DIRECTORS’ REPORT
ON ACTIVITIES OF
THE ALUMETAL S.A. CAPITAL GROUP
FOR THE YEAR 2015

Kęty, 14 March 2016
Table of contents
I. Issuer corporate data ..................................................................................................................4
1. Organisation of the ALUMETAL S.A. Capital Group ..........................................................4
2. Changes in the organisational structure of ALUMETAL Group .........................................8
3. Organisational and capital relations of ALUMETAL S.A. ...................................................8
4. Intra-Group transactions .......................................................................................................8
II. Corporate governance ...........................................................................................................9
1. Principles of management of the ALUMETAL S.A. Capital Group ......................................9
2. Authorities of ALUMETAL S.A. ............................................................................................10
3. Shareholding structure .........................................................................................................13
4. Blocks of shares held by members of Management and Supervisory Boards ....................15
5. Emoluments of the members of Management and Supervisory Boards ............................16
6. Incentive Programs ...............................................................................................................17
7. Rules of best practice and corporate governance .................................................................18
III. Information on ALUMETAL Group products ...................................................................21
1. Operating segments .............................................................................................................21
IV. Assessment of Group financial position ............................................................................25
1. Basis of preparing financial statements and information on the entity authorised to audit financial statements .................................................................25
2. Market situation ..................................................................................................................25
3. Financial results and financial position of the ALUMETAL Group ........................................32
4. Financial ratios ....................................................................................................................41
5. Significant events in 2015 .....................................................................................................42
6. Significant events after the reporting date ...........................................................................47
V. Realised investments and development work .......................................................................50
1. Information on major research and development achievements ............................................50
2. Financing the development of ALUMETAL Group ..............................................................50
3. Structure of main capital deposits or main capital investments made in the Issuer capital group in the financial year .................................................................51
4. Development directions of the ALUMETAL Group ............................................................51
5. Financing development of ALUMETAL Group ..................................................................52
VI. Human capital management ..............................................................................................54
1. Recruitment policy ................................................................................................................54
2. Structure of employment .......................................................................................................54
3. Communication ....................................................................................................................55
4. Professional development and training ................................................................. 55
VII. Quality, environmental protection and labour hygiene and safety ................................. 57
1. Quality .................................................................................................................. 57
2. Environmental protection .................................................................................... 57
3. Labour hygiene and safety ................................................................................... 58
VIII. Loans and borrowings, and other financial agreements ............................................. 59
1. Loans and borrowings taken out .......................................................................... 59
2. Loans granted ........................................................................................................ 60
3. Other financial agreements .................................................................................. 60
IX. Contingent assets and contingent liabilities, sureties and guarantees and off-balance sheet liabilities ........................................................................................................... 61
1. Court and litigation proceedings ........................................................................... 61
2. Sureties ................................................................................................................ 61
3. Contingent liabilities ............................................................................................. 61
X. Financial risk management objectives and policies .................................................. 62
1. Interest rate risk ..................................................................................................... 62
2. Foreign currency risk ............................................................................................ 62
3. Commodity price risk ......................................................................................... 62
4. Credit risk ............................................................................................................. 63
5. Liquidity risk ........................................................................................................ 63
XI. Risk factors with possible impact on Group financial results .................................... 64
1. Geopolitical and macroeconomic situation in Europe ............................................ 64
2. Situation of automotive industry .......................................................................... 64
3. Relation between raw materials purchase price and alloy selling price .................... 65
4. Limited availability of raw materials scrap in Europe .......................................... 65
5. Potential disruptions in utilities supply to ALUMETAL Group production plants ...... 65
6. Higher competition on the market of secondary aluminium alloys .......................... 66
7. Other accidental, unfavourable one-of events ....................................................... 66
XII. Internal control system and risk management ......................................................... 67
XIII. Standpoint of the Management Board as regards forecast results of the ALUMETAL S.A. Capital Group ........................................................................................................... 68
I. Issuer corporate data

1. Organisation of the ALUMETAL S.A. Capital Group

As at 31 December 2015, the organisation of the ALUMETAL S.A. Capital Group (hereinafter referred to as the “Alumetal Group” or the “Group”) is as follows:

A. Issuer corporate data

Name and legal form: ALUMETAL Spółka Akcyjna [joint stock company]
Registered office: ul. Kościuszki 111, 32-650 Kęty
Telephone number: +48 (33) 47 07 100
Fax number: +48 (33) 47 07 101
Website: www.alumetal.pl
E-mail address: alumetal@alumetal.pl
KRS: 0000177577
Statistical number, REGON: 357081298
Tax identification number, NIP: 5492040001

ALUMETAL S.A. (hereinafter: the „Company”, „Issuer”) was incorporated in 1999 and entered in the Register of Entrepreneurs on 19 October 2001 as limited liability company (spółka z ograniczoną odpowiedzialnością) operating under the name “ALUMETAL” sp. z o.o. On the basis of resolution of the Annual General Meeting of „ALUMETAL” sp. z o.o. of 5 September 2003, the Company was transformed into a joint stock company ALUMETAL S.A. The transformation was registered with the competent registry court on 28 October 2003.

ALUMETAL Spółka Akcyjna is registered in the Register of Entrepreneurs maintained by the District Court for Kraków-Śródmieście in Cracow, XII Economic Department of the National Court Register, Entry No. KRS 0000177577. The Company was incorporated for an indefinite period of time. The Company operates based on the provisions of the Code of Commercial Companies and other legal regulations binding the commercial-law companies, as well as based on the provisions of its Statutes and of other internal regulations.

The Company’s scope of business is defined in § 4 of its Statutes, being in particular:

Head office and holding operations, except for financial holdings (PKD 70.10.Z).

The issued capital of the Company amounts to PLN 1,522,821 (in words: one million five hundred twenty two thousand eight hundred twenty one złoty zero groszy) and is divided into 15,228,210 shares with a nominal value of PLN 0.10 each, of which:

- 9,800,570 shares are ordinary bearer shares, series A;
- 1,507,440 shares are ordinary bearer shares, series B;
- 3,769,430 shares are ordinary bearer shares, series C; and
- 150,770 shares are ordinary bearer shares, series D.

In the event of Company liquidation, the above shares are not preference shares as regards voting right, right to dividend or distribution of assets.
The Management Board of the Stock Exchange in Warsaw (WSE) passed on 11 July 2014 a Resolution No. 802/2014 on admittance to public trading on the main market of the WSE of the ALUMETAL S.A.’s shares, series A, B and C. Following that, the Management Board of the WSE, based on the Resolution No. 811/2014 of 16 July 2014, resolved that as of 17 July 2014 the Company’s ordinary (bearer) shares will be introduced to public trading in the ordinary procedure, and on that date the first quotation of the Company took place.

Due to the fulfilment of all pre-requisite conditions for the implementation of the share incentive scheme realised as part of the conditional increase in the Company’s issued capital, as defined in the Resolution No. 5 of the Extraordinary Annual General Meeting of the Company of 28 May 2014 (“Incentive Program”), about which the Company informed in its Share Issue Prospectus authorised by the Polish Financial Supervision Authority on 17 June 2014 (“Prospectus”) and in its Directors’ Report on activities of the Alumetal Group and Directors’ Report on activities of Alumetal S.A. published in the annual report and consolidated annual report for the year 2014 dated 12 March 2015, as part of the execution of adopted Incentive Program, the Company issued 150,770 registered, non-transferrable subscription warrants, series A, in exchange for which, by 29 April 2015, 150,770 ordinary bearer shares, series D, with a nominal value of PLN 0.10 (in words: ten groszy) each were taken up, about which the Company informed the public in its current report No. 16/2015 dated 29 April 2015.

On 27 May 2015, the Management Board of the WSE passed a resolution No. 509/2015 on admitting and introducing to public trading on the main market of the WSE of the Company’s ordinary bearer shares, series D, as of 1 June 2015, about which the Company informed the public in its current report No. 21/2015 dated 28 May 2015.

As at 31 December 2015 and 31 December 2014, the composition of the Management Board of ALUMETAL S.A. was as follows:

- Mr Szymon Adamczyk - President of the Management Board
- Mr Krzysztof Błasiak - Vice-president of the Management Board
- Mr Przemysław Grzybek - Member of the Management Board.

**B. Subsidiary companies**

Presented below is the information on related companies, which are direct subsidiaries of the Company.

**ALUMETAL Poland sp. z o.o.**

The Company holds 100% shares in the issued capital of ALUMETAL Poland sp. z o.o., which give it the right to exercise 100% votes at the shareholders’ meeting of this company.

Corporate information:
Name and legal form: ALUMETAL Poland spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office: ul. Przemysłowa 8, 67-100 Nowa Sól
Issued capital: PLN 164,981,300
Main scope of business activities: Production of aluminium casting alloys, master alloys and aluminium for steel deoxidation.
T + S sp. z o.o.

The Company holds 100% shares in the issued capital of T+S sp. z o.o., which give it the right to exercise 100% votes at the shareholders’ meeting of this company.

Corporate information:
Name and legal form: T + S spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office: ul. Kościuszki 111, 32-650 Kęty
Issued capital: PLN 350,000
Main scope of business activities: Production of fluxes and salts, which are supplementary materials in the casting industry.

ALUMETAL Kęty sp. z o.o.

The Company holds 100% shares in the issued capital of ALUMETAL Kęty sp. z o.o., which give it the right to exercise 100% votes at the shareholders’ meeting of this company. At the date of the preparation of the Company’s financial statements, ALUMETAL Kęty sp. z o.o. did not commence operating activities, and the Company considers disposal of all shares in this entity. ALUMETAL Kęty sp. z o.o. is not subject to consolidation.

Corporate information:
Name and legal form: ALUMETAL Kęty spółka z ograniczoną odpowiedzialnością [limited liability company]
Registered office: ul. Kościuszki 111, 32-650 Kęty
Issued capital: PLN 5,000
Main scope of business activities: No operating activities conducted

ALUMETAL Group Hungary Kft.

ALUMETAL Group Hungary Kft. was incorporated on 11 July 2014 to realise the investment of the Alumetal Group in Hungary.

Corporate information:
Name and legal form: ALUMETAL Group Hungary Kft.
Registered office: 2900 Komárom, Honfoglalás u.16., Hungary
Issued capital: HUF 2,800,000,000
Main scope of business activities: Casting of light metals
C. Organisational structure of ALUMETAL Group

As at 31 December 2015, the organizational structure of the Alumetal Group was as follows:

<table>
<thead>
<tr>
<th>Entity</th>
<th>% share held by ALUMETAL S.A. in the issued capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALUMETAL Poland sp. z o.o.</td>
<td>100%</td>
</tr>
<tr>
<td>T + S sp. z o.o.</td>
<td>100%</td>
</tr>
<tr>
<td>ALUMETAL Kęty sp. z o.o.</td>
<td>100%</td>
</tr>
<tr>
<td>ALUMETAL Group Hungary Kft.</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ALUMETAL Poland sp. z o.o.</th>
<th>Nowa Sól, Poland</th>
<th>Production</th>
<th>100%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>T + S sp. z o.o.</td>
<td>Kęty, Poland</td>
<td>Production</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ALUMETAL Kęty sp. z o.o.</td>
<td>Kęty, Poland</td>
<td>No operating activities</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ALUMETAL Group Hungary Kft.</td>
<td>Komarom, Hungary</td>
<td>Production (currently in the investment phase)</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**ALUMETAL S.A.** is the holding company rendering management, trading and marketing, development-investment, IT and accounting-financial services to other entities of the ALUMETAL S.A. Capital Group. Only the foreign entity is serviced by a company from its mother country.

**ALUMETAL Poland sp. z o.o.** is the main production company of the Group that manufactures products for the two main operating segments: aluminium casting alloys and master alloys. ALUMETAL Poland sp. z o.o. owns the three production plants of the Group, which are located in Kęty (Małopolskie Voivodship), Nowa Sól (Lubuskie Voivodship) and Gorzyce (Podkarpackie Voivodship).

**T+S sp. z o.o.** renders auxiliary services which consist in the production of fluxes and salts which are used mainly by the Alumetal Group, but which are also sold to the external clients in the casting and smelting industries.

**ALUMETAL Kęty sp. z o.o.** did not conduct operating activities in the reporting period.

**ALUMETAL Group Hungary Kft.** is a Hungarian-law based company, incorporated to realize the investment of the Alumetal Group in Hungary.

In the reporting period, none of the companies of the Alumetal Group had self-reporting organizational units within the meaning of article 5 point 4 of the Act of 2 July 2004 on freedom of economic activity.
As at the date of the preparation of these annual consolidated financial statements, the following entities were consolidated:

- ALUMETAL S.A.,
- ALUMETAL Poland sp. z o.o.,
- T+S sp. z o.o., and
- ALUMETAL Group Hungary Kft.

ALUMETAL Kęty sp. z o.o. is not subject to consolidation.

2. Changes in the organisational structure of ALUMETAL Group

In 2015, there were no changes in the organisational structure of the Group.

3. Organisational and capital relations of ALUMETAL S.A.

The Issuer is related by type of organisation and by capital to the subsidiary companies of the Alumetal Group in the manner specified above, while maintaining the policy of the performance of duties of Group companies’ board members by the persons making up the Management Board of ALUMETAL S.A. The exception to this rule is ALUMETAL Group Hungary Kft., as stated below.

The issuer is also related by capital to IPOPEMA 30 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which holds 6,031,120 shares in ALUMETAL S.A, which translates into share in the Company’s issued capital at the level of 39.60%.

In the period from 31 December 2014 to 31 December 2015, the Group did not make capital investments other than those in the related entities.

However, on 28 January 2016, Alumetal S.A. acquired 15% shares in SKTB ALUMINIUM spółka akcyjna uproszczona [simplified joint stock company] with its registered office in Gorcy (54730), Jean Joseph Labbe 1 street (France), with its business activities being production and sale of secondary alloys.

4. Intra-Group transactions

In the reporting period, neither the Issuer, not its subsidiary companies made any significant transactions with related entities on the terms and conditions other than those prevailing in arm’s length transactions.
ALUMETAL S.A. has conducted business in accordance with Polish laws and the Company’s Statutes. Pursuant to the provisions of § 11 section 2 point 6 of the Company’s Statutes, any change thereto requires separate resolution of the Annual General Meeting, as provided in the Code of Commercial Companies.

1. Principles of management of the ALUMETAL S.A. Capital Group

For many years, the Group has been managed from the level of the parent company, ALUMETAL S.A., which as of 1 January 2014, i.e. after Group reorganization, has remained solely a holding entity.

The expression of the above principle of management is the observing by the ALUMETAL S.A. Capital Group of the policy of the performance of duties of Group companies’ board members by the persons making up the Management Board of ALUMETAL S.A., as well as possible appointment to the boards of subsidiary companies of additional persons, as required by the business tasks of those subsidiary companies. As part of the compliance with this policy, as of 1 January 2015 the mandate of Management Board Member of ALUMETAL Poland sp. z o.o. and T+S sp. z o.o. has been held by Mr Tomasz Kliś.

The exception to the above policy is the Hungarian-law based Group company, ALUMETAL Group Hungary Kft., which does not have management board within the meaning of Polish regulations, and the persons authorised to manage and represent this company are Mr Andrzej Słupski and Mr Józef Młocek (employees of ALUMETAL S.A.). This exception is the effect of the requirements of Hungarian laws and is driven by the need to realise the main investment project of the Alumetal Group in the reporting period i.e. Construction of the production plant in Hungary (“Budowa Zakładu na Węgrzech”), about which the Company informed in its current report No. 17/2014 of 10 October 2014.

The subsidiary companies of the Alumetal Group do not have own supervisory bodies. The sole governing body of this type is the Supervisory Board at ALUMETAL S.A.

