

Report of the Management Board of Grupa Kęty S.A. on the operations of the Company and
the Capital Group in 2018

29 March 2019 |

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1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 102-14

Dear Stakeholders,

I am pleased to present to you another Annual Report of Grupa Kęty S.A. and the whole Capital Group. The financial and operational information included therein and the described events clearly indicate that 2018 was another year of rapid development of the Company and the Capital Group. The key business segments reported growth of sales in volumes and value, which contributed to an increase in consolidated sales revenues. These amounted to PLN 2.99 billion and were higher by 13.3% compared to the previous year. We have also generated a significant growth of consolidated net profit to PLN 268.5 million (+13.5%).

Record sales in all of the three business segments, record investments and high dividend paid out to the shareholders confirm that Grupa Kęty entered another, higher level of operation and development. Moreover, the growth of the particular profit or loss items, both as regards revenues and profits, clearly reflect that Grupa Kęty has made a quantum leap on its way to effective accomplishment of the 'Strategy 2020' objectives, with the level of fulfilment of the particular targets set out in the Strategy reaching approximately 90%. What is more, based on the financial and operating results projection, the Company expects that at the end of 2019 the targets will be fulfilled in more than 95%.

Availing of the favourable economic situation globally, the companies of the Capital Group have concentrated in 2018 on further organic development and improvement of their strong position on the domestic and international markets in all three segments: Extruded Products, Aluminium Systems and Flexible Packaging. The demand for the offered products which persisted throughout the year, on the part of both the existing and new customers, resulted in sales volume increase and inclusion of the growing costs in the prices of the offered products. That, in consequence, contributed to the maintenance of good operating margins. The improvement in figures was also supported by the investment projects carried in the previous periods, which again confirms the validity of the development strategy assumed by the Management Board for the whole Capital Group and its effective implementation.

2018 was also a hectic period in the performance of investment projects in all segments of operation, the value of which was the highest in the history of Grupa Kęty and amounted to PLN 230 million. The largest projects include those carried out by the Flexible Packaging Segment. That refers mainly to the project carried out at the Special Economic Zone in Oświęcim, worth PLN 110 million and consisting in the construction of a complete plant furnished with a propylene packaging production line, identical to the project carried out by the Segment in the previous years, which enabled production capacity increase with regard to manufacturing and refining plastic films. The project complies with the development strategy of that business segment, which assumes diversification of the sources of income in the coming years and extension of the value-added chain.

The projects carried out by the Extruded Products Segment covered mainly the installation of two new presses, one of 28 MN for the production of aluminium profiles from soft alloys and another one of 36 MN for the production of aluminium profiles from hard alloys. The project will contribute to the increase in the Segment output of extruded products by roughly 8,000 tonnes in 2019. Worth

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emphasising is also the launch of aluminium components production for automotive industry in a newly completed hall of the Advanced Aluminium Products Plant in Kęty. The investments completed in 2018 will result in a considerable extension of the production potential of that Segment, currently operating 13 extrusion presses in Kęty, Tychy, and in Borodianka near Kiev, Ukraine.

The constantly growing market requirements for the Aluminium Systems Segment, mainly in the area of quality of the production and logistic services offered to customers, somehow force the Capital Group to incur capital expenditure related to innovative solutions in that Segment. That resulted in the commencement of warehouse and production space extension in 2018 for the second state-of-the-art vertical paint shop line to be commissioned in 2019. The growing activeness of the Group Segment on Western European and US markets, which are characterised with higher requirements in quality standards, has also affected the decision on commencing the construction of a modern Research and Innovation Centre, planned to be open in the second half of 2019. After commissioning, the Centre will provide specialised research, tests and certification services related to the offered products in compliance with the rigorous requirements of those markets. Worth mentioning is the fact that it is going to be the first accredited laboratory of an aluminium systems manufacturer in Poland and the second such laboratory in Europe.

Dear Stakeholders,

I'm convinced that an effectively implemented investment plan during the term of validity of the current 'Strategy 2020', whose value is estimated at approximately PLN 1.35 billion, will make a strong foundation for further development of the Capital Group in Poland and become a supporting factor of its bold foreign expansion in the coming years.

Owing to the coming end of validity of the 'Strategy 2020', the Management Board has decided that work on the strategy for the years 2020–2025 will be preceded by a strategic options review process, covering, among other things, the assessment and analysis of the activities, market conditions and competitive position in order to arrive at more effective utilisation of assets.

At the same time I wish to ensure that we have always tried to carry out our investment projects with future generations in mind. We have focused on the company economic development, its people and local communities, caring for environmental aspects and ensuring environmental protection. We are proud to present in this Annual Report our non-financial information, which, for the fourth time already, enriches this document demonstrating the social and environmental dimension of our business. Each year, we have tried to develop our competences as well as to improve and expand the scope of information presented for all the Polish companies of our business segments. As a large company in the region, we assume full responsibility for our actions in the social and environmental area. Therefore, in this report, we focused on these aspects trying to present them in a reliable and transparent manner.

Yours faithfully,

Dariusz Mańko
President of the Management Board

2. DESCRIPTION OF THE COMPANY AND THE GRUPA KĘTY S.A. CAPITAL GROUP

2.1. The Company and the Capital Group business profile

GRI 102-1; GRI 102-2; GRI 102-3; GRI 102-5

Grupa Kęty S.A. may boast of over 65 years of experience in aluminium processing. From 1953 to 1992 it operated as a state-owned company under the name Zakłady Metali Lekkich 'Kęty' ['Kęty' Light Metals Plant]. In 1992 it was transformed into a sole-shareholder company of the State Treasury, and in 2001 it changed its name into Grupa Kęty S.A. The Company is registered at the address: 32-650 Kęty, ul. Kościuszki 111. Grupa Kęty S.A. is the parent company for the Capital Group composed of three business segments operating in the following areas:

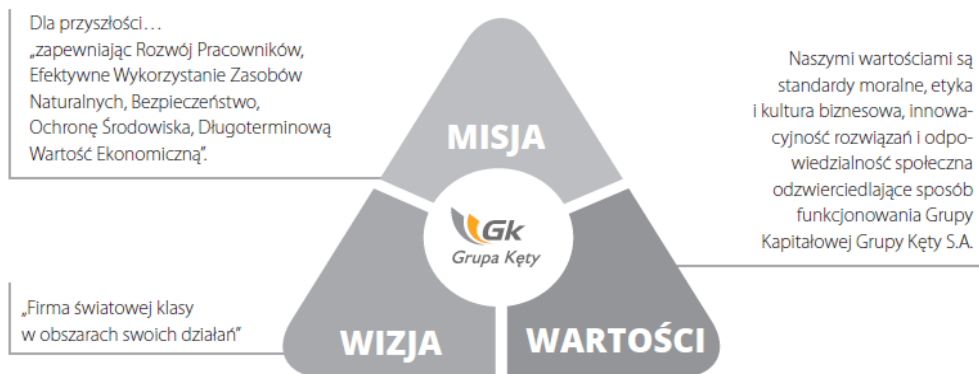
- production of aluminium profiles and components (Extruded Products Segment, EPS);
- designing and production of architectural systems and external aluminium roller shutters (Aluminium Systems Segment, ASS);
- production of flexible packaging (Flexible Packaging Segment, FPS).

GRI 102-4; GRI 102-7

The Capital Group consists of 25 companies, including 15 foreign subsidiaries. The Group companies process ca. 90,000 tonnes of aluminium materials annually and the consolidated sales revenue in the reporting period amounted to roughly PLN 3.0 billion. At the end of 2018, the Capital Group headcount was 5,146 employees (growth by 6% compared to the preceding year), including 1,395 employees at Grupa Kęty S.A. (increase by 7% compared to the preceding year). All of the Capital Group companies focus on development and modern technologies. Since 2000, the Group has spent over PLN 2.2 billion on plant and equipment, new products and services. Thanks to that the Group companies enjoy a place among the cutting-edge manufacturing companies in Europe in their respective industries. The Capital Group operates on a global scale, providing its products and services to customers in 55 countries.

2.2. Guiding values in our day-to-day work

The Corporate Social Responsibility (CSR) Policy is our response to the challenges related to sustainable development, not only in economic and market terms, but also as regards social and ecological aspects.



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MISSION	VISION	VALUES
For the future... 'ensuring employee development, effective use of natural resources, safety, environmental protection, long-term economic value'	'A world-class company in the areas of its operation'	Our values comprise moral standards, business ethics and culture, innovative solutions and social responsibility, reflecting the way the Grupa Kęty S.A. Capital Group operates

We declare that within the Company operations we have made and will continue to make efforts to ensure the creation of a better society, retaining balance and protecting the environment.

We believe that the long-term success of Grupa Kęty S.A. depends on its cooperation with a broadly-defined group of stakeholders. We place particular emphasis on activities beneficial to the Company employees and their families as well as local communities.

We operate in line with the adopted Code of Ethics and corporate governance principles, whereas partnership is the basic value we believe in. We are aware that we impact the environment in a direct and indirect way, therefore we operate such as to reduce that influence to minimum.

A detailed description of sustainable development measures is available in the chapter entitled 'NON-FINANCIAL INFORMATION STATEMENT'.

2.3. Business model

The Group implements the idea of sustainable development on the basis of a dialogue with its customers in creating customised products and solutions. A vast majority of products are unique and have been created in response to the need for specific packaging design and layout (at the Flexible Packaging Segment), shape and mechanical properties (at the Extruded Products Segment), or an architectural vision (at the Aluminium Systems Segment).



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<p>200,000 tonnes purchased raw materials</p> <p>593,000 GJ consumed electricity</p> <p>524,000 GJ consumed natural gas</p> <p>762,000 m³ consumed water</p>	CAPITALS	raw materials and natural resources	<p>29,500 tonnes recycled aluminium scrap</p> <p>Improvement of electricity consumption efficiency per production unit by 7% y/y</p> <p>Higher greenhouse gas emissions per production unit by 11% y/y</p> <p>Lower water consumption per production unit by 3% y/y</p>
<p>Property, plant and equipment PLN 1,337 million</p> <p>Current assets (inventories, receivables) PLN 1,205 million</p> <p>Capital expenditure PLN 231 million</p>		production assets	<p>Sales revenue PLN 3.0 billion</p> <p>97% production capacity utilisation</p> <p>Money paid to machine suppliers and property developers PLN 231 million</p> <p>Return on Assets (RoA) 10%</p>
<p>5,146 employees</p> <p>women 26% staff employed for unlimited term 72% customers 4,200 suppliers 3,000</p> <p>Research and Development Centre 5 laboratories over 100 R&D employees</p>		people, expertise and relations	<p style="text-align: center;"> </p> <p>7.2 hours of training per employee</p> <p>2,458 new profile dies launched</p>
<p>Equity PLN 1,397 million</p> <p>Balance-sheet liabilities PLN 1,383 million</p> <p>Public aid – income tax exemption PLN 33.2 million</p>		finance	<p>Dividend paid to shareholders PLN 229 million</p> <p>Income tax paid in Poland PLN 57 million</p> <p>Return on Equity (RoE) 19%</p> <p>VAT paid in Poland PLN 142 million</p>

2.4. The most important events in 2018

1 February – publication of 2018 projections and recommendation of the Company Management Board concerning the amount of dividend to be paid out for 2017.

22 February – Alupol Packaging Kęty Sp. z o.o. and Alupol Films Sp. z o.o. signed a credit agreement with mBank S.A. amounting to PLN 90 million. The credit is intended for financing the investment programme of the companies, including the construction of the second BOPP film production line.

16 March – publication of the annual financial statements for 2017.

29 March – appointment of the Management Board for the tenth term of office and a new, fifth member of the Management Board.

23 April – Annual General Meeting.

26 June – Grupa Kęty S.A. and its subsidiaries: Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o. o., Alupol Films Sp. z o.o., ROMB S.A., and Aluprof S.A. accepted the agreement conditions proposed by Bank BGŻ BNP Paribas S.A. as regards a PLN 300 million credit for the period of 36 months. The companies shall be jointly and severally liable for the liabilities under the agreement (up to the maximum credit limits determined for each of them). The credit is intended for financing the current operations of the companies.

10 September – commissioning of a new press at the Kęty plant of the Extruded Products Segment.

29 October – Grupa Kęty S.A. and its subsidiaries: Alupol Packaging S.A., Aluprof S.A., Aluform Sp. z o.o., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o., and Aluminium Kety Emmi Predelava aluminijska, d.o.o. accepted the terms and conditions presented by Bank PEKAO S.A. with regard to a credit of PLN 300 million for the period of 12 months. The credit amount shall represent a joint credit limit for the companies. The credit is intended for financing the current operations of the companies. In accordance with the specific terms and conditions of the agreement, the companies are jointly and severally liable for the debt.

19 December – publication of a preliminary forecast of Q.4 results by the Management Board of Grupa Kęty S.A., which confirmed 100% execution of the 2018 projections published on 1 February 2018.

3. THE GROUP OPERATIONS

3.1 Management structure

GRI 102-10, GRI 102-45

The Capital Group consists of 25 companies divided into three business segments. Each segment has a leading company, the name of which is at the same time the main brand on the basis of which the products of the particular segment are recognised on the market. Each segment has in its structures all the services necessary to carry out business in the area of both production and trade. Only a part of specialised functions have been concentrated in competence centres providing services to all of the Capital Group segments. These include in particular: bookkeeping, IT services, organisation of financing, supervision of the acquisition processes, supervision of the risk management policy, internal audit, coordination of processes related to corporate social responsibility and sustainable development.

In 2018 the Capital Group underwent significant changes. The present structure of the Group is presented in the chart below (Alutrans System does not carry out any operating activities, therefore it is omitted):

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Struktura Grupy Kapitałowej Grupy Kęty S.A.



Dekret Centrum Rachunkowe
(obsługa księgowa spółek Grupy)

Grupa Kęty S.A. Capital Group structure		
Extruded Products Segment	Aluminium Systems Segment	Flexible Packaging Segment
Grupa Kęty S.A.* Aluform Sp. z o.o.* Alupol LLC (Ukraine) Aluminium Kety EMMI (Slovenia) Aluminium Kety Deutschland (Germany) Grupa Kety Italia (Italy) Aluminium Kety CSE (Czech Republic)	Aluprof S.A.* Romb S.A.* Aluprof System Ukraina (Ukraine) Aluprof System Romania (Romania) Aluprof System Czech (Czech Republic) Aluprof System USA (the USA) Aluprof UK (the UK) Aluprof Belgium (Belgium) Aluprof Deutschland (Germany) Aluprof Netherlands (the Netherlands) Aluprof Hungary (Hungary) Marius Hansen Facader (Denmark) Aluprof Serwis Sp. z o.o.	Alupol Packaging S.A.* Alupol Packaging Kęty Sp. z o.o.* Alupol Films Sp. z o.o.*
Dekret Centrum Rachunkowe (accounting services for the Group companies)		

*Companies subject to non-financial reporting

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GRI 102-4

The table below shows the assignment of the particular companies to the business segments. All companies of the Capital Group were subject to consolidation.

Company name	Registered office	Core business	Parent's name	Percentage in share capital as at 31.12.2018	Date of control take-over	Segment
Grupa Kęty S.A.	Kęty, Poland	Manufacture of products extruded from aluminium	N/A	N/A	N/A	EPS
Alupol Packaging S.A.	Tychy, Poland	Production of flexible packaging	Grupa Kęty S.A.	100.00%	04/1998	FPS
Aluprof S.A.	Bielsko-Biała, Poland	Production of aluminium systems for the building industry	Grupa Kęty S.A.	100.00%	06/1998	ASS
Dekret Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00%	09/1999	Other
Alu Trans System Sp. z o.o.	Wrocław, Poland	The company does not carry out any activities	Grupa Kęty S.A.	100.00%	04/2000	Other
Aluprof Hungary	Dunakeshi, Hungary	Sales of aluminium systems	Aluprof S.A.	100.00%	07/2000	ASS
Alupol LLC	Borodianka, Ukraine	Manufacture of products extruded from aluminium	Aluform Sp. z o.o.	100.00%	12/2004	EPS
Aluprof Deutschland GmbH	Schwanewede, Germany	Sales of aluminium systems	Aluprof S.A.	100.00%	02/2005	ASS
Aluprof System Romania s.r.l	Bucharest, Romania	Sales of aluminium systems	Aluprof S.A.	100.00%	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Sales of aluminium systems	Aluprof S.A.	100.00%	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sales of aluminium systems	Aluprof S.A.	100.00%	05/2006	ASS
ROMB S.A.	Złotów, Poland	Manufacture of building hardware	Aluprof S.A.	100.00%	04/2007	ASS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production of flexible packaging	Alupol Packaging S.A.	100.00%	05/2009	FPS
Aluform Sp. z o.o.	Tychy, Poland	Manufacture of products extruded from aluminium	Grupa Kęty S.A.	100.00%	06/2009	EPS
Aluprof System Ukraina	Kiev, Ukraine	Sales of aluminium systems	Aluprof S.A.	100.00%	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	Aluprof S.A.	100.00%	1/2012	ASS
Grupa Kęty Italia s.r.l.	Milan, Italy	Sales of products extruded from aluminium	Grupa Kęty S.A.	100.00%	5/2014	EPS
Marius Hansen Facader A/S	Viborg, Denmark	Production of construction joinery	Aluprof S.A.	100.00%	6/2014	ASS
Aluprof System USA, Inc	Wilmington, USA	Sales of aluminium systems	Aluprof S.A.	100.00%	7/2014	ASS
Alupol Films Sp. z o.o.	Oświęcim, Poland	Production of flexible packaging	Alupol Packaging Kęty Sp. z o.o.	100.00%	12/2014	FPS
Aluprof Belgium N.V.	Dendermonde, Belgium	Sales of aluminium systems	Aluprof S.A.	100.00%	6/2015	ASS
Aluminium Kety Emmi d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	Aluform Sp. z o.o.	100.00%	6/2016	EPS
Aluminium Kety Deutschland GmbH	Dortmund, Germany	Sales of products extruded from aluminium	Aluform Sp. z o.o.	100.00%	6/2016	EPS
Aluprof Netherlands B.V.	Rotterdam, Netherlands	Sales of aluminium systems	Aluprof S.A.	55.00%	4/2017	ASS
Aluminium Kety CSE s.r.o.	Ostrava, Czech Republic	Sales of products extruded from aluminium	Aluform Sp. z o.o.	100.00%	7/2017	EPS

Except for the above listed companies, Grupa Kęty S.A., through its subsidiary Aluprof System USA, Inc. holds 45.5% of shares in Aluprof USA, LLC, of the initial value of USD 100.1 thousand. Aluprof USA LLC is involved in the distribution of aluminium systems on the US market. This investment was financed from the Company own funds. Apart from the shares in the aforementioned associate, the Group has no other significant investments in securities, financial instruments, intangible assets and real property.

3.2 Business segments description

GRI 102-2; GRI 102-4; GRI 102-6; GRI 102-7; GRI 102-9; GRI 204-1,103-1,2,3 as regards 'Procurement Practices'

3.2.1 Supply chain characteristics

Primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium tape as well as ingots made from aluminium and its alloys) are the basic raw materials used by the Group. In the production of flexible packaging, the Group also uses various types of films and plastics granulates (polyethylene, polypropylene), printing paper, paints, adhesives and binders. The list of basic raw materials is supplemented with accessories for the production of aluminium systems and semi-finished steel products. Due to the necessity of maintaining high quality of production, the purchasing policy of the Group is based on cooperation with selected suppliers who guarantee the proper standards. At the same time, diversification of suppliers has been assumed in order to secure supplies and maintain their competitiveness. Being aware of its impact on the environment, the Company has been trying, in the first place, to use the services of local or national suppliers. Unfortunately, due to the nature of the industry, it is possible only to a very limited extent (aluminium scrap, paints, lacquers, thinners, and some accessories for systems production). In 2018, approximately 30% of purchases of raw materials and other materials were made at Polish suppliers, 63% of deliveries originated from other European countries and roughly 7% from the suppliers on other continents.

3.2.2 Extruded Products Segment

Grupa Kęty S.A. and the Extruded Products Segment built on its basis are considered to be one of Poland's largest manufacturers of extruded products with about 30% market share. The estimated market share in the European market is ca. 2.5%, which places the Segment at the bottom of the top ten largest players list. The production potential of the companies of the Grupa Kęty S.A. Group includes 13 extrusion presses with the total production capacity of ca. 85 thousand tonnes, in three locations: Kęty, Tychy and Borodianka near Kiev, Ukraine, and two profile prefabrication plants in Kęty and Slovenska Bistrica. The majority of presses complete with run-outs are state-of-the-art machines of renowned European manufacturers. With such potential, Grupa Kęty may each year increase the sales of aluminium profiles and components to the fastest-growing industries such as automotive, rail and air transport.

Market situation, sales, customers

In 2018 the segment generated record sales – PLN 1,270 million – which represented 12% growth compared to the preceding year. The exports reached PLN 582 million which also resulted in 12% increase y/y. Similarly as in 2017, the economic situation in Europe was favourable to the manufacturers of aluminium products, and even the commotion of the second quarter (customs duties on aluminium and semi-products imposed by the USA and the threat of sanctions to be imposed by the US government on the main European supplier – Rusal) did not slow down the demand for the products. In such circumstances, all of the Segment companies utilised practically in 100% the possessed production capacity, and in some cases they were forced to limit the scope of cooperation with their customers owing to insufficient production capacity. The situation affected the activeness and results of the plant in Ukraine, which in 2018 recorded growth of the internal market and extended the processing services for Poland. For three years Alupol LCC has been providing production services to Grupa Kęty based on the so called 'processing agreement'. Such relationship,

particularly in the situation of increased demand, is favourable to both companies. Within the agreement Grupa Kęty transferred to Ukraine some of the orders from the overloaded presses in Kęty. That resulted in practically complete utilisation of the production capacity of Alupol LLC's press and exceeding the 2018 budget assumptions. Invariably, the major recipient of Alupol LLC aluminium profiles is the construction business, but the number of new customers from the local market has been growing in Borodianka along with the number of profiles manufactured for them.

The Aluminium Kęty EMMI company was incorporated in the Segment in 2016. Inclusion of a plant providing advanced profiles machining and surface treatment in the organisational structure of the EPS puts the Segment at a completely different position on the market. The business activity of EMMI complies with the EPS strategy of building a strong brand sought for by the manufacturers of speciality aluminium products. On the other hand, two years ago EMMI gained not only a new owner but mainly a partner ensuring the company development by way of financial and subject-matter support. The synergy has been beneficial to both companies. EMMI turnover under the control of Grupa Kęty has been gradually increasing, with 2016 sales amounting to EUR 25 million, nearly EUR 25 million in 2017 and EUR 30 million last year. EMMI customers include mainly white-goods (refrigerators, washing machines and similar products) manufacturers and furniture-making companies. However, last year the company attracted an established automotive recipient and entered with them in a contract for several-year deliveries of exposed car body parts. In 2018 EMMI commenced preparations to the implementation of IATF and AEOC standards planned to be finished in 2019.

3.2.3 Aluminium Systems Segment

Aluprof S.A. is perceived as an epitome of a modern and fast-growing company. It is estimated that as many as 7 out of 10 modern buildings being built in Poland incorporate façade systems supplied by Aluprof. It means that there is no architect, developer or contractor today who would not know the Aluprof brand and its high quality. The reputation earned over the years make investors and architects reach for advanced aluminium systems by Aluprof in many projects. Comprehensive cooperation with all market participants results in mutual benefits, while investors obtain unique, functional and cutting-edge designs. The efforts of Aluprof, which apart from its four plants in Poland has ten divisions in Europe and the USA, focus on the export market. It is the area where communication with architects and decision-makers in the construction business as well as business partners has been intensified and extended. In that, Aluprof relies fully on in-house competencies: 'The essence of our competencies is our extensive expertise in manufacturing aluminium systems, independent and flexible production and tailored solutions'.

Market situation, sales, customers

In 2018, the consolidated revenue of the Segment reached PLN 1,292 million, which means they were higher by 14% than the sales in the preceding year. Such a high increase was mainly contributed by the domestic market customers, who generated 19% growth of sales revenue. Export sales increased by 'only' 7%, whereas the growth on European markets was 17%, and the sales on the US market dropped by approximately 40%. Currently, export sales account for 37% of the ASS total revenue. The double-digit sales growth rate was possible due to consistent efforts on the particular markets, a growing number of customers satisfied with the collaboration, gradual expansion of the product range both as regards architectural systems and roller-shutter systems, as well as offering finished products tailored to meet individual customer requirements on the respective markets. The highest sales

growth was recorded on the export markets of the Netherlands, the UK, Hungary, Romania, but also the Czech Republic and Slovakia, the company has gained a dominating market share.

Equally favourable was the situation in sales for building projects, for which 2018 was another good year. The following 2018 projects count amount the most significant ones in Poland:

Gdańsk: DEO Plaza, Non-Invasive Medicine Centre

Kraków: Farmina, Moon Office, O3 Business Campus – Building C, Podium Park – Building A, Wadowicka 3 – Building A

Wrocław: Diamentinum Office Building, City Forum, River Point I and II

Rzeszów: Logistics Centre of the Rzeszów University of Technology

Warsaw: Mint Legacy Tower

Szczecin: Posejdon Building

Other achievements are also a proof of the brand strength. September watched the final of the third edition of the in-house competition entitled 'Aluprof Systems Building of the Year 2018'. Over 170 buildings erected with the use of Aluprof aluminium systems in Poland and abroad between 2016 and 2018 were entered in the competition. The celebrations of the final gala were attended by many outstanding architects, developers and contractors, and the awarded buildings represent the idea of modern urban space and complete city landscape. The Company was the originator and organiser of the 'Architecture of the Future – What Do Building Say About Us' competition directed to the construction and architectural sector specialists.

Innovative solutions and systems, extensive portfolio of projects, and engagement in the sector development translate not only to the financial success of the Company. The Company was awarded the titles of the 'Golden Construction Brand of 2018' and the 'Golden Champion of the Year 2018 – Market Leader in Joinery' in the segment of aluminium and roller-shutter systems. Moreover, the Aluprof brand was also listed in the 'Top Brand 2018' ranking covering 500 brands in 50 sectors, occupying the 8th position among construction business companies. In 2018 Aluprof was listed among 500 largest companies of the Republic of Poland and entered in the list of 100 best employers, as well as in the ranking of the Major Polish Ambassadors announced by the *Wprost* weekly.

3.2.4 Flexible Packaging Segment

The Flexible Packaging Segment (consisting of Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o.o. and Alupol Films Sp. z o.o.) is a leader on the market of flexible packaging in Poland. Its share in the domestic market of flexible packaging exceeds 20%. The Alupol Group is also a major manufacturer of packaging in Europe, with the market share of 1.5%. The FPS is at the same time the leading supplier of BOPP transparent, white, pearl, matte and metallised films. Moreover, it is one of the largest European manufacturers of laminates based on paper made using the extrusion technology. It also offers HBF9TM high-barrier films and laminates based thereon.

The Flexible Packaging Segment has an extensive portfolio of recipients, including Nestlé, AB Foods, Unilever, Koninklijke Douwe Egberts, Orkla Foods, McCormick, Brügggen, Dr. Oetker, Perfetti van Melle, Aryzta, Meier Verpackung, as well as Prymat, Maspex, Mokate, Bakalland, Foodcare, Animex, Tarczyński, Sokołów, Serpol Cosmetics, Mlekovita, Koral, Mlekpól, and Woseba. Most of the packaging is dedicated to the sector of food concentrates, however, sales to confectionery, fat, dairy, meat, bakery, pharmaceutical and chemical industries have been growing from year to year.

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Market situation, sales, customers

For the companies of the Alupol Packaging Group, 2018 was the best year in their history, both in terms of sales value and generated profits. As in previous years, extensive works were continued on the optimisation of production and technology processes, which contributed to lower costs and ultimately resulted in new orders from the market. The most spectacular sales growth was recorded in the sector of packaging based on plastics such as polypropylene and polyethylene (by 40% y/y). However, growth of sales was also recorded in the sectors of laminates for the dairy industry (+87%) and food concentrates (+5%). 2018 was also a record year in export sales (growth by 17% y/y), which was the effect of a growing portfolio of projects carried out, mainly thanks to attracting new customers on the European market. The highest growth rate was recorded on the following markets: the UK (+48%), the Czech Republic (+41%), Latvia (+36%), the Netherlands (+27%), Hungary (+25%), Ukraine (+14%) and Germany (+8%).

