



**THE CAPITAL GROUP OF GRUPA KĘTY S.A.
CONSOLIDATED QUARTERLY REPORT
FOR Q.3, 2020**

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated quarterly report QSr 3/2020

(compliant with paragraphs 60.2 and 62.3 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 2020, covering the period from 1 January 2020 to 30 September 2020, comprising the interim condensed consolidated financial statements in accordance with IAS 34, in Polish zlotys (PLN), the interim condensed separate statements of Grupa Kęty S.A. in accordance with IAS 34, in Polish zlotys (PLN), the report of the Management Board on the Company operations, and declarations of the Management Board.

21 October 2020

(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)
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(postal code)	(city)
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549-000-14-68	070614970
(tax identification number – NIP)	(statistical identification number – REGON)

SELECTED FINANCIAL DATA

Data referring to the condensed consolidated financial statements of Grupa KĘTY S.A. in accordance with IFRS				
ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	3 quarters of 2020	3 quarters of 2019	3 quarters of 2020	3 quarters of 2019
Net sales revenue	2,636,758	2,449,543	593,597	568,524
Profit on operating activities	421,539	304,217	94,898	70,607
Profit before tax	405,204	288,659	91,221	66,996
Net profit	333,409	233,243	75,058	54,134
Net profit (loss) attributable to owners of the parent	333,220	232,870	75,016	54,048
Total net income (loss)	333,455	244,205	75,069	56,679
Total net income (loss) attributable to owners of the parent	333,266	243,832	75,026	56,592
Net cash flow from operating activities	485,282	419,929	109,249	97,463
Net cash flow from investing activities	(95,474)	(189,612)	(21,493)	(44,008)
Net cash flow from financing activities	(222,227)	(206,708)	(50,029)	(47,976)
Total net cash flows	167,581	23,609	37,726	5,480
Net earnings per share attributable to owners of the parent (in PLN/EUR)	34.73	24.37	7.82	5.66
Diluted net earnings per share attributable to owners of the parent (in PLN/EUR)	34.70	24.33	7.81	5.65
BALANCE SHEET ITEMS	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Total assets	2,994,370	2,775,586	661,476	651,776
Liabilities and provisions for liabilities	1,507,210	1,299,449	332,953	305,142
Long-term liabilities	459,722	559,781	101,556	131,450
Short-term liabilities	1,047,488	739,668	231,397	173,692
Equity attributable to owners of the parent	1,485,639	1,474,805	328,187	346,320
Share capital	67,951	67,825	15,011	15,927
Number of shares	9,621,447	9,569,947	9,621,447	9,569,947
Book value per share (in PLN/EUR)	154.41	154.11	34.11	36.19
Diluted book value per share (in PLN/EUR)	154.33	153.93	34.09	36.15
Data referring to the quarterly financial disclosure of Grupa Kęty S.A. in accordance with IFRS				
ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	3 quarters of 2020	3 quarters of 2019	3 quarters of 2020	3 quarters of 2019
Net sales revenue	875,258	900,753	197,041	209,059
Profit on operating activities	306,036	216,136	68,896	50,164
Gross profit	299,121	208,989	67,339	48,505
Net profit	290,637	202,843	65,429	47,079
Net comprehensive income	290,194	205,643	65,330	47,728
Net cash flow from operating activities	200,910	138,047	45,230	32,040
Net cash flow from investing activities	(34,947)	(55,963)	(7,867)	(12,989)
Net cash flow from financing activities	(58,141)	(89,906)	(13,089)	(20,867)
Total net cash flows	107,822	(7,822)	24,273	(1,815)
Earnings per share (in PLN/EUR)	30.29	21.23	6.82	4.93
Diluted earnings per share (in PLN/EUR)	30.27	21.19	6.81	4.92
BALANCE SHEET ITEMS	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Total assets	1,427,326	1,167,525	315,306	274,163
Liabilities and provisions for liabilities	784,934	493,443	173,397	115,872
Long-term liabilities	223,257	272,099	49,319	63,896
Short-term liabilities	561,677	221,344	124,078	51,977
Equity	642,392	674,082	141,909	158,291
Share capital	67,951	67,825	15,011	15,927
Number of shares	9,621,447	9,569,947	9,621,447	9,569,947
Book value per share (in PLN/EUR)	66.77	70.44	14.75	16.54
Diluted book value per share (in PLN/EUR)	66.73	70.36	14.74	16.52

The above financial figures for the three quarters of 2020 and 2019 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 2020 – 4.5268 PLN/EUR, and as at 31 December 2019 – PLN 4.2585 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 2020 – 4.4420 PLN/EUR, and three quarters of 2019 – 4.3086 PLN/EUR.

