THE CAPITAL GROUP OF GRUPA KĘTY S.A.
CONSOLIDATED QUARTERLY REPORT
FOR Q.3, 2019

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 3/2019

(compliant with paragraphs 60.2 and 62.1 of the Regulation on current and interim information for the issuers of securities running manufacturing, construction, commercial or service business) for three quarters of the reporting year 2019, covering the period from 1 January 2019 to 30 September 2019, comprising the interim condensed consolidated financial statements in accordance with IAS 34, in Polish zlotys (PLN), supplementary information to the quarterly report and quarterly financial information of Grupa Kęty S.A. in Polish zlotys (PLN).

23 October 2019

(date of submission)

GRUPA KĘTY SPÓŁKA AKCYJNA

(full name of the issuer)

KETY	**Metal sector [met]**
(short name of the issuer)	(sector in accordance with the Warsaw Stock Exchange classification/ industry)
32-650	**Kęty**
(postal code)	(city)
Kościuszki	**111**
(street)	(number)
33 844 60 00	**33 845 30 93**
(phone)	**(fax)**
kety@grupakety.com	**www.grupakety.com**
(e-mail)	**(website)**
549-000-14-68	**070614970**
(tax identification number – NIP)	**(statistical identification number – REGON)**

SELECTED FINANCIAL DATA

Data referring to the condensed consolidated financial statements in accordance with IFRS

ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	3 quarters of 2019	3 quarters of 2018	3 quarters of 2019	3 quarters of 2018
Net sales revenue	2,449,543	2,235,201	568,524	525,497
Profit on operating activities	303,779	278,251	70,505	65,417
Profit before tax	288,221	262,505	66,894	61,715
Net profit	232,888	208,142	54,052	48,934
Net profit (loss) attributable to owners of the parent	232,515	208,147	53,965	48,935
Total net income (loss)	243,850	202,747	56,596	47,666
Total net income (loss) attributable to owners of the parent	243,477	202,752	56,510	47,667
Net cash flow from operating activities	419,929	208,868	97,463	49,105
Net cash flow from investing activities	(189,612)	(160,752)	(44,008)	(37,793)
Net cash flow from financing activities	(206,708)	(20,410)	(47,976)	(4,798)
Total net cash flows	23,609	27,706	5,480	6,514
Net earnings per share attributable to owners of the parent (in PLN/EUR)	24.34	21.83	5.65	5.13
Diluted net earnings per share attributable to owners of the parent (in PLN/EUR)	24.29	21.78	5.64	5.12
BALANCE SHEET ITEMS	**30.09.2019**	**31.12.2018**	**30.09.2019**	**31.12.2018**
Total assets	2,899,999	2,779,848	663,069	646,476
Liabilities and provisions for liabilities	1,483,232	1,382,806	339,133	321,583
Long-term liabilities	391,720	314,663	89,565	73,177
Short-term liabilities	1,091,512	1,068,143	249,568	248,405
Equity attributable to owners of the parent	1,415,603	1,396,251	323,670	324,710
Share capital	67,825	67,763	15,508	15,759
Number of shares	9,569,947	9,545,447	9,569,947	9,545,447
Book value per share (in PLN/EUR)	147.92	146.27	33.82	34.02
Diluted book value per share (in PLN/EUR)	147.82	145.98	33.80	33.95

Data referring to the quarterly financial disclosure of Grupa Kęty S.A.

ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	3 quarters of 2019	3 quarters of 2018	3 quarters of 2019	3 quarters of 2018
Net sales revenue	900,753	874,251	209,059	205,537
Profit on operating activities	215,698	206,534	50,062	48,556
Gross profit	208,551	200,555	48,403	47,151
Net profit	202,488	190,748	46,996	44,845
Net comprehensive income	205,288	186,940	47,646	43,950
Net cash flow from operating activities	138,047	171,469	32,040	40,312
Net cash flow from investing activities	(55,963)	(94,347)	(12,989)	(22,181)
Net cash flow from financing activities	(89,906)	(54,032)	(20,867)	(12,703)
Total net cash flows	(7,822)	23,090	(1,815)	5,428
Earnings per share (in PLN/EUR)	21.19	20.00	4.92	4.70
Diluted earnings per share (in PLN/EUR)	21.15	19.96	4.91	4.69
BALANCE SHEET ITEMS	**30.09.2019**	**31.12.2018**	**30.09.2019**	**31.12.2018**
Total assets	1,356,907	1,223,056	310,249	284,432
Liabilities and provisions for liabilities	685,754	533,466	156,794	124,062
Long-term liabilities	158,070	158,326	36,142	36,820
Short-term liabilities	527,684	375,140	120,652	87,242
Equity	671,153	689,590	153,456	160,370
Share capital	67,825	67,763	15,508	15,759
Number of shares	9,569,947	9,545,447	9,569,947	9,545,447
Book value per share (in PLN/EUR)	70.13	72.24	16.03	16.80
Diluted book value per share (in PLN/EUR)	70.08	72.10	16.02	16.77

The above financial figures for the three quarters of 2019 and 2018 were translated into EUR as follows:

- assets and liabilities – at the mean exchange rate of the National Bank of Poland (NBP) as at 30 September 2019 – 4.3736 PLN/EUR, and as at 31 December 2018 – 4.30 PLN/EUR;

– the 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: three quarters of 2019 – 4.3086 PLN/EUR, and three quarters of 2018 – 4.2535 PLN/EUR.

THE CAPITAL GROUP OF GRUPA KĘTY S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE QUARTERS OF 2019, ENDED ON 30 SEPTEMBER 2019, PREPARED IN ACCORDANCE WITH IAS 34

(PLN '000)

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Total operating revenue, including:		**840,722**	**2,457,059**	**813,344**	**2,239,783**
Sales revenue	8	838,848	2,449,543	811,600	2,235,201
- including from the sales to associates		1,332	1,365	0	2
Other operating revenue		1,874	7,516	1,744	4,582
Share in net profit of entities accounted for using the equity method		**408**	**792**	**284**	**952**
Change in inventories of finished goods and work in progress		**(1,632)**	**(23,196)**	**15,191**	**30,583**
Cost of manufacturing of products for own needs		**2,969**	**9,582**	**3,115**	**8,782**
Total operating costs, including:		**(716,652)**	**(2,140,458)**	**(722,702)**	**(2,001,849)**
Depreciation		(34,763)	(102,368)	(31,094)	(93,616)
Materials and energy and the value of trade goods and materials sold		(501,653)	(1,493,890)	(513,419)	(1,399,988)
Third-party services		(58,255)	(174,973)	(61,896)	(167,278)
Taxes and fees		(3,957)	(11,785)	(3,989)	(11,552)
Employee benefits		(112,299)	(337,258)	(106,092)	(310,648)
Write-downs of financial assets IFRS 9		(1,206)	(1,814)	0	(96)
Other operating costs		(4,519)	(18,370)	(6,212)	(18,671)
Profit on operating activities		**125,815**	**303,779**	**109,232**	**278,251**
Financial revenue		246	668	187	536
Finance costs		(3,942)	(16,226)	(5,734)	(16,282)
Profit before tax		**122,119**	**288,221**	**103,685**	**262,505**
Income tax	11	(22,985)	(55,333)	(20,535)	(54,363)
Net profit on continued operations		**99,134**	**232,888**	**83,150**	**208,142**
Attributable to non-controlling interests		115	373	(21)	(5)
Attributable to owners of the parent		**99,019**	**232,515**	**83,171**	**208,147**
Earnings per share attributable to owners of the parent (PLN)	35				
Basic		10.35	24.34	8.71	21.83
Diluted		10.34	24.29	8.70	21.78

In the presented periods, the Group did not discontinue any operations.

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Net profit for the period	**99,134**	**232,888**	**83,150**	**208,142**
Other comprehensive income*:	**7,544**	**10,962**	**(7,359)**	**(5,395)**
Cumulative translation adjustment for related parties	4,994	4,975	(2,339)	1,998
Valuation of cash flow hedging instruments	2,317	6,857	(4,180)	(7,527)
Result on cash flow hedging transactions	712	433	(1,633)	(1,297)
Income tax related to other comprehensive income recognised in profit or loss	(479)	(1,303)	793	1,431
Comprehensive income for the period	**106,678**	**243,850**	**75,791**	**202,747**
Comprehensive income attributable to:				
Non-controlling interests	115	373	(21)	(5)
Owners of the parent	**106,563**	**243,477**	**75,812**	**202,752**

**All items of other comprehensive income will be reclassified to profit or loss when certain conditions are met in further periods.*

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.09.2019	31.12.2018
I. Non-current assets		**1,661,218**	**1,574,739**
Property, plant and equipment		1,418,925	1,337,054
Intangible assets		36,277	39,657
Right-of-use assets	20	44,633	0
Goodwill		19,929	19,889
Investment properties		4,003	3,493
Interests in associates		5,857	4,761
Other investments		11	11
Long-term receivables		5,965	6,801
Advance payments for the purchase of property, plant and equipment		10,747	38,409
Deferred tax assets		114,871	124,664
II. Current assets		**1,238,781**	**1,205,109**
Inventories	16	458,709	509,461
Income tax receivables		1,194	1,883
Trade and other receivables	14	646,847	571,136
Contractual assets	15	5,605	21,243
Short-term investments		93	99
Derivative financial instruments	31	2,043	606
Cash and cash equivalents	9	124,290	100,681
Total assets		**2,899,999**	**2,779,848**

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

EQUITY/LIABILITIES	Note	30.09.2019	31.12.2018
I. Equity		**1,416,767**	**1,397,042**
Share capital		67,825	67,763
Share premium		38,018	33,900
Capital from share based payments		25,508	24,322
Result on cash flow hedging transactions		(98)	(531)
Capital from the revaluation of hedging instruments		(1,811)	(7,365)
Capital from the revaluation of property, plant and equipment		2,841	2,841
Retained earnings		1,308,759	1,305,735
Cumulative translation adjustment for foreign companies		(25,439)	(30,414)
Equity attributable to owners of the parent		**1,415,603**	**1,396,251**
Equity attributable to non-controlling interests		1,164	791
II. Long-term liabilities		**391,720**	**314,663**
Liabilities related to loans	18	274,014	220,782
Lease liabilities	19	21,713	0
Other liabilities	22.1	1,096	1,130
Provisions	17	715	499
Provisions for employee benefits		13,049	12,675
Deferred income		37,332	37,103
Deferred tax liability		43,801	42,474
III. Short-term liabilities		**1,091,512**	**1,068,143**
Liabilities related to loans	18	484,183	654,274
Lease liabilities	19	3,512	0
Income tax payables		15,152	10,818
Trade payables and other liabilities	22.2	535,006	345,747
Contractual liabilities	22.3	14,737	10,738
Provisions and accruals	17	32,621	34,883
Derivative financial instruments	31	4,283	9,700
Deferred income		2,018	1,983
Total equity/liabilities		**2,899,999**	**2,779,848**

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN ‘000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 subsidiaries	**Equity attributable to owners of the parent**	Equity attributable to non-controlling interests	**Total equity**
Equity as at 1 January 2019	**67,763**	**33,900**	**0**	**24,322**	**(531)**	**(7,365)**	**2,841**	**1,305,735**	**(30,414)**	**1,396,251**	**791**	**1,397,042**
Comprehensive income for the period:	0	0	0	0	433	5,554	0	232,515	4,975	**243,477**	373	**243,850**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*232,515*	*0*	***232,515***	*373*	***232,888***
Other comprehensive income	*0*	*0*	*0*	*0*	*433*	*5,554*	*0*	*0*	*4,975*	***10,962***	*0*	***10,962***
Costs of share options	0	0	0	1,186	0	0	0	0	0	**1,186**	0	**1,186**
Dividends	0	0	0	0	0	0	0	(229,491)	0	**(229,491)**	0	**(229,491)**
Issue of shares	62	4,118	0	0	0	0	0	0	0	**4,180**	0	**4,180**
Equity as at 30 September 2019	**67,825**	**38,018**	**0**	**25,508**	**(98)**	**(1,811)**	**2,841**	**1,308,759**	**(25,439)**	**1,415,603**	**1,164**	**1,416,767**
Previous year												
Equity as at 1 January 2018	**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	(892)	(6,501)	0	208,147	1,998	**202,752**	(5)	**202,747**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*208,147*	*0*	***208,147***	*(5)*	***208,142***
Other comprehensive income	*0*	*0*	*0*	*0*	*(892)*	*(6,501)*	*0*	*0*	*1,998*	***(5,395)***	*0*	***(5,395)***
Valuation of share based payments	0	0	0	1,715	0	0	0	0	0	**1,715**	0	**1,715**
Dividends	0	0	0	0	0	0	0	(228,521)	0	**(228,521)**	0	**(228,521)**
Issue of shares	59	2,721	0	0	0	0	0	0	0	**2,780**	0	**2,780**
Equity as at 30 September 2018	**67,763**	**33,900**	**0**	**23,707**	**(346)**	**(1,098)**	**3,314**	**1,246,067**	**(31,764)**	**1,341,543**	**556**	**1,342,099**