The Management Board of Alupol Packaging has consistently worked to achieve its vision of a company growing in an organic way. It makes it possible to focus on and strictly control the most advanced technologies and to invest in state-of-the-art machines and equipment, in line with the Segment development vision and market trends. The resulting technological development, supporting the expansion of Alupol's portfolio, strengthens its position as one of the major packaging manufacturers in Europe.

3.2.5 Financial results of the segments

Figures for 12 months ended on 31 December 2018

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Sales	706,509	1,269,817	1,292,120	15,477	(290,470)	2,993,453
- outside the Group	706,449	999,257	1,287,393	275	0	2,993,374
- to related parties	60	270,560	4,727	15,202	(290,470)	79
Write-down of inventories	(77)	(517)	1,438	0	0	844
Write-down of receivables	(133)	(512)	(1,674)	0	0	(2,319)
Write-downs of property, plant and equipment, and intangible assets	0	(604)	0	0	0	(604)
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	90,265	104,147	154,390	142,737	(153,872)	337,667
Depreciation	28,558	58,532	35,449	3,237	34	125,810
EBITDA	118,823	162,679	189,839	145,974	(153,838)	463,477
Interest income	124	222	297	124	0	767
Interest costs	(5,968)	(3,666)	(5,011)	(697)	0	(15,342)
Profit before tax	80,272	98,223	150,845	141,213	(153,872)	316,681
Income tax	956	(18,926)	(32,368)	2,518	(398)	(48,218)
Net profit	81,228	79,297	118,477	143,731	(154,270)	268,463
Balance sheet						
Total assets	946,936	1,072,456	873,212	308,696	(421,452)	2,779,848
Liabilities	396,233	550,398	468,354	52,035	(84,214)	1,382,806
Other data						
Capital expenditure on property, plant and equipment	17,795	163,149	69,629	4,431	(34)	254,970

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Figures for 12 months ended on 31 December 2017

Operating segments	FPS	EPS	ASS	Other	Elimination	Total
Statement of profit or loss						
Sales	624,926	1,137,940	1,131,080	14,419	(265,752)	2,642,613
- outside the Group	624,842	891,672	1,125,852	228	0	2,642,594
- to related parties	84	246,268	5,228	14,191	(265,752)	19
Write-down of inventories	230	91	(446)	0	(0)	(125)
Write-down of receivables	63	920	(6,068)	0	(0)	(5,085)
Write-downs of property, plant and equipment, and intangible assets	1,015	(757)	(53)	0	0	205
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	85,126	93,047	139,418	199,490	(215,843)	301,238
Depreciation	27,406	56,967	32,589	2,950	83	119,995
EBITDA	112,532	150,014	172,007	202,440	(215,760)	421,233
Interest income	103	219	683	115	0	1,120
Interest costs	(4,740)	(1,652)	(3,394)	(708)	(0)	(10,494)
Profit before tax	86,601	92,870	129,727	200,634	(215,843)	293,989
Income tax	(13,968)	(17,134)	(28,226)	1,105	863	(57,360)
Net profit	72,633	75,736	101,501	201,739	(214,980)	236,629
Balance sheet						
Total assets	897,043	820,138	974,671	33,582	(226,058)	2,499,376
Liabilities	387,840	307,141	406,894	108,911	(74,788)	1,135,998
Other						
Capital expenditure on property, plant and equipment	26,063	86,133	35,422	1,325	0	148,943

- The column 'Eliminations' contains inter-segment transactions and consolidation adjustments. In the statement of profit or loss, it is mainly related to the sale of aluminium profiles by the EPS to the ASS. As regards assets and liabilities, eliminations comprise mainly investments and inter-segment settlements.

All of the transactions are concluded on arm's length basis.

In 2018, in the note devoted to segments, the group started presenting all of the assets and liabilities of the segments. For that purpose the 2017 figures were restated for the assets and liabilities items.

Previously, the segment assets comprised: fixed assets (except for shares and interests in subsidiaries, reclassified to the 'Other' item), inventories, trade and other receivables (except for public law receivables) and derivative financial instruments. The liabilities items comprised only trade liabilities.

4. COMPANY GOVERNING BODIES

GENERAL MEETING

On 24 April 2018, the Annual General Meeting of Grupa KĘTY S.A. was held, during which the separate and consolidated financial statements of Grupa KĘTY S.A. for 2017 were approved. The General Meeting decided about the 2017 Company profit distribution in the amount of PLN 249,056,966.23, out of which PLN 228,520,800.00 PLN was allocated for the payment of dividend to shareholders.

In addition, the General Meeting granted the vote of approval to the members of the Supervisory and Management Board with regard to their performance of duties in the reporting year 2017.

Report of the Management Board of Grupa Kęty S.A. on the operations of the Company and the Capital Group in 2018

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SUPERVISORY BOARD

The composition of the Supervisory Board in the reporting period was as follows:

Szczepan Strublewski – Chairman of the Supervisory Board,
Paweł Niedziółka – Deputy Chairman of the Supervisory Board,
Piotr Kaczmarek – Member of the Supervisory Board,
Bartosz Kazimierzczuk – Member of the Supervisory Board,
Piotr Stępiak – Member of the Supervisory Board,
Wojciech Włodarczyk – Member of the Supervisory Board.

The Supervisory Board members are appointed from among the candidates recommended by the shareholders. During the last two terms of office, shareholders did not recommend any woman as a candidate for the Supervisory Board. Therefore, in the two preceding reporting years, there were no women in the Supervisory Board of Grupa Kęty S.A.

The table below contains the information on the remuneration of the Supervisory Board members in the reporting period, and the number of the Company shares held by them as at the last day of the report.

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	Number of Grupa Kęty S.A. shares held as at 31.12.2018	Remuneration in the period from 1.01.2018 to 31.12.2018
Chairman	0	PLN 175,322.79
Deputy Chairman	0	PLN 146,102.34
Member	0	PLN 116,881.86
Member	0	PLN 116,881.86
Member	0	PLN 116,881.86
Member	0	PLN 116,881.86

MANAGEMENT BOARD

The Company Management Board headed by its President manages the Company's affairs and represents it vis-a-vis third parties. If the Management Board consists of more than one member, two members of the Management Board acting jointly or one member of the Management Board acting jointly with the Proxy are authorised to make declarations of will and sign documents on behalf of the Company. Any matters related to the management of the Company's affairs, which are not reserved for the other governing bodies of the Company, are handled by the Management Board. The detailed methods of the Management Board operation are determined in the Management Board By-law, passed by the Management Board and approved by the Supervisory Board. The meetings of the Company Management Board, convened by its President, are held at least once a month. As at the last day of the reporting period, the Management Board was composed of:

Dariusz Mańko – President of the Management Board,
Adam Piela – Member of the Management Board,
Piotr Wysocki – Member of the Management Board,
Tomasz Grela – Member of the Management Board,
Rafał Lechowicz – Member of the Management Board.

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In the two preceding reporting years, there were no women in the Company Management Board.

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The remuneration of the Management Board members in the reporting period was as follows:

	Basic remuneration	Bonuses/rewards	Remuneration from other companies of the Capital Group
President of the Management Board	PLN 1,024,800.00	PLN 2,157,025.00	PLN 0.00
Member of the Management Board	PLN 618,192.00	PLN 1,294,216.00	PLN 0.00
Member of the Management Board	PLN 606,192.00	PLN 414,967.00	PLN 12,000
Member of the Management Board	PLN 180,000.00	PLN 0.00	PLN 1,154,800
Member of the Management Board	PLN 137,045.46	PLN 0.00	PLN 759,953.65

The annual bonus is awarded by the Supervisory Board and its value depends on the degree of the accomplishment of financial projections for a particular year. Its maximum value is 250% of the annual basic remuneration of a given member of the Management Board.

In accordance with the declarations made as at the last day of the reporting period, the persons managing the Company held 248,045 ordinary bearer shares of Grupa Kęty S.A., including: President of the Management Board – 142,218 shares, Member of the Management Board – 48,724 shares, Member of the Management Board – 44,435 shares, Member of the Management Board – 12,668 shares, Member of the Management Board – 0 shares. In addition, within the incentive schemes adopted at the General Meeting on 29 May 2012 and on 23 April 2015, the Management Board members:

- have the right to acquire 28,000 J series bonds with the pre-emptive right to subscribe for G series ordinary bearer shares, and in that number: President of the Management Board – 17,500 bonds, and Member of the Management Board – 10,500 bonds, in accordance with the terms and conditions of the scheme;
- the right to acquire 23,100 K series bonds with the pre-emptive right to subscribe for H series ordinary bearer shares, and in that number: President of the Management Board – 6,300, Member of the Management Board – 4,200, Member of the Management Board – 4,200, Member of the Management Board – 4,200, Member of the Management Board – 4,200, in accordance with the terms and conditions of the scheme;
- the right to acquire 33,000 L series bonds with the pre-emptive right to subscribe for H series ordinary bearer shares, and in that number: President of the Management Board – 9,000, Member of the Management Board – 6,000, Member of the Management Board – 6,000, Member of the Management Board – 6,000, Member of the Management Board – 6,000, in accordance with the terms and conditions of the scheme;
- the right to acquire 33,000 M series bonds with the pre-emptive right to subscribe for H series ordinary bearer shares, and in that number: President of the Management Board – 9,000 bonds, Member of the Management Board – 6,000, Member of the Management Board – 6,000, Member of the Management Board – 6,000, Member of the Management Board – 6,000, in accordance with the terms and conditions of the scheme.

The Company Collective Bargaining Agreement (CCBA) concluded with the in-house trade unions on 30 June 1992 (as amended) is the basic corporate document concerning the remuneration policy. In accordance with the CCBA, the employees of Grupa Kęty S.A. are entitled to the following remuneration components:

- basic remuneration;
- extra remuneration (e.g. for overtime or night shifts);
- incentive bonuses and discretionary awards and/or on-target bonuses.

Report of the Management Board of Grupa Kęty S.A. on the operations of the Company and the Capital Group in 2018

At the companies of the Grupa Kęty S.A. Capital Group, depending on the headcount, the remuneration principles are specified either in the remuneration regulations or in employment contracts.

The Management Board of Grupa Kęty S.A. and key managers of the Group are entitled to the following remuneration components:

- basic remuneration;
- annual bonus depending on the accomplishment of financial parameters with a limited maximum bonus level;
- discretionary awards;
- incentive schemes described in the financial statements, based on financial ratios and share prices.

In the opinion of the Management Board, the existing remuneration policy supports the accomplishment of the objectives of long-term growth for the shareholders, ensuring stability of the Company operations.

Apart from the remuneration listed above, the Management Board members are not entitled to other, non-financial remuneration components. In the reporting period, Grupa Kęty S.A. neither concluded any material transactions with related, supervising and managing persons nor granted loans, guarantees or security bonds to such persons and such persons' relatives. There are no agreements between Grupa Kęty S.A. and the managing persons which would provide for any compensation in the case of their resignation or dismissal from their positions for no important reason or where their dismissal would be related to the Issuer's merger by acquisition, except for the conditions included in the term of notice or non-competition agreements.

5. FINANCIAL STATEMENTS

5.1 Consolidated financial statements

SELECTED FINANCIAL FIGURES

GRI 102-7

	PLN '000		EUR '000	
	2018	2017	2018	2017
Items of the statements of profit or loss, comprehensive income, and cash flows				
Net sales revenue	2,993,453	2,642,613	701,552	622,568
Profit (loss) on operating activities	337,667	301,238	79,136	70,968
Gross profit (loss)	316,681	293,989	74,218	69,260
Net profit (loss)	268,463	236,629	62,918	55,747
Net profit (loss) attributable to owners of the parent	268,233	236,872	62,864	55,804
Total net income (loss)	257,094	233,438	60,253	54,995
Total net income (loss) attributable to owners of the parent	256,864	233,681	60,199	55,053
Net cash flow from operating activities	293,287	276,075	68,735	65,040
Net cash flow from investing activities	-228,709	-187,266	-53,601	-44,118
Net cash flow from financing activities	-42,809	-84,839	-10,033	-19,987
Total net cash flows	21,769	3,970	5,102	935
Earnings (loss) per share (in PLN/EUR)	28.12	24.95	6.59	5.88
Diluted earnings (loss) per share (in PLN/EUR)	28.09	24.80	6.58	5.84
Balance sheet items	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total assets	2,779,848	2,499,376	646,476	599,241
Liabilities and provisions for liabilities	1,382,806	1,135,998	321,583	272,363
Long-term liabilities	314,663	270,103	73,177	64,759
Short-term liabilities	1,068,143	865,895	248,405	207,604
Equity attributable to owners of the parent	1,397,042	1,363,378	324,893	326,879
Share capital	67,763	67,704	15,759	16,232
Number of shares	9,545,447	9,521,700	9,545,447	9,521,700
Book value per share (in PLN/EUR)	146.36	143.19	34.04	34.33
Diluted book value per share (in PLN/EUR)	146.04	142.63	33.96	34.20

The above financial figures for 2018 and 2017 were translated into EUR as follows:

- assets and liabilities – at the mean exchange rate of the National Bank of Poland (NBP), i.e. 4.3000 PLN/EUR as at 31.12.2018 and 4.1709 PLN/EUR as at 31.12. 2017;
- items of the statements of profit or loss, comprehensive income, and cash flows – at the exchange rate being the arithmetic mean of the exchange rates of the NBP for the last two days of each month of 2017 – 4.2669 PLN/EUR, and of 2016 – 4.2447 PLN/EUR.

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STATEMENT OF PROFIT OR LOSS

	01.01.2018 - 31.12.2018 (audited)	01.01.2017 - 31.12.2017 (audited)
Total operating income, including:	3,003,787	2,658,452
Sales revenue	2,993,453	2,642,613
- including from the sales to associates	79	19
Other operating revenue	10,334	15,839
Share in net profit of entities accounted for using the equity method	1,114	4,183
Change of inventories of finished goods and work in progress	26,112	38,623
Cost of manufacturing of products for own needs	13,740	15,862
Total operating costs, including:	(2,707,086)	(2,415,882)
Depreciation	(125,810)	(119,995)
Consumption of materials, energy and value of goods and materials sold	(1,880,348)	(1,662,175)
Third-party services	(225,486)	(204,230)
Taxes and fees	(15,970)	(15,100)
Employee benefits	(426,025)	(376,366)
Revaluation of financial assets – IFRS 9	(2,318)	0
Other operating costs	(31,129)	(38,016)
Net profit on operating activities	337,667	301,238
Financial revenue	800	5,374
Financial costs	(21,786)	(12,623)
Profit before tax	316,681	293,989
Income tax	(48,218)	(57,360)
Net profit on continued operations	268,463	236,629
Attributable to non-controlling interests	230	(243)
Attributable to owners of the parent	268,233	236,872
Earnings per share attributable to owners of the parent (PLN)		
Basic	28.12	24.95
Diluted	28.09	24.80

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2018 - 31.12.2018 (audited)	01.01.2017 - 31.12.2017 (audited)
Net profit for the period	268,463	236,629
Other comprehensive income recognised in profit or loss	(10,497)	(3,224)
Cumulative translation adjustment for related parties	3,348	(6,327)
Valuation of cash flow hedging instruments	(15,765)	3,576
Result on cash flow hedging transactions	(1,077)	209
Income tax related to other comprehensive income recognised in profit or loss	2,997	(682)
Other comprehensive income recognised outside profit or loss	(872)	33
Actuarial gains/losses	(1,250)	5
Income tax related to other comprehensive income recognised outside profit or loss	378	28
Comprehensive income for the period	257,094	234,438
Comprehensive income attributable to:		
Non-controlling interests	230	(243)
Owners of the parent	256,864	233,681

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CONSOLIDATED BALANCE SHEET

ASSETS	31.12.2018 (audited)	31.12.2017 (audited)
I. Non-current assets	1,574,739	1,438,840
Property, plant and equipment	1,337,054	1,201,266
Intangible assets	39,657	45,722
Goodwill	19,889	19,819
Investment properties	3,493	4,483
Interests in associates	4,761	5,623
Other investments	11	11
Long-term receivables	6,801	1,457
Advance payments for the purchase of property, plant and equipment	38,409	39,082
Deferred tax assets	124,664	121,377
II. Current assets	1,205,109	1,060,536
Inventories	509,461	457,825
Tax receivables	1,883	1,215
Trade and other receivables	571,136	512,107
Contractual assets	21,243	903
Short-term investments	99	121
Derivative financial instruments	606	9,453
Cash and cash equivalents	100,681	78,912
Total assets	2,779,848	2,499,376
EQUITY/LIABILITIES	31.12.2018 (audited)	31.12.2017 (audited)
I. Equity	1,397,042	1,363,378
Share capital	67,763	67,704
Share premium	33,900	31,179
Non-registered capital from the issue of shares	0	0
Capital from share-based payments	24,322	21,992
Result on cash flow hedging transactions	(531)	546
Capital from the revaluation of hedging instruments	(7,365)	5,403
Capital from the revaluation of property, plant and equipment	2,841	3,314
Retained earnings	1,305,735	1,266,441
Cumulative translation adjustment for related parties	(30,414)	(33,762)
Equity attributable to owners of the parent	1,396,251	1,362,817
Equity attributable to non-controlling interests	791	561
II. Long-term liabilities	314,663	270,103
Liabilities due to borrowings and finance lease	220,782	179,374
Other liabilities	1,130	1,651
Provisions	499	499
Provisions for employee benefits	12,675	10,737
Deferred income	37,103	34,669
Deferred tax liability	42,474	43,173
III. Short-term liabilities	1,068,143	865,895
Liabilities due to borrowings and finance lease	654,274	490,065
Deferred income tax payables	10,818	18,006
Trade and other payables	345,747	308,475
Contractual liabilities	10,738	10,848
Provisions and accruals	34,883	33,857
Derivative financial instruments	9,700	2,782
Deferred income	1,983	1,862
Total equity/liabilities	2,779,848	2,499,376

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CONSOLIDATED STATEMENT OF CASH FLOWS

	01.01.2017 - 31.12.2017 (audited)	01.01.2016 - 31.12.2016 (audited)
<i>Cash flow from operating activities</i>		
Profit before tax	316,682	293,989
Adjustments:	145,927	124,402
Share in net profit of entities accounted for using the equity method	(1,114)	(4,183)
Depreciation	125,810	119,995
Recognition/(reversal) of write-downs	456	1,121
Profit from net currency translation differences	3,901	(5,461)
Change in the valuation of investment properties	148	302
Profit from derivative financial instruments	0	96
(Profit)/loss from sales of property, plant and equipment	(13)	(701)
Interest	17,030	9,002
Proceeds/(expenses) related to hedging instruments recognised in equity	(1,078)	209
Costs of share based payments	2,330	3,400
Other items (net)	(1,543)	622
Cash flow from operating activities before the change of working capital	462,609	418,391
Change in inventories	(51,636)	(64,118)
Change in net receivables	(84,713)	(58,384)
Change in short-term liabilities, except for loans and leases	19,704	34,803
Change in provisions	1,910	(5,515)
Change in deferred income	2,555	(3,252)
Net cash generated from operating activities	350,429	321,925
Tax paid	(57,142)	(45,850)
Net cash from operating activities	293,287	276,075
<i>Cash flow from investing activities</i>		
(+) Proceeds:	2,338	2,726
Sales of intangible assets, and property, plant and equipment	1,956	2,650
Paid loans	22	76
Proceeds from sale of real estate	360	0
(-) Expenses:	(231,047)	(189,992)
Acquisition of intangible assets, and property, plant and equipment	(231,047)	(189,992)
Net cash from investing activities	(228,709)	(187,266)
<i>Cash flow from financing activities</i>		
(+) Proceeds:	464,202	336,245
Net proceeds from the issue of shares	2,781	5,074
Proceeds from loans and credits	461,421	331,171
(-) Expenses:	(507,011)	(421,084)
Dividends and other payables to owners	(228,540)	(284,699)
Repayment of loans and credits	(260,345)	(125,932)
Payment of liabilities under finance lease agreements	(1,115)	(1,047)
Interest	(17,011)	(9,406)
Net cash from financing activities	(42,809)	(84,839)
Total net cash flows:	21,769	3,970
Change in cash due to currency translation differences	0	0
Cash and cash equivalents at the beginning of the period	78,912	74,942
Cash and cash equivalents at the end of the period	100,681	78,912

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from share based payments	Result on cash flow hedging transactions	Capital from the revaluation of hedging instruments	Capital from the revaluation of property, plant and equipment	Retained earnings	Cumulative translation adjustment for foreign companies	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity as at 1 January 2018 (audited)	67,704	31,179	0	21,992	546	5,403	3,314	1,266,441	(33,762)	1,362,817	561	1,363,378
Comprehensive income for the period:	0	0	0	0	(1,077)	(12,768)	0	267,361	3,348	256,864	230	257,094
<i>Net profit for the period</i>	0	0	0	0	0	0	0	268,233	0	268,233	230	268,463
<i>Other comprehensive income</i>	0	0	0	0	(1,077)	(12,768)	0	(872)	3,348	(11,369)	0	(11,369)
Valuation of share based payments	0	0	0	2,330	0	0	0	0	0	2,330	0	2,330
Transfer due to depreciation	0	0	0	0	0	0	(473)	473	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0	(228,540)	0	(228,540)	0	(228,540)
Issue of shares	59	2,721	0	0	0	0	0	0	0	2,780	0	2,780
Equity as at 31 December 2018 (audited)	67,763	33,900	0	24,322	(531)	(7,365)	2,841	1,305,735	(30,414)	1,396,251	791	1,397,042

Attributable to owners of the parent

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from share based payments	Result on cash flow hedging transactions	Capital from the revaluation of hedging instruments	Capital from the revaluation of property, plant and equipment	Retained earnings	Cumulative translation adjustment for foreign companies	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity as at 1 January 2017 (audited)	67,534	23,385	2,890	18,592	337	2,509	3,787	1,313,762	(27,435)	1,405,361	0	1,405,361
Comprehensive income for the period:	0	0	0	0	209	2,894	0	236,905	(6,327)	233,681	(243)	233,438
<i>Net profit for the period</i>	0	0	0	0	0	0	0	236,872	0	236,872	(243)	236,629
<i>Other comprehensive income</i>	0	0	0	0	209	2,894	0	33	(6,327)	(3,191)	0	(3,191)
Valuation of share based payments	0	0	0	3,400	0	0	0	0	0	3,400	0	3,400
Transfer due to depreciation	0	0	0	0	0	0	(473)	473	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0	(284,699)	0	(284,699)	0	(284,699)
Issue of shares	170	7,794	(2,890)	0	0	0	0	0	0	5,074	0	5,074
Other	0	0	0	0	0	0	0	0	0	0	804	804
Equity as at 31 December 2017 (audited)	67,704	31,179	0	21,992	546	5,403	3,314	1,266,441	(33,762)	1,362,817	561	1,363,378

5.2 Separate financial statements of Grupa Kęty S.A.

SELECTED FINANCIAL FIGURES

	PLN '000		EUR '000	
	2018	2017	2018	2017
Items of the statements of profit or loss, comprehensive income, and cash flows				
Net sales revenue	1,127,244	1,020,105	264,183	240,324
Profit (loss) on operating activities	208,815	257,431	48,938	60,648
Gross profit (loss)	201,336	258,689	47,186	60,944
Net profit (loss)	191,439	249,057	44,866	58,675
Total net income (loss)	184,512	249,591	43,243	58,798
Net cash flow from operating activities	186,969	261,794	43,818	61,676
Net cash flow from investing activities	-124,216	-88,696	-29,112	-20,896
Net cash flow from financing activities	-50,281	-175,679	-11,784	-41,388
Total net cash flows	12,472	-2,581	2,923	-608
Earnings (loss) per share (in PLN/EUR)	20	26	4.70	6.18
Diluted earnings (loss) per share (in PLN/EUR)	20	26	4.70	6.14
Balance sheet items	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total assets	1,223,056	1,081,130	284,432	259,208
Liabilities and provisions for liabilities	533,466	352,641	124,062	84,548
Long-term liabilities	158,326	59,957	36,820	14,375
Short-term liabilities	375,140	292,684	87,242	70,173
Equity	689,590	728,489	160,370	174,660
Share capital	67,763	67,704	15,759	16,232
Number of shares	9,545,447	9,521,700	9,545,447	9,521,700
Book value per share (in PLN/EUR)	72.24	76.51	16.80	18.34
Diluted book value per share (in PLN/EUR)	72.08	76.21	16.76	18.27

The above financial figures for 2018 and 2017 were translated into EUR as follows:

- assets and liabilities – at the mean exchange rate of the National Bank of Poland (NBP), i.e. 4.3000 PLN/EUR as at 31.12.2018 and 4.1709 PLN/EUR as at 31.12. 2017;
- items of the statements of profit or loss, comprehensive income, and cash flows – at the exchange rate being the arithmetic mean of the exchange rates of the NBP for the last two days of each month of 2017 – 4.2669 PLN/EUR, and of 2016 – 4.2447 PLN/EUR.