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**THE CAPITAL GROUP OF GRUPA KĘTY S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE QUARTERS OF 2020, ENDED ON 30 SEPTEMBER 2020,
PREPARED IN ACCORDANCE WITH IAS 34**

(PLN '000)

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Q.3, 2020	3 quarters of 2020	Q.3, 2019 (restated)	3 quarters of 2019 (restated)
Total operating revenue, including:		921,492	2,645,360	840,722	2,457,059
Revenue from contracts with customers	8	920,008	2,636,758	838,848	2,449,543
- including from sales to associates		501	975	1,333	1,365
Other operating revenue		1,484	8,602	1,874	7,516
Share in net profit of entities accounted for using the equity method		5	(382)	408	792
Change in the level of product inventories and work in progress		(9,113)	(1,148)	(1,632)	(23,196)
Cost of manufacturing of products for own needs		4,597	11,882	2,969	9,582
Total operating costs, including:		(755,385)	(2,234,173)	(716,506)	(2,140,020)
Depreciation		(36,356)	(109,367)	(34,617)	(101,930)
Materials and energy, and the value of trade goods and materials sold		(521,396)	(1,548,855)	(501,653)	(1,493,890)
Third-party services		(69,477)	(188,646)	(58,255)	(174,973)
Taxes and fees		(4,182)	(12,949)	(3,957)	(11,785)
Employee benefits		(119,309)	(356,634)	(112,299)	(337,258)
Revaluation of financial assets IFRS 9		1,184	(764)	(1,206)	(1,814)
Other operating costs		(5,849)	(16,958)	(4,519)	(18,370)
Profit on operating activities		161,596	421,539	125,961	304,217
Financial revenue		362	1,288	246	668
Finance costs		(2,617)	(17,623)	(3,942)	(16,226)
Profit before tax		159,341	405,204	122,265	288,659
Income tax	11	(30,386)	(71,795)	(23,013)	(55,416)
Net profit on continued operations		128,955	333,409	99,252	233,243
Attributable to non-controlling interests		2	189	115	373
Attributable to owners of the parent		128,953	333,220	99,137	232,870
Earnings per share attributable to owners of the parent (PLN)	36				
Basic		13.40	34.73	10.36	24.37
Diluted		13.39	34.70	10.35	24.33

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q.3, 2020	3 quarters of 2020	Q.3, 2019 (restated)	3 quarters of 2019 (restated)
Net profit for the period	128,955	333,409	99,252	233,243
Other comprehensive income recognised in profit or loss	4,341	46	7,544	10,962
Cumulative translation adjustment for related parties	(1,499)	(1,164)	4,994	4,975
Valuation of cash flow hedging instruments	5,243	942	2,317	6,857
Result on cash flow hedging transactions	1,593	447	712	433
Income tax related to other comprehensive income recognised in profit or loss	(996)	(179)	(479)	(1,303)
Comprehensive income for the period	133,296	333,455	106,796	244,205
Comprehensive income attributable to:				
Non-controlling interests	2	189	115	373
Owners of the parent	133,294	333,266	106,681	243,832

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.09.2020	31.12.2019 (restated)
I. Non-current assets		1,628,520	1,677,409
Property, plant and equipment		1,412,266	1,436,057
Right-of-use assets		44,012	44,587
Intangible assets		35,003	37,244
Goodwill		20,012	19,867
Investment properties		4,236	3,315
Interests in associates		2,935	4,978
Long-term receivables		1,928	5,930
Advance payments for the purchase of property, plant and equipment		9,561	10,329
Deferred tax assets		98,567	115,102
II. Current assets		1,365,850	1,098,177
Inventories	16	470,632	448,810
Income tax receivables		1,569	1,929
Trade and other receivables	14	616,829	537,151
Contractual assets	15	1,482	3,899
Short-term investments		0	90
Derivative financial instruments	32	4,165	2,706
Cash and cash equivalents	9	271,173	103,592
Total assets		2,994,370	2,775,586