The principles of functioning and information about Issuer governing bodies are presented below.

In the period from 31 December 2014 to 31 December 2015, the principles of management of the Alumetal Group did not change, except for the above instance of the appointment of Mr Tomasz Kliś to the management boards of subsidiary companies.
2. **Authorities of ALUMETAL S.A.**

**A. Annual General Meeting**

The Annual General Meeting operates based on the Company’s Statutes. On 2 September 2014, pursuant to the provisions of Resolution No. 3 of the Extraordinary Annual General Meeting of ALUMETAL S.A., Regulations of Annual General Meetings of ALUMETAL S.A. were adopted. The provisions of the above Regulations do not materially differ from the respective provisions of the Code of Commercial Companies.

The current wording of Regulations of Annual General Meetings is presented in the internet website under the tab: Investor relations/Corporate governance/Annual General Meeting.

On 13 April 2015, the Ordinary Annual General Meeting of ALUMETAL S.A. passed resolutions regarding the following matters:

- adoption of meeting agenda,
- approval of Directors’ Report on activities of ALUMETAL S.A. for 2014,
- authorization of the financial statements of ALUMETAL S.A. for 2014,
- approval of Directors’ Report on activities of the ALUMETAL S.A. Capital Group for 2014,
- authorization of the consolidated financial statement of the ALUMETAL S.A. Capital Group for 2014,
- approval of the report of Supervisory Board of ALUMETAL S.A. for 2014,
- approval of summarised financial position of the Company in 2014 presented by the Supervisory Board,
- appropriation of profit of ALUMETAL S.A. for 2014 and for previous years,
- acknowledgment of the fulfilment of duties by the President of the Management Board, Mr Szymon Adamczyk
- acknowledgment of the fulfilment of duties by the Vice-president of the Management Board, Mr Krzysztof Błasiak
- acknowledgment of the fulfilment of duties by Management Board Member, Mr Przemysław Grzybek,
- acknowledgment of the fulfilment of duties by Supervisory Board Member, Mr Grzegorz Stulgis,
- acknowledgment of the fulfilment of duties by Supervisory Board Member, Mr Frans Bijhouwer,
- acknowledgment of the fulfilment of duties by Supervisory Board Member, Mr Paweł Boksa,
- acknowledgment of the fulfilment of duties by Supervisory Board Member, Mr Paweł Gieryński,
- acknowledgment of the fulfilment of duties by Supervisory Board Member, Mr Marek Kacprowicz,
- acknowledgment of the fulfilment of duties by Supervisory Board Member, Mr Tomasz Pasiewicz,
- acknowledgment of the fulfilment of duties by Supervisory Board Member, Mr Emil Ślązak,
- determination of the number of Supervisory Board Members of the Company,
- appointment of Mr Grzegorz Stulgis as Supervisory Board Member of the Company,
• appointment of Mr Frans Bijlhouver as Supervisory Board Member of the Company,
• appointment of Mr Marek Kacprowicz as Supervisory Board Member of the Company,
• appointment of Mr Emil Ślązak as Supervisory Board Member of the Company,
• appointment of Mr Tomasz Pasiewicz as Supervisory Board Member of the Company,
• emoluments of Company’s Supervisory Board Members.

The Company made available to the public the full contents of resolutions of the Ordinary Annual General Meeting in its current report No. 12/2015 on 13 April 2015.

At the same time, the Company hereby informs that during Annual General Meetings of ALUMETAL S.A. there are no restrictions whatsoever on exercising voting right.

**B. Supervisory Board**

As at 31 December 2014, the composition of the Supervisory Board of ALUMETAL S.A. was as follows:

• Mr Grzegorz Stulgis – Chairman of the Supervisory Board,
• Mr Frans Bijlhouver – Member of the Supervisory Board,
• Mr Marek Kacprowicz – Member of the Supervisory Board,
• Mr Tomasz Pasiewicz – Member of the Supervisory Board,
• Mr Emil Ślązak – Member of the Supervisory Board.

On 13 April 2015, the Ordinary Annual General Meeting of the Company determined the number of members of the Supervisory Board at 5 persons and re-appointed as Supervisory Board Members all above listed persons for a common, 3-year term of office, about which the Company informed the public in its current report No. 14/2015 on 13 April 2015.

In the period from the date of the Ordinary Annual General Meeting to the date of the publication of this Directors’ Report, the composition of the Supervisory Board of ALUMETAL S.A. did not change.

On 24 June 2015, pursuant to the provisions of § 16 section 5 of the Company’s Statutes, Mr Grzegorz Stulgis was, by way of Resolution of the Supervisory Board of ALUMETAL S.A., appointed as its Chairman.

The Supervisory Board carries out continued monitoring and supervision of the activities of the Company in all aspects of its business.

The Supervisory Board acts based on the Work Regulations of the Supervisory Board adopted by the Supervisory Board and authorized by Annual General Meeting; current contents of these Regulations are available on the Company’s website under the tab: Investor relations /Corporate Governance/Supervisory Board.

The Supervisory Board holds its meetings at least once in a quarter.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In the case of a voting tie, the casting vote is that of the Chairman of the Supervisory Board.

In addition, the Company hereby informs that in the reporting period there were no committees of the Supervisory Board. In accordance with the provisions of § 22 section 1 of the Company’s Statutes, the Supervisory Board is authorized to establish an audit committee composed of at least 3 of its
members, with the proviso that at least one member of the audit committee fulfilled the criteria of independence within the meaning of article 86 section 5 of the Act on certified auditors, and held appropriate accounting or auditing qualifications. If, however, the Supervisory Board is composed of not more than 5 persons, then in accordance with the provisions of § 22 section 2 of the Company’s Statutes it may execute the tasks of the audit committee on its own. Since in 2015 the number of Supervisory Board Members accounted for 5 mandates, audit committee was not established.

C. Management Board

As at 31 December 2014, the composition of the Management Board of ALUMETAL S.A. was as follows:

- Mr Szymon Adamczyk – President of the Management Board,
- Mr Krzysztof Błasiak – Vice-president of the Management Board,
- Mr Przemysław Grzybek – Member of the Management Board.

Pursuant to the provisions of § 12 section 5 of the Company’s Statutes, the Company’s Management Board is appointed for a common 3-year term of office by the Supervisory Board, which determines the number of Management Board members from one to five persons and appoints President and Vice-president of the Management Board, and which may delegate its members to temporarily perform duties of Management Board members. Removal of Management Board Members is executed in accordance with the provisions of the Code of Commercial Companies.

On 13 March 2015, the Supervisory Board of ALUMETAL S.A., acting in accordance with the provisions of § 12 section 5 of the Company’s Statutes, determined the number of Issuer’s Management Board Members at 3 persons and appointed the following persons for a common, 3-year term of office:

- Mr Szymon Adamczyk,
- Mr Krzysztof Błasiak,
- Mr Przemysław Grzybek.

In addition, the Supervisory Board of the Company appointed Mr Szymon Adamczyk as President of the Management Board, Mr Krzysztof Błasiak as Vice-president of the Management Board, and Mr Przemysław Grzybek as Member of the Management Board, about which the Company informed the public by way of its current report No. 9/2015 of 13 March 2015.

The Resolutions of ALUMETAL S.A. on determining the number of Issuer’s Management Board members and on appointment of the above persons for said positions became effective as of the date of the Ordinary Annual General Meeting authorizing Company’s financial statements for 2014 i.e. on 13 April 2015.

In the period from the date of those Resolutions to the date of the publication of this Directors’ Report, the composition of the Management Board of ALUMETAL S.A. did not change.

The Management Board manages the Company’s affairs and represents the Company before third parties. The Management Board is authorized to manage all affairs of the Company which are not within the competence of the Annual General Meeting or Supervisory Board. Resolutions of the Management Board are adopted by an absolute majority of votes. In the case of a voting tie, the casting vote is that of the President of the Management Board.
The scope of rights and obligations of the Management Board as well as the manner of its operation is defined by Work Regulations of the Management Board which were adopted based on the Decision No. 1 of the Management Board dated 11 December 2014 and authorized by the Decision No. 2 of the Supervisory Board dated 12 December 2014; current contents of these Regulations are available on the Company’s website under the tab: Investor relations /Corporate Governance/Management Board.

The Management Board of the Company is not authorized to take decisions on share issue or share re-acquisition.

In the reporting period, no agreements were concluded between the Company and the members of the Management Board regarding compensation for their resignation or removal for no important reason, or where their removal was justified by Company’s merger through acquisition.

3. Shareholding structure

A. Shareholders of ALUMETAL S.A. with material blocks of shares

As at 31 December 2015, the Company had below information on the shareholders holding, directly or indirectly through subsidiary companies, at least 5% of the total number of votes at the Annual General Meeting of ALUMETAL S.A.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of shares</th>
<th>% of issued capital</th>
<th>No. of votes</th>
<th>% of votes at the AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grzegorz Stulgis, directly or through IPOPEMA 30 FIZAN</td>
<td>6,031,130</td>
<td>39.60</td>
<td>6,031,130</td>
<td>39.60</td>
</tr>
<tr>
<td>Aviva Otwarty Fundusz Emerytalny [open-end pension fund] Aviva BZ WBK</td>
<td>1,506,000</td>
<td>9.89</td>
<td>1,506,000</td>
<td>9.89</td>
</tr>
<tr>
<td>ING Otwarty Fundusz Emerytalny [open-end pension fund]</td>
<td>1,140,650</td>
<td>7.49</td>
<td>1,140,650</td>
<td>7.49</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>6,550,430</td>
<td>43.02</td>
<td>6,550,430</td>
<td>43.02</td>
</tr>
<tr>
<td>Total</td>
<td>15,228,210</td>
<td>100.00</td>
<td>15,228,210</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Since the date of the last current report, the Company has not received any information on the changes in the ownership of material blocks of shares.

In addition, the Company hereby informs that ALUMETAL S.A. does not offer shares with the attached special control rights.

During the reporting period, the Company did not receive any information on the agreements that could in the future affect its current shareholding structure. The Company operates solely the Incentive Program, adopted based on the Resolution No. 5 of the Extraordinary Annual General Meeting of ALUMETAL S.A. of 28 May 2014 and based on the Decision of the Supervisory Board of 12 December 2014, which was described in more detail in point II.6 of this Directors’ Report and in the Consolidated financial statements of ALUMETAL S.A. for 2015.
B. Share issue and re-acquisition of own shares

In 2015, as part of the execution of the Incentive Program, the Company issued 150,770 registered, non-transferable subscription warrants, series A, for which, by 29 April 2015, 150,770 ordinary bearer shares, series D, with a nominal value of PLN 0.10 were taken up, about which the Company informed the public in its current report No. 16/2015 dated 29 April 2015. Given the fact that the D-series shares were issued in a dematerialised form, pursuant to the provisions of article 7 of the act on trading in financial instruments, the rights attached to those shares materialised upon initial registration of those shares on the securities account i.e. on 1 June 2015, about which the Company informed the public in its current report No. 22/2015 dated 28 May 2015.

The issue of the above shares was conducted in accordance with the authorization provided based on the Resolution No. 5 of the Extraordinary Annual General Meeting of ALUMETAL S.A. of 28 May 2014, whereby Company’s Management Board resolved issuance of 150,770 registered, non-transferable subscription warrants, series A, which were dedicated to the Members of the Company’s Management Board and to the key personnel of the Company. The effect of the issue of A-series subscription warrants was taking up by 29 April 2015 of 150,770 ordinary bearer shares, series D, which were introduced to public trading on a regulated market as of 1 June 2015. On 6 July 2015, the court of registration registered a change in the Company’s Statutes that reflected an increase in the issued capital of the Company in connection with the issue of D-series shares, about which the Company informed the public in its current report No. 24/2015 of 21 July 2015. The funds obtained from this issue were used to discharge current liabilities of the Company.

As part of the execution of the Incentive Program, the Company may still issue:

- up to 150,770 subscription warrants, series B, which will entitle their holders to take up not more than 150,770 shares, series E, of the Company during the period from the date of authorization of the Group’s consolidated financial statements for the year ended 31 December 2015 to 31 December 2018;
- up to 150,770 subscription warrants, series C, which will entitle their holders to take up not more than 150,770 shares, series F, of the Company during the period from the date of authorization of the Group’s consolidated financial statements for the year ended 31 December 2016 to 31 December 2018.

In the reporting period, the Company did not re-acquire own shares.

C. Special powers and restrictions on transfer of ownership right to the shares of ALUMETAL S.A. and exercising voting right

In the reporting period, the following restrictions existed on the transfer of ownership right to the shares of ALUMETAL S.A.:

Mr Grzegorz Stulgis, Mr Szymon Adamczyk, Mr Krzysztof Blasiak, Mr Przemyslaw Grzybek, ALU HOLDINGS S.a.r.l., Abris CEE Mid-Market Fund and the Company assumed a contractual obligation not to initiate, without written permission of UniCredit CAIB Poland S.A., any activities consisting in offering, selling, encumbering or otherwise disposing of shares, series A, B or C, of ALUMETAL S.A. This obligation related also to refraining from declaring issuance, offering or disposal, or the intent to take such actions, or initiating actions leading to, or possibly leading to issuance, offering or disposal
of shares of ALUMETAL S.A., series A, B or C, or appropriate share options (securities exchangeable for such shares) or enabling securing – through exercising securities-attached rights – of other rights facilitating acquisition of said shares, other securities or financial instruments, the value of which is determined directly or indirectly by reference to the price of the above securities, being the base instrument, inclusive of share swaps, forward contracts and options. Abris CEE Mid-Market Fund serves as the underwriter (guarantor) of the liabilities of ALU HOLDINGS S.a.r.l. related to marketability restrictions of the above shares.

The above restrictions do not have any impact on exercising shareholder voting right.

The Company informed about the above restrictions in its Prospectus (point E.5 page 27), in the Updating Communique No. 1, as well as in the Directors’ Report on activities of the ALUMETAL S.A. Capital Group and in the Directors’ Report on activities of ALUMETAL S.A. published in the annual report of 12 March 2015.

The above restrictions were valid for the period of 360 days from the first listing of the Company’s shares on the main market (17 July 2014) and expired on 12 July 2015.

4. Blocks of shares held by members of Management and Supervisory Boards

The table below shows information on the number of shares held by members of Issuer’s Management and Supervisory Boards:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of shares</th>
<th>% of issued capital</th>
<th>No. of votes</th>
<th>% of votes at the AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grzegorz Stulgis, directly or through IPOPEMA 30 FIZAN</td>
<td>6,031,130</td>
<td>39.60</td>
<td>6,031,130</td>
<td>39.60</td>
</tr>
<tr>
<td>Krzysztof Błasiak</td>
<td>357,526</td>
<td>2.35</td>
<td>357,526</td>
<td>2.35</td>
</tr>
<tr>
<td>Szymon Adamczyk</td>
<td>257,194</td>
<td>1.69</td>
<td>257,194</td>
<td>1.69</td>
</tr>
<tr>
<td>Przemysław Grzybek</td>
<td>130,476</td>
<td>0.86</td>
<td>130,476</td>
<td>0.86</td>
</tr>
<tr>
<td>Frans Bijlhouver</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Marek Kacprowicz</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tomasz Pasiewicz</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Emil Ślązak</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

In 2015, the Company received information on the change in the number of shares held by management or supervisory board members in connection with the commencement of the process of issuance of D-series shares and their taking up in exchange for the A-series subscription warrants. On 30 April 2015, ALUMETAL S.A. received information on the change in the number of shares held by the Members of the Management Board that reflected taking up D-series shares in exchange for the A-series subscription warrants, about which the Company informed the public in its current report No. 17/2015 dated 30 April 2015.