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STATEMENT OF PROFIT OR LOSS

	01.01.2018 - 31.12.2018 (audited)	01.01.2017 - 31.12.2017 (audited)
Total operating income, including:	1,285,572	1,235,565
Sales revenue	1,127,244	1,020,105
Other operating revenue	5,451	3,794
Dividends	152,877	211,666
Change of inventories of finished goods and work in progress	8,015	10,341
Cost of manufacturing of products for own needs	5,559	6,067
Total operating costs, including:	(1,090,331)	(994,542)
Depreciation	(41,869)	(38,972)
Materials and energy and the value of trade goods and materials sold	(752,358)	(688,968)
Third-party services	(158,267)	(144,560)
Taxes and fees	(6,055)	(5,483)
Employee benefits	(126,340)	(112,466)
Revaluation of financial assets – IFRS 9	(460)	0
Other operating costs	(4,982)	(4,093)
Profit on operating activities	208,815	257,431
Financial revenue	194	3,666
Financial costs	(7,673)	(2,408)
Profit before tax	201,336	258,689
Income tax	(9,897)	(9,632)
Net profit on continued operations	191,439	249,057
Basic net earnings per share (PLN)	20.07	26.23
Diluted net earnings per share (PLN)	20.05	26.08

BALANCE SHEET

ASSETS	31.12.2018 (audited)	31.12.2017 (audited)
I. Non-current assets	877,508	782,215
Property, plant and equipment	486,547	382,382
Intangible assets	6,497	6,431
Shares and interests	369,107	367,978
Advance payments for property, plant and equipment	15,357	25,424
II. Current assets	345,548	298,915
Inventories	134,887	116,701
Trade and other receivables	194,457	173,604
Derivative financial instruments	347	5,225
Cash and cash equivalents	15,857	3,385
Total assets	1,223,056	1,081,130
EQUITY/LIABILITIES		
I. Equity	689,590	728,489
Share capital	67,763	67,704
Share premium	33,900	31,179
Capital from the revaluation of property, plant and equipment	2,842	3,314
Capital from share based payments	24,322	21,992
Capital from the revaluation of hedging instruments	(3,208)	2,725
Result on cash flow hedging transactions	(532)	546
Retained earnings	564,503	601,029
II. Long-term liabilities	158,326	59,957
Liabilities related to loans	105,829	6,489
Provisions for employee benefits	1,691	1,737
Subsidies	29,246	30,266
Deferred tax liability	21,560	21,465
III. Short-term liabilities	375,140	292,684
Liabilities related to loans	252,107	168,982
Deferred income tax payables	2,356	3,979
Trade and other payables	98,445	100,903

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Contractual liabilities	1,203	1,254
Provisions and accruals	15,702	14,684
Derivative financial instruments	4,307	1,862
Subsidies	1,020	1,020
Total equity/liabilities	1,223,056	1,081,130

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2018 - 31.12.2018 (audited)	01.01.2017 - 31.12.2017 (audited)
Net profit for the period	191,439	249,057
Other comprehensive income recognised in profit or loss, including:	(7,011)	784
Valuation of cash flow hedging instruments	(7,324)	958
Result on cash flow hedging transactions	(1,078)	9
Income tax related to other comprehensive income	1,391	(183)
Other comprehensive income recognised outside profit or loss, including:	84	(250)
Actuarial gains (losses)	104	(309)
Income tax related to actuarial gains (losses)	(20)	59
Comprehensive income for the period	184,512	249,591

STATEMENT OF CASH FLOWS

	01.01.2018 - 31.12.2018 (audited)	01.01.2017 - 31.12.2017 (audited)
Cash flow from operating activities		
Profit before tax	201,336	258,689
Adjustments:	47,657	44,960
Depreciation	41,869	38,972
Recognition of write-downs of interests	45	85
Recognition of write-downs of property, plant and equipment	83	936
Profit from net currency translation differences	1,654	(2,277)
(Profit)/loss from sales of property, plant and equipment	109	(39)
Interest	3,819	1,735
Proceeds from the liquidation/sales of interests in a subsidiary	0	3,503
Realised result on transactions hedging the price of aluminium recognised in equity	(1,078)	9
Costs of share based payments	1,156	1,930
Value of property, plant and equipment liquidated	0	106
Cash flow from operating activities before the change of working capital	248,993	303,649
Change in inventories	(18,186)	(15,002)
Change in net receivables	(20,853)	(31,862)
Change in short-term liabilities, except for loans	(12,987)	14,972
Change in provisions	1,075	(2,424)
Change in subsidies	(1,020)	(1,020)
Net cash generated from operating activities	197,022	268,313
Tax (paid)/refunded	(10,053)	(6,519)
Net cash from operating activities (including dividends)	186,969	261,794
Cash flow from investing activities		
(+) Proceeds:	386	173
Sales of intangible assets, and property, plant and equipment	386	173
(-) Expenses:	(124,602)	(88,869)
Acquisition of intangible assets, and property, plant and equipment	(124,602)	(88,869)
Net cash from investing activities	(124,216)	(88,696)

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Cash flow from financing activities		
(+) Proceeds:	214,062	122,272
Net proceeds from the issue of shares	2,781	5,074
Proceeds from loans and credits	211,281	117,198
(-) Expenses:	(264,343)	(297,951)
Dividends and other payables to owners	(228,521)	(284,699)
Repayment of loans and credits	(30,484)	(11,329)
Interest	(5,338)	(1,923)
Net cash from financing activities	(50,281)	(175,679)
Total net cash flows:	12,472	(2,581)
- change in cash due to currency translation differences	0	0
Cash and cash equivalents at the beginning of the period	3,385	5,966
Cash and cash equivalents at the end of the period	15,857	3,385

STATEMENT OF CHANGES IN EQUITY

Present year	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from the revaluation of property, plant and equipment	Capital from share based payments	Capital from the revaluation of hedging instruments	Result on cash flow hedging transactions	Retained earnings	Total equity
Equity as at 1 January 2018 (audited)	67,704	31,179	0	3,314	21,992	2,725	546	601,029	728,489
Comprehensive income for the period:	0	0	0	0	0	(5,933)	(1,078)	191,523	184,512
<i>Net profit for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>191,439</i>	191,439
<i>Other comprehensive income</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(5,933)</i>	<i>(1,078)</i>	<i>84</i>	(6,927)
Valuation of share based payments	0	0	0	0	2,330	0	0	0	2,330
Transfer due to depreciation	0	0	0	(472)	0	0	0	472	0
Issue of shares	59	2,721	0	0	0	0	0	0	2,780
Payment of dividend	0	0	0	0	0	0	0	(228,521)	(228,521)
Equity as at 31 December 2018 (audited)	67,763	33,900	0	2,842	24,322	(3,208)	(532)	564,503	689,590

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

5.3 Management Board comments on the financial statements

The basic objective of the 'Strategy 2020' is to ensure steady increase in shareholder value. One of the main conditions for achieving that goal is sustainable development resulting in systematic growth of generated profits and cash. In the opinion of the Management Board, the activities and the results accomplished in 2018 fully comply with the objectives. The companies of the Capital group recorded a number of achievements in the market, production finance and non-finance (ESG) areas. Sales revenue grew to PLN 2.99 billion (+13.3%), out of which 46% sales were made to our customers on international markets. Thanks to high utilisation of production capacity (over 95%), approximately 12% growth in the profit on operating activities was achieved (PLN 337.7 million), despite the maintained growing labour costs trend. The pressure on the remuneration increase which is to continue in the coming years is perceived by the Management Board as one of the main challenges. Taking into account the result on financing activities, which is mostly affected by credit costs and valuation of receivables and liabilities in foreign currencies, the consolidated net profit attributable to owners of the parent amounted to PLN 268.2 million, representing 13% growth compared to the previous year value.

As estimated by the Management Board, the financing structure of the Capital Group balance sheet is safe. Despite continued development and major investments (capital expenditure equalled PLN 231 million), combined with the payment of dividend, equity still represents roughly 50% of the balance-sheet total. As the main companies of the Group are mostly production enterprises continuously investing in their development, property, plant and equipment represent a significant item of assets. As at the balance-sheet date they accounted for 48% of total assets (similarly as in the preceding year). The value of current assets as at the balance-sheet date amounted to PLN 1,205.1 million and accounted for approximately 42% of total assets (no change compared to previous year figures).

Cash flows thanks to which the Group companies are able to continue their development represent one of the major parameters from the point of view of the Management Board. Within the 12 months of 2018, generated cash flows amounted to PLN 293.1 million, i.e. ca. 6% more than in the previous year. The value was generated despite the 13% growth of sales revenue, which confirms the efficient management of working capital. This also means that cash flows are safe and stable, enabling financing of development projects. As intended by the Management Board, further development is to be financed essentially from internal sources (cash from operating activities) and interest-bearing debt.

Summing up, the Management Board positively assesses the generated financial results in all material respects. Considering the current potential of the Capital Group and the planned programme of investments in further development, as well as optimistic projections as to the economic growth in Poland and on a global scale, the Management Board upholds its expectations regarding the economic values provided for in the 'Strategy 2020' to be achieved.

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5.4 Loans and contingent liabilities

TERM STRUCTURE OF LOANS AND FINANCE LEASE LIABILITIES

Maturity date	31.12.2018 (audited)	31.12.2017 (audited)
Short-term	654,274	490,065
From 1 to 2 years	68,372	21,916
From 2 to 5 years	152,410	157,458
Total	875,056	669,439

LONG-TERM LOANS (PLN '000)

Borrower	Lender	Loan currency	Security	31.12.2018
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	First capped mortgage on real properties of Grupa Kęty S.A. and Aluform sp. z o.o., up to the amount of PLN 312 million, along with the assignment of rights under the property insurance policies; joint and several liability of Grupa KĘTY S.A. and Aluform Sp. z o.o.; blank promissory notes of Grupa KĘTY S.A. and Aluform Sp. z o.o. and promissory note declarations.	105,829
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	Security bond by Alupol Packaging S.A. up to the amount that has been drawn; mortgage on real properties of Alupol Films sp. z o.o. up to PLN 120 million, along with the assignment of rights under the property insurance policies; joint and several liability of Alupol Packaging Kęty sp. z o.o. and Alupol Films sp. z o.o.; registered pledge on the fixed assets of Alupol Packaging Kęty sp. z o.o. and Alupol Films sp. z o.o., along with the assignment of rights under the assets insurance policies.	55,400
Aluprof S.A.	Bank PEKAO	PLN	Blank promissory note and promissory note declaration, mortgage on real properties, registered pledge on fixed assets, along with the assignment of rights under the security assets insurance policy.	56,667
Alupol Films Sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	EUR	Security bond by Alupol Packaging S.A. up to the amount that has been drawn; mortgage on real properties of Alupol Films sp. z o.o. up to PLN 120 million, along with the assignment of rights under the property insurance policies; joint and several liability of Alupol Packaging Kęty sp. z o.o. and Alupol Films sp. z o.o.; registered pledge on the fixed assets of Alupol Packaging Kęty sp. z o.o. and Alupol Films sp. z o.o., along with the assignment of rights under the assets insurance policies.	1,999
	Total long-term loans			219,895
Aluprof UK	Finance lease	GBP	Leased assets	12
Aluprof Netherlands B.V.	Finance lease	EUR	Leased assets	284
Aluprof System Romania SRL	Finance lease	RON	Leased assets	266
Aluprof S.A.	Finance lease	PLN	Leased assets	89
Aluminium Kęty EMMI d.o.o.	Finance lease	EUR	Leased assets	236
	Total lease			887
	Total long-term loans and lease			220,782

SHORT-TERM LOANS (PLN '000)

Borrower	Lender	Loan currency	Security	31.12.2018
Grupa Kęty S.A.	Bank PKO BP	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 80 million), Alupol Packaging S.A. (up to PLN 20 million), Aluprof S.A. (up to PLN 60 million), Alupol Packaging Kęty sp. z o.o. (up to PLN 20 million), ROMB S.A. (up to PLN 10 million), plus blank promissory notes and	285

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			promissory note declarations.	
Grupa Kęty S.A.	Bank PKO BP	PLN	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans.	20,117
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 200 million), Alupol Packaging S.A. (up to PLN 35 million), Aluprof S.A. (up to PLN 60 million), ROMB S.A. (up to PLN 20 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 45 million), Alupol Films Sp. z o.o. (up to PLN 55 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	151,208
Grupa Kęty S.A.	ING Bank Polska	PLN	Joint and several liability of Grupa KĘTY S.A. and Aluprof S.A.	825
Grupa Kęty S.A.	Bank PeKaO S.A.	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 300 million), Alupol Packaging S.A. (up to PLN 75 million), Aluprof S.A. (up to PLN 160 million), Aluform Sp. z o.o. (up to PLN 10 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 75 million), Alupol Films Sp. z o.o. (up to PLN 45 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	61,859
Grupa Kęty S.A.	Bank Societe Generale	EUR	Security bond by Aluprof S.A. up to PLN 40 million.	17,813
Alupol Packaging Kęty Sp z o.o.	PEKAO SA	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 300 million), Alupol Packaging S.A. (up to PLN 75 million), Aluprof S.A. (up to PLN 160 million), Aluform Sp. z o.o. (up to PLN 10 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 75 million), Alupol Films Sp. z o.o. (up to PLN 45 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	29,763
Alupol Packaging Kęty Sp z o.o.	Bank PKO BP	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 80 million), Alupol Packaging S.A. (up to PLN 20 million), Aluprof S.A. (up to PLN 60 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 20 million), ROMB S.A. (up to PLN 10 million), plus blank promissory notes and promissory note declarations.	16,018
Alupol Packaging Kęty Sp z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 200 million), Alupol Packaging S.A. (up to PLN 35 million), Aluprof S.A. (up to PLN 60 million), ROMB S.A. (up to PLN 20 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 45 million), Alupol Films Sp. z o.o. (up to PLN 55 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	38,267
Alupol Packaging Kęty Sp z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans.	22,763
Alupol Packaging S.A.	BGŻBNP Paribas	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 200 million), Alupol Packaging S.A. (up to PLN 35 million), Aluprof S.A. (up to PLN 60 million), ROMB S.A. (up to PLN 20 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 45 million), Alupol Films Sp. z o.o. (up to PLN 55 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	4,964
Alupol Packaging S.A.	PEKAO SA	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 300 million), Alupol Packaging S.A. (up to PLN 75 million), Aluprof S.A. (up to PLN 160 million), Aluform Sp. z o.o. (up to PLN 10 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 75 million), Alupol Films Sp. z o.o. (up to PLN 45 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	27,624
Alupol Packaging S.A.	Bank PKO BP	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 80 million), Alupol Packaging S.A. (up to PLN 20 million), Aluprof S.A. (up to PLN 60 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 20 million), ROMB S.A. (up to PLN 10 million), plus blank promissory notes and promissory note declarations.	10,529
Alupol Packaging S.A.	PEKAO SA	EUR	Joint and several liability of the following companies: Grupa	1,427

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			KĘTY S.A. (up to PLN 300 million), Alupol Packaging S.A. (up to PLN 75 million), Aluprof S.A. (up to PLN 160 million), Aluform Sp. z o.o. (up to PLN 10 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 75 million), Alupol Films Sp. z o.o. (up to PLN 45 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	
Aluprof S.A.	PEKAO S.A.	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 300 million), Alupol Packaging S.A. (up to PLN 75 million), Aluprof S.A. (up to PLN 160 million), Aluform Sp. z o.o. (up to PLN 10 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 75 million), Alupol Films Sp. z o.o. (up to PLN 45 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	89,471
Aluprof S.A.	Societe Generale S.A.	GBP	Civil law security bond by Grupa KĘTY S.A. up to PLN 40 million.	8,020
Aluprof S.A.	BGŻBNP Paribas	PLN	Joint mortgage up to PLN 48 million on the real properties of Aluprof S.A., along with the assignment of rights under the property insurance policy; joint and several liability of Aluprof S.A. and Grupa Kęty S.A., declaration on submission to enforcement.	7,969
Aluprof S.A.	ING Bank Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 200 million), Alupol Packaging S.A. (up to PLN 35 million), Aluprof S.A. (up to PLN 60 million), ROMB S.A. (up to PLN 20 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 45 million), Alupol Films Sp. z o.o. (up to PLN 55 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	43,097
ROMB S.A.	BGŻBNP Paribas	PLN	Joint and several liability of Grupa KĘTY S.A. and Aluprof S.A.	8,315
ROMB S.A.	PKO BP	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 200 million), Alupol Packaging S.A. (up to PLN 35 million), Aluprof S.A. (up to PLN 60 million), ROMB S.A. (up to PLN 20 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 45 million), Alupol Films Sp. z o.o. (up to PLN 55 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	6,577
Alupol Films Sp. z o.o.	PEKAO S.A.	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 80 million), Alupol Packaging S.A. (up to PLN 20 million), Aluprof S.A. (up to PLN 60 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 20 million), ROMB S.A. (up to PLN 10 million), plus blank promissory notes and promissory note declarations.	28,376
Alupol Films Sp. z o.o.	BGŻBNP Paribas	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 300 million), Alupol Packaging S.A. (up to PLN 75 million), Aluprof S.A. (up to PLN 160 million), Aluform Sp. z o.o. (up to PLN 10 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 75 million), Alupol Films Sp. z o.o. (up to PLN 45 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	37,191
Alupol Films Sp. z o.o.	mBank	EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 200 million), Alupol Packaging S.A. (up to PLN 35 million), Aluprof S.A. (up to PLN 60 million), ROMB S.A. (up to PLN 20 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 45 million), Alupol Films Sp. z o.o. (up to PLN 55 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	105
Aluform	PEKAO S.A.	EUR	Joint and several liability of Alupol Films sp. z o.o., Alupol Packaging Kęty sp. z o.o. and Alupol Packaging S.A., plus blank promissory notes and promissory notes declarations.	5,379
Aluminium Kęty EMMI d.o.o.	Bank PEKAO	EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to PLN 300 million), Alupol Packaging S.A. (up to PLN 75 million), Aluprof S.A. (up to PLN 160 million), Aluform Sp. z o.o. (up to PLN 10 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 75 million), Alupol Films Sp. z o.o. (up to PLN 45 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), plus blank promissory notes and	15,751

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		promissory note declarations of the aforementioned companies.		
Short-term loans				653,713
Aluprof System Romania SRL,	Finance lease	RON	Leased assets	67
Aluprof Netherlands B.V.	Finance lease	EUR	Leased assets	51
Aluminium Kety EMMI d.o.o.	Finance lease	EUR	Leased assets	361
Aluprof S.A.	Finance lease	PLN	Leased assets	82
Total lease				561
Total short-term loans and lease				654,274

In 2018 and in 2017, the Group complied with all credit/loan covenants. All the Group loans bear interest at variable interest rates determined on arm's length basis in reference to WIBOR/EURIBOR/LIBOR plus the bank margin. Standard agreements of working capital loans listed above are concluded for a period of one year with maturity dates falling in the second half of the next subsequent year. Each year, before the end of a given period, the Group negotiates agreements/annexes with the banks for the subsequent 12-month periods to roll over the loans.

Contingent liabilities (PLN '000)

Item	31.12.2018	31.12.2017
Construction-related bank guarantees granted by the ASS	25,097	26,587
Insurance performance bond provided by the ASS	50,960	5,664
Total guarantees granted	76,057	32,251

*Construction-related guarantees refer to the proper performance of construction service contracts, and their validity dates depend on the terms and conditions of the particular contracts.

Apart from aforementioned liabilities, there are no other contingent liabilities.

6. ANNUAL PROJECTIONS AND DEVELOPMENT STRATEGY

STRATEGY OBJECTIVES

The basic objective of the 'Strategy 2020' is to ensure steady increase in shareholder value, through:

- sustainable development resulting in systematic growth of generated profits and cash;
- consequent dividend policy;
- creation of potential for further development in the future periods;
- maintenance of high corporate governance standards.

OPERATIONAL OBJECTIVES AND MACROECONOMIC ASSUMPTIONS

On the basis of the adopted assumptions concerning the prices of raw materials and foreign exchange rates, the particular segments forecast the following sales revenue in 2020:

- Extruded Products Segment – PLN 1,458 million,
- Aluminium Systems Segment – PLN 1,420 million,
- Flexible Packaging Segment – PLN 750 million.

Taking the above into consideration, the consolidated sales revenue of the Capital Group in 2020 should amount to PLN 3,357 million, operating profit to PLN 360 million, EBITDA to PLN 514 million and consolidated net profit to PLN 263 million PLN.

The above forecasts have been prepared on the basis of the following macroeconomic assumptions:

- average aluminium price (3M) – 1,800 USD/tonne,
- average USD exchange rate – 4.05 PLN/USD,
- average EUR exchange rate – 4.30 PLN/EUR,

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- EUR/USD relation – 1.06,
- GDP growth in Poland – 3.4%.

INVESTMENT PLAN

The Management Board assumes that, in the period covered by this strategy (taking into account the expenses incurred to date from the beginning of the strategy implementation, i.e. from 2015), the capital expenditure will amount to ca. PLN 1,354 million, of which:

- Extruded Products Segment – PLN 585 million,
- Aluminium Systems Segment – PLN 356 million,
- Flexible Packaging Segment – PLN 367 million.

The forecast does not comprise any possible additional expenditure on acquisitions, which means that the effects of acquisitions have not been included in the sales and results forecast.

DIVIDEND POLICY

The dividend policy adopted by the Supervisory Board of Grupa Kęty S.A. provides for the payment of dividend amounting to 60%–100% of consolidated net profit of Grupa Kęty S.A. during the implementation period of the ‘Strategy 2020’. The Management Board has assumed that the payment of dividend during the implementation period of the ‘Strategy 2020’ will amount to the average of 80% of Grupa Kęty S.A. consolidated net profit.

When determining the recommended dividend, the Management Board will take into account, among other things:

- the Capital Group net debt to consolidated EBITDA ratio calculated as at the last balance-sheet date of the previous financial year with the maximum level of 2.0;
- time shifts applicable to the dividends receivable from the subsidiaries, which affect the maximum level of the recommended dividend;
- the value of potential and feasible acquisitions;
- the value of actual capital expenditure to be incurred in the year of dividend payment.

POTENTIAL ACQUISITIONS

The projections for 2020 do not take into account any effects of potential acquisition projects. Nevertheless, the Management Board takes into account two directions of potential acquisitions within the existing segments and the establishment of a new segment:

within the Extruded Products Segment – the projects may be related to the development of the existing competences or acquisition of new ones in the area of profiles processing and the production of components based on aluminium profiles. The potential projects may be related to entities with sales revenue of up to EUR 50 million;

within the Aluminium Systems Segment – the projects may refer to geographic or product-related development on new markets. The potential projects may be related to entities with sales revenue of up to EUR 20 million;

a new segment with the potential enabling the generation of sales revenue in 2020 at the minimum level of PLN 200 million.

UNCERTAINTY RISK AND FREQUENCY OF THE STRATEGY ACCOMPLISHMENT EVALUATION

The strategy objectives, including future revenue and profits projection, have been established on the basis of a number of assumptions, expectations and forecasts and are, therefore, subject to uncertainty risk and may change due to both external and internal factors. The Company will assess

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the possibility of the 'Strategy 2020' implementation and make any possible adjustments on an annual basis.

PROJECTION OF 2019 FINANCIAL RESULTS

Consolidated data (PLN million)*	2018	2,019	Change (%)
Sales, of which:	2,993	3,216	+7%
– Extruded Products Segment	1,270	1,364	+7%
– Aluminium Systems Segment	1,292	1,393	+8%
– Flexible Packaging Segment	707	739	+5%
EBITDA**	464	488	+5%
EBIT***	338	344	+2%
Net profit	268	261	-3%
Capital expenditure	231	284	+23%
Net debt****	774	866	+12%

* Not applicable to the particular segments.

** EBITDA – operating profit plus depreciation.

*** EBIT – operating profit.

**** Net debt – interest-bearing debt less cash and cash equivalents.

MAIN ASSUMPTIONS FOR THE PROJECTION

- 1) sales will grow by 7% compared to 2018 and reach PLN 3,216 million, which will result mainly from:
 - use of the new production capacity of the Extruded Products Segment commissioned at the end of 2018 and in the first quarter of 2019, which will translate in the segment sales volume higher by 8,000 tons y/y;
 - attracting new customers for the Aluminium Systems Segment and further development of cooperation with the existing ones, which will contribute to the segment export increase by 13% y/y and domestic sales by 6%;
 - improved effectiveness the Flexible Packaging Segment production capacity utilisation, resulting in the segment sales increase by approx. 5% y/y;
- 2) operating costs will grow by 7% compared to 2018 and reach PLN 2,883 million, of which:
 - depreciation: PLN 144 million (+14%),
 - costs of materials: PLN 1,869 million (+3%),
 - costs of energy: PLN 99 million (+41%),
 - costs of employee benefits: PLN 468 million (+10%),
 - costs of third party services: PLN 262 million (+16%);
- 3) consolidated cash flow from operating activities will amount to PLN 376 million;
- 4) capital expenditure will amount to roughly PLN 284 million, including approx. PLN 100 million carried forward from the projects foreseen to have been performed in 2018;
- 5) negative balance on financing activities will reach about PLN 19 million, including interest on loans of approx. PLN 21 million;
- 6) dividend will be paid out in accordance with the binding policy, amounting to approx. 80% of the consolidated net profit for 2018;
- 7) foreign exchange rates, aluminium prices and economic growth rate will remain relatively stable and have the following average values throughout the period:
 - aluminium price: USD 1,950 per ton,
 - USD/PLN exchange rate: 3.75,

- EUR/PLN exchange rate: 4.25,
- EUR/USD exchange rate: 1.13,
- GDP growth in Poland: 3.7%;

7. INVESTMENT AND R&D PROJECTS

7.1 Investment projects

For the Grupa Kęty S.A. Capital Group, investment projects have been drivers of technical and technological development and thus have become an asset in the form of competitive advantage over other manufacturers operating on the aluminium processing market and the flexible packaging production market. Since 2000, the Company has spent ca. PLN 2.2 billion on investment projects in the Group. In line with its development strategy, in 2019–2020 the Company plans to spend ca. PLN 500 million on investment projects, which means that within 20-year span approximately PLN 2.7 billion will have been invested. Capital expenditure of the Grupa KĘTY S.A. Capital Group on the purchase of property, plant and equipment, and intangible assets as well as shares and interests in the acquired companies in the period of 12 months of 2018 and of 2017 was as follows:

(PLN million)	2018	2017
Total expenditure:	231.0	190.0
including Grupa Kęty S.A.	124.6	88.9

The largest investment projects in 2018 included:

EXTRUDED PRODUCTS SEGMENT

A front-loading, short-stroke 28 MN press to extrude soft alloys. Ingots (a semi-product used in the extrusion process) will be heated using an innovative and environmentally friendly Step5 gas-fuelled heater with very low gas consumption level. The run-out of the 28MN press will be 'double-length', which will ensure perfect cooling of profiles to ambient temperature (longer cooling line). It will ensure the same properties along the entire length of profiles, which is particularly important in the case of bent profiles. The run-out will feature an innovative solution with two saws to cut the ready profiles at lower speed, but without slowing down the extrusion process, thus, avoiding the bending of the tips of the profiles towards the saw disk. The production line is highly automated.

A speciality 36 MN indirect press for hard alloys extrusion, i.e. mainly 7XXX and 2XXX series alloys. Thanks to the technical solutions applied in the press, it will extrude the longest ingots among all the presses at Grupa Kęty with the length of up to 1,800 mm. The press is to be used mainly to extrude high-quality rods with a significantly reduced coarse-crystalline edge and model structure.

FLEXIBLE PACKAGING SEGMENT

The main investment project of the Segment is the extension of the BOPP film production plant for another hall and the second production line. As a result, the production capacity will be doubled, which will contribute to output increase to roughly 60,000 tonnes a year. In 2018 the shell of the production hall was completed and fit-out work commenced, including the production line installation.

ALUMINIUM SYSTEMS SEGMENT

Aluprof S.A. (the leading company of the Segment) has been perceived an epitome of a fast growing company in the domain of modern architectural solutions. Therefore, the Company has been mainly investing in the development of its products and streamlining of the customer service process. An example of such project may be the construction of the Research and Innovation Centre of the area of 10,000 m², to be completed by the end of the first quarter 2019. The project value is about PLN 50 million, including PLN 10 million financed from a subsidy. The Centre will employ as many as 60 people, including the personnel of the research and development department.

In the period of 12 months after the balance-sheet date, the Group intends to spend PLN 284 million on investment projects.

7.2 Research and development projects

The Capital Group strategy in the area of its products and services consists in offering high quality products, which are often designed for individual orders and tailored to customers needs. Therefore, the priority is to invest in people and state-of-the-art technology, which is translated into attracting a growing customer base both in Poland and abroad. The R&D activities, innovation and the continuous improvement of the machinery are factors which drive the success of the organisation and the development of its core business segments, based on a dialogue with the existing and potential customers.

Meeting the expectations of the market, the Aluminium Systems Segment has been systematically developing new products and modernising the existing solutions. In 2018 particular attention should be paid to the development and practical implementation of glazed aluminium curtain walls with complicated spatial structure, dedicated to a prestigious high-rise building in Warsaw. The satisfaction of very high tightness and thermal requirements was confirmed by tests carried out in accordance with European and US standards. Several new products were developed and sold on a regular basis, including indoor sliding windows, panel doors and a system of glass barriers to be mounted on the outside of windows, not only aluminium ones. In addition, the Company started to distribute an innovative fire-rated external windows system, which, in addition to the fire resistance, is also characterised by high thermal performance. The products meet the latest European requirements. In order to support the expansion of the Segment abroad, new versions of several window and door systems as well as façade systems were developed for the selected markets in Western Europe and the USA. Apart from the development of the Segment core products, new types of system accessories were introduced. They include new window and door hardware systems, with some speciality solutions.

As regards fire protection, a new system of fire doors with thermal insulation intended mainly for outdoor use has been developed and tested. Combined with the previously introduced fire-resistant windows, they will become one fire-rated window and door system with high thermal resistance. A curtain wall system with window blocks fixed in glazing such as to create the effect of a 'floating window' was designed and implemented in a building in the Czech Republic. Moreover, a concept of ventilated façades was developed, enabling the application of various materials for external coating. An innovative system of mullion-and-transom curtain wall fixing, withstanding the load of glazing up to 1,000 kg, was developed, patented and tested. Curtain walls dedicated to selected buildings on the American market have been designed, tested in the USA, and put into production. Some of the existing products have been modernised, including the overlay façade for either steel or aluminium subframe, selected depending on the destination of the building and the external load. Among the

documents permitting products trading, the European ETA applicable to the sale of one of the fixed fire-rated partition wall in the EU was obtained, as well as a Polish document for roofing material, also with fire rating. Apart from the marketing of new systems and modernisation of the existing ones, tests for CE marking have been carried out as well as individual building tests.

