GRUPA KĘTY S.A.

ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

(in thousand PLN)

INCOME STATEMENT

INCOME STATEMENT	Note	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Total operating income, including:		**1,235,565**	**1,035,532**
Sales revenue	14.1	1,020,105	872,925
Other operating income	14.2	3,794	8,094
Dividends	14.3	211,666	154,513
Change of inventories of finished goods and work in progress		**10,341**	**8,176**
Cost of manufacturing products for own needs		**6,067**	**5,868**
Total operating costs, including:		**(994,542)**	**(862,793)**
Depreciation/Amortisation	18.20	(38,972)	(35,515)
Materials, energy and the value of goods and materials sold	14.8	(688,968)	(555,449)
External services		(144,560)	(134,711)
Taxes and charges		(5,483)	(5,392)
Employee benefits	14.7	(112,466)	(106,732)
Other operating costs	14.4	(4,093)	(24,994)
Profit on operating activities		**257,431**	**186,783**
Finance income	14.5	3,666	1,616
Finance costs	14.6	(2,408)	(2,143)
Profit before tax		**258,689**	**186,256**
Income tax expense	15	(9,632)	(9,923)
Net profit on continuing operations		**249,057**	**176,333**
Basic net earnings per share (PLN)	16	26.23	18.65
Diluted net earnings per share (PLN)	16	26.08	18.62

In 2017 and 2016, the Company did not discontinue any operations.

(in thousand PLN)

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	Note	01.01.2017 - 31.12.2017 (audited)	01.01.2016 -31.12.2016 (audited)
Net profit for the period		**249,057**	**176,333**
Other comprehensive income to be charged to profit or loss, including:		**784**	**5,256**
Valuation of cash flow hedging instruments		958	3,271
Result from cash flow hedge		9	2,607
Income tax related to other comprehensive income		(183)	(622)
Other comprehensive income not to be charged to profit or loss, including:		**(250)**	**1,286**
Actuarial gains (losses)	24.2.2	(309)	(70)
Income tax related to actuarial gains (losses)		59	13
Revaluation of property, plant and equipment	18.8	0	1,658
Income tax related to the revaluation of property, plant and equipment		0	(315)
Comprehensive income for the period		**249,591**	**182,875**

(in thousand PLN)

BALANCE SHEET

ASSETS	Note	31.12.2017 (audited)	31.12.2016 (audited)
I. Non-current assets		**782,215**	**728,658**
Property, plant and equipment	18	382,382	351,186
Intangible assets	20	6,431	7,309
Shares and interests	21	367,978	367,989
Advance payments for property, plant and equipment	23	25,424	2,174
II. Current assets		**298,915**	**252,020**
Inventories	25	116,701	101,699
Trade and other receivables	27	173,604	141,742
Derivative financial instruments	38	5,225	2,613
Cash and cash equivalents	28	3,385	5,966
Total assets		**1,081,130**	**980,678**
EQUITY AND LIABILITIES			
I. Equity		**728,489**	**753,015**
Share capital	29.1	67,704	67,534
Share premium	29.2	31,179	23,385
Non-registered capital from the issue of shares	29.2	0	2,890
Capital from the revaluation of property, plant and equipment	29.3	3,314	3,787
Capital from share based payments	29.4	21,992	18,592
Capital from the revaluation of hedging instruments	29.5	2,725	1,950
Result from cash flow hedge	29.6	546	537
Retained earnings	29.7	601,029	634,340
II. Long-term liabilities		**59,957**	**65,466**
Liabilities related to loans	30	6,489	15,181
Provisions due to employee benefits	24.2	1,737	1,500
Grants	31	30,266	31,218
Deferred tax liability	15.1	21,465	17,567
III. Short-term liabilities		**292,684**	**162,197**
Liabilities related to loans	30	168,982	56,502
Income tax payable	26	3,979	4,642
Trade and other payables	33	102,157	82,724
Provisions and accruals	32	14,684	17,035
Derivative financial instruments	38	1,862	206
Grants	31	1,020	1,088
Total equity and liabilities		**1,081,130**	**980,678**

(in thousand PLN)

CASH FLOW STATEMENT

	Note	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Cash flow from operating activities			
Profit before tax		**258,689**	**186,256**
Adjustments:		**44,960**	**61,595**
Depreciation/Amortisation	18.20	38,972	35,515
Recognition of write-downs of interests	14.4	85	13,815
Recognition of write-downs of property, plant and equipment	18.6	936	1,261
Profit from net currency translation differences		(2,277)	526
Revaluation of energy-related assets	18.9	0	655
(Profit) / loss from sales of property, plant and equipment	14.2	(39)	(51)
Interest		1,735	1,859
Proceeds from the liquidation/sales of interests in a subsidiary	36	3,503	3,188
Expenditure on the acquisition of a subsidiary's business	36	0	(672)
Realised result on transactions hedging the price of aluminium charged to equity		9	2,607
Costs of share based payments	14.7	1,930	2,871
Retired property, plant and equipment		106	21
Cash flow from operating activities before the change of working capital		**303,649**	**247,851**
Change in inventories		(15,002)	(29,687)
Change in net receivables		(31,862)	(18,301)
Change in short-term liabilities, except for loans		14,972	26,774
Change in provisions		(2,424)	8,397
Change in grants		(1,020)	(1,073)
Net cash generated from operating activities		**268,313**	**233,961**
Tax (paid) / refunded	26	(6,519)	(1,466)
Net cash from operating activities (including dividends)		**261,794**	**232,495**
Cash flow from investing activities			
(+) Proceeds:		**173**	**117**
Sales of intangible assets and property, plant and equipment		173	117
(-) Expenses:		**(88,869)**	**(42,323)**
Acquisition of intangible assets and property, plant and equipment		(88,869)	(42,323)
Net cash from investing activities		**(88,696)**	**(42,206)**
Cash flow from financing activities			
(+) Proceeds:		**122,272**	**15,487**
Net proceeds from the issue of shares		5,074	4,261
Proceeds from borrowings		117,198	11,226
(-) Expenses:		**(297,951)**	**(208,727)**
Dividends and other payments to owners	17	(284,699)	(170,166)
Repayments of loans and borrowings		(11,329)	(36,788)
Interest		(1,923)	(1,773)
Net cash from financing activities		**(175,679)**	**(193,240)**
Total net cash flow:		**(2,581)**	**(2,951)**
- change in cash due to currency translation differences		0	0
Cash and cash equivalents at the beginning of the period		**5,966**	**8,917**
Cash and cash equivalents at the end of the period	28	**3,385**	**5,966**

(in thousand PLN)

STATEMENT OF CHANGES IN EQUITY

Present year	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from the revaluation of property, plant and equipment	Capital from share based payments	Capital from the revaluation of hedging instruments	Result from cash flow hedge	Retained earnings	**Total equity**
Equity as at 1 January 2017 (audited)	**67,534**	**23,385**	**2,890**	**3,787**	**18,592**	**1,950**	**537**	**634,340**	**753,015**
Comprehensive income for the period:	0	0	0	0	0	775	9	248,807	**249,591**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*249,057*	***249,057***
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*775*	*9*	*(250)*	***534***
Valuation of share based payments	0	0	0	0	3,400	0	0	0	**3,400**
Transfer due to depreciation/amortisation	0	0	0	(473)	0	0	0	473	**0**
Issue of shares	170	7,794	(2,890)	0	0	0	0	0	**5,074**
Payment of dividend	0	0	0	0	0	0	0	(284,699)	**(284,699)**
Settlement of a subsidiary liquidation	0	0	0	0	0	0	0	2,108	**2,108**
Equity as at 31 December 2017 (audited)	**67,704**	**31,179**	**0**	**3,314**	**21,992**	**2,725**	**546**	**601,029**	**728,489**

Previous year	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from the revaluation of property, plant and equipment	Capital from share based payments	Capital from the revaluation of hedging instruments	Result from cash flow hedge	Retained earnings	**Total equity**
Equity as at 01 January 2016 (audited)	**67,505**	**22,043**	**0**	**3,003**	**13,959**	**(699)**	**(2,070)**	**627,671**	**731,412**
Comprehensive income for the period:	0	0	0	1,343	0	2,649	2,607	176,276	**182,875**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*176,333*	***176,333***
Other comprehensive income	*0*	*0*	*0*	*1,343*	*0*	*2,649*	*2,607*	*(57)*	***6,542***
Valuation of share based payments	0	0	0	0	4,633	0	0	0	**4,633**
Transfer due to depreciation/amortisation	0	0	0	(559)	0	0	0	559	**0**
Issue of shares	29	1,342	2,890	0	0	0	0	0	**4,261**
Payment of dividend	0	0	0	0	0	0	0	(170,166)	**(170,166)**
Equity as at 31 December 2016 (audited)	**67,534**	**23,385**	**2,890**	**3,787**	**18,592**	**1,950**	**537**	**634,340**	**753,015**

COMPLEMENTARY INFORMATION AND EXPLANATIONS

1. General information

These financial statements of Grupa Kęty S.A. cover the year ended on 31 December 2017 and provide comparative data for the year ended on 31 December 2016.
Grupa Kęty S.A. is:
- a joint-stock company incorporated in Poland with its registered office in **Kęty, at ul. Kościuszki 111.**
- registered in the District Court in Kraków, XII Economic 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 was established as a result of the transformation of a state-owned company Zakłady Metali Lekkich "KĘTY" into a sole-shareholder company of the State Treasury pursuant to the notary deed dated 3 March 1992.
The Company's tax identification number (**NIP**) is **549-000-14-68.**
The Company's business statistical number **(REGON)** is **070614970.**

The Company's core business is 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). In addition, the management of a corporate group is an important activity of the Company.
The Company's lifetime is indefinite.

2. The identification of the consolidated financial statements

The Company has prepared consolidated financial statements for the year ended on 31 December 2017.
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 at 31 December 2017, comprised:

1. Dariusz Mańko – President of the Management Board/Chief Executive Officer
2. Adam Piela – Member of the Management Board/Chief Financial Officer

During the financial year and by the date of authorising these financial statements for publication, there were no membership alterations in the Company's Management Board, apart from those described below.
On 1 January 2018, the following additional members of the Management Board were appointed:
- Mr Piotr Wysocki – Member of the Management Board/ Vice-CEO
- Mr Tomasz Grela – Member of the Management Board

4. Authorising the financial statements

These financial statements were authorised for publication by the Management Board on 16 March 2018.

(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 31-12-2017	Shares in basic capital and shares in total votes as at 31-12-2016	Date of control take-over by Grupa Kęty S.A.
1.	Alupol Packaging S.A.	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 joinery	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 Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	100.00%	100.00%	09/1999
5.	Alu Trans System Sp. z o.o.	Kęty, Poland	Production	100.00%	100.00%	04/2000
6.	Metalplast-Stolarka Sp. z o.o.*	Goleszów, Poland	Production of construction joinery	0%	100.00%	07/2006
7.	Aluform Sp. z o.o.	Tychy, Poland	Manufacture of profiles	100.00%	100.00%	6/2009
8.	Grupa Kety Italia S.R.L.	Milan, Italy	Trading intermediation	100.00%	100.00%	5/2014

* on 1 September 2017, Metalplast Stolarka sp. z o.o. was merged by acquisition with Aluprof S.A. and deleted from the National Court Register.

As at 31 December 2017, 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 judgements 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 at the balance sheet date were discussed, including a significant risk of considerable correction of carrying amounts of assets and liabilities in the next financial year.

Deferred income tax asset

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

Impairment of assets

Impairment tests carried out by the Company in 2017 and 2016 under IAS 36,
in the cases of indicators of impairment, did not show the need to recognise write-downs of 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 recognised write-downs is presented in note 21. The write-down of property, plant and equipment recognised during the year is related to the individual assessment of their wear and tear and the possibility of generating positive cash flows by them.
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 recognised 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 with the application of appropriate valuation techniques. In order to select the applicable methods and assumptions, the Company is guided by a professional opinion. The method of fair value determination for individual financial instruments is specified in notes 12.11, 38 and 40.

Write-downs of 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 recognises write-downs of inventories up to the net realisable value. The information about the method of determining the value of inventories is presented in note 12.12.

Write-downs of 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 recognises a write-down of 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 24.1.

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.

Uncertainty related to tax settlements

Regulations concerning VAT tax, corporate income tax and social security contributions are subject to frequent changes. Such frequent changes result in the absence of appropriate points of reference, inconsistent interpretations and few established precedents that could be applied. Applicable regulations are also unclear, which results in different opinions as to legal interpretation of tax regulations both between government authorities and government authorities and enterprises. Tax settlements and other areas of activities (e.g. customs or foreign exchange issues) may be subject to inspections of authorities that are entitled to impose high penalties and fines, and any additional tax obligations resulting from such inspections must be paid with high interest. As a result, the tax risk in Poland is higher than in the countries where tax systems are more mature.

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

On 15 July 2016, amendments were introduced to the Polish General Tax Code to account for the provisions of the General Anti-Abuse Rule ('GAAR'). GAAR is to prevent the establishment and use of artificial legal arrangements created in order to avoid payment of tax in Poland. GAAR defines tax avoidance as an act did primarily to achieve a tax advantage contrary, in given circumstances, with the subject and purpose of the provisions of the Tax Act. According to GAAR, such act does not result in a tax advantage if the mode of operation was artificial. Any occurrence of (i) unjustified transactions sharing; (ii) the involvement of intermediaries, despite the absence of economic or business justification; (iii) elements that mutually cancel or set-off themselves, and (iv) other acts with the effects similar to the effect of the aforementioned acts, may be treated as proof of the existence of artificial activities subject to GAAR. The new regulations will call for a much more insightful judgement when assessing tax implications of individual transactions.