The D-series shares were taken up by 27 persons representing the key personnel of the Company, including by all Members of the Management Board. In accordance with the received information:
Mr Szymon Adamczyk took up 33,924 D-series shares;
Mr Krzysztof Błasiak took up 22,616 D-series shares;
Mr Przemysław Grzybek took up 18,846 D-series shares.

The table below shows information on the number of shares held by the members of Issuer’s Management and Supervisory Boards at the date of the publication of prior year annual report:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of shares</th>
<th>% of issued capital</th>
<th>No. of votes</th>
<th>% of votes at the AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grzegorz Stulgis, directly or through IPOPEMA 30 FIZAN</td>
<td>6,031,130</td>
<td>40.00</td>
<td>6,031,130</td>
<td>40.00</td>
</tr>
<tr>
<td>Krzysztof Błasiak</td>
<td>334,910</td>
<td>2.22</td>
<td>334,910</td>
<td>2.22</td>
</tr>
<tr>
<td>Szymon Adamczyk</td>
<td>223,270</td>
<td>1.48</td>
<td>223,270</td>
<td>1.48</td>
</tr>
<tr>
<td>Przemysław Grzybek</td>
<td>111,630</td>
<td>0.74</td>
<td>111,630</td>
<td>0.74</td>
</tr>
<tr>
<td>Frans Bijlhouver</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Marek Kacprowicz</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tomasz Pasiewicz</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Emil Ślązak</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

5. Emoluments of the members of Management and Supervisory Boards

<table>
<thead>
<tr>
<th>Remuneration of Supervisory Board Members</th>
<th>Year ended 31 December 2015</th>
<th>Year ended 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grzegorz Stulgis, Chairman of the Supervisory Board</td>
<td>45,000.00</td>
<td>18,000.00</td>
</tr>
<tr>
<td>Frans Bijlhouver, Member of the Supervisory Board</td>
<td>32,000.00</td>
<td>12,000.00</td>
</tr>
<tr>
<td>Marek Kacprowicz, Member of the Supervisory Board</td>
<td>32,000.00</td>
<td>12,000.00</td>
</tr>
<tr>
<td>Tomasz Pasiewicz, Member of the Supervisory Board</td>
<td>32,000.00</td>
<td>8,000.00</td>
</tr>
<tr>
<td>Emil Ślązak, Member of the Supervisory Board</td>
<td>32,000.00</td>
<td>8,000.00</td>
</tr>
<tr>
<td>Paweł Bokska, Member of the Supervisory Board</td>
<td>6,000.00</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Paweł Gieryński, Member of the Supervisory Board</td>
<td>6,000.00</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Total remuneration paid</td>
<td>173,000.00</td>
<td>70,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remuneration of Issuer’s Management Board Members at the parent and in subsidiary companies</th>
<th>Year ended 31 December 2015</th>
<th>Year ended 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Szymon Adamczyk, President of the Management Board, CEO</td>
<td>1,625,027.90</td>
<td>1,239,191.48</td>
</tr>
<tr>
<td>Krzysztof Błasiak, Vice-president of the Management Board, Operational &amp; Development Director</td>
<td>1,625,027.90</td>
<td>1,223,303.92</td>
</tr>
<tr>
<td>Przemysław Grzybek, Member of the Management Board, Financial Director</td>
<td>792,234.61</td>
<td>554,300.85</td>
</tr>
<tr>
<td>Short-term employee benefits (payroll and surcharges), total</td>
<td>4,042,290.41</td>
<td>3,016,796.25</td>
</tr>
</tbody>
</table>
6. Incentive Programs

In the reporting period covered by this Directors’ Report, the Company operated the Incentive Program dedicated to the key personnel of the Company ("Eligible Persons"). The assumptions of this incentive scheme provide for a conditional increase in the Company’s issued capital through the issue of free-of-charge and non-transferable A-series subscription warrants and the matching D-series shares of the Company, as described in point I.1.A of this Directors’ Report.

As part of the Incentive Program, the Company may still issue two tranches of subscription warrants (series B and C) and the matching two tranches of new shares of the Company (series E and F) with a total nominal value not exceeding PLN 30,154, of which:

- up to 150,770 subscription warrants, series B, which will entitle their holders to take up not more than 150,770 shares, series E, of the Company during the period from the date of authorization of the Group’s consolidated financial statements for the year ended 31 December 2015 to 31 December 2018;
- up to 150,770 subscription warrants, series C, which will entitle their holders to take up not more than 150,770 shares, series F, of the Company during the period from the date of authorization of the Group’s consolidated financial statements for the year ended 31 December 2016 to 31 December 2018.

The issue of the subscription warrants will be dedicated to the members of the Management Board and to the key executives appointed by the Management Board and authorized by the Supervisory Board. The Eligible Persons will be able to exercise their right to take up shares in the Company on the condition of the fulfilment of certain conditions, and especially on the condition of being in the employment relationship or other similar relationship being the basis for rendering services to the Company or to the subsidiary companies from the first date of listing of the Company’s shares on the Warsaw Stock Exchange to the date directly preceding the date of exercising the rights under the subscription warrants of the given series.

In addition, exercising the right under the subscription warrants will be possible on the condition of achieving appropriate growth of EBITDA per Company share; achieving appropriate growth in the ratio of net profit per share, and achieving appropriate rate of return on the Company’s shares on the WSE regulated market in relation to the dynamics of WIG index changes in the period, in which the subscription warrants are to be issued.

The issue price of the shares covered by the Incentive Program will equate the final unit selling price of the Company’s shares to Individual Investors in the First Offering, reduced by certain appropriate percentage ratio.

Detailed policies of this incentive scheme were described in the Regulations of the Incentive Program adopted by the Supervisory Board by Resolution No. 4 of 12 December 2014.

Since in October 2014, a list of Eligible Persons was prepared and an allocation was made of the number of shares to individual persons, the Company valued this Incentive Program as at 31 December 2014 in accordance with IFRS 2 Share-based payment. As at 31 December 2015, appropriate update of this valuation was performed.
Presented below is the cost of the program for the subsequent years and the value of capital under the incentive scheme at consecutive reporting dates.

<table>
<thead>
<tr>
<th>Value of capital and cost of incentive programs</th>
<th>Year ended 31 December 2015</th>
<th>Year ended 31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital under incentive Program I</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital under incentive Program II</td>
<td>2,004,910.00</td>
<td>1,330,630.00</td>
</tr>
<tr>
<td>Cost of Program I</td>
<td>-</td>
<td>223,099.28</td>
</tr>
<tr>
<td>Cost of Program II</td>
<td>2,571,918.00</td>
<td>1,330,630.00</td>
</tr>
</tbody>
</table>

In the reporting period, the Company did not operate employee share incentive schemes and therefore no underlying controls operated.

7. Rules of best practice and corporate governance

A. Best practice and corporate governance in 2015

In the reporting period, ALUMETAL S.A., as the company listed on the WSE, has been subject to the obligation to apply the rules of best practice and corporate governance defined in the document called **Code of Best Practice for WSE Listed Companies („Dobre Praktyki Spółek Notowanych na GPW“)** which is an appendix to the resolution of the WSE Board No. 19/1307/2012 of 21 November 2012 („Best Practice 2012“). The contents of Best Practice 2012 are available on the official website of the Warsaw Stock Exchange under the tab devoted to this issue.

The Management Board of the Company filed a Statement regarding application at ALUMETAL S.A. of corporate governance rules in 2014. This Statement is available on the Internet website of the Company, and pursuant to the provisions of part II point 2.13 of the Best Practice 2012 included in the published annual report, part of which is this Directors’ Report. In 2015, exclusions from Best Practice 2012 did not change.

The following Rules (Recommendations) for Best Practice 2012 for Listed Companies were not complied with by the Company in the reporting period:

- Recommendation 1 – to the extent it relates to ensuring communication with investors and analysts, using also new methods of Internet communication.

  In accordance with the provisions of the Company’s Statutes, participation in the Annual General Meeting through the use of electronic means of communication will be ensured only if the announcement about convening a General Annual Meeting will include information on the possibility of shareholder participation through the use of electronic means of communication.

- Recommendation 5 – to the extent it relates to the Company’s having Remuneration Regulations and the Rules for its Determining.

  The Company does not have Remuneration Regulations. The Rules for awarding remuneration to the members of the Company’s Supervisory Board were determined in the Resolution No. 3 of the Extraordinary Annual General Meeting of the Company of
28 May 2014 on remuneration of the Members of the Supervisory Board. Members of the Management Board of ALUMETAL S.A. receive remuneration specified in their employment contracts.

- Recommendation 9 – to the extent it relates to securing by the Company of a balanced share of females and males in fulfilling management and oversight functions. The Company does provide for the balanced share of females and males in its Management and Supervisory Boards. The Company has conducted a policy, whereby employment is offered to competent and creative persons with appropriate professional experience and education, and hence sex is not a decisive factor in the offering of employment at the Company.

- Recommendation 12 – as regards obligation to ensure that the shareholders are able to, personally or through a proxy, exercise their voting right during the course of the annual general meeting, outside the place of the meeting, using the means of electronic communication.

In accordance with the provisions of the Company’s Statutes, participation in the Annual General Meeting through the use of electronic means of communication will be ensured only if the announcement about convening a General Annual Meeting will include information on the possibility of shareholder participation through the use of electronic means of communication.

- Rule included in part II point 2 of Best Practice 2012 to the extent it relates to ensuring that the Company operates its Internet website also in the English language in the full scope indicated in part II point 1 of the Code of Best Practice for economic reasons. In the reporting period, the Company published in the English language only main corporate documentation and curricula vitae of the members of the Company’s corporate bodies.

- Rule included in part II point 1.9a of Best Practice 2012 to the extent it relates to ensuring that the Company operates its internet website and posts there the course of the annual general meeting in the audio and video form, for economic reasons. In the opinion of the Company’s Management Board, the cost of technical registration of the course of annual general meetings in the audio or video form is not justified due to the shareholding structure during the reporting period.

- Rule included in part III point 8 of Best Practice 2012 to the extent it relates to the functioning of the committees of the Supervisory Board, whose tasks and functioning should be regulated by Appendix I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In the reporting period, the Company’s Supervisory Board operated neither Nomination Committee, nor Remuneration or Audit Committees. In accordance with the provisions of the Statutes of the Company, its Supervisory Board appoints an audit committee composed of at least 3 (three) of its members, including at least one member of the audit committee fulfilling the independence criteria within the meaning of article 86 section 5 of the Act on certified auditors and holding appropriate accounting or auditing qualifications. If, however, the Supervisory Board is composed of not more than five persons, it may execute the tasks of
the audit committee on its own. Given the fact that pursuant to § 16 section 3 of the Company’s Statutes, the Supervisory Board – from the date of Company’s shares dematerialization, within the meaning of the Act on trading in financial documents - was composed of five persons, the Audit Committee was not established.

- Rule included in part IV point 10 of Best Practice 2012, whereby the company should ensure that its shareholders have the possibility to participate in the annual general meeting with the use of electronic means of communication consisting in: transmission of the session of annual general meeting in real time, during which the shareholders can take the floor while being physically present in a place other than the place of the meeting. Pursuant to the provisions of § 9 section 4 of the Company’s Statutes, participation in the Annual General Meeting through the use of electronic means of communication will be ensured only if the announcement about convening a General Annual Meeting will include information on the possibility of shareholder participation through the use of electronic means of communication.

The Company informed the public about non-application of the Rules of Best Practice 2012 included in parts II, III and IV in its current reports EBI 1/2014 and EBI 2/2014.

B. New set of the rules of the Code of Best Practice and corporate governance


As regards Recommendation I.R.2. of Best Practice 2016, which states that „where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report”, the Management Board of the Company hereby presents the following summary:

The Alumetal Group has cooperated with the local communities of the sites, in which the production plants of ALUMETAL Poland sp. z o.o. are located, and directly with respective local government units. For many years now, the Alumetal Group has been involved in numerous aid programs at local level, mainly through the financial support which is directed to the didactic-educational centres, as well as to independent associations and social systems, cultural facilities, sports clubs, and directly to the organization of cultural events. The Group provides financial assistance to local kindergartens, schools, supports construction of playgrounds and sports facilities (mainly for children and young people).

In the case of natural disasters or other unforeseeable circumstances, the Alumetal Group organizes material aid to employee sufferers and their families.

The Alumetal Group does not operate any special sponsoring policy. The decision on the form of assistance is made by the Management Board on an individual basis.

The Company has already provided this information in its Report EBI 1/2016.
III. Information on ALUMETAL Group products

1. Operating segments

For management purposes, the Alumetal S.A. Capital Group was divided into operating segments identified based on the type of goods produced and services rendered. The following operating segments were identified:

A. Aluminium casting alloys

The main output of the production process of the Group are aluminium casting alloys produced in the form of one-notch ingots (aluminiowe stopy odlewnicze produkowane w postaci gąseków dwudzielnych) (of 6–8 kg) and two-notch ingots (of approx. 13 kg) in the Nowa Sól, Kęty and Gorzyce production plants. In 2015, similarly to 2014, total production capacity of these three production plants of the Group was 158.0 thousand tons. Apart from solid cast alloys, the Alumetal Group delivers alloys in the form of liquid metal.

Chemical composition of aluminium casting alloys is adjusted to individual customer needs and complies with the currently valid global, European and Polish standards.

Casting alloys are delivered mainly to the clients of the automotive industry (more than 90% of the volume sold), but also to other industry segments i.e. to the construction, machine, white goods manufacturers, smelting and other industries.

B. Master alloys

Master alloys are produced in the Gorzyce production plant; in 2015, the production capacity of this plant was 7 thousand tons and was similar to that of the prior year. Master alloys are produced in the form of waffle plates (wafers) (of approx. 12 kg), which may be steel- or aluminium-strapped into bundles.

Chemical composition of master alloys is adjusted to individual client needs and complies with the currently valid norms: PN-EN 575 and BN-82/0831-01.

Master alloys are mainly delivered to the widely defined smelting and casting industries, to the producers of metal sheets and alloys for further forming processes, as well as to the producers of secondary alloys (stop wtórny).

C. Fluxes and salts

The Alumetal Group, through the T+S sp z o.o. company, produces in the Kęty production plant auxiliary materials used in the smelting and casting industries, including fluxes (topniki), aluminium refiners (rafinatory), quenching salts (sole hartownicze), modifiers (modyfikatory), insulating casting powders (zasypki izolacyjne) and casting binders (spoiwa odlewnicze). In the years 2013-2015, the production capacity of the Kęty production plant was 7 thousand tons per year.
The auxiliary materials are used in the production by Group companies of both aluminium cast alloys and master alloys; these are delivered to the external clients operating in the smelting and casting industries i.e. to the producers of steel, cast steel (staliwo), cast iron, copper, aluminium and other non-ferrous metals.

**D. Other**

The by-products of the production activities of the Group are all sorts of wastes, including scrap from the preparation/sorting phase of raw materials (in particular, steel scrap, zinc scrap, non-ferrous metal scrap and magnesium scrap), fine-grained aluminium scobs and swarf (frakcje drobne wiórów) and aluminium dross (zgary). The by-products of the Group are sold on the market and represent an additional source of revenue. Included in the Other segment are also revenues from the sale of raw materials and scrap, goods for resale and services.

Segment results are monitored by the Company’s Management Board at the level of gross sales and operating profit before administrative expenses.