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

EQUITY/LIABILITIES	Note	30.09.2020	31.12.2019 (restated)
I. Equity		1,487,160	1,476,137
Share capital		67,951	67,825
Share premium	34	51,321	38,018
Non-registered capital from the issue of shares		943	0
Capital from share based payments		26,854	26,392
Result on cash flow hedging transactions		144	(303)
Capital from the revaluation of hedging instruments		1,667	905
Retained earnings		1,365,823	1,369,869
Cumulative translation adjustment for foreign companies		(29,064)	(27,901)
Equity attributable to owners of the parent		1,485,639	1,474,805
Equity attributable to non-controlling interests		1,521	1,332
II. Long-term liabilities		459,722	559,781
Loan payables	18	337,080	437,360
Lease liabilities	19	21,415	21,419
Other liabilities	22.1	1,323	1,310
Provisions	17	499	721
Provisions for employee benefits		17,855	16,807
Deferred income		35,991	36,731
Deferred tax liability		45,559	45,433
III. Short-term liabilities		1,047,488	739,668
Loan payables	18	256,916	369,583
Lease liabilities	19	3,214	4,015
Income tax payables		25,939	14,101
Trade payables and other liabilities	22.2	700,581	294,749
Contractual liabilities	22.3	18,250	13,037
Provisions and accruals	17	37,401	40,250
Derivative financial instruments	32	2,108	1,722
Deferred income		3,079	2,211
Total equity/liabilities		2,994,370	2,775,586

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	Retained earnings	Cumulative translation adjustment for subsidiaries	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Present year											
Equity as at 31.12.2019 (restated)	67,825	38,018	0	26,392	(303)	905	1,369,869	(27,901)	1,474,805	1,332	1,476,137
Comprehensive income for the period:	0	0	0	0	447	762	333,220	(1,163)	333,266	189	333,455
<i>Net profit for the period</i>	0	0	0	0	0	0	333,220	0	333,220	189	333,409
<i>Other comprehensive income</i>	0	0	0	0	447	762	0	(1,163)	46	0	46
Valuation of share based payments	0	0	0	462	0	0	0	0	462	0	462
Dividends to non-controlling interests	0	0	0	0	0	0	(547)	0	(547)		(547)
Dividends to the shareholders of Grupa Kęty S.A.	0	0	0	0	0	0	(336,719)	0	(336,719)	0	(336,719)
Issue of shares	126	13,303	943	0	0	0	0	0	14,372	0	14,372
Equity as at 30.09.2020	67,951	51,321	943	26,854	144	1,667	1,365,823	(29,064)	1,485,639	1,521	1,487,160
Previous year											
Equity as at 31.12.2018 (restated)	67,763	33,900	0	24,322	(531)	(7,365)	1,305,735	(30,414)	1,393,410	791	1,394,201
Comprehensive income for the period:	0	0	0	0	433	5,554	232,870	4,975	243,832	373	244,205
<i>Net profit for the period</i>	0	0	0	0	0	0	232,870	0	232,870	373	233,243
<i>Other comprehensive income</i>	0	0	0	0	433	5,554	0	4,975	10,962	0	10,962
Valuation of share based payments	0	0	0	1,186	0	0	0	0	1,186	0	1,186
Dividends to non-controlling interests	0	0	0	0	0	0	(400)	0	(400)	0	(400)
Dividends to the shareholders of Grupa Kęty S.A.	0	0	0	0	0	0	(229,091)	0	(229,091)	0	(229,091)
Issue of shares	62	4,118	0	0	0	0	0	0	4,180	0	4,180
Equity as at 30.09.2019 (restated)	67,825	38,018	0	25,508	(98)	(1,811)	1,309,114	(25,439)	1,413,117	1,164	1,414,281

