 2006, from 2009, from 2012 and from 2015.
Each programme is divided into three parts. Periods to acquire rights to options for first parts start in the programme launch year, and for subsequent parts — in further years. Each part is divided into four sub-parts: A, B, C, and D.

(in thousand PLN)

24.1.1 Basic information about programmes

	2015 program*, 2015 part	2012 program, 2014 part	2012 program, 2013 part	2012 program, 2012 part	2009 program, 2011 part	2009 program, 2010 part	2009 program, 2009 part
Number of share options in the programme	60 000	61 500	61 500	61 500	91 600	91 600	91 600
No. of shares in sub-part A	9 000	9 225	9 225	9 225	22 900	22 900	22 900
No. of shares in sub-part B	15 000	15 375	15 375	15 375	22 900	22 900	22 900
No. of shares in sub-part C	18 000	18 450	18 450	18 450	22 900	22 900	22 900
No. of shares in sub-part D	18 000	18 450	18 450	18 450	22 900	22 900	22 900
Sub-part A - return on shares	=WIG	=WIG	= WIG	=WIG	=WIG	=WIG	=WIG
Sub-part B - return on shares	WIG+15%	WIG+9%	WIG+9%	WIG+9%	WIG+9%	WIG+9%	WIG+9%
Sub-part C – EBITDA increase	29%-33%	36%-52%	36%-52%	36%-52%	40%	40%	40%
Sub-part D – net earnings increase	39%-44%	45%-64%	45%-64%	45%-64%	48%	48%	48%

*parts 2 and 3 of the 2015 programme will be launched in 2016 and in 2017 respectively.

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

'Return on shares' for a given part of a programme means the quotient of the average share price of Grupa Kęty S.A. in the first quarter of the third year following the launch year of a given part increased with the value of dividends paid by the Company in the period of three years from 1 April of the launch year and the average share price of the Company at Warsaw Stock Exchange in the first quarter of the part launch year.
'EBITDA per share increase' for a given part of a programme means the quotient of consolidated EBITDA per share attained by the Capital Group in the second year following the launch year of a given part and consolidated EBITDA per share attained by the Capital Group in the year directly preceding the part launch year.
'Net earnings per share increase' for a given part means the quotient of consolidated net earnings per share attained by the Capital Group in the second year following the launch year of a given part and consolidated net earnings per share attained by the Capital Group in the year directly preceding the part launch year.
The right to acquire share options will arise following the satisfaction of the programme conditions.
The purchase price of the shares from a given programme equals the average price of the share of Grupa Kęty S.A. for the period of three months preceding the General Meeting of Shareholders that adopts the resolution concerning a given programme.

Stronger motivation of a larger group of employees to increase the shareholder value and the introduction of a factor making it possible to retain the Capital Group's key employees for a longer time are the main objectives of share option programmes.

24.1.2 Fair value of share options

	2015 program, 2015 part	2012 program, 2014 part	2012 program, 2013 part	2012 program, 2012 part	2009 program, 2011 part	2009 program, 2010 part	2009 program, 2009 part
Date of granting options	11 September 2015	8 September 2014	24 September 2013	24 September 2012	23 September 2011	24 September 2012	30 September 2010
Expected dividends	69.53 PLN	30 PLN	15 PLN	15 PLN	15 PLN	15 PLN	15 PLN
Assumed volatility index for the underlying instrument	16%	21%	23%	25%	24%	25%	23%
Historical volatility index (%)	28%	31%	32%	35%	35%	35%	35%
Risk-free interest rate (%)	2.50%	2.30%	3.71%	4.30%	5.33%	4.30%	5.19%
Forecasted period of options validity (in months)	68 months	68 months	68 months	68 months	68 months	68 months	68 months
Weighted average share price (PLN)	306.10	117.10	117.10	117.10	125.57	117.10	117.63
Programme fair values at launch date in '000' PLN	**3 272**	**6 432**	**2 837**	**1 285**	**1 344**	**2 218**	**3 878**
Parameter A accomplishment	YES*	YES*	YES*	YES	YES	YES	YES
Parameter B base	YES*	YES*	YES*	YES	YES	YES	YES
Parameter C accomplishment	NO*	49.375%*	56.25%*	6.875%	NO	NO	NO
Parameter D base	NO*	NO*	100%*	1.578%	YES	YES	YES

* The Management Board's estimate

The fair value of employee shares programmes is estimated as of the options granting day based on a binominal model. The table below presents the values assumed for the launch of particular parts of the programme.

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

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

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

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

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

(in thousand PLN)

Options costs in the period	2015	2014
Third part of the 2009 programme	0	132
First part of the 2012 programme	90	104
Second part of the 2012 programme	795	189
Third part of the 2012 programme	666	166
First part of the 2015 programme	49	0
Total options costs in the period	**1 600**	**591**

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

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

The value of options allocated in subsidiaries (incrementally)	2015	2014
Aluprof S.A.	2 256	1 565
Alupol Packaging S.A.	1 634	1 255
Dekret Sp. z o.o.	188	137
Metalplast Stolarka Sp. z o.o.	783	789
Alutech Sp. z o.o. w likwidacji	134	134
Total	**4 995**	**3 880**

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

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

Future costs of options are as follows:

Future costs of options	2016	2017	2018
Second part of the 2012 programme	347	0	0
Third part of the 2012 programme	626	469	0
First part of the 2015 programme	148	148	111
Total	**1 121**	**617**	**111**

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

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

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

(in thousand PLN)

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

As at 31-12-2015	**First part of the 2009 program**	**Second part of the 2009 program**	**Third part of the 2009 program**	**First part of the 2012 program**	**Second part of the 2012 program**	**Third part of the 2012 program**	**First part of the 2015 program**
Number of granted options	91 600	91 600	91 600	61 500	61 500	61 500	60 000
Number of options expired due to the failure to comply with the condition of being employed for three years from the programme launch date	0	0	0	0	0	0	0
Number of options which do not meet non-market parameters: C and D	22 900	22 900	45 800	35 340	8 072	27 790	36 000
Number of options assumed for valuation	68 700	68 700	45 800	26 160	53 428	21 290	24 000
Number of options assumed for valuation and granted to employees of Grupa Kęty S.A.	39 450	39 450	26 300	14 136	14 136	14 600	10 800
Number of options assumed for valuation and granted to employees of subsidiaries	29 250	29 250	19 500	10 464	10 464	10 464	13 200
Programme launch date	30 September 2009	30 September 2010	23 September 2011	24 September 2012	24 September 2013	8 September 2014	8 September 2015
Date of acquiring rights to options	30 September 2012	30 September 2013	22 September 2014	23 September 2015	23 September 2016	8 September 2017	8 September 2018
Programme termination date	30 September 2015	30 September 2016	22 September 2017	23 September 2018	23 September 2019	8 September 2020	8 September 2021
Total programme period	36 months	36 months	36 months	36 months	36 months	36 months	36 months
The remaining period to acquire rights	Period ended	Period ended	Period ended	Period ended	9 months	21 months	33 months
Option exercise price	66.54 PLN per share	117.63 PLN per share	125.57 PLN per share	117.10 PLN per share	117.10 PLN per share	117.10 PLN per share	306.11 PLN per share