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Cash flow from operating activities				
Profit before tax	**122,119**	**288,221**	**103,685**	**262,505**
Adjustments:	42,135	118,154	31,375	110,477
Share in net profit of entities accounted for using the equity method	(408)	(792)	(284)	(952)
Depreciation	34,763	102,368	31,094	93,616
Profit from net currency translation differences	1,483	1,791	(1,676)	3,540
(Profit)/loss from sales of property, plant and equipment	153	(178)	107	16
Interest and share in profits	4,637	12,682	3,560	13,022
Proceeds/(expenses) related to hedging instruments recognised in equity	713	434	(1,344)	(894)
Share based payments	331	1,186	561	1,715
Other items (net)	463	663	(643)	414
Cash flow from operating activities before the change of working capital	**164,254**	**406,375**	**135,060**	**372,982**
Change in inventories	8,306	50,752	(15,846)	(55,319)
Change in net receivables	4,464	(59,237)	157,253	46,599
Change in short-term liabilities, except for loans	(8,400)	64,047	(177,829)	(111,243)
Change in provisions	2,285	(1,672)	1,194	(3,433)
Change in deferred income	200	264	(552)	4,176
Net cash generated from operating activities	**171,109**	**460,529**	**99,280**	**253,762**
Tax paid	(11,820)	(40,600)	(10,557)	(44,894)
Net cash from operating activities	**159,289**	**419,929**	**88,723**	**208,868**
Cash flow from investing activities				
(+) Proceeds:	576	1,511	1,568	2,193
Sales of intangible assets, and property, plant and equipment	576	1,511	1,560	2,185
Paid loans	0	0	8	8
(-) Expenses:	(45,746)	(191,123)	(64,066)	(162,945)
Acquisition of intangible assets, and property, plant and equipment	(45,746)	(191,123)	(64,066)	(162,945)
Net cash from investing activities	**(45,170)**	**(189,612)**	**(62,948)**	**(160,752)**
Cash flow from financing activities				
(+) Proceeds:	(4,429)	145,394	159,843	374,144
Net proceeds from the issue of shares	2,050	4,180	(1)	2,780
Proceeds from loans and credits	(6,479)	141,214	159,844	371,364
(-) Expenses:	(186,972)	(352,102)	(208,563)	(394,554)
Dividends to non-controlling interests	0	(400)	0	0
Dividends to the shareholders of Grupa Kęty S.A.	(66,798)	(66,798)	(228,521)	(228,521)
Repayment of loans and borrowings	(113,568)	(268,284)	23,298	(154,474)
Payment of lease liabilities	(704)	(2,774)	(226)	(904)
Interest	(5,902)	(13,846)	(3,114)	(10,655)
Net cash from financing activities	**(191,401)**	**(206,708)**	**(48,720)**	**(20,410)**
Total net cash flows:	**(77,282)**	**23,609**	**(22,495)**	**27,706**
- change in cash due to currency translation differences	0	0	0	0
Cash and cash equivalents at the beginning of the period	**201,572**	**100,681**	**129,113**	**78,912**
Cash and cash equivalents at the end of the period	**124,290**	**124,290**	**106,618**	**106,618**

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

1. General information

These interim condensed consolidated financial statements of Grupa Kęty S.A. cover the period of 9 months of 2019 ended on 30.09.2019 and provide comparative data for the period of 9 months of 2018 ended on 30.09.2018 as well as figures as at 31.12.2018. The statements comprise also the data for Q.3, 2019 and Q.3, 2018.

The above figures have not been audited by a statutory auditor.

The Grupa Kęty S.A. Capital Group ('the Group') comprises the parent company, namely Grupa Kęty S.A. ('parent company', 'the parent', 'the Company') and its subsidiaries (see note 2).

Grupa Kęty S.A. is a company incorporated in Poland, **with its registered office in Kęty, ul. Kościuszki 111**, entered into the Register of Entrepreneurs under the number **KRS 0000121845**, using the tax identification number **(NIP): 549-000-14-68** and statistical number **(REGON): 070614970.** Grupa Kęty S.A. is also registered in the products and packaging database and in the waste management database under the number **BDO 000007710**.

The parent company is listed under No. **ISIN PLKETY000011** at the Warsaw Stock Exchange and classified in the metal sector.

The lifetime of the parent company as well as of the Capital Group companies is unlimited.
The core business of the Group includes manufacturing, trade and the rendering of services related to the processing of aluminium and its alloys, production and sales of aluminium systems for the construction industry and activities related to their assembly, as well as production of materials for plastic and paper packaging, including trade intermediation, supply services, marketing and other.

The parent company Management Board, as at the date of approving these statements for publication, consisted of:

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

As at 30 May 2019 Mr Adam Piela resigned from the function of the Member of the Management Board/CFO.
As at 7 June 2019 Mr Rafał Lechowicz resigned from the function of the Member of the Management Board.
As at 1 October, Mr Rafał Warpechowski was appointed Member of the Management Board/CFO.

2. Group composition

All subsidiaries are subject to consolidation.
The Group consists of Grupa Kęty S.A. and the following subsidiaries:

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

Company name	Registered office	Core business	Parent's name	Percentage in share capital 30.09.2019	Percentage in share capita 31.12.2018	Date of control take-over	Reporting segment
Alupol Packaging S.A.	Tychy, Poland	Production and trade in plastic packaging	Grupa Kęty S.A.	100.00 %	100.00 %	04/1998	FPS
Aluprof S.A.	Bielsko-Biała, Poland	Sales of aluminium façade systems and roller shutters for the construction industry	Grupa Kęty S.A.	100.00 %	100.00 %	06/1998	ASS
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00 %	100.00 %	09/1999	Other
Alu Trans System Sp. z o.o. under liquidation	Wrocław, Poland	No operating activity	Grupa Kęty S.A.	100.00 %	100.00 %	04/2000	Other
Aluprof Hungary Kft.	Dunakeszi, Hungary	Trade and provision of services	Aluprof S.A..	100.00 %	100.00 %	07/2000	ASS
Alupol LLC	Borodianka, Ukraine	Production of aluminium profiles	Aluform Sp. z o.o.	100.00 %	100.00 %	12/2004	EPS
Aluprof Deutschland GmbH	Schwanewede, Germany	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	02/2005	ASS
Aluprof System Romania s.r.l	Bucharest, Romania	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2006	ASS
ROMB S.A.	Złotów, Poland	Production and provision of services	Aluprof S.A.	100.00%	100.00%	04/2007	ASS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production and trade in plastic packaging	Alupol Packaging S.A.	100.00%	100.00%	05/2009	FPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade services	Grupa Kęty S.A.	100.00%	100.00%	06/2009	EPS
Aluprof System Ukraina Sp. Z o.o.	Kiev, Ukraine	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	Aluprof S.A.	100.00%	100.00%	1/2012	ASS
Grupa Kety Italia s.r.l	Milan, Italy	Commercial intermediation	Grupa Kęty S.A.	100.00%	100.00%	5/2014	EPS
Marius Hansen Facader A/S	Viborg, Denmark	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2014	ASS
Aluprof System USA Inc	Wilmington, USA	Distribution of aluminium systems for the construction industry	Aluprof S.A.	100.00%	100.00%	7/2014	ASS
Alupol Films Sp. z o.o.	Oświęcim, Poland	Production and trade in plastic packaging	Alupol Packaging Kęty Sp z o. o.	100.00%	100.00%	12/2014	FPS
Aluprof Belgium N.V.	Dendermonde, Belgium	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2015	ASS
Aluminium Kety EMMI d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	Aluform Sp. z o.o.	100.00%	100.00%	6/2016	EPS
Aluminium Kety Deutschland GmbH	Dortmund, Germany	Trade and marketing services	Aluform Sp. z o.o.	100.00%	100.00%	6/2016	EPS
Aluprof Netherlands B.V.	Rotterdam, Netherlands	Sales of aluminium systems	Aluprof S.A.	55.00%	55.00%	4/2017	ASS
Aluminium Kety CSE s.r.l.	Ostrava, Czech Republic	Trade and marketing services	Aluform Sp. z o.o.	100.00%	100.00%	7/2017	EPS

As at the balance-sheet date and the end of the preceding year, the share in the total number of votes held by the Group in its subsidiaries was equal to the share in the capital held by the Group in those subsidiaries.

3. Basis for the interim condensed consolidated financial statements preparation

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard No. 34 *Interim Financial Reporting*, adopted by the EU ('IAS 34').

These interim condensed consolidated financial statements have been prepared in Polish zlotys ('PLN') and all values, unless otherwise specified, are presented in thousands of PLN.

These interim condensed consolidated financial statements have been prepared based on the assumption that the Group companies will continue as a going concern in the foreseeable future.

These interim condensed consolidated financial statements were approved for publication on 23 October 2019.

As at the date of approval of these financial statements, there were no circumstances implying that the Group companies would not continue as a going concern.

The interim condensed consolidated financial statements do not cover all information and disclosures required to be made in the annual consolidated financial statements, and must be read together with the consolidated financial statements of the Group for the year ended 31 December 2018, which was approved for publication by the Management Board on 3 April 2019.

The Management Board of Grupa Kęty S.A. declares that according to their best knowledge these interim condensed consolidated financial statements and comparable data have been prepared in accordance with the Group accounting policies in force and they present a true and fair view of the assets, the financial standing and the financial result of the Group.

The Group has adopted for the first time the principles of IFRS 16 *Leases* ('IFRS 16'). In accordance with the requirements of IAS 34 *Interim Financial Reporting*, the Group disclosed further herein a description and the consequences of change in accounting principles (policy).

The other new or changed standards and interpretations, which have been applied for the first time in 2019, have no significant impact on the interim condensed consolidated financial statements of the Group.

4. Significant accounting principles (policy)

The accounting principles (policy) applied in preparing these interim condensed consolidated financial statements are consistent with the ones applied in preparing the annual consolidated financial statements of the Group for the year ended 31 December 2018, with the exception of accounting and valuation policies resulting from the adoption of IFRS 16, as presented below.

Adoption of IFRS 16

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 *Leases* ('IFRS 16'), which replaced IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single accounting model for lessees under which a lessee must recognise assets and liabilities under each lease with a term of over 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset ('right-of-use asset') and a lease liability to make lease payments ('lease liability').

Lessees are required to separately recognise the depreciation expense on the right-of-use asset and interest expense on the lease liability.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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The lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance ones.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach, whereas the transition provisions permit certain practical measures. The Group assumed the modified approach.

The Group avails of lease contracts for office and warehouse space and lease contracts for some machines, vehicles and forklift trucks.

Additionally, the Group avails of free-of-charge or acquired land perpetual usufruct rights, which have also been classified by the Group as lease contracts in accordance with IFRS 16. In accordance with the previous accounting policies, the Group recognised the rights as land.

In reference to the land perpetual usufruct rights, as at the date of the first adoption of IFRS 16 the Company assumed a solution consisting in measuring the rights in the amount previously recognised in fixed assets, increased for the value of the liability as at 1 January 2019, and presented the same in a separate balance-sheet item as the ‘right-of-use assets’. On the other hand, in a separate balance-sheet item of ‘lease liabilities’ the discounted amounts of lease liabilities were presented.

As regards the IFRS 16 adoption, starting from 2019 the Group introduced the following changes:

Opening balance 2019

Balance sheet item	31.12.2018	Adjustment for IFRS 16	01.01.2019
ASSETS, including:	**2,779,848**	**21,731**	**2,801,579**
Property, plant and equipment, including:	1,337,054	(20,807)	1,316,247
land, including land perpetual usufruct rights	49,458	(19,179)	30,279
plant and machinery	606,661	(687)	605,974
vehicles	28,571	(941)	27,630
Right-of-use assets, including:	0	42,538	42,538
land use rights (land perpetual usufruct rights)	0	32,767	32,767
buildings use rights	0	7,353	7,353
plant and machinery use rights	0	687	687
vehicles use rights	0	1,731	1,731
EQUITY/LIABILITIES, including:	**2,779,848**	**21,731**	**2,801,579**
long-term liabilities related to loans	220,782	(875)	219,907
short-term liabilities related to loans	654,274	(561)	653,713
long-term lease liabilities	0	19,851	19,851
short-term lease liabilities	0	3,316	3,316

Group as a lessee

Lease identification

The Group adopted new guidelines regarding lease identification only in reference to contracts concluded (or amended) on the first adoption date, i.e. 1 January 2019, or thereafter. Thus, in reference to the contracts concluded before 1 January 2019, the Group applied a practical expedient provided for in IFRS 16, in accordance to which a company is not obliged to reassess an arrangement as to whether it is a lease or contains a lease on the first adoption date. The Group applied IFRS 16 only to the contracts which have been previously identified as lease contracts in accordance with IAS 17 and IFRIC 4.