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Q.3, 2020	3 quarters of 2020	Q.3, 2019 (restated)	3 quarters of 2019 (restated)
Cash flow from operating activities				
Profit before tax	159,341	405,204	122,265	288,659
Adjustments:	45,158	133,741	41,989	117,716
Share in net profit of entities accounted for using the equity method	(5)	382	(408)	(792)
Dividends from associates	875	1,780	0	0
Depreciation	36,356	109,367	34,617	101,930
Recognition/(reversal) of write-downs	(2)	(263)	0	0
Net profit from currency translation differences	1,850	7,157	1,483	1,791
(Profit)/loss from sales of property, plant and equipment	48	(156)	153	(178)
Interest	2,975	12,382	4,637	12,682
Proceeds/(expenses) related to hedging instruments recognised in equity	1,593	447	713	434
Costs of share based payments	148	463	331	1,186
Other items (net)	1,320	2,182	463	663
Cash flow from operating activities before the change of working capital	204,499	538,945	164,254	406,375
Change in the balance of inventories	(12,878)	(21,822)	8,306	50,752
Change in net receivables	(24,936)	(73,221)	4,464	(59,237)
Change in short-term liabilities, except for loans and leases	7,988	86,765	(8,400)	64,047
Change in provisions	(4,338)	(2,023)	2,285	(1,672)
Change in deferred income	(1,274)	(769)	200	264
Cash flow from operating activities before tax	169,061	527,875	171,109	460,529
Tax paid	(10,476)	(42,593)	(11,820)	(40,600)
Net cash from operating activities	158,585	485,282	159,289	419,929
Cash flow from investing activities				
(+) Proceeds:	190	914	576	1,511
Sales of intangible assets, and property, plant and equipment	190	914	576	1,511
(-) Expenses:	(23,499)	(96,388)	(45,746)	(191,123)
Acquisition of intangible assets, and property, plant and equipment	(23,499)	(96,388)	(45,746)	(191,123)
Net cash from investing activities	(23,309)	(95,474)	(45,170)	(189,612)
Cash flow from financing activities				
(+) Proceeds:	(133,997)	91,050	(4,429)	145,394
Issue of shares	8,868	14,372	2,050	4,180
Proceeds from loans and credits	(142,865)	76,678	(6,479)	141,214
(-) Expenses:	117,160	(313,277)	(186,972)	(352,102)
Dividends to non-controlling interests	(251)	(547)	0	(400)
Dividends to the shareholders of Grupa Kęty S.A.			(66,798)	(66,798)
Repayment of loans and borrowings	121,213	(297,449)	(113,568)	(268,284)
Payment of lease liabilities	(1,247)	(3,669)	(704)	(2,774)
Interest on borrowings	(2,555)	(11,612)	(5,902)	(13,846)
Net cash from financing activities	(16,837)	(222,227)	(191,401)	(206,708)
Total net cash flows:	118,439	167,581	(77,282)	23,609
Cash and cash equivalents at the beginning of the period	152,734	103,592	201,572	100,681
Cash and cash equivalents at the end of the period	271,173	271,173	124,290	124,290

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 2020 ended on 30 September 2020 and provide comparative data for the period of 9 months of 2019 ended on 30 September 2019 as well as the figures as at 31 December 2019. The statements comprise also the data for Q.3, 2020 and Q.3, 2019.

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

The Grupa Kęty S.A. Capital Group ('the Group', 'Grupa KĘTY', 'the Capital Group') comprises the parent company, namely Grupa Kęty S.A. ('the 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 National Court Register (KRS) 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 shares of Grupa Kęty S.A. are quoted at Warsaw Stock Exchange and identified with the ISIN PLKETY000011 code.

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 services related to:

- processing of aluminium and its alloys;
- aluminium façade systems, window-and-door systems, special systems (fire-resistant doors and partition walls, smoke-resistant partitions), roller-shutter systems and roll-up gates for the construction industry;
- manufacturing of plastic and paper packaging materials.

In addition, the Group is involved in the provision of speciality construction services associated with the preparation and installation of aluminium systems, trade intermediation, supplies, marketing and other activities.

As at the date of approving these statements for publication, the parent company Management Board 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.

In the period from 1 January 2020 to the date of these statements publication there were no changes in the membership of the parent company Management Board.