(in thousand PLN)

24.2. Long-term employee benefits

Long-term provision for employee benefits	31.12.2015 (audited)	31.12.2014 (audited)
As at 01.01.2015/01.01.2014	**1 761**	**1 334**
Increases	0	427
Decreases	(302)	0
As at 31.12.2015/31.12.2014	**1 459**	**1 761**

Retirement benefits and disability benefits

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

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

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

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

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

	2015	2014
Discount rate as at 31 December	2.91%	2.60%

Assumptions concerning the increase in future remunerations as at 31 December 2015:
3% – an increase in the bases of retirement benefits in 2016-2019
2.5% – an increase in the bases of retirement and disability benefits in the remaining years
The average age of employees is 42 years.
The forecasted employee turnover rate:
- for employees below the average age – 2.50%
- for employees above the average age – 1.50%, declining with age

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

The short-term part of the provision for retirement benefits is recognised in other short-term provisions.

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

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

24.2.2 *Actuarial gains/losses and sensitivity analysis*

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

(in thousand PLN)

2015	Retirement benefits	Disability benefits	Death in service benefits	Total
As at 2015-01-01	**2 199**	**84**	**36**	**2 319**
Costs of current employment	83	11	7	**101**
Interest cost	47	2	1	**50**
Subsidiary acquisition	2	1	3	**6**
Actuarial (gains)/losses charged to other comprehensive income	(168)	(7)	(7)	**(182)**
(Payments)	(472)	0	0	**(472)**
As at 2015-12-31	**1 691**	**91**	**40**	**1 822**
long-term	*1 339*	*81*	*39*	***1 459***
short-term	*352*	*10*	*1*	***363***

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

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

2015	Financial discount rate		Planned increases in the bases	
Change	**-1 p.p.**	**+ 1 p.p.**	**-1 p.p.**	**+ 1 p.p.**
Retirement benefits	209	(171)	(172)	208
Disability benefits	8	(8)	(8)	8
Death in service benefits	5	(5)	(5)	5
Total change in provision	**222**	**(184)**	**(185)**	**221**

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

(in thousand PLN)

25. Inventories

	31.12.2015 (audited)	31.12.2014 (audited)
Materials	20 325	45 531
Work in progress	25 242	34 976
Finished products	26 445	25 873
TOTAL	**72 012**	**106 380**

In the financial year ended on 31 December 2015, the Company recognised revaluation write-downs for inventories amounting to 1,430 thousand PLN.

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

Revaluation write-downs for inventories are as follows:

Revaluation write-down	31.12.2015 (audited)	31.12.2014 (audited)
Materials	2 054	522
Work in progress	346	359
Finished products	1 816	1 218
TOTAL	**4 216**	**2 099**

No securities were established on the Company's inventories.

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

	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Value of sold products	688 617	591 511
Value of resold materials	6 951	7 195
TOTAL	**695 568**	**598 706**

26. Income tax receivables (liabilities)

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

Item	2015 (audited)	2014 (audited)
Tax (liability) for the period:	0	(2 048)
- (including tax recognised in other comprehensive income)	0	(146)
- (including tax recognised in the income statement)	0	(1 908)
Paid income tax advances for the period	410	409
Income tax receivable/(liability)	**410**	**(1 639)**
Paid tax (received refunds for previous years)	1 639	(1 293)
Tax for previous years (refund)	0	(7)
Tax paid (refunded) recognised in the cash flow statement	**2 049**	**(891)**

(in thousand PLN)

27. Trade and other receivables

Short-term receivables	31.12.2015 (audited)	31.12.2014 (audited)
Gross receivables	**145 043**	**176 026**
Trade receivables towards related parties	42 195	61 552
Trade receivables towards other entities	95 054	101 206
Public law receivables (except for the income tax)	596	0
Down payments (trade-related) for suppliers – related parties	0	991
Down payments (trade-related) for suppliers – other entities	948	1 110
Receivables from employees	10	15
Settlements related to transactions hedging the aluminium price	494	6 136
Receivables due to the subscription of shares	0	1 601
Receivables related to the sale of interests in Alupol LLC	3 188	0
Other receivables	2 558	3 415
Revaluation write-downs	**18 314**	**22 081**
Trade receivables towards related parties	6 855	10 912
Trade receivables towards other entities	9 642	9 395
Other receivables	1 817	1 774
Net receivables	**126 729**	**153 945**
Trade receivables towards related parties	35 340	50 640
Trade receivables towards other entities	85 412	91 811
Public law receivables (except for the income tax)	596	0
Down payments (trade-related) for suppliers – related parties	0	991
Down payments (trade-related) for suppliers	948	1 110
Receivables from employees	10	15
Settlements related to transactions hedging the aluminium price	494	6 136
Receivables due to the subscription of shares	0	1 601
Receivables related to the sale of interests in Alupol LLC	3 188	0
Other receivables	741	1 641

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

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

	Year ended on 31 December 2015	Year ended on 31 December 2014
At the beginning of the period	22 081	9 113
Increase	1 270	13 425
Reversal	(4 929)	(1 447)
Utilisations/revaluations	(108)	990
At the end of the period	**18 314**	**22 081**

(in thousand PLN)

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

	Total	Not overdue	Overdue, but not impaired			
			up to 3 months	up to 6 months	up to 12 months	over 12 months
31 December 2015	120 752	102 813	16 844	824	271	0
31 December 2014	142 451	117 426	20 431	3 200	1 390	4

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

28. Cash and cash equivalents

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

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

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

	31.12.2015 (audited)	**31.12.2014** (audited)
Bank deposits (current accounts) and short-term deposits	8 917	1 795
Cash recognised in the balance sheet and in the cash flow statement	**8 917**	**1 795**

As at 31 December 2015, Grupa Kęty S.A. had unused granted credit funds amounting to 103,667 thousand PLN with regard to which all conditions precedent had been complied with (75,574 thousand PLN as at 31 December 2014).