The GAAR clause should be applied to transactions made after its effective date and to transactions made prior to the effective date of the GAAR clause, but for which, after the effective date of the clause, the advantages have been or are still achieved. The implementation of the aforementioned regulations will enable Polish tax inspection authorities to challenge legal arrangements and agreements between taxpayers such as a group's restructuring and reorganisation.

The Company recognises and measures current and deferred income tax assets or liabilities according to IAS 12 *Income Taxes* on the basis of taxable profit (loss), the tax base, unused tax losses, unused tax credits and tax rates, taking into account the evaluation of the uncertainty related to tax settlements.
When there is uncertainty whether or not and to what extent a tax authority approves of individual tax settlements of transactions, the Company recognises such settlement taking into account the evaluation of the uncertainty.

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 assuming that the Company will continue as a going concern in the foreseeable future for the period of at least 12 months from the balance sheet date. As at the date of authorising these financial statements for publication, there are no circumstances implying that the Company will not continue as a going concern.
In order to fully understand the financial standing and the results of the operations of the Company being the Parent Company of the 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 2017. 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 2017.

7.1. Declaration of compliance

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

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

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

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

8. Changes in applied accounting policies and changes in presentations

Accounting principles (policy) applied during the preparation of these financial statements are consistent with the ones applied during the preparation of the annual financial statements of the Company for the year ended on 31 December 2016, except for those presented below. The following amendments to IFRSs have been applied in these financial statements according to their effective dates; however, they had no significant impact on presented and disclosed financial information or they did not apply to transactions concluded by the Company:

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses.*
The amendments clarify the issues related to deductible temporary differences in the case of debt instruments measured at fair value, the estimation of probable future taxable profits and whether generated profits will allow the utilisation of deductible temporary differences. The amendments apply retrospectively.

Amendments to IAS 7: *Disclosure Initiative*
The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Entities need not provide comparative information for previous periods.
The Company decided not to apply earlier any other standard, interpretation or amendment that have been issued, but are not yet effective in the light of the European Union's regulations.

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

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) – effective for annual periods beginning on or after 1 January 2018
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – according to the decision of the European Commission, the approval of the standard in its preliminary version will not be initiated prior to the release of the standard in its final version – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2016
- IFRS 15 *Revenue from Contracts with Customer*s (issued on 28 May 2014), including the amendment to IFRS 15 *Effective Date of IFRS 15* (issued on 11 September 2015) – effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture* (issued on 11 September 2014) – the works leading to the approval of these amendments have been deferred indefinitely by the EU – the effective date has been deferred by the IASB indefinitely
- IFRS 16 *Leases* (issued on 13 January 2016) – effective for annual periods beginning on or after 1 January 2019
- Amendments to IFRS 4 *The Adoption of IFRS 9 Financial Instruments with IFRS 4 Insurance Instruments* (issued on 12 September 2016) – effective for annual periods beginning on or after 1 January 2018
- Clarifications to IFRS 15 *Revenue from Contracts with Customer*s (issued on 12 April 2016) – effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) – effective for annual periods beginning on or after 1 January 2018
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* forming a part of *Annual Improvements to IFRS Standards: 2014–2016 Cycle* (issued on 8 December 2016) – effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* forming a part of *Annual Improvements to IFRS Standards: 2014–2016 Cycle* (issued on 8 December 2016) – effective for annual periods beginning on or after 1 January 2018
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2018
- Amendments to IAS 40: *Transfers of Investment Property* (issued on 8 December 2016) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2018

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2021
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued on 12 October 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019
- *Annual Improvements to IFRS Standards: 2015–2017 Cycle* (issued on 12 December 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019

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

Below, we present the information on the status of the implementation of the standards effective for annual periods beginning on or after 1 January 2018:

9.1. Adoption of IFRS 15

International Financial Reporting Standard 15 *Revenue from Contracts with Customers* ('IFRS 15') was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The new standard will supersede all current revenue recognition requirements under IFRS. The standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted.
The Company can choose to apply the standard using either a full retrospective or a modified retrospective approach, and standard's transition provisions permit certain reliefs.
The Company intends to adopt IFRS 15 from the standard effective date using the full retrospective application method.

The Company is in the business of:

a) Sales of products and services

If a contract provides for only one performance obligation, i.e. sales of a product or a service, the Company is of the opinion that the impact of the adoption of IFRS 15 on the Company's revenue recognition and profit or loss due to such contracts will not be material. The revenue recognition will occur at a specific point in time, i.e. when the customer gains control of the goods.
When assessing the impact of the adoption of IFRS 15, the Company considered the following:

i. Variable consideration

Some contracts with customers provide for variable amounts of consideration due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties.
Under IFRS 15, if the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer, and include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- Rights of return

Contracts concluded by the Company do not provide for the rights of return.

ii. Warranties

The Company provides warranties for sold product and goods. Generally, warranties provide a customer with assurance that the related product complies with agreed-upon specifications and do not constitute an additional service. As a result, the majority of existing warranties will be recognised further pursuant to IAS 37 *Provisions, contingent liabilities and contingent assets.* There are no non-standard contracts with customers providing for extended warranties.

b) Sales of a bundle of goods or services or a bundle of a few services, provided in different period

Under IFRS 15, an entity shall allocate the transaction price to each performance obligation on a relative stand-alone selling price basis. The Company does not make significant sales of Bundles (the sales of products and goods with the provision of other services).

c) Advances received from customers

The Company presents advances received from customers in 'Other non-financial liabilities'. According to the present accounting policies, the Company does not recognise interest expense on received advances.
Under IFRS 15, the Company must determine if a contract contains a significant financing component. The Company has decided to use the practical expedient, and will not adjust the promised amount of the consideration for the effects of a significant financing component, where the Company expects, at contract inception, that the period between the Company transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Company will not account for a significant financing component.

d) Information presentation and disclosure requirements

IFRS 15 introduces new requirements concerning presentation and disclosure. The Company estimates that the impact of certain such disclosures will be material.
In addition, as required by IFRS 15, the Company disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. In addition, the Company discloses sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if it applies IFRS 8 *Operating Segments.*
The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, the Company is of the opinion that the impact of the adoption of IFRS 15 should not be material.

In summary, the Company expects that the impact of the adoption of IFRS 15 will be immaterial.

9.2. Adoption of IFRS 9

In July 2014, the International Accounting Standards Board issued International Financial Reporting Standard 9 *Financial Instruments* ('IFRS 9'). IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.
The Company plans to adopt IFRS 9 on the standard effective date and will not restate comparative information.
During 2017, the Company performed a detailed assessment of the impact of the adoption of IFRS 9 on the Company's accounting policies with reference to the Company's activities or profit or loss. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when the Company adopts IFRS 9 for the first time.
Overall, the Company expects no significant impact of the adoption of IFRS 9 on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. The Company expects an increase in the loss impairment resulting in a negative impact on equity as discussed below. In addition, as a result of the adoption of IFRS 9, the classification of certain financial instruments will change.

a) Classification and measurement

The Company does not expect a significant impact on its statement of financial position and equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The Company will apply the option to present further fair value changes for shares in non-listed companies through other comprehensive income. As a result, the adoption of IFRS 9 will not have a significant impact on the Company's financial results.
Trade receivables are held to collect contractual cash flows and the Company does not sell trade receivables as part of factoring — they will continue to be measured at amortised cost through profit or loss. The Company applies the practical exemption and, in the case of trade receivables with maturities below 12 months, it does not identify significant financing components.

b) Impairment
IFRS 9 requires the entity to measure the loss allowance for expected credit losses at an amount equal to 12-month expected credit losses or the lifetime expected credit losses on the financial assets. The Company applies the simplified approach and measure the loss allowance for expected credit losses at an amount equal to lifetime expected credit losses on all trade receivables.
According to the methods of estimating the write-down of receivables applied so far, the Company has already accounted for the expected credit losses in the calculation of this write-down. As a result, the amount of the allowance determined in accordance with IFRS 9 will be similar to the amount of the write-down determined on the basis of the accounting policies applied so far.

c) Hedge accounting
As IFRS 9 does not change the Company's general principles related to hedge accounting, the adoption of IFRS 9 will not have a significant impact on the Company's financial statements.

In summary, the Company expects that the impact of the adoption of IFRS 9 will be immaterial.

9.3. Adoption of IFRS 16

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 *Leases* ('IFRS 16') which replaced IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.
IFRS 16 introduces a single accounting model for lessees under which a lessee must recognise assets and liabilities under each lease with a lease term of over 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset ('right-of-use asset') and a lease liability to make lease payments ('lease liability').
Lessees are required to separately recognise the depreciation expense on the right-of-use asset and interest expense on the lease liability.
Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
The Company is a lessee under office space rental agreements.
Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.
IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.
A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach, and standard's transition provisions permit certain reliefs.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted in the case of entities which apply IFRS 15 from or before the date of the first adoption of IFRS 16. The Company did not decide to apply IFRS 16 earlier.
As at the date of authorising these financial statements for publication, the Management Board has been performing an assessment of the impact of the adoption of IFRS 16 on the Company's accounting policies with reference to the Company's activities or profit or loss.

10. Error correction

These financial statements do not contain error corrections.

(in thousand PLN)

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 the revalued amount of property, plant and equipment are presented in note 18.9
- estimates concerning write-downs of inventories are presented in note 25
- estimates concerning write-downs of property, plant and equipment are presented in note 18
- estimates and assumptions concerning write-downs of receivables are presented in note 27
- estimates concerning employee benefits and provisions are presented in notes 24.2 and 32
- estimates concerning the share options programme are presented in note 24.1
- estimates concerning discounted cash flows applied in the calculation of the write-down of interests in subsidiaries are presented in note 21
- estimates concerning the fair value of financial derivatives are presented in note 38

12. Significant accounting principles

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

12.1. The translation of items in foreign currency

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

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

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

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

	31 December 2017	31 December 2016
USD	3.4813	4.1793
EUR	4.1709	4.4240
GBP	4.7001	5.1445

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.

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:

(in thousand PLN)

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

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

A given item of property, plant and equipment can be derecognised from the balance sheet after having been sold or in the case when no economic benefits are expected to occur as a result of 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 leases.

The Company as a lessee

Leases under which the lessor retains substantially all the risks and rewards of ownership of the leased item are operating leases. Lease payments under operating leases as well as further lease instalments are recognised in the income statement as costs with the application of the straight line method over the lease term.

The Company as a lessor

Leases under which the Company retains substantially all the risks and rewards of ownership of the leased item are operating leases. The initial direct costs incurred in the course of negotiating operating leases are added to the carrying amount of the asset being the leased item and disclosed over the entire lease term on the same basis as the rental income. Lease payments under operating leases as well as further lease instalments are recognised in the income statement as costs with the application of the straight line method over the lease term. Conditional lease payments 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 the 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 corresponds to the fair value less the costs of sale of this asset or of a cash-generating unit or its value in use, whichever is higher. This recoverable amount is determined for individual assets, unless a given asset does not individually generate cash inflows being primarily independent from those generated by other assets or asset groups. Should the carrying amount of an asset be higher than its recoverable amount, impairment occurs and a write-down up to the determined recoverable amount is recognised. For the estimation of the value in use, the projected cash flows are discounted to their present value with the application of a discount rate prior to 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 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, in the case of the cessation of the reason for the impairment, 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 leases and currency translation differences arising from borrowings up to the amount corresponding to an adjustment of interest costs.
Borrowing costs which were incurred without any specific purpose and used for the purpose of financing the acquisition or production of a qualifying asset affect the initial value of 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 borrowings that are outstanding during the period, other than loans taken specifically for the purpose of obtaining a qualifying asset.

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

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

The Company determines whether the useful life of intangible assets is 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 are changes 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 has no 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. Capitalised expenditure is amortised over the estimated period in which the related undertaking generates sales revenue.

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 starts from the period in which these 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 accounted for at historical cost less any impairment losses. Subsidiaries are entities controlled by the Company.

The Company controls a given entity when it has:

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

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

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 advance payments were 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 recognition of a 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, futures for the purchase of aluminium and IRS's to hedge interest rates of loans. 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. Hedging of the risk of interest rates of loans adjusts interest costs.

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 valued at the lower of cost and net realisable value.

The cost of each item of inventory includes all costs of purchase, costs of conversion and other costs of bringing inventories to their present location and condition, for both the present and the previous year, and they are determined as follows:

Materials	at purchase cost. The value of outgoing materials is determined on a ‘first-in/first-out’ basis.
Finished products and work in progress	cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. The value of outgoing products and semi-finished products is determined on a ‘first-in/first-out’ basis.
Trade goods	at purchase cost. The value of outgoing trade goods is determined on a ‘first-in/first-out’ basis.