2. Group composition

The Group consists of Grupa Kęty S.A. and the following subsidiaries:

Company name	Registered office	Core business	Parent's name	Percentage of share capital as at 30.09.2020	Percentage of share capital as at 31.12.2019	Date of control take-over	Operating segment
Alupol LLC	Borodianka, Ukraine	Production Production of aluminium profiles	Aluform Sp. z o.o.	100.00%	100.00%	12/2004	EPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade services	Grupa Kęty S.A.	100.00%	100.00%	06/2009	EPS
Grupa Kety Italia SRL	Milan, Italy	Commercial intermediation	Grupa Kęty S.A.	100.00%	100.00%	05/2014	EPS
Aluminium Kety EMMI d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	Aluform Sp. z o.o.	100.00%	100.00%	06/2016	EPS

Aluminium Kety Deutschland GmbH	Dortmund, Germany	Trade and marketing services	Aluform Sp. z o.o.	100.00%	100.00%	06/2016	EPS
Aluminium Kety CSE s.r.l.	Ostrava, Czech Republic	Trade and marketing services	Aluform Sp. z o.o.	100.00%	100.00%	07/2017	EPS
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
Aluprof Hungary Kft.	Dunakeszi, Hungary	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	07/2000	ASS
Aluprof Deutschland GmbH	Schwanevede, Germany	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	02/2005	ASS
Aluprof System Romania SRL	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
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%	01/2012	ASS
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
Aluprof Belgium N.V.	Dendermonde, Belgium	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2015	ASS
Aluprof Netherlands B.V.	Rotterdam, Netherlands	Sales of aluminium systems	Aluprof S.A.	55.00%	55.00%	4/2017	ASS
Alupol Packaging S.A.	Tychy, Poland	Production and trade in plastic packaging	Grupa Kęty S.A.	100.00%	100.00%	04/1998	FPS
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
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
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00%	100.00%	09/1999	Other

The presented percentages of share capital are equal to the share in the total number of votes.

Segment descriptions are provided in clause 7.

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 were approved for publication on 21 October 2020.

The assessment of the impact of COVID-19 pandemic on the operations of the Group has been made on a current basis in reference to the analysis of many factors which may change in the future. Based on the analysis, as at the date of preparing these statements, the Management Board believes that there is no hazard to the continuation of the Group operations in the foreseeable future covering the period of at least 12 months of the balance-sheet date.

3.1. Impact of COVID-19 pandemic on the Group operations

Grupa Kęty S.A. and the Group companies have implemented a series of actions in reference to the necessity of adjusting to the changing conditions of operation and prevention of COVID-19 infections spreading. Action plans have been developed in order to ensure the continuity of critical infrastructure operation and provision of key services in the event of a crisis situation. The actions are being adjusted on a current basis to the prevailing conditions and changes in the binding regulations.

The Group has implemented a series of preventive actions in order to limit the possibility of the virus spreading, which include:

- introduction of a series of procedures and guidelines regarding people and materials movement, specifically consisting in minimisation of direct contacts, provision of the possibility of remote working, introduction of procedure ensuring the availability of the key personnel of the Group companies;
- provision of protective equipment (masks, gloves) to the employees as well as disinfectants, and introduction of sanitary, hygiene and sanitising procedures;
- limitation of business trips and participation in meetings, extended use of other means of communication, such as teleconferences, messenger systems, or video conferences.

The costs of the aforesaid activities within the period of 9 months of 2020 amounted to about PLN 2.7 million. In effect, in the 9 months of 2020, there were no major hindrances in the functioning of the particular operating segments of Grupa KĘTY. Owing to the insignificant impact of the pandemic on their operations, the Polish companies of the Group have not relied on the available aid schemes to a major extent. The aid availed of by the domestic companies of the Group comprised mainly the postponement of the 2019 income tax payment deadline to 1 June 2020.

In reference to the temporary limitations in operation, the foreign companies of the Group, including those operating in the USA, Italy, the UK, or Slovenia, availed of government aid schemes in the respective countries. Within the 9 months of 2020 the value of the aid amounted to approximately PLN 4.1 million and consisted mainly in exemption from the payment of specific taxes and co-financing of the costs of payroll. Additionally, the Group made a decision on assigning the amount of roughly PLN 800,000 on fighting COVID-19 pandemic. Most of the money was transferred as a donation to medical services engaged in fighting the effects of the pandemic.