29. Share capital and reserve capitals

29.1. Share capital

	31.12.2015 (audited)	**31.12.2014** (audited)
Share capital, including:	**67 505**	**67 352**
Value registered in the National Court Register	23 605	23 452
Revaluation in accordance with IAS 29	43 900	43 900
The number of shares registered in the National Court Register	*9 441 988*	*9 380 788*

29.1.1 *Nominal value of shares*

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

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

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

(in thousand PLN)

After these changes, the nominal value of the registered share capital amounted to 23,064 thousand PLN. Share capital was divided into 9,225,663 shares with the nominal value of 2.50 PLN each.

During 2015, the National Court Register registered the increase in the capital due to the subscription of 61,210 series F employee shares.

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

During 2013, the National Court Register registered the increase in the capital due to the subscription of 68,700 series F employee shares and 1,050 series E employee shares.

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

29.1.2 *Rights of shareholders*

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

29.2. Share premium

	31.12.2015 (audited)	**31.12.2014** (audited)
Share premium	22 043	14 512
Share premium	**22 043**	**14 512**

During 2015, 61,210 shares with the nominal value of 153 thousand PLN and with the issue value of 7,684 thousand PLN were registered in the National Court Register.

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

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

	31.12.2015 (audited)	**31.12.2014** (audited)
Value of non-registered shares at issue price	0	1 601
Value of non-registered shares at issue price	**0**	**1 601**

Prior to 31.12.2014, eligible persons subscribed for 12,750 shares with the nominal value of 32 thousand PLN at the issue price of 1,601 thousand PLN. The said shares were not registered by the National Court Register in 2015.

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

	31.12.2015 (audited)	**31.12.2014** (audited)
Fair value of property, plant and equipment	3 706	3 919
Deferred income tax liability	(703)	(745)
Capital from the valuation of property, plant and equipment	**3 003**	**3 174**

29.5. Capital from share based payments

	31.12.2015 (audited)	**31.12.2014** (audited)
Capital at the beginning of the period	11 244	10 230
Costs of the period	1 600	591
The value of share options granted to employees of subsidiaries in the period increasing the carrying amount of investments in subsidiaries	1 115	423
Capital from share based payments at period end	**13 959**	**11 244**

(in thousand PLN)

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

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

29.6. Capital from the valuation of hedging instruments

	31.12.2015 (audited)	**31.12.2014** (audited)
Futures hedging cash flows due to the purchase of aluminium	(1 700)	282
Forwards hedging cash flows due to exchange rate changes	918	(1 134)
IRS's hedging interest rates of loans	(81)	0
Deferred income tax	164	162
Capital from the valuation of hedging instruments at period end	**(699)**	**(690)**

29.7. Result from cash flow hedging transactions

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

The related capital is presented below:

	31.12.2015 (audited)	**31.12.2014** (audited)
Realised result on futures hedging cash flows due to the purchase of aluminium	(2 070)	772
Result from cash flow hedging transactions at period end	**(2 070)**	**772**

29.8. Retained earnings

	31.12.2015 (audited)	**31.12.2014** (audited)
Profit from previous years	479 498	517 981
Accounting for a subsidiary acquisition	(4 093)	0
Transfer from the capital from the valuation of non-current assets carried at revalued amount	1 298	1 127
Net actuarial gains (losses)	147	(420)
Financial result for the period	150 821	98 009
Retained earnings at period end	**627 671**	**616 697**

30. Interest-bearing bank loans and credits

Maturity period	**31.12.2015** (audited)	**31.12.2014** (audited)
Up to 1 year	72 854	109 157
From 1 to 2 years	8 654	11 106
From 2 to 5 years	15 144	9 798
TOTAL LOANS AND CREDITS	**96 652**	**130 061**

(in thousand PLN)

LONG-TERM LOANS				
Lender	**Loan currency**	**Security**	**31.12.2015**	**31.12.2014**
BGŻ BNP Paribas Polska	PLN	First capped mortgage on real properties owned by Grupa Kęty S.A. and Alupol Packaging Kęty sp. z o.o. up to 50 million PLN, including the assignment of rights from insurance policies for the said real properties up to 35 million PLN.	3 798	10 904
BGŻ BNP Paribas Polska	PLN	Collective mortgage on the Company's real properties up to 36 million PLN. The assignment of rights from the insurance policy for the said real property amounting to 36 million.	20 000	10 000
TOTAL LONG-TERM LOANS:			**23 798**	**20 904**

SHORT-TERM LOANS				
Lender	**Loan currency**	**Security**	**31.12.2015**	**31.12.2014**
BGŻ BNP Paribas Polska	PLN	Short-term part of long-term loans – the same securities as in the case of the long-term loan.	17 329	9 946
ING Bank Polska	EUR, PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. and Metalplast Stolarka Sp. z o.o.	3	9
BGŻ BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 100 million PLN), Metalplast Stolarka Sp. z o.o. (up to 10 million PLN), Alupol Packaging S.A. (up to 20 million PLN), Aluprof S.A. (up to 10 million PLN), Romb S.A. (up to 50 million PLN), Alupol Packaging Kęty sp. z o. (up to 20 million PLN), Alupol Films sp. z o.o. (up to 10 million PLN) + blank promissory notes of the aforementioned companies	4 979	8 607
Bank PeKaO S.A.	EUR, USD, CHF	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 180 million PLN), Alupol Packaging S.A. (up to 40 million PLN), Aluprof S.A. (up to 55 million PLN), Metalplast-Stolarka sp. z o.o. (up to 40 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 25 million PLN), Alupol Films sp. z o.o. (up to 5 million PLN).	42 026	71 645
Bank Societe Generale	EUR, PLN	Surety of Aluprof S.A. up to 5 million PLN	3 705	15 768
Bank PKO BP	PLN, EUR, USD	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 80 million PLN), Alupol S.A. (up to 20 million PLN), Aluprof S.A. (up to 60 million PLN), Alu Trans System sp. z o.o. (up to 8 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 20 million PLN), Romb S.A. (up to 10 million PLN)	3 312	1 682
Alutech Sp. z o.o.	PLN	N/A	1 500	1 500
TOTAL SHORT-TERM LOANS:			**72 854**	**109 157**

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

(in thousand PLN)

31. Subsidies

	31.12.2015 (audited)	31.12.2014 (audited)
Long-term deferred income		
Subsidies	32 279	33 320
Total long-term subsidies	**32 279**	**33 320**
Short-term deferred income		
Subsidies	1 100	1 421
Total short-term subsidies	**1 100**	**1 421**

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

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

The Company has been implementing two projects related to the purchase and construction of property, plant and equipment.
The first project is related to the co-financing under the measure: "4.5 Support for investment of considerable importance to the economy in Priority Axis 4 'Investments in innovative undertakings' under Operational Programme Innovative Economy". The project implementation period is 2009-2011.
Eligible costs: 12,900,000 PLN, where 50% is subsidised. Under this programme, the Company received subsidies of 6,389 thousand PLN. The project's duration until 31.12.2016 is the basic condition for the said project. In this period, the Company cannot dispose of or otherwise transfer the ownership of the property, plant and equipment financed with the subsidy.