Detailed data are presented below.
<table>
<thead>
<tr>
<th></th>
<th>Casting alloys</th>
<th>Master alloys</th>
<th>Flux and salts</th>
<th>Other</th>
<th>Unallocated items</th>
<th>Consolidation exclusions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total volume (tons), of which:</strong></td>
<td>156,902</td>
<td>9,282</td>
<td>3,320</td>
<td>33,917</td>
<td>-</td>
<td>-10,592</td>
<td>192,829</td>
</tr>
<tr>
<td>- <strong>inter-segment sales</strong></td>
<td>-</td>
<td>1,547</td>
<td>2,930</td>
<td>6,115</td>
<td>-</td>
<td>-10,592</td>
<td>-</td>
</tr>
<tr>
<td><strong>Of which:</strong></td>
<td>156,902</td>
<td>9,282</td>
<td>3,114</td>
<td>4,417</td>
<td>-</td>
<td>-8,894</td>
<td>164,821</td>
</tr>
<tr>
<td>- <strong>inter-segment sales</strong></td>
<td>-</td>
<td>1,547</td>
<td>2,930</td>
<td>4,417</td>
<td>-</td>
<td>-8,894</td>
<td>-</td>
</tr>
<tr>
<td><strong>Volume of goods (tons), of which:</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>349</td>
<td>-</td>
<td>-</td>
<td>349</td>
</tr>
<tr>
<td>- <strong>inter-segment sales</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,698</td>
<td>-</td>
<td>-1,698</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sales of finished goods, raw materials, goods for resale and services, of which:</strong></td>
<td>1,321,608,730.02</td>
<td>87,779,828.37</td>
<td>6,902,392.87</td>
<td>85,657,721.73</td>
<td>-</td>
<td>-60,062,627.02</td>
<td>1,441,886,045.97</td>
</tr>
<tr>
<td>- <strong>inter-segment sales</strong></td>
<td>-</td>
<td>12,765,011.96</td>
<td>5,984,330.50</td>
<td>41,313,284.56</td>
<td>-</td>
<td>-60,062,627.02</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>-1,203,696,592.14</td>
<td>-77,115,611.71</td>
<td>-4,345,460.71</td>
<td>76,668,293.90</td>
<td>-</td>
<td>54,756,295.43</td>
<td>-1,307,069,663.03</td>
</tr>
<tr>
<td><strong>Gross profit on sales</strong></td>
<td>117,912,137.88</td>
<td>10,664,216.66</td>
<td>2,556,932.16</td>
<td>8,989,427.83</td>
<td>-</td>
<td>-5,306,331.59</td>
<td>134,816,382.94</td>
</tr>
<tr>
<td><strong>Selling expenses</strong></td>
<td>-20,056,374.30</td>
<td>-1,219,612.49</td>
<td>-227,025.00</td>
<td>-105,550.54</td>
<td>-</td>
<td>214,049.34</td>
<td>-21,394,512.99</td>
</tr>
<tr>
<td><strong>Operating profit (before administrative expenses)</strong></td>
<td>97,855,763.58</td>
<td>9,444,604.17</td>
<td>2,329,907.16</td>
<td>8,883,877.29</td>
<td>-</td>
<td>-5 092 282.25</td>
<td>113,421,869.95</td>
</tr>
<tr>
<td><strong>% margin</strong></td>
<td>7.4%</td>
<td>10.8%</td>
<td>33.8%</td>
<td>10.4%</td>
<td>-</td>
<td>-</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>-23,517,534.40</td>
<td>-1,594,184.54</td>
<td>-21,923,349.86</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other operating expenses/ income</strong></td>
<td>-5,046,286.08</td>
<td>-23,635.93</td>
<td>-5,069,922.01</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation/ amortization</strong></td>
<td>20,227,596.46</td>
<td>-47,274.20</td>
<td>20,180,322.26</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong>*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>106,608,920.34</td>
<td>-</td>
<td>-</td>
<td>106,608,920.34</td>
</tr>
<tr>
<td><strong>% margin</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>Finance income/ costs</strong></td>
<td>52,454,515.65</td>
<td>-58,642,703.18</td>
<td>-6,188,18..53</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>80,240,410.55</td>
<td>-</td>
<td>-</td>
<td>80,240,410.55</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>-2,586,483.96</td>
<td>-</td>
<td>-</td>
<td>-2,586,483.96</td>
<td>-</td>
<td>-</td>
<td>-2,586,483.96</td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td>77,653,926.59</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>77,653,926.59</td>
</tr>
</tbody>
</table>
### THE ALUMETAL S.A. CAPITAL GROUP

**Directors’ Report on activities of the ALUMETAL S.A. Capital Group for the year 2015**

<table>
<thead>
<tr>
<th>2014</th>
<th>Casting alloys</th>
<th>Master alloys</th>
<th>Flux and salts</th>
<th>Other</th>
<th>Unallocated items</th>
<th>Consolidation exclusions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total volume (tons), of which:</td>
<td>151,570</td>
<td>6,222</td>
<td>2,634</td>
<td>30,168</td>
<td></td>
<td>-10,294</td>
<td>180,301</td>
</tr>
<tr>
<td>- inter-segment sales</td>
<td>-</td>
<td>1,844</td>
<td>2,393</td>
<td>6,058</td>
<td></td>
<td>-10,294</td>
<td>-</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of goods (tons), of which:</td>
<td>151,570</td>
<td>6,222</td>
<td>2,546</td>
<td>2,215</td>
<td></td>
<td>-6,451</td>
<td>156,103</td>
</tr>
<tr>
<td>- inter-segment sales</td>
<td>-</td>
<td>1,844</td>
<td>2,393</td>
<td>2,215</td>
<td></td>
<td>-6,451</td>
<td>-</td>
</tr>
<tr>
<td>Volume of raw materials, waste and services (tons), of which:</td>
<td>-</td>
<td>-</td>
<td>62</td>
<td>27,338</td>
<td></td>
<td>-3,838</td>
<td>23,561</td>
</tr>
<tr>
<td>- inter-segment sales</td>
<td>-</td>
<td>-</td>
<td>3,838</td>
<td></td>
<td></td>
<td>-3,838</td>
<td>-</td>
</tr>
<tr>
<td>Volume of goods for resale (tons), of which:</td>
<td>-</td>
<td>-</td>
<td>26</td>
<td>615</td>
<td></td>
<td>-4</td>
<td>637</td>
</tr>
<tr>
<td>- inter-segment sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td>-4</td>
<td>-</td>
</tr>
<tr>
<td>Sales of finished goods, raw materials, goods for resale and services, of which:</td>
<td>1,153,974,730.85</td>
<td>54,589,788.66</td>
<td>5,834,967.80</td>
<td>68,104,100.28</td>
<td></td>
<td>-47,195,780.07</td>
<td>1,235,307,807.52</td>
</tr>
<tr>
<td>- inter-segment sales</td>
<td>-</td>
<td>14,111,327.58</td>
<td>5,006,369.11</td>
<td>28,078,083.38</td>
<td></td>
<td>-47,195,780.07</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-1,058,935,506.72</td>
<td>-49,625,134.56</td>
<td>-3,449,827.00</td>
<td>-63,920,148.83</td>
<td></td>
<td>44,590,603.57</td>
<td>-</td>
</tr>
<tr>
<td>Gross profit on sales</td>
<td>95,039,224.13</td>
<td>4,964,654.10</td>
<td>2,385,140.80</td>
<td>4,183,951.45</td>
<td></td>
<td>-2,605,176.50</td>
<td>103,967,793.98</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>-20,228,590.14</td>
<td>-576,890.46</td>
<td>-169,544.72</td>
<td>-176,881.76</td>
<td></td>
<td>138,054.55</td>
<td>-21,013,852.53</td>
</tr>
<tr>
<td>Operating profit (before administrative expenses)</td>
<td>74,810,633.99</td>
<td>4,387,763.64</td>
<td>2,215,596.08</td>
<td>4,007,069.69</td>
<td></td>
<td>-2,467,121.95</td>
<td>82,953,941.45</td>
</tr>
<tr>
<td>% margin</td>
<td>6.5%</td>
<td>8.0%</td>
<td>38.0%</td>
<td>5.9%</td>
<td></td>
<td>6.7%</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-21,047,700.97</td>
<td>1,045,159.95</td>
<td>-20,002,541.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating expenses/ income</td>
<td>-3,974,568.32</td>
<td>-2,726.30</td>
<td>-3,977,294.62</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation/ amortization</td>
<td>18,556,754.29</td>
<td>807,643.15</td>
<td>19,364,397.44</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA*</td>
<td>-</td>
<td></td>
<td></td>
<td>78,338,503.25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% margin</td>
<td></td>
<td></td>
<td></td>
<td>6.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income/ costs</td>
<td>2,251,663.18</td>
<td>-1,685,679.77</td>
<td>565,983.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>-</td>
<td></td>
<td></td>
<td>59,540,089.22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-772,096.72</td>
<td>133,585.08</td>
<td>-638,511.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>-</td>
<td></td>
<td></td>
<td>58,901,577.58</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
IV. Assessment of Group financial position

1. Basis of preparing financial statements and information on the entity authorised to audit financial statements

The consolidated financial statements for 2015 as well as the comparative data for the prior financial year have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and the related interpretations issued in the form of regulations of the European Commission.

The entity authorised to audit the financial statements and the consolidated financial statements is Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Rondo ONZ, 01-124 Warsaw, based on the agreement dated 8 August 2014. The agreement will expire after the completion of the 2017 audit.

The table below shows remuneration of the entity authorised to audit financial statements, paid or payable for the year ended 31 December 2015 and 31 December 2014, by type of services:

<table>
<thead>
<tr>
<th>Type of service</th>
<th>Year ended 31 December 2015</th>
<th>Year ended 31 December 2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit of consolidated financial statements</td>
<td>105 000.00</td>
<td>105 000.00</td>
</tr>
<tr>
<td>Review of interim financial statements</td>
<td>50 000.00</td>
<td>100 000.00</td>
</tr>
<tr>
<td>IPO-related work</td>
<td></td>
<td>542 000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>155 000.00</strong></td>
<td><strong>747 000.00</strong></td>
</tr>
</tbody>
</table>

* relates to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.

2. Market situation

A. Sales market

2015 was the second consecutive year which saw a strong upward trend on the automotive market of the European Union, from the point of view of both production and registration of motor vehicles (passenger and commercial vehicles). The area of the European Union was one of the fastest developing markets in the world in the last year with 13.71 million registered vehicles and a 9.3% growth compared to 2014. It demonstrated the highest sales result since 2010, although lower than in the record year in 2007 i.e. prior to the 2008-2009 global financial crisis. The month of December 2015 was the twenty eight month in a row that showed an increase in the European market of passenger vehicles, and the 16.6% growth recorded in that month was at the same time the best result of all months of 2015.
In 2015, all EU countries, except for Estonia and Luxembourg, recorded higher sales of motor vehicles. From the point of view of market size, a significant increase in the number of registered vehicles was recorded by Spain (change by 20.9% compared to 2014) and Italy (increase by 15.8%). A significant growth in sales of passenger vehicles in 2015 was also recorded by the three largest markets of the EU: Germany with a 5.6% increase (3.21 million pieces), Great Britain with a 6.3% increase (2.63 million pieces) and France – with a 6.8% increase (1.92 million pieces), (Source: ACEA).

The analysis of common data on registration of new passenger cars (PC) and commercial vehicles (CV) shows a 9.7% increase in 2015. The demand for new commercial vehicles was 2.08 million pieces and showed a 12.5% increase compared to 1.85 million pieces in 2014.

Presented below is the chart showing quarterly trends in the registration of passenger cars and commercial vehicles since 2014.

The Alumetal Group clients inform about their approx. 5-15% higher demand for secondary aluminium alloys in 2015, compared to 2014.

This strong demand for the products of automotive industry translated directly into sales of the Alumetal Group, which realised record high sales of its products and used 100% of its production capacities.

The increase in the production and sale in the automotive industry translated into 6% increase in sales volume of the Group to the record level of 165 thousand tons, which effectively means full utilization of Group production capacity. The share of sales of the automotive industry in total sales of the Alumetal Group in 2015 amounted to 90.6%, i.e. was slightly lower than in 2014.
The analysis of market price index in the form of a spread between the price of standard aluminium alloy (alloy 226) and the price of adequate scrap raw material used to produce this alloy shows that 2015 saw a considerable increase in this parameter in Q2 an Q3 (fast increase in demand in this period) and a gradual decrease in Q4. The average level of the analysed index throughout 2015 was EUR 405/ton and was 19.4% higher than the average level in 2014 (EUR 339/ton). It was also 17.3% higher compared to the 8-year average (2008-2015) which was EUR 345/ton.
In 2015, the Alumetal Group realised sales revenues of PLN 1,441.9 million. The achieved result was 17% higher than that realised in 2014.

In the whole 2015, the share of exports in total sales was 62% (and was similar to the result recorded in the prior year).

<table>
<thead>
<tr>
<th>The Alumetal Group sales structure, by geographical area</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>37.6%</td>
<td>38.2%</td>
</tr>
<tr>
<td>Abroad</td>
<td>62.4%</td>
<td>61.8%</td>
</tr>
</tbody>
</table>

In 2015, the policy of sales diversification was continued owing to acting proactively in the area of obtaining new clients. In 2015, the Alumetal Group acquired 41 new clients, including the clients for both the Group’s aluminium products (36) and for chemical products (5).

The below charts show the geographical structure of the Group’s sales for the years 2015 and 2014 (data as per delivery location of Group clients).
In 2015, the Group realised sales in excess of 10% of total annual sales to each of the following entities:

- the Volkswagen Group – 19%,
- the Nemak Group – 14%,
- the Federal-Mogul Group – 12%.
This effectively means a further decrease in the share of those three strategic clients in the Alumetal Group whole sales structure. In 2015, sales to those clients accounted for 45% of total sales, compared to 47% in 2014.

None of the above clients was related by capital or organizational structure to the Alumetal Group.

**B. Supply market**

In the period from December 2014 to November 2015, scrap exports from the EU were 877 thousand tons and were 10% lower compared to the prior year. The main exports market was China – 328 thousand tons (1% y/y decrease) and India – 251 thousand tons (12% y/y decrease). China and India accounted for 66% of total exports from the EU and this share remained similar for several years.

In the period from December 2014 to November 2015, scrap imports to the EU amounted to 356 thousand tons and were 1% lower than in the prior year.

Since 2013 Poland became the net importer of aluminium scrap, mainly owing to the expansion of the Alumetal Group. In the period from December 2014 to November 2015, imports of aluminium scrap to Poland were 247 thousand tons, and were 19% higher compared to the prior year. In the same period, scrap exports from Poland fell, on a year to year basis, by 2% to the level of 172 thousand tons. Net imports increased from 33 thousand tons in 2014 to 75 thousand tons in 2015 (a 128% increase).

This consistent increase in sales volume determines the need for diversification and the necessity to search for new purchase and supply markets. This has impact on the change in the purchase structure and increase in the share of imported scrap in the total purchases of scrap raw materials.

In 2015, the Alumetal Group purchased 186,576 tons of aluminium scrap, which marks a 5.4% increase compared to the prior year. In 2015, supplier database was extended to include 67 new business partners – companies trading in scrap. The share of imported scrap in total scrap purchases increased from 52.9% in 2014 to 56.5% in 2015.
The Alumetal Group has diversified supplier portfolio (with more than 400 business entities, and 67 new suppliers secured in 2015 alone) - none of which realised in 2015 supplies with a total value exceeding 10% of total sales revenue.
3. **Financial results and financial position of the ALUMETAL Group**

The table below shows summarized consolidated data of the Alumetal Group for 2015 and the comparative data for 2014.