At the moment of concluding a new contract, the Group assesses whether the arrangement is a lease or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether a right to control the use of the underlying asset by a period of time is conveyed under the concluded contract, the Group assesses whether throughout the period of use it avails jointly of the following rights:

a) the right to obtain basically all economic benefits on account of the use of the underlying asset, and
b) the right to manage the use of the underlying asset.

If the Group is entitled to control the use of the underlying asset only for a part of the contract term, the contract contains a lease in reference to that part of the term.
The rights resulting from lease, rental, hire or other arrangements which comply with the lease definition under IFRS 16 are recognised as an asset representing the right to use the underlying asset within the property, plant and equipment item, and, on the other hand, as a lease liability.

Initial disclosure and measurement
The Group recognises a right-of-use asset and a lease liability at the date of the lease commencement.
At the commencement date, the Group measures the right-of-use asset at cost.
The cost of the right-of-use asset shall comprise:

a) the amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received,
c) any initial direct costs incurred by the lessee; and
d) the estimate of costs to be incurred by the lessee in dismantling and removing the underling asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease payments included in the measurement of the lease liability shall comprise:

- fixed lease payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate in accordance with their value as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if it is reasonably certain that the Group will exercise the purchase option;
- payments of penalties for terminating the lease, unless it is reasonably certain that the Group will not exercise the option to terminate.

Variable lease payments which are not tied to an index or rate are not included in the value of the lease liability. The payments are recognised in profit or loss in the period of occurrence of the event resulting in their becoming due.
At the commencement date, the lease liability is measured at the present value of the lease payments due as at that date, discounted with the use of the lessee’s incremental borrowing rate.
The Group does not discount lease liabilities with the use of interest rates implicit in the lease, because for the purpose of the rate determination, information regarding the unguaranteed residual value of the leased asset, as well as direct costs incurred by the lessor, i.e. information which may be known solely to the lessor, would be needed.

Determination of the lessee's incremental borrowing rate
The incremental borrowing rate has been defined as the total of:

a) the risk-free rate determined based on Interest Rate Swap (IRS) in accordance with the rate maturity date and the respective base rate for the given currency; and
b) credit risk premium of the particular Group companies (lessees).

Subsequent measurement
After the commencement date, a lessee shall measure the right-of-use asset by applying a cost model.

To apply a cost model, a lessee shall measure the right-of-use asset at cost:

a) less any accumulated depreciation (amortisation) and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability on account of lease which does not result in the necessity of reflecting a separate lease asset.

After the commencement date, a lessee shall measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Group remeasures the lease liability, if there is a change in the future lease payments resulting from a change of interest or rate applied to determine the payments (e.g. the payment on account of perpetual usufruct right changes); if there is a change in the amount expected by the Group to be payable under residual value guarantee; or if the Group changes the assessment of probability to exercise the purchase option, extension or termination of the lease.
The remeasurement of the lease liability also results in an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero the Group recognises a further reduction in the measurement of the lease liability in profit or loss.

Depreciation
Right-of-use assets are depreciated on straight-line basis for the shorter of the two periods: lease term or useful life of a right-if-use asset, unless the Group is reasonably certain that it is going to obtain the ownership title before the end of the lease term – in such case the right-of-use asset is depreciated from the commencement date to the end of the useful life. The estimated useful life of the right-of-use assets is determined in the same manner as for property, plant and equipment.
The Group avails of lease contracts which are mainly related to:

a) the right of perpetual usufruct of land concluded for limited term ending 2079;
b) buildings, mainly office and warehouse space concluded for limited time between 5 and 7 years;
c) plant and machinery for limited time of up to 10 years;
d) vehicles, i.e. passenger cars for limited time of up to 3 years.

Impairment
The Group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset lost its value and to recognise any identified impairment loss.

Recognition exemptions, simplified approach and practical expedients related to the application of IFRS 16

Eliminations
The following contracts of the Group are not subject to IFRS 16:

- licences granted falling under IFRS 15 *Revenue from Contracts with Customers*, and
- rights obtained under licences subject to IAS 36 *Intangible Assets*.

The Group does not apply IFRS 16 to lease contracts or similar contacts applicable to intangible assets.

Simplified approach and practical expedients related to the application of IFRS 16

Short-term lease
The Group has adopted a practical expedient in relation to short-term lease contracts characterised with the maximum possible term of 12 months, including the renewal option.

The simplified approach related to such contracts consists in recognising the lease payments as costs:

- on straight-line basis throughout the lease term; or
- on other systematic basis if it is more representative of the pattern of the lessee’s benefit.

Lease of low-value assets

- The Group has not adopted the general principles of recognition, measurement and presentation under IFRS 16 to lease contracts of low-value assets.
- Low-value assets are considered to be those worth not more than PLN 20,000 when new, calculated as at the exchange rate of the first adoption date, i.e. 1 January 2019, at the mean closing rate of the National Bank of Poland as at the moment of the contract first recognition.
- The simplified approach related to such contracts consists in recognising the lease payments as costs:
- on straight-line basis throughout the lease term; or
- on other systematic basis if it is more representative of the pattern of the lessee's benefit.
- The object of a lease contract cannot be considered to be of low value if it results from its characteristics that the new (unused) asset has usually a high value.

Lease term determination: unlimited time contracts

When determining the lease term for unlimited time contracts, the Group makes a professional judgement in consideration of:

- the expenditure incurred in relation to the contract; or
- the potential costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the lessee's needs, costs of integrating a new asset into the lessee's operations, or termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location.
- If the lease contract termination costs are significant, the lease term equal to the assumed depreciation term of a similar item of property, plant and equipment with parameters close to the object of lease is assumed.
- Providing that the lease contract termination costs may be reliably determined, there must be assumed a term in which the contract termination will not be justified.
- If the expenditures incurred in relation to the specific contract are significant, a lease term is assumed to be the term of deriving economic benefits from the use of the expenditure.

The value of expenditure incurred is a separate item of assets, other than the right-of-use assets.

PROFESSIONAL JUDGEMENT

Separating non-lease components

The Group judges whether a contract contains lease and non-lease components. Under contracts which contain lease and non-lease components, the non-lease components are separated, e.g. service of assets being the object of the contract.

However, if a contract comprises non-lease components which are considered by the Group to be insignificant in the context of the whole contract, the Group applies a simplified approach consisting in joint treatment of the lease and non-lease elements as one lease element.

Lease term determination

When determining the lease term, the Group considers all important facts and events which result in economic incentives to avail of the extension option, economic penalties for a failure to extend the contract, or non-exercise of the termination option. The judgement is made if there occurs an important event or change in circumstances under the control of the Group, which affect the judgement.

Moreover:

a) Interpretation of IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation explains the method of income tax recognition and measurement in accordance with IAS 12, if there is an uncertainty regarding the tax treatment. It does not refer to taxes or payments outside of the scope of IAS 12, or requirements related to interest and penalties related to uncertain income tax treatment. The interpretation refers in particular to:

- separate consideration by an entity of the cases of uncertain tax treatment;
- assumptions made by an entity as to the control of the tax recognition by taxation authorities;

- the method in which an entity determines taxable income (tax loss), tax basis, unsettled tax losses, unused tax and tax rates;
- the method in which an entity recognises changes in facts and circumstances.

An entity must determine whether it considers each uncertain tax treatment separately, or jointly with one or more other uncertain tax treatments. An approach must be followed which better foresees the uncertainty clarification.

The interpretation has no significant impact on the interim condensed consolidated financial statements of the Group.

b) Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
In accordance with IFRS 9, a debt instrument may be measured at amortised cost or fair value through other comprehensive income, providing that the contractual cash flows comprise solely payments of principal and interest on the outstanding principal amount (‘SPPI criterion’), and the instrument is kept within a proper business model for such classification. The Amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

c) Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*

The Amendments to IAS 19 clarify that on amendment, curtailment or settlement of a plan, an entity has to determine the current service cost for the remaining part of the period post the plan amendment, curtailment or settlement, with the use of the actuarial assumptions applied in the net liability (asset) remeasurement on account of specific consideration reflecting the benefits offered under the plan and the plan assets post the event. An entity is also obliged to determine net interest for the remaining part of the period post the plan amendment, curtailment or settlement, with the use of net liability (asset) on account of the specific consideration reflecting the benefits offered under the plan and the plan assets post the event, as well as the discount rate applied in the net liability (asset) remeasurement on account of the specific consideration.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

d) Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies IFRS 9 to long-term interest in associates and joint-ventures to which the equity method does not apply, but as to the principle they are part of the net investment of an entity in an associate or joint venture (long-term interests). The clarification is important as it suggests that the expected model of credit losses under IFRS 9 applies to such long-term interests.
The amendments also clarify that when applying IFRS 9 an entity does not take into account the losses of the associate or joint venture or any impairment loss with respect to the net investment in the associate or joint venture, which result from the application of IAS 28 *Investments in Associates*.
The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

e) Changes resulting from the Annual Improvements to IFRS: 2015–2017 cycle

- IFRS 3 *Business Combinations*

  The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for business combination performed by stages, which includes remeasurement at fair value of the previously held interests in that joint operation. In that way, the taking-over entity remeasures all of its previous interests in the joint operation.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

- IFRS 11 *Joint Arrangements*
  The amendments clarify that an entity which participates in a joint operation but has no joint control over it may obtain joint control of the joint operation, within which the joint operation is a business within the meaning of IFRS 3. In such cases the previously held interests in the joint operation are not subject to remeasurement.
  The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

- IAS 12 *Income Taxes*
  The amendments clarify that the tax consequences of dividend payment are more directly related to former transactions or events that generated distributable profits than to payables to owners. Therefore, an entity recognises the tax consequences of dividend payment in profit or loss, other comprehensive income, or equity, depending on where the entity recognised the former transactions or events.
  The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

- IAS 23 *Borrowing Costs*
  The amendments clarify that an entity recognises any initially incurred loans for the purpose of qualifying asset production as part of general loans when basically all of the actions needed to prepare that asset to its intended use or sale are completed.
  The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

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

5. **Estimation areas**

The main accounting estimates and the assumptions made are presented in the respective explanatory notes to the financial statements:

- estimates concerning the recognition and measurement of lease contracts are presented in note 20;
- estimates concerning the write-downs of inventories are presented in note 16;
- estimates concerning the write-downs of receivables are presented in note 14;
- estimates concerning the write-downs of goodwill are presented in note 13;
- estimates concerning provisions and accruals are presented in note 17;
- estimates concerning deferred tax assets are presented in note 11;
- estimates concerning the valuation of net assets of associates are presented in note 26;
- estimates concerning energy-related assets are presented in note 34;
- estimates concerning investment properties are presented in note 34;
- estimates concerning financial instruments are presented in note 31;
- estimates concerning the fair value of the share options plan for the management staff are presented in note 33;
- estimates concerning the impairment of assets are presented in the consolidated financial statements for the year 2018;
- estimates concerning depreciation rates are presented in the consolidated financial statements for the year 2018;
- estimates concerning the valuation of long-term construction contracts are presented in note 8.

The detailed description of the assumptions made in the particular areas of estimates is provided in the annual financial statements for the year 2018.

In the reporting period, there were no other changes in estimates, except for the ones described above.

6. Seasonal nature of operations

Due to the division of operations into segments servicing various customer markets seasonal variations may be observed.

The Flexible Packaging Segment records increased demand prior to the main holidays, i.e. Christmas and Easter, with a higher turnover in the second half of each year by 3–10%.

At the Extruded Products Segment the trend of sales revenue levelling during the year may be observed more and more often, particularly if the aluminium prices on the world's markets are lower in the second part of the year than in the first one. Within the last five years such situation was observed three times, including the previous year. In the other two cases, the sales in the second half of the year were by approx. 20% lower than in the first half of the year.

The Aluminium Systems Segment generates the highest sales in the second half of the year, which is connected with the cycle of works in the building industry. Historically, that difference accounted for as much as 40–50%, however, in the last three years the sales in the second half of the year were higher by 20–25% at the most.

Seasonality of the Capital Group sales: due to the weights assigned to the particular segments, the sales in the second half of the year were higher by roughly 9–23% (based on the historical figures for the last 6 years), however, during the last three years the sales in those periods were higher by about 10%.