Grupa Kęty S.A., with its Extruded Products Segment, is a leading supplier for the industries where particular accuracy and innovativeness of products is required. Therefore, the Company is at the cutting edge of the industries searching for precision and product innovation, i.e. the automotive industry or transport, where in 2018 the Company recorded the most substantial sales increases. Attracting customers from such industries makes it possible for Grupa Kęty to constantly and efficiently expand export sales as well as to develop and improve its products. That is supported by the utmost utilisation of the Company technical facilities, like the in-house Research and Development Centre (RDC), which ensures further upgrading and diversification of the offered products for improvement of their competitiveness on the markets the Company currently delivers to or future ones. The scale of the RDC activities may be demonstrated by ca. 10-20 thousand tests carried out in 2018 for the purpose of current production and the pending R&D projects. The following works are worth particular attention:

- continuous extension of sections assortment intended for crumple zone control and bodywork structures in the automotive industry, fulfilling high requirements of the established manufacturers in that industry, which comprises both launching the manufacturing of new products fulfilling the requirements of the implemented material classes, as well as developing manufacturing technologies for products in higher material classes, or product certification at the subsequent OEM recipients;
- launch of sections production for the automotive industry, fulfilling higher-than-standard requirements with regard to the furnishing of the 35 MN press with latest generation system for the extruded products water cooling at the run-out;
- production processes optimisation, consisting in laboratory testing of new parameters (e.g. thermal treatment), which results in the improvement of production performance and reduces energy consumption by the process.

The works are performed in cooperation with renowned scientific and research institutions, such as the Light Metals Institute in Skawina or the AGH University of Science and Technology in Kraków. Moreover, cooperation with regard to advisory services and exchange of experience has been started with Hydro Aluminium – one of the world leaders on the aluminium market.

The engineering advancement and extension of the Flexible Packaging Segment portfolio with new and innovative products improves the Segment position among the major European manufacturers of packaging. That is possible owing to a long-term process of making organic investments and, consequently, increasing the production capacity, production costs optimisation and implementation of new technical solutions. Due to ongoing cooperation with customers, the segment is able to carry out projects that aim at developing optimal parameters of laminates guaranteeing food security. As a result of those efforts, many unique solutions were created characterised by competitive prices and high quality parameters.

Alupol Packaging has been promoting ecological laminates, fit for recycling, with low basis weight incorporating high-barrier HBF9™ and BOPP films. The HBF9™ films are produced by way of blow-moulding of multilayer plastic films, thanks to which products of complicated structures and specific barrier properties may be obtained. Based on the possibility of using high-barrier plastic raw materials and combining them with polyolefins in the production process, films characterised with low permeability of gases, moisture and fragrances as well as very good sealing, mechanical and optical

properties are obtained. Laminates produced with the application of such films can be used in packaging refrigerated food and in the process of thinning laminates used to pack products with extended shelf life. Due to the specific properties of the films manufactured by the Company, the 3-, 4- and 5-layer laminates available on the market, containing aluminium, plastic and paper, can be replaced with 2- and 3-layer laminates with a lower basis weight. Thus, the technology is less material-consuming than the one applied so far. In addition, lower basis weight of laminates results in a reduced quantity of packaging introduced on the market and significantly contributes to environmental protection.

Further, Alupol Packaging has implemented engineering processes consisting in the refinement of laminates using various matt and structural lacquers that produce specific effects on the surface of packaging.

Alupol Films, launched in 2016, has been manufacturing a wide range of BOPP polypropylene films. Within two years, the company developed and implemented technologies for the production of a variety of BOPP films, including transparent, white, matte and metallised ones with various properties. To meet the market demand, films with various friction factors, low seal temperature and excellent optical properties have been developed. In connection with Alupol Films fast development, a decision was made in 2017 on the construction of a new plant in Oświęcim. Currently the construction project is highly advanced. Commissioning of the plant will result in another major growth of production capacity in the Flexible Packaging Segment.

8. FACTORS IMPORTANT FOR THE CAPITAL GROUP DEVELOPMENT

8.1 External factors

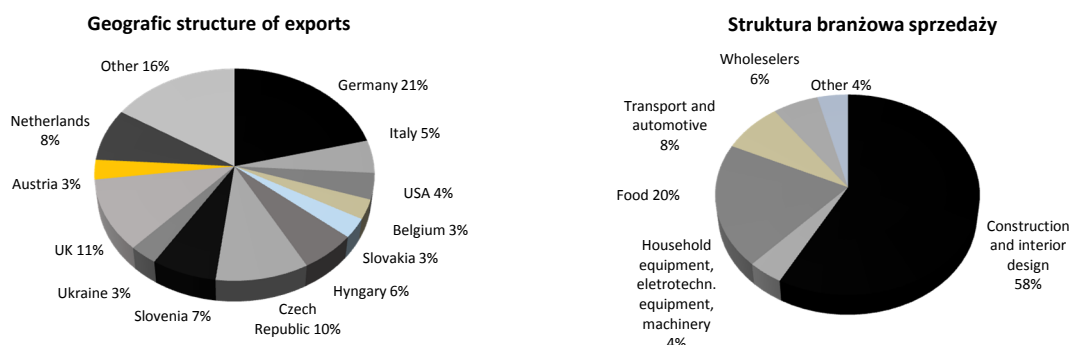
GRI 102-15; GRI 102-4; GRI 102-6

Taking into account the materiality of the impact of the remaining companies of the Capital Group on the picture of the financial standing of Grupa Kęty S.A. as well as the risks to which the Company is exposed, if not stated otherwise, the presented factors apply to the whole Capital Group of Grupa Kęty S.A.

MARKET ECONOMIC CONDITIONS

The companies of the Capital Group are exposed to trends fluctuations occurring both in the Polish economy, which is the recipient of roughly 54% of the sales, and in the economies of other European countries, which receive about 44% of the Group total sales. The remaining 2% are the products sold on other markets, including the USA. Particularly important for sales development is the situation on the German, Czech, Hungarian, British, Dutch, Italian and Slovenian markets, which receive 68% of export sales and, to a lesser extent that on the Slovakian, Austrian, Belgian, Ukrainian, and US markets. Sales analysis by industries shows a high concentration of the Group sales in the construction industry (approximately 58% consolidated sales by value), which means that all of the factors affecting the economic situation in that industry (availability of loans, level of investments) on the domestic market and major export markets have a significant effect on the sales generated by the Group.

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Source: Company own materials.

RAW MATERIALS AVAILABILITY

Primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium tape as well as ingots made from aluminium and its alloys) are the basic raw materials used by the Group. In aggregate, they account for ca. 50% of all purchased raw materials and production materials. In the production of flexible packaging, the Group also uses various types of films and plastics granulates (polyethylene, polypropylene), printing paper, paints, adhesives and binders, which jointly represent 20% of all purchased raw and other materials. The list of basic materials is supplemented with accessories for the production of aluminium systems, with 10% share. Due to the necessity of maintaining high quality of production, the purchasing policy of the Group is based on cooperation with selected suppliers who guarantee the proper standards. At the same time, diversification of suppliers has been assumed in order to secure supplies and maintain their competitiveness.

CUSTOMS POLICY

Since May 2007, the customs duties on aluminium imported from the former USSR states – the main source of the raw material for the Company – has been reduced from 6% to 3%. The continuation of such activities, i.e. reduction to 0% in further years, may positively affect the Company financial results. In turn, the return to previous rates (6%) will negatively affect the financial results.

The customs policy of the specific countries in relation to the products offered by the Capital Group or its customers may affect sales indirectly. Imposing by the USA of import duties on passenger cars imported from the EU is an example of such a risk. Owing to the fact that the Group companies have so far been a minor player on that market with a small share in sales structure, the current situation has no significant impact on our business. Considering the growing scale of the Group operations in the domain of manufacturing elements for the automotive industry, such events may have a greater impact on the generated sales and profits in the future.

EXCHANGE RATES

As estimated by the Company, in the period covered with this report, approximately 45% of the Capital Group sales were generated in PLN, whereas 50% was sales denominated in EUR, 2% in USD and the remaining 3% in GBP, UHR, DEK and CZK. As regards expenses, ca. 48% of costs were incurred in PLN, 30% in EUR, 20% in USD, and about 2% in other currencies (GBP, UHR and DEK). Taking the above into account, EUR/PLN and USD/PLN exchange rates will have a significant impact on the Company results, as they will influence both exports profitability and competitiveness on the Polish market as compared to imported goods. The companies of the Capital Group take measures to mitigate FX risk by entering into currency forward transactions or maintaining a part of their debt in foreign currencies.

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COMPETITION

Since the 1990s, a steady increase in competition has been observed due to the attractiveness of the Polish market and the vicinity of the markets of Central and Eastern Europe. Competing companies take ongoing measures aimed at the expansion of their production capacities or their product offer. As estimated by the Management Board, the main competitors in the particular business areas are as follows:

Extruded Products Segment	Sapa, Yawal oraz Final (grupa Yawal), Eurometal, Cortizo, Kaye Aluminium, Extral Aluminium, Aliplast, Albatros
Aluminium Systems Segment	Sapa Building System, Schuco, Ponzio, Yawal, Aliplast, Blyweert, Heroal, Alukon, Reynaers,
Flexible Packaging Segment	Amcor, Constantia Packaging, Mondi Packaging, Amerplast, Fuji Seal Polska, Schur Flexibles Poland, Wipak, Flexpol, Poligal

Source: Company own materials.

ACCESS TO THE SOURCES OF FINANCE

The companies of the Capital Group have systematically invested cash in further technical and engineering development based on third-party finance. Furthermore, due to the standards applicable on the market, the Company partially finances its customers by granting trade credits. It means that even if cash is generated from operating activities the restrictions in access to third-party finance in the form of bank loans may have a significant impact on the Company development opportunities. It may also affect the amount of dividend paid by Grupa Kęty S.A. The level of interest rates will directly affect the costs of finance disclosed by the particular Group companies and, consequently, the net profit generated by them.

POLITICAL AND ECONOMIC SITUATION IN UKRAINE

The Capital Group has two companies in Ukraine: Alupol Ukraina LLC – a production company, and Aluprof System LLC – a trading company. The unstable political and economic situation in Ukraine results in the exposure of the said assets to the risk, which exceeds the usual economic risk. The Management Board has been analysing the situation of Ukrainian subsidiaries on a constant basis. Any possible future write-downs related to the deteriorating economic situation or potential military actions in Ukraine may affect the results in the years to come.

8.2 Internal factors

GRI 102-15

INVESTMENTS IN THE DEVELOPMENT OF TECHNOLOGIES AND OF THE DISTRIBUTION AND SALES NETWORK

The operation of the Group on a highly competitive market calls for constant meeting of the requirements imposed by the competitors and the customers. Those requirements can only be met through technological development, introduction of new products, increasing potential, and development of the distribution and sales network. The Company is aware of those requirements, therefore it has been systematically implementing its strategic plan, which ensures the Company development in all key areas, so as to guarantee high competitive level with respect to the other players on the market.

STAFF COMPETENCE LEVELS AND HEADCOUNT STRUCTURE ENSURING THAT THE CHALLENGES POSED BY THE FAST-GROWING MARKET ARE MET

The Group success partially depends on the work of the management staff and their ability to retain and motivate highly qualified employees. The loss of services provided by such qualified and

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experienced people may bring a significant adverse impact on the functioning of the Group. Therefore, the Capital Group has been continuously fine-tuning its HR policy to market changes in order to attract and retain valuable employees whose work and efforts directly translate into the Group success.

ABILITY TO FINANCE CURRENT OPERATIONS AND INVESTMENT PROJECTS

The continuous development of the Group depends on preservation of its stable financial standing (high operating profitability and large cash flows generated from operating activities). Therefore, the Management Board pays a lot of attention to continuous improvement of production processes and logistics, which should result in high effectiveness of activities and be subsequently reflected in profits. The appropriate FX risk management is also an important factor for the accomplishment of stable results. The risk results from the Company high exposure to foreign currencies as regards both purchase and sale.

9. NON-FINANCIAL INFORMATION STATEMENT

9.1 Corporate Social Responsibility

GRI 102-12; GRI 102-13; GRI 102-14; GRI 102-26

We declare that within the Company operations we have made and will continue to make efforts to ensure the creation of a better society, retaining balance and protecting the environment.

We believe that the long-term success of Grupa Kęty S.A. depends on its cooperation with a broadly-defined group of stakeholders. We place particular emphasis on activities beneficial to the Company employees and their families as well as local communities.

We operate in line with the adopted Code of Ethics and corporate governance principles, whereas partnership is the basic value we believe in. We are aware that we impact the environment in a direct and indirect way, therefore we operate such as to reduce that influence to minimum.



MISSION	VISION	VALUES
For the future... 'ensuring employee development, effective use of natural resources, safety, environmental protection, long-term economic value'	'A world-class company in the areas of its operation'	Our values comprise moral standards, business ethics and culture, innovative solutions and social responsibility, reflecting the way the Grupa Kęty S.A. Capital Group operates

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The Grupa Kęty S.A. Capital Group, via its Sustainable Development and Corporate Social Responsibility Steering Committee, has been consistently following the directions of development set out in its CSR Policy for many years now.

The members of the Committee (the Management Board of Grupa Kęty S.A. and the CSR Director) guarantee conscious policy and strategy in the area of sustainable development. The decisions made have been cohesive and compatible with the set-out directions and care for the future of further generations. In 2018, among other things, the Committee made a decision on the engagement of the Company, its employees and their families in a sustainable development campaign entitled 'Letters to the Earth', which has been described in more detail in the chapter devoted to environmental responsibility.

The 'OrangeBook' strategic processes management system implemented at the Grupa Kęty S.A. Capital Group is a platform for the management and control of all areas. Such documents as the Code of Ethics and the policies in the areas of HR, corporate social responsibility, environmental protection and respect for human rights form integral parts of the 'OrangeBook'.

In 2018, the organisation invested in the internal development of Corporate Social Responsibility processes, carrying out three CSR audits at the main business segments of the Group. At the same time, it continued the cooperation established in 2017 within the educational campaign named the 'Responsible Business Week', one of the biggest events in Poland promoting and educating in the areas of the 17 Sustainable Development Goals and Corporate Social Responsibility. As a participant of the conference, the Company shared its good practices in relational marketing. Similarly, during the international conference organised by the University of Bielsko-Biała, the Grupa Kęty S.A. Capital Group held lectures for the Visegrád Group representatives and shared its experiences in Corporate Social Responsibility.

Following the principles of the Code of Ethics, we have been inspired by international standards and guidelines in the area of Corporate Social Responsibility.

We are signatories to	We apply the guidelines of	The Company is listed on
		

9.2 Stakeholders

GRI 102-40; GRI 102-42; GRI 102-43; GRI 102-44

In 2018 the organisation continued its dialogue and cooperation with a defined group of stakeholders. As compared to the previous year, there was no change in the leading stakeholders defined by the Grupa Kęty S.A. Capital Group, who include the employees, customers, suppliers, shareholders and supervisory authorities, i.e. the groups that exert the greatest impact on the business value of our organisation.

The table below presents individual groups of stakeholders and the method of communicating with them:

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Stakeholders Map of Grupa Kęty S.A.	Communication method	Frequency (minimum)	Key topics raised by stakeholders	Reference to a given topic in the Management Board report
Employees	Intranet, <i>Aluway Express</i> Newsletter Periodical meetings with managers Team-building meetings	On an ongoing basis	Safety at work Payroll policy Additional processes and supporting programmes	Chapter: The Company and its employees Chapter: Community involvement
Customers	Face-to-face meetings Newsletters Telephone calls Trade fairs	On an ongoing basis	Quality of products and services Product innovation R&D activities Production safety	Chapter: Investment projects and R&D activities Chapter: Risk management
Shareholders and potential shareholders	Face-to-face meetings General Meetings Stock exchange disclosures Website: www.grupakety.com	Annually or more frequently, as needed by the particular groups of stakeholders	Dividend policy Corporate governance Development strategy Company current activities	Chapter: Grupa Kęty S.A. on the capital market Chapter: Development strategy Chapter: Corporate governance
Suppliers	Face-to-face meetings Telephone calls Trade fairs	On an ongoing basis	Transparent terms of cooperation	Not discussed in the report
Supervisory Board	Face-to-face meetings Stock exchange disclosures	On a quarterly basis	Risk management Corporate governance Development strategy Company current activities	Chapter: Risk management Chapter: Development strategy Chapter: Corporate governance
Polish Financial Supervision Authority	Announcements Face-to-face meetings	On an ongoing basis	Compliance with legal regulations	Chapter: Corporate governance
Warsaw Stock Exchange	Announcements Face-to-face meetings	On an ongoing basis	Compliance with legal regulations Corporate governance principles	Chapter: Corporate governance
Local authorities	Face-to-face meetings	Once in 6 months	Supporting local initiatives Development of the local labour market	Chapter: Community involvement Chapter: The Company and its employees
Local communities	Participation in local sports and social events Face-to-face meetings, e.g. with the educators from children's homes	Annually or more frequently, as needed by the particular groups of stakeholders	Supporting local initiatives Support for children from children's homes Sports development	Chapter: Community involvement
Issuers organisations	Participation in the works of the Polish Association of Listed Companies	On an ongoing basis	Corporate governance principles	Chapter: Corporate governance
Business organisations	Membership of and engagement in selected business organisations	On an ongoing basis	Engagement in joint projects	Not discussed in the report
Mass media	Press conferences Face-to-face meetings	On an ongoing basis	Company current activities Company strategy	Chapter: Development strategy
Competitors	Trade fairs Industry meetings	On an ongoing basis	Market conditions Business environment Business issues	Not discussed in the report
In-house trade unions	Face-to-face meetings	Once in 6 months or more frequently, as needed by the stakeholders	Working conditions Company current activities Company strategy	Chapter: The Company and its employees Chapter: Development strategy

The Grupa Kęty S.A. Capital Group maintains high standards of communication. For years now, the Company has been perceived by market participants as a recognised brand and a credible partner. The Company's social activities are reported on external portals such as www.grupakety.com/odpowiedzialny_biznes; www.dzicipodbeskidzia.pl; and on the Facebook page

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of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation. Ongoing communication with the employees is maintained through meetings, the Intranet, newsletters and notice boards.

Already in the business model of the organisation one can see that the entire process is a dialogue initially conducted and consulted with external circles and later – in production and logistics processes – within the organisation, so that it can be consulted again outside at the stage of the final product.

The dialogue is simply the day-to-day life of the organisation – everyday work, business and team-building meetings, telephone calls. We inform the broad group of stakeholders about our business plans, development plans for our organisation and our impact on local communities and the environment.

The Company supports and participates in local initiatives together with other companies and the local community, creating the future of the region. The Entrepreneurship Council of Kęty, established in the District of Kęty and headed by Vice-CEO of Grupa Kęty S.A., is an example of such activities.

Each year, the reporting process is consulted on an ongoing basis with the selected groups of stakeholders (including employees and representatives of local communities).

9.3 Professionalism and Ethics

GRI 102-16, GRI 102-17, GRI 103-2, GRI 103-1,2,3 as regards 'Labour Practices Grievance Mechanisms' and 'Human Rights Grievance Mechanisms', GRI 205-2, GRI 415-1, GC Principles 1, 2, 3, 5, 7, 8, 10

The supreme document of the company regulating the ethical aspects and comprising a presentation of moral standards followed by our organisation and our employees is the Code of Ethics accompanied by detailed subject-matter policies, including: Anti-bribery Policy, Conflict of Interest Prevention Policy, Dignity at Work Policy, and Diversity Policy, which jointly create a platform of guidelines and operating standards, as well as the supreme values of the Grupa Kęty S.A. Capital Group.

An integral part of the Code of Ethics is the Anti-bribery Policy, which clearly presents our approach to the subject of corruption. In 2018 there was no training provided in corruption prevention due to the fact that the plan of such training has been prepared and approved for the year 2019. Our objective is to get 100% of employees acquainted with the Code of Ethics and the Anti-bribery Policy.

The ethical processes monitoring structure remained virtually unchanged as compared to 2017. In 2018, Business Ethics Committees operated within the main business segments (appointed by Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A.) as well as the Business Ethics Ombudsman at the Capital Group Level, making it the total of 15 people.

The Business Ethics Ombudsman's major role is to ensure compliance with the standards and values provided for in the Code of Ethics, treated by the GRUPA KĘTY S.A. Capital Group as the guiding principles of its business. The main tasks of the Business Ethics Ombudsman are as follows:

- receiving official reports on violations of the Code of Ethics from employees and business partners (the reports may be submitted through a number of channels, for example to the Business Ethics Ombudsman personally, or in the form of a letter or e-mail sent to a special e-mail address – all these channels are listed in the Code of Ethics);
- participation in the development of ethical systems at the GRUPA KĘTY S.A. Capital Group;
- participation in information and educational campaigns to popularise the Code of Ethics and the Company's organisational culture.

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The work of Business Ethics Ombudsman at the GRUPA KĘTY S.A. Capital Group as well as participation in the work of the Business Ethics Committees are functions performed free of charge for the sake of the employees.

The Code of Ethics provides for the methods of reporting official violations and behaviours doubtful with regard to ethics. The Company does not operate any separate helplines or hotlines.

In 2018 the Business Ethics Ombudsman received two reports on the Code of Ethics violations with regard to dignity at work. One of the reports, upon preliminary consideration by the Business Ethics Ombudsman, was returned – in accordance with the provisions of the Code of Ethics – to the internal path within the organisation, which has not been properly utilised in the opinion of the Ombudsman. The other case was directed for consideration to the respective Business Ethics Committee. Following the procedure, the Committee has not confirmed the fact of any violation.

No reports on violation of human rights or anti-bribery policy were filed.

The Code of Ethics also clearly defines and governs the organisation's approach to the participation in public life, namely: 'We maintain transparent relations with local government officials and representatives of the political stage, free from corruption and improper pressures'.

In 2018, the Company did not make any donations to political parties.

9.4 The Company and its employees

GRI 103-1,2,3 as regards 'Employment'

HR POLICY

The HR Policy of the Grupa Kęty S.A. Capital Group reflects the elements of the Mission, Vision and Company Values. IT concentrates on partner relations based on mutual respect and on the assumption that an organisation develops based on the individual development of its employees.

On the way to business success there are highly set goals, on the one hand, and elements emphasising that people are the most important asset of the Company, on the other hand.

Within the management-by-objectives system, short- and long-term planning processes are defined. The system provides tools for assigning tasks in relationship to the Company strategy and the needs of its organisational units, which are formulated based on the SMART concept. Moreover, the system supports managerial staff during the process of monitoring the achievement and settlement of objectives.

Periodical assessment refers to employee performance, and based on the prepared summaries, individual development programmes are designed and incentive systems modified.

Apart from performing their daily duties, employees may present their ideas through suggestion systems. The subjects such reported contribute to improving safety, streamlining and improving the effectiveness of work, defining standards and better utilisation of the employees' knowledge and skills.

We appreciate the contribution of every employee in the maintenance of the company on high market level and, therefore, we provide remuneration adequate to the scope of duties and responsibilities, expertise and results achieved, which is competitive compared to the market. Every year we carry out a payroll review based on market reports in that regard.

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We also offer Employee Pension Schemes and a health-care programme with the possibility of extending the latter to the members of the closest family. Additionally, there is a variety of fringe benefits assigned within the Social Fund.

GRI 103-1,2,3 as regards 'Non-discrimination'; GRI 405-1, GRI 405-2, GRI 406-1; GRI 103 -1,2,3 as regards 'Diversity and Equal Opportunity'

DIVERSITY POLICY – ENSURING EQUAL OPPORTUNITIES

The companies of the Grupa Kęty S.A. Capital Group have a long tradition and employ people who are in service for long years, sometimes bound with the company since the beginning of their professional career. Such capital of knowledge and skills within the organisation represents a measurable value, whereas such employment structure contributes to an exceptional organisational culture.

Managing teams, within which there are more differences between the co-workers than common elements, requires strong focus on relationship management. The role of the people responsible for human resources is mainly to ensure working conditions which support development and give the employees the feeling of safety, understood not only in physical context but also as mental comfort.

System solutions are needed and in that regard the Diversity Policy may be enumerated. One of the assumptions of the Policy is to transform diversity into business development, because the individual traits of the employees contribute to creative solutions. The basic element is to prevent any forms of employees or contractors discrimination because of their sex, age, disability, health, race, nationality, ethnic origin, religion, denomination, atheism, political views, trade union affiliation, psycho-sexual orientation, gender identity, family status, lifestyle, the form, scope and basis of employment, other types of cooperation or other discriminatory grounds.

In practice, Ethics Committees have been operating at the companies with the aim to clarify the reported cases of the Code of Ethics violation.

The companies fulfil their tasks related to propagating tolerance, preventing discrimination, as well as adjustment of workplaces and conditions of work to the particular needs of the employees. This is performed by way of training provision, introducing flexible forms of work, but also through payroll review, granting awards or benefits, and assessment of the criteria forming basis for granting the same.

Also analysed have been positions on the level of the companies management boards and senior management (directors), so as to determine the powers of the individual persons holding these positions, taking into account their age and gender.

	executives, including management board	by gender		by age group			by length of service at the Group		
		women	men	up to 40 years	41–50 years	over 50 years	up to 10 years	11–20 years	over 20 years
EPS	14	2	12	2	12	0	3	9	2
FPS	10	0	10	6	3	1	8	2	0
ASS	20	2	18	3	11	6	12	3	5

The average remuneration of women as compared to the average remuneration of men in the majority of occupational groups is lower by ca. 15% on average.

		2017	2018
EPS	executive officer	No women in that position	No women in that position
EPS	director	80%	84%
EPS	manager	No women in that position	67%

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EPS	specialist	79%	81%
EPS	foreman	No women in that position	No women in that position
EPS	production area, worker	85%	83%
FPS	executive officer	No women in that position	No women in that position
FPS	director	No women in that position	No women in that position
FPS	manager	92%	102%
FPS	specialist	88%	96%
FPS	foreman	No women in that position	No women in that position
FPS	production area, worker	102%	93%
ASS	executive officer	90%	82%
ASS	director	No women in that position	No women in that position
ASS	manager	98%	82%
ASS	specialist	83%	89%
ASS	foreman	94%	78%
ASS	production area, worker	92%	82%

There have not been prepared at the Grupa Kęty S.A. Capital Group any programmes to ensure equal share of women and men in the management and supervisory boards. The Management Board Members have been appointed by the Supervisory Board, whereas apart from the President, the other Management Board Members have been appointed at the request of the President. The Supervisory Board Members have been appointed by the General Meeting from among the candidates proposed by the Company shareholders.

To the best knowledge of the Company Management Board, the appointment of the Management and Supervisory Board Members has been based on their subject-matter knowledge, competencies and experience, and has not been discriminating in any manner with regard to gender, type of education or age.

In 2018 there were two cases of the Code of Ethics violation reported at the Capital Group, particularly with regard to dignity at work. Both cases referred to the Extruded Products Segment, which have been described in Chapter 9.3 'Professionalism and Ethics'.

GRI 102-8

At the end of December 2018, the headcount (based on employment contracts) at the business segments included in the report, i.e. the Extruded Products Segment, the Aluminium Systems Segment and the Flexible Packaging Segment, was 4,382 people. It represented 6% growth compared to 2017. In December 2018, 26% of all employees were women. 75% of employees worked under employment contracts for an unspecified period of time. Headcount by gender, age, type of position or employment contract is presented in the following tables.