**DATA REGARDING CONSOLIDATED IFRS FINANCIAL STATEMENTS**

<table>
<thead>
<tr>
<th>ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME &amp; STATEMENT OF CASH FLOWS</th>
<th>In PLN thousand</th>
<th>In EUR thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>12-month period of 2015</strong></td>
<td><strong>12-month period of 2014</strong></td>
<td><strong>12-month period of 2015</strong></td>
</tr>
<tr>
<td>Volume of sold goods – in tons</td>
<td>164 821</td>
<td>156 103</td>
</tr>
<tr>
<td>Net sales</td>
<td>1 441 886</td>
<td>1 235 308</td>
</tr>
<tr>
<td>Operating profit</td>
<td>86 429</td>
<td>58 974</td>
</tr>
<tr>
<td>EBITDA</td>
<td>106 609</td>
<td>78 338</td>
</tr>
<tr>
<td>EBITDA – unit in PLN/ton</td>
<td>647</td>
<td>502</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>80 240</td>
<td>59 539</td>
</tr>
<tr>
<td>Net profit</td>
<td>77 654</td>
<td>58 901</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>70 053</td>
<td>58 509</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>-47 892</td>
<td>-9 668</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>-29 854</td>
<td>-29 258</td>
</tr>
<tr>
<td>Total net cash flow</td>
<td>-5 694</td>
<td>19 583</td>
</tr>
<tr>
<td>Basic net earnings per share attributable to equity holders of the parent (in PLN/EUR)</td>
<td>5.10</td>
<td>3.91</td>
</tr>
<tr>
<td>Diluted net earnings per share attributable to equity holders of the parent (in PLN/EUR)</td>
<td>5.06</td>
<td>3.90</td>
</tr>
</tbody>
</table>

**ITEMS OF THE STATEMENT OF FINANCIAL POSITION**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>570 458</td>
<td>535 873</td>
<td>133 863</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>223 767</td>
<td>202 208</td>
<td>52 509</td>
</tr>
<tr>
<td>Current assets</td>
<td>346 691</td>
<td>333 665</td>
<td>81 354</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>380 895</td>
<td>324 793</td>
<td>89 381</td>
</tr>
<tr>
<td>Issued capital</td>
<td>1 523</td>
<td>1 508</td>
<td>357</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>18 307</td>
<td>20 970</td>
<td>4 296</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>171 256</td>
<td>190 110</td>
<td>40 187</td>
</tr>
<tr>
<td>Number of shares *</td>
<td>15 228 210</td>
<td>15 077 440</td>
<td>15 228 210</td>
</tr>
<tr>
<td>Basic carrying amount per share (PLN/EUR)</td>
<td>25.01</td>
<td>21.54</td>
<td>5.87</td>
</tr>
<tr>
<td>Diluted carrying amount per share (PLN/EUR)</td>
<td>24.83</td>
<td>21.50</td>
<td>5.83</td>
</tr>
</tbody>
</table>
The above financial data for 2015 and 2014 were translated into EUR in the following manner:

- Items of assets and liabilities – at the average NBP exchange rate prevailing as at 31 December 2015 i.e. EUR/PLN 4.2615, and 31 December 2014 i.e. EUR/PLN 4.2623

- Items of other comprehensive income and statement of cash flow – at the exchange rate being the mathematical average of the NBP exchange rates prevailing at the last days of the month: 01.01.2015-31.12.2015, i.e. EUR/PLN 4.1848 and 01.01.2014-31.12.2014, i.e. EUR/PLN 4.1893

Due to the fact that sales of the Casting alloys segment account for approx. 92% of totals sales revenue of the Group in 2015, it is this particular segment that decides about the overall results of the Group. Nevertheless the results of other segments (Master alloys, Flux and salts and Other) are also positive, and detailed information on the profitability of each segment was included in point III.1 of this Directors’ Report.

In 2015, owing to good economic situation of the automotive industry and increase in the existing production capacity of the Alumetal Group, the volume of the Group’s sales increased again i.e. by 6% compared to the prior year. Seasonally, sales in the first half of the year are higher than in the second one. This results from the traditional annual leave season falling in summer and Christmas holidays break in automotive industry.

**Declared or paid dividend per share (PLN/EUR)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLN/EUR</td>
<td>2.55</td>
<td>1.95</td>
<td>0.60</td>
<td>0.46</td>
</tr>
</tbody>
</table>

* Based on the Resolution of 13 April 2015, the Annual General Meeting authorized the amount of 2014 dividend at PLN 29,401,008.00 and determined dividend payment date at 29 June 2015. This business event was presented in the column of data for 2014.

** Dividend planned by the Management Board calculated by the number of shares of ALUMETAL S.A. existing at the date of the preparation of financial statements.
In 2015, sales volume of the Alumetal Group increased by 6% compared to the prior year i.e. to the level of 165 thousand tons, which effectively means full utilization of current production capacity of the Group. Compared to 2011, sales volume increased by 87%.

![Annual sales volumes ('000 tons)](chart1)

Revenue of the Alumetal Group increased in 2015 by 17%, which resulted from a 6% increase in volume and higher average selling price of goods compared to the prior year. Compared to 2011, sales revenue increased by 78%.

![Annual sales revenue (PLN million)](chart2)

The chart below shows the EBITDA amounted in 2015 to a total of PLN 106.6 million and was 36% higher compared to 2014. The main factors which had positive impact on these good results were the following:

- 6% increase in sales volume,
- favourable relation between selling prices of alloys and purchase prices of scrap,
- positive outcome of the investment in the area of metal management and product mix realised in 2014 and 2015.
The unit EBITDA ratio in 2015 was PLN 647/ton, and was 29% higher compared to 2014. The unit EBITDA earnings in 2015 were higher than in the previous 3 years, but 9.6% lower than in 2011.

Annualised 2015 net profit hit the record high level in the history of the Group and was PLN 77.7 million, which means that it was 32% higher compared to 2014. Compared to 2011, net profit increased by 77%.
The following one-off events described in point IV.5 of this Directors’ Report had impact on the results of the Alumetal Group in 2015:

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</thead>
<tbody>
<tr>
<td>Valuation of manager share options scheme and annual bonus for achieving materially higher than budgeted results</td>
<td></td>
<td></td>
<td>-2,169</td>
<td>-2,169</td>
<td>-1,205</td>
<td>-265</td>
<td>-381</td>
<td>-1,614</td>
<td></td>
<td>-3,465</td>
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<tr>
<td>Incurred IPO costs</td>
<td>-347</td>
<td>-597</td>
<td>-966</td>
<td>-1,490</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Reversal of VAT provision</td>
<td>1,106</td>
<td></td>
<td></td>
<td></td>
<td>1,106</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
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<tr>
<td>Impairment write-down of property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-867</td>
<td>-867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment write-down of receivables from entities undergoing corporate recovery proceedings, less the effect of bad debts written off earlier</td>
<td>-9,757</td>
<td>2,439</td>
<td>7,318</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Impact on EBITDA</td>
<td>-347</td>
<td>-9,249</td>
<td>-546</td>
<td>270</td>
<td>-9,871</td>
<td>-1,205</td>
<td>-265</td>
<td>-381</td>
<td>-9,810</td>
<td>-11,660</td>
</tr>
<tr>
<td>Interest on returned VAT</td>
<td>884</td>
<td>884</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Income tax</td>
<td>66</td>
<td>1,967</td>
<td>104</td>
<td>463</td>
<td>1,673</td>
<td></td>
<td></td>
<td></td>
<td>774</td>
<td>774</td>
</tr>
<tr>
<td>Impact on net profit</td>
<td>-281</td>
<td>-6,398</td>
<td>-442</td>
<td>-193</td>
<td>-7,314</td>
<td>-1,205</td>
<td>-265</td>
<td>-381</td>
<td>-9,037</td>
<td>-10,887</td>
</tr>
</tbody>
</table>

In 2015, the ratio of adjusted EBITDA earnings, net of one-off events, amounted to PLN 118.3 million, which means that it was 34% higher compared to the prior year.
On a unit basis, the ratio of adjusted EBITDA earnings was PLN 5718/ton and was 27% higher than in 2014.

Annualised 2015 net profit, adjusted by one-off events, amounted to PLN 88.5 million and was 34% higher compared to 2014.
In 2015, capital expenditure amounted to PLN 47.3 million and was 338% higher compared to 2014. The increase in the expenditure level resulted from the commencement of the construction of a new production plant in Hungary.

*after considering payments to the collateral manager account (the effect of construction trust services arising from Hungarian regulations)

At the end 2015, the net balance of interest due and payable was similar to that recorded in the prior year, despite significant increase in capital expenditure and payment of dividend of PLN 29.4 million and despite higher need for net current assets. The low debt is the derivative of very good financial results. The ratio of Net debt/EBITDA hit the record low of 0.4.
Due to the falling selling and purchase prices in 2015, and due to the naturally lower sales volume in the second half of the year, as compared to the first half of the year, the relation of cash flow from operating activities and EBITDA earnings improved on a quarterly basis, as presented by the chart below.

In 2015, the difference between EBITDA and cash flow from operating activities amounted to PLN 36.5 million. The main factors that contributed to the conversion of EBITDA to cash flow from operating activities were as follows:

- higher need for working capital financing as derivative of a 17% sales increase;
- higher, by approx. 2 days, Working Capital Days ratio (for the cycles calculated at year-end, based on the Q4 data).
The effective income tax rate of the Alumetal Group in 2015 was 3.2% due to utilisation of tax shield of the Gorzyce and Nowa Sól production plants operating in special economic zones.

**Effective income tax rate**

- 2011: 12.3%
- 2012: 7.8%
- 2013: 1.7%
- 2014: 1.1%
- 2015: 3.2%
4. Financial ratios

The table below shows the listing of the most significant financial ratios that facilitate comprehensive assessment of the profitability, efficiency of operations, liquidity position and indebtedness of the Group.

These ratios demonstrate stable efficiency of the operations of the Group at the level of EBITDA margin and the net margin, both in the short- and long-term perspective.

Apart from sales profitability, the ratios of return on assets and return on equity were also satisfactory. Liquidity I ratio remained at a stable satisfactory level, while Working Capital Days ratio has systematically decreased.

The structure of the Group’s assets is dominated by relatively liquid assets such as receivables and inventories, while the structure of liabilities – by trade liabilities that pre-dominate interest liabilities.

Debt ratios show low levels of Group’s indebtedness, as well as its great potential to finance further development and to realize the adopted dividend policy.

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</tr>
</thead>
<tbody>
<tr>
<td>EBITDA margin</td>
<td>EBITDA/Net sales</td>
<td>7.4%</td>
<td>6.3%</td>
<td>5.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>Net profit/Net sales</td>
<td>5.4%</td>
<td>4.8%</td>
<td>3.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Return on assets (ROA) (%)</td>
<td>Net profit/Total assets</td>
<td>13.8%</td>
<td>11.0%</td>
<td>7.4%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>Net profit/Shareholders’ equity at the beginning of the period</td>
<td>24.2%</td>
<td>20.6%</td>
<td>14.4%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Liquidity I</td>
<td>Total current assets/Current liabilities</td>
<td>2.0</td>
<td>1.8</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Working Capital Days</td>
<td>Inventory days + Debtors days – Creditors days</td>
<td>52 days</td>
<td>60 days</td>
<td>66 days</td>
<td>74 days</td>
</tr>
<tr>
<td>Stability of financing (%)</td>
<td>(Shareholders’ equity + Non-current liabilities)/Total equity and liabilities</td>
<td>70.0%</td>
<td>64.5%</td>
<td>65.9%</td>
<td>67.5%</td>
</tr>
<tr>
<td>Debt ratio (%)</td>
<td>(Total equity and liabilities – Shareholders equity)/Total assets</td>
<td>33.2%</td>
<td>39.4%</td>
<td>40.9%</td>
<td>42.4%</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>(Bank loans and borrowings – cash)/EBITDA</td>
<td>0.4</td>
<td>0.6</td>
<td>1.3</td>
<td>1.4</td>
</tr>
</tbody>
</table>
5. Significant events in 2015

A. Assigning credit rating

On 28 January 2015, the EuroRating sp. z o.o. rating agency assigned a credit rating to the Company that reflected its credit risk assessment, served as general assessment of credit capacity of the Company and related to the credit risk of its non-secured and non-subordinated financial liabilities.

The Company was assigned the „BBB“ rating with “stable” perspective. In accordance with the Rating Agency’s system of assessment, the rating assigned to the Company means:

„Medium credit risk level. Good financial capacity and sufficient ability to service liabilities in the long-term. Higher vulnerability to long-term unfavourable economic conditions.”

The Company informed the public about assigning this rating in its current report No. 3/2015 of 28 January 2015. The rating was updated after publication of each current report in 2015 and remained unchanged during that period.

B. Increase in the issued capital of ALUMETAL Group Hungary Kft.

ALUMETAL S.A. as the sole shareholder of the Company passed resolutions on 21 January 2015 and 18 June 2015 concerning increase in the issued capital of ALUMETAL Group Hungary Kft. by, respectively, HUF 77,000,000 and HUF 2,670,000,000, which effectively means an increase in the issued capital of this entity to HUF 2,800,000,000. In accordance with Hungarian legal regulations, the additional payment to capital should be made within one year of the underlying resolution, at the latest.

On 1 January 2015, the paid in issued capital amounted to HUF 53,000,000, while in the entire year 2015 the amount paid towards issued capital of ALUMETAL Group Hungary Kft. was HUF 2,247,000,000 (the equivalent of PLN 29,914,080.00), which means that the total value of paid-in capital of this company amounted as at 31 December 2015 to HUF 2,300,000,000 (PLN 30,621,392.00).

C. Signing material contracts with the Nemak Group

On 2 March 2015, ALUMETAL Poland sp. z o.o. concluded with Nemak Exterior S.L., a Spanish-law based company, with its registered office in Madrid, Spain, another contract for the supply of aluminium alloys, the value of which, calculated together with the contracts between Alumetal Group and Nemak Group entities in the period from the date of admitting Issuer’s shares to public trading to date, exceeded 10% of total sales revenue of the Alumetal Group for the period of the last four reporting quarters and amounted to PLN 120,006,747 (in words: one hundred twenty million six thousand seven hundred forty seven zloty zero groszy). These contracts represented continuation of economic relations described by ALUMETAL S.A. in its Prospectus. Detailed information on the above contracts and on the composition of the Nemak Group was provided by ALUMETAL S.A. in its current report No. 4/2015.
D. Signing material contracts with the Volkswagen Group

On 5 March 2015, the value of contracts concluded by ALUMETAL Poland sp. z o.o. with the Volkswagen Group entities once again exceeded 10% of total sales revenue of the Alumetal Group for the period of the last four reporting quarters and amounted to PLN 139,285,847.64 (in words: one hundred thirty nine million two hundred eighty five thousand eight hundred forty seven zloty sixty four groszy). On 26 May 2015, the value of the contracts concluded by ALUMETAL Poland sp. z o.o. with the Volkswagen Group entities once again exceeded 10% of sales revenue of the Alumetal Group for the period of the last four reporting quarters and amounted to PLN 142,757,324.07 (in words: one hundred forty two million seven hundred fifty seven thousand three hundred twenty four zloty seven groszy). ALUMETAL S.A. informed the public about these events in its current reports No. 5/2015 of 5 March 2015 and No. 20/2015 of 26 May 2015.

E. Signing material contracts with the Federal-Mogul Group

On 5 March 2015, ALUMETAL Poland sp. z o.o. concluded with the Federal-Mogul Group entities a contract for the supply of aluminium alloys and purchase of aluminium scobs and swarf, the approximate value of which could exceed 10% of total sales revenue of the Alumetal Group for the period of the last four reporting quarters and, according to estimates, amounted to PLN 206,456,000.00 (in words: two hundred six million four hundred fifty six thousand zloty zero groszy). This contract represented continuation of economic relations described by ALUMETAL S.A. in its Prospectus. Detailed information on the above contract and on the composition of the Federal Mogul Group was provided by ALUMETAL S.A. in its current report No. 6/2015.