7. Information on operating segments

The activities of the Capital Group are divided among:
- the Extruded Products Segment (EPS),
- the Flexible Packaging Segment (FPS),
- the Aluminium Systems Segment (ASS).

The detailed description of the types of operating segments, the assignment of companies to the segments, and information on the basic economic figures of the respective segments may be found in note 3 to the Management Board report on the operations of the Issuer's Capital Group published on 3 April 2019 together with the consolidated financial statements for 2018.

The operating segments results are assessed on the basis of revenue, EBIT, EBITDA and capital expenditure. EBIT is operating profit. EBITDA is operating profit less depreciation and amortisation.

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9 months of 2019

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	584,496	997,092	1,107,721	11,842	(251,608)	2,449,543
- outside the Group	584,445	759,081	1,104,441	211	0	2,448,178
- to related parties	51	238,011	3,280	11,631	(251,608)	1,365
Write-down of inventories	(53)	(214)	(429)	0	0	(696)
Write-down of receivables	(13)	272	(2,074)	0	0	(1,815)
Write-downs of property, plant and equipment, and intangible assets	0	138	0	0	0	138
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	90,441	71,414	159,176	170,483	(187,735)	303,779
Depreciation	21,514	49,818	28,214	2,796	26	102,368
EBITDA	111,955	121,232	187,390	173,279	(187,709)	406,147
Interest income	75	215	265	85	0	640
Interest costs	(3,596)	(5,475)	(3,909)	(405)	0	(13,385)
Profit before tax	85,011	65,948	155,841	169,154	(187,733)	288,221
Income tax	(15,022)	(13,767)	(29,931)	2,394	993	(55,333)
Net profit	69,989	52,181	125,910	171,548	(186,740)	232,888
Balance sheet as at 30.09.2019						
Total assets	997,982	1,007,990	960,872	519,528	(586,373)	2,899,999
Liabilities	396,739	498,830	566,918	269,359	(248,614)	1,483,232
Other data	0	0	0	0	0	0
Capital expenditure on property, plant and equipment	92,298	53,304	44,008	13,471	0	203,081

Q.3, 2019

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	191,312	329,170	402,514	3,993	(88,141)	838,848
- outside the Group	191,300	245,560	400,586	69	0	837,515
- to related parties	12	83,610	1,928	3,924	(88,141)	1,333
Write-down of inventories	0	(75)	(13)	0	0	(88)
Write-down of receivables	0	0	(1,207)	0	0	(1,207)
Write-downs of property, plant and equipment, and intangible assets	0	138	0	0	0	138
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	31,676	33,132	69,602	(4,322)	(4,273)	125,815
Depreciation	7,375	16,760	9,625	993	10	34,763
EBITDA	39,051	49,892	79,227	(3,329)	(4,263)	160,578
Interest income	54	56	98	12	0	220
Interest costs	(1,265)	(1,976)	(1,312)	(149)	0	(4,702)
Profit before tax	29,625	31,444	71,105	(5,784)	(4,271)	122,119
Income tax	(5,935)	(5,715)	(13,287)	1,144	808	(22,985)
Net profit	23,690	25,729	57,818	(4,640)	(3,463)	99,134
Other data	0	0	0	0	0	0
Capital expenditure on property, plant and equipment	7,758	8,836	16,446	11,315	1	44,356

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9 months of 2018

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	527,092	976,196	949,655	11,635	(229,377)	2,235,201
- outside the Group	527,049	761,587	946,280	283	0	2,235,199
- to related parties	43	214,609	3,375	11,352	(229,377)	2
Write-down of inventories	0	(242)	345	0	0	103
Write-down of receivables	(135)	(128)	(897)	0	4	(1,156)
Write-downs of property, plant and equipment, and intangible assets	0	0	0	0	0	0
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	72,753	94,067	124,230	142,421	(155,220)	278,251
Depreciation	21,355	43,595	26,229	2,378	59	93,616
EBITDA	94,108	137,662	150,459	144,799	(155,161)	371,867
Interest income	99	121	208	96	0	524
Interest costs	(4,373)	(2,624)	(3,697)	(531)	0	(11,225)
Profit before tax	65,246	89,702	121,828	140,949	(155,220)	262,505
Income tax	(12,943)	(17,754)	(26,661)	2,566	429	(54,363)
Net profit	52,303	71,948	95,167	143,515	(154,791)	208,142
Balance sheet as at 30.09.2018						
Total assets	907,507	1,089,929	901,616	304,725	(448,811)	2,754,966
Liabilities	385,771	572,547	516,353	49,516	(111,321)	1,412,866
Other data	0	0	0	0	0	0
Capital expenditure on property, plant and equipment	6,130	108,465	40,881	31,636	(1)	187,111

Q.3, 2018

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	**178,727**	**351,894**	**359,956**	**3,908**	**(82,885)**	**811,600**
- outside the Group	178,711	273,975	358,779	135	0	811,600
- to related parties	16	77,919	1,177	3,773	(82,885)	0
Write-down of inventories	0	(143)	332	0	0	189
Write-down of receivables	3	0	(221)	0	0	(218)
Write-downs of property, plant and equipment, and intangible assets	0	0	0	0	0	0
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	26,887	34,419	50,091	(3,547)	1,382	109,232
Depreciation	7,178	14,295	8,781	820	20	31,094
EBITDA	34,065	48,714	58,872	(2,727)	1,402	140,326
Interest income	31	17	64	75	0	187
Interest costs	(1,448)	(1,440)	(1,301)	(104)	0	(4,293)
Profit before tax	26,036	34,294	46,279	(4,306)	1,382	103,685
Income tax	(4,386)	(6,501)	(10,073)	692	(267)	(20,535)
Net profit	**21,650**	**27,793**	**36,206**	**(3,614)**	**1,115**	**83,150**
Other data	0	0	0	0	0	0
Capital expenditure on property, plant and equipment	(6,368)	172,879	18,887	(294,105)	148,201	39,494

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- The item ‘Other’ contains figures of business units responsible for the centrally managed areas (IT, finance, PR and IR, risk management, capital investments, HR) and figures of companies not organisationally grouped in the core operating segments, such as Alu Trans System Sp. z o.o. under liquidation or Dekret Centrum Rachunkowe Sp. z o.o.

- The segment assets comprise: non-current 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 ‘Eliminations’ item in the statement of profit or loss refers to inter-segment sales. It is mainly related to the sale of aluminium profiles by the EPS to the ASS. In the balance sheet, it is mainly the elimination of shares and interests in subsidiaries as well as inter-segment receivables and liabilities. Transaction prices applied in the transactions between operating segments are determined at arm’s length basis, as in the case of transactions with unrelated parties.

8. Sales by items

	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Products, including:	**706,901**	**2,046,903**	**669,624**	**1,869,044**
- aluminium products of the EPS	*322,665*	*976,256*	*343,004*	*950,914*
- plastic packaging of the FPS	*183,752*	*555,399*	*163,623*	*482,583*
- aluminium systems of the ASS	*282,805*	*748,929*	*238,788*	*643,001*
*Consolidation adjustments***	*(82,321)*	*(233,681)*	*(75,791)*	*(207,454)*
*including to related parties**	*1,311*	*1,339*	*0*	*0*
Services, including:	**4,781**	**16,867**	**8,570**	**25,336**
- services of the EPS	*2,917*	*10,332*	*5,227*	*14,498*
- services of the FPS	*1,792*	*6,867*	*2,652*	*6,861*
- services of the ASS	*1,632*	*4,736*	*3,297*	*12,950*
- services of the central units	*3,995*	*11,843*	*3,843*	*11,559*
*Consolidation adjustments****	*(5,555)*	*(16,911)*	*(6,449)*	*(20,532)*
*including to related parties**	*15*	*18*	*0*	*0*
Construction services of the ASS*****	**6,562**	**54,195**	**20,604**	**42,643**
Trade goods, including:	**6,986**	**27,083**	**12,201**	**42,739**
- goods of the EPS	*999*	*2,737*	*895*	*2,553*
- goods of the FPS	*4,675*	*19,440*	*11,779*	*35,467*
- goods of the ASS	*1,312*	*4,906*	*(473)*	*4,719*
Materials, including:	**113,618**	**304,495**	**100,601**	**255,439**
- materials of the EPS	*2,588*	*7,766*	*2,768*	*8,231*
- materials of the FPS	*1,093*	*2,790*	*672*	*2,180*
- materials of the ASS	*110,203*	*294,955*	*97,740*	*246,342*
*Consolidation adjustments*****	*(266)*	*(1,016)*	*(579)*	*(1,314)*
including to related parties*	*7*	*8*	*0*	*2*
TOTAL SALES REVENUE	**838,848**	**2,449,543**	**811,600**	**2,235,201**
including from related parties	**1,333**	**1,365**	**0**	**2**

* For an associate; see note 26.
** Refers mainly to aluminium profiles sale by EPS to ASS.
*** Refers mainly to the cooperation between ASS and EPS, and services of the central units provided to the segments.
**** Refers mainly to aluminium scrap sale by ASS to EPS.
***** The Group applies the percentage-of-completion method for the settlement of long-term contracts. The method requires the Group to estimate the proportion of the works already completed to the total budgeted costs. If the percentage of completion were higher by 5% than the percentage estimated by the Group, the revenue for the reporting period would increase by PLN 4,619,000 (9 months of 2018: PLN 1,522,000). If the actual costs of construction contracts in progress as at the balance-sheet date at the time of their completion were higher than the budgeted costs by 1%, the gross result would decrease by PLN 1,151,000 (9 months of 2018: PLN 379,000).

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9. Cash and cash equivalents

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

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

	0.09.2019	31.12.2018
Bank deposits (current accounts) and short-term deposits	124,253	100,636
Cash in hand	37	45
Cash recognised in the balance sheet	**124,290**	**100,681**

As at 30 September 2019, the Group possessed in its VAT accounts restricted cash amounting to PLN 801,000 (31.12.208: PLN 895,000). The cash may be used only for the purpose of output VAT payment to the tax office or as VAT payment to the Company suppliers.

As at 30 September 2019, the Group had undrawn credit funds granted amounting to PLN 393,914,000 with regard to which all conditions precedent had been complied with (as at 31 December 2018: PLN 201,340,000).

10. Dividends paid and proposed for payment

On 30 May 2019, the Annual General Meeting passed a resolution on allocation of the net profit generated by the Company in 2018, amounting to PLN 191,439,215.01 to the payment of dividend.

Additionally, the AGM decided to allocate to dividend payment the profit from reserve capital amounting to PLN 37.651.512,99. Therefore, the dividend will amount to PLN 229.090.728 (PLN 23.93 per share in reference 9,569,947 shares).

The dividend record date was decided to be 22 August 2019.

The first tranche of the dividend amounting to PLN 6.98 per share was paid out on 5 September 2009, the second tranche of the dividend amounting to PLN 16.95 per share will be paid on 7 November 2019.

In the preceding year, Grupa Kęty S.A. paid dividend amounting to PLN 228,521,000 (PLN 23.94 per share).

11. Income tax

The main components of the tax payables are as follows:

Income tax structure	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Current tax	(18,983)	(45,547)	(17,093)	(43,223)
Deferred tax	(4,002)	(9,786)	(3,442)	(11,140)
Income tax recognised in the statement of profit or loss	**(22,985)**	**(55,333)**	**(20,535)**	**(54,363)**

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12. Property, plant and equipment

12.1. Purchase and sale

Purchase and sale transactions related to property, plant and equipment are presented in the below table:

	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Acquisition of property, plant and equipment	44,356	203,081	79,194	156,230
Net value of property, plant and equipment sold	770	1,333	1,109	1,600
Profit (loss) on sale of property, plant and equipment	(153)	178	(85)	62

12.2. Impairment losses

In the period of 9 months of 2019 and 9 months of 2018 the Company neither recognised nor reversed any write-downs of property, plant and equipment.

13. Write-downs of goodwill

In the period of 9 months of 2019 and in the period of 9 months of 2018, due to the absence of indicators of impairment, the Group did not write down goodwill.

14. Short-term receivables

	30.09.2019	31.12.2018
Net receivables:	**646,847**	**571,136**
Trade receivables	616,339	531,801
- including from associates	1368	0
Deposits on account of transactions hedging the aluminium price	0	2,485
Lease receivables	1,105	952
Receivables from employees	292	161
Other	2,917	8,161
Total net financial receivables (under IFRS 7)	**620,653**	**543,560**
Public law receivables (except for the income tax)	12,063	17,991
Prepayments (trade-related) for suppliers	8,941	5,582
Prepaid expenses	5,190	4,003
Total net non-financial receivables	**26,194**	**27,576**

In the period of 9 months of 2019, the Group recognised write-downs of receivables amounting to PLN 1,814,000 (9 months of 2018: the Group recognised write-downs amounting to PLN 1,156,000). The write-downs were recognised in a separate item of the statement of profit or loss entitled ‘Write-downs of financial assets – IFRS 9’.