3.2. Analysis of the impact of the change in the economic situation in relation to COVID-19 on the valuation of the Group assets and liabilities

Write-downs of inventories to net realisable value

Decreases in the basic prices of raw materials utilised by the Group in production, combined with effective trade activities and hedging of the margins applied by the Group, contributed to the lack of necessity of recognising major write-downs of inventories to net realisable value.

Assessment of the expected credit loss (ECL)

The Group has implemented a series of actions related to monitoring the financial standing of its contractors in order to secure the proper collectability of the amounts receivable. The main element of the Group policy in that regard is the insurance of receivables at specialised companies, obtaining insurance ratings for the particular customers and application of other forms of receivables security. In effect of the analyses carried out, which included the analysis of the current term structure of receivables, as well as the examination of contractors carried out by the insurance companies, the expected credit loss ratio applicable to receivables has not significantly changed compared to the end of 2019. In the period of 9 months of 2020, the Group did not experience any major problems in collecting receivables.

The solutions implemented under the so called 'anti-crisis shields' should additionally contribute to reduction of the potential liquidity problems at counterparties.

The Group has been analysing on a current basis the market situation, the information on contractors and the data provided by the companies insuring receivables which could indicate a deterioration of situation in the respective area, and in case of the actual deterioration the Group is going to update the estimations used in the ECL calculation in the future.

Impairment of property, plant and equipment, intangible assets, and right-of-use assets

The outbreak of COVID-19 epidemic brought about significant changes in the conditions of operation and economic situation, which the Group considered to be a reason to carry out property, plant and equipment impairment tests at the end of Q.1, 2020. The tests carried out based on the projections updated at the end of Q.1 did not reflect any necessity for recognising impairment allowances. In Q.2 and Q.3, 2020 there were no new reasons for property, plant and equipment impairment.

3.3. Liquidity situation

As at the date of preparing these interim condensed consolidated financial statements, the financial standing of the Group was stable. Cash flows from operating activities in the three quarters of 2020 amounted to PLN 485 million (nearly 16% more than in 3 quarters of 2019). So far, the Group has not identified liquidity problems or any risk of servicing loan agreements or other financing agreements. At the present moment, the Group assesses that it has sufficient sources of finance to carry out the current operating activities and investment projects, and to pay out dividend. Information about the available credit limits is presented in note 21.

4. Significant accounting principles (policy)

The accounting principles (policy) applicable to these consolidated financial statements comply with those applied in preparing the financial statements of the Group for the year ended 31 December 2019, except for the changed accounting policy applicable to the measurement of energy-related assets, as described below.

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 2019, which was approved for publication by the Management Board on 25 March 2020.

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 new or changed standards and interpretations which have been applied for the first time in 2020 have no significant impact on the interim condensed consolidated financial statements of the Group.

The Group holds a licence to transmit and distribute electrical energy. The energy-related assets of the Group comprise buildings, structures and systems related to the transmission of electrical energy and power grids with transformers. In the previous years, the assets were used to a major extent also for the needs of external recipients. With regard to limitation of such activities, the assets are now mainly used for the own needs of the Group.

By the end of 2019, the energy-related assets were measured at revalued amount less depreciation and impairment losses. The revalued amount (fair value) was determined periodically by an independent expert.

Starting from 2020, the Group has been measuring the energy-related assets identically as property, plant and equipment, i.e. at purchase cost less depreciation and impairment losses.

Therefore, the Group has restated the comparative data, as presented in the table below. Owing to insignificant value of the restatement compared to the total of assets, the Group resigned from presenting an additional column in the consolidated balance sheet.

The Group believes that the change in the accounting policy better presents the current use of the said assets by adjusting the method of their measuring to the measuring of the other assets under the property, plant and equipment item.