F. Appointment of Management Board Members at Alumetal S.A.

The Supervisory Board of ALUMETAL S.A., acting pursuant to the provisions of § 12 section 5 of the Company’s Statutes, determined on 13 March 2015 the number of Issuer’s Management Board Members at three persons and appointed for a common 3-year term of office the following persons:

- Mr Szymon Adamczyk,
- Mr Krzysztof Błasiak,
- Mr Przemysław Grzybek.

In addition, the Supervisory Board of the Company appointed Mr Szymon Adamczyk as President of the Company’s Management Board, Mr Krzysztof Błasiak as Vice-president of the Management Board and Mr Przemysław Grzybek as Management Board Member, about which the Company informed the public in its current report No. 9/2015 of 13 March 2015.

G. Appointment of a Board Member at subsidiary companies

On 29 December 2014, the Company, acting as the sole shareholder of ALUMETAL Poland sp. z o.o. and T+S sp. z o.o., appointed Mr Tomasz Kliś as Member of the Management Board of ALUMETAL Poland sp. z o.o. and T+S sp. z o.o. and – at the same time - entrusted him with the performance of the role of Operating Director of ALUMETAL Poland sp. z o.o., which relates to the execution of tasks.
in the area of production processes at the production plants in Kęty, Nowa Sól and Gorzyce. Mr Tomasz Kliś stated to perform those functions as of 1 January 2015.

**H. Appointment of Supervisory Board Members at Alumetal S.A.**

On 13 April 2015, the Ordinary Annual General Meeting of the Company determined the number of members of the Company’s Supervisory Board at 5 persons and appointed the following persons as Supervisory Board Member for a common, 3-year term of office:

- Mr Grzegorz Stulgis,
- Mr Frans Bijhouwer,
- Mr Marek Kacprowicz,
- Mr Tomasz Pasiewicz,
- Mr Emil Ślązak,

about which the Company informed the public in its current report No. 14/2015 of 13 April 2015.

**I. Progress of the investment called „Construction of the production plant in Hungary”**

In 2015, the Alumetal Group, acting through Alumetal Group Hungary Kft., continued with the execution of the investment project called *Construction of the production plant in Hungary*, the commencement of which was reported in the Company’s current report No. 17/2014 of 10 October and further in the current reports published in 2015. As part of the investment activities, the following business events were recorded:

- Granting the investment in Komarom the status of a strategic project for Hungarian economy (the status of VIP investor), which allowed to speed up all license-related administrative proceedings for the new plant in Hungary;
- Obtaining on 17 July 2015 by ALUMETAL Group Hungary Kft. of a construction permit in accordance with the submitted project;
- Obtaining on 20 July 2015 by ALUMETAL Group Hungary Kft. of a change in the IPPC permit (*integrated permit*) of 12 June 2015 in accordance with company’s application;
- Concluding on 23 July 2015 by ALUMETAL Group Hungary Kft. and Komarom local council of a final agreement for the purchase of land for the construction of a production plant in Hungary. The agreement was concluded on the arm’s length basis, and the consideration paid remains within the limits of capital expenditure assumed in the business plan for the *Construction of the production plant in Hungary*, about which the Company informed the public in its current report No. 17/2014 of 10 October 2014. The law of the agreement is the Hungarian law in accordance with the norms thereof;
- Signing on 20 October 2015 of a contract with the General Contractor and commencement on 26 October 2015 of physical construction of the production plant; at the date of the preparation of this Directors’ Report, the percentage of contract completion is approx. 50%, and as of April 2016 commencement of the assembly of plant and machinery, and fixtures and fittings is planned;
Commencement in 4Q 2015 of the process of training in a Polish production plant of the Alumetal Group of the first group of blue collar employees that are to be finally employed at the production plant constructed in Hungary; at the date of the preparation of this Directors’ Report, 22 blue collar employees worked at ALUMETAL Poland sp. z o.o.;

Employment of the first white-collar employees at Alumetal Group Hungary Kft.; at the date of the preparation of this Directors’ Report, 4 persons were employed as white-collar employees;

Concluding on 15 October 2015 of an investment loan between ALUMETAL S.A. and ING Bank Śląski S.A. with a view to granting a loan by ALUMETAL S.A. to its subsidiary company, Alumetal Group Hungary Kft., to partially finance the construction of the production plant in Hungary (EUR 10 million with the maturity date set at 14 October 2022);

Concluding on 21 October 2015 of a Contract for cash subsidy between ALUMETAL Group Hungary Kft. and the Hungarian Ministry of Foreign Affairs and Trade, which became effective on 2 February 2016;

Concluding on 26 October 2015 of the so-called Developer’s Collateral Management Contract between ALUMETAL Group Hungary Kft. and Commerzbank Zártkörűen Működő Részvénytársaság. The conclusion of this agreement was obligatory from the point of view of Hungarian law, while the very agreement was to prevent the occurrence of payment bottleneck and disputes between project investor, general contractor and subcontractor(s);

Concluding on 26 October 2015 of a long-term loan agreement between ALUMETAL S.A. and the subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of the production plant in Hungary for the amount of EUR 10 million and the maturity date of 14 October 2022.

At the date of submission of this Directors’ Report, almost 100% of plant and machinery were contracted and in the phase of execution. The investment project has been realised according to task and expenditure schedule.

J. **Legislative amendment to the Act on value added tax with respect to sale of aluminium alloys**

As of 1 July 2015, a catalogue was extended of the goods, for which goods buyer has become the taxpayer, among others, to include PKWiU 24.42.11.0 Aluminium with no forming process. Applicable to the goods for resale referred to in Appendix No. 11 to the Act on value added tax is the principle of the so-called reverse charge. In this type of settlement, the obligation to pay output VAT for the given transaction is transferred to goods buyer. The seller is released from the obligation to remit output VAT. This type of settlement applies where seller and buyer are active VAT tax remitters, and the supply is not covered by the exemption applicable to second-hand goods. The seller is obligated to verify the status of the buyer in the on-line database of the Ministry of Finance i.e. to determine whether the buyer is an active VAT tax remitter. The above means that starting from 1 July 2015 this legislative amendment applies to the majority of Group’s domestic sales.
**K. Corporate recovery proceedings at CIMOS d.d.**


According to the information obtained by the Company, in 2015 corporate recovery program was continued as proved by the receipt of the payment of EUR 92,415.60 (matching the amount of the first of eight instalments of the above agreement) made by CIMOS d.d. on 30 October 2015 in favour of ALUMETAL Poland sp. z o.o., about which the Company informed in the report for 3Q 2015 published on 4 November 2015.

In the period covered by this Director’s Report, the Company did not receive any information on changes in the restructuring program of CIMOS d.d.

**L. Prolonging short-term bank loans of Alumetal Group for another year**

The Group extended the life-term of the short-term bank loans at Bank Handlowy w Warszawie S.A., ING Bank Śląski S.A. and Bank Przemysłowo-Handlowy S.A. while increasing the total credit limit to approx. PLN 100 million.

**M. Payment of dividend for 2014**

On 13 April 2015, the Annual General Meeting of ALUMETAL S.A., based on Resolution No. 9, accepted the proposal of the Company’s Management Board regarding appropriation of the Company’s profit for 2014 and for previous years and decided to transfer from the Company’s reserve capital the amount of PLN 27,897,099.59 (in words: twenty seven million eight hundred ninety seven thousand ninety nine zloty fifty nine groszy), deriving from the Company’s prior year profits accumulated in the reserve capital, and appropriate it to the Company’ shareholders, and appropriate the 2014 net profit in the total amount of PLN 1,528,908.41 (in words: one million five hundred twenty eight thousand nine hundred eighty four zloty forty one groszy) in the following manner:

- the amount of PLN 1,503,908.41 (in words: one million five hundred three thousand nine hundred eighty four zloty forty one groszy) – to the Company’s shareholders;
- the amount of PLN 25,000.00 zł (in words: twenty five thousand zloty) – to the increase of the Company’s Social Fund.

Given the above, the Annual General Meeting of ALUMETAL S.A. resolved that the amount of PLN 1,503,908.41 (in words: one million five hundred three thousand nine hundred eighty four zloty forty one groszy) will be increased by the amount transferred from the reserve capital i.e. PLN 27,897,099.59 zł (twenty seven million eight hundred ninety seven thousand ninety nine zloty fifty nine groszy), and the thus originated total amount of PLN 29,401,008.00 (in words: twenty nine million four hundred one thousand eight zloty) will be appropriated to dividend payment. Dividend per share (calculated based on the number of outstanding shares at the date of said Resolution) amounts to PLN 1.95 (in words: one zloty ninety five groszy).
The Annual General Meeting of ALUMETAL S.A. also followed the proposal of the Company’s Management Board as regards dividend date and dividend payment date and set dividend date at 22 April 2015, while dividend payment date - at 29 June 2015.

The Company informed the public about the Resolution of the Annual General Meeting of ALUMETAL S.A. regarding profit distribution and dividend payment in its current report No. 13/2015 of 13 April 2015.

Dividend in the amount stated above was paid on 29 June 2015.

**N. License for trading in electric energy for ALUMETAL Poland sp. z o.o.**

On 16 December 2015, based on a decision No. OEE/879/26439/W/DRE/2015/DSł of the President of the Energy Regulatory Office (URE), ALUMETAL Poland sp. z o.o. received a license for trading in electric energy in the period from 1 January 2016 to 31 December 2025. As a result, ALUMETAL Poland sp. z o.o. lost the status of the end user within the meaning of article 2 paragraph 1 point 19) of the act of 6 December 2008 on excise duty („Excise duty act”) and became an energy enterprise within the meaning of article 3 point 12) of the act of 10 April 1997 - Energy Law. The above change will allow for the exemption from excise duty on energy used by ALUMETAL Poland sp. z o.o. in the metallurgical processes referred to in article 30 paragraph 7a of the Excise duty act.

**O. Awards**

In 2015, ALUMETAL S.A. received awards relating to its obtaining the status of a public company in the form of the WSE award for the highest value of the first initial public offering in 2014, as well as the Bulls and Bears (“Byki i niedźwiedzie”) award in the category of 2014 WSE debut granted by the Parkiet editor team. The Company was also nominated by the WSE for the award Best New Listed Company granted by Federation of European Securities Exchanges.

Apart from the awards relating to the commencement of WSE quotations of Company’s shares, ALUMETAL S.A. received in 2015 an award of the Rzeczpospolita daily and of the Ministry of the Economy – Exports Eagle 2015 (“Orzel Eksportu 2015”) for the most effective development of exports, as well as the following other awards: Business Cheetah 2015 (“Gepard Biznesu 2015”) and Business Power 2015 (“Potęga Biznesu 2015”). The Alumetal Group was ranked second in the ranking called Pearls of Polish Economy (“Perły Polskiej Gospodarki”), category of Large Pearls (“Perły Wielkie”), of the editor team of Polish Market magazine and Zakład Wspomagania i Analizy Decyzji of the Warsaw School of Economics (SGH).

**6. Significant events after the reporting date**

**A. Granting surety for cash subsidy contract**

On 7 January 2016, Alumetal S.A. issued a surety to the Alumetal Group Hungary Kft. in connection with a Contract for cash subsidy of 27 October 2015 concluded with the Ministry of Foreign Affairs and Trade of Hungary, in case the Alumetal Group Hungary Kft. was obligated to return the received public aid and the related interest and did not discharge this obligation, as provided in the Contract for support; the surety was issued to the amount not exceeding 120% of the received public aid. As at the date of the preparation of this Directors’ Report, no amounts were paid.
B. Acquisition of 15% of shares of a French producer of aluminium alloys

On 28 January 2016, Alumetal S.A. acquired from Fonds Lorrain de Consolidation Spółka akcyjna uproszczona [simplified joint stock company] (French-law based company) headquartered in Metz (France) 15% shares in SKTB ALUMINIUM Spółka akcyjna uproszczona [simplified joint stock company] (hereinafter „SKTB”) (French-law based company) headquartered in Gorcy (France). SKTB is the producer of secondary aluminium alloys with an annual production capacity of approx. 45 thousand tons, with the following activities as its main scope of business:

- smelting and forming process of non-ferrous metals, especially smelting of aluminium and other light metals,
- processing of materials and goods containing aluminium,
- production of other non-ferrous metals and alloys,
- trading in ferrous and non-ferrous metals, semi-finished goods, by-products and smelting waste.

By the end of 2016, ALUMETAL S.A. will take a decision on its involvement in the shareholding of SKTB. During this time, both companies will be analysing potential effects of synergy and will consider the possibility and efficiency of future investment project in this location.

C. Effective date of Contract for cash subsidy

On 2 February 2016, the Contract for cash subsidy with the Ministry of Foreign Affairs and Trade of Hungary for the construction of a production plant by the Alumetal Group Hungary Kft became formally and conclusively effective.

D. Drawing subsequent tranches of the investment loan

Alumetal S.A. drew subsequent tranches of the investment loan taken out at ING Bank Śląski SA for the financing of the investment in Hungary (the funds were immediately transferred to the Alumetal Group Hungary Kft in the form of a long-term loan) in the total amount of EUR 4,097,183.30. The balance of the investment loan taken out (and of the long-term loan granted to the Hungarian subsidiary company) amounted at the date of the preparation of this Directors’ Report to EUR 4,826,749.30.

E. Another additional payment to the issued capital of Alumetal Group Hungary Kft.

Alumetal S.A., acting as the sole shareholder, made on 25 February 2016 another additional payment to the issued capital in the amount of HUF 330,000,000.00. At the date of the preparation of this Directors’ Report, the total value of the capital contributed to the Alumetal Group Hungary Kft amounted to HUF 2,630,000,000.00 (PLN 35,011,052.00).
F. **Signing material contract with the Federal-Mogul Group**

On 3 March 2015, ALUMETAL Poland sp. z o.o. signed with Federal-Mogul Gorzyce sp. z o.o. a contract for the supply of aluminium alloys and purchase of aluminium scobs and swarf, the approximate value of which could exceed 10% of total sales revenue of the Alumetal Group for the period of the last four reporting quarters and, according to estimates, amounted to PLN 200,553,000 (in words: two hundred million five hundred fifty three thousand zloty). This contract represented continuation of economic relations between the Alumetal Group and the entities of the Federal-Mogul Group. Signing of this agreement and its terms and conditions were described in the Company’s current report No. 2/2016.

G. **Recognition of impairment write-down against receivables from the Arche Group**

On 8 March 2016, the Management Board of the Company, based on Resolution No. 1 decided to recognise an impairment write-down against receivables of ALUMETAL Poland sp. z o.o. from the Arche Group companies i.e. from F.V.M. Technologies Société anonyme (French-law based company) with its registered office in Villers la Montagne (France) and SIFA Technologies Société anonyme (French-law based company) with its registered office in Orleans Cedex 2 (France). The receivables covered by this write-down amount to EUR 1,810,693.56 which is the equivalent of PLN 7,694,672.42. The Company took steps to explain, based on appropriate French regulations, the consequences of the initiation of corporate recovery proceedings at those companies for the possibility to recover said receivables. Information on recognition of said impairment write-down was announced to the public in the Company’s current report No. 3/2016 of 8 March 2016.

H. **Signing material contract with the Volkswagen Group**

On 11 March 2016, the value of the contracts concluded by ALUMETAL Poland sp. z o.o. with the Volkswagen Group entities once again exceeded 10% of total sales revenue of the Alumetal Group for the period of the last four reporting quarters and amounted to PLN 149,795,936.33 (in words: one hundred forty nine million seven hundred ninety five thousand nine hundred thirty six zloty thirty three groszy). ALUMETAL S.A. informed the public about this fact in its current report No. 4/2016 of 11 March 2016.
V. Realised investments and development work

1. Information on major research and development achievements

In 2015, the value of investment expenditure incurred for the purchase of property, plant and equipment and intangible assets in the Alumetal Group was as follows:

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32,622.18*</td>
<td>10,778.49</td>
</tr>
</tbody>
</table>

* without considering payments to the collateral manager account (the effect of construction trust services arising from Hungarian regulations)

The investment projects carried out in 2015 related to the tasks in the following areas:

- investments in the area of metal management – PLN 5.8 million,
- investments in the area of product and production capacity development – PLN 19.1 million,
- replacement - retrofitting type investment projects – PLN 7.7 million.