Trade receivables do not bear interest and usually have 30 to 90 days maturity.

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The Group has implemented a policy related to sales only to verified customers and applies receivables insurance with specialised companies. Consequently, according to the management’s opinion, there is no additional credit risk exceeding the level established by the write-down of the Group receivables. The fair value of receivables is close to their book value.

15. Contractual assets

Contractual assets	**30.09.2019**	**31.12.2018**
Contractual assets recognised in the balance sheet	5,605	21,243

In accordance with the Group estimates, the above contractual assets will be realised within up to 12 months. According to the Group estimates, there are no probable loss indications and, therefore, no impairment of contractual assets has been recognised.

16. Inventories

	30.09.2019	**31.12.2018**
Materials	200,719	228,612
Work in progress	114,566	121,522
Finished products	134,953	151,194
Trade goods	8,471	8,133
TOTAL	**458,709**	**509,461**

In the period of 9 months of 2019, the Group recognised write-downs of inventories amounting to PLN 695,000 (9 months of 2018: the Group reversed write-downs amounting to PLN 103,000). The Group recognises write-downs of inventories in the ‘Other operating costs’ item and reverses the write-downs of inventories in the ‘Other operating income’ item.

17. Provisions and accruals

In the reporting period, the Group made the following changes in the value of provisions:

	Balance as at 01.01.2019	**Increases**	**Utilisation**	**Reversal/ Movements**	**Currency translation differences**	**Balance as at 30.09.2019**
Long-term provisions	**13,174**	**733**	**(198)**	**(17)**	**72**	**13,764**
provision for jubilee bonuses and retirement benefits	12,675	517	(198)	(17)	72	13,049
provision for warranty repairs	499	0	0	0	0	499
other	0	216	0	0	0	216
Short-term provisions	**1,934**	**0**	**(117)**	**9**	**1**	**1,827**
provision for jubilee bonuses and retirement benefits	686	0	0	9	1	696
provision for warranty repairs	1,248	0	(117)	0	0	1,131
Short-term accruals:	**32,949**	**26,941**	**(29,245)**	**0**	**149**	**30,794**
unused holiday	7,449	7,182	(7,449)	0	22	7,204
annual bonuses	16,497	13,839	(16,497)	0	19	13,858
damages	3,704	0	0	0	0	3,704
services in progress	3,807	4,667	(3,807)	0	54	4,721
financial statements audits	250	177	(250)	0	10	187
other	1,242	1,076	(1,242)	0	44	1,120

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	Balance as at 01.01.2018	Increases	Utilisation	Currency translation differences	Balance as at 30.09.2018
Long-term provisions	**11,236**	**234**	**(69)**	**90**	**11,491**
provision for jubilee bonuses and retirement benefits	10,737	234	(69)	90	10,992
provision for warranty repairs	499	0	0	0	499
Short-term provisions	**1,651**	**0**	**(11)**	**0**	**1,640**
provision for jubilee bonuses and retirement benefits	803	0	0	0	803
provision for warranty repairs	848	0	(11)	0	837
Short-term accruals:	**32,206**	**24,266**	**(27,663)**	**(225)**	**28,584**
unused holiday	7,421	6,856	(7,421)	20	6,876
annual bonuses	13,460	12,210	(13,460)	43	12,253
damages	0	0	0	0	0
services in progress	4,134	0	0	0	4,134
financial statements audits	3,830	4,385	(3,830)	18	4,403
other	278	71	(278)	29	100
other items	3,083	744	(2,674)	(335)	818

18. **Bank loans**

The table below presents the changes of balances of the particular loans in the reporting period.

Long-term loans

Borrower	Lender	Loan currency	31.12.2018	Increases (decreases)	30.09.2019
Grupa Kęty S.A.	PKO BP S.A.	PLN	105,829	(5,974)	99,855
Alupol Packaging Kęty sp. z o.o.	BGŻBNP PARIBAS S.A.	PLN	55,400	(17,620)	37,780
Aluprof S.A.	Bank PekaO S.A.	PLN	56,667	(14,167)	42,500
Alupol Films sp. z o.o.	BGŻBNP PARIBAS S.A.	EUR	1,999	(1,999)	0
Alupol Films sp. z o.o.	BGŻBNP PARIBAS S.A.	PLN	0	2,198	2,198
Alupol Films sp. z o.o.	mBank	PLN	0	76,149	76,149
Aluprof S.A.	ING	PLN	0	15,528	15,528
Aluprof UK Ltd.	Santander Consumer Bank S.A.	GBP	12	(8)	4
Różne spółki	Leasing		875	(875)*	0
Total long-term loans			**220,782**	**53,232**	**274,014**

*Reclassification as at 1 January 2019 to the 'lease liabilities' item – note 19.

Short-term loans

Borrower	Lender	Loan currency	31.12.2018	Increases (decreases)	30.09.2019
Grupa Kęty S.A.	Bank PKO BP S.A.**	PLN	20,117	19,798	39,915
Grupa Kęty S.A.	Bank PKO BP S.A.	PLN/EUR	285	11,207	11,492
Grupa Kęty S.A.	BGŻBNP PARIBAS S.A.	PLN/EUR	151,208	(42,661)	108,547
Grupa Kęty S.A.	ING Bank Polska	PLN	825	(825)	0
Grupa Kęty S.A.	Bank Pekao S.A.	PLN	61,859	3,854	65,713
Grupa Kęty S.A.	Bank Societe Generale S.A.	EUR	17,813	(5,262)	12,551
Alupol Packaging S.A.	BGŻBNP Paribas	PLN	4,964	(4,964)	0
Alupol Packaging S.A.	Bank Pekao S.A.	PLN	27,624	(27,624)	0
Alupol Packaging S.A.	Bank PKO BP S. A	PLN	10,529	(10,529)	0
Alupol Packaging S.A.	Bank Pekao S.A.	EUR	1,427	(1,427)	0
Alupol Packaging Kęty sp. z o.o.	Bank PKO BP S.A.	PLN	16,018	(5,651)	10,367
Alupol Packaging Kęty Sp. z o.o.	Bank Pekao S.A.	PLN/USD	29,763	(6,152)	23,611
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	38,267	(3,591)	34,676

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Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS S.A.	PLN	22,763	1,448	24,211
Aluprof S.A.	Bank PKO BP S.A.	PLN	0	588	588
Aluprof S.A.	Bank Pekao S.A.	PLN	89,471	(9,972)	79,499
Aluprof S.A.	Societe Generale S.A.	PLN	8,020	(8,020)	0
Aluprof S.A.	BGŻBNP Paribas	PLN	7,202	(7,202)	0
Aluprof S.A.	BGŻBNP Paribas	EUR	767	(767)	0
Aluprof S.A.	ING Bank Polska	PLN	43,097	(41,685)	1,412
ROMB S.A.	BGŻBNP Paribas	PLN	8,315	6,306	14,621
ROMB S.A.	Bank PKO BP S.A.	PLN	6,577	620	7,197
Alupol Films sp. z o.o.	Bank Pekao S.A.	EUR	28,376	(10,313)	18,063
Alupol Films sp. z o.o.	BGŻBNP Paribas	PLN	37,191	(24,846)	12,345
Alupol Films sp. z o.o.	mBank	EUR	105	495	600
Aluform sp. z o.o.	Bank Pekao S.A.	EUR	5,379	(5,379)	0
Aluminium Kety Emmi d.o.o.	Bank PEKAO	EUR	15,751	3,024	18,775
Różne spółki	Leasing*		561	(561)*	0
Total short-term loans			**654,274**	**(170,091)**	**484,183**

*Reclassification as at 1 January 2019 to the 'lease liabilities' item – note 19.

**Short-term part of long-term loans.

During 9 months of 2019 and as at 31.12.2018, the Group complied with all credit/loan covenants.

All the Group loans bear interest at variable rates determined on arm's length basis in reference to WIBOR/EURIBOR/LIBOR plus the bank margin.

The loans repayment complied with the repayment schedule. Loans were taken out for the purpose of managing the Group liquidity.

Standard agreements on the above short-term working capital loans 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 banks for the subsequent 12-month periods to roll over the loans.

19. Lease liabilities

Long-term liabilities related to the right-of-use assets

Entity liable	Type of liability	Currency	30.09.2019	01.01.2019
Aluprof Netherlands B.V.	Car lease	EUR	264	284
Aluprof Netherlands B.V.	Office lease	EUR	301	383
Aluprof System Hungary KFT	Car lease	HUF	116	0
Aluprof System Romania SRL	Car lease	RON	231	266
Aluprof System Romania SRL	Office lease	EUR	1,158	1,321
Aluprof S.A.	Warehouse lease	PLN	370	317
Aluminium Kety EMMI d.o.o.	Warehouse lease	EUR	241	236
Grupa Kęty S.A.	Fees on account of land perpetual usufruct rights	PLN	3,537	3,587
Alupol Packaging Kęty sp.z o.o.	as above	PLN	2,053	2,082
Aluprof S.A.	as above	PLN	3,873	3,922
Romb S.A.	as above	PLN	2,643	2,706
Romb S.A.	Forklift trucks lease	PLN	418	550
Aluprof S.A.	Premises lease contracts	PLN	75	246
Other foreign companies of the Capital Group	Other land and buildings lease contracts	EUR/GBP	6,433	3,951
Total			**21,713**	**19,851**

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Short-term liabilities related to the right-of-use assets

Entity liable	Type of liability	Currency	30.09.2019	01.01.2019
Aluprof Netherlands B.V.	Car lease	EUR	26	284
Aluprof Netherlands B.V.	Office lease	EUR	76	167
Aluprof System Hungary KFT	Car lease	HUF	8	0
Aluprof System Romania SRL	Car lease	RON	41	266
Aluprof System Romania SRL	Office lease	EUR	330	400
Aluprof S.A.	Warehouse lease	PLN	89	89
Aluminium Kety EMMI d.o.o.	Warehouse lease	EUR	83	236
Grupa Kęty S.A.	Fees on account of land perpetual usufruct rights	PLN	177	177
Alupol Packaging Kęty sp.z o.o.	as above	PLN	103	103
Aluprof S.A.	as above	PLN	194	194
Romb S.A.	as above	PLN	134	134
Romb S.A.	Forklift trucks lease	PLN	233	240
Aluprof S.A.	Premises lease contracts	PLN	107	228
Other foreign companies of the Capital Group	Other land and buildings lease contracts	EUR/GBP	1 911	798
Total			**3 512**	**3 316**

20. Lease

20.1. Group as a lessee

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

	Land	Buildings	Plant and machinery*	Vehicles*	Total
Gross book value as at 01.01.2019	32,767	7,353	938	1,824	42,882
Accumulated amortisation as at 01.01.2019	0	0	(251)	(93)	(344)
Net book value as at 01.01.2019 (IFRS 16 impact)	**32,767**	**7,353**	**687**	**1,731**	**42,538**
Increases (decreases)					
Depreciation in 2019	(349)	(1,662)	(140)	(482)	(2,633)
New contracts	0	4,104	16	439	4,559
Currency translation differences	67	80	14	8	169
Total increases (decreases)	**67**	**4,184**	**30**	**447**	**4,728**
Gross book value	32,834	11,537	968	2,271	47,610
Accumulated amortisation	(349)	(1,662)	(391)	(575)	(2,977)
Total net book value as at 30.09.2019	**32,485**	**9,875**	**577**	**1,696**	**44,633**

* The items 'Plant and machinery' and 'Vehicles" represent reclassifications comprising gross value and amortisation of property, plant and equipment, which were recognised as at 31.12.2018 as financial lease under IAS 17.

Costs of lease contracts recognised in the statement of profit or loss for 9 months:

Costs on account of		
Lease interest	Finance costs	(727)
Depreciation	Operating costs (depreciation)	(2,633)
Low-value lease	Operating costs (third-party services)	(458)
Short-term lease	Operating costs (third-party services)	(613)
Total		**(4,431)**

Value of future lease payments as at 31.12.2018	
Value of future lease payments	52,920
Discount	(29,753)
Present value of lease liabilities as at 31.12.2018	**23,167**
including short-term lease	3,316

Weighted average incremental borrowing rate of the Group as the lessee applied to lease liabilities as at 01.01.2019 amounted to 4.36%.

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20.2. Group as a lessor

As at the lease commencement date, the Group classifies lease as either finance or operating lease. For the purpose of classification, the Group assesses whether basically the whole risk and benefits resulting from the asset are conveyed to the lessee. If basic risks and benefits are transferred to the lessee, the Group classifies lease as finance lease, otherwise, the Group classifies lease as operating lease.