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

As at the balance sheet date, the Company met all conditions for the subsidy.

The second project is related to the co-financing under the measure: "4.4 New investments of high innovation potential in Priority Axis 4 'Investments in innovative undertakings' under Operational Programme Innovative Economy". The project implementation period is 2009-2011.
Eligible costs: 69,609,000 PLN, where 50% is subsidised. Under this programme, by the end of December 2012, the Company received subsidies of 33,942 thousand PLN. The project's duration until 31.12.2017 is the basic condition for the said project. In this period, the Company cannot dispose of or otherwise transfer the

(in thousand PLN)

ownership of the property, plant and equipment financed with the subsidy. In addition, the Company is obliged to carry out business activities defined by it in the application.
In addition, the Company is obliged to carry out business activities defined by it in the application until 31.12.2017.
The project was related to the purchase, assembly and launch of an innovative aluminium profiles production line.
The project comprised the construction of a production hall and the purchase of an innovative production line along with associated devices.

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

32. Provisions and accruals

32.1. Provisions and short-term accruals

	31.12.2015 (audited)	**31.12.2014** (audited)
Provisions		
provision for jubilee bonuses and retirement benefits	363	558
costs of damages	430	430
costs of onerous contracts	664	0
Accruals		
provision for the costs of unused holiday	1 842	1 652
costs of annual bonus	4 738	6 311
cogeneration fees	493	344
costs of warranty repairs	45	0
provision for other costs	34	35
TOTAL PROVISIONS AND SHORT-TERM ACCRUALS	**8 609**	**9 330**

(in thousand PLN)

	01-01-2015	Increases	Utilisation	Acquisition of Alu Trans	31-12-2015
Provisions and short-term accruals	**9 330**	**7 247**	**(8 814)**	**846**	**8 609**
provision for jubilee bonuses and retirement benefits	558	271	(472)	6	363
provision for the costs of unused holiday	1 652	1 796	(1 652)	46	1 842
costs of annual bonus	6 311	4 653	(6 311)	85	4 738
costs of damages	430	0	0	0	430
cogeneration fees	344	493	(344)	0	493
costs of onerous contracts	0	0	0	664	664
costs of warranty repairs	0	0	0	45	45
provision for other costs	35	34	(35)	0	34

	01-01-2014	Increases	Utilisation	31-12-2014
Provisions and short-term accruals	**7 640**	**8 572**	**(6 882)**	**9 330**
provision for jubilee bonuses and retirement benefits	640	230	(312)	558
provision for the costs of unused holiday	1 339	1 652	(1 339)	1 652
costs of annual bonus	4 504	6 311	(4 504)	6 311
costs of damages	430	0	0	430
cogeneration fees	692	344	(692)	344
provision for other costs	35	35	(35)	35

33. Short-term trade and other liabilities

	31.12.2015 (audited)	**31.12.2014** (audited)
Trade liabilities towards related parties	5 405	6 039
Trade liabilities towards non-related parties	28 649	41 411
Liabilities related to the acquisition of Alu Trans System	771	0
Down payments (trade-related) from customers	1 006	805
Public law liabilities (except for income tax liabilities)	6 150	7 458
Remuneration liabilities	3 785	3 157
Securities	5	4
Liabilities due to the purchase of property, plant and equipment	11 493	4 130
Other	521	533
TOTAL SHORT-TERM LIABILITIES	**57 785**	**63 537**

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

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

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

The Company’s liabilities disclosed above are not secured.

(in thousand PLN)

34. Off-balance sheet liabilities and receivables

Item	31.12.2015	31.12.2014
Bank guarantee for LC Corp Sky Tower concerning the proper performance of the contract*	0	3 593
Bank guarantee securing production hall rental payments	411	0
Total granted guarantees	**411**	**3 593**

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

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

Granted guarantees and sureties from subsidiaries
In addition, the Company received or granted guarantees and sureties presented in the table below.

For:	Purpose	Amount	Maturity
Aluprof S.A.	Security for a working capital loan	5 000	31-03-2016

Guarantees and securities received from subsidiaries

From:	Purpose	Amount	Maturity
Aluprof S.A.	Loan security	5 000	31-06-2016
Alupol Packaging Kęty Sp. z o.o.	Loan security	50 000	30-12-2016

In addition:

- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alutrans sp. z o.o., Alupol Packaging Kęty sp. z o.o. and Romb S.A. entered into an agreement with PKO BP S.A. for an overdraft facility up to the total amount of 80 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amounts of the said loan utilised by other companies as at the balance sheet date amounted to 6,795 thousand PLN. The agreement is valid until 30.09.2016.Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films and Metalplast Stolarka sp. z o.o. entered into an agreement with Pekao S.A. for an overdraft facility up to the total amount of 180 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amounts of the said loan utilised by other companies as at the balance sheet date amounted to 59,265 thousand PLN. The agreement is valid until 31.10.2016.Grupa Kęty S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with ING S.A. for an overdraft facility up to the total amount of 65 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amount of the said loan utilised by Metalplast Stolarka as at the balance sheet date amounted to 21,186 thousand PLN. The agreement is valid until 30.05.2016.
- Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A., Metalplast Stolarka Sp. z o.o., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o. and ROMB S.A. entered into an agreement with BGŻ BNP Paribas Polska S.A. for an overdraft facility up to the total amount of 100 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amount of the said loan utilised by the companies as at the balance sheet date amounted to 41,047 thousand PLN. The agreement is valid until 01.06.2016.
- Grupa Kęty S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with BGŻ BNP Paribas Polska S.A. for a guarantee facility up to the total amount of 20 million PLN, and Grupa Kęty S.A. granted its surety for the said agreement. As at the balance sheet date, Metalplast Stolarka issued guarantees under this agreement amounting to 7,453 thousand PLN. This agreement will be valid until the expiry of the guarantees; and the last guarantees for this loan will expire in 2023.Grupa Kęty granted its surety for bills of exchange securing a guarantee line agreement amounting to 20,000 thousand PLN between Metalplast-Stolarka Sp. z o.o. and Euler-Hermes. As at the balance sheet date, the value of issued guarantees amounted to 1,273 thousand PLN. The guarantee is valid until 28.02.2018.Grupa Kęty assumed liability for the guarantees of Euler-Hermes issued for customers of Metalplast-Stolarka Sp. z o.o. As at the balance sheet date, the value of issued guarantees amounted to 2,367 thousand PLN. The guarantee is valid until 11.04.2017. **Tax accounts**