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Headcount by type of position

2017		women	men	trial period contracts	fixed-term contracts	permanent contracts	specific task contracts	mandate contracts	other civil-law contracts	temporary employees
EPS	management staff	2	27	0	1	28	0	0	0	0
EPS	administrative staff	104	167	1	16	254	4	26	0	0
EPS	blue-collar workers	202	909	8	228	875	0	0	0	0
EPS	Total	308	1,103	9	245	1,157	4	26	0	0
FPS	management staff	6	30	0	2	34	0	0	0	0
FPS	administrative staff	48	64	6	18	88	0	0	0	0
FPS	blue-collar workers	69	565	24	145	465	0	0	0	0
FPS	Total	123	659	30	165	587	0	0	0	0
ASS	management staff	11	35	0	0	46	0	0	1	0
ASS	administrative staff	237	297	17	158	359	0	5	0	0
ASS	blue-collar workers	326	1,036	51	520	791	0	7	0	65
ASS	Total	574	1,368	68	678	1,196	0	12	1	65

2018		women	men	trial period contracts	fixed-term contracts	permanent contracts	specific task contracts	mandate contracts	other civil-law contracts	temporary employees
EPS	management staff	6	28	0	0	34	0	0	0	0
EPS	administrative staff	107	171	4	22	252	0	0	2	0
EPS	blue-collar workers	240	945	51	223	911	0	0	1	0
EPS	Total	353	1,144	55	245	1,197	0	0	3	0
FPS	management staff	8	29	0	2	35	0	0	0	0
FPS	administrative staff	52	69	5	23	93	0	0	0	0
FPS	blue-collar workers	71	568	26	99	514	0	0	0	0
FPS	Total	131	666	31	124	642	0	0	0	0
ASS	management staff	13	51	0	3	55	0	0	2	2
ASS	administrative staff	278	304	19	146	423	0	0	53	0
ASS	blue-collar workers	368	1,074	81	404	957	0	0	134	0
ASS	Total	659	1,429	100	553	1,435	0	0	189	2

Headcount by gender

		2017						2018					
employee s by gender		trial period contract s	fixed-term contract s	permanen t contracts	specific task contract s	mandate contract s	other civil-law contract s	trial period contract s	fixed-term contract s	permanen t contracts	specific task contract s	mandate contract s	other civil-law contract s
EPS	women	3	46	259	1	7	0	15	79	259	0	0	1
EPS	men	6	199	898	3	19	0	40	166	938	0	0	2
EPS	Total	9	245	1,157	4	26	0	55	245	1,197	0	0	3
FPS	women	3	29	91	0	0	0	9	24	98	0	0	0
FPS	men	27	136	496	0	0	0	22	100	544	0	0	0

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FPS	Total	30	165	587	0	0	0	31	124	642	0	0	0
AS S	women	15	249	310	0	2	13	41	214	404	0	0	37
AS S	men	53	429	886	0	10	52	59	339	1,031	0	0	152
ASS	Total	68	678	1,196	0	12	65	100	553	1,435	0	0	189

Headcount by age

	age group	2017				2018			
		men	women	blue-collar workers	administrative staff	men	women	blue-collar workers	administrative staff
EPS	up to 30 years	248	44	258	34	246	53	266	33
EPS	30–50 years	628	181	608	201	668	223	670	221
EPS	over 50 years	227	83	244	66	230	77	249	58
FPS	up to 30 years	158	20	152	26	147	19	136	30
FPS	30–50 years	436	65	392	109	441	82	409	114
FPS	over 50 years	65	38	90	13	78	30	94	14
ASS	up to 30 years	424	151	444	131	430	177	449	158
ASS	30–50 years	691	352	659	384	738	405	722	421
ASS	over 50 years	253	71	259	65	261	77	271	67

58% of employees were aged between 30 and 50. In 2017, the level was 57%. The headcount in other age groups was similar as in 2017, namely: 24% of employees aged up to 30 (25% previously) and 17% of employees aged above 50 (18% previously). Women represented 26% of employees, including 19% among managerial staff. Of all employees there were 74% blue-collar workers.

GRI 401-1

In 2018, 852 new employees were hired at the EPS, the FPS and the ASS, and 36% of them were women. 47% of the new workforce were people aged 30 or younger, and 1% – people aged 60+. In the same period, 619 employees left the company (17% of women). Among the latter group 42% were aged up to 30, and 9% were aged above 60.

New employees by gender

	gender	2017					2018				
		up to 30 years	31–40 years	41–50 years	51–60 years	over 60 years	up to 30 years	31–40 years	41–50 years	51–60 years	over 60 years
EPS	women	11	15	6	2	0	19	32	16	2	0
EPS	men	73	32	24	7	1	54	31	28	7	0
EPS	Total	84	47	30	9	1	73	63	44	9	0
FPS	women	7	11	3	2	1	6	20	6	1	0
FPS	men	91	66	20	4	0	47	46	12	3	0
FPS	Total	98	77	23	6	1	53	66	18	4	0
ASS	women	51	42	13	7	0	89	59	49	7	4
ASS	men	154	65	40	18	4	184	55	43	26	6
ASS	Total	205	107	53	25	4	273	114	92	33	10

Leaving employees by gender

	gender	2017					2018				
		up to 30 years	31–40 years	41–50 years	51–60 years	over 60 years	up to 30 years	31–40 years	41–50 years	51–60 years	over 60 years
EPS	women	1	3	3	3	2	2	5	1	7	12
EPS	men	26	15	4	9	8	36	23	8	3	13
EPS	Total	27	18	7	12	10	38	28	9	10	25
FPS	women	4	7	1	6	1	7	11	0	7	2
FPS	men	59	47	15	7	1	50	39	8	3	2
FPS	Total	63	54	16	13	2	57	50	8	10	4
ASS	women	32	32	28	21	3	43	40	26	9	4

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ASS	men	143	73	24	23	10	119	57	42	17	23
ASS	Total	175	105	52	44	13	162	97	68	26	27

GRI 401-2

All of the Capital Group companies offer pension schemes to their employees within the so called third pillar. The 'Pogodna Przyszłość' scheme covers all employees with at least one year of service at the Company. In 2018 that referred to 45% of headcount, including 86% at the EPS, 75% at the FPS, and only 5% at the ASS (the programme had been closed down at the ASS).

	2017		2018	
	Number of insured employees	% of insured employees	Number of insured employees	% of insured employees
EPS	1,257	87%	1,284	86%
FPS	568	73%	599	75%
ASS	116	8%	109	5%

GRI 102-41

At the Grupa Kęty S.A. Extruded Products Segment a Company Collective Bargaining Agreement has been signed, which applies to 100% employees of the company, i.e. 33% of the workforce of all the companies subject to non-financial reporting. The Agreement is a form of cooperation between the employer and trade unions, which represent the employees' interests.

GRI 402-1

Pursuant to the Trade Unions Act, the employer informs trade unions about any matters falling within their powers, in accordance with the deadlines laid down in the Act.

Amendments to work regulations, remuneration regulations or the employee benefits fund enter into force in accordance with Polish law, i.e. after 2 weeks of employees notification, for example by displaying announcements on notice boards.

The EPS has in place 'the agreement on informing and consulting the employees', as concluded by Grupa Kęty S.A. and the Workers Council of that company. On the basis of the agreement, every 6 months the Management Board provides employees with information about:

- the company activities and economic standing, as well as the expected changes in that area;
- the headcount status, structure and the planned changes in that regard, as well as measures taken to maintain the level of employment at the company;
- the activities that may cause significant changes in the work organisation or in the basis for employment at the company.

GRI 404-1, GRI 103-1,2,3 as regards 'Training and Education'

DEVELOPMENT OF THE ORGANISATION'S INTELLECTUAL POTENTIAL

Generation of the projected results by the organisation requires reacting to the changing conditions. For that to be possible, employees should be able to analyse, draw conclusions, and react to the originating needs. Moreover, the knowledge of new technologies and the ability to use them are essential.

One of the elements affecting employee development is training, which contributes to maintaining the competitive advantage on the market, on the one hand, and enables the improvement of individual capital, on the other hand. Both of the elements are considered in development planning, which significantly strengthens the assumed effect. In 2018, 51% of all employees participated in training courses.

In order to achieve progress, feedback regarding the results obtained is needed. Employees receive such feedback within their daily duties, whereas once a year, during the assessment meetings, the superior and the employee sum up the results and a thorough analysis accompanies that process. On that basis, we develop plans for another year.

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Numbers of trained employees by gender

	gender	2017			2018		
		training participants	training hours	training hours per employee	training participants	training hours	training hours per employee
EPS	women	139	2,708	8.8	165	1,815	5.1
EPS	men	1,227	23,896	21.7	814	12,335	10.8
EPS	Total	1,366	26,604	18.9	979	14,150	9.5
FPS	women	325	1,753	14.3	125	2,462	18.8
FPS	men	1,591	6,721	10.2	633	6,915	10.4
FPS	Total	1,916	8,473	10.8	758	9,377	11.8
ASS	women	245	1,400	2.4	277	2,044	1.0
ASS	men	639	6,034	4.4	880	6,133	2.9
ASS	Total	884	7,434	3.8	1,157	8,177	3.9

GRI 403-9, GRI 103-1,2,3 as regards 'Occupational Health and Safety'

OCCUPATIONAL HEALTH AND SAFETY

Health and safety of the employees are the focus of all the Company activities. Every year some accidents occur, however, actions have been taken to limit their number to the minimum.

At the Grupa Kęty S.A. Capital Group the 'Safe Work' programme has been implemented. It concentrates not only on the actions required by law, but mainly on raising the awareness of how the behaviour of one person affects the safety of other co-workers. There are provided additional training courses in OHS and fire safety, in reference to the specifics of operation of the respective company. Suggestions systems are also used to implement the programme objectives. The systems, being an additional source of information about the potential risks at work, encourage the employees to share their knowledge and enable them to suggest improvements. Thanks to the reporting system, the results of the undertaken measures and potential risks may be analysed on a current basis.

The companies have appointed teams of OHS specialists responsible for monitoring the work environment. In addition, the managers of the particular organisational units appoint teams under their leadership composed of the Corporate OHS Officer, Employee Representative, Shift Foreman and other specialists, as appropriate, who:

- identify hazards that the employees and contract workers as well as visitors and other people in the workplace may face in a particular job or in a given area of the Company;
- identify the sources of hazards and possible effects of such hazards;
- estimate the occupational risk;
- suggest preventative measures aimed at reducing or eradicating occupational risks.

As a result of such measures, the occupational risk for a given job is assessed. All of the Company employees are subject to the activities of teams responsible for safety at work.

Despite various preventive measures, the Group did not manage to eliminate the entire risk of accidents at work. In 2018 the total of 49 employees were injured at the reported segments (two more than in the preceding year). Approximately 20% of accidents affected women and 80% – men.

Accidents at work – persons injured by age groups

	Age	2017	2018
EPS	up to 30 years	5	2
EPS	30–50 years	7	6
EPS	over 50 years	3	3
FPS	up to 30 years	2	2
FPS	30–50 years	3	0
FPS	over 50 years	0	0
ASS	up to 30 years	8	16

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ASS	30–50 years	14	16
ASS	over 50 years	5	6

Accidents at work – persons injured by gender

	Gender	2017	2018
EPS	women	1	2
EPS	men	14	7
FPS	women	0	0
FPS	men	5	2
ASS	women	5	8
ASS	men	22	30

No occupational diseases were reported by the segments in 2018. An occupational disease is one entered in the list of occupational diseases if, as a result of the working conditions evaluation it may be indisputably confirmed or assumed with high probability that the disease was caused by factors harmful to human health occurring in the work environment or in relation to the way work is performed, i.e. ‘occupational exposure’.

GRI 403-5

Number of OHS training hours

		Number of training hours for employees (employment contract staff)	Training availability for non-employees, providing that their work/workplace is controlled by the organisation	of which training free-of-charge for the employee	of which training within working hours	of which the number of mandatory training hours (also imposed by the employer)
EPS	Compulsory training courses	3,764	No	3,764	Yes	3,764
EPS	Additional training courses	378	Yes	378	Yes	0
EPS	Total	4,142	-----	4,142	-----	-----
FPS	Compulsory training courses	2,080.5	No	2,080.5	352.5	2,080.5
FPS	Additional training courses	240	No	240	0	240
FPS	Total	2,320.5		2,320.5	352.5	-----
ASS	Compulsory training courses	9142	No	9,142	9,142	9,142
ASS	Additional training courses	1,678	No	1,678	1,678	1,430
ASS	Total	10,820	No	4,154	10,820	-----

GRI 403-6

Guided by the philosophy that employees belong to the leading stakeholders group, the Company has taken a number of measures to engage them in dedicated projects and initiate projects for them, with particular attention paid to health matters.

The idea of educating through sport – The Company cares highly for investing in the employees’ health by proposing them a range of sports events, which are described in more detail in the chapter entitled ‘Community involvement’, and by proposing to the employees such market tools as Multisport cards or free-of-charge vaccination.

Medical insurance – All of the Polish companies of the Capital Group offer their employees a special additional medical insurance programme under the name ‘Opieka medyczna S’, in cooperation with the PZU Życie S.A. insurance company and the PWS Konstanta insurance broker. Nearly 2,700 people have joined the programme, which accounts for over 60% of all employees in Poland. The insurance is co-financed by the employer in roughly 70% on the average, depending on the package selected by employees. The programme has been implemented as a part of the Corporate Social Responsibility Policy, which states that employees’ health and safety are the guiding values of the Company.

9.5 Community involvement

GRI 413-1, GRI 103-1,2,3 as regards 'Local Communities'

For many years now, the Grupa Kęty S.A. Capital Group has been consistently fulfilling the commitments under its Corporate Social Responsibility Policy. Social activities of the organisation are closely related to the designated directions of commitment and they are the consequence of the ongoing dialogue with local communities. The three most important areas in which the company uses its efforts and resources are as follows:

- the activities of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation;
- the idea of educating through sport;
- social and voluntary programmes.

Acting for the public benefit, the Grupa Kęty S.A. has been financially supporting numerous institutions and charities since its very beginnings. It has participated in organising cultural events and created conditions for practising sports by children and youths. The GRUPA KĘTY FOR THE CHILDREN OF THE PODBESKIDZIE REGION Foundation has been continuing the voluntary and charity activities. The name of the Foundation refers directly to the founder company but also to the major objectives the Foundation aims to achieve.

'To ensure a better start' has been the motto and the guiding principle for the GRUPA KĘTY FOR THE CHILDREN OF THE PODBESKIDZIE REGION Foundation from the start. The Foundation's objective is to take care of children from children's homes and special educational establishments, for example by helping them to get education, expertise and qualifications, which, in consequence, will give them a better start in their independent adult lives. The idea behind the activities of the Foundation is to gradually abandon state-run children's homes and propagate the concept of foster families. The Foundation supports:

- nearly 300 children from 9 children's homes actively cooperating with the Foundation,
- in 5 Districts: Bielsko, Oświęcim, Pszczyna, Cieszyn and Żywiec,

In 2018, PLN 380,000 was allocated to statutory objectives.

The Foundation has 2 transitional-living flats.

More information at: www.dziecipodbeskidzia.pl.

THE IDEA OF EDUCATING THROUGH SPORT

The challenge of the 21st century is to stir young people to spend their leisure time in an active way. Sports means discipline, fair play, principles, and consequence – all values we care for in business. Sports also means a perfect tool for cooperation and employee engagement. For many years now, the Grupa Kęty Capital Group has been investing in and developing 'the idea of educating through sport'. Caring for the health of the future generations, the Group has officially adopted the following objectives in its Corporate Social Responsibility Policy.

In 2018 the sports portfolio of the Company included the following disciplines:

- skiing,
- cycling,
- running,
- beach volleyball,
- football.

The Company spent PLN 179,000 for that purpose. Apart from the local communities the events were actively attended by the employees of the GRUPA KĘTY S.A. Capital Group and their families as well as

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the children under the charge of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation.

SOCIAL AND VOLUNTARY PROGRAMMES

Voluntary work is an important element of the corporate culture of the Grupa Kęty S.A. Capital Group. It integrates the employees around valuable initiatives and encourages them to undertake joint charitable activities. 'For many years now, we have consistently followed our designated path. Our Corporate Social Responsibility Policy, respecting, promoting and developing the 10 Principles of the UN Global Compact, to which we are a signatory, or other CSR standards and processes determine the framework and horizons of our actions. In 2018:

- as many as 36 projects were carried out within the programme,
- whereas the engagement of the Grupa Kęty S.A. Capital Group amounted to PLN 40,000,
- with nearly 2,000 direct beneficiaries.

9.6 The Group for the World

ENVIRONMENTAL ASPECTS MANAGEMENT

The report includes the total of 12 environmental indicators covered by the GRI standard. The process of defining the reporting areas comprised the prioritisation of environmental aspects identified within the framework of the management system based on the ISO 140001:2015 standard implemented at the Group companies. That register covers all elements of the activities of the Capital Group companies, including goods and services which can interact with the environment. The analysis of the importance of a given aspect to stakeholders and of its environmental impact was the basis for priority assignment.

As a result, the following GRI indicators were selected: 103-2, 103-3, 301-1, 301-2, 302-1, 303-2, 303-3, 305-1, 305-7, 306-1, 306-2, 307-1, as they best refer to the activities of the Group and its impact on the environment. These indicators are associated with the environmental areas and components that the particular companies of the Capital Group can influence to a great extent, i.e. air, water, effluents, waste, materials, fuels and energy consumption or compliance with the legal regulations.

PRECAUTIONARY PRINCIPLE

GRI 102-11

The Capital Group is committed to ensure and maintain a high level of safety of its processes. The Group companies strive to minimise the environmental risks. It is achieved by monitoring material environmental aspects under the ISO14001:2015 standard and by proper maintenance of infrastructure based on predictive and preventive measures as well as the programme of internal audits. The Group companies constantly monitor and assess environmental risks, taking measures referred to in the operational control procedures for processes which are material. In addition, they take preventative measures or measures aimed at eliminating the potential hazards.

Number of implemented preventive environmental measures

Company	Specification	Unit	2017	2018
EPS	Number of controlled environmental aspects	pcs	87	88
EPS	Number of preventive environmental measures	pcs	51	48
FPS	Number of controlled environmental aspects	pcs	162	193
FPS	Number of preventive environmental measures	pcs	15	48

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ASS	Number of controlled environmental aspects	pcs	51	117
ASS	Number of preventive environmental measures	pcs	13	11

ENVIRONMENTAL IMPACT

GRI 305-1, GRI 103-1,2,3 as regards 'Emissions'

Direct greenhouse gas emissions

The companies of the Capital Group strive to limit the impact on the environment by creating low emission industry, within an active response to climate change and effective use of resources. When analysing the environmental impact of the Capital Group companies, we pay particular attention to air emissions of gases and dust, especially of carbon dioxide, as air emissions are sources of direct environmental impact. Total greenhouse gas emissions are low due to the nature of in-house processes and thermal efficiency of devices. The Capital Group companies are not subject to the EU Emissions Trading System. Greenhouse gases emitted by the systems at the EPS, the ASS and the FPS include CO₂ and HFCs. The emitted carbon dioxide originates from the combustion of natural gas in boilers, radiators, thermal oxidisers, heaters and industrial furnaces, whereas the emitted HFCs – from the release of refrigerant by the air-conditioning devices.

Company	EMISSION TYPE	Unit	2017	2018
EPS	Greenhouse gas emissions	Mg p.a.	14,547	16,835
FPS	Greenhouse gas emissions	Mg p.a.	5,963	6,196
ASS	Greenhouse gas emissions	Mg p.a.	3,003	4,306

GRI 305-7

As part of their environmental impact audits, the Group companies periodically measure emissions from the systems. The measurements taken as part of the monitoring process prove compliance with the standards specified in permits and licences. Total emissions by the companies of the Grupa Kęty S.A. Capital Group are well below limits. Apart from carbon dioxide, the EPS emits sulphur dioxide, nitrogen oxides, carbon monoxide, dust and small amounts of inorganic compounds to air. The source of emission is the process of natural gas combustion and chemical treatment of aluminium elements. The main pollutants emitted by the ASS include sulphur dioxide, nitrogen oxides, carbon monoxide, dust, sulphuric acid, hydrogen chloride, fluorine, inorganic acids and aliphatic hydrocarbons. The sources of gases and dust emission include the process of natural gas combustion as well as the processes of chemical treatment and machining of metals. In addition, the FPS companies emit VOCs and ozone to air. The sources of emission include the process of packaging printing and lamination as well as natural gas combustion in boilers and thermal oxidisers used in VOCs emission reduction.

NO_x, SO_x and other significant air emissions by compound type and weight

Company	EMISSION TYPE	Unit	2017	2018
EPS	Total dust	Mg p.a.	1.78	1.76
EPS	SO ₂	Mg p.a.	1.65	1.94
EPS	NO ₂	Mg p.a.	11.38	12.60
EPS	CO	Mg p.a.	5.35	6.68
EPS	Fluorine	Mg p.a.	0.15	0.12
EPS	Chlorine	Mg p.a.	0.00	0.00
EPS	Sulphuric acid	Mg p.a.	2.90	2.88
EPS	Metal hydroxides	Mg p.a.	2.00	1.99
FPS	Total dust	Mg p.a.	0.00	0.00
FPS	SO ₂	Mg p.a.	0.00	0.00
FPS	NO ₂	Mg p.a.	5.20	5.40
FPS	CO	Mg p.a.	0.70	0.80
FPS	VOCs	Mg p.a.	78.70	89.30
FPS	Ozone	Mg p.a.	2.70	3.60

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ASS	Total dust	Mg p.a.	1.50	3.11
ASS	SO ₂	Mg p.a.	0.10	0.16
ASS	NO ₂	Mg p.a.	8.70	10.72
ASS	CO	Mg p.a.	0.60	0.81
ASS	Sulphuric acid	Mg p.a.	14.03	20.97
ASS	Acetone	Mg p.a.	0.32	0.34
ASS	Aliphatic hydrocarbons	Mg p.a.	1.30	1.16
ASS	Aromatic hydrocarbons	Mg p.a.	0.04	0.06

In the calculation of the particular types of pollutants emission indicators were used, as determined on the basis of the actual emission measurements in relation to the actual production volume. As regards gas combustion sources, emission indicators prepared for the National Centre for Emissions Management (KOBiZE) were used.

GRI 301-1, GRI 103-1,2,3 as regards 'Materials'

Materials consumption

Below reported is the total weight of basic materials used in the production processes within the reporting period. In each of our businesses, we focus on the effective consumption of raw materials and compliance with the binding standards. We take actions aimed at cooperation with those suppliers who are guided by the sustainable development idea. As regards our products, we apply a product life cycle approach, focusing on the search for new ecological applications. In that area, we conduct our own research and collaborate with scientific centres and institutions. Due to the specific nature of the Group production segments, the list of raw and other materials consumed is very diverse.

Major raw materials used by the EPS in the production of aluminium elements include aluminium, alloy components, and aluminium scrap. From them, the Segment manufactures aluminium ingots, which are the input material for the sections extrusion process. The remelting process uses aluminium scrap originating from the plant and purchased from the market. The materials supplied to the plant are checked for contaminants. In this year's report the total quantity of scrap used has been presented, which means the scrap purchased from the market as well as the scrap from own production and that of the subsidiaries.

The characteristic materials used in the ASS production processes include: aluminium, steel, zinc alloy, chemical products for the treatment of aluminium and zinc electroplating of components, glass, separators, plastic pellets and powder coatings. These materials are used by the plants to manufacture window and door systems, façade systems, roller shutter profiles and boxes, roller-shutters, gates and accessories for PVC, wood and aluminium joinery.

The main raw materials used by the FPS include: granulated plastic (PP, PE, PA, EVOH, etc.), aluminium foils, paper, plastic films (OPP, PET, PE, PVC, PA, EVOH, etc.), paints, lacquers, adhesives and solvents. These materials are used to manufacture multi-layer plastic films, including high-barrier films, single- and multi-layer flexible laminates, including printed or coated ones. Prior to their purchase raw materials are approved for compliance with the requirements of the Food Law.

Raw materials are checked in compliance with the requirements of the ISO 9001 and ISO 14001 standards, to ensure safety of the manufacturing processes and to reduce emissions to the minimum. The Group companies have their own facilities and systems to conduct tests and checks.

Materials consumption by type and weight

Company	Specification	Unit	2017	2018
EPS	Aluminium	Mg	15,965	17,417
EPS	Alloy components	Mg	588	616
EPS	Master alloys	Mg	927	898

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EPS	Purchased scrap	Mg	27,113	29,541
EPS	Imported ingots	Mg	34,734	57,189
FPS	Paints, lacquers, adhesives	Mg	7,686	7,921
FPS	Aluminium foil	Mg	3,871	3,988
FPS	PP, PET, PVC films	Mg	5,835	4,479
FPS	Plastic granulates	Mg	39,109	46,053
FPS	Paper	Mg	9,682	9,743
ASS	Aluminium profiles	Mg	25,684	31,228
ASS	Powder coatings	Mg	753	953
ASS	Chemical substances	Mg	1,003	1,154

GRI 301-2

The EPS has in place an aluminium recovery process. There is a high share of secondary raw materials in the final production. The EPS recycles aluminium waste produced at the Capital Group facilities and also obtains and processes waste from the market. The waste is applied as component material in the production of new elements extruded from aluminium and aluminium alloys. The plant selectively collects the particular grades of alloys and, as a result, it does not apply any fluxing agents that are harmful to the environment in the remelting process. The Company acquires both post-consumer aluminium waste (originating from end users) and pre-consumer aluminium waste (waste from manufacturing processes). This process is subject to strict requirements regarding the quality of the purchased scrap. As a result, there is no contaminated aluminium in the remelting process and no hazardous substances which could pose a risk to the environment are emitted to air. By recovering aluminium, the plant saves a lot of the energy needed to produce primary aluminium from bauxite ores, as the smelting process is highly energy-consuming. The recycling of aluminium also helps to reduce air and water pollution.

Company	Specification	Unit	2017	2018
EPS	POST-consumer aluminium scrap recycling	%	9.2	4.3
EPS	PRE-consumer aluminium scrap recycling	%	20.7	19.6
EPS	Own aluminium scrap recycling	%	38.5	41.7
EPS	Recycled materials used in the process	%	68.4	65.6

GRI 302-1; GRI 103 – 1,2,3 as regards 'Energy'

Energy efficiency

At the Grupa Kęty S.A. Capital Group, energy efficiency of the production systems is a priority. In order to ensure energy efficiency, the Company has implemented a special system of technical and organisational solutions in accordance with the ISO 14001 and ISO 50001 standards. The consumption of energy is subject to planning and monitoring. The business units of the Company must report their actual energy consumption, and – when planned volumes are exceeded – the growth cause analysis is carried out. Consumption monitoring involves measurements at utilities supply and distribution points. The readings form basis for the costs allocation to the particular sources of their origin. Utilities consumption is measured using a special computer system which ensures real-time control of all utilities-processing devices. Data concerning their operation are transmitted to the central management point, which ensures immediate response to or correction of any deviations. In addition, as part of the ISO 14001:2015 system, the Group has implemented the utilities saving programme and performs energy efficiency audits. Electricity is used, for example, to power production and auxiliary devices and also to illuminate halls and rooms. The energy from the combustion of natural gas is used mainly in heat treatment processes at production lines, e.g. in aluminium remelting, extrusion and drawing, anodising and powder coating processes, and to heat rooms. Moreover, we support 'Green Building' by developing the so called 'green products data sheets' for the purposes of LEED and

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BREEAM certification. The data sheets for the EPS profiles and the ASS systems comprise information essential for the LEED and BREEAM certification processes.

Energy consumption by main energy sources

Company	Specification	Unit	2017	2018
EPS	Electricity	GJ	297,270	326,207
EPS	Natural gas	GJ	281,787	314,824
EPS	Electricity consumption per production unit	GJ/Mg	2.56	2.42
EPS	Gas consumption per production unit	GJ/Mg	2.43	2.57
FPS	Electricity	GJ	184,507	199,480
FPS	Natural gas	GJ	121,142	125,822
FPS	Electricity consumption per production unit	GJ/Mg	3.35	3.11
FPS	Gas consumption per production unit	GJ/Mg	2.20	1.96
ASS	Electricity	GJ	62,411	67,383
ASS	Natural gas	GJ	75,164	83,029
ASS	Electricity consumption per production unit	GJ/Mg	1.73	1.54
ASS	Gas consumption per production unit	GJ/Mg	2.09	1.90

GRI 303-1, GRI 103 – 1,2,3 as regards 'Water'

Water consumption

At the Grupa Kęty S.A. Capital Group, only Grupa Kęty S.A. withdraws water from its own water intakes, i.e. from a well and from ground drainage at the plant. The well is a source of drinking water for the plant and for the employee amenities. In addition, the water is used for fire safety purposes. Water for the production processes originates mainly from ground drainage at the plant and is collected by way of a drainage system. Water resources are used pursuant to the permit required under the Water Law and the integrated permit. Analyses of the impact of water withdrawal on the environment confirm that the respective activities do not significantly affect the availability of water resources or functioning of protected areas. The quantity of water withdrawn is kept well below the prescribed limits. The ASS and the FPS do not have their own water intakes. Water is purchased from third-party suppliers on the basis of appropriate agreements. Water at the ASS is used for employee amenities and for production purposes in the process of chemical treatment of aluminium profiles prior to powder coating. At the FPS, due to the nature of its production process, water is used mainly for employee amenities and fire safety purposes. Only at Alupol Films, first reported in 2017, water is also used at the chemical treatment of printing cylinders line and in the PP film production system.