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

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

12.14. 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 payables

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

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

The Company excludes a financial liability from its balance sheet when the liability expires, i.e. when the obligation set forth in the contract is satisfied, cancelled or expired. The replacement of the existing debt instrument by an instrument with substantially different terms and conditions between the same entities is recognised by the Company as the expiration of the original financial liability and the recognition of a new 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 payables to the tax office, income tax advances on remunerations, payables to 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 recognised 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 Polish Labour Code in the amount of one-month remuneration payable on the date of becoming entitled to such benefits. The Company recognises 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. Service costs comprise current service costs, past-service costs. Net interest cost on net defined benefit liability is recognised in finance costs.

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 ('equity-settled transactions').

12.22.1 *Equity-settled transactions*

The cost of equity-settled transactions with the employees is measured by reference to fair value as of the date of granting rights. The fair value is determined by an independent actuary on the basis of the binominal model further discussed in note 24.1. The valuation of equity-settled transactions takes into account market vesting conditions (related to the price of the Company's shares). The costs of equity-settled transactions are recognised together with the corresponding increase in equity in the period when the conditions concerning the effectiveness/results and/or the provision of work or services were met, ending on the date when particular employees become fully vested with given benefits ('vesting date'). 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 equity-settled transactions as at each balance sheet date until the vesting date reflects the lapse of the vesting period 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 equity-settled awards, in order to comply with the minimum requirements, the costs are recognised as if the conditions have not been modified. Furthermore, the costs related to each increase in the transaction value as a result of the modification are recognised at the date of the change.

In the event of cancelling the equity-settled award, it is treated as if it was qualified on the cancellation date and all the award related costs not yet recognised are immediately recognised. It also refers to awards for which the conditions other than the vesting conditions subject to the Company'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.

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

The diluting impact of issued options is considered when determining earnings per share as an additional dilution of shares.

12.23. Revenue

Revenue is recognised in the amount equal to the economic benefits which the Company is likely to generate 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 *Sales 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 method constituting the discount rate for future cash flows throughout the estimated useful life of financial instruments) with regard to the net carrying amount of a given financial asset.

12.23.3 *Dividends*

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

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

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 *Other operating income and operating costs*

They include gains/losses on the disposal of property, plant and equipment, recognition or reversal of write-downs and gains/losses on the disposal of subsidiaries.

12.23.6 *Government grants*

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

If a given grant is related to a cost item, then it is recognised as revenue proportionally to the costs the grant is intended to compensate for. If the grant 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 income 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 tax*

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

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

(in thousand PLN)

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

The Company sets off deferred income tax assets against deferred income tax liabilities only and exclusively when it has an enforceable legal title to set off the receivables against liabilities due to the current tax and 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; and
- for 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.

12.25. Net earnings per share

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

13. Information on operating segments

The Company has two internally-separated operating segments, i.e. the Extruded Products Segment and other activities (‘Other’) including central functions in the Group. Due to the fact that the Company’s financial statements are published simultaneously with the consolidated financial statements, the Company, pursuant to IFRS 8 item 4, presents segment information only in the consolidated financial statements.

14. Revenue and costs

14.1. Sales revenue

Sales by territories	**01.01.2017 - 31.12.2017** (audited)	**01.01.2016 - 31.12.2016** (audited)
Poland, including:	**625,337**	**542,151**
to related parties	255,925	207,978
EU, excluding Poland, including:	**367,837**	**307,956**
to related parties	2,436	381
Other European countries, including:	**15,407**	**11,907**
to related parties	3,408	3,209
Other countries	**11,524**	**10,911**
Total sales	**1,020,105**	**872,925**
Sales to related parties	**261,769**	**211,568**

The sale in the table above is recognised for the country of the counterparty being a party to a sale transaction. Significant concentration of sales is recorded in the case of the sales to a subsidiary Aluprof S.A. and is at the level of ca. 23.63% of total sales value.

(in thousand PLN)

Sales by items	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Products, including:	**984,320**	**837,961**
to related parties	241,563	192,493
Services, including:	**26,533**	**25,513**
to related parties	19,364	18,839
Trade goods and materials, including:	**9,252**	**9,451**
to related parties	842	236
Total sales	**1,020,105**	**872,925**
Sales to related parties	261,769	211,568

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

14.2. Other operating income

	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Write-downs of receivables	68	5,983
Write-downs of inventories	691	0
Reversed provisions	981	0
Gains from the disposal of property, plant and equipment	39	51
Grants	1,020	1,073
Fines and damages	398	312
Surplus inventory	1	47
Past due liabilities	185	24
Free deliveries	252	405
VAT refund from abroad	4	5
Payer's remuneration	31	25
Other	124	169
TOTAL	**3,794**	**8,094**

14.3. Dividends

Paying entity	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Aluprof S.A.	120,006	85,000
Alupol Packaging S.A.	74,463	60,000
Aluform sp. z o.o.	17,053	9,363
Dekret Centrum Rachunkowe sp. z o.o.	144	150
TOTAL	**211,666**	**154,513**

(in thousand PLN)

14.4. Other operating costs

	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Write-down of property, plant and equipment	(936)	(1,261)
Write-down of inventories	0	(498)
Write-down of receivables	0	(57)
Write-down of interests in subsidiaries	(85)	(13,815)
Provisions for costs of damages	(41)	(4,644)
Promotion and publicity	(1,401)	(2,104)
Business trips	(810)	(902)
Property damage	(60)	(140)
Retirement of property, plant and equipment	(89)	(382)
Inventory shortages	(14)	(45)
Cancelled receivables	(5)	(15)
Fines and damages	(48)	(59)
Donations	(268)	(314)
Court costs related to lawsuits for the payment of receivables	(9)	(9)
Membership fees	(22)	(28)
Scholarships	(2)	(2)
Revaluation of energy-related assets	0	(655)
Other	(303)	(64)
TOTAL	**(4,093)**	**(24,994)**

14.5. Finance income

	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Interest	226	773
Surplus of currency translation gains over currency translation losses	3,438	834
Other	2	9
TOTAL	**3,666**	**1,616**

14.6. Finance costs

	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Interest on borrowed loans	(1,760)	(1,859)
Interest on provisions for employee benefits	(57)	(47)
Other interest	(88)	(17)
Paid commissions	(503)	(220)
TOTAL	**(2,408)**	**(2,143)**

(in thousand PLN)

14.7. Costs of employee benefits

	01.01.2017 - 31.12.2017 (audited)	**01.01.2016 - 31.12.2016** (audited)
Remunerations	(84,540)	(79,447)
Social security contributions	(16,696)	(14,369)
Other benefits for employees	(9,300)	(10,045)
Costs of the share-based payment programme	(1,930)	(2,871)
TOTAL	**(112,466)**	**(106,732)**

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

	01.01.2017 - 31.12.2017 (audited)	**01.01.2016 - 31.12.2016** (audited)
Consumption of materials	(659,086)	(517,028)
Energy consumption	(29,736)	(30,130)
Value of resold materials and goods	(9,024)	(8,661)
Result from hedging transactions	8,878	370
Costs of materials and energy	**(688,968)**	**(555,449)**

15. Income tax expense

Main components of income tax expense are as follows:

Income tax structure	**01.01.2017 - 31.12.2017** (audited)	**01.01.2016 - 31.12.2016** (audited)
Current income tax recognised in the income statement	(5,753)	(6,417)
Deferred tax	(3,879)	(3,506)
Income tax recognised in the income statement	**(9,632)**	**(9,923)**

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	**%**	**01.01.2017 - 31.12.2017** (audited)	**%**	**01.01.2016- 31.12.2016 (audited)**
Gross financial result		**258,689**		**186,256**
Tax at the national rate of 19%	19%	(49,151)	19%	(35,389)
Dividends and shares of profits	-15.5%	40,217	-16%	29,358
Impact of other tax-exempt revenue and non-tax costs	0.2%	(698)	2%	(3,892)
Income tax expense recognised in the income statement	**3.7%**	**(9,632)**	**5%**	**(9,923)**

(in thousand PLN)

15.1. Deferred income tax

	As at 01.01.2017	Impact on result	Impact on other comprehensive income	As at 31.12.2017
Employee benefits (remunerations)	479	30	0	509
Provisions for employee benefits	2,453	(227)	59	2,285
Other provisions and accruals	270	(54)	0	216
Write-downs of receivables	811	60	0	871
Write-downs of inventories	846	(140)	0	706
Write-downs of property, plant and equipment	492	133	0	625
Currency translation differences from the valuation of items in foreign currencies	97	146	0	243
Tax loss	3,056	(3,056)	0	0
Valuation of hedging transactions	39	0	315	354
Result from hedging transactions	102	(102)	104	104
Interest on loans	33	16	0	49
Sales adjustments	445	29	0	474
Difference between the carrying amount and the tax value of property, plant and equipment	(25,871)	(662)	0	(26,533)
Currency translation differences from the valuation of items in foreign currencies	(256)	(102)	0	(358)
Valuation of hedging transactions	(495)	0	(498)	(993)
Costs adjustments	(30)	12	0	(18)
Energy certificates of origin	(38)	38	0	0
TOTAL DEFERRED INCOME TAX	**(17,567)**	**(3,879)**	**(20)**	**(21,465)**

	As at 01.01.2016	Impact on result	Impact on other comprehensive income	As at 31.12.2016
Employee benefits (remunerations)	432	47	0	479
Provisions for employee benefits	1,629	811	13	2,453
Other provisions and accruals	317	(47)	0	270
Write-downs of receivables	1,928	(1,117)	0	811
Write-downs of inventories	801	45	0	846
Write-downs of property, plant and equipment	318	174	0	492
Currency translation differences from the valuation of items in foreign currencies	241	(144)	0	97
Tax loss	6,252	(3,196)	0	3,056
Valuation of hedging transactions	426	0	(387)	39
Result from hedging transactions	0	0	102	102
Interest on loans	44	(11)	0	33
Outstanding liabilities	137	(137)	0	0
Sales adjustments	421	24	0	445
Difference between the carrying amount and the tax value of property, plant and equipment	(25,159)	(397)	(315)	(25,871)
Currency translation differences from the revaluation of items in foreign currencies	(318)	62	0	(256)
Valuation of hedging transactions	(261)	0	(234)	(495)

(in thousand PLN)

Costs adjustments	(448)	418	0	30)
Energy certificates of origin	0	(38)	0	(38)
TOTAL DEFERRED INCOME TAX	**(13,240)**	**(3,506)**	**(821)**	**(17,567)**

According to the Company's estimates, out of the above items, deferred income tax liability related to property, plant and equipment amounting to 26,445 thousand PLN (previous year: 25,870 thousand PLN); and a part of deferred income tax asset in the item 'Provisions' amounting to 330 thousand PLN (previous year: 285 thousand PLN) are of long-term nature. The remaining part of the item 'Provisions' is of short-term nature. Also deferred income tax assets on write-downs of receivables amounting to 871 thousand PLN (previous year: 811 thousand PLN) are of long-term nature. Other items are of short-term nature. On 31 December 2017, the total amount of deductible temporary differences associated with investments in subsidiaries, for which deferred income tax asset was not recognised, amounted to PLN 6,988 thousand (previous year: 20,728 thousand PLN), cf. note 21.

	2017 (audited)	**2016** (audited)
Assets (liability) as at 01.01.2017 / 01.01.2016	**(17,567)**	**(13,240)**
Change in the asset (liability) due to the valuation of derivative financial instruments charged to other comprehensive income	(182)	(621)
Assets due to exercised forwards and futures charged to other comprehensive income	104	102
Deferred income tax on actuarial gains/losses	59	13
Change in liability due to the revaluation of energy-related assets charged to other comprehensive income	0	(315)
Deferred income tax charged to profit or loss	(3,879)	(3,506)
Assets (liability) as at 31.12.2017 / 31.12.2016	**(21,465)**	**(17,567)**

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:

	01.01.2017 - 31.12.2017 (audited)	**01.01.2016 - 31.12.2016** (audited)
Net profit	**249,057**	**176,333**
Weighted average number of ordinary shares assumed for the calculation of basic earnings per share	9,494,626	9,453,332
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share	9,549,383	9,470,926
Earnings per share in PLN	26.23	18.65
Diluted earnings per share in PLN	26.08	18.62

In 2017, eligible persons became entitled to subscribe for 59,000 shares from the third part of 2012 programme.

Exercising the rights to subscribe for shares in 2017, eligible persons acquired, at 117.10 PLN per share:

-11,604 shares from the first part of the 2012 programme;

-9,220 shares from the second part of the 2012 programme, and

-22,500 shares from the third part of the 2012 programme.

In addition, 7,500 shares from the third part of the 2012 programme were not subscribed for and the right to subscribe for them expired.

In 2016, eligible persons acquired the rights to subscribe for 49,150 shares from the second part of the 2012 programme for 117.10 PLN (until 31.12.2016, 24,683 shares were subscribed for from this part).

(in thousand PLN)

In addition, during 2016, the eligible persons subscribed for: 11,705 shares at 117.10 PLN from the first part of the 2012 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 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 2017 was 409.51 PLN (2016: 356.62 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 54,757 shares (previous year: 17,594 shares).

17. Dividends paid and proposed for payment

	Year ended on 31 December 2017	Year ended on 31 December 2016
Dividend from ordinary shares declared for the previous year and paid in the period:	284,699	170,166
TOTAL	**284,699**	**170,166**

In 2017, the Company paid dividend amounting to 284,699 thousand PLN (30.00 PLN per share). In 2016, the Company paid dividend amounting to 170,166 thousand PLN (18.00 PLN per share).