Occasionally, the Group concludes finance lease contracts with its customers in reference to machinery, and with commercial representatives in reference to cars.
As at the balance-sheet date, the Group had more than ten contracts pending repayment. The Group did not recognise any uncollectible lease payments.
The terms and conditions of the contract concluded by the Group are as follows:
- the finance covers the period from 18 to 60 months;
- the object of the contracts may be machinery or cars;
- the contracts cover for the option of the lease object purchase by the user after repayment, at a price lower than the market value on the day of acquisition;
- the contracts cover for termination option, for example in case arrears amount to 3 monthly instalments. The user may terminate the contract providing that they cover any losses of the lessor resulting from the termination;
- the contracts forbid sub-leasing of the object of lease or assignment of the rights under the contract.

The concluded contracts do not contain any contingent lease payment depending on future factors other than the lapse of time.

	30.09.2019	31.12.2018
Gross lease investment	**2,029**	**2 609**
Up to 1 year	1,176	1 032
Between 1 and 5 years	853	1 577
Present value of minimum lease payments	**1,906**	**2,455**
Up to 1 year	1,105	952
Between 1 and 5 years	801	1,503
More than 5 years	0	0
Unearned finance income (discount)	**123**	**154**
Unguaranteed residual value vested in the lessor	**697**	**768**

21. Equity securities – employee share plans

The Capital Group plan of vesting shares to its selected employees as well as the principles of the plan valuation are described in detail in the consolidated financial statements for 2018.

The shares taken up under the employee share plan are presented in note 32.

The Group recognises the plan costs proportionally to the vesting period of the rights to options.

22. Trade payables and other liabilities

22.1. Long-term liabilities

As a performance bond for construction services for a part of construction contracts, the Company submits security deposits. In the event of any defects that the supplier fails to eliminate pursuant to such a bond, the Group may retain the security deposit and use it to repair such defects.

	30.09.2019	31.12.2018
Building security deposits	1,096	1,130

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22.2. **Short-term trade payables and other liabilities**

	30.09.2019	31.12.2018
Short-term liabilities:	**535,006**	**345,747**
Trade payables	282,712	244,226
Payables on account of property, plant and equipment purchase	23,573	49,610
Payroll payables	19,135	17,419
Dividend payables	162,292	0
Total financial liabilities (under IFRS 7)	**487,712**	**311,255**
Public law payables (except for income tax payables)	41,307	30,899
Other liabilities	5987	3,593
Total non-financial liabilities	**47,294**	**34,492**

Principles and conditions of payment of the aforementioned financial liabilities:

Trade payables do not bear interest and are usually settled within 30-60 days. Other liabilities do not bear interest and their average payment period is one month. The said liabilities are not secured with the Company assets.

22.3. **Contractual liabilities**

	30.09.2019	31.12.2018
Contractual liabilities related to construction contracts	0	129
Contractual liabilities related to other contracts	14,737	10,609
Total contractual liabilities	**14,737**	**10,738**

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

23. Explanation of the reasons for material changes in the items of revenue and costs

In the first 9 months of 2019, compared to the corresponding period of the preceding year, material changes in the particular items of revenue and costs included:

- increase in sales revenue by PLN 214,342,000, which resulted from higher sales volume as well as changes in the prices of the basic raw material (i.e. aluminium) and exchange rates;

- increase in depreciation costs by PLN 8,752,000, which resulted from the Group investments;

- increase in the costs of materials and energy by PLN 93,902,000, which resulted from higher sales volume and the related increase in output as well as changes in the prices of the basic raw material (i.e. aluminium) and exchange rates. As estimated by the Group, the quotations of the average aluminium price in the period of 9 months of 2019 as compared to 9 months of 2018 decreased by approximately 16%, with the simultaneous increase in the USD/PLN exchange rate by about 8%;

- increase in the costs of external services by PLN 7,695,000, which resulted mainly from higher production and sales and the observed growth of unit prices of the purchased services;

- increase in the costs of employee benefits by PLN 26,610,000, which resulted mainly from the extended scale of the Group operations, and contributed to headcount increase and growth in payroll. As at 30 September 2019 the Group employed 5,166 people compared to 4,978 people as at 30 September 2018.

24. Discontinued operations

In 9 months of 2019 and 9 months of 2018, the Group did not discontinue any significant operations.

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25. Business combinations and acquisitions of non-controlling interests

In the current period and the comparative period there were no such transactions.

26. Investments in associates

In the reporting period, the Group did not acquire any new associates.

As at 30/09/2019, the Group held 45.5% of shares in Aluprof USA LLC with its registered office in New York.

Company name	Place of business	Core business	Major investor	Percentage of share capital as at		Profit (loss) allocated to the major investor as at		Accumulated value of shares as at		Segment
				30-09-2019	31-12-2018	30-09-2019	31-12-2018	30-09-2019	31-12-2018	
Aluprof USA LLC	USA	Distribution of aluminium systems	Aluprof System USA	45.50%	45.50%	792	1,144	5,857	4,761	ASS

27. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed compared to those published in the consolidated financial statements for the year 2018.

Below presented is the detailed information concerning fair values of financial instruments that can be estimated.

- Cash and cash equivalents, short-term bank deposits and short-term bank loans. The fair value of the said instruments is close to their carrying amounts due to their short-term maturity.
- Trade receivables, other receivables, trade payables and other liabilities. The fair value of the said instruments is close to their carrying amounts due to their short-term nature.
- Long-term bank loans and lease. The fair value of the instruments is close to their carrying amounts due to the fluctuating nature of their interest rates as well as the market level of the margin.
- Financial derivatives at fair value determined as at the balance-sheet date.

28. Capital management

The main aim of the Group capital management process is to retain safe capital ratios which support the Group operating activities and increase shareholder value.

The Group manages the capital structure and, as a result of changes in economic conditions, introduces the respective adjustments in it. To retain or adjust the capital structure, the Group may change the value of dividend payable to the shareholders, return the capital to shareholders or issue new shares. In the reporting period ended 30 September 2019, compared to the year ended 31 December 2018, no changes were introduced to the objectives, principles and processes binding in that area.

The Group monitors equity using the leverage ratio, which is the ratio of net debt to total equity increased for net debt. The Group principles provide that the ratio shall not be higher than 50% as at the end of the reporting year. The Group net debt includes interest-bearing loans and borrowings, trade payables and other liabilities, less cash and cash equivalents. Equity comprises convertible preference shares and equity attributable to owners of the parent, less reserves for unrealised net profit.

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

	30.09.2019	31.12.2018
Interest-bearing loans and borrowings	783,422	875,056
Trade payables and other liabilities	549,743	356,485
Less cash and cash equivalents	(124,290)	(100,681)
Net debt	1,208,875	1,130,860,
Equity	1,416,767	1,397,042,
Equity and net debt	2,625,642	2,527,902,
Leverage ratio	46.04%	44.74%

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

29. Contingent liabilities

Item	30.09.2019	31.12.2018
Bank performance bonds for construction contracts, as provided by the ASS	23,139	25,097
Insurance performance bonds for construction contracts, as provided by the ASS	6,727	50,960
Total guarantees granted	**29,866**	**76,057**

The maturity dates of construction-related guarantees depend on the provisions of the respective agreements.

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

30. Future investment liabilities

The table below presents liabilities related to the purchase of property, plant and equipment. The amounts will be allocated to the construction of production halls and the purchase of new plant and machinery.

Contractual liabilities related to the purchase of property, plant and equipment	**30.09.2019**	**31.12.2018**
Extruded Products Segment	34,697	12,746
Flexible Packaging Segment	10,358	70,004
Aluminium Systems Segment	10,428	10,547
Other expenditure	0,	103,
TOTAL	**55,483**	**93,400**

31. Derivative financial instruments

Financial assets	**30.09.2019**	**31.12.2018**
Currency forward contracts hedging cash flows	1,865	272
Futures contracts hedging cash flows related to the purchase of aluminium	178	334
TOTAL FINANCIAL ASSETS	**2,043**	**606**

Financial liabilities	**30.09.2019**	**31.12.2018**
Currency forward contracts hedging cash flows	471	386
Futures contracts hedging cash flows related to the purchase of aluminium	3,812	9,314
TOTAL FINANCIAL LIABILITIES	**4,283**	**9,700**

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Compared to the principles described in the consolidated financial statements for 2018, the Group has not introduced any changes in the method of classification and valuation of financial instruments.
The fair value of futures and forwards is calculated on the basis of the present net value of the future cash flows related to such contracts and quoted market prices of forward contracts determined with the use of the present interest rates. Forward/futures contracts and derivative instruments which cannot be classified as hedging instruments are recognised as instruments held for trading.
The fair value of currency forward contracts is determined by reference to the present forward rates of contracts with similar maturity.

The valuation is based on market valuations of identical transactions at commercial banks.

32. Shareholding structure and transactions with management staff

32.1. Shareholding structure

Entity	Number of shares 30.09.2019	Percentage of capital	Number of shares 31.12.2018	Percentage of capital
Nationale Nederlanden OFE	1,847,000	19.30%	1,836,002	19.23%
OFE AVIVA Santander	1,723,000	18.00%	1,762,985	18.47%
OFE PZU ZŁOTA JESIEŃ	952,419	9.95%	946,571	9.92%
AEGON PTE	693,079	7.24%	688,823	7.22%
MetLife OFE	500,000	5.23%	509,873	5.34%
PTE Allianz Polska	494,262	5.17%	491,227	5.15%
Other	3,360,187	35.11%	3,309,966	34.67%
Total*	**9,569,947**	**100.00%**	**9,545,447**	**100.00%**

32.2. Transactions with members of the Management Board

In the reporting period, the Group did not enter into any transactions with members of the Management Board apart from those described below.

32.3. Costs of remuneration of the Group senior management

Management Board:	**9 months of 2019**	**9 months of 2018**
Costs of short-term employee benefits	1,695	1,912
Costs of provisions for annual bonuses and other benefits	3,387	4,265
Total amount of costs of the Management Board members remuneration	**5,082**	**6,177**
The valuation of the costs of options for treasury shares due when the plan is implemented*	343	655
Total benefits to the Management Board members	**5,425**	**6,832**

* The details of the plan are described in note 32.4. If the market conditions for the allocation of options are not fulfilled, despite the recognition of the costs of the plan, eligible persons will not acquire the right to take up shares.

Senior management is considered by the Group to be the Management Boards of the subsidiaries.

Remuneration and benefits under the options plan due to the members of the Management Board, the senior management and members of the Company Supervisory Board are as follows:

	9 months of 2019	**9 months of 2018**
Management Board of the parent*	5,425	6,832
Senior management*	9,482	8,928
Supervisory Board	630	596
Total	**15,537**	**16,356**

* The presented remuneration covers the costs of provisions for annual bonuses for the management staff and share options costs recognised in the statement of profit or loss. Pursuant to the principles of the plan and IFRS 2, the value of the share options constitutes the valuation of the options plan as at the date of its launch. The costs of options are recognised in profit or loss on a straight-line basis throughout the validity period of the plan, i.e. 36 months. In accordance with IFRS 2, the costs presented in such a way constitute the cost of remuneration for the Company, but do not reflect the value of the possible benefits that the employees may obtain in the future on that account. The possible benefits of the employees depend on the level of share prices in the future as compared to the acquisition price resulting from the conditions of the particular parts of the options plan.

32.4. **Participation of senior management in the employee share plan**

In the reporting period, the Management Board took up 4,200 shares of the Company under the first part of the 2015 plan, and 17,500 shares of the Company under the third part of the 2012 plan.

As at the balance-sheet date the members of the Management Board held options entitling them to 10,500 shares from the first part of the 2015 plan

In addition, the members of the Management Board hold the rights to the following number of share options. The final number of share options that the Management Board will be able to exercise will depend on the satisfaction of the plan conditions.

Number of share options in the vesting period granted to the members of the Management Board of the parent	Number of granted options	End date of the vesting period	Estimated number of options meeting the vesting conditions
Share options from the second part of the 2015 plan	21,000	01.10.2019	9,450
Share options from the third part of the 2015 plan	21,000	01.10.2020	0

The costs of considerations on that account recognised in the statement of profit or loss for the period of 9 months of 2019 amounted to PLN 343,000 (9 months of 2018: PLN 655,000).

Under the plan, the members of senior management hold options entitling them to purchase 6,300 shares from the first part of the 2015 plan.

Number of share options in the vesting period granted to the senior management	Number of granted options	End date of the vesting period	Estimated number of options meeting the vesting conditions
Share options from the second part of the 2015 plan	23,000	01.10.2019	10,350
Share options from the third part of the 2015 plan	23,000	01.10.2020	0

The costs of options for the senior management recognised in profit or loss amounted in the period of 9 months of 2019 to PLN 527,000 (9 months of 2018: PLN 778,000).