Company	WATER SOURCE	Unit	2017	2018
EPS	Underground water	m ³	206,885	249,869
EPS	Ground drainage	m ³	364,909	378,892
EPS	Public water supply system	m ³	6,301	6,016
FPS	Public water supply system	m ³	36,800	22,500
ASS	Public water supply system	m ³	94,107	107,205

GRI 303-3

Due to the nature of the production process, the recycling and reuse of water withdrawn from own intakes refers basically to the EPS. The aim is to increase to the maximum the percentage of recycled water in the total volume of water used in production processes, and to reduce the use of the environment. The effect is achieved by applying closed-circuit cooling within the thermal processes related to aluminium melting and processing. A closed-circuit system allows for substantial savings in terms of water consumption. Only small quantity of dirty water is periodically discharged and substituted with clean water in order to prevent the accumulation of suspended solids and oil-derivative substances. Cooling water is discharged to the central wastewater treatment plant.

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Volume of water recycled and reused

Company	Closed-circuit system	Unit	2017	2018
EPS	Quantity of water in a closed-circuit system	m ³ thousands	3,079	3,078

GRI 306-1, GRI 103-1,2,3 as regards 'Effluents and Waste'

Among all the Group companies, only Grupa Kęty S.A. (EPS) discharges treated industrial effluent directly to the environment. After in-house treatment, wastewater is discharged to the Soła River. Wastewater from the chemical treatment of aluminium elements is first neutralised in pre-treatment systems designed specifically for that purpose. The Company possesses permits required under the Water Law and limits are fully observed. Impact reduction was possible due to the installation of separate wastewater neutralisation stations within those systems in which wastewater is produced, installation of meters at wastewater discharge points and application of a number of technical and organisational solutions that ensure the appropriate quality of produced wastewater, such as a multi-stage washing process, microprocessor-based control of reagents dosing, bath recovery equipment, mutual neutralisation of acidic and alkaline wastewater or reuse of leachate in the neutralisation process.

At the ASS, wastewater is discharged directly to the environment by ROMB S.A. The other companies discharge wastewater to the sewage systems of third-party companies, after pre-treatment at in-house neutralisation stations. At ROMB S.A., wastewater from the electroplating shop and from the processes of steel and aluminium elements cleaning is discharged, after treatment, to the Głomia River. At ALUPROF S.A. plants in Bielsko-Biała and Opole, industrial effluent, after pre-treatment at in house neutralisation stations is discharged to the sewage systems of third-party companies, whereas at the Golezów plant, it is discharged to a retention basin and afterwards collected by a specialised company with a proper licence. The companies hold permits required under the Water Law and ensure an adequate level of purity. Wastewater quality is monitored and the limits provided for in the permits are adhered to. In addition, the plants have signed appropriate agreements with sewage companies to collect wastewater.

Likewise, the FPS companies discharge wastewater to sewage systems of third-party companies. Industrial effluent from the electroplating processes, after treatment at the in-house neutralisation station, is discharged to the sewage system on the basis of agreements and water permits possessed.

Company	Specification	Unit	2017	2018
EPS	To public sewage system	m ³ thousands p.a.	25	29
EPS	To surface waters	m ³ thousands p.a.	891	679
	including effluent from the chemical treatment of aluminium	m ³ thousands p.a.	491	517
FPS	To public sewage system	m ³ thousands p.a.	27	23
ASS	To public sewage system	m ³ thousands p.a.	62	68
	including effluent from the chemical treatment of aluminium	m ³ thousands p.a.	44	48
ASS	To surface waters	m ³ thousands p.a.	33	38

GRI 306-2

Waste management

Waste produced by the Capital Group is managed in accordance with the EU and Polish regulations, ensuring safety for the environment. Waste is collected selectively. Waste storage areas are separated from the ground, and waste is kept in special hermetic containers. The Company keeps quantitative

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and qualitative waste records. An advanced computer system is used to monitor waste management. Waste which is not managed in-house is handed over to companies with the required licences. Waste management processes are monitored within the implemented environmental management system, in accordance with the ISO 14001 standard.

Aluminium scrap and melting loss are typical waste produced by the EPS. Aluminium waste is a valuable material for the production of aluminium profiles. For that reason, the Group recycles it and, as a result, aluminium scrap is transformed into direct input material. The Company manages 100% of aluminium waste produced at the plant, and also collects and processes waste from the market. The main waste produced by the ASS includes waste from aluminium processing, sludge from sewage treatment plants and waste coating powders. Characteristic waste produced during the packaging manufacturing at the FPS includes waste in the form of multi-material laminates, paper, plastics, waste paints, lacquers and adhesives.

Produced waste and waste management at the Capital Group

Company	Specification	Unit	2017	2018
EPS	Produced hazardous waste	Mg	3,309	4,619
EPS	Produced non-hazardous waste	Mg	31,542	33,455
EPS	Total produced waste	Mg	34,851	38,074
EPS	Waste produced per production unit	Mg/Mg	0.30	0.31
EPS	Waste recovered	Mg	34,843	38,057
EPS	Neutralised waste	Mg	8	16
FPS	Produced hazardous waste	Mg	2,004	2,061
FPS	Produced non-hazardous waste	Mg	8,802	7,983
FPS	Total produced waste	Mg	10,806	10,044
FPS	Waste produced per production unit	Mg/Mg	0.70	0.59
FPS	Waste recovered	Mg	10,678	9,897
FPS	Neutralised waste	Mg	128	148
ASS	Produced hazardous waste	Mg	525	527
ASS	Produced non-hazardous waste	Mg	3,215	3,924
ASS	Total produced waste	Mg	3,740	4,452
ASS	Waste produced per production unit	Mg/Mg	0.10	0.10
ASS	Waste recovered	Mg	3,420	4,093
ASS	Neutralised waste	Mg	320	359

GRI 307-1, GRI 103-1,2,3 as regards 'Environmental Compliance'

Compliance

The Group companies comply with all applicable laws and regulations. The results of audits performed in 2018 by the Environmental Protection Inspectorate and by independent auditors from accredited supervision units as part of the ISO 14001 system confirmed the compliance.

We have been constantly improving the management of environmental protection, thus achieving growingly better results. The main companies within each of the production segments possess certified Integrated Management Systems, including environmental systems in accordance with the ISO 14001 standard. Moreover, there is an efficient integrated system based on the ISO 9001 and OHSAS 18001 standards.

The environment quality measurements and analyses carried out by the companies are an additional confirmation of compliance with the standards. For the emission of pollutants to the environment, the plants pay regularly and timely any charges required by law and file reports to the respective offices. In 2018, none of the companies paid any fines for non-compliance with the environmental laws and

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regulations. Higher fees on water withdrawal by the EPS in 2018 result from a change in the system of charging the same (update of the 'Water Law' Act).

Charges and fines related to the use of the environment

Company	Specification	Unit	2017	2018
EPS	Air emissions charges	PLN	23,368	27,217
EPS	Water withdrawal charges	PLN	44,425	166,414
EPS	Wastewater charges	PLN	31,534	172,250
EPS	Total environmental charges	PLN	99,327	365,881
EPS	Total environmental fines	PLN	0	0
FPS	Air emissions charges	PLN	118,274	125,896
FPS	Total environmental fines Total	PLN	0	0
ASS	Air emissions charges	PLN	40,873	52,486
ASS	Wastewater charges	PLN	3,483	1,927
ASS	Total environmental charges	PLN	44,356	54,413
ASS	Total environmental fines	PLN	0	0

GRI 103-2

Environmental protection spending

The Group companies keep complete records of environmental protection costs. 'Green accounting' is a model of allocating environmental costs within corporate accounting, which enables the assessment of the costs structure and changes over time. The sources of data for the financial evaluation of environmental activities are as follows: expenditure on eco-investment projects, costs of the maintenance and operation of protection devices, costs of waste disposal and emission purification, legally required environmental charges. The accounting is a tool facilitating the decision-making process in the area of environmental activities, investment projects and organisational measures. The investment priority is to regularly upgrade the machinery and improve the environmental management system, which goes beyond the legal requirements. Moreover, measures have been implemented to reduce the quantity of water withdrawn and wastewater discharged. As a result of the 'employee suggestions' programme, the Group has implemented a number of projects to improve the utilities consumption efficiency or reduce emissions. As part of the environmental management system, the Company has recognised a special provision in the budget which facilitates the effective implementation of the 'Environmental Programme', being a schedule of environmental measures for a given year.

Company	Specification	Unit	2017	2018
EPS	Total environmental costs	PLN	6,392,744	7,295,166
EPS	Protection of ambient air and climate	PLN	814,568	876,700
EPS	Wastewater management	PLN	2,860,993	3,588,222
EPS	Waste management	PLN	802,513	901,209
EPS	Protection of soil as well as surface and underground water	PLN	1,437,521	1,679,183
EPS	Other environmental costs	PLN	477,149	249,852
FPS	Total environmental costs	PLN	2,661,780	2,936,290
FPS	Protection of ambient air and climate	PLN	1,433,270	1,086,240
FPS	Wastewater management	PLN	412,959	332,135
FPS	Waste management	PLN	588,941	1,187,262
FPS	Protection of soil as well as surface and underground water	PLN	1,402	9,949
FPS	Other environmental costs	PLN	225,208	282,854
ASS	Total environmental costs	PLN	1,589,933	3,736,811
ASS	Protection of ambient air and climate	PLN	153,204	191,973
ASS	Wastewater management	PLN	750,271	2,541,032
ASS	Waste management	PLN	597,907	708,927
ASS	Protection of soil as well as surface and underground water	PLN	15,074	12,652
ASS	Other environmental costs	PLN	73,477	281,526

Environmental impact grievances

None of the companies of the Grupa Kęty S.A. Capital Group received any stakeholder grievances concerning the use of the environment. Environmental audit authorities and local residents did not have any complaints, which confirms that the plants impact is under control. The open information policy implemented by the Company, including the publication of annual environmental reports, helped to increase the stakeholders' awareness of the nature and extent of the Company impact on the environment.

Company	Specification	Unit	2017	2018
EPS	Grievances	pcs	0	0
FPS	Grievances	pcs	0	0
ASS	Grievances	pcs	0	0

ECOLOGICAL SENSITIVITY

Apart from the attention paid to production processes and environmental impact, the Grupa Kęty S.A. Capital Group has been carrying out consistent educational campaigns to promote ecological behaviour. As a signatory of the UN Global Compact, we have been trying to approach the environmental protection goals, and particularly Goal 8, in a reliable manner.

Undertaking initiatives to promote environmental responsibility

In 2018 the Company continued its previous initiatives, including:

- 'Let's Clean the Beskids' – the action engaged the total of 768 people, including 550 children and youths. From the mountain tracks leading to Magurka, Babia Góra and Klimczok over 8,670 litres of waste was collected;
- 'Bike HELPS' – over 50 million km; limitation of CO₂ emission by 12.7 thousand tonnes; 30 bikes awarded;
- 'A Top to Get a Wheelchair' – 640 kg only in 2018, and over 4 tonnes since the beginning of the initiative.

A new initiative in which the Company engaged in 2018 was the sustainable development project under the name 'Letters to the Earth'. That extensive educational campaign carried out among children and youths consists in their writing letters to the adults, in which the young people present their ideas on how to protect the environment of the Planet Earth. The project is nationwide – in 2018 over 150,000 people from 300 towns and villages participated. In this initiative, the Company engaged the children of the employees and the children supported by the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation in creating our First Book of Letters to the Earth. The project accommodated a series of ecological workshops and symbolic trees planting.

Another new initiative in 2018 was the 'Sowing the Sun' project. Within the project we have sown and planted sunflowers around Poland. At the inauguration event, the children from the Bielsko-Biała schools planted the sunflower seedlings they had raised in recycled plant pots. The leitmotif of the project is a sunflower – the sunniest flower of all. The initiative promotes simple ecological activities, focused in particular on assistance to bees and birds. The establishment of ecological fruit and vegetable gardens has also been promoted. The project of nationwide scope was actively attended by the employees of the Grupa Kęty S.A. Capital Group and the children supported by the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation. The chief organiser was the ARKA Ecological Foundation.

9.7 About the Report

GRI 102,26, GRI 102-10, GRI 102-46, GRI 102-47, GRI 103-1, GRI 102-48, GRI 102-49, GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-53, GRI 102 54, GRI 102-55

This statement has been prepared already for the fourth time. In preparing it, the Company was inspired by the GRI STANDARDS guidelines, CORE version. The previous such disclosure was published in March 2017 in accordance with the GRI G4 standard, CORE version. The organisation discloses the same scope of data (quantity, indicators) and the reporting area is the same.

The reporting area is marked on the organisational chart of the Grupa Kęty S.A. Capital Group (organisational structure on page 10)*. These entities are presented in detail in the report as they generate most of the sales revenue of the Grupa Kęty S.A. Capital Group.

The Company reports such information on annual basis, hence, the information contained herein refers to the calendar year 2018. The disclosed information refers to the aforementioned segments, except when the text refers to activities carried out across the Grupa Kęty S.A. Capital Group (e.g. ethics, the activities of the corporate foundation or ecological sensitivity projects). The reporting scope is also presented in the GRI Table. The Company has not made any adjustments of the information presented in the previous report.

When preparing the report, the Company applied selected indicators proposed in the GRI STANDARDS, CORE version. The report was drawn up in collaboration with an in-house project team, which featured many employees responsible for the particular aspects discussed in the report, including HR, environmental protection, investor relations, CSR, sales, production, procurement, etc., as well as an external expert who prepared a training course in GRI standards for the team.

Mr Zbigniew Paruch, Chief PR Specialist, is the person supervising the process of the report preparation and the contact person for the report. The dedicated project team, who prepared this report in cooperation with the Management Board of Grupa Kęty S.A., identified the material aspects for the organisation that are presented herein. They were selected mainly on the basis of the CSR Policy, which is the primary document and the Company's philosophy in the area of corporate social responsibility. It has been determining our activities in this area for a long time now. In the report, we focused on those aspects, trying to present them in a credible, transparent, balanced, comparable, accurate and timely manner. When presenting them, we tried to observe the GRI principles:

- stakeholder inclusiveness,
- materiality,
- sustainability context,
- completeness.

The Sustainable Development and Social Responsibility Steering Committee plays an important role in the process of determining the philosophy of activities and areas of commitment. At its meetings, the Committee takes important decisions concerning the operational management of the entire Group in accordance with the vision, mission and values, which are paramount for us. The report was audited by an independent auditor selected by the Company Supervisory Board. The audit covered financial figures only.

This report presents the following material aspects:

- Labour Practices and Decent Work, and specifically:
Employment; Occupational Health and Safety; Diversity and Equal Opportunity; Training and Education; Labour Practices Grievance Mechanisms (within the organisation)
- Human Rights, and specifically:
Non-discrimination; Human Rights Grievance Mechanisms (within the organisation)

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- Impact on the Society, and specifically:
Local Communities, Public Policy (within and outside the organisation)
- Environmental indicators, and specifically:
Materials; Water; Emissions; Effluents and Waste; Compliance (within the organisation)
- Ethics (within the organisation)

* The disclosed information refers to Polish companies only.

9.8 GRI indicators table

INDICATOR AND ITS DESCRIPTION	PAGE NUMBER IN THE MANAGEMENT BOARD REPORT	GLOBAL COMPACT PRINCIPLES	PN-ISO 26000 KEY AREAS	SIN
STRATEGY AND ANALYSIS				
102-14 CEO or equivalent senior position statement on the relevance of sustainability to the organisation and the organisation's strategy	4-5;40-41			
102-15 Description of key impacts, risks, and opportunities	38-40;67			G.3.1; G.3.2
ORGANISATIONAL PROFILE				
102-1 Name of the organisation	6			
102-2 Primary brands, products, and services	6; 12-15			
102-3 Location of the organisation's headquarters	6			
102-4 Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	6;11-15;38			
102-5 The nature of ownership and legal form	6;68			
102-6 Markets served, including geographic breakdown, sectors served, and types of customers and beneficiaries	6;12-15; 38			
102-7 Scale of the organisation	6;12-15;19-27			
102-8 Total number of employees and workforce by employment type, employment contract type, region, and gender	46-48	Principle 1		S.2.1
102-41 Percentage of total employees covered by collective bargaining agreements	49			
102-9 Description of the organisation's supply/value chain	12			
102-10 Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	9;11; 62-63; 68			
102-11 Report whether and how the precautionary approach or principle is addressed by the organisation	53	Principle 8		
102-12 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	40-41			G.2.2
102-13 Memberships of associations (such as industry associations) and/or national or international advocacy organisations	40-41			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
102-45 The organisational structure of the organisation, including main departments, subsidiaries, related parties and joint ventures, indicating which of them are not covered by the report	9-11			
102-46 Process for defining the report content and the aspect boundaries. The implementation of the reporting principles for defining the report content	63			
102-47 All the material aspects identified in the process for defining the report content	63			
103-1 Aspect boundary within the organisation for each material aspect	63			
103-1 Aspect boundary outside the organisation for each material aspect	63			
102-48 Effect of any restatements of information provided in previous reports, and the reasons for such restatements	63			
102-49 Significant changes from previous reporting periods in the scope and aspect boundaries	63			
STAKEHOLDER ENGAGEMENT				

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102-40 A list of stakeholder groups engaged by the organisation	42-43			
102-42 Basis for identification and selection of stakeholders with whom to engage	42-43			
102-43 Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	42-43			
102-44 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded, including through its reporting, indicating the stakeholder groups that raised each of the key topics and concerns	42-43			
REPORT PROFILE				
102-50 Reporting period	62-63			
102-51 Date of most recent previous report	62-63			
102-52 Reporting cycle	62-63			
102-53 Contact point	62-63			
102-54	62-63			
a) Reporting option the organisation has chosen	62-63			
b) Table indicating the place of standard information in the report	62-63			
c) Reference to the external assurance report, if the report has been externally assured	62-63			
102-55 Organisation's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided and the relationship between the organisation and the assurance providers	62-63			
GOVERNANCE				
102-18 Governance structure of the organisation, including committees of the highest governance body, indicating any committees responsible for decision-making on economic, environmental and social impacts	73-78			
102-19 The process of delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	73-74			
102-26 The highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	40-41; 62-63; 71-75		Governance	
102-35 The remuneration policies for the highest governance body and senior executives	17-18			
ETHICS AND INTEGRITY				
102-16 Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	43-44	Principles 1, 2, 3, 5, 7, 8, 10	Fair operating practices Labour practices Human rights	G.4.1; G.4.5; G.4.6; S.3.4;
102-17 The internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	43-44			G.4.1; G.4.5; G.4.6; S.3.4;
102-17 The internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	42-43			G.4.1; G.4.5; G.4.6; S.3.4; S.10.2
ECONOMIC INDICATORS				
Economic performance				
201-1 Direct economic value generated and distributed	28			
103-1,2,3 Management approach to the economic performance aspect	28			
Procurement practices				
204-1 Proportion of spending on local suppliers at significant locations of operation	12			
103-1,2,3 Management approach to the procurement practices aspect	12			
ENVIRONMENTAL INDICATORS				
Materials				
301-1 Materials used by weight or volume	55-56			E.1.1

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301-2 Percentage of materials used that are recycled input materials	56		Environment/ Sustainable use of resources	E.1.1
103-1,2,3 Management approach to the materials aspect	55-56			
Energy				
302-1 Energy consumption within the organisation, by primary energy sources	56-57			E.2.1
103-1,2,3 Management approach to the energy aspect	56-57			
Water				
303-1 Total water withdrawal by source	57			E.3.1
303-3 Percentage and total volume of water recycled and reused	57-58		Environment/ Sustainable use of resources	E.3.2
103-1,2,3 Management approach to the water aspect	57-58			
Emissions				
305-1 Direct greenhouse gas emissions by weight	54			E.5.1
305-7 NO _x , SO _x and other significant air emissions by compound type and weight	54-55			E.5.2
103-1,2,3 Management approach to the emissions aspect	54-55		Environment/ Pollution prevention	
Effluents and waste				
306-1 Total effluent discharge by quality and destination	58			
306-2 Total weight of waste by type and disposal method	59			E.6.2
103-1,2,3 Management approach to the effluents and waste aspect	58-59			
Environmental compliance				
307-1 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	59-60			E.7.4
103-1,2,3 Management approach to the environmental compliance aspect	59-60			
Overall				
103-2 Total environmental protection expenditures and investments by type	60-61			
Environmental grievance mechanisms				
103-2 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	61			E.7.3
SOCIAL INDICATORS				
Labour practices and decent work				
Employment				
401-1 Total number and rates of new employee hires and employee turnover by age group, gender, and region	48		Labour practices/ Employment and employment relationships	S.2.2; S.2.3 S.2.15
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	49			
103-1,2,3 Management approach to the employment aspect	44-48	Principle 1		
Labour – Management relations				
402-1 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	49		Labour practices/ Social dialogue	
Occupational health and safety				
403-9 Rate of injuries	50-51			
403-5 Rate of employee training in OHS	51			
403-6 Health promotion among the employees	51-52			
103-1,2,3 Management approach to the OHS aspect	50-51		Labour practices/ Health and safety at work	
Training and education				
404-1 Average hours of training per year per employee by employee category	49-50			
103-1,2,3 Management approach to the training and education aspect	49-50		Labour practices/ Human development and	S.6.2

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			training in the workplace	
Diversity and equal opportunity				
405-1 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	17-18; 45-48			S.2.9
103-1,2,3 Management approach to the diversity and equal opportunity aspect	45-48	Principles 1, 6	Human rights/ Discrimination and vulnerable groups	
Equal remuneration for women and men				
405-2 Ratio of basic salary and remuneration of women to men by employee category	46	Principles 1, 6		
Labour practices grievance mechanisms				
103-2 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	46	Principles 2, 6		
103-1,2,3 Management approach to the labour practices grievance mechanisms aspect	43-44	Principles 2, 6		
Human Rights				
Non-discrimination				
406-1 Total number of incidents of discrimination and corrective actions taken	46	Principles 1, 6		
103-1,2,3 Management approach to the non-discrimination aspect	45-46	Principles 1, 6	Human rights/ Discrimination and vulnerable groups Human rights/ Due diligence Human rights/ Fundamental principles and rights at work	
Human rights grievance mechanisms				
103-2 Number of grievances about human rights violation filed, addressed, and resolved through formal grievance mechanisms	44	Principles 2, 6		
103-1,2,3 Management approach to the human rights grievance mechanisms aspect	43-44	Principles 2, 6		
Impact on the society				S.9.3
Local communities				
413-1 Percentage of operations with implemented local community engagement, impact assessments, and development programmes	52-53	Principles 1, 8		
103-1,2,3 Management approach to the local communities aspect.	52-53	Principles 1, 8	Community involvement and development/ Community involvement/ Education and culture/ Employment creation and skills development	
Anti-Corruption				
205-2 Communication and training on anti-corruption policies and procedures within the organisation	43-44	Principle 10		
Public policy				
415-1 Total monetary value of financial and in-kind political contributions made by the organisation by country and recipient/beneficiary	44	Principle 10		

10. RISK MANAGEMENT

Basic risks and their impact as well as the measures used to mitigate the particular risks are presented in the table below: GRI 102-15

Risk	Description	Potential impact	Risk-mitigating measures
Currency risk	The Group companies export products and services and purchase imported materials. In addition, the prices of some sales and purchases made in Poland are tied to foreign exchange rates.	A decline in exchange rates applicable to currencies in which export is made results in lower profitability. An increase in exchange rates of the export currencies results in higher costs of materials.	<ul style="list-style-type: none"> - 'natural hedge' measures - forward and futures contracts - debt currency structure management
Risk related to rapid changes in the prices of basic materials	Aluminium is the most important material of the Capital Group. Other crucial materials include raw materials for the Flexible Packaging Segment, such as BOPP and PE granulate or plastics.	An increase in the prices of key materials results in lower return on sales of those products for which fixed prices have been established.	<ul style="list-style-type: none"> - 'natural hedge' measures (pricing formulas) - forward and futures contracts - contracts based on fixed delivery prices
Extraordinary events risk (fire, flood, etc.)	The production process of a major part of the assortment requires the use of high temperatures and flammable substances. Additionally, some of the Group plants are located near rivers, which means the risk of flooding.	<ul style="list-style-type: none"> Loss of property/assets Loss of profit Declining sales 	<ul style="list-style-type: none"> - transfer of a portion of risk to the insurer - diversification of the locations of production plants - investments in fire-fighting systems - training courses in fire safety
Liquidity risk	Liquidity risk may result from the loss of creditworthiness and the associated withdrawal of funding by certain banks, rapid growth in the demand for working capital, for example due to a soar of materials prices, deterioration of the term structure of receivables, etc.	<ul style="list-style-type: none"> Problems with supplies of basic materials or their higher cost. Higher costs of finance resulting from the need to acquire new sources 	<ul style="list-style-type: none"> - diversification of the sources of funding in terms of entities and products and maintaining liquidity buffers in the event of sudden increases in material prices - transfer of a portion of the trade credit risk to the insurer
Interest rate risk	All major Group companies take advantage of both working capital and investment capital finance. All loan agreements are based on variable rates, therefore, a significant increase in interest rates will adversely affect the costs of finance.	Higher costs of finance	<ul style="list-style-type: none"> - applying interest rate risk mitigation procedures depending on the level of debt of a particular company
Risk of economic downturn on the main markets	Approximately 58% of consolidated sales are made to the construction industry, which means that a significant economic downturn in that business will adversely affect the Group performance.	Lower sales and thereby lower margins resulting from low level of production capacity utilisation	<ul style="list-style-type: none"> - geographical diversification (exports growth) - product diversification – sales growth in industries not related to construction (automotive, food)
Risk of losing key employees	The success of the organisation depends on its employees. Therefore, the ability to retain skilled employees on key positions in all corporate areas is important for both current activities and growth prospects.	<ul style="list-style-type: none"> Higher costs resulting from lower work efficiency of new employees. Additional costs of recruiting and training new employees 	<ul style="list-style-type: none"> - periodic assessment and evaluation of the respective positions and suitable remuneration policy - HR policy, including resource planning, development and training policy, competence management system
Risk of damage to the environment	In the production process, the Group companies use substances which, if they leak to soil or surface waters in an uncontrolled manner, may cause contamination of the environment. The companies use special systems to reduce emissions of harmful substances to air. Their failure may result in excessive emission of harmful substances to the environment.	<ul style="list-style-type: none"> Fines for environmental pollution Land reclamation costs Damaged reputation Potential loss of some customers 	<ul style="list-style-type: none"> - periodic inspections and repairs of the environmental protection systems - adequate preparation of the places of hazardous and harmful substances storage
Reputational risk and the risk of claims related to the quality of the manufactured products	The Group operates in market segments characterised with high requirements regarding the quality and safety of products, including automotive and construction industries.	<ul style="list-style-type: none"> Loss of a portion of sales Costs of product withdrawal/recall Fines and compensations due to death or health deterioration, or production downtimes at the customers 	<ul style="list-style-type: none"> - product quality assurance procedures - insurance procedures, including product liability insurance, product withdrawal/recall insurance - verification of insurance policies of key suppliers
Non-compliance risk	The legal environment of the Company related to the Company business and operation on the capital market is subject to major changes, which brings about a risk of the possible failure to apply legal changes in the operations of the Company.	<ul style="list-style-type: none"> Legal sanctions, including fines Damaged reputation 	<ul style="list-style-type: none"> - internal procedures, including internal control and internal audit

Details concerning risk management are presented in note 36 of the consolidated financial statements of the Grupa Kęty S.A. Capital Group for 2018.