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

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

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

35. Shareholding structure

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

Entity	Number of shares 31-12-2015	Interest in capital	Number of shares 31-12-2014	Interest in capital
Aviva OFE Aviva BZ WBK	1 691 276	17.91%	1 691 276	18.00%
PTE Nationale Nederlanden (formerly ING PTE)	1 610 534	17.06%	1 610 534	17.15%
OFE PZU “Złota Jesień”	921 000	9.75%	921 000	9.80%
PTE Allianz Polska	499 748	5.29%	499 748	5.32%
Others	4 719 430	49.99%	4 670 980	49.73%
Total	**9 441 988**	**100%**	**9 393 538**	**100%**

36. Related party transactions

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

Subsidiary		**Sale**	**Purchases**	**Dividends**	**Net receivables**	**Liabilities**	**Revaluation write-downs for receivables**
Aluprof S.A.	2015	187 189	3 241	71 000	31 215	218	0
	2014	150 291	4 061	66 725	38 352	769	19
Alupol Packaging S.A.	2015	1 128	0	40 000	111	0	0
	2014	1 026	0	30 000	282	0	0
Alutech Sp. z o.o. w likwidacji	2015	14	0	0	0	0	0
	2014	4	0	0	0	0	0
Alu Trans System Sp. z o.o.	2015	5 750	212	0	0	0	0
	2014	9 882	108	0	4 432	37	1 310
Dekret Sp. z o.o.	2015	768	1 384	69	67	281	0
	2014	745	1 305	190	65	136	0
Aluprof Węgry Ltd	2015	585	318	0	20	107	0
	2014	342	518	0	0	92	0
Metalplast Stolarka Sp. z o.o.	2015	4 872	394	0	1 495	38	0
	2014	6 148	310	0	2 612	93	0
Alupol Ukraina Sp. z o.o.	2015	2 566	5 588	0	980	452	6 855
	2014	2 944	1 182	0	3 844	0	9 583

(in thousand PLN)

ROMB S.A.	2015	977	3	0	258	0	0
	2014	590	8	0	132	1	0
Aluform Sp. z o.o.	2015	1 717	48 695	13 000	134	3 947	0
	2014	2 188	51 108	15 468	486	4 367	0
Alupol Packaging Kęty Sp. z o.o.	2015	8 086	130	0	1 060	113	0
	2014	9 685	429	0	1 301	383	0
Aluprof System Czechy Ltd	2015	0	451	0	0	26	0
	2014	0	146	0	0	77	0
Group Kęty Italia Ltd	2015	0	1 343	0	0	223	0
	2014	0	491	0	125	84	0
Total	**2015**	**213 652**	**61 759**	**124 069**	**35 340**	**5 405**	**6 855**
Total	**2014**	**183 845**	**59 666**	**112 383**	**51 631**	**6 039**	**10 912**

In addition, on 31 December 2015, the Company acquired, for 5,371 thousand PLN, the enterprise of Alu Trans System sp. z o.o. More information on this topic is available in note 22. As at the balance sheet date, due to this transaction, the Company had a liability amounting to 771 thousand PLN and a receivable amounting to 99 thousand PLN. In addition, in December 2015, the Company sold, for 12,188 thousand PLN, to Aluform sp. z o.o., 100% of its shares in Alupol Ukraina LLC. As at the balance sheet date, due to this transaction, the Company had a receivable amounting to 3,188 thousand PLN.

The Company also has a liability related to a loan of 1,500 thousand PLN borrowed from Alutech sp. z o.o. The said loan bears interest on market terms.

In the present year, the Company reversed a write-down for receivables from Alupol LLC Ukraina amounting to 2,728 thousand PLN. In the previous year, the Company recognised as cost the write-down for receivables from Alupol Ukraina amounting to 9,583 thousand PLN.
In addition, during 2015, the Company established a revaluation write-down for interests in Alupol Ukraina amounting to 4,829 thousand PLN. In the previous year, the Company established a revaluation write-down for interests in Alupol Ukraina amounting to 14,715 thousand PLN.
In addition, the Company reversed a revaluation write-down for interests in Alu Trans System sp. z o.o. amounting to 912 thousand PLN.

Furthermore, in the reporting period, the Company paid a donation to Fundacja Grupa Kęty Dzieciom Podbeskidzia (‘Grupa Kęty for the Children of Podbeskidzie Region’ Foundation) amounting to 15 thousand PLN (previous year: 54 thousand PLN). The said Foundation was established by Grupa Kęty S.A. in 2011. The Company contributed 50 thousand PLN as the Founder’s capital. The Foundation is a non-profit organisation accomplishing social objectives.Apart from the transactions described in note 34 (guarantees and sureties) and note 36.5, the Group did not carry out any other related party transactions.