The Management Board intends to allocate ca. 190,000 thousand PLN from the profit for the year ended on 31.12.2017 amounting to 249,056,966.23 PLN for the payment of dividend. As recommended by the Management Board, the dividend is to amount to ca. 80% of the Group's consolidated profit, which amounted to ca. 237 million PLN.

Therefore, as intended by the Management Board, the dividend per share is to amount to ca. 20.00 PLN for assumed 9.521.700 shares (previous year: 30.00 PLN per share).

18. Property, plant and equipment

	31.12.2017 (audited)	**31.12.2016** (audited)
Gross value of property, plant and equipment	**649,901**	**587,250**
Land	8,293	8,293
Buildings and structures	156,613	152,413
Plant and machinery	324,492	314,007
Energy-related assets	13,726	14,015
Means of transport	10,115	7,873
Other property, plant and equipment	98,787	83,045
Property, plant and equipment under construction	37,875	7,604
Accumulated depreciation of property, plant and equipment	**264,234**	**233,476**
Buildings and structures	34,361	31,126
Plant and machinery	144,387	129,804
Energy-related assets	7,457	6,547
Means of transport	4,270	4,180
Other property, plant and equipment	73,759	61,819
Write-downs of property, plant and equipment	**3,285**	**2,588**
Buildings and structures	1,914	1,914
Plant and machinery	896	441
Energy-related assets	13	13
Means of transport	0	5
Other property, plant and equipment	462	215

(in thousand PLN)

Net value of property, plant and equipment	**382,382**	**351,186**
Land	8,293	8,293
Buildings and structures	120,338	119,373
Plant and machinery	179,209	183,762
Energy-related assets	6,256	7,455
Means of transport	5,845	3,688
Other property, plant and equipment	24,566	21,011
Property, plant and equipment under construction	37,875	7,604

	01.01.2017	Increases	Sales	Retirements	Shifts	As at 31.12.2017
Gross value of property, plant and equipment	**587,250**	**69,340**	**(949)**	**(5,740)**	**0**	**649,901**
Land	8,293	0	0	0	0	8,293
Buildings and structures	152,413	0	0	(117)	4,317	156,613
Plant and machinery	314,007	0	0	(2,147)	12,632	324,492
Energy-related assets	14,015	0	0	(303)	14	13,726
Means of transport	7,873	0	(949)	(65)	3,256	10,115
Other property, plant and equipment	83,045	0	0	(3,108)	18,850	98,787
Property, plant and equipment under construction	7,604	69,340	0	0	(39,069)	37,875
Accumulated depreciation of property, plant and equipment	**233,476**	**36,969**	**(815)**	**(5,396)**	**0**	**264,234**
Buildings and structures	31,126	3,264	0	(29)	0	34,361
Plant and machinery	129,804	16,693	0	(2,110)	0	144,387
Energy-related assets	6,547	1,213	0	(303)	0	7,457
Means of transport	4,180	905	(815)	0	0	4,270
Other property, plant and equipment	61,819	14,894	0	(2,954)	0	73,759
Write-downs of property, plant and equipment	**2,588**	**936**	**0**	**(239)**	**0**	**3,285**
Buildings and structures	1,914	0	0	0	0	1,914
Plant and machinery	441	473	0	(18)	0	896
Energy-related assets	13	0	0	0	0	13
Means of transport	5	0	0	(5)	0	0
Other property, plant and equipment	215	463	0	(216)	0	462
Net value of property, plant and equipment	**351,186**	**31,435**	**(134)**	**(105)**	**0**	**382,382**
Land	8,293	0	0	0	0	8,293
Buildings and structures	119,373	(3,264)	0	(88)	4,317	120,338
Plant and machinery	183,762	(17,166)	0	(19)	12,632	179,209
Energy-related assets	7,455	(1,213)	0	0	14	6,256
Means of transport	3,688	(905)	(134)	(60)	3,256	5,845
Other property, plant and equipment	21,011	(15,357)	0	62	18,850	24,566
Property, plant and equipment under construction	7,604	69,340	0	0	(39,069)	37,875

(in thousand PLN)

	01.01.2016	Increases	Sales	Retirements	Shifts	As at 31.12.2016
Gross value of property, plant and equipment	**555,535**	**37,419**	**(306)**	**(5,398)**	**0**	**587,250**
Land	8,293	0	0	0	0	8,293
Buildings and structures	146,460	0	0	0	5,953	152,413
Plant and machinery	303,396	0	(95)	(758)	11,464	314,007
Energy-related assets	12,145	1,002	0	(18)	886	14,015
Means of transport	6,936	0	(211)	(12)	1,160	7,873
Other property, plant and equipment	73,408	0	0	(4,610)	14,247	83,045
Property, plant and equipment under construction	4,897	36,417	0	0	(33,710)	7,604
Accumulated depreciation of property, plant and equipment	**204,985**	**33,747**	**(240)**	**(5,016)**	**0**	**233,476**
Buildings and structures	28,427	2,699	0	0	0	31,126
Plant and machinery	114,500	16,089	(42)	(743)	0	129,804
Energy-related assets	5,725	837	0	(15)	0	6,547
Means of transport	3,363	1,027	(198)	(12)	0	4,180
Other property, plant and equipment	52,970	13,095	0	(4,246)	0	61,819
Write-downs of property, plant and equipment	**1,674**	**1,260**	**0**	**(346)**	**0**	**2,588**
Buildings and structures	887	1,027	0	0	0	1,914
Plant and machinery	427	18	0	(4)	0	441
Energy-related assets	13	0	0	0	0	13
Means of transport	5	0	0	0	0	5
Other property, plant and equipment	342	215	0	(342)	0	215
Net value of property, plant and equipment	**348,876**	**2,412**	**(66)**	**(36)**	**0**	**351,186**
Land	8,293	0	0	0	0	8,293
Buildings and structures	117,146	(3,726)	0	0	5,953	119,373
Plant and machinery	188,469	(16,107)	0	(64)	11,464	183,762
Energy-related assets	6,407	165	0	(3)	886	7,455
Means of transport	3,568	(1,027)	(66)	53	1,160	3,688
Other property, plant and equipment	20,096	(13,310)	0	(22)	14,247	21,011
Property, plant and equipment under construction	4,897	36,417	0	0	(33,710)	7,604

18.1. Depreciation of property, plant and equipment

All property, plant and equipment are subject to depreciation, except for property, plant and equipments under construction.
All depreciation charges for property, plant and equipment are recognised in full in 'Depreciation/Amortisation' item of operating costs in the income statement.

18.2. Changes of estimates concerning useful lives

In the presented periods, the Company did not change useful lives of property, plant and equipment. Write-downs and retirements of property, plant and equipment resulted directly from faster-than-expected wear and tear of property, plant and equipment when compared to their useful lives.

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

As at 31 December 2017, 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 7,156 thousand PLN (last year: property, plant and equipment representing the group of land with the

value of 252 thousand PLN and property, plant and equipment representing the group of buildings and structures with the value of 8,397 thousand PLN) constituted the collateral for the loan borrowed from BNP Paribas.
The information about loans collateralised with property, plant and equipment is available in note 30.
On 31.12.2017, there were no property, plant and equipment which, under agreements on investment project funding from the European Union, the Company was not allowed to dispose of. On 31.12.2016, the value of such property, plant and equipment amounted to 73,768 thousand PLN, including:

- buildings and structures with the value of: 34,085 thousand PLN;
- plant and machinery with the value of: 38,177 thousand PLN;
- means of transport with the value of: 114 thousand PLN;
- other property, plant and equipment with the value of: 1,392 thousand PLN.

The information about received grants for property, plant and equipment is presented in note 31.

18.4. Capitalisation of finance costs

In 2017, the Company capitalised interest amounting to 226 thousand PLN related to the financing of the purchase of property, plant and equipment (in the previous year, the Company did not capitalise interest related to the financing of the acquisition of property, plant and equipment).

18.5. 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 69,593 thousand PLN (31 December 2016: 10,505 thousand PLN).
At the end of 2017, the most significant items of the said liabilities were related to the purchase of two new profile extrusion presses and the construction of related necessary infrastructure. At the end of 2016, the most significant items of the said liabilities were related to the purchase and conversion of aluminium machining machines.

18.6. Impairment losses

In 2017 and in 2016, the Company did not carry out impairment tests as there were no indicators of impairment.

On the basis of an individual assessment of the usefulness of property, plant and equipment, in 2017, the Company recognised write-downs amounting to 936 thousand PLN and reversed write-downs amounting to 239 thousand PLN (previous year: recognition of write-downs amounting to 1,261 thousand PLN and reversal amounting to 345 thousand PLN).

18.7. Property, plant and equipment used under finance leases

As at 31 December 2017 and 31 December 2016, the Company did not use any property, plant and equipment under any finance leases.

18.8. 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 31.12.2017 amounts to 358,898.5 m^2 (previous year: 358,898.5 m^2). In 2017, annual fees for the right of perpetual usufruct of land amounted to 189 thousand PLN (189 thousand PLN in 2016) . 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 2017 to 231 thousand PLN (2016: 226 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.

18.9. 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. Earlier, the Company had valued the said assets at cost. 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 appraiser and is classified in the fair value hierarchy at level 3.

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.

On 1 January 2016, the Company performed another revaluation of energy-related assets. As a result of the valuation, the Company charged 1,658 thousand PLN to the revaluation reserve accounting for an increase in the fair value of energy-related assets, at the same time recognising a deferred income tax liability of 315 thousand PLN decreasing the reserve. In addition, the Company charged 655 thousand PLN to other operating costs accounting for a decrease in the fair value of energy-related assets.

Pursuant to the Polish 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.

Fair value of energy-related assets is monitored on an ongoing basis and, in the opinion of the Management Board, the accounting policy, according to which the revaluation of these assets is carried out every 5 years, presents the value of these assets reliably.

The next valuation of energy-related assets is scheduled on 1 January 2021.

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 1,321 thousand PLN (31 December of the previous year: 2,011 thousand PLN).

19. Leases

19.1. Finance lease

The Company is not a party to any finance leases.

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

In 2017, the Company incurred the costs of renting office space in Bielsko-Biała from its subsidiary Aluprof S.A. amounting to 516 thousand PLN (previous year: 398 thousand PLN). Other rental and lease costs amounting to 464 thousand PLN (2016: 731 thousand PLN) are related to occasional rental of machines and storage rooms.

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 2017, the Company's income from rental and lease agreements amounted to 444 thousand PLN (previous year: 284 thousand PLN). Operating leases 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's notice of termination.

(in thousand PLN)

20. Intangible assets

	31.12.2017 (audited)	31.12.2016 (audited)
Gross value of intangible assets	**26,940**	**25,814**
Development costs	3,744	3,630
Computer software	22,368	20,350
Intangible assets not put into use	828	1,834
Accumulated amortisation and write-downs of intangible assets	**20,509**	**18,505**
Development costs	3,373	3,088
Computer software	17,136	15,417
Write-downs	**0**	**0**
Computer software	0	0
Net value of intangible assets	**6,431**	**7,309**
Development costs	371	542
Computer software	5,232	4,933
Intangible assets not put into use	828	1,834

Movement	01.01.2017	Increases	Retirements	Shifts	As at 31.12.2017
Gross value of intangible assets	**25,814**	**1,126**	**0**	**0**	**26,940**
Development costs	3,630	0	0	114	3,744
Computer software	20,350	0	0	2,018	22,368
Intangible assets not put into use	1,834	1,126	0	(2,132)	828
Accumulated amortisation of intangible assets	**18,505**	**2,004**	**0**	**0**	**20,509**
Development costs	3,088	285	0	0	3,373
Computer software	15,417	1,719	0	0	17,136
Write-downs	**0**	**0**	**0**	**0**	**0**
Computer software	0	0	0	0	0
Net value of intangible assets	**7,309**	**(878)**	**0**	**0**	**6,431**
Development costs	542	(285)	0	114	371
Computer software	4,933	(1,719)	0	2,018	5,232
Intangible assets not put into use	1,834	1,126	0	(2,132)	828

Movement	01.01.2016	Increases	Retirements	Shifts	As at 31.12.2016
Gross value of intangible assets	**23,855**	**2,759**	**(800)**	**0**	**25,814**
Development costs	3,628	0	0	2	3,630
Computer software	18,992	0	(800)	2,158	20,350
Intangible assets not put into use	1,235	2,759	0	(2,160)	1,834
Accumulated amortisation of intangible assets	**17,539**	**1,768**	**(800)**	**(2)**	**18,505**
Development costs	2,785	303	0	0	3,088
Computer software	14,754	1,465	(800)	(2)	15,417
Write-downs	**16**	**0**	**(16)**	**0**	**0**
Computer software	16	0	(16)	0	0
Net value of intangible assets	**6,300**	**991**	**16**	**2**	**7,309**
Development costs	843	(303)	0	2	542
Computer software	4,222	(1,465)	16	2,160	4,933
Intangible assets not put into use	1,235	2,759	0	(2,160)	1,834

(in thousand PLN)

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.

Contractual liabilities

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

Significant intangible assets

Intangible assets comprise primarily the computer software purchased.

There are no significant intangible assets.

Impairment losses

In 2017 and in 2016, the Company did not carry out impairment tests as there were no indicators of impairment. In 2017 and in 2016, the Company did not recognise and did not reverse write-downs of intangible assets.