11. GRUPA KĘTY S.A. ON THE CAPITAL MARKET

SHARES AND SHAREHOLDERS

GRI 102-5, GRI 102-10

The Company shares have been quoted on Warsaw Stock Exchange since 16 January 1996. At present, the shares are quoted as part of the mWIG40 index. As at 31 December 2018, there were the total of 9,545,447 shares of Grupa Kęty S.A. issued, of the nominal value of PLN 2.50 each. The list of shareholders with more than 5% of shares as at 31 December 2018 and 31 December 2017 is as follows:

	Number of shares as at 31.12.2018	Percentage of capital	Number of shares as at 31.12.2017	Percentage of capital
OFE AVIVA Santander	1,762,985	18.47%	1,750,000	18.38%
Nationale Nederlanden OFE	1,836,002	19.23%	1,733,000	18.20%
OFE PZU ŻŁOTA JESIEŃ	946,571	9.92%	865,000	9.08%
AEGON PTE	688,823	7.22%	590,000	6.20%
PTE Allianz Polska	491,227	5.15%	498,000	5.23%
MetLife OFE	509,873	5.34%	no data	no data
Others	3,309,966	34.68%	4,085,700	42.91%
Total	9,545,447	100.00%	9,521,700	100.00%

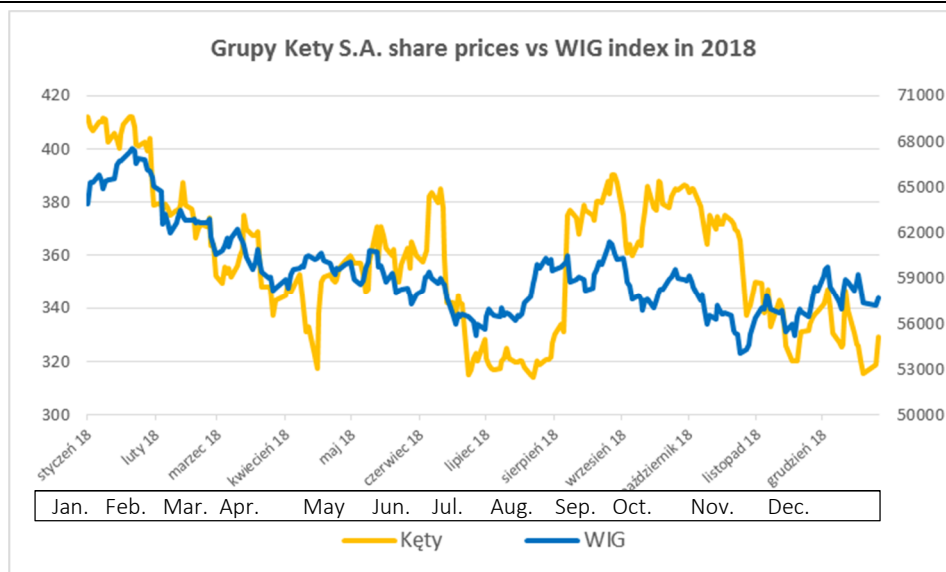
After the balance-sheet date, there were no material changes in the structure of shareholders with more than 5% of shares represented at the Company General Meeting. Furthermore, the Management Board did not have any information about any agreement, including any agreement concluded after the balance-sheet date, as a result of which significant changes in the shareholding structure of Grupa Kęty S.A. might have occurred.

SHARE QUOTATIONS AT WARSAW STOCK EXCHANGE

In 2018 (on the basis of closing prices):

- the average share price amounted to PLN 358 (drop by 13% as compared to the previous year);
- the lowest price amounted to PLN 314 (on 24 July) and the highest price equalled PLN 412 (on 3, 22 and 23 January);
- the price change throughout the year (between 31 December 2017 and 31 December 2018) equalled -20%; in the same period, the WIG index increased by 10% and the mWIG40 index – by 19%;
- the average turnover per session amounted to PLN 1.4 million as compared to PLN 2.6 million in 2017.

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COMMUNICATION WITH THE CAPITAL MARKET PARTICIPANTS

The information policy of Grupa Kęty S.A. is based on open relations with the existing and potential shareholders with due observance of the fundamental principles governing equal access to information. The Company communicates through:

- a) current and interim reports,
- b) face-to-face individual and group meetings,
- c) electronic tools (corporate website, profiles in social media, online broadcasts of corporate events).

As part of current reporting, the Company announces annual financial projections for a given year and objectives of long-term strategies. In addition, it is the only company which discloses preliminary results forecasts for a given quarter one month prior to the publication of official quarterly statements. Information about the Company and its prospects is also available in reports and recommendations published by leading brokerage houses. The list of analysts who regularly publish reports about the Company is available on the corporate website at: <http://www.grupakety.com/pl/36,analicy.html>.

DIVIDEND POLICY

Since 2001, the Company has paid dividend on a regular basis. Until 2014, it had been at the level of approximately 40% of consolidated net profit. In the strategy for the years 2015–2020 announced in 2015, the Management Board of Grupa Kęty S.A. declared that the dividend payment ratio would be raised to 60% of consolidated net profit. In February 2017, the dividend policy was changed again. The present dividend policy adopted by the Supervisory Board of Grupa Kęty S.A. provides for the payment of dividend amounting to 60–100% of consolidated net profit of Grupa Kęty S.A. during the implementation period of the 'Strategy 2020'. The Management Board has assumed that the payment of dividend during the implementation period of the 'Strategy 2020' will amount to the average of 80% of Grupa Kęty S.A. consolidated net profit. When determining the recommended dividend, the Management Board will take into account, among other things:

- the Capital Group net debt to consolidated EBITDA ratio calculated as at the last balance-sheet date of the previous financial year with the maximum level of 2.0;
- time shifts applicable to the dividends receivable from the subsidiaries, which affect the maximum level of the recommended dividend;

- the value of potential and feasible acquisitions;
- the value of actual capital expenditure to be incurred in the year of dividend payment.

Pursuant to the adopted policy, on 1 February 2018 the Management Board of Grupa Kęty S.A. recommended the payment of 80% of the consolidated net profit for 2017 in the form of dividend.

12. CORPORATE GOVERNANCE STATEMENT

A COLLECTION OF CORPORATE GOVERNANCE PRINCIPLES AND SCOPE OF THEIR APPLICATION

In 2018, Grupa Kęty S.A. complied with a collection of corporate governance principles annexed to the Resolution No. 26/1413/2015 of the Warsaw Stock Exchange Board dated 13 October 2015 – the ‘Best Practice for GPW Listed Companies 2016’ (hereinafter referred to as the ‘Best Practice’).

The collection of corporate governance principles is available on the Warsaw Stock Exchange Website at: <https://www.gpw.pl/dobre-praktyki>, and on the Website of Grupy Kęty S.A. at: www.grupakety.com/pl/11,lad-korporacyjny.html.

The information on Grupa Kęty S.A. compliance with the recommendation and principles provided for in the ‘Best Practice 2016’ is available on the Website of Grupa Kęty S.A. at: www.grupakety.com/pl/11,lad-korporacyjny.html.

In 2018, Grupa Kęty S.A. complied with all of the principles and recommendations provided for in the ‘Best Practice’ collection, except for Recommendation IV.R.2, which has not been fully complied with:

Recommendation IV.R.2: *If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:*

- 1) *live broadcast of the general meeting;*
- 2) *real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;*
- 3) *exercise of the right to vote during a general meeting either in person or through a plenipotentiary.*

Grupa Kęty S.A. provides live broadcasts of its general meetings in accordance with clause 1 of the recommendation and displays the respective recordings on the Company Website at: www.grupakety.com/pl/77,transmisje.html.

At the same time, clauses 2 and 3 of the recommendation have not been fulfilled due to the shareholding structure, the absence of any shareholder notifications regarding their expectations as to conducting the general meetings with the use of electronic communications means, and no possibility to provide technical infrastructure necessary for the general meetings to proceed efficiently using electronic communication means and to ensure proper security of electronic communications during the general meetings of Grupa Kęty S.A.

In the event of a change in the actual or legal circumstances or the expectations of shareholders in that regard, the Company does not exclude the possibility of full compliance with the recommendation.

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MAJOR SHAREHOLDERS

The shares of Grupa Kęty S.A. have been quoted on Warsaw Stock Exchange since 16 January 1996. As at 31 December 2018, there were the total of 9,545,447 shares of Grupa Kęty S.A. issued, of the nominal value of PLN 2.50 each. As at the date of this document publication the Company shares were quoted as part of the mWIG40 index.

A list of the Company major shareholders with over 5% share in the total number of votes at the AGM as at 31 December 2018 and 31 December 2017 is presented in the table below*:

	31.12.2017		31.12.2018	
	Number of shares	Percent of share capital and total number of votes	Number of shares	Percent of share capital and total number of votes
OFE Nationale-Nederlanden	1,733,000	18.20%	1,836,002	19.23%
OFE Aviva Santander	1,750,000	18.38%	1,762,985	18.47%
OFE PZU ŻŁOTA JESIEŃ	865,000	9.08%	946,571	9.92%
AEGON PTE	590,000	6.20%	688,823	7.22%
PTE Allianz Polska	498,000	5.23%	491,227	5.15%
MetLife OFE	-	-	509,873	5.34%
Others	4,085,700	42.91%	3,309,966	34.68%
Total	9,521,700	100.00%	9,545,447	100.00%

* as at 31 December 2018, based on PTE reports on the structure of assets.

In 2018 there was one change among major shareholders. On 21 May 2018, the Company received a notification from MetLife PTE S.A. drawn up in accordance with Article 69.1.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, on MetLife Otwarty Fundusz Emerytalny increase of its interest in Grupa Kęty S.A. above 5%.

MANAGEMENT BOARD

Membership of the Management Board and information on changes introduced

In 2018 there were introduced the following changes in the membership of the Company Management Board. On 28 December 2018, the Supervisory Board appointed Mr Rafał Lechowicz Member of the Management Board of Grupa Kęty S.A. with effect from 28 March 2018. Extension of the membership of the Management Board of Grupa Kęty S.A. for a person managing the Flexible Packaging Segment resulted from the growing scale of operations of that segment and, hence, the whole Capital Group. Detailed information regarding the appointment of Mr Rafał Lechowicz was disclosed in the current report No. 12/2018 of 28 March 2018. On the same day the Supervisory Board passed a resolution on the selection of the Management Board of the tenth term, with effect from the date of holding the AGM of the Company approving the financial statements and the report of the Management Board of the Company and the Capital Group for the year 2017, and granting the vote of approval to the Management Board of the Company for the year 2017, which took place on 24 April 2018. Members of the Management Board appointed for the tenth term:

- Mr Dariusz Mańko – President of the Management Board,
- Mr Adam Piela – Member of the Management Board,
- Mr Piotr Wysocki – Member of the Management Board,
- Mr Tomasz Grela – Member of the Management Board,
- Mr Rafał Lechowicz – Member of the Management Board.

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The above presented membership of the Management Board had not changed by the end of 2018. Detailed information on the particular members of the Management Board, including their qualifications and experience is presented on the Company Website at: www.grupakety.com/pl/10,zarzad-i-rada-nadzorcza.html.

GRI 102-26

Competences of the Management Board and information on the method of the Board appointment and operation

The Company Management Board is composed of 1 to 5 members. In case there is more than one member, the remaining members of the Management Board are appointed upon the motion of the President of the Management Board. If the Management Board is composed of more than one member, the Management Board is a collective body exercising its duties via resolutions. If the Management Board consists of more than one member, two members of the Management Board acting jointly or one member of the Management Board acting jointly with the Proxy are authorised to make declarations of will and sign documents on behalf of the Company.

Members of the Management Board may be appointed and dismissed at any time by the Supervisory Board with a simple majority of votes cast. Members of the Management Board are appointed for a joint term of office. The term of office of the members of the Management Board is three years.

The Company Management Board, headed by its President, manages the Company affairs and represents it vis-a-vis third parties. Any matters related to the management of the Company affairs, which have not been reserved to other governing bodies of the Company, are handled by the Management Board.

The Company Management Board passes resolutions in open voting with an absolute majority of votes cast. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the meeting chairman.

The following matters require a resolution of the Management Board:

- a) presenting to the General Meeting of the annual report on the Company operation and the financial statements for the previous reporting year along with a motion regarding profit distribution or loss coverage;
- b) presenting motions to the General Meeting in the following matters, along with an opinion of the Supervisory Board:
 - change of the Company's line of business;
 - amendments to the Company Articles of Association;
 - share capital increase or decrease;
 - merger, transformation and demerger of the Company;
 - the Company winding-up and liquidation;
 - issue of bonds;
 - transfer and lease of the enterprise or an organized part thereof and creation of a limited right in property thereon;
 - acquisition or disposal of real estate related to the Company's key business;

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- c) convening of ordinary or extraordinary General Meetings:
 - on the Management Board's own initiative;
 - at a written request of the Supervisory Board;
 - at a written request of the shareholders representing at least one tenth of the share capital;
- d) division of duties among the Management Board members;
- e) establishment of the Company organisational regulations and organizational structure;
- f) creation and closure of branches, departments, plants and other separated business units of the Company;
- g) granting and revoking the commercial representation rights as well as appointing and dismissing the Management Board proxies for the particular matters;
- h) determining work regulations for the Company employees and rules applicable to the corporate payroll, awards and bonus systems for the employees;
- i) approving annual and long-term strategies, plans and action schemes, including changes in the directions of the Company's business;
- j) entering into contracts by the Company or performing other legal acts which bind the Company to the amount exceeding 40% of its share capital;
- k) approving disposal and lending for use of property, plant and equipment, except for any cases reserved for the competencies of the General Meeting;
- l) making donations to charities or for other social purposes;
- m) making decisions on group redundancies.

The resolutions of the Management Board are also required for other matters put forward by the Management Board members.

The managing persons have no right to decide on the issue or redemption of shares but only to initiate actions in that regard.

The division of competencies and responsibility among the particular members of the Company Management Board is presented in the chart below.

GRI 102-18

INTERNAL DIVISION OF RESPONSIBILITY FOR THE PARTICULAR AREAS OF THE COMPANY OPERATION AMONG THE MANAGEMENT BOARD MEMBERS

President of the Management Board	Member of the Management Board in charge of Finance	Member of the Management Board in charge of the Extruded Products Segment	Member of the Management Board in charge of the Aluminium Systems Segment	Member of the Management Board in charge of the Flexible Packaging Segment
<ul style="list-style-type: none"> • management of the works of the Board • coordination of segments operation • sustainable development and social responsibility • human resources policy • internal audit • legal service • communication 	<ul style="list-style-type: none"> • finance and accounting • management reporting • IT • risk management policy • investor relations • capital expenditure and restructuring 	<ul style="list-style-type: none"> • supervision of any strategic and operating affairs at the Extruded Products Segment • cooperation with the other segments 	<ul style="list-style-type: none"> • supervision of any strategic and operating affairs at the Aluminium Systems Segment • cooperation with the other segments 	<ul style="list-style-type: none"> • supervision of any strategic and operating affairs at the Flexible Packaging Segment • cooperation with the other segments

In 2018 the Management Board of the Company held 48 meetings.

GRI 102-19

The principles of the Management Board operation are regulated by the Code of Commercial Companies. The detailed methods of the Management Board operation are determined in the Company Articles and the Management Board By-law, passed by the Management Board and approved by the Supervisory Board, available on the Company Website at: www.grupakety.com/pl/18,dokumenty-spolki.html.

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SUPERVISORY BOARD AND COMMITTEES

Membership of the Supervisory Board and information on changes introduced

In 2018 there were no changes in the membership of the Company Supervisory Board. As at 31 December 2018, the Supervisory Board was composed of:

- Mr Szczepan Strublewski – Chairman of the Supervisory Board,
- Mr Paweł Niedziółka – Deputy Chairman of the Supervisory Board,
an independent Member of the Supervisory Board,
- Mr Piotr Kaczmarek – an independent Member of the Supervisory Board,
- Mr Bartosz Kazimierczuk – an independent Member of the Supervisory Board,
- Mr Piotr Stępniaak – an independent Member of the Supervisory Board,
- Mr Wojciech Włodarczyk – an independent Member of the Supervisory Board.

Detailed information about the particular members of the Supervisory Board, including their qualifications and experience, is presented on the Company Website at:
www.grupakety.com/pl/10,zarząd-i-rada-nadzorcza.html.

Competences of the Supervisory Board and information on the method of the Board appointment and operation

The Supervisory Board is composed of 5–6 members appointed and dismissed by the General Meeting. The term of office of the Supervisory Board is three years. The Supervisory Board members are appointed for a joint term of office. The General Meeting may dismiss any member of the Supervisory Board at any time. At least two members of the Supervisory Board must be independent.

The Supervisory Board elects the Chairman, the Deputy Chairman and, if needed, the Secretary of the Supervisory Board from among its members. The Chairman of the Supervisory Board convenes and chairs the Supervisory Board meetings and manages its works. If the Chairman is not able to perform his or her duties or is absent, the Deputy Chairman performs the Chairman's duties.

The Supervisory Board meetings are held at least once in each quarter. The Supervisory Board fulfils its tasks and exercises its rights by passing resolutions at meetings, and through control and advisory activities. Resolutions are passed in open voting by a simple majority of votes, except for personnel matters which shall be decided in secret voting. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the Board Chairman. Resolutions may be passed if all Board members were invited.

The Supervisory Board's responsibilities include in particular:

- a) evaluation of the Company financial statements and the Management Board reports on the Company operations;
- b) assessment of the Management Board motions concerning profit distribution or loss coverage;
- c) submitting written reports on the results of the actions referred to in letters in a) and b) above to the General Meeting;
- d) submitting assessments regarding the Company standing and other opinions to the General Meeting, particularly in reference to the Company sponsoring and charity activities and fulfilment of disclosure obligations by the Company;
- e) presenting reports on the Supervisory Board activities to the General Meeting;
- f) appointing and dismissing the Management Board members and determining the rules of their remuneration;
- g) suspending the Management Board or a member thereof in their duties because of important reasons;
- h) delegating members of the Supervisory Board to temporarily perform duties of the Management Board members who are incapable of discharging their duties;
- i) approving the Company Management Board By-law;
- j) approving the annual budgets and strategic plans of the Company submitted by the Management Board;

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k) electing the statutory auditor to audit the Company financial statements.

In addition, the Management Board shall obtain the consent of the Supervisory Board before performing any of the following acts:

- a) opening or closing a branch or a production plant and starting a new business;
- b) selling, leasing, pledging, mortgaging or otherwise encumbering or disposing of the Company assets by way of one or more interrelated transactions with the book value exceeding 10% of the net value of property, plant and equipment disclosed in the Company consolidated balance sheet, except for inventories disposed of in the ordinary course of business;
- c) taking out a loan or a credit for which the repayment period is over 1 (one) year, if, as at the date of a given motion, the total debt resulting therefrom exceeds the PLN equivalent of USD 10 (ten) million calculated at the mean exchange rate published by the National Bank of Poland on the day of the presentation of the appropriate Management Board's motion to the Supervisory Board (hereinafter referred to as the 'Exchange Rate');
- d) granting a loan or a credit or other lending of money exceeding the PLN equivalent of USD 100,000 (one hundred thousand) at the Exchange Rate, or for which the repayment period is over 1 (one) year, except for trade loans and other claims arising in the ordinary course of business, as well as loans, credits and other amounts due envisaged in the approved annual budget;
- e) spending amounts exceeding the PLN equivalent of USD 1,000,000 (one million) at the Exchange Rate, by way of one or more interrelated transactions, except for the expenditures approved and specified in the budget, or incurred in the ordinary course of business, whereas – for the avoidance of doubt – the expenditures requiring the consent of the Supervisory Board comprise any capital expenditure which has not been included in the approved annual budget in the amount exceeding the PLN equivalent of USD 1,000,000 (one million) at the Exchange Rate;
- f) participating in commercial transactions in which the other party is:
 - a member of the Management Board, his or her spouse, their parents or children,
 - a member of the Supervisory Board, his or her spouse, their parents or children;
- g) conclusion of a joint venture agreement and a deed of a private, general or limited partnership, a profit/revenue sharing agreement, or any other similar agreement, by virtue of which the Company revenue or profits might be or are shared with other individuals or entities;
- h) subscribing for, purchase or sale of shares in other companies, creation of subsidiaries and entering into partnership agreements;
- i) granting guarantees or security bonds concerning the performance of obligations by third parties for the amount exceeding the PLN equivalent of USD 1,000,000 (one million) at the Exchange Rate, unless such guarantee or security bond is provided for in the approved annual budget;
- j) taking out any off-balance sheet liabilities for the amount exceeding the PLN equivalent of USD 1,000,000 (one million) at the Exchange Rate, unless such liability is provided for in the approved annual budget;
- k) taking measures to dispose of interests or shares in the companies of the Capital Group or the assets of the companies of the Capital Group with the value exceeding PLN 5,000,000.00;
- l) employing or hiring advisers and other outsourced persons as consultants, lawyers or agents, if the total annual costs of the employment of such persons, not provided for in the approved annual budget, exceed or may exceed USD 1,000,000 (one million) at the Exchange Rate;
- m) pledging or transferring ownership as a security for a debt, or other encumbering of rights to shares or interests held by the Company;
- n) entering into material agreements with a shareholder with at least 5% in the total number of votes at the General Meeting, or with an entity related to such a shareholder, except for typical agreements concluded at arm's length basis as part of the Company transactions with the companies of the Capital Group.

In 2018 the Supervisory Board of the Company held 7 meetings.

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The principles of the Supervisory Board operation are regulated by the Code of Commercial Companies. The detailed methods of the Supervisory Board operation are determined in the Company Articles and the Supervisory Board By-law, passed by the Supervisory Board, available on the Company Website at: www.grupakety.com/pl/18,dokumenty-spolki.html.

The Supervisory Board is a collective body, however, it has delegated some of its powers to the specific committees described below.

COMMITTEES OF THE SUPERVISORY BOARD

The following committees of the Supervisory Board operate at Grupa Kęty S.A.:

- Audit Committee,
- Remuneration Committee.

The committees are appointed to make the current work of the Supervisory Board more efficient by preparing, on a current basis, draft decisions of the Supervisory Board concerning its own motions or the motions submitted by the Management Board for examination. The committee members are appointed by virtue of a resolution passed by the Supervisory Board, from among the Board members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointment procedure. The committee members do not receive any additional remuneration for their work in the committees.

AUDIT COMMITTEE

Membership of the Audit Committee and information on changes introduced

In 2018 there were introduced the following changes in the membership of the Audit Committee. On 20 September 2018 Mr Paweł Niedziółka was appointed Member of the Audit Committee by the Supervisory Board. As at 31 December 2018, the Audit Committee was composed of:

- Mr Piotr Stępnik – Chairman of the Committee
Mr Piotr Stępnik fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as referred to in the Act on Statutory Auditors [...].
Mr Piotr Stępnik has many years of experience in management and supervision, gained also at the highest levels of organisations (for example as a CEO or Supervisory Board Chairman), at many Polish and foreign companies. The professional experience of Mr Piotr Stępnik covers but is not limited to financial institutions related to (i) banking (e.g. Lukas Bank S.A. or Getin Group companies) or (ii) assets management (e.g. Skarbiec Group). During his professional career Mr Piotr Stępnik has taken part in many investment processes, which included due diligence studies of Polish, Russian, Ukrainian and Belarusian companies (Getin Group). Additionally, at Getin Group, Mr Piotr Stępnik dealt with ownership supervision of the Group companies. Further, Mr Piotr Stępnik has been member of a number of Audit Committees at public companies (including Kruk S.A., Skarbiec Holding S.A., Magellan S.A.). He also possesses theoretical expertise in accounting or financial audit within the meaning of Article 129.1 sentence 2 of the Act, which he gained by getting a Double Major B.A. degree in Management and Economics with Financial Accounting and an EMBA degree (Executive Master in Business Administration).
- Mr Szczepan Strublewski – Member of the Committee
Mr Szczepan Strublewski possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa Kęty S.A. operation, as referred to in the Act on Statutory Auditors [...].
During his professional career Mr Szczepan Strublewski has been mainly related to the financial sector, where he dealt with banking and investments, consulting for M&A transactions (ABN

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AMRO Corporate Finance Polska sp. z o.o., or Dresdner Kleinwort Wasserstein in London) as well as attracting capital and restructuring of companies (as an independent consultant). Moreover, at the beginning of his career Mr Szczepan Strublewski acted as a financial consultant at the Audit Department of Arthur Andersen in Warsaw, and subsequently with the financial analysis of Polish and Central European stock companies (at SBC Warburg in Warsaw, and then in London). As a result of his professional activity, Mr Szczepan Strublewski gained qualifications in auditing financial statements, which he used during his work at the Audit Department, providing business and financial consulting and analysing stock companies, which is performed, among other things, through analysis and examination of financial statements.

Mr Szczepan Strublewski has acted as a Member of the Supervisory Board of Grupa Kęty S.A. since 2004, which makes him an expert in understanding the operation of the Grupa Kęty S.A. Capital Group and the whole sector of the Company activity.

- Mr Piotr Kaczmarek – Member of the Committee

Mr Piotr Kaczmarek fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as referred to in the Act on Statutory Auditors [...].

Mr Piotr Kaczmarek is the holder of a CFA title and a securities broker licence. His professional experience covers more than a decade of work as a financial analyst and several years of work at the Audit Committees of stock-listed companies.

- Mr Bartosz Kazimierzczuk – Member of the Committee

Mr Bartosz Kazimierzczuk fulfils the statutory independence criteria referred to in the Act on Statutory Auditors [...].

- Mr Wojciech Włodarczyk – Member of the Committee

Mr Wojciech Włodarczyk fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa Kęty S.A. operation, as referred to in the Act on Statutory Auditors [...].

In his professional career Mr Wojciech Włodarczyk dealt, among other things, with creating an Audit and Control Department and managing it (Gobarto S.A.), ensuring cash flows and financing capital expenditure (Voxel S.A.), preparing business plans and financial analyses (Doradztwo Gospodarcze DGA S.A.), verification of financial models, optimisation of investments and raw materials costs (a business consulting entity within the Ernst & Young Group), preparing strategies, financial and investment plans as well as financial reports (PKN Orlen S.A.), designing and implementing accounting procedures (Biuro Maklerskie Certus sp. z o.o.). Further, Mr Wojciech Włodarczyk held the position of a Member of the Audit Committee of Qumak S.A.

He also has many years of experience at manufacturing companies, for example as a Supervisory Board Member at Ceramika Nowa Gala S.A. (ceramic products industry), at Projprzem S.A. (steel structures manufacturing company), and Deputy Manager of the Strategic Projects Office at PKN Orlen S.A. (oil processing industry), which puts him in a position to fully understand the sectors and the business environment of Grupa Kęty S.A.

- Mr Paweł Niedziółka – Member of the Committee

Mr Paweł Niedziółka fulfils the statutory independence criteria referred to in the Act on Statutory Auditors [...].

Mr Paweł Niedziółka has over 20 years of experience in analyses and risk management with regard to financing business companies and structuring of bank financing. He acted as an expert on behalf of the Polish Banks Association in assessing projects to be financed by the Polish Agency for Enterprise Development (PARP). He works at the Faculty of Banking of the SGH

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Warsaw School of Economics, as associate professor, where he lectures risk management and corporate banking related subjects. He is an author of court expert papers related to financing within a project-finance formula.

Detailed information about the particular members of the Audit Committee, including their qualifications and experience, is presented on the Company Website at: www.grupakety.com/pl/10,zarząd-i-rada-nadzorcza.html.

Competences of the Audit Committee and information on the method of the Committee appointment and operation

The Audit Committee consists of at least three members, including the Chairman, appointed by the Supervisory Board for its term of office from among its members. The Committee members appointed by the Supervisory Board elect one of them as the Chairman of the Committee. At least one Committee member possesses knowledge and qualifications in accounting or auditing financial statements. A majority of the Audit Committee members, including the Chairman, are independent of the respective public-interest entity. The Committee members possess knowledge and qualifications related to the industry in which the Company operates. This condition is deemed fulfilled if at least one Committee member has the knowledge and qualifications related to that industry, or individual members – within certain areas – have the knowledge and qualifications related to that industry. A Committee member may be dismissed from the Committee at any time by virtue of a Supervisory Board resolution.