The most significant events relating to the project called Construction of the production plant in Hungary ("Budowa Zakładu na Węgrzech"), which were realised in 2015 are as follows:

- obtaining on 27 May 2015 of the VIP status for the Komarom investment,
- signing on 23 July 2015 of a final agreement for the purchase of land for the construction of the production plant in Komarom,
- signing on 20 October 2015 of a contract with the General Contractor for the construction work,
- concluding on 21 October 2015 of a Contract for cash subsidy with Hungarian government (the contract became effective on 2 February 2016),
- concluding on 26 October 2015 of the so-called Developer’s Collateral Management Contract as required by the Hungarian law,
- commencement on 26 October 2015 of production plant construction,
- concluding a contract for the purchase of key plant and machinery and fixtures and fittings.

2. Financing the development of ALUMETAL Group

The Company concluded a number of contracts with a view to securing finance for the project Construction of the production plant in Hungary in the following order:

- An investment loan of 15 October 2015 between ALUMETAL S.A. and ING Bank Śląski S.A. taken out with a view to granting a loan to the subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of the production plant, in the amount of EUR 10 million with the maturity date set at 14 October 2022,
- Contract of 21 October 2015 for cash subsidy between ALUMETAL Group Hungary Kft. and the Hungarian Ministry of Foreign Affairs and Trade,
3. Structure of main capital deposits or main capital investments made in the Issuer capital group in the financial year

The main capital investment made in the Alumetal Group in 2015 was the increase in the issued capital of the Hungarian-law based company, ALUMETAL Group Hungary Kft. with the issued capital of HUF 53,000,000 as at 31 December 2014 and HUF 2,800,000,000 as at 31 December 2015. By 31 December 2015, the cumulative increase in the paid in capital amounted to HUF 2,300,000,000 (which is the equivalent of PLN 30,621,392.00).

4. Development directions of the ALUMETAL Group

The objective of the Group is to build value for the shareholders by increasing sales volume of Group’s products and maximizing the Group’s profitability with simultaneous maintenance of the Company’s dividend capacity.

The elements of the strategy of the Group that are to ensure the achievement of the above objectives cover:

A. Increase in sales volume of ALUMETAL Group products

The strategic objective of the Group is to realize systematic growth in sales volumes from approx. 127 thousand tons in 2013 to approx. 210 thousand tons in 2018, which translates into expected increase in the share of the European market of secondary aluminium casting alloys from 5% in 2013 to 7.5% in 2018.

The key activities that are to contribute to the increase in the sales volume of the Group cover:
- increase in the efficiency (productivity) of the current production capacities,
- business development through product offer extension,
- increase in sales of products with higher added value,
- development of production capacities, among others, through the commencement of production in a new production plant in Hungary as of 4Q 2016.

As at the date of the preparation of this Directors’ Report, the real aggregate production capacity of the three production plants of the Group amount to 165 thousand tons a year. To maximize utilisation of the existing production capacity at each of the three plants, the Group intends to continue to intensify collaboration with current clients by increasing volumes of secondary alloys currently sold to these clients and by profiting from the expected higher demand for secondary aluminium alloys in the forthcoming years, and [intends] to attract new clients. These activities are to also ensure seamless utilisation of the production capacity of the newly constructed production plant in Hungary by securing production and sales orders. At the same time, the Group has systematically worked, with positive effect, on productivity increase of the operated production lines.
In addition, the Group intends to focus on product offer extension and increase in sales volumes of the products with higher added value. In the first half of 2015, the Group started delivery of aluminium alloys in the liquid form from the Nowa Sól production plant. The Group also plans to further increase sales of master alloys in the form of waffle plates (wafers). In addition, in the next years, the Group also plans the investment consisting in increasing production capacities in the area of production of master alloys, as well as extension of product offer in this segment.

The Group is currently in the process of realization of an investment project consisting in the start-up of a new production plant with a target production capacity of approx. 60 thousand tons through the greenfield-type investment project in Hungary, which will serve as the platform to extend the scale of business operations of the Group in the CEE markets, on which the Group has already been present, and through winning of new markets.

The new business will be based on the technology and experience of the Nowa Sól plant. The project will be realised in one phase and the commencement of the production is scheduled for 4Q 2016. The estimated investment expenditure will amount to approx. PLN 120 million, the majority of which is – according to the plans – scheduled to be incurred in 2016.

As at the date of the preparation of this Directors’ Report, the execution of this project has been carried out in accordance with the underlying business plan.

B. Maximization of ALUMETAL Group profitability

As part of its business strategy, the Group intends to focus on the improvement of its profitability measured using the ratio of EBITDA earnings per 1 ton of sold goods through the following activities:

- development of the preparation system and further optimization of raw materials management in the production process (metal management) and maximization of metal yield,
- product offer optimization (e.g. through higher sales of master alloys),
- streamlining unit production cost through the increase of production output of operated production lines.

The Group intends to maintain its cost efficiency by optimizing production costs, including the costs of energy and transport. Positive contribution to maintaining costs efficiency should have further increase in the production volume, which is expected to reduce the share of fixed costs in the costs of production. As in prior years, the Group plans to invest in Hungary in relatively large and modern furnaces with high production capacity and efficiency (with low energy consumption and less intensive use of labour).

5. Financing development of ALUMETAL Group

Owing to high operating cash flows, the Alumetal Group is able to finance its development from own financial resources, while being able to simultaneously realize the adopted dividend policy. As presented in the table listing the financial ratios in point IV.4 of this Directors’ Report, the financial stability ratio remains at the safe level of 70%, while the debt ratio at approx. 33.2%. The ratio of Net debt/EBITDA, which is the most significant ratio from the point of view of loan and credit agreements, fell in the last 3 years from 1.8 at the end of 2011 to 0.4 at the end of 2015. Given the fact that in the loan agreements this covenant is set at the level of 3.0, the achieved ratio indicates
that the Group has considerable potential to finance its further development and realize at the same time the provisions of the adopted dividend policy.

The planned sources for Group development financing are mainly partially retained net profits, investment loan and public aid available to Group companies, both in the case of the Hungarian project and in the case of investments in Polish production plants located in special economic zones (SEZ) under the already held SEZ licenses. The Group will continue to use current financial surplus, short-term loans and factoring agreements as the source for working capital financing.
VI. Human capital management

1. Recruitment policy

The recruitment policy at the Alumetal S.A. Capital Group depends on current personnel needs. The activities of the recruitment policy at Alumetal Group focus on securing optimum levels of employment appropriate to the execution of Group business objectives, and are based on the two key aspects: internal and external recruitment.

Internal recruitment consists in vertical or horizontal promotion of employees. Management promotions (vertical promotions) consist in promoting employees upwards in the posts hierarchy, by extending the scope of accountability and increasing teams of subordinated employees of a newly promoted person. Specialist promotions (horizontal promotion) consist in extending employee tasks, developing employee qualifications, experience and specialist knowledge of the given discipline.

Employee career path assumes employee professional development from relatively simple posts involving performance of tasks according to the provided instructions through to the posts entailing higher level of responsibility and self-reliance. In 2015, the Alumetal Group continued with its external recruitment policy aimed at attracting top class specialists, whose knowledge and competences, when coupled with the experience of the current employees, will ensure continuity and the best possible realization of business processes of the Group.

2. Structure of employment

As at 31 December 2015, the Alumetal Group had 566 employees. Included in this number were 10 Polish and 22 Ukrainian temporary employees.

In 2015, the Group started the recruitment process in Hungary. The Hungarian employees undergo training at the Nowa Sól production plant.

In 2015, the employment level raised by 4% compared to the prior year.

<table>
<thead>
<tr>
<th>Company</th>
<th>31 December 2015</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALUMETAL S.A.</td>
<td>41</td>
<td>40</td>
</tr>
<tr>
<td>ALUMETAL Poland sp. z o.o.</td>
<td>516*</td>
<td>495</td>
</tr>
<tr>
<td>T+S sp. z o.o.</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>ALUMETAL Group Hungary Kft.</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>566**</td>
<td>542***</td>
</tr>
</tbody>
</table>

* As at 31 December 2015, the Group additionally used services of 1 Hungarian Employee undergoing on-job training
** As at 31 December 2015, the Group additionally used services of 10 Polish and 22 Ukrainian Temporary Employees
*** As at 31 December 2014, the Group additionally used services of 10 Polish Temporary Employees
3. Communication

The Group places great emphasis on the development of communication skills (soft skills). The Group ensured that its internal and external communication is clear, adequate and transparent, while emphasizing the importance of such values as trust, openness, cooperation and loyalty.

4. Professional development and training

In 2015, the Group commenced the cycle of executives training with a view to strengthening employee competences and shaping business culture of the Group.

Depending on the length of service, occupied position, needs and strategy of the Group and the plans of individual departments, Group employees participate in:

- adaptation training – part of the program is a one-day training during which employees with longer period of service at the Group share their knowledge on the matters related to the functioning and working at the Group. The new employee receives material information on employee-related matters, learns about binding rules and regulations, about used systems and used basic technologies,
- all-Group projects – in the form of, for example, training relating to communication and client servicing or management skills,
• individual specialist training – in the form of, for example, training relating to project or finance management, or issues resulting from labour law requirements,

• computer training – in the form of applications required to perform work in certain departments (e.g. Microsoft Excel),

• language training (English language),

• training enhancing qualifications and permissions of blue-collar employees.
VII. Quality, environmental protection and labour hygiene and safety

1. Quality

The main objective of the Alumetal Group is to deliver goods with the quality consistent with the highest standards of the automotive industry, as confirmed by the operated quality management system, certified in accordance with the ISO/TS 16949:2009 norm. Maintenance of high quality of goods and meeting customer requirements was confirmed by the auditors of an independent certification unit, TÜV Rheinland, during the course of quality management audit. Audits of all production plants of the Alumetal Group ended with positive results. The correctness of conducted business activities at Group plants was also confirmed by its clients; 10 client-performed audits were carried out in 2015 and all ended with positive results.

The commencement in 2015 of the supply of liquid metal to such key customer as Volkswagen Poznań sp. z o.o. only proves that the quality of goods produced by Alumetal is very high. The supplied liquid metal is used directly in the production of responsible elements of the automotive industry.

2. Environmental protection

Here, at Alumetal Group we perceive the regard for the environmental protection not only as compliance with legal requirements. The undertaken activities and realised improvement plans consistent with the implemented management system bear impact on the ongoing improvement of environmental conditions both in the production plants and in the plants vicinity. This was confirmed by the system oversight audit conducted by independent auditors in November 2015 at all Company’s plants. The post-control report confirms compliance with relevant laws and ISO 14001 standards.

All production facilities of the Alumetal Group passed in 2015 the required environment quality measurements and analyses. The results of those measurements performed by an accredited lab confirmed Alumetal’s compliance with binding legal requirements, including with the IPPC permit.

In 2015, the Alumetal Group took steps to modernize its environmental protection infrastructure. In addition, the Group seeks to maximize the re-cycling principle. For this reason, in 2015 an investment project was completed in the Nowa Sól production plant which consisted in further recovery of metal scobs and swarf remaining in metal waste after the process of metal scrap preparation; to this end a facility line was installed to separate and disaggregate waste, and recover metals, including aluminium scrap. The start-up of this installation facilitates monthly recovery of approximately 250 tons of fine-grained metals, which to date were taken to waste landfills.

The Alumetal Group has also continued to save energy globally. The example of such activities is the commencement of liquid aluminium delivery to one of the key clients, Volkswagen Poznań sp. z o.o. This solution caused that the thus delivered metal is used directly in the casting process. As a result, the client avoids the additional, energy-consuming process of smelting that would have to take place had the alloys were transported in the form of ingots.
3. **Labour hygiene and safety**

Ensuring good working conditions, improving employee qualifications and labour hygiene and safety standards is the objective of the Alumetal Group. Cyclical training sessions were to further improve employee awareness of the importance of safety at work. The activities conducted as part of authorized improvement plans enhanced employee labour hygiene and safety at work, and improved employee working conditions.

In 2015, eleven work accidents occurred in the plants of the Alumetal Group, none of a serious character.

In November 2015, all production plants of the Alumetal Group successfully completed re-certification of the System of Management of Labour Hygiene and Safety according to the norm BS OHSAS 18001:2007.
### VIII. Loans and borrowings, and other financial agreements

#### 1. Loans and borrowings taken out

<table>
<thead>
<tr>
<th>Overdraft facility:</th>
<th>Available limit</th>
<th>Currency*</th>
<th>Maturity date</th>
<th>Limit utilised (PLN)</th>
<th>Limit utilised (PLN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate limit facility for several Group companies at ING Bank Śląski S.A. with an interest rate based on 1M LIBOR (USD) + margin, 1M WIBOR (PLN) + margin, 1M EURORIBOR (EUR) + margin</td>
<td>36 000 000.00***</td>
<td>PLN*</td>
<td>21.06.2016</td>
<td>16 613 156.50</td>
<td>14 887 249.93</td>
</tr>
<tr>
<td>Aggregate limit facility for Alumetal S.A. and Alumetal Poland sp. z o.o. at BPH S.A. with an interest rate based on 1M WIBOR (PLN) + margin, 1M EURORIBOR (EUR) + margin</td>
<td>31 000 000.00***</td>
<td>PLN*</td>
<td>25.06.2016</td>
<td>11 162 833.43</td>
<td>4 526 519.02</td>
</tr>
<tr>
<td>Limit facility for Alumetal Poland Sp. z o.o. at Bank Handlowy w Warszawie S.A. with an interest rate based on 1M LIBOR (USD) + margin, 1M WIBOR (PLN) + margin, 1M LIBOR (EUR) + margin</td>
<td>33 000 000.00</td>
<td>PLN*</td>
<td>20.05.2016</td>
<td>15 992 951.35</td>
<td>16 513 273.84</td>
</tr>
<tr>
<td>Short-term portion of the investment loan issued to Alumetal Poland Sp. z o.o. by ING Bank Śląski S.A. in the amount of EUR 9,500 thousand, with an interest rate based on 1M WIBOR + margin, 1M EURORIBOR + margin</td>
<td>9 500 000.00**</td>
<td>EUR*</td>
<td>30.06.2016</td>
<td>3 636 472.03</td>
<td>7 273 962.35</td>
</tr>
<tr>
<td><strong>Total short-term portion</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>47 405 413.31</td>
<td>43 201 005.14</td>
</tr>
<tr>
<td>Long-term portion of the investment loan issued to Alumetal Poland sp. z o.o. by ING Bank Śląski S.A. in the amount of EUR 9,500 thousand, with an interest rate based on 1M WIBOR + margin, 1M EURORIBOR + margin</td>
<td>9 500 000.00**</td>
<td>EUR*</td>
<td>30.06.2016</td>
<td>–</td>
<td>3 636 956.72</td>
</tr>
<tr>
<td>Long-term investment loan issued to Alumetal S.A. by ING Bank Śląski S.A. in the amount of EUR 10,000 thousand, with an interest rate based on 1M EURORIBOR + margin, taken out for the purpose of financing of the construction of a production plant in Hungary</td>
<td>10 000 000.00</td>
<td>EUR</td>
<td>14.10.2022</td>
<td>3 109 045.51</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>50 514 458.82</td>
<td>46 837 961.86</td>
</tr>
</tbody>
</table>

* the „currency” means solely the currency of the limit and thus may differ from loan currency
** the total limit for the short- and long-term portion of the investment loan is EUR 9,500,000.00
*** as part of the loan agreement, the available limit was formally increased by PLN 3,600,000.00 to the amount of PLN 39,600,000.00 as a mechanism hedging the Bank against fluctuations in the EUR/PLN and USD/PLN exchange rates and against origination of past due loan liability
**** as part of the loan agreement, the available limit is increased by the limit for financial market transactions by the amount of PLN 1,400,000.00 to the amount of PLN 32,400,000.00.
2. Loans granted

ALUMETAL S.A. or its subsidiary company issued in the reporting period the following loans and borrowings:

- Increase from PLN 20 thousand to PLN 24 thousand of a short-term, PLN-based loan issued to the related company, ALUMETAL Kęty sp. z o.o., with an interest rate of 1M WIBOR and maturity date set at 30 June 2016;
- Issuance on 26 October 2015 of a long-term loan by ALUMETAL S.A. to its subsidiary company, ALUMETAL Group Hungary Kft., to partially finance the construction of the production plant in Hungary, in the amount of EUR 10 million and the maturity date set at 14 October 2022. As at 31 December 2015, the value of the loan disbursed was the equivalent of PLN 3,109,045.51.