Restricted disposal

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

The information about received grants for property, plant and equipment is presented in note 31.

21. Other investments – interests and shares

	31.12.2017 (audited)	**31.12.2016** (audited)
Gross value of long-term investments, including:	**374,976**	**388,717**
Interests or shares in subsidiaries	374,136	387,877
Interests or shares in other entities	840	840
Write-down of long-term investments, including:	**6,998**	**20,728**
Interests or shares in subsidiaries	6,158	19,888
Interests or shares in other entities	840	840
Net value of long-term investments, including:	**367,978**	**367,989**
Interests or shares in subsidiaries	367,978	367,989
Interests or shares in other entities	0	0

Investments in subsidiaries by carrying amounts

Company name	**31.12.2017** (audited)	**31.12.2016** (audited)
Alupol Packaging S.A., Tychy	178,500	177,876
Aluprof S.A., Bielsko-Biała	149,400	148,654
Alutech sp. z o.o. w likwidacji, Kęty*	0	1,395
Dekret Centrum Rachunkowe sp. z o.o., Kęty	724	559
Alu Trans System sp. z o.o., Kęty	827	912
Metalplast-Stolarka sp. z o.o., Goleszów**	0	66
Aluform sp. z o.o., Tychy	38,485	38,485
Grupa Kety Italia s.r.l., Italy	42	42
TOTAL	**367 978**	**367,989**

* In December 2017, the liquidation of Alutech Sp. z o.o. was completed; as a result of the liquidation, the Company received 3,504 thousand PLN of cash due to the distribution of this company's assets

(in thousand PLN)

** In September 2017, Metalplast Stolarka sp. z o.o. was acquired (merger by acquisition) by Aluprof S.A. As a result, the value of investments in Metalplast-Stolarka sp. z o.o. was relocated to Aluprof S.A.

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 shares and interests in subsidiaries increased by 1,337 thousand PLN (previous year: 1,762 thousand PLN). More information about the share options programme is presented in note 24.1.

As at 31.12.2017 and 31.12.2016, shares and interests in subsidiaries were not securities for the Company's liabilities. There were no reasons to recognise write-downs of investments in subsidiaries, apart from those described above.

Write-downs of interests in subsidiaries	**31.12.2017** (audited)	**31.12.2016** (audited)
Metalplast-Stolarka sp. z o.o.**	0	13,815
Alu Trans System sp. z o.o., Kęty*	6,158	6,073
TOTAL WRITE-DOWNS OF SUBSIDIARIES	**6,158**	**19,888**

*Alu Trans System sp. z o.o. does not carry out any business activities and the company's net assets as at the balance sheet date amount to 823 thousand PLN.

** In September 2017, Metalplast Stolarka sp. z o.o. was acquired (merger by acquisition) by Aluprof S.A.

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

In 2017 and 2016, the Company did not acquire other entities and did not make any changes in the organisational structure.

23. Advance payments for property, plant and equipment

Other receivables amounting to 25,424 thousand PLN (previous year: 2,174 thousand PLN) include advance payments for property, plant and equipment under construction.

24. Employee benefits

24.1. Employee shares programmes

The Company, within the Group, has been implementing the following options programmes for the management staff.
Each programme is divided into three parts. Vesting periods for 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 programme, 2017 part	2015 programme, 2016 part	2015 programme, 2015 part	2012 programme, 2014 part	2012 programme, 2013 part	2012 programme, 2012 part
Number of share options in the programme	60,000	60,000	60,000	61,500	61,500	61,500
No. of shares in sub-part A	9,000	9,000	9,000	9,225	9,225	9,225
No. of shares in sub-part B	15,000	15,000	15,000	15,375	15,375	15,375
No. of shares in sub-part C	18,000	18,000	18,000	18,450	18,450	18,450
No. of shares in sub-part D	18,000	18,000	18,000	18,450	18,450	18,450
Sub-part A - return on shares	=WIG	=WIG	=WIG	=WIG	=WIG	=WIG
Sub-part B - return on shares	WIG+15%	WIG+15%	WIG+15%	WIG+9%	WIG+9%	WIG+9%
Sub-part C – EBITDA increase	29%-33%	29%-33%	29%-33%	36%-52%	36%-52%	36%-52%
Sub-part D – net earnings increase	39%-44%	39%-44%	39%-44%	45%-64%	45%-64%	45%-64%

Three-year employment period in the 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 Group in the second year following the launch year of a given part and consolidated EBITDA per share attained by the 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 Group in the second year following the launch year of a given part and consolidated net earnings per share attained by the 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 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 programme, 2016 part	2015 programme, 2016 part	2015 programme, 2015 part	2012 programme, 2014 part	2012 programme, 2013 part	2012 programme, 2012 part
Date of granting options	19 September 2017	19 September 2016	11 September 2015	8 September 2014	8 September 2013	24 September 2012
Expected dividends	135 PLN	114.05 PLN	69.53 PLN	30 PLN	15 PLN	15 PLN
Assumed volatility index for the underlying instrument (WIG)	15%	16%	16%	21%	23%	25%

Volatility index for the Entity's rates of return (%)	27%	28%	28%	31%	32%	35%
Risk-free interest rate (%)	2.80%	2.30%	2.50%	2.30%	3.71%	4.30%
Expected period of options validity (in months)	68 months	68 months	68 months	68 months	68 months	68 months
Weighted average share price (PLN)	306.10	306.10	306.10	117.10	117.10	117.10
Programme fair values at launch date in '000' PLN	**3,435**	**6,017**	**3,272**	**6,432**	**2,837**	**1,285**
Parameter A accomplishment	YES*	YES*	YES*	YES	YES	YES
Parameter B base	YES*	YES*	YES*	YES	YES	YES
Parameter C accomplishment	0%*	0%*	100%	100%	65.625%	6.875%
Parameter D base	0%*	0%*	54%*	100%	100%	1.578%

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

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

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

The Company recognises the programme costs proportionally to the vesting period for options granted to the Company's employees.

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

Options costs in the period	**2017**	**2016**
Second part of the 2012 programme	0	352
Third part of the 2012 programme	921	2,020
First part of the 2015 programme	578	402
Second part of the 2015 programme	360	97
Third part of the 2015 programme	71	0
Total options costs in the period	**1,930**	**2,871**

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)	**2017**	**2016**
Aluprof S.A.	4,538	3,104
Alupol Packaging S.A.	3,013	2,389
Dekret Centrum Rachunkowe sp. z o.o.	543	378
Metalplast-Stolarka sp. z o.o.*	0	752
Alutech sp. z o.o. w likwidacji	0	134
Liquidated companies**	225	91
Total	**8,319**	**6,757**

*Due to the acquisition in 2017 of Metalplast-Stolarka sp. z o.o. by Aluprof S.A., the amount of 752 thousand PLN allocated to Metalplast-Stolarka sp. z o.o. was allocated to Aluprof S.A..

**The amount of 91 thousand PLN allocated in previous years to Metalplast Karo sp. z o.o. and the amount of 134 thousand PLN allocated to Alutech sp. z o .o., due to the completion of the liquidation of these companies, were charged to profit or loss.

(in thousand PLN)

Future costs of options are as follows:

Future costs of options	**2018**	**2019**	**2020**
First part of the 2015 programme	335	0	0
Second part of the 2015 programme	360	270	0
Third part of the 2015 programme	227	227	170
Total	**922**	**497**	**170**

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

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

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

As at 31-12-2017	**First part of the 2012 programme**	**Second part of the 2012 programme**	**Third part of the 2012 programme**	**First part of the 2015 programme**	**Second part of the 2015 programme**	**Third part of the 2015 programme**
Number of granted options	61,500	61,500	61,500	60,000	60,000	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	6,700	2,500	3,000	2,000	0
Number of options which do not meet non-market parameters: C and D	35,340	6,341	0	8,280	36,000	36,000
Number of options assumed for valuation	26,160	48,459	59,000	48,720	22,000	24,000
Programme launch date	24 September 2012	24 September 2013	8 September 2014	11 September 2015	19 September 2016	19 September 2017
Date of acquiring rights to options	23 September 2015	23 September 2016	8 September 2017	10 September 2018	18 September 2019	18 September 2020
Programme termination date	30 September 2018	30 September 2019	30 September 2020	30 September 2021	30 September 2022	30 September 2023
Total programme period	36 months	36 months	36 months	36 months	36 months	36 months
The remaining vesting period	Period ended	Period ended	9 months	21 months	33 months	33 months
Option exercise price	117.10 PLN per share	117.10 PLN per share	117.10 PLN per share	306.10 PLN per share	306.10 PLN per share	306.10 PLN per share

24.2. Long-term employee benefits

Long-term provision for employee benefits	**31.12.2017** (audited)	**31.12.2016** (audited)
As at 01.01.2017/01.01.2016	**1,500**	**1,459**
Increases	237	41
Decreases	0	0
As at 31.12.2017/31.12.2016	**1,737**	**1,500**

(in thousand PLN)

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 Corporate Collective Bargaining Agreement (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*

	2017	**2016**
Discount rate as at 31 December	3.24%	3.59%

Assumptions concerning the increase in future remunerations as at 31 December 2017:
5% − an increase in the bases of retirement benefits in 2018
4% − an increase in the bases of retirement benefits in 2019
3% – an increase in the bases of retirement and disability benefits in the remaining years
The average age of the Company's employees is 41 years: 42 years for employees with contracts of employment for an indefinite period of time and 38 years for employees with contracts of employment for a definite period of time.
The projected employee turnover rate:
- for the average age of employees with non-fixed-term contracts of employment – 1.80%;
- for the average age of employees with fixed-term contracts of employment – 5.80%.

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

Assumptions concerning the increase in future remunerations as at 31 December 2016:
2.5% − an increase in the bases of retirement benefits in 2017-2020
2.5% – an increase in the bases of retirement and disability benefits in the remaining years
The average age of the Company's employees is 41 years: 42 years for employees with contracts of employment for an indefinite period of time and 38 years for employees with contracts of employment for a definite period of time.
The projected employee turnover rate:
- for the average age of employees with non-fixed-term contracts of employment – 1.50%;
- for the average age of employees with fixed-term contracts of employment – 3.80%.

In both employee groups, the turnover rate declines with age to zero.
The provisions for retirement benefits, disability benefits and death in service benefits were calculated using an individual method, for each employee separately. The provision is calculated on the basis of the present value of the Company's future long-term liabilities due to retirement benefits, disability benefits and death in service 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.

(in thousand PLN)

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:

2017	**Retirement benefits**	**Disability benefits**	**Death in service benefits**	**Total**
01.01.2017	**1,772**	**70**	**31**	**1,873**
Current service cost	95	12	6	**113**
Interest cost	54	2	1	**57**
Actuarial (gains)/losses charged to other comprehensive income	300	2	7	**309**
(Payments)	(227)	(4)	(9)	**(240)**
As at 31.12.2017	**1,994**	**82**	**36**	**2,112**
long-term	*1,629*	*73*	*35*	***1,737***
short-term	*365*	*9*	*1*	***375***

2016	**Retirement benefits**	**Disability benefits**	**Death in service benefits**	**Total**
01.01.2016	**1,691**	**91**	**40**	**1,822**
Current service cost	80	12	8	**100**
Interest cost	43	3	1	**47**
Actuarial (gains)/losses charged to other comprehensive income	86	(3)	(13)	**70**
Past service cost	169	(7)	(5)	**157**
(Payments)	(297)	(26)	0	**(323)**
As at 31.12.2016	**1,772**	**70**	**31**	**1,873**
long-term	*1,408*	*62*	*30*	***1,500***
short-term	*364*	*8*	*1*	***373***

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

2017	**Financial discount rate**		**Planned increases in the bases**	
Change	**-1 p.p.**	**+1 p.p.**	**-1 p.p.**	**+1 p.p.**
Retirement benefits	450	(450)	(440)	458
Disability benefits	6	(5)	(5)	6
Death in service benefits	4	(3)	(3)	4
Total change in provision	**460**	**(458)**	**(448)**	**468**

2016	**Financial discount rate**		**Planned increases in the bases**	
Change	**-1 p.p.**	**+1 p.p.**	**-1 p.p.**	**+1 p.p.**
Retirement benefits	190	(160)	(160)	193
Disability benefits	6	(5)	(5)	6
Death in service benefits	4	(3)	(3)	4
Total change in provision	**200**	**(168)**	**(168)**	**203**

(in thousand PLN)

25. Inventories

	31.12.2017 (audited)	31.12.2016 (audited)
Materials	46,497	41,833
Work in progress	36,241	33,992
Finished products	33,963	25,874
TOTAL	**116,701**	**101,699**

In the year ended on 31 December 2017, the Company reversed write-downs of inventories amounting to 736 thousand PLN (previous year: recognition of write-downs amounting to 237 thousand PLN).

Write-downs of inventories are as follows:

Write-down	31.12.2017 (audited)	31.12.2016 (audited)
Materials	644	1,335
Work in progress	977	852
Finished products	2,096	2,266
TOTAL	**3,717**	**4,453**

No securities were established on the Company's inventories.