Consolidated balance sheet	31.12.2019 (approved)	Restatement	31.12.2019 (restated)
ASSETS, including:	2,778,510	(2,924)	2,775,586
Property, plant and equipment	1,438,981	(2,924)	1,436,057
EQUITY/LIABILITIES, including:	2,778,510	(2,924)	2,775,586
Equity, including:	1,478,505	(2,368)	1,476,137
Capital from the revaluation of property, plant and equipment	2,368	(2,368)	0
Long-term liabilities, including:	560,337	(556)	559,781
Deferred tax liability	45,989	(556)	45,433

The impact of the aforesaid change on the profit and loss account for the first half 2019 is as follows:

	3 quarters of 2019 (approved)	Restatement	3 quarters of 2019 (restated)
Total operating costs, including:	(2,140,458)	438	(2,140,020)
Depreciation	(102,368)	438	(101,930)
Profit on operating activities	303,779	438	304,217
Profit before tax	288,221	438	288,659
Income tax	(55,333)	(83)	(55,416)
Net profit on continued operations	232,888	355	233,243
Attributable to owners of the parent	232,515	355	232,870
Earnings per share attributable to owners of the parent (PLN)			
Basic	24.34	0.03	24.37
Diluted	24.29	0.04	24.33

In reference to the above, adequate restatement has also been made to the consolidated statement of changes in equity and the consolidated statement of cash flows.

5. Estimation areas

The main accounting estimates made are presented in the respective explanatory notes to the interim condensed consolidated 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 27;
- estimates concerning investment properties are presented in note 35;
- estimates concerning financial instruments are presented in note 32;
- estimates concerning the valuation of long-term construction contracts are presented in note 8;
- estimates concerning the impairment of property, plant and equipment are presented in note 12.2;
- estimates concerning depreciation rates are presented in the consolidated financial statements for the year 2019.

A detailed description of the assumptions made in the particular areas of estimates is provided in the consolidated financial statements for the year 2019.

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

6. Seasonal nature of operations

The Capital Group operates in three operating segments, offering a broad portfolio of products sold to many sectors of economy. Nearly half of the sales is directed to foreign markets. The development and diversification of products in the recent time has reduced the impact of seasonality on the operations of the Group to a great extent.

It is practically imperceptible at the FPS, whereas at the EPS and the ASS higher demand for products is typically observed in the second and third quarters compared to the first and fourth quarters, which is related to weather conditions and production cycles in the construction business – a target sector of a major part of the Group products.

7. Information on operating segments

Business was allocated to operating segments by the Management Board based on operating reports which are used to make decisions. The Group management reporting is based on operating segments. The organisation and management of the Group are based on segment division in reference to the type of products and services offered. Each of the segments constitutes a business unit or a set of business units offering different products and handling different markets.

The Group settles transactions between individual segments as if they referred to non-related entities, namely with the application of the present market prices.

Operating segments of the Group are identical with the reporting segments presented in these consolidated financial statements.

The activities of the Capital Group are divided among:

- the Extruded Products Segment ('EPS') – production and sales of aluminium profiles;
- the Aluminium Systems Segment ('ASS') – production and sales of systems for the construction business and provision of construction services related to the systems installation;
- the Flexible Packaging Segment ('FPS') – production and sales of packaging and polypropylene films;
- 'Other' – containing figures of the so-called Centres, i.e. the units of Grupa Kęty S.A. responsible for the centrally managed areas (IT, finance, PR, IR, risk management, capital investments, HR) and figures of Dekret Centrum Rachunkowe Sp. z o.o. which provides accounting and HR services to the Capital Group companies.

Note 2 presents the assignment of the particular Group companies to operating segments.

7.1. Financial results of the segments

The segments' operations are assessed mainly on the basis of revenue, operating profit (EBIT), operating profit plus depreciation and amortisation (EBITDA), and capital expenditure.