33. Shares issue and capital increase

In the reporting period, the eligible employees did not acquire any shares of the company.

Below presented is the method of settling proceeds from the issue of employee shares.

Shares	Number of shares	Year of acquisition	Value (PLN '000)	Amounts accounted for as share capital	Amounts accounted for as share premium
E series shares – 2006 plan	13,375	2013	1,669	33	1,636
F series shares – 2009 plan	85,200	2013	6,547	213	6,334
F series shares – 2009 plan	9,000	2014	1,059	23	1,036

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E series shares – 2006 plan	4,350	2014	543	11	532
F series shares – 2009 plan	43,200	2014	5,082	108	4,974
F series shares – 2009 plan	12,750	2014	1,601	32	1,569
F series shares – 2009 plan	48,450	2015	6,083	121	5,962
G series shares – 2012 plan	11,705	2016	1,371	29	1,342
G series shares – 2012 plan	24,683	2016	2,890	62	2,828
G series shares – 2012 plan	11,604	2017	1,359	29	1,330
G series shares – 2012 plan	31,720	2017	3,714	78	3,636
G series shares – 2012 plan	23,747	2018	2,780	59	2,721
G series shares – 2012 plan	17,500	2019	2,049	44	2,005
H series shares – 2015 plan	7,000	2019	2,130	17	2,113
TOTAL	**344,284**		**38,877**	**859**	**38,018**

34. Methods of measurement at fair value (fair value hierarchy)

At fair value, the Group measures investment properties and derivative financial instruments.

In addition, the Group evaluates energy-related assets at a revalued amount, i.e. at the fair value as at the valuation date adjusted for depreciation. The revalued amount was determined with the replacement value method using the cost approach, the replacement value method and index method technique. The valuation was based on nationwide pricing catalogues, having regard for the regional division. The valuation was carried out by an independent appraiser and is classified in the fair value hierarchy at Level 3. On 1 January 2016, the Group remeasured energy-related assets. As a result of the valuation, the Group recognised PLN 1,658,000 in revaluation reserve, accounting for an increase in the fair value of energy-related assets, at the same time recognising a deferred income tax liability of PLN 315,000 decreasing the reserve. In addition, the Group recognised PLN 655,000 in other operating costs, accounting for a decrease in the fair value of energy-related assets.

Fair value of energy-related assets is monitored on an ongoing basis and, in the opinion of the Management Board, the accounting policy according to which the revaluation of these assets is carried out every 5 years, ensures a reliable presentation of the assets value.
The detailed principles for determining the fair value of energy-related assets as at the revaluation date are described in the consolidated financial statements for the year 2018, note 17.
The method of the valuation of investment properties at fair value is described in the consolidated financial statements for the year 2018, note 19, whereas the details of derivative financial instruments valuation is presented in note 40.
The carrying amount of investment properties is based on fair values determined on the basis of the valuation conducted by a qualified independent expert experienced in the valuation of investment properties. The approach applied by the expert was based on compared market prices of rents in accordance with the income method and straight capitalisation of gross revenue technique. Fair value of investment properties is classified at ‘Level 3’.

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

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

As compared to the previous financial year, the Group did not change the method of measuring derivatives.

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

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

Fair value hierarchy	**Fair value hierarchy level**	**30.09.2019**	**31.12.2018**
Assets			
Investment properties	3	4,003	3,493
Energy-related assets	3	5,537	5,545
Hedging derivatives	2	2,043	606
TOTAL ASSETS		**11,583**	**9,644**
Liabilities			
Hedging derivatives	2	4,283	9,700
TOTAL LIABILITIES		**4,283**	**9,700**

35. Earnings per share

Below presented are the data related to earnings and the number of shares applied to calculate the basic and diluted earnings per share.

	9 months ended 30.09.2019	**9 months ended 30.09.2018**
Net profit attributable to owners of the parent	**232,515**	**208,147**
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,554,114	9,535,705
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share	9,572,076	9,554,631
Basic earnings per share for the period attributable to owners of the parent (in PLN)	24.34	21.83
Diluted earnings per share for the period attributable to owners of the parent (in PLN)	24.29	21.78

During the reporting period, the authorised employees took up 7,000 shares of Grupa Kęty S.A. under the first part of the 2015 plan, at the price of PLN 304.24 per share, and 17,500 shares under the third part of the 2012 plan, at the price of PLN 117.10 per share.

Moreover, the authorised employees held options to take up 10,500 shares at the price of PLN 117.10 per share under the third part of the 2012 plan, and 30,800 shares under the first part of the 2015 plan at the price of PLN 304.24 per share.

The average market price of the Company shares in the period of 9 months of 2019 was PLN 334,32. The closing price as at 30 September 2019 was PLN 297.

The potential number of ordinary shares associated with the employee options plan increasing the number of shares and assumed for the calculation of diluted earnings per share is 17,962.

36. Grupa Kęty S.A. transactions with its related companies

Intra-group transactions in the period from 1 January 2019 to 30 September 2019 and as at 30 September 2019

Related company	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Aluprof S.A.	229,718	1,711	88,121	421
Alupol Packaging S.A.	1175	0	292	0
Alu Trans System Sp. z o.o.	2	0	0	0
Dekret Sp. z o.o.	657	1,494	49	419
Aluprof Hungary Kft.	107	200	1	145
Alupol LLC	12,825	7,086	4,498	2,538

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Romb S.A.	9,409	59	3,175	0
Aluform Sp. z .o.o.	903	45,757	240	8,823
Alupol Packaging Kęty Sp. z o.o.	3,282	17	626	0
Alupol Films Sp. z o.o.	335	0	46	0
Aluprof System Czechy s.r.o.	1	0	0	0
Aluprof Belgium N.V.	52	0	11	0
Aluprof Deutschland	1	0	0	0
Aluminium Kęty EMMI d.o.o	5,029	2,791	957	128
Aluminium Kęty CSE s.r.o	0	500	0	40
Aluminium Kęty Deutschland Gmbh	0	1,060	0	136
Grupa Kęty Italia s.r.l	0	1,254	0	342
Aluprof System Romania s.r.l	9	0	1	0
Aluprof Netherlands B.V.	0	0	1	0
Marius Hansen Facader A/S	0	0	1	0
Aluprof UK Ltd.	49	0	17	0
Total	**263,554**	**61,929**	**98,036**	**12,992**

Moreover, in the reporting period Grupa Kęty recognised dividend income from related companies in the following amounts:
PLN 140,000,000 from Aluprof S.A.;
PLN 20,000,000 from Alupol Packaging S.A.;
PLN 22,000,000 from Aluform sp. z o.o.;
PLN 447,000 from Dekret sp. z o.o.

As at 30 September 2019 Grupa Kęty S.A. had the following receivables on account of the above dividends:
PLN 100,000,000 from Aluprof S.A.;
PLN 15,000,000 from Alupol Packaging S.A.;
PLN 15,000,000 from Aluform sp. z o.o.

Apart from the above mentioned transactions the Company did not enter into any other intercompany transactions in the 9 months of 2019.
The transactions with the Management Board and the Supervisory Board are described in note 32 to the interim condensed consolidated financial statements. Apart from the transactions and balances referred to above, there were no other significant intercompany transactions.

37. **Post-balance-sheet events**

Apart from those referred to in this report, there were no significant events post the balance-sheet date which should be included herein.

II. OTHER INFORMATION APPLICABLE TO THE CONSOLIDATED QUARTERLY REPORT

1. Summary of the Issuer's material accomplishments or failures in the reporting period and a list of the respective key events

Despite the information regarding limited demand on Western European markets, particularly in the automotive sector, the orders portfolio generated by the Capital Group enabled the achievement of high production capacity utilisation (over 90% both in the Extruded Products Segment [EPS] and Flexible Products Segment [FPS]), which translates into higher effectiveness of the activities. Higher sales were also generated by the Aluminium Systems Segment [ASS].

Sales revenue of the Group in Q.3, 2019 increased by 3% compared to the corresponding period of the preceding year, despite aluminium prices in PLN lower by 9% in the reporting period.

Specifically, the increase of the revenue resulted from high export sales, amounting to 9%.

As a result, the Group generated PLN 126 million of consolidated profit on operating activities, which is by 15% more than in Q.3, 2018.

The consolidated net profit in Q.3, 2019 amounted to PLN 99 million, i.e. 19% more than in the preceding year.

The Capital Group also generated high cash flows on operating activities amounting to PLN 159 million.

As regards the operating activities, the Capital Group had been carrying out the following tasks:

- continuing investments with the aim to increase production capacity;
- foreign sales extension in order to diversify the economic situation risk;
- product development in order to reach new customers and markets.

2. Factors with significant impact on the results of the present quarter

Demand for the Company products

Higher sales volume was recorded by all the three segments of the Capital Group. Lower value of sales reflected by the SWW, despite volume increase by 1% compared to Q.3, 2018 reflects specifically lower aluminium prices and in effect, lower prices of the segment products.

The detailed specification of domestic and foreign sales is presented below.

Segment (PLN million)	Revenue in Q.3	Growth rate		Poland	Foreign markets
Extruded Products Segment	329.2	-6%		179.2	150.0
Aluminium Systems Segment	402.5	+12%		158.2	244.3
Flexible Packaging Segment	191.3	+7%		95.7	95.6

Exchange rates

As estimated, over half of the sales is denominated in foreign currencies, mainly EUR. On the costs side, also half of the costs are expressed in foreign currencies, mainly in USD and EUR. In the discussed period the average EUR/PLN rate was 4.32, which was similar to the level of the corresponding period of the preceding year, whereas PLN was weaker compared to USD, with the USD/PLN rate of 3.89, which is a growth of 5%. Significant exchange rates changes were also observed within third quarter of the year, USD/PLN rate grew from 3.75 at the beginning of the quarter to ca. 4.00 at the end of September.

With regard to the FX position of the Capital Group, PLN appreciation against EUR has a negative impact on exports profitability and the competitive position on the Polish market. In addition, the Capital Group companies have trade receivables and liabilities in foreign currencies. From that point of view, EUR and USD fluctuations against PLN, and USD against UHR (the settlements between the companies of the Capital Group in Poland and in Ukraine are made in USD) are of key importance here.

Prices of basic raw materials

Aluminium, aluminium scrap, sheet aluminium and aluminium foil are the basic raw materials at the Capital Group, accounting for approximately 50% of the costs of materials. Thus, the Group is exposed to the risk of increased prices of the raw material, considering the fact that it cannot in any way influence the prices quoted at the London Metal Exchange (LME), which are the pricing base for aluminium supply contracts concluded by the companies of the Group. In the reporting period aluminium prices grew ranged from USD 1,720 per tonne to USD 1,850 per tonne, whereas the maximum price was recorded in the first month of the quarter, and in the subsequent two months the prices were mainly dropping, with the minimum level reached at the end of the quarter. Changes in the materials prices in a short period of time may affect the profitability of operations, particularly at the Extruded Products Segment and the Aluminium Systems Segment, as the prices are transferred to customers with a certain delay (1–1.5 months at the EPS, and 3–6 months at the ASS). A factor which stabilised the generated results were the aluminium purchase hedging transactions.

Debt

At the end of the reporting period, the Capital Group had PLN 274 million of long-term loans and PLN 484 million of short-term loans. Roughly 17% of the value of loans is held in foreign currencies (EUR), which is reflected in the statement of profit or loss due to the monthly evaluation of the impact of the changes of EUR rates on the value of a loan.

Other

In the reporting period, there were no other significant factors or events, especially of exceptional nature, with a significant impact on the generated financial results, apart from those mentioned in these notes and in the interim condensed consolidated financial statements for three quarters of 2019.

3. Factors which in the Issuer's opinion are likely to influence its results generated within the perspective of at least one quarter

The factors which will influence the results generated by the KĘTY Capital Group within the perspective of at least the subsequent quarter will be identical as described above.

Demand for the Company products

It is expected that market pressure will continue, specifically as regards the products of the Extruded Products Segment, which may result in lowering sales, with positive growth in the Aluminium Systems Segment and Flexible Packaging Segment compared to the preceding year.

Exchange rates

Having regard for the FX position of the Capital Group, any possible appreciation of PLN against EUR will be negative for the sale and margins. Therefore, the Management Board of Grupa Kęty S.A. intends to maintain a part of debt in foreign currencies and to continue the policy of hedging currency risk with forward and futures contracts. In addition, the financial result may be affected by the fluctuations of the Ukrainian currency due to the persisting level of debt between the Ukrainian and Polish companies of the Group.