Below, we present the information about the value of inventories recognised as cost upon their sales:

	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
Value of sold products	860,715	705,964
Value of resold materials	9,024	8,661
TOTAL	**869,739**	**714,625**

26. Income tax receivables (liabilities)

Income tax receivables (payables) 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	2017 (audited)	2016 (audited)
Tax (liability) for the period:	(5,856)	(6,518)
- (including tax recognised in other comprehensive income)	(103)	(102)
- (including tax recognised in the income statement)	(5,753)	(6,416)
Paid income tax advances for the period	1,877	1,876
Income tax receivable/(liability)	**(3,979)**	**(4,642)**
Paid tax (received refunds for previous years)	4,642	(410)
Tax paid (refunded) recognised in the cash flow statement	**6,519**	**1,466**

(in thousand PLN)

27. Trade and other receivables

Short-term receivables	31.12.2017 (audited)	31.12.2016 (audited)
Gross receivables	**184,028**	**152,341**
Trade receivables towards related parties	58,217	42,840
Trade receivables towards other entities	117,052	98,323
Public law receivables (except for the income tax)	938	1,835
Down payments (trade-related) for suppliers – related parties	168	0
Down payments (trade-related) for suppliers – other entities	375	181
Receivables from employees	18	15
Settlements related to transactions hedging the aluminium price	3,797	4,474
Prepaid expenses	2,178	2,757
Other receivables	1,285	1,916
Write-downs	**10,424**	**10,599**
Trade receivables towards other entities	9,140	9,312
Other receivables	1,284	1,287
Net receivables	**173,604**	**141,742**
Trade receivables towards related parties	58,217	42,840
Trade receivables towards other entities	107,912	89,011
Public law receivables (except for the income tax)	938	1,835
Prepayments (trade-related) for suppliers	375	181
Down payments (trade-related) for suppliers – related parties	168	0
Receivables from employees	18	15
Settlements related to transactions hedging the aluminium price	3,797	4,474
Prepaid expenses	2,178	2,757
Other receivables	1	629

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 write-down for uncollectible receivables applicable to the Company's trade receivables.

Changes in the write-down of receivables were as follows:

	Year ended on 31 December 2017	Year ended on 31 December 2016
At the beginning of the period	**10,599**	**18,314**
Increase	424	176
Reversal	(599)	(7,026)
Utilisations/revaluations	0	(865)
At the end of the period	**10,424**	**10,599**

(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
31.12.2017	166,129	148,631	17,498	0	0	0
31.12.2016	131,851	121,155	10,696	0	0	0

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:

	31.12.2017 (audited)	**31.12.2016** (audited)
Bank deposits (current accounts) and short-term deposits	3,385	5,966
Cash recognised in the balance sheet and in the cash flow statement	**3,385**	**5,966**

As at 31 December 2017 and as at 31 December 2016, the Company did not hold any restricted cash.

As at 31 December 2017, Grupa Kęty S.A. had undrawn granted credit funds amounting to 44,271 thousand PLN with regard to which all conditions precedent had been complied with (31 December 2016: 50.570 thousand PLN).

29. Share capital and reserve capitals

29.1. Share capital

	31.12.2017 (audited)	**31.12.2016** (audited)
Share capital, including:	**67,704**	**67,534**
Value registered in the National Court Register	23,804	23,634
Revaluation in accordance with IAS 29	43,900	43,900
The number of shares registered in the National Court Register	*9,521,700 shares*	*9,453,693 shares*

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 date of the first adoption of the IFRS. The increase in the share capital due to the revaluation as of the balance sheet date amounted to 43,900 thousand PLN.

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

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

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

(in thousand PLN)

During 2017, the National Court Register registered the increase in the capital due to the subscription of 43,324 series G employee shares.

During 2016, the National Court Register registered the increase in the capital due to the subscription of 11,705 series G employee shares.

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. A single 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

	31.12.2017 (audited)	**31.12.2016** (audited)
Share premium	31,179	23,385
Share premium	**31,179**	**23,385**

During 2017, 43,324 shares with the nominal value of 170 thousand PLN and with the issue value of 5,074 thousand PLN were registered in the National Court Register. During 2016, 11,705 shares with the nominal value of 29 thousand PLN and with the issue value of 1,371 thousand PLN were registered in the National Court Register.

	31.12.2017 (audited)	**31.12.2016** (audited)
Value of non-registered shares at issue price	0	2,890
Value of non-registered shares at issue price	**0**	**2,890**

As at the balance sheet date, there were no Company's shares subscribed for but not registered by the Court. In 2016, eligible persons subscribed for 24,683 shares with the nominal value of 62 thousand PLN at the issue price of 2,890 thousand PLN. The said shares had not been registered by the National Court Register until the end of 2016.

29.3. Capital from the revaluation of property, plant and equipment

	31.12.2017 (audited)	**31.12.2016** (audited)
Fair value of property, plant and equipment	4,090	4,673
Deferred tax liability	(776)	(886)
Capital from the revaluation of property, plant and equipment	**3,314**	**3,787**

29.4. Capital from the valuation of share based payments

	31.12.2017 (audited)	**31.12.2016** (audited)
Capital at the beginning of the period	**18,592**	13,959
Costs of the period	1,930	2,871
The value of share options granted to employees of subsidiaries in the period increasing the carrying amount of investments in subsidiaries	1,470	1,762
Capital from the valuation of share based payments at period end	**21,992**	**18,592**

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

(in thousand PLN)

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

29.5. Capital from the revaluation of hedging instruments

	31.12.2017 (audited)	**31.12.2016** (audited)
Futures hedging cash flows due to the purchase of aluminium	4,770	1,420
Forwards hedging cash flows due to exchange rate changes	(1,403)	983
IRS's hedging interest rates of loans	(3)	4
Deferred tax	(639)	(457)
Capital from the revaluation of hedging instruments at period end	**2,725**	**1,950**

29.6. 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:

	31.12.2017 (audited)	**31.12.2016** (audited)
Realised result on futures hedging cash flows due to the purchase of aluminium	546	537
Current income tax	(104)	(102)
Deferred tax	104	102
Result from cash flow hedging transactions at period end	**546**	**537**

29.7. Retained earnings

	31.12.2017 (audited)	**31.12.2016** (audited)
Profit from previous years	347,784	456,059
Settlement of a subsidiary liquidation	2,108	0
Transfer from the capital from the revaluation of non-current assets carried at revalued amount	2,330	1,857
Net actuarial gains (losses)	(250)	91
Financial result for the period	249,057	176,333
Retained earnings at period end	**601,029**	**634,340**

30. Bank loans and borrowings

Maturity date	**31.12.2017** (audited)	**31.12.2016** (audited)
Up to 1 year	168,982	56,502
From 1 to 2 years	6,489	8,691
From 2 to 5 years	0	6,490
TOTAL LOANS AND BORROWINGS	**175,471**	**71,683**

(in thousand PLN)

LONG-TERM LOANS				
Lender	**Loan currency**	**Security**	**31.12.2017**	**31.12.2016**
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.	6,489	15,181
TOTAL LONG-TERM LOANS:			**6,489**	**15,181**

SHORT-TERM LOANS AND BORROWINGS				
Lender	**Loan currency**	**Security**	**31.12.2017**	**31.12.2016**
BNP Paribas Polska	PLN	Short-term part of long-term loans – the same securities as in the case of the long-term loan.	8,840	11,072
ING Bank Polska	EUR, PLN	Joint and several liability of Grupa KĘTY S.A. and Aluprof S.A.	26,084	3
BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 150 million PLN), Alupol Packaging S.A. (up to 25 million PLN), Aluprof S.A. (up to 30 million PLN), Romb S.A. (up to 10 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 35 million PLN), Alupol Films sp. z o.o. (up to 45 million PLN) + blank promissory notes of the aforementioned companies + Statement on the submission to bank execution	53,309	5,608
Bank PeKaO S.A.	PLN, EUR, USD,	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 300 million PLN), Alupol Packaging S.A. (up to 70 million PLN), Aluprof S.A. (up to 160 million PLN), Aluform sp. z o.o. (up to 29.5 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 70 million PLN), Alupol Films sp. z o.o. (up to 40 million PLN) and Aluminium Kęty Emmi d.o.o. (up to 20 million PLN). Authorisation to use accounts + statement on the submission to bank execution.	64,476	22,205
Bank Societe Generale	EUR, PLN	Surety of Aluprof S.A. up to 5 million PLN	14,915	13,771
Bank PKO BP	PLN, EUR,	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), Alupol Packaging Kęty sp. z o.o. (up to 20 million PLN), Romb S.A. (up to 10 million PLN)	1,358	3,843
TOTAL SHORT-TERM LOANS AND BORROWINGS:			**168,982**	**56,502**

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 2017 and in 2016, the Company complied with all loan covenants.

Standard agreements of working capital loans listed above are concluded for a period of one year with maturity dates falling in the second half of the next year. Each year, before the end of a given period, the Company negotiates agreements/annexes with banks for subsequent 12-month periods to roll over loans.

(in thousand PLN)

31. Grants

	31.12.2017 (audited)	**31.12.2016** (audited)
Long-term deferred income		
Grants	30,266	31,218
Total long-term grants	**30,266**	**31,218**
Short-term deferred income		
Grants	1,020	1,088
Total short-term grants	**1,020**	**1,088**

Received grants 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 implemented two projects related to the purchase and construction of property, plant and equipment.

The first project was 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 the grant. Under this programme, the Company received grants of 6,389 thousand PLN. The project's duration until 03.10.2017 is the basic condition for the said project. In this period, the Company was not allowed to dispose of or otherwise transfer the ownership of the property, plant and equipment financed with the grant.

In addition, the Company was obliged to carry out business activities defined by it in the application until 03.10.2017.

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 carry out the project = 12,900,000.00

The number of purchased new property, plant and equipment/intangible assets used to carry out 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

At the balance sheet date, the Company met all the conditions for obtaining the grants and no conditions for obtaining the grants were violated.

The second project was 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 the grant. Under this programme, by the end of December 2012, the Company received grants of 33,942 thousand PLN. The project's duration until 30.11.2017 was the basic condition for the said project. In this period, the Company was not allowed to dispose of or otherwise transfer the ownership of the property, plant and equipment financed with the grant.

(in thousand PLN)

In addition, the Company is obliged to carry out business activities defined by it in the application until 30.11.2017.
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
At the balance sheet date, the Company met all the conditions for obtaining the grants and no conditions for obtaining the grants were violated.

32. Provisions and accruals

32.1. Short-term provisions and accruals

	31.12.2017 (audited)	**31.12.2016** (audited)
Provisions	**4,509**	**5,447**
provision for retirement and disability benefits	375	373
costs of damages	4,134	5,074
Accruals	**10,175**	**11,588**
provision for the costs of unused holiday	2,397	2,037
costs of annual bonus	7,527	9,008
cogeneration fees	196	475
costs of warranty repairs	24	37
provision for other costs	31	31
TOTAL SHORT-TERM PROVISIONS AND ACCRUALS	**14,684**	**17,035**

	01.01.2017	**Increases**	**Utilisation**	**Reversal**	**As at 31.12.2017**
Short-term provisions and accruals	**17,035**	**10,434**	**(11,804)**	**(981)**	**14,684**
provision for retirement and disability benefits	373	242	(240)	0	375
costs of damages	5,074	41	0	(981)	4,134
provision for the costs of unused holiday	2,037	2,397	(2,037)	0	2,397
costs of annual bonus	9,008	7,527	(9,008)	0	7,527
cogeneration fees	475	196	(475)	0	196
costs of warranty repairs	37	0	(13)	0	24
provision for other costs	31	31	(31)	0	31

(in thousand PLN)

	01.01.2016	Increases	Utilisation	As at 31.12.2016
Short-term provisions and accruals	**8,609**	**16,529**	**(8,103)**	**17,035**
provision for retirement and disability benefits	363	334	(324)	373
costs of damages	430	4,644	0	5,074
provision for the costs of unused holiday	1,842	2,037	(1,842)	2,037
costs of annual bonus	4,738	9,008	(4,738)	9,008
cogeneration fees	493	475	(493)	475
costs of onerous contracts	664	0	(664)	0
costs of warranty repairs	45	0	(8)	37
provision for other costs	34	31	(34)	31

33. Short-term trade and other payables

	31.12.2017 (audited)	31.12.2016 (audited)
Trade payables to related parties	11,162	7,197
Trade payables to non-related parties	60,634	51,498
Down payments (trade-related) from customers	1,254	1,047
Public law liabilities (except for income tax payables)	7,091	6,922
Remuneration liabilities	4,688	3,902
Securities	5	4
Liabilities due to the purchase of property, plant and equipment	16,622	11,564
Other	702	590
TOTAL SHORT-TERM LIABILITIES	**102,158**	**82,724**

The conditions of related party transactions are presented in note 36.2 of the complementary information and explanations. Trade payables do not bear interest and are usually settled within 30-60 days. Other liabilities do not bear interest and their average payment period is 30 days.

The Company's liabilities disclosed above are not secured.

34. Off-balance sheet liabilities and receivables

Item	31.12.2017	31.12.2016
Bank guarantee securing production hall rental payments	0	434
Total granted guarantees	**0**	**434**

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.