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

36.1. The Group’s parent company

The Company is the parent company in the Capital Group.
The composition of the Capital Group as at 31 December 2015 was as follows:

(in thousand PLN)

Company name	Registered office	Core business	Parent's name	Shares in the basic capital as at 31-12-2015	Shares in the basic capital as at 31-12-2014	Date of control take-over	Reporting segment
Alupol Packaging S.A.	Tychy, Poland	Production of and trade in plastic packaging	Grupa Kęty S.A.	100.00 %	100.00 %	04/1998	FPS
Aluprof S.A.	Bielsko-Biała, Poland	Production of construction woodwork	Grupa Kęty S.A.	100.00 %	100.00 %	06/1998	ASS
Alutech Sp. z o.o. w likwidacji	Kęty, Poland	Production, trade and provision of services	Grupa Kęty S.A.	100.00 %	100.00 %	03/1999	Other
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00 %	100.00 %	09/1999	Other
Alu Trans System Sp. z o.o.	Wrocław, Poland	Production	Grupa Kęty S.A.	100.00 %	100.00 %	04/2000	Other
Aluprof Węgry	Dunakeshi, Hungary	Trade and provision of services	Aluprof S.A.	100.00 %	100.00 %	07/2000	ASS
Metalplast-Stolarka Sp. z o.o.	Goleszów, Poland	Production of construction woodwork	Grupa Kęty S.A.	100.00 %	100.00 %	07/2000	BSS
Alupol LLC	Borodianka, Ukraine	Production of aluminium sections	Aluform Sp. z o.o.	100.00 %	100.00 %	12/2004	EPS
Aluprof Deutschland GmbH	Schwanewede, Germany	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	02/2005	ASS
Aluprof System Romania s.r.l	Bucharest, Romania	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	The sale of window and door joinery from aluminium and PVC	Aluprof S.A.	100.00 %	100.00 %	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sale 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	BAS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production and trade	Alupol Packaging S.A.	100.00 %	100.00 %	05/2009	FPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade	Grupa Kęty S.A.	100.00 %	100.00 %	06/2009	EPS
Aluprof System Ukraina	Kiev, Ukraine	Trade – sale of steel systems	Aluprof S.A.	100.00 %	100.00%	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	No current operations	Aluprof S.A.	100.00 %	100.00 %	1/2012	ASS
Grupa Kęty Italia s.r.l.	Milan, Italy	Trading intermediation	Grupa Kęty S.A.	100.00 %	100.00 %	5/2014	EPS
Marius Hansen Facader A/S	Viborg, Denmark	Production and assembly of woodwork	Aluprof S.A.	100.00 %	100.00 %	6/2014	ASS
Aluprof System USA, Inc.	Wilmington, USA	Distribution of aluminium systems for the building industry	Aluprof S.A.	100.00 %	100.00 %	7/2014	ASS
Alupol Films Sp. z o.o.	Kęty, Poland	Production and trade	Alupol Packaging Kęty Sp. z o.o.	100.00 %	100.00 %	12/2014	FPS
Aluprof Schelfhaut N.V.	Dendermonde, Belgium	Sale of aluminium systems	Aluprof S.A.	100.00 %	-	6/2015	ASS

(in thousand PLN)

36.2. Conditions of related party transactions

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

36.3. Other transactions with members of the Management Board

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

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

Management Board:	2015	2014
Costs of short-term employee benefits	1 642	1 568
Costs of the provision for annual bonuses and other benefits	1 785	2 757
Total costs of remunerations of the members of the Management Board	**3 427**	**4 325**
The valuation of the costs of options for treasury shares due when the programme is implemented*	1 214	450
Total payments to the members of the Management Board	**4 641**	**4 775**

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

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

	2015	2014
Company's proxies*	1 118	854
Company's Management Board*	4 641	4 775
Supervisory board	576	551
TOTAL	**6 335**	**6 180**

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

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

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

Under the programme, the members of the Management Board hold options entitling them to purchase 11,604 shares from the first part of the 2012 programme. In 2015, the members of the Management Board subscribed for, according to the terms and conditions of the programme, 30,450 shares from the third part of the 2009 programme.

In addition, after meeting the programme conditions, the members of the Management Board will acquire the right, according to the terms and conditions of the programme, to purchase up to 27,280 shares from the second part of the 2012 programme; up to 28,000 shares from the third part of the 2012 programme; and up to 15,000 shares from the first part of the 2015 programme. The costs of benefits related to share options granted to the members of the Management Board recognised in the income statement for 12 months of 2015 amounted to 1,214 thousand PLN (450 thousand PLN for 12 months of 2014).

(in thousand PLN)

Options to purchase shares were also granted to proxies. Proxies hold options to purchase 3,828 shares from the first part of the 2015 programme. In 2015, the Proxies subscribed for, according to the terms and conditions of the programme, 9,000 shares from the third part of the 2009 programme.

In addition, the Proxies acquired the right to purchase 8,060 share options from the second part of the 2012 programme; 8,500 share options from the third part of the 2012 programme; and 6,000 share options from the first part of the 2015 programme. The costs of related benefits recognised in the income statement for the period of 12 months of 2014 amounted to 373 thousand PLN (134 thousand PLN for 12 months of 2014).

The details of the programme are described in note 24.1.

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

37. Objectives and principles of financial risk management

Basic risks which may affect the Company's financial result include: the risk of changes of the prices of basic raw materials, interest rate risk, currency risk, credit risk and exceptional occurrences risk. The Management Board verifies and agrees on the principles of the management of each of the aforementioned risks and these principles are briefly discussed below. The Company also monitors the risk of market prices applicable to all financial instruments managed by it. The extent of the risk in the period is discussed in note 37.1 of complementary information and explanations. The Company's accounting principles for derivative instruments are discussed in note 12.11 of complementary information and explanations.
The basic objectives of the company's financial risk management process are as follows:
- ensuring financial liquidity;
- limiting the direct impact of interest rates, exchange rates and the primary aluminium prices on the company's results;
- limiting the negative impact of exceptional occurrences.

Sensitivity analysis

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

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

For items affecting the income statement

Risk	Change	31.12.2015	31.12.2014
Increase in interest rates	1%	(967)	(1 271)
Increase in EUR/PLN exchange rate	5%	1 890	138
Increase in USD/PLN exchange rate	5%	(60)	(548)
Increase in GBP/PLN exchange rate	5%	88	43

For items affecting equity

Risk	Change	31.12.2015	31.12.2014
Increase in EUR/PLN exchange rate for hedging instruments	5%	734	(15)
Increase in USD/EUR exchange rate for hedging instruments	5%	2 634	0
Increase in aluminium price for hedging instruments	5%	630	55

Fair values

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

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

(in thousand PLN)

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

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

Financial assets	**Under IAS 39**	**31 December 2015**	**31 December 2014**
Financial receivables	LR	125 185	152 835
Cash	LR	8 917	1 795
Hedging instruments*		1 377	674

Financial liabilities	**Under IAS 39**	**31 December 2015**	**31 December 2014**
Financial liabilities	OFLatAC	46 884	52 117
Bank loans	OFLatAC	96 652	130 061
Hedging instruments*		2 239	1 526

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

Abbreviations:
LR – Granted loans and receivables
OFLatAC – Other financial liabilities at amortised cost
Fair values of all financial assets and liabilities presented above are close to their carrying amounts.