3. Other financial agreements

- Factoring agreement of 15 September 2014 with Bank UniCredit Luxembourg S.A. on full factoring of Euro-based receivables from one of the clients of the Alumetal Group i.e. at the risk of this client and with no recourse to the Alumetal Group, and with no limit (limited in practice by the scale of cooperation with the given client);
- Agreement of 28 June 2011 (with subsequent amendments) between ALUMETAL Poland sp. z o.o. and Bank Handlowy w Warszawie S.A. on collaboration between the parties in the area of acquiring by the Bank, based on separate agreements, of trade liabilities of ALUMETAL Poland sp. o.o. towards its business partners, with a total limit of PLN 7 million (full factoring for suppliers executed at their cost).
IX. Contingent assets and contingent liabilities, sureties and guarantees and off-balance sheet liabilities

1. Court and litigation proceedings

As at 31 December 2015, neither the Company nor any of its subsidiary companies was a party to litigation proceedings with a value equating or exceeding, in whole or in part, 10% of the shareholders’ equity of the Company.

2. Sureties

At the end of the reporting period, the Company reported open surety for the investment loan with the value equivalent to PLN 3,636,472.03 issued by ALUMETAL S.A. to the subsidiary company, ALUMETAL Poland sp. z o.o., with respect to the investment loan granted to ALUMETAL Poland sp. z o.o. by ING Bank Śląski S.A.

3. Contingent liabilities

Based on a contract with the National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej) on financial compensation under the operational program Infrastructure and Environment 2007-2013 („Infrastruktura i Środowisko 2007-2013“) for the execution of the investment project called Construction of a plant for the scrap and aluminium waste processing and production of casting alloys – Phase I („Budowa zakładu przerobu złomów, odpadów aluminiowych i produkcji stopów odlewniczych – etap I“) with a value of PLN 20,000,000.00, ALUMETAL Poland sp. z o.o. is required to fulfil contractual obligations (covenants), including those relating to project durability over the entire term of the project defined in the contract. The security for the fulfilment of the obligations under project financial compensation contract (umowa o dofinansowanie projektu) is an in blanco promissory note.

Apart from the contingent liability referred to above, as at 31 December 2015 neither the Company nor any of its subsidiary companies reported other contingent liabilities with a value equating or exceeding, in whole or in part, 10% of the shareholders’ equity of the Company.
X. **Financial risk management objectives and policies**

The financial risk management objectives and policies cover risk areas listed below:

1. **Interest rate risk**

The Alumetal Group is exposed to interest rate risk following utilisation of the financial instruments used to finance operating activities: short- and long-term loans, factoring services on own receivables and short-term (overnight) deposits.

The Alumetal Group does not hedge against interest rate risk because the instruments used are, in the majority of cases, of short-term character. On the other hand, the long-term financial instruments hedging against interest rate risk are based, to a great extent, on the expectations and forecasts, which under the specific market circumstances in the analysed reporting period did not encourage the use of those instruments, and therefore also long-term hedging instruments were not used to hedge against interest rate risk.

2. **Foreign currency risk**

The Group is exposed to foreign currency risk in connection with the transactions of current operations. Such exposure arises from the sale or purchase transactions made in the currencies other than its measurement currency. The Alumetal Capital Group has widely used the so-called natural hedge mechanism, as sale transactions in foreign currencies have been largely balanced by purchase transactions. Nevertheless, as a result of the occasional lack of balance between these two types of business transactions, foreign currency risk is generated. The Group regularly monitors its long EUR currency position, and its short USD position, and systematically concludes hedging transactions, in accordance with its hedge accounting policy and using the accepted types of derivative financial instruments. In practice, the Group uses mainly forward contracts, and only in the periods of great volatility of exchange rates, the Group applies the zero-cost option strategies as a tool which is more flexible than basic forward contracts.

The applied strategy of hedge accounting includes also certain additional elements of natural hedging mechanism i.e. the fact that the Group uses long- and short-term foreign currency loans and borrowings, and the fact that a large portion of the PLN-based purchase and sale transactions is indirectly affected by the EUR/PLN quotations.

The main principle of the Group’s hedge accounting strategy is the policy of not entering into speculative transactions. The concluded forward contracts serve solely to limit the risk resulting from operating activities and to stabilize the financial results.

3. **Commodity price risk**

Selling prices are directly or indirectly related to the quotations on the London Metal Exchange (“LME”) (Londyńska Giełda Metali). The quotations with the most significant effect are the quotations of pure aluminium (LME HG) and aluminium alloys (LME AA), while the quotations of several other metals such as nickel or copper are of far lesser importance. The correlation of these quotations with the prices of goods of the Alumetal Group, although relatively strong, is not –
however - full, especially in a short period of time. In addition, the mechanism of natural hedging is applied in this area as the prices of purchase of raw materials, which account for approx. 85% of the production costs, are also correlated with LME’s quotations, particularly in a long term. For these reasons, the Group does not use any instruments hedging against fluctuations in LME’s quotations of raw materials.

4. Credit risk

The credit risk of the Alumetal Group arises from the concluded trading contracts and the possibility of negative effects of business partner insolvency, partial non-payment or delayed payments of the amounts due. The policy of the Group in this area assumes regular verification of client financial standing, monitoring of this standing and the ongoing analysis of timeliness of trade debtor payments through the proactive approach of debt recovery team. Unreliable clients or clients without good financial capacity are required to provide additional security to be able to trade on credit terms, or cooperation with such clients is discontinued. In the case of financial difficulties of clients with great potential for future cooperation, the Group seeks to closely monitor their situation and conclude, if possible, additional agreements.

The above approach facilitates intensive quantitative and geographical sales development, while naturally increasing slightly the credit risk and risk management activities of the Group. However, the relatively wide and diversified client portfolio and very good financial standing of the Group cause that the overall credit exposure is rather limited, even despite the fact that no insurance is taken out for the balances receivable.

5. Liquidity risk

The Group is exposed to the risk of possible liquidity problems, mainly in the case of default payment or non-recovery of significant debt balances. The challenge for the Group is also its capacity to ensure appropriate finance for further development i.e. ensuring the funds required to finance the investment expenditure or the need for higher working capital due to growing sales. Significant short-term price increases may also result in a demand for higher working capital balance. If coupled with materially deteriorated financial results, the Group could suffer from difficulties in securing appropriate amounts of external borrowings.

However, for many years now, the Group has used multi-currency overdraft facility lines which fully match its financial liquidity requirements. To this end, the Group has used services of several banks by taking out short- and long-term loans and borrowing in those banks, and using their factoring services. The above instruments and reported good financial results cause that despite the Group’s intensive development (bringing high investment expenditure and higher demand for working capital financing), the risk of the loss of financial liquidity does not occur.
XI. Risk factors with possible impact on Group financial results

In the opinion of the Management Board of ALUMETAL S.A., the most significant factors that may have impact on the financial results of the Alumetal S.A. Capital Group are:

1. Geopolitical and macroeconomic situation in Europe

The activities of the Group are affected by macroeconomic conditions relating to Polish, German, Central European and European economy, economic policy of individual governments, tax systems, GDP, unemployment rate, interest rates, currency exchange rates, inflation rate, consumption levels, investment expenditure and the amount of budget deficit. Fluctuations in the market prices of secondary aluminium alloys have direct impact on the prices of Group products and, to a limited extent, on the margins earned. Market prices of secondary aluminium alloys depend on the supply and demand as well as on other factors, on which the Group has no or only limited influence, such as general macroeconomic conditions, situation in the industry sectors that are the key consumers of secondary aluminium alloys, prices of original aluminium and prices of aluminium scrap. Deterioration of general economic conditions in Europe, and especially in Poland, Germany, Hungary or in the Central and Eastern Europe may have adverse impact on the activities, financial position, financial results or business perspectives of the Alumetal Group by the end of 2015. Geopolitical situation may also have impact on the results of the Group.

2. Situation of automotive industry

Group structure of consumers of secondary aluminium casting alloys is strongly focused on the automotive industry. In consequence, business activities of the Group are sensitive to trend changes in the automotive industry. The economic situation of automotive industry depends on general economic conditions, including on the level of consumer appetite and expenditure for motor vehicles.

During economic recession or during the periods of low economic growth, it is the automotive industry that usually suffers from shrinking business. In the period from 2007 to the mid of 2013, the EU saw a declining trend in motor vehicles production and sale. Despite considerable recovery of the automotive industry since the mid of 2013, one may not, however, exclude the possibility of raising trend reversal, which could have unfavourable impact on demand volumes or margin levels realized by manufacturers of secondary aluminium casting alloys. The activities of the Group may be affected by the potential shrinking of automotive industry exports outside Europe (e.g. to Asia or to Northern America). In addition, the financial results of the Alumetal Group may be affected by the economic situation of individual automotive companies (e.g. problems at the Volkswagen Group).
3. Relation between raw materials purchase price and alloy selling price

In principle, the prices of secondary aluminium casting alloys which are the key product of the Group are strongly related to the long-term quotations of aluminium (LME HG) or aluminium alloys (LME AA) on the London Metal Exchange. However, in the short-term this correlation may be subject to fluctuations and thus may not fully reflect the long-term trends.

The key item of operating expenses of the Group is the cost of purchase of raw materials. The main raw material used in the production of Group’s products is aluminium scrap. In addition, the Group uses pure raw materials, inclusive of non-alloyed aluminium for recasting in the form of ingots, silicon metal, cathode nickel, manganese, titanium and magnesium. Scrap and pure raw materials account for the largest part of the cost of production (85-90%).

The prices of secondary aluminium casting alloys, aluminium scrap and of other raw materials used by the Group in the production process are subject to material fluctuations and depend on a number of factors outside the control of the Alumetal Group, including on general economic conditions, supply and demand for metals as a raw material and for semi-finished goods made of those raw materials on the European or global markets. Increase in prices of aluminium scrap may not be accompanied by the corresponding increase in prices of alloys produced by the Alumetal Group, which – in turn – may translate into lower margins realized on sold goods and into deteriorated financial results of the Group. Similar risk may take place in the circumstances of reduced prices of alloys not accompanied by the corresponding reduction in the prices of aluminium scrap.

4. Limited availability of raw materials scrap in Europe

The main raw material used in the process of production is aluminium scrap (Al scrap). The Group purchases aluminium scrap mainly from the entities trading in aluminium scrap, trade intermediaries and from producers of aluminium goods (as post-production waste).

Despite the fact that the Group uses diversified database of external suppliers of aluminium scrap, one may not completely exclude the possibility of the occurrence of a limited availability of this raw material in the near future. Al scrap availability and prices depend on the number of factors outside the control of the Alumetal Group, including on the amount of Al scrap available on the market, demand for the Al scrap by secondary aluminium producers, volume of exports of metals scrap from Europe to other continents, especially to Asia, differences in prices quoted in Europe and in other continents, or on unfavourable weather conditions hindering scrap collection. Lower availability of scrap metals on the European market, higher exports of scrap metals from Europe to other continents or higher regional demand may result in a limited availability or higher prices of aluminium scrap.

5. Potential disruptions in utilities supply to ALUMETAL Group production plants

The results of the Alumetal Group may be materially and adversely affected by restrictions in the utilities supply (electric energy or gas fuels), if of mid- or long-term character.
6. **Higher competition on the market of secondary aluminium alloys**

Emergence of new entities or stronger market position of present competitors - secondary aluminium alloys producers, or a potential increase of production capacity or development plans of domestic or international competitors of the Group may result in higher market competition. It cannot be certain that in the future, Group competitors will not intensify development of their business and will not conduct aggressive product and price policy against present or potential suppliers and customers of the Alumetal Group.

The above factors may have considerable unfavourable impact on the financial results of the Alumetal Group in the near future.

7. **Other accidental, unfavourable one-of events**

Other unforeseen and unexpected one-off events may also have material unfavourable impact on the financial results of the Alumetal Group.
XII. Internal control system and risk management

The Management Board of the parent is responsible for the internal control system of the entire Group and for its efficiency during the process of preparation of periodic reports, separate and consolidated accounts, prepared and published in accordance with the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on the conditions for recognition as equivalent the information required by laws of non-EU member states (the “Decree on current and periodic information”).

The supervision function over financial statements and periodic reports preparation process carried out mainly by the finance division of the Group is realised by the Financial Director of ALUMETAL S.A. – Member of the Management Board (CFO).

The main method to ensure efficiency of the internal control and risk management systems with respect to the process of separate and consolidated accounts preparation is that of ensuring adequacy, truth and fairness, and correctness of the financial information disclosed in periodic reports and in financial accounts, and that of ensuring confidential information safety.

The internal control and risk management systems system operated by the Group in the process of financial reporting were created mainly owing to the following:

- operating a Group-wide, authorised and uniform (consistent) accounting policy,
- clear segregation of duties, and well-defined work organization and supervision in the financial reporting process, as provided in the procedures, instructions and regulations, and included in the following documents:
  - Warehouse instructions,
  - Instructions on hard close and financial statements close process (FSCP),
  - Instructions on registration of data in the integrated IT management system,
  - Physical count instructions,
  - Regulations on circularization of confidential information,
  - Procedures for preparation of periodic reports,
  - Internal ESPI regulations,
- application of integrated IT management system which considerably limits the risk of data inconsistency and irregularity (minimization of technical-type risk),
- results and control reports analysis by Group’s internal specialists at individual stages of reports preparation (minimization of substantial-type risk),
- financial results and financial ratios analysis at each level of business by appropriate control units, at the level of a subsidiary and the parent,
- regular cooperation with financial-accounting, tax and legal advisors to ensure correct (consistent with binding accounting policies and legal regulations) recognition and disclosure of individual business operations and business events in periodic reports and annual accounts,
- audit of financial statements by a certified auditor.
The Supervisory Board has the capacity to appoint certified auditors of the Company, and in fulfilling the tasks of the audit committee, the Supervisory Board:

- supervises internal organizational unit responsible for internal audit,
- monitors financial reporting processes,
- monitors efficiency of internal control, internal audit and risk management systems,
- oversees performance of financial audit activities,
- monitors independence of a certified auditor and the entity authorised to audit financial statements, including in the event of rendering to the Company services other than attest services.

**XIII. Standpoint of the Management Board as regards forecast results of the ALUMETAL S.A. Capital Group**

The Management Board of the Company has decided not to publish any forecast results of the Company or of the entire capital group.

Szymon Adamczyk
President of the Management Board

Krzysztof Blasiak
Vice-president of the Management Board

Przemysław Grzybek
Board Member