(in thousand PLN)

Granted guarantees and sureties from subsidiaries

For:	Purpose	Amount	Maturity
Aluprof S.A.	Security for a working capital loan	5,000	31-03-2018
Aluprof S.A.	Surety for Euler Hermes guarantee	2,658	28-02-2023
Aluprof S.A.	Surety for Euler Hermes guarantee	2,368	No maturity
Alupol Films sp. z o.o.	Surety for futures/forwards	5,500	No maturity
Alupol Packaging Kęty sp. z o.o.	Surety for futures/forwards	5,500	No maturity
Alupol Packaging S.A.	Surety for futures/forwards	5,500	No maturity
Aluprof S.A.	Surety for futures/forwards	33,000	No maturity

Guarantees and securities received from subsidiaries

From:	Purpose	Amount	Maturity
Aluprof S.A.	Loan security	5,000	31-03-2018
Alupol Packaging S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films sp. z o.o.	Surety for futures/forwards	5.500	No maturity
Aluprof S.A.	Surety for futures/forwards	11,000	No maturity

In addition:

- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o. and Romb S.A. entered into an agreement with PKO BP S.A. for an overdraft facility up to the total amount of 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 drawn by other companies as at the balance sheet date amounted to 33,396 thousand PLN. The agreement is valid until 30-09-2018.
- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films sp. z o.o., Aluform sp. z o.o. and Aluminium Kęty Emmi d.o.o. entered into an agreement with Pekao S.A. for an overdraft facility up to the total amount of 300 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 drawn by other companies as at the balance sheet date amounted to 183,411 thousand PLN. The agreement is valid until 31-10-2018.
- Grupa Kęty S.A. and Aluprof S.A. entered into an agreement with ING S.A. for an overdraft facility up to the total amount of 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 drawn by Aluprof as at the balance sheet date amounted to 1,053 thousand PLN. The agreement is valid until 30-06-2018.
- Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o. and ROMB S.A. entered into an agreement with BNP Paribas Polska S.A. for an overdraft facility up to the total amount of 150 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 drawn by the companies as at the balance sheet date amounted to 52,762 thousand PLN. The agreement is valid until 29-08-2018.

34.1. Tax accounts

Regulations concerning VAT tax, corporate income tax and social security contributions are subject to frequent changes. Such frequent changes result in the absence of appropriate points of reference, inconsistent interpretations and few established precedents that could be applied. Applicable regulations are also unclear, which results in different opinions as to legal interpretation of tax regulations both between government authorities and government authorities and enterprises.
Tax settlements and other areas of activities (e.g. customs or foreign exchange issues) may be subject to inspections of authorities that are entitled to impose high penalties and fines, and any additional tax obligations resulting from such inspections must be paid with high interest. As a result, the tax risk in Poland is higher than in the countries where tax systems are more mature.

Consequently, the amounts recognised and disclosed in financial statements may change in the future as a result of final decisions of tax inspection authorities.
On 15 July 2016, amendments were introduced to the Polish General Tax Code to account for the provisions of the General Anti-Abuse Rule ('GAAR'). GAAR is to prevent the establishment and use of artificial legal arrangements created in order to avoid payment of tax in Poland. GAAR defines tax avoidance as an act did primarily to achieve a tax advantage contrary, in given circumstances, with the subject and purpose of the provisions of the Tax Act. According to GAAR, such act does not result in a tax advantage if the mode of operation was artificial. Any occurrence of (i) unjustified transactions sharing; (ii) the involvement of intermediaries, despite the absence of economic or business justification; (iii) elements that mutually cancel or set-off themselves, and (iv) other acts with the effects similar to the effect of the aforementioned acts, may be treated as proof of the existence of artificial activities subject to GAAR. The new regulations will call for a much more insightful judgement when assessing tax implications of individual transactions.
The GAAR clause should be applied to transactions made after its effective date and to transactions made prior to the effective date of the GAAR clause, but for which, after the effective date of the clause, the advantages have been or are still achieved. The implementation of the aforementioned regulations will enable Polish tax inspection authorities to challenge legal arrangements and agreements between taxpayers such as a group's restructuring and reorganisation.

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 31-12-2017	Interest in capital	Number of shares 31-12-2016	Interest in capital
Nationale Nederlanden PTE (formerly ING PTE)	1,737,000	18.24%	1,732,000	18.27%
Aviva OFE Aviva BZ WBK	1,654,000	17.37%	1,649,000	17.40%
OFE PZU "Złota Jesień"	921,000	9.67%	870,000	9.18%
Aegon PTE SA	591,866	6.22%	-	-
PTE Allianz Polska	499,748	5.25%	498,000	5.25%
Others	4,118,086	43.25%	4,729,376	49.90%
Total	**9,521,700**	**100%**	**9,478,376**	**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.

(in thousand PLN)

Subsidiary		Sales	Purchases	Dividends	Receivables	Liabilities
Aluprof S.A.	2017	241,010	4,410	120,006	52,664	654
	2016	193,647	4,043	85,000	40,641	655
Alupol Packaging S.A.	2017	1,584	0	74,463	261	0
	2016	1,686	0	60,000	182	0
Alutech sp. z o.o. w likwidacji*	2017	4	0	0	0	0
	2016	4	0	0	0	0
Alu Trans System sp. z o.o.	2017	3	0	0	0	0
	2016	3	0	0	0	0
Dekret Centrum Rachunkowe sp. z o.o.	2017	683	1,702	144	42	370
	2016	797	1,514	150	71	162
Aluprof Węgry Ltd	2017	324	372	0	86	96
	2016	159	220	0	29	73
Alupol Ukraina LLC	2017	3,408	8,205	0	0	3,511
	2016	3,080	6,451	0	178	1,075
ROMB S.A.	2017	3,199	78	0	3,216	43
	2016	716	4	0	121	0
Aluform sp. z o.o.	2017	1,540	59,200	17,053	126	6,072
	2016	2,582	59,279	9,364	340	4,778
Alupol Packaging Kęty sp. z o.o.	2017	7,501	40	0	1,051	9
	2016	8,654	113	0	1,106	113
Alupol Films sp. z o.o.	2017	401	0	0	84	0
	2016	24	0	0	25	0
Aluprof System Czechy Ltd	2017	0	2,153	0	0	0
	2016	0	2,042	0	0	53
Aluprof Belgium NV	2017	61	0	0	4	0
	2016	59	0	0	50	0
Grupa Kety Italia s.r.l.	2017	140	1,605	0	0	99
	2016	0	1,513	0	0	201
Aluminium Kety Emmi d.o.o.	2017	1,739	93	0	546	99
	2016	141	93	0	97	87
Aluminium Kety Deutschland GmbH	2017	34	1,278	0	0	155
	2016	0	411	0	0	0
Marius Hansen Facader A/S	2017	0	0	0	0	0
	2016	16	0	0	0	0
Aluminium Kety Czechy sro	2017	137	204	0	137	57
	2016	0	0	0	0	0
Total	**2017**	**261,769**	**80,316**	**211,666**	**58,217**	**11,162**
Total	**2016**	**211,568**	**75,685**	**154,513**	**42,840**	**7,197**

In 2017, due to the termination of the liquidation of Alutech sp. z o.o. w likwidacji, Grupa Kęty S.A. received cash amounting to 3,503 thousand PLN. The value of shares of Alutech sp. z o.o. w likwidacji was 1,395 thousand PLN; as a result, the Group recognised an increase in retained earnings amounting to 2,108 thousand PLN.

In 2016, the Company received the payment for the receivables covered by a write-down from Alupol LLC Ukraine amounting to 5,983 thousand PLN; as a result, the Company reversed the write-down in this amount.

(in thousand PLN)

In addition, during 2016, the Company recognised a write-down of shares in Metalplast Stolarka sp. z o.o. amounting to 13,815 thousand PLN.

Furthermore, in the reporting period, the Company paid a donation to '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 36.3 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 Grupa Kęty S.A. Group.
The composition of the Group as at 31 December 2017 was as follows:

Company name	Registered office	Core business	Parent's name	Percentage of the share capital as at 31-12-2017	Percentage of the share capital as at 31-12-2016	Date of control take-over	Reporting segment
Grupa Kęty S.A.	Kęty, Poland	Production and trade	N/A	N/A	N/A	N/A	EPS
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 joinery	Grupa Kęty S.A.	100.00%	100.00%	06/1998	ASS
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 Hungary	Dunakeshi, Hungary	Trade and provision of services	Aluprof S.A.	100.00%	100.00%	07/2000	ASS
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	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	02/2005	ASS
Aluprof System Romania s.r.l	Bucharest, Romania	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Sales of window and door joinery from aluminium and PVC	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2006	ASS
ROMB S.A.	Złotów, Poland	Production and provision of services	Aluprof S.A.	100.00%	100.00%	04/2007	ASS
Alupol Packaging Kęty sp. z o.o.	Kęty, Poland	Production and trade	Grupa Kęty 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 – sales of steel systems	Aluprof S.A.	100.00%	100.00%	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	Aluprof S.A.	100.00%	100.00%	1/2012	ASS
Grupa Kęty Italia s.r.l.	Milan, Italy	Trading intermediation	Grupa Kęty S.A.	100.00%	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

(in thousand PLN)

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.	Oświęcim, Poland	Production and trade	Alupol Packaging Kęty Sp. z o.o.	100.00%	100.00%	12/2014	FPS
Aluprof Schelfhaut N.V.	Dendermonde, Belgium	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2015	ASS
Aluminium Kety Emmi d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	Aluform Sp. z o.o.	100.00%	100.00%	6/2016	EPS
Aluminium Kety Deutschland GmbH	Dortmund, Germany	Trade and marketing activities	Aluform Sp. z o.o.	100.00%	100.00%	6/2016	EPS
Aluprof Netherlands B.V.	Rotterdam, the Netherlands	Sales of aluminium systems	Aluprof S.A.	55.00%	-	4/2017	ASS
Aluminium Kety CSE s.r.l.	Ostrava, Czech Republic	Trade and marketing activities	Aluform Sp. z o.o.	100.00%	-	7/2017	EPS

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 and of the Supervisory 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:	2017	2016
Costs of short-term employee benefits	1,646	1,646
Costs of the provision for annual bonuses and other benefits	3,302	2,938
Total costs of remunerations of the members of the Management Board	**4,948**	**4,584**
The valuation of the costs of options for treasury shares due when the programme is implemented*	1,218	2,085
Total payments to the members of the Management Board	**6,166**	**6,669**

* 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 the management 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, the senior management and members of the Company's Supervisory Board are as follows:

(in thousand PLN)

	2017	**2016**
Company's proxies*	1,349	1,381
Company's Management Board*	6,166	6,669
Supervisory Board	693	598
TOTAL	**8,208**	**8,648**

* 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 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 senior management in the employee share scheme

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 15,247 shares from the second part of the 2012 programme and options entitling them to purchase 28,000 shares from the third part of the 2012 programme. In 2017, the members of the Management Board subscribed for 11,604 shares from the first part of the 2012 programme and 9,220 shares from the second part of the 2012 programme.

In addition, upon 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 15,000 shares from the first part of the 2015 programme; up to 15,000 shares from the second part of the 2015 programme; and up to 15,000 shares from the third part of the 2015 programme.

Options to purchase shares were also granted to proxies. In 2017, according to the terms and conditions of the programme, the Proxies subscribed for 3,428 shares from the first part of the 2012 programme; 7,229 shares from the second part of the 2012 programme; and 8,500 shares from the third part of the 2012 programme.

In addition, when the programme criteria are met, the Proxies will acquire up to 6,000 share options from the first part of the 2015 programme; 6,000 share options from the second part of the 2012 programme; and 6,000 share options from the third part of the 2012 programme. The costs of related benefits recognised in the income statement for the period of 12 months of 2017 amounted to 421 thousand PLN (12 months of 2016: 655 thousand PLN).

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.

(in thousand PLN)

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.

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

- loans and lease
- provisions for retirement benefits
- impairment tests for shares and interests

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	31.12.2017	31.12.2016
Increase in interest rates	1%	(2,472)	(842)
Increase in EUR/PLN exchange rate	5%	(790)	441
Increase in USD/PLN exchange rate	5%	(967)	(707)
Increase in GBP/PLN exchange rate	5%	59	51

For items affecting equity

Risk	Change	31.12.2017	31.12.2016
Increase in EUR/PLN exchange rate for hedging instruments	5%	899	808
Increase in USD/EUR exchange rate for hedging instruments	5%	614	700
Increase in aluminium price for hedging instruments	5%	2,219	1,891

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 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 borrowings. 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	31.12.2017	31.12.2016
Financial receivables	LR	170,883	139,726
Cash	LR	3,385	5,966
Hedging instruments*		5,225	2,613

Financial liabilities	Under IAS 39	31.12.2017	31.12.2016
Financial liabilities	OFLatAC	100,904	70,853
Bank loans	OFLatAC	175,471	71,683
Hedging instruments*		1,862	206

* 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.

(in thousand PLN)

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 38.1.1.