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

37.1.1 Aluminium, aluminium scrap

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

37.2. Interest rate risk

Grupa Kęty S.A. has a surplus of financial resources or uses borrowings through long- and short-term bank loans. Interest on bank term deposits and loans depends on interest rates applicable on the interbank market such as WIBOR (for loans in PLN), LIBOR and EURIBOR (for foreign currency loans). As a result, the company faces the risk of interest rates fluctuations, which may result in the decrease in the rate of return from financial term deposits or an increase in costs of borrowed loans.

(in thousand PLN)

Interest rate risk is related to the following items:

Variable interest	**Maturity periods**		
31-12-2015	< 1 year	1-2 years	More than 2 years
Cash	8 917	0	0
Bank loans in PLN	(69 158)	(8 654)	(15 144)
Bank loans in EUR	(3 696)	0	0
Bank loans in USD	0	0	0
TOTAL	**(67 937)**	**(8 654)**	**(15 144)**

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

37.3. Liquidity risk

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

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

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

31-12-2015	**Maturities**				
	On demand	Less than 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years
Bank loans	0	2 933	69 921	17 308	6 490
Other financial liabilities	0	46 073	0	0	0
Derivatives hedging cash flows	0	813	887	0	0
Contingent liabilities	0	5 000	128 293	3 641	0
TOTAL	**0**	**54 819**	**199 101**	**20 949**	**6 490**

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

37.4. Currency risk

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

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

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

	31.12.2015		31.12.2014	
	Amount in a foreign currency	Amount translated to thousand PLN	Amount in a foreign currency	Amount translated to thousand PLN
Cash in thousand EUR	1 470	6 264	0	0
Cash in thousand USD	550	2 146	396	1 389
Cash in thousand GBP	6	35	0	0
Receivables in thousand EUR	10 774	45 913	10 275	43 795
Receivables in thousand USD	2 466	9 620	4 056	14 225
Receivables in thousand GBP	299	1 730	158	863
Bank loans in thousand EUR	(867)	(3 695)	(5 992)	(25 540)
Bank loans in thousand USD	0	0	(2 798)	(9 813)
Liabilities in thousand EUR	(2 508)	(10 688)	(3 635)	(15 493)
Liabilities in thousand USD	(3 326)	(12 975)	(4 777)	(16 754)
Total exposure to currency risk - EUR	**8 869**	**37 794**	**648**	**2 762**
Total exposure to currency risk - USD	**(310)**	**(1 209)**	**(3 123)**	**(10 953)**
Total exposure to currency risk - GBP	**305**	**1 765**	**158**	**863**

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

37.5. Credit risk

Trade credit

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

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

	31.12.2015	31.12.2014
Net trade receivables from non-related parties	85 412	91 811
Insured trade receivables	(71 746)	(72 531)
Exposure to trade credit risk	**13 666**	**19 280**

There is no counterparty among non-related parties who exceeds the level of 10% of trade receivables. The concentration level of 10% of trade receivables has been exceeded by a subsidiary Aluprof S.A. As at the balance sheet date, the receivables from this company accounted for 23% of total trade receivables (previous year: 27%).

(in thousand PLN)

Cash

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

37.6. Exceptional occurrences risk

37.6.1 Property damage risk

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

37.6.2 Profit loss risk

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

37.6.3 Risk of damage to third parties

Business activities are associated with the risk of causing damage to third parties. Such a case may occur as a result of direct damage done to a third party during their visit in the Company's production facility as well as a result of defective operation of products manufactured by the Company. Moreover, the shares of Grupa Kęty S.A. are quoted at Warsaw Stock Exchange. Damage caused to the company due to wrong decisions of the Management Board (and consequently, a possible decrease in the share price) may result in the shareholders' claims to remedy the damage or reimburse the profits lost by shareholders.

37.6.4 Geopolitical risk in the countries in which the Company operates

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

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

38. Derivative financial instruments

Financial assets	**31.12.2015** (audited)	**31.12.2014** (audited)
Currency forwards hedging cash flows	950	312
Futures for the purchase of aluminium hedging cash flows	427	362
TOTAL FINANCIAL ASSETS	**1 377**	**674**
Financial liabilities	**31.12.2015** (audited)	**31.12.2014** (audited)
Currency forwards hedging cash flows	31	30
Futures for the purchase of aluminium hedging cash flows	2 127	1 496
IRS's hedging interest rates of loans	81	0
TOTAL FINANCIAL LIABILITIES	**2 239**	**1 526**

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

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

(in thousand PLN)

38.1. Hedging

38.1.1 *Cash flow hedge*

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

	31.12.2015 (audited)	**31.12.2014** (audited)
Open currency forwards	918	282
Open futures for the purchase of aluminium	(1 700)	(1 134)
Exercised futures for the purchase of aluminium	(2 070)	772
Open interest rate IRS's	(81)	0
TOTAL FINANCIAL LIABILITIES	**(2 933)**	**(80)**

The aforementioned items will affect the Company's results in 2016.

As at 31 December 2015 , the Company had the following hedging contracts:

Exercise date	**Fair value**	**Number of tons**	**Nominal value**	**Average USD price**
Q1 2016	(208)	4 275	6 682	1 563.04
Q2 2016	(146)	3 100	4 868	1 570.32
Q3 2016	(67)	750	1 223	1 630.67
Q4 2016	(14)	375	594	1 584.00
TOTAL	**(435)**	**8 500**	**13 367**	**1 572.59**

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

Exercise date	**Fair value**	**Number of tons**	**Nominal value in PLN**	**Average PLN price**
Q1 2016	(813)	4 275	26 065	6 097.08
Q2 2016	(569)	3 100	18 992	6 126.45
Q3 2016	(262)	750	4 772	6 362.67
Q4 2016	(56)	375	2 316	6 176.00
TOTAL	**(1 700)**	**8 500**	**52 145**	**6 134.71**

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

As regards currency risk, in 2015 and 2014, the Company used only forwards for the purchase/sale of currencies.