The Committee meetings are convened by the Committee Chairman. The Committee shall adopt resolutions if at least half of its members are present at the meeting and all of the members have been duly invited. The Committee resolutions are passed by a simple majority of the votes cast. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the Committee Chairman.

The main objective of the Audit Committee is the cooperation with the Management Board of Grupa Kęty S.A. in order to ensure coherence of the Company financial statements, compliance with legally binding regulations and principles, independence of the auditor's opinion and conducting of internal audits at the Company, as well as drawing up the Committee reports to be attached to the annual reports on the operations of the Company Supervisory Board, subsequently submitted to the General Meeting.

Specifically, the tasks of the Audit Committee include:

- 1) monitoring of:
 - a) the financial reporting process;
 - b) the effectiveness of internal control systems, risk management systems and internal audit, also with regard to financial reporting;
 - c) the performance of auditing activities, in particular carrying out of audits by an audit firm, taking into account any findings and conclusions of the Polish Audit Supervision Commission arising from the audits carried out at an audit firm;
- 2) control and monitoring of independence of the statutory auditor and the audit firm, specifically if the audit firm provides the Company with services other than audit;
- 3) informing the Company Supervisory Board about the audit results and explaining how the audit contributed to the fairness of the Company financial reporting, and about the role of the Audit Committee in the auditing process;
- 4) assessing the independence of the statutory auditor and giving consent to the provision by them of the permitted non-audit services to the Company;
- 5) developing a policy of selection of the audit firm to carry out the audit;

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- 6) developing a policy on the provision of the permitted non-audit services by the audit firm to carry out the audit, the entities related to that audit firm or a member of the audit firm's network;
- 7) establishing the procedure for the selection of an audit firm by the Company;
- 8) presenting recommendations to the Supervisory Board with regard to the selection of an audit firm;
- 9) presenting recommendations to ensure the integrity of the Company financial reporting process.

In 2018, the audit firm carrying out the audit of the Company financial statements provided to the Company the permitted non-audit services which referred to training in risk management, as well as reviewing the condensed financial statements and interim condensed consolidated financial statements of Grupa Kęty S.A. for the period ending 31 June 2018 and for the period ending 30 June 2019 (hereinafter referred to as the Statements Review Services). On 22 January 2018, the Audit Committee carried out an assessment of independence of the audit firm and consented to its provision of the Training Services, and on 2 July 2018, the Audit Committee assessed the independence of the audit firm and consented to its provision of the Statements Review Services.

In 2018 there was selected an audit firm for carrying out the audit of the Company financial statements.

The detailed methods of the Audit Committee operation are determined in the Company Articles and the Audit Committee of the Supervisory Board of Grupa Kęty S.A. By-law, passed by the Supervisory Board, available on the Company Website at: www.grupakety.com/pl/18,dokumenty-spolki.html.

MAIN ASSUMPTIONS OF THE POLICY OF SELECTION OF THE AUDIT FIRM TO CARRY OUT THE AUDIT OF THE FINANCIAL STATEMENTS OF GRUPA KĘTY S.A.

In accordance with the applicable law, Grupa Kęty S.A. shall have its separate and consolidated financial statements reviewed and audited by an audit firm. The selection of an entity authorised to audit the Company financial statements should be carried out on the basis of the following principles.

1. The entity authorised to audit financial statements shall be selected in a tender procedure by the Supervisory Board of Grupa Kęty S.A., on the basis of a recommendation by the Audit Committee of the Supervisory Board. The decision on the selection is taken in the form of a resolution of the Supervisory Board.
2. When selecting the entity authorised to audit the financial statements, the Supervisory Board of Grupa Kęty S.A. focuses on the experience of the audit team as regards auditing financial statements of stock-listed companies. An important element in selecting an audit firm is the firm's experience in the area of financial hedging, risk management, internal audit, as well as IT and corporate governance audit.
3. The selection is made taking into account the principles of impartiality and independence of the audit firm as well as analysis of the projects carried out by the firm at the Company, going beyond the audit of the financial statements, in order to avoid a conflict of interest (preserving impartiality and independence).
4. The basis to carry out an audit by a statutory auditor are the binding legal regulations, and specifically the Polish Act on Accounting, the International Financial Reporting Standards and the requirements of the Stock Exchange. The purpose of the audit is the expression by the audit firm of their opinion and preparing a report in Polish and English as to the compliance with the applied accounting principles and the true and fair presentation of assets, financial standing and the financial result of the Company.
5. The Supervisory Board shall be guided by the principle of rotation of the key statutory auditor, namely that a key statutory auditor may perform their auditing activities for a period not longer than five years, whereas their services may be provided again only after the lapse of two years.

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The Policy of Grupa Kęty S.A. with regard to the selection of an audit firm to carry out the audit of statutory financial statements, and the procedure of selecting an audit firm to audit the statutory financial statements are available on the Company Website at: www.grupakety.com/pl/68,regulawyboru-podmiotu-uprawnionego-do-badania-sprawozdan-finansowych.html.

MAIN ASSUMPTIONS OF THE POLICY ON THE PROVISION OF PERMITTED NON-AUDIT SERVICES BY THE AUDIT FIRM CARRYING OUT THE AUDIT, THE ENTITIES RELATED TO THAT AUDIT FIRM OR A MEMBER OF THE AUDIT FIRM'S NETWORK

1. The Company does not order any prohibited non-audit services in the following periods:
 - a. in the period from the commencement of the respective audited period to the issue of the audit report; and
 - b. in the reporting year directly preceding the period referred to in letter a), in reference to the services listed in Section 3 letter g).
2. The Company may order non-audit services, other than the prohibited non-audit services, subject to their approval by the Audit Committee and after carrying out of the respective assessment of threats and assuring independence in compliance with Article 22.b of Directive 2006/43/EC.
3. Prohibited non-audit services are understood to be the services listed below, in accordance with the REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL:
 - a. tax services relating to:
 - i. preparation of tax forms;
 - ii. payroll tax;
 - iii. customs duties;
 - iv. identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;
 - v. support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;
 - vi. calculation of direct and indirect tax and deferred tax;
 - vii. provision of tax advice;
 - b. services that involve playing any part in the management or decision-making of the audited entity;
 - c. bookkeeping and preparing accounting records and financial statements;
 - d. payroll services;
 - e. designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
 - f. valuation services, including valuations performed in connection with actuarial services or litigation support services;
 - g. legal services, with respect to:
 - i. the provision of general counsel;
 - ii. negotiating on behalf of the audited entity; and
 - iii. acting in an advocacy role in the resolution of litigation;
 - h. services related to the audited entity's internal audit function;
 - i. services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
 - j. promoting, dealing in, or underwriting shares in the audited entity;
 - k. human resources services, with respect to:
 - i. management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:

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- searching for or seeking out candidates for such position; or
- undertaking reference checks of candidates for such positions;
- ii. structuring the organisation design; and
- iii. cost control.

In 2018 the Audit Committee held 8 meetings.

The policy of Grupa Kęty S.A. with regard to providing the permitted non-audit services by the audit firm carrying out the audit, by entities related to that audit firm and by a member of the audit firm's network is available on the Company Website at: www.grupakety.com/pl/68,regula-wyboru-podmiotu-uprawnionego-do-badania-sprawozdan-finansowych.html.

REMUNERATION COMMITTEE

Membership of the Remuneration Committee and information on changes introduced

In 2018 there were no changes in the membership of the Remuneration Committee. As at 31 December 2018, the Remuneration Committee was composed of:

- Mr Paweł Niedziółka – Chairman of the Committee,
- Mr Bartosz Kazimierczuk – Member of the Committee,
- Mr Wojciech Włodarczyk – Member of the Committee.

Competences of the Remuneration Committee and information on the method of the Committee appointment and operation

The basic objectives of the Remuneration Committee are as follows:

- control and supervision of the system of remuneration of the Grupa Kęty S.A. Management Board Members;
- analysis of the system of remuneration of the Company Management Board Members in comparison to the systems binding at other companies operating on the market;
- preparing reports of the Committee to be attached to the annual report on the activities of the Company Supervisory Board, subsequently presented to the Company General Meeting.

The Committee consists of at least two members, and their specific number is determined every year by the Supervisory Board. The Committee members are appointed by virtue of a resolution of the Supervisory Board, from among the Board's members, whereas the committee members perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointment procedure.

In 2018 the Remuneration Committee held 2 meetings.

The detailed methods of the Remuneration Committee operation are determined in the Company Articles and the Remuneration Committee of the Supervisory Board of Grupa Kęty S.A. By-law, passed by the Supervisory Board, available on the Company Website at: www.grupakety.com/pl/18,dokumenty-spolki.html.

GENERAL MEETING AND RIGHTS OF THE SHAREHOLDERS

The methods of Grupa Kęty S.A. General Meeting operation and the basic rights of the General Meeting are regulated by the Company Articles of Association and the General Meeting By-law. The documents are available on the Company Website at: <http://www.grupakety.com/pl/18,dokumenty-spolki.html>.

General Meetings are held at the registered office of the Company in Bielsko-Biała or in Warsaw. They are convened by the Management Board on the basis of an announcement published on the Company Website, in the manner specified for current information disclosure, in accordance with the Act on

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Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies. A General Meeting may also be convened by the Supervisory Board or shareholders representing at least half of the share capital. The shareholders representing at least 5% of the share capital may request the convening of a General Meeting and including certain items in the agenda of the Meeting.

A General Meeting is valid regardless of the number of the shares represented at it. Pursuant to the adopted General Meeting By-law, a General Meeting session is opened by the Company Supervisory Board Chairman or a person indicated by him or her, who further orders to elect the General Meeting Chairman from among the persons entitled to vote. The candidates for the position of the General Meeting Chairman may be proposed by persons authorised to vote at the General Meeting. Following the Chairman election, he or she declares that the General Meeting is validly held and that it is capable of passing resolutions as regards the matters included in the agenda, and orders to adopt the agenda. During the meeting, the Chairman's rights and duties include supervision of the session compliance with the Code of Commercial Companies, the Company Articles of Association and the General Meeting By-law, giving the General Meeting participants the floor and taking the floor away from them, ordering breaks during the session, ordering voting on the General Meeting resolutions and confirming the correct course and results of voting.

Due to the fact that the Company is stock listed, only the shareholders who are the owners of bearer shares at 16 days prior to the date of the General Meeting may participate in it and exercise their voting rights. They must properly register their participation in the General Meeting, in accordance with the Code of Commercial Companies. Furthermore, the Members of the Management and Supervisory Boards, the Company auditor and other persons invited by the governing body convening the General Meeting may participate in the Meeting, unless, at the request of shareholders filed before proceeding to the discussion over the issues included in the agenda, the General Meeting decides otherwise with a simple majority of votes.

The list of shareholders entitled to participate in the General Meeting, signed by the Management Board, and including the names and surnames or business names of the entitled persons or companies, their addresses (addresses of registered offices), the number of their shares and votes, is available at the registered office/on the premises of the Company Management Board three business days prior to the General Meeting. Pursuant to the Company Articles of Association, the General Meeting of Grupa Kęty S.A. By-law as well as legal regulations, the Company shareholders may:

- participate in the General Meeting and exercise their voting rights in person or through plenipotentiaries;
- run for the position of the General Meeting Chairman or propose one candidate for the position to be included in the minutes;
- ask questions concerning each item on the agenda;
- raise objections to the decisions of the General Meeting Chairman. A General Meeting decides by virtue of a resolution whether a decision of the General Meeting Chairman should be upheld or overruled;
- submit proposals of amendments and supplements to draft resolutions included in the General Meeting agenda by the time of closing the discussion on the items of the agenda concerning the draft resolutions to which such proposals pertain;
- demand secret voting;
- demand information from the Company Management Board concerning the items on the General Meeting agenda in the case of and subject to exceptions provided for in legal regulations;

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- demand the list of shareholders to be e-mailed to them free of charge, indicating the e-mail address to which such a list should be sent. A shareholder may examine the list of shareholders on the Management Board's premises and demand a copy of the list, paying the costs of its preparation;
- examine the books of minutes of the General Meeting and request copies of resolutions certified by the Management Board;
- appeal against resolutions of the General Meeting in the cases provided for in legal regulations.

The proceedings of the General Meeting are recorded in the minutes by a notary public and an excerpt from the minutes along with the proof of convening the General Meeting and the powers of attorney granted by shareholders are attached by the Company Management Board to the book of minutes to which the shareholders may have insight to and demand issuing from it copies of resolutions certified by the Management Board. The resolutions of a General Meeting are passed with the majority of votes, as set out in the Articles of Association and the Code of Commercial Companies. Votes are cast and counted in an electronic votes counting system. The voting is open. Secret voting is ordered during the elections and with regard to motions regarding dismissal of the members of the Company governing bodies, bringing them to justice as well as with respect to personal issues. Secret voting is also ordered when at least one shareholder present or represented at the General Meeting so requests. After discussing all the matters included in the agenda, the Chairman announces the closing of the General Meeting. The proceedings of the General Meeting are broadcast live on the Internet, and also recorded and uploaded to the Website of Grupa Kęty S.A. to be watched at a chosen time.

In 2018 there was held one General Meeting, i.e. the Annual General Meeting, on 24 April 2018, at which 15 resolutions were passed. Detailed information on General Meetings, and the resolutions passed are available on the Company Website at: www.grupakety.com/pl/38,wza.html.

AMENDMENTS TO THE COMPANY ARTICLES OF ASSOCIATION

Any amendment to the Articles of Association requires a resolution of the General Meeting passed with the majority of 3/4 of votes, and the amendment must be entered in the National Court Register (Article 430 of the Code of Commercial Companies). Reporting the amendment to the Articles is the responsibility of the Company Management Board. The Management Board is obliged to report an amendment to the Articles within three months of the adoption of a respective resolution.

In 2018 there were no amendments to the Company Articles of Association.

INFORMATION ON THE ISSUED SECURITIES AND LIMITATIONS IN THE EXERCISE OF THE RIGHT OF VOTE

a) Holders of securities with special control powers

The Company has not issued any securities with special control powers. The Company Articles of Association do not provide for any powers in that regard. The shares of Grupa Kęty S.A. are ordinary bearer shares. Each share entitles its holder to one vote at the General Meeting.

b) Indication of any limitations with regard to the exercise of the right of vote

The Company has not introduced any special limitations on the exercise of the right of vote. The Company Articles of Association do not provide for any limitations in that regard.

c) Restrictions on the transfer of securities ownership rights

The transfer of ownership rights with regard to the securities issued by the Company is not restricted. The Company Articles of Association do not provide for any limitations in that regard.

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DIVERSITY POLICY WITH REGARD TO MANAGING AND SUPERVISORY BODIES OF GRUPA KĘTY S.A.

Grupa Kęty S.A. (hereinafter referred to as the Company) has not developed or applied any diversity policy with regard to the Company managing and supervisory bodies. The Company has not ensured a balanced proportion of men and women within the Management and Supervisory Boards. The members of the 5-person Management Board and the 6-person Supervisory Board are only men. The Management Board Members have been appointed by the Supervisory Board, whereas apart from the President, the other Management Board Members have been appointed at the request of the President. The Supervisory Board Members have been appointed by the General Meeting from among the candidates proposed by the Company shareholders.

To the best knowledge of the Company Management Board, the appointment of the Management and Supervisory Board Members has been based on their subject-matter knowledge, competencies and experience, and has not been discriminating in any manner with regard to gender, type of education or age.

A Diversity Policy is binding at the Company and the Capital Group with regard to all of their employees, which supplements the guidelines provided for in the Code of Ethics, whereas the basic element of the Diversity Policy is to prevent any forms of employees or contractors discrimination because of their sex, age, disability, health, race, nationality, ethnic origin, religion, denomination, atheism, political views, trade union affiliation, psycho-sexual orientation, gender identity, family status, lifestyle, the form, scope and basis of employment, other types of cooperation or other discriminatory grounds.

Internal control and risk management systems in the process of financial statements preparation
The Management Board of Grupa Kęty S.A. is responsible for the development and implementation of appropriate, effective and efficient internal control and risk management systems in relation to the process of preparing financial statements. The Financial Division, supervised by the Member of the Management Board of Grupa Kęty S.A. acting as the Financial Director, is responsible for the preparation of financial statements, interim financial reporting and provision of management information.

The Supervisory Board supervises the operation of the internal control system, evaluating its relevance, effectiveness and efficiency via the Audit Committee and the Internal Audit Department, whose objective is to systematically and orderly review and evaluate the functioning of risk management, internal control and corporate governance processes. The internal audit function has been built on the basis of the International Standards of Internal Audit Professional Practice published by the Institute of Internal Auditors. As at the end of 2018, three people were employed at the Internal Audit Department.

The financial statements are prepared directly by Dekret Centrum Rachunkowe sp. z o.o., a wholly-owned subsidiary of Grupa Kęty S.A. Dekret employs accounting specialists whose knowledge is supported with the required certificates and education as well as experience needed to prepare the statements in an appropriate way.

Grupa Kęty S.A. adopted the Accounting Policy conforming to the International Financial Reporting Standards, the chart of accounts and reporting databases, having regard for the format and detailed nature of the financial figures presented in financial statements.

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The aim of the internal control system within the process of preparing financial statements is to ensure accurate, complete and correct accounting for all business transactions in a given period. The system is based on the division of duties, the approval of transactions and data on multiple levels, and verification of correctness of the obtained information.

Additionally, in accordance with the binding legal regulations, the Company has its financial statements audited (annual statements) or reviewed (semi-annual statements) by an independent statutory auditor. The statutory auditor is selected by the Supervisory Board from among the established audit firms, based on the Audit Committee recommendations. Within the audit work, the statutory auditor provides an independent assessment of the fairness and correctness of separate and consolidated financial statements and takes into account the efficiency of the internal control and risk management systems.

The process of preparing financial statements comprises control mechanisms of technical nature (numerical and logical control formulas) and substantive nature (the analysis of control reports outcomes). The following risks have been identified in the process of preparing financial statements:

- erroneous input data;
- faulty data presentation;
- application of erroneous estimates;
- missing IT systems integration.

The risks are mitigated by:

- maintenance of a uniform system of data mapping from the source systems to financial statements, which ensures the proper presentation of data;
- periodical reviews conducted by internal specialists, with the main purpose to confront their knowledge with the financial figures and detect any possible improper presentations of data and erroneous input data;
- making estimates based on the best knowledge of the Management Board, including also with the assistance of independent advisers (e.g. licence actuaries or property appraisers), if needed;
- auditing the annual separate and consolidated financial statements as well as reviewing the semi-annual separate and consolidated financial statements of the Company and the Capital Group by an independent auditor, for the purpose of detecting major irregularities, including omissions in the process of financial reporting;
- use of an integrated in-house IT system (ensuring complete data integration), which is subject to control in accordance with the Company security procedures binding for that system;
- application of uniform principles in the reporting process of the Capital Group companies, and compliance with the uniform chart of accounts binding at the Group.

Observance of the respective laws and regulations (compliance-related tasks)

The organisational structures of Grupa Kęty S.A. enable the coordination of measures aimed at ensuring compliance with the respective laws and regulations, both at the business segments and at the Capital Group level. The structures comprise departments at the Head Office of Grupa Kęty S.A. responsible for separate areas, the corresponding structures at the subsidiaries, the Group procedures system called OrangeBook as well as the defined competencies and responsibilities of departments.

The OrangeBook – being an established system of guidelines – enables the Capital Group companies to take advantage of the common knowledge and apply a proper approach to any matters related to legal requirements and conducting business.

13. OTHER REPORT ELEMENTS

13.1 Information on the Employee Share Scheme control system

The share-based incentive plans are approved at Grupa Kęty S.A. by the General Meeting and supervised by the Company Supervisory Board.

13.2 Description of the allocation of the issue proceeds by the issuer

By way of exercising the rights under the Employee Share Scheme the eligible employees acquired the total of 23,747 G series shares assigned to the 2012 plan. Detailed information is provided in the table below. The related proceeds were allocated to the financing of the current operations of the Company.

Shares	Issue price	Quantity	Value (PLN '000)
G series shares – 2012 programme	117.10	23,747	2,780.8
TOTAL	-	23,747	2,780.8

13.3 Information on shares repurchase

In the period covered with the report the Company did not repurchase any of its shares.

13.4 Information on agreements known to the issuer (including agreements concluded after the balance-sheet date), which may result in future changes in the proportions of the shares held by the existing shareholders and bondholders

At present, the Group has two share options plans open for the management staff, based on the issue of shares as part of contingent capital, i.e. the plan adopted by the General Meeting in 2012 and the plan adopted in 2015. An eligible person indicated by the Company Supervisory Board is granted the right to acquire shares when the plan conditions are met. Currently, the maximum number of shares that can be acquired by the eligible persons is 190,000, out of which the acquisition conditions specified by the plan have already been met for 70,000 shares, whereas the fulfilment of conditions for the remaining 120,000 shares will be verified after the approval of 2018 and 2019 financial statements by the General Meeting. Apart from the information disclosed above, the Company is not aware of any other agreements which may result in future changes in the proportions of the shares held by the existing shareholders and bondholders.

13.5 Information on pending proceedings

As at the last day of the reporting period and as at the date of this report, the companies of the Grupa Kęty S.A. Capital Group were not a party to any proceedings pending at court, competent arbitration tribunal or public administration authority, for which the total value would account for at least 10% of the equity of Grupa Kęty S.A.

13.6 Clarification of differences between the financial result disclosed in the report and previously published projections for the year

The 2018 financial result does not significantly differ from the projections published on 1 February 2018.

13.7 Information on agreement with the entity auditing the financial statements

On 14 April 2016, the Supervisory Board of Grupa Kęty S.A. – acting pursuant to § 21.2.11 of the Company Articles of Association – selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw (registered under number 130; court ID [KRS] 0000481039) as the entity to audit the separate financial statements of Grupa Kęty S.A. and the consolidated financial statements of the Grupa Kęty S.A. Capital Group for the years 2016–2019, as recommended by the Audit Committee. The table below presents the auditor’s remuneration in 2018 and 2017.

	2018	2017
Remuneration for the audit of annual separate and consolidated financial statements	108	120
Remuneration for the audit of financial statements of subsidiaries	213	205
Remuneration for semi-annual reviews	20	30
Remuneration for open training	13	0
Auditor’s total remuneration for the period	354	355

The services provided did not affect the independence of the audit firm from the parent company and the Group companies.

13.8 Derivative financial instruments

Details concerning derivative financial instruments are presented in note 37 to the consolidated financial statements of the Grupa Kęty S.A. Capital Group for 2018.

13.9 Intra-group transactions

Intra-group transactions from the point of view of the parent company:

Subsidiary		Sales	Purchases	Dividends	Receivables	Liabilities
Aluprof S.A.	2018	254,538	4,166	95,000	55,512	336
	2017	241,010	4,410	120,006	52,664	654
Alupol Packaging S.A.	2018	1,612	0	40,000	313	0
	2017	1,584	0	74,463	261	0
Alutech Sp. z o.o. under liquidation*	2018	0	0	0	0	0
	2017	4	0	0	0	0
Alu Trans System Sp. z o.o.	2018	3	0	0	0	0
	2017	3	0	0	0	0
Dekret Centrum Rachunkowe Sp. z o.o.	2018	802	1,915	357	57	189
	2017	683	1,702	144	42	370
Aluprof Węgry Kft.	2018	417	380	0	36	153
	2017	324	372	0	86	96
Alupol LLC	2018	3,894	9,920	0	158	3,964
	2017	3,408	8,205	0	0	3,511
ROMB S.A.	2018	14,462	101	0	3,810	66

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	2017	3,199	78	0	3,216	43
Aluform Sp. z o.o.	2018	1,444	59,708	17,520	3,335	6,024
	2017	1,540	59,200	17,053	126	6,072
Alupol Packaging Kęty Sp. z o.o.	2018	7,265	15	0	1,290	11
	2017	7,501	40	0	1,051	9
Alupol Films Sp. z o.o.	2018	421	0	0	44	0
	2017	401	0	0	84	0
Aluprof System Czech Ltd.	2018	2	0	0	0	0
	2017	0	2,153	0	0	0
Aluprof Belgium NV	2018	69	0	0	11	0
	2017	61	0	0	4	0
Grupa Kęty Italia SRL	2018	3	1,566	0	0	197
	2017	140	1,605	0	0	99
Aluminium Kęty EMMI d.o.o.	2018	4,432	3,870	0	886	139
	2017	1,739	93	0	546	99
Aluminium Kęty Deutschland GmbH	2018	19	1,293	0	1	210
	2017	34	1,278	0	0	155
Marius Hansen Facader A/S	2018	0	0	0	0	0
	2017	0	0	0	0	0
Aluprof UK	2018	67	0	0	15	0
	2017	0	0	0	0	0
Aluprof Rumunia	2018	12	0	0	1	0
	2017	0	0	0	0	0
Aluminium Kęty Czechy s.r.o.	2018	0	618	0	0	42
	2017	137	204	0	137	57
Total	2018	289,462	83,552	152,877	65,469	11,331
Total	2017	261,769	80,316	211,666	58,217	11,162

In 2017, in relation to the completion of liquidation of Alutech Sp. z o.o. under liquidation, Grupa Kęty S.A. received funds in the amount of PLN 3,503,000; the value of shares in Alutech Sp. z o.o. under liquidation was PLN 1,395,000 and, therefore, the Company recognised the increase of retained profit in the amount of PLN 2,108,000.

Furthermore, in the reporting period, the Company paid a donation to the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation amounting to PLN 15,000 (previous year: PLN 15,000). The Foundation was established by Grupa Kęty S.A. in 2011. The Company contributed PLN 50 thousand as the founder's capital. The Foundation is a non-profit organisation accomplishing social objectives.

The transactions with the Management Board and the Supervisory Board are described in note 35 to the financial statements. Apart from the transactions and balances referred to above, there were no other significant inter-company transactions.

13.10 Post-balance-sheet events

On 23 January 2019, upon consulting the Supervisory Board, the Management Board of Grupa Kęty S.A. made a decision on the commencement of reviewing the strategic options (hereinafter referred to as the Process) in order to create the Company development strategy for the coming years. The Process will refer to the scope of the operating activities of the Company and the Capital Group. The Company Management Board will assess and analyse the competitive position of the Capital Group operating segments, market conditions, potential for further organic growth of the Capital Group and further development of the Group by acquisitions and divestments. At the same time, the

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Management Board will review the assets and areas of activities with regard to their importance to long-term strategic objectives, having regard to the interest of the shareholders. The results and conclusions of the strategic options review may serve the Management Board in updating the strategic plans of the Company.

On 6 February 2019, the Management Board of Grupa Kęty S.A. published the projections of the 2019 consolidated financial result of the Capital Group.

14. DECLARATIONS OF THE MANAGEMENT BOARD

DECLARATION OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. REGARDING COMPLIANCE OF THE ANNUAL FINANCIAL STATEMENTS WITH THE APPLICABLE ACCOUNTING PRINCIPLES

To the best of our knowledge, the annual financial statements of Grupa Kęty S.A. and the annual consolidated financial statements of the Grupa Kęty S.A. Capital Group, prepared as at the balance-sheet date of 31 December 2018, as well as the comparative data have been prepared in accordance with the applicable accounting policies and they present a true, fair and transparent view of the assets and financial standing of Grupa Kęty S.A. and the Grupa Kęty S.A. Capital Group, including their financial results. This annual report of the Management Board on the operations of Grupa Kęty S.A. and the Grupa Kęty S.A. Capital Group, presents a true view of the development and accomplishments as well as of the standing of Grupa Kęty S.A. and the Grupa Kęty S.A. Capital Group, including a description of the basic risks and threats.

Dariusz Mańko

President
of the Management Board

Adam Piela

Member
of the Management Board

Piotr Wysocki

Member
of the Management Board

Tomasz Grela

Member
of the Management Board

Rafał Lechowicz

Member
of the Management Board

Kęty, 29 March 2019