37.2. Interest rate risk

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

Interest rate risk is related to the following items:

Variable interest		
31-12-2017	< 1 year	1-2 years
Cash	3,385	0
Bank loans in PLN	(95,117)	(6,489)
Bank loans in EUR	(69,922)	0
Bank loans in USD	(3,943)	0
TOTAL	**(165,597)**	**(6,489)**

Variable interest	Maturity periods		
31-12-2016	< 1 year	1-2 years	More than 2 years
Cash	5,966	0	0
Bank loans in PLN	(31,319)	(8,691)	(6,490)
Bank loans in EUR	(24,748)	0	0
Bank loans in USD	(435)	0	0
TOTAL	**(50,536)**	**(8,691)**	**(6,490)**

37.3. Liquidity risk

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

31-12-2017	Maturities				
	On demand	Less than 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years
Bank loans	0	2,349	166,633	6,489	0
Other financial liabilities	0	93,106	0	0	0
Derivatives hedging cash flows	0	1,067	793	0	0
Off-balance sheet liabilities	0	5,000	225,622	0	54,526
TOTAL	**0**	**101,522**	**393,048**	**6,489**	**54,526**

31-12-2016	Maturities				
	On demand	Less than 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years
Bank loans	0	4,615	52,700	16,092	0
Other financial liabilities	0	81,677	0	0	0
Derivatives hedging cash flows	0	0	206	0	0
Off-balance sheet liabilities	0	223	226,979	222	104,500
TOTAL	**0**	**86,515**	**279,885**	**16,314**	**104,500**

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 projected cash flows from operating activities.

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

37.4. Currency risk

The Company generates revenue and incurs 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, and the EUR surplus exceeds the USD deficit. It results in an 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:

	31.12.2017		31.12.2016	
	Amount in a foreign currency	Amount translated to thousand PLN	Amount in a foreign currency	Amount translated to thousand PLN
Cash in thousand EUR	0	2	477	2,109
Cash in thousand USD	270	939	250	1,044
Cash in thousand GBP	132	622	42	214
Receivables in thousand EUR	16,890	70,444	12,534	55,450
Receivables in thousand USD	195	680	332	1,388
Receivables in thousand GBP	119	559	158	811
Bank loans in thousand EUR	(13,647)	(56,922)	(5,594)	(24,748)
Bank loans in thousand USD	(1,133)	(3,943)	(104)	(435)
Liabilities in thousand EUR	(7,032)	(29,332)	(5,321)	(23,541)
Liabilities in thousand USD	(4,885)	(17,007)	(3,862)	(16,141)
Total exposure to currency risk - EUR	**(3,789)**	**(15,808)**	**2,095**	**9,270**
Total exposure to currency risk - USD	**(5,553)**	**(19,331)**	**(3,384)**	**(14,144)**
Total exposure to currency risk - GBP	**251**	**1,181**	**199**	**1,025**

Information about the hedging of the Company's exchange position is presented in note 38.1.1.

37.5. Credit risk

Trade credit

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

(in thousand PLN)

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:

	31.12.2017	**31.12.2016**
Net trade receivables from non-related parties	107,912	89,011
Insured trade receivables	(92,804)	(72,900)
Exposure to trade credit risk	**15,108**	**16,111**

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 31.7% of total trade receivables (previous year: 30.6%).

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.

(in thousand PLN)

38. Derivative financial instruments

Financial assets	31.12.2017 (audited)	31.12.2016 (audited)
Currency forwards hedging cash flows	0	984
Futures for the purchase of aluminium hedging cash flows	5,225	1,625
IRS's hedging interest rates of loans	0	4
TOTAL FINANCIAL ASSETS	**5,225**	**2,613**
Financial liabilities	**31.12.2017** (audited)	**31.12.2016** (audited)
Currency forwards hedging cash flows	1,404	1
Futures for the purchase of aluminium hedging cash flows	455	205
IRS's hedging interest rates of loans	3	0
TOTAL FINANCIAL LIABILITIES	**1,862**	**206**

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.

38.1. Cash flow hedge

38.1.1 *Futures hedging aluminium prices*

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:

	31.12.2017 (audited)	31.12.2016 (audited)
Open currency forwards	(1,404)	983
Open futures for the purchase of aluminium	4,770	1,420
Exercised futures for the purchase of aluminium	546	537
Open interest rate IRS's	(3)	4
TOTAL FINANCIAL LIABILITIES	**3,909**	**2,944**

The aforementioned items will affect the Company's results in 2018.

As at 31 December 2017, the Company had the following hedging contracts:

Futures for the purchase of aluminium in USD

Exercise date	Fair value	Number of tonnes	Nominal value	Average USD price
First quarter of 2018	397	1,775	3,627	2,043.10
Second quarter of 2018	607	2,825	5,819	2,059.85
Third quarter of 2018	217	950	1,956	2,059.11
Fourth quarter of 2018	149	650	1,346	2,070.80
TOTAL	**1,370**	**6,200**	**12,748**	**2,056.09**

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

Exercise date	Fair value	Number of tonnes	Nominal value in PLN	Average USD price
First quarter of 2018	1,382	1,775	12,625	7,112.65
Second quarter of 2018	2,115	2,825	20,258	7,170.97
Third quarter of 2018	754	950	6,810	7,169.36
Fourth quarter of 2018	519	650	4,687	7,209.07
TOTAL	**4,770**	**6,200**	**44,380**	**7,157.87**

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 tonnes of aluminium, whereas they are settled on the third Wednesday of each month.

38.1.2 *Currency forwards*

As regards currency risk, in 2017 and 2016, 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
First quarter of 2018	(77)	962	3,539	3.6778
Second quarter of 2018	(107)	1,329	5,377	4.0455
Third quarter of 2018	(87)	1,073	4,630	4.3149
Fourth quarter of 2018	(95)	1,132	4,445	3.9269
TOTAL	**(366)**	**4,496**	**17,991**	**4.0013**

Purchase of USD for EUR

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
First quarter of 2018	(455)	3,865	4,518	1.1689
Second quarter of 2018	(309)	3,775	4,477	1.1859
Third quarter of 2018	(164)	1,675	1,991	1.1886
Fourth quarter of 2018	(110)	1,075	1,285	1.1953
TOTAL	**(1,038)**	**10,390**	**12,271**	**1.1810**

(in thousand PLN)

38.1.3 *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 with the value of 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 minus 3 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.

38.2. Impact of derivative transactions on items of the income statement and of the statement of comprehensive income

Income statement (impact of derivative instruments)	**01.01.2017 - 31.12.2017** (audited)	**01.01.2016 - 31.12.2016** (audited)
Sales revenue (profit/loss on forwards)	716	1,138
Consumption of materials (+ cost reduction – profit/loss on futures)	8,878	370
Finance income (costs)	(10)	(18)
Impact on gross result	**9,584**	**1,490**

Statement of other comprehensive income (impact of derivative instruments)	**01.01.2017 - 31.12.2017** (audited)	**01.01.2016 - 31.12.2016** (audited)
Impact of valuation	958	3,271
Reclassification to profit or loss	9	2,607
Deferred tax	(183)	(622)
Impact on other comprehensive income	**784**	**5,256**

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

2017	Shares and interests	Hedging instruments	Own loans and receivables	Financial liabilities carried at amortised cost	**Total financial instruments**
Write-downs	(85)	0	(68)	0	**(153)**
Dividends and shares of profits	213,774	0	0	0	**213,774**
Interest income (costs)	0	0	226	(1,905)	**(1,679)**
Gains (losses) from currency translation differences	0	0	(3,974)	7,412	**3,438**
Gains (losses) from the disposal of financial instruments	0	9,594	0	0	**9,594**
Total profit (loss)	**213,689**	**9,594**	**(3,816)**	**5,507**	**224,974**

(in thousand PLN)

2016	Shares and interests	Hedging instruments	Own loans and receivables	Financial liabilities carried at amortised cost	**Total financial instruments**
Write-downs	(13,815)	0	5,926	0	**(7,889)**
Dividends and shares of profits	154,513	0	0	0	**154,513**
Interest income (costs)	0	0	773	(1,551)	**(778)**
Gains (losses) from currency translation differences	0	0	2,541	(1,707)	**834**
Gains (losses) from the disposal of financial instruments	0	1,708	0	0	**1,708**
Total profit (loss)	**140,698**	**1,708**	**9,240**	**(3,258)**	**148,388**

40. Measurement at fair value methods

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.

In addition, the Company evaluates energy-related assets at a revalued amount, i.e. at the fair value as at the valuation date adjusted for depreciation.

Detailed principles for determining the fair value of energy-related assets as at the revaluation date are described in note 18.8. Detailed information about the valuation of derivative financial instruments is available in note 39.

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.

The Company has no other financial instruments measured at fair value, apart from those listed below.

Fair value hierarchy	**Hierarchy level**	**31.12.2017** (audited)	**31.12.2016** (audited)
Assets			
Energy-related assets	3	13,726	14,015
Hedging derivatives	2	5,225	2,613
Liabilities			
Hedging derivatives	2	1,862	206

41. Capital management

The capital is managed at the level of Grupa Kęty S.A. Group, 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 loans and borrowings, trade and other payables, less cash and cash equivalents.

(in thousand PLN)

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

	31.12.2017	31.12.2016
Interest-bearing loans and borrowings	175,471	71,683
Trade and other payables	102,157	82,724
Less cash and cash equivalents	(3,385)	(5,966)
Net debt	274,243	148,441
Equity	728,489	753,015
Equity and net debt	1,002,732	901,456
Leverage ratio	27.35%	16.47%

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

42. Employment structure

Average employment in the Company was as follows:

	Year ended on 31 December 2017	Year ended on 31 December 2016
MANAGEMENT BOARD	2	2
Management staff	42	42
Administrative employees	265	242
Workers	954	862
Total	**1,263**	**1,148**

43. The auditor's remuneration

The auditor's remuneration is presented below:

	2017	2016
Remuneration for the audit of annual separate and consolidated financial statements	120	68
Remuneration for semi-annual reviews	30	30
Auditor's total remuneration for the period	**150**	**98**

44. The Company as a power company

Grupa Kęty S.A. pursuant to the Energy Law 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 shared costs allocated to licensed activities	**01.01.2017 - 31.12.2017** (audited)	**01.01.2016 - 31.12.2016** (audited)
Gas – allocation by ordered capacity	32%	41%
Electricity – allocation by ordered capacity	11.8%	18.2%

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 arising of short-term trade receivables is associated with the revenue generated by the Company, items of short-term receivables related to the licensed activities were identified and allocated directly to 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 payables and deferred income tax liabilities were allocated according to the detailed identification of items and using the allocation keys defined in the table above. Due to the immateriality of the amounts, the allocation of other liabilities was not carried out.

Income statement
Net sales revenue
Net sales revenue is allocated directly to particular activities; as a result, allocation keys do not have to be used.
Other operating income and finance income
There is no other operating income and finance income related to licensed activities.
Operating costs
The allocation key applied to allocate items not allocated directly to particular activities was determined on the basis of the keys described in the keys table.
Other operating costs and finance costs
There are no other operating costs related to licensed activities. Finance costs as interest costs were determined by calculating average share of the Company in net assets of licensed activities and the interest rate of loans in PLN.

(in thousand 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**	
	2017 (audited)	**2016** (audited)	**2017** (audited)	**2016** (audited)	**2017** (audited)	**2016** (audited)
Total operating income, including:	**2,096**	**2,521**	**1,459**	**1,379**	**2,380**	**2,960**
Total operating costs, including:	**(1,960)**	**(2,037)**	**(1,295)**	**(1,492)**	**(2,200)**	**(2,727)**
Depreciation/Amortisation	(14)	(10)	(154)	(342)	0	0
Gas/Electricity	(1,449)	(1,570)	(951)	(841)	(1,797)	(2,174)
Materials	(2)	(4)	(19)	(25)	0	0
Employee benefits	(316)	(323)	(79)	(117)	0	0
Taxes and charges	(11)	(3)	(9)	(13)	(397)	(550)
External services	(87)	(2)	(37)	(86)	(6)	(3)
Other costs	(81)	(125)	(46)	(68)	0	0
Profit on operating activities	**136**	**484**	**164**	**(113)**	**180**	**233**
Finance costs	(4)	(5)	(26)	0	0	0
Profit before tax	**132**	**479**	**138**	**(113)**	**180**	**233**
Income tax expense	(25)	(91)	(26)	21	(34)	(44)
Net profit on continuing operations	**107**	**388**	**112**	**(92)**	**146**	**189**

BALANCE SHEET	**Transmission and distribution of natural gas**		**Transmission of electricity**		**Trade in electricity**	
Assets	**31.12.2017** (audited)	**31.12.2016** (audited)	**31.12.2017** (audited)	**31.12.2016** (audited)	**31.12.2017** (audited)	**31.12.2016** (audited)
I. Non-current assets	**124**	**166**	**870**	**1,406**	**0**	**0**
Property, plant and equipment	124	166	870	1,406	0	0
II. Current assets	**217**	**397**	**118**	**135**	**173**	**268**
Receivables	217	397	118	135	173	268
Prepayments	0	0	0	0	0	0
Total assets	**341**	**563**	**988**	**1,541**	**173**	**268**
Equity and liabilities						
I. Equity	**336**	**543**	**930**	**1,349**	**173**	**268**
Internal settlements	336	543	930	1,349	173	268
II. Long-term liabilities	**5**	**20**	**58**	**192**	**0**	**0**
Deferred tax liability	5	20	58	192	0	0
III. Short-term liabilities	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities	0	0	0	0	0	0
Total equity and liabilities	**341**	**563**	**988**	**1,541**	**173**	**268**

45. Events after the reporting period

After the reporting period, there were no other significant events which should be disclosed 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

………………………………

Piotr Wysocki
Member of the Management Board

…………………………………………

Tomasz Grela
Member of the Management Board

………………………………

Kęty, 16 March 2018

Signature of the person entrusted with bookkeeping

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

…………………………………………

Kęty, 16 March 2018