Prices of basic raw materials

It has been estimated that aluminium prices in Q.4, 2019 will range from USD 1,700 to USD 1,800 per tonne. The possible growth of aluminium prices may result in limited profitability, due to the fact that product price increases are introduced with a certain delay. Some positions to which Segments are exposed are systematically hedged within up to 12 months, while the level of hedging ranges from 20% to 50% of positions for a given month.

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Debt

It has been estimated that the net debt of Grupa KĘTY by the end of 2019 may increase for the amount of over PLN 100 million in reference to capital project payments and the planned payout of the second tranche of the dividend, which will exceed the value of cash flows on operating activities, assuming that there will be no major changes in the net level of working capital.

4. Description of changes in the organisation of the Issuer and the Capital Group

In the reporting period there were no material changes in the structure of the Capital Group.

5. The Management Board’s stand regarding the published projections

The Management Board of Grupa Kęty S.A. upholds the projection published on 6 February 2019.

6. Shareholders with at least 5% of total number of votes at the General Meeting as at the date of submitting this report

	Number of shares as at 34.10.2019	Percentage of capital	Number of shares as at 31.12.2018	Percentage of capital
Nationale Nederlanden PTE	1,847,000	19.30%	1,836,002	19.23%
Aviva OFE Aviva Santander	1,723,000	18.00%	1,762,985	18.47%
OFE PZU „Złota Jesień”	952,419	9.95%	946,571	9.92%
Aegon PTE SA	693,079	7.24%	688,823	7.22%
PTE Allianz Polska	494,262	5.16%	491,227	5.15%
MetLife OFE	500,000	5.22%	509,873	5.34%
Others	3,360,187	35.11%	3,309,966	34.67%
Total	9,569,947	100.00%	9,545,447	100.00%

7. Shares held by the Company managing and supervising persons as at the date of this report publication

In accordance with the declarations made as at the last day of the reporting period, the persons managing the Company held 221,021 ordinary bearer shares of Grupa Kęty S.A., including: President of the Management Board – 159,718 shares, Member of the Management Board – 44,435 shares, Member of the Management Board – 16,868 shares (growth by 4,200 shares compared to the end of 2018).

In addition, within the incentive plans adopted by the General Meeting on 23 April 2015, the Management Board members hold:

- the right to acquire 10,500 K series bonds with the pre-emptive right to acquire H series ordinary bearer shares, and in that number: President of the Management Board – 6,300, Member of the Management Board – 4,200;

- the right to acquire 9,450 L series bonds with the pre-emptive right to acquire H series ordinary bearer shares, and in that number: President of the Management Board – 4,050, Member of the Management Board – 2,700, Member of the Management Board – 2,700;

- the right to acquire 21,000 M series bonds with the pre-emptive right to acquire 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; in accordance with the terms and conditions of the plan.

The supervising staff did not have any shares of Grupa Kęty S.A.

8. Important court litigations, arbitration proceedings or administrative proceedings

In the reporting period, no proceedings were initiated or were pending against the Issuer or its subsidiaries before a court or public administration authority concerning any liabilities or claims of the Issuer or its subsidiaries, whose total value would amount to at least 10% of the Issuer's equity.

9. Intercompany transactions

From the beginning of the reporting year, in the period covered by this report, there were made intercompany transactions of the total value exceeding the PLN equivalent of EUR 500,000. These were transaction of typical or routine nature, whereas their terms and conditions complied with the current operations of the Issuer and its subsidiaries.

10. Information on security bonds for loans and borrowings or guarantees granted by the Issuer or its subsidiaries

In the reporting period, the Issuer and its subsidiaries did not grant any security bonds for loans and borrowings, or any guarantees jointly to a single entity outside the Capital Group or a subsidiary of such entity, whose total value would amount to at least 10% of the Issuer's equity.

11. Other information material for the assessment of the Issuer's headcount, assets, financial standing and the capability of paying liabilities by the Issuer

Apart from the information disclosed in the interim condensed consolidated financial statements for three quarters of 2019 and in these comments, the Management Board is not aware of any information which would have a material impact on the assessment of the headcount, assets and financial standing of Grupa Kęty S.A. and the Grupa Kęty S.A. Capital Group.

GRUPA KĘTY S.A.
QUARTERLY FINANCIAL DISCLOSURE FOR Q.3, 2019

(PLN ‘000)

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN ‘000)

III. QUARTERLY FINANCIAL DISCLOSURE OF GRUPA KĘTY S.A.

SEPARATE STATEMENT OF PROFIT OR LOSS

	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Total operating revenue, including:	**303,662**	**1,084,632**	**315,035**	**1,028,408**
Sales revenue	303,241	900,753	314,565	874,251
Other operating revenue	421	1,432	470	1,280
Dividends	0	182,447	0	152,877
Change in inventories of finished goods and work in progress	**(9,602)**	**(25,837)**	**232**	**(723)**
Cost of manufacturing of products for own needs	**1,329**	**4,311**	**1,216**	**3,569**
Total operating costs, including:	**(275,645)**	**(847,408)**	**(296,547)**	**(824,720)**
Depreciation	(12,840)	(37,709)	(10,357)	(31,036)
Materials and energy and the value of materials sold	(189,021)	(585,423)	(212,937)	(574,802)
Third-party services	(40,128)	(119,930)	(40,012)	(118,085)
Taxes and fees	(1,456)	(4,466)	(1,448)	(4,382)
Employee benefits	(31,600)	(98,036)	(30,994)	(94,154)
Write-downs of financial assets – IFRS 9	0	272	(799)	(2,165)
Other operating costs	(600)	(2,116)	0	(96)
Profit on operating activities and dividends	**19,744**	**215,698**	**19,936**	**206,534**
Financial revenue	49	183	84	137
Finance costs	(3,201)	(7,330)	(1,056)	(6,116)
Profit before tax	**16,592**	**208,551**	**18,964**	**200,555**
Income tax	(3,373)	(6,063)	(3,833)	(9,807)
Net profit on continued operations	**13,219**	**202,488**	**15,131**	**190,748**
Net earnings per share for the period (PLN)				
Basic earnings per share	1.38	21.19	1.59	20
Diluted earnings per share	1.38	21.15	1.58	19.96

In the reporting period, the Company did not discontinue any operations.

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 30.09.2019	9 months ended 30.09.2019	3 months ended 30.09.2018	9 months ended 30.09.2018
Net profit for the period	**13,219**	**202,488**	**15,131**	**190,748**
Other comprehensive income*, of which:	**1,318**	**2,800**	**(3,153)**	**(3,808)**
Valuation of cash flow hedging instruments	783	2,920	(2,208)	(3,451)
Result on cash flow hedging transactions	713	434	(1,343)	(1,007)
Income tax related to other comprehensive income	(178)	(554)	398	630
Comprehensive income for the period	**14,537**	**205,288**	**11,978**	**186,940**

**All items of other comprehensive income will be reclassified to profit or loss when certain conditions are met in further periods.*

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

SEPARATE BALANCE SHEET

ASSETS	30.09.2019	31.12.2018
I. Non-current assets	**882,176**	**877,508**
Property, plant and equipment	490,420	486,547
Intangible assets	5,801	6,497
Right-of-use assets	11,930	0
Shares and interests	369,725	369,107
Advance payments for property, plant and equipment	4,300	15,357
II. Current assets	**474,731**	**345,548**
Inventories	81,405	134,887
Income tax receivables	281	0
Trade and other receivables	384,832	194,457
Derivative financial instruments	178	347
Cash and cash equivalents	8,035	15,857
Total assets	**1,356,907**	**1,223,056**
EQUITY/LIABILITIES		
I. Equity	**671,153**	**689,590**
Share capital	67,825	67,763
Share premium	38,018	33,900
Capital from the revaluation of property, plant and equipment	2,842	2,842
Capital from share based payments	25,508	24,322
Capital from the revaluation of hedging instruments	(842)	(3,208)
Result on cash flow hedging transactions	(98)	(532)
Retained earnings	537,900	564,503
II. Long-term liabilities	**158,070**	**158,326**
Liabilities related to loans	99,855	105,829
Lease liabilities	3,536	0
Provisions for employee benefits	1,907	1,691
Subsidies	28,506	29,246
Deferred tax liability	24,266	21,560
III. Short-term liabilities	**527,684**	**375,140**
Liabilities related to loans	238,218	252,107
Lease liabilities	177	0
Income tax payables	0	2,356
Trade payables and other liabilities	272,629	98,445
Contractual liabilities	1,168	1,203
Provisions and accruals	13,248	15,702
Derivative financial instruments	1,224	4,307
Subsidies	1,020	1,020
Total equity/liabilities	**1,356,907**	**1,223,056**

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

SEPARATE STATEMENT OF CASH FLOWS

	9 months ended 30.09.2019	9 months ended 30.09.2018
Cash flow from operating activities		
Profit before tax	**208,551**	**200,555**
Adjustments:	**45,637**	**35,261**
Depreciation	37,709	31,036
Net (profit) loss from currency translation differences	1,329	1,424
Change in the realised result on transactions hedging the price of aluminium recognised in equity	434	(1,007)
(Profit)/loss from sales of property, plant and equipment	(105)	70
Interest and share in profits	5,668	2,909
Share based payments	568	814
Net value of property, plant and equipment liquidated	34	15
Cash flow from operating activities before the change of working capital	**254,188**	**235,816**
Change in inventories	53,481	(8,255)
Change in the balance of receivables	(190,371)	(76,726)
Change in short-term liabilities, except for loans	30,279	30,247
Change in provisions	(2,239)	(428)
Change in subsidies	(741)	(765)
Net cash generated from operating activities	**144,597**	**179,889**
Tax (paid)/refunded	(6,550)	(8,420)
Net cash from operating activities	**138,047**	**171,469**
Cash flow from investing activities		
(+) Proceeds:	**216**	**386**
Sales of intangible assets, and property, plant and equipment	216	386
(-) Expenses:	**(56,179)**	**(94,733)**
Acquisition of intangible assets, and property, plant and equipment	(56,179)	(94,733)
Net cash from investing activities	**(55,963)**	**(94,347)**
Cash flow from financing activities		
(+) Proceeds:	**38,593**	**219,873**
Proceeds from the issue of shares	4,180	2,780
Proceeds from loans	34,413	217,093
(-) Expenses:	**(128,499)**	**(273,905)**
Dividends	(66,798)	(228,521)
Repayment of loans	(55,960)	(42,701)
Lease liabilities payments	(177)	0
Interest	(5,564)	(2,683)
Net cash from financing activities	**(89,906)**	**(54,032)**
Total net cash flows:	**(7,822)**	**23,090**
change in cash due to currency translation differences	0	0
Cash and cash equivalents at the beginning of the period	**15,857**	**3,385**
Cash and cash equivalents at the end of the period	**8,035**	**26,475**

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	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 2019	**67,763**	**33,900**	**2,842**	**24,322**	**(3,208)**	**(532)**	**564,503**	**689,590**
Comprehensive income for the period:	0	0	0	0	2,366	434	202,488	**205,288**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*202,488*	***202,488***
Other comprehensive income	*0*	*0*	*0*	*0*	*2,366*	*434*	*0*	***2,800***
Valuation of share based payments	0	0	0	1,186	0	0	0	**1,186**
Dividends	0	0	0	0	0	0	(229,091)	**(229,091)**
Issue of shares	62	4,118	0	0	0	0	0	**4,180**
Equity as at 30 September 2019	**67,825**	**38,018**	**2,842**	**25,508**	**(842)**	**(98)**	**537,900**	**671,173**
Previous year								
Equity as at 1 January 2018	**67,704**	**31,179**	**3,314**	**21,992**	**2,725**	**546**	**601,029**	**728,489**
Comprehensive income for the period:	0	0	0	0	(2,801)	(1,007)	190,748	**186,940**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*190,748*	***190,748***
Other comprehensive income	*0*	*0*	*0*	*0*	*(2,801)*	*(1,007)*	*0*	***(3,808)***
Valuation of share based payments	0	0	0	1,716	0	0	0	**1,716**
Dividends	0	0	0	0	0	0	(228,521)	**(228,521)**
Issue of shares	59	2,721	0	0	0	0	0	**2,780**
Equity as at 30 September 2018	**67,763**	**33,900**	**3,314**	**23,708**	**(76)**	**(461)**	**563,256**	**691,404**

Signatures of all Members of the Management Board

Dariusz Mańko
President of the Management Board

…………………………………….

Rafał Warpechowski
Member of the Management Board

…………………………………….

Piotr Wysocki
Member of the Management Board

…………………………………….

Tomasz Grela
Member of the Management Board

…………………………………….

Signature of the person entrusted with bookkeeping

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

…………………………………….