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

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

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

Sale of EUR for PLN

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
Q1 2016	23	1 200	5 151	4.292
Q2 2016	22	900	3 884	4.3156
Q3 2016	21	900	3 899	4.3322
Q4 2016	20	400	1 751	4.3775
TOTAL	**86**	**3 400**	**14 685**	**4.3191**

Purchase of USD for EUR

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
Q1 2016	371	5 090	5 662	1.1124
Q2 2016	319	4 550	5 071	1.1145
Q3 2016	105	1 450	1 712	1.1807
Q4 2016	36	950	1 059	1.1147
TOTAL	**831**	**12 040**	**13 504**	**1.1216**

Forwards/futures hedging interest rates of loans

The Company hedged itself against the interest rate risk by entering into IRS's. As at the balance sheet date, the Company had a contract hedging the fixed interest rate of 1.7% for a loan amounting to 20,000 thousand PLN with the maturity date of 01.03.2018. The fair value of this contract as at the balance sheet date amounted to (81) thousand PLN.

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

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

2015	Shares and interests	Hedging instruments	Own loans and receivables	Financial liabilities carried at amortised cost	**Total financial instruments**
Revaluation write-downs	(4 829)	0	(302)	0	**(5 131)**
Dividends and shares in profits	124 071	0	0	0	**124 071**
Interest income (costs)	0	0	507	(2 199)	**(1 692)**
Profit (loss) from currency translation differences	0	0	1 927	(861)	**1 066**
Profit (loss) from the disposal of financial instruments	0	(6 183)	0	0	**(6 183)**
Total profit (loss)	**119 242**	**(6 183)**	**2 132**	**(3 060)**	**112 131**

(in thousand PLN)

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

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

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

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

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

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

Fair value hierarchy	**Hierarchy level**	**31.12.2015** (audited)	**31.12.2014** (audited)
Financial assets			
Hedging derivatives	2	1 377	674
Financial liabilities			
Hedging derivatives	2	2 239	1 526

41. Capital management

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

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

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

(in thousand PLN)

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

	31 December 2015	31 December 2014
Interest-bearing loans and credits	96 652	130 061
Trade and other liabilities	57 785	63 537
Less cash and cash equivalents	(8 917)	(1 795)
Net debt	145 520	191 803
Equity	731 412	714 662
Equity and net debt	876 932	906 465
Leverage ratio	16.59%	21.16%

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

42. Employment structure

Average employment in the Company was as follows:

	Year ended on 31 December 2015	Year ended on 31 December 2014
Management Board	2	2
Management staff	39	38
Administrative employees	215	206
Workers	772	712
Total	**1 028**	**958**

43. The auditor's remuneration

The auditor's remuneration is presented below:

Figures in PLN	2015	2014
Remuneration for the audit of annual separate and consolidated financial statements	54,000 PLN	54,000 PLN
Remuneration for semi-annual reviews	30,000 PLN	30,000 PLN
Additional procedures related to works on financial statements (energy-related assets)	15,000 PLN	0
Auditor's total remuneration for the period	**99,000 PLN**	**84,000 PLN**

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

44. The Company as a power company

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

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

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

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

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

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

The table below presents the types of applied allocation keys.

Percentage of common costs allocated to licensed activities	**01.01.2015 - 31.12.2015** (audited)	**01.01.2014 - 31.12.2014** (audited)
Gas – allocation by ordered capacity	38%	40%
Electricity – allocation by ordered capacity	17.7%	20.4%

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

- Figures from accounts allocated directly to particular activities

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

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

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

Allocation keys applied to allocate items classified as general items.

Revenue-based key (revenue net of excise duty).

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

Balance sheet

Intangible assets and property, plant and equipment

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

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

Cash

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

Equity

Presents net assets allocated to licensed activities.

Liabilities and provisions for liabilities

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

Income statement

Net sales revenue

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

Other operating income and finance income

(in thousand PLN)

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

Operating costs

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

Other operating costs and finance costs

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

Income tax expense

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

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

INCOME STATEMENT	**Transmission and distribution of natural gas**		**Transmission of electricity**		**Trade in electricity**	
	2015 (audited)	**2014** (audited)	**2015** (audited)	**2014** (audited)	**2015** (audited)	**2014** (audited)
Total operating income, including:	**2 089**	**1 940**	**1 707**	**2 376**	**3 212**	**3 472**
Total operating costs, including:	**(2 014)**	**(1 818)**	**(1 259)**	**(1 818)**	**(3 292)**	**(2 763)**
Depreciation/Amortisation	(10)	(4)	(134)	(197)	0	0
Gas/Electricity	(1 547)	(1 535)	(967)	(1 183)	(2 366)	(2 107)
Materials	(4)	(2)	(12)	(7)	0	0
Employee benefits	(302)	(123)	(8)	(148)	0	0
Taxes and charges	(8)	(14)	(15)	(15)	(718)	(356)
External services	(10)	(2)	(13)	(52)	(1)	(84)
Other costs	(135)	(138)	(110)	(216)	(207)	(216)
Profit on operating activities	**69**	**122**	**448**	**558**	**(80)**	**709**
Finance costs	(29)	(24)	(34)	(49)	(3)	(17)
Profit before tax	**40**	**98**	**414**	**509**	**(83)**	**692**
Income tax expense	(5)	(19)	(78)	(97)	21	(131)
Net profit on continuing operations	**35**	**79**	**336**	**412**	**(62)**	**561**

(in thousand PLN)

BALANCE SHEET	**Transmission and distribution of natural gas**		**Transmission of electricity**		**Trade in electricity**	
Assets	**31.12.2015** (audited)	**31.12.2014** (audited)	**31.12.2015** (audited)	**31.12.2014** (audited)	**31.12.2015** (audited)	**31.12.2014** (audited)
I. Non-current assets	**105**	**95**	**1 431**	**1 430**	**0**	**0**
Property, plant and equipment	105	95	1 431	1 430	0	0
II. Current assets	**1 046**	**746**	**118**	**542**	**343**	**692**
Trade and other receivables	191	403	118	542	235	692
Down payments	855	343	0	0	108	0
Total assets	**1 151**	**841**	**1 549**	**1 972**	**343**	**692**
Equity and liabilities						
I. Equity	**1 147**	**813**	**1 342**	**1 646**	**110**	**550**
Internal settlements	1 147	813	1 342	1 646	110	550
II. Long-term liabilities	**4**	**18**	**207**	**246**	**0**	**0**
Deferred income tax liability	4	18	207	246	0	0
III. Short-term liabilities	**0**	**10**	**0**	**80**	**233**	**142**
Trade and other liabilities	0	10	0	80	233	142
Total equity and liabilities	**1 151**	**841**	**1 549**	**1 972**	**343**	**692**

45. Events after the reporting period

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

Signatures of all Members of the Management Board

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

Kęty, 16 March 2016

Signatures of the person entrusted with bookkeeping

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

……………………………………….

Kęty, 16 March 2016