3 quarters of 2020:

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	729,447	970,084	1,158,003	13,221	(233,997)	2,636,758
- outside the Group	729,387	750,867	1,155,311	218	0	2,635,783
- to related parties	60	219,217	2,692	13,003	(233,997)	975
Dividends	0	0	0	258,574	(258,574)	0
Write-downs of inventories	(632)	(619)	(761)	0	0	(2,012)
Write-downs of receivables	44	(261)	(547)	0	0	(764)
Write-downs of property, plant and equipment, and intangible assets	0	263	0	0	0	263
Operating profit (EBIT)						
	160,255	82,959	191,894	249,140	(262,709)	421,539
Depreciation	24,809	49,118	33,149	2,257	34	109,367
EBITDA	185,064	132,077	225,043	251,397	(262,675)	530,906
Interest income	753	205	323	7	0	1,288
Interest costs	(3,504)	(5,273)	(3,674)	(321)	0	(12,772)

Profit before tax	154,944	77,809	187,900	247,387	(262,836)	405,204
Income tax	(22,670)	(16,479)	(36,358)	2,939	773	(71,795)
Net profit	132,274	61,330	151,542	250,326	(262,063)	333,409
Balance sheet as at 30.09.2020						
Total assets	1,001,518	956,567	969,409	641,144	(574,268)	2,994,370
Liabilities	327,649	440,549	545,198	429,598	(235,784)	1,507,210
Other data						
Capital expenditure on property, plant and equipment	13,993	43,583	25,312	1,257	0	84,145
Q.3, 2020						
Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	230,894	327,791	439,273	4,474	(82,424)	920,008
- outside the Group	230,872	250,348	438,212	73	2	919,507
- to related parties	22	77,443	1,061	4,401	(82,426)	501
Dividends	0	0	0	150,000	(150,000)	0
Write-downs of inventories	0	(301)	89	0	0	(212)
Write-downs of receivables	39	0	1,145	0	0	1,184
Write-downs of property, plant and equipment, and intangible assets	0	15	0	0	0	15
Operating profit (EBIT)						
	55,636	35,027	78,177	147,948	(155,192)	161,596
Depreciation	7,914	16,390	11,256	785	11	36,356
EBITDA	63,550	51,417	89,433	148,733	(155,181)	197,952
Interest income	215	50	94	4	0	363
Interest costs	(808)	(1,093)	(1,066)	(97)	0	(3,064)
Profit before tax	55,944	34,538	76,706	147,344	(155,191)	159,341
Income tax	(10,722)	(7,694)	(14,130)	1,176	984	(30,386)
Net profit	45,222	26,844	62,576	148,520	(154,207)	128,955
Capital expenditure on property, plant and equipment	1,196	13,762	9,918	1,089	0	25,965
3 quarters 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
Dividends	0	0	0	182,447	(182,447)	0
Write-downs of inventories	(53)	(214)	(429)	0	0	(696)
Write-downs of receivables	(13)	272	(2,073)	0	0	(1,814)
Operating profit (EBIT)						
	90,441	71,852	159,176	170,483	(187,735)	304,217
Depreciation	21,514	49,380	28,214	2,796	26	101,930
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	66,386	155,841	169,154	(187,733)	288,659
Income tax	(15,022)	(13,850)	(29,931)	2,394	993	(55,416)
Net profit	69,989	52,536	125,910	171,548	(186,740)	233,243
Balance sheet as at 30.09.2020						
Total assets	997,982	1,005,504	960,872	519,528	(586,373)	2,897,513
Liabilities	396,739	498,830	566,918	269,359	(248,614)	1,483,232
Other data						
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
Dividends	0	0	0	0	0	0
Write-downs of inventories	0	(75)	(13)	0	0	(88)
Write-downs of receivables	0	0	(1,206)	0	0	(1,206)
Operating profit (EBIT)	31,676	33,278	69,602	(4,322)	(4,273)	125,961
Depreciation	7,375	16,614	9,625	993	10	34,617
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	31,590	71,105	(5,784)	(4,271)	122,265
Income tax	(5,935)	(5,743)	(13,287)	1,144	808	(23,013)
Net profit	23,690	25,847	57,818	(4,640)	(3,463)	99,252
Capital expenditure on property, plant and equipment	7,758	8,836	16,446	11,316	0	44,356

The 'Eliminations' item covers the elimination of inter-segment transactions and consolidation adjustments. In the statement of profit or loss it is mainly related to the sale of aluminium profiles by the EPS to the ASS. As regards assets and liabilities, eliminations comprise mainly investments in financial assets (shares and interests) and inter-segment settlements.

The transactions are concluded on arm's length basis. In the presented periods there was no sales concentration exceeding 10%.

8. Item structure of revenue from contracts with customers

	Q.3, 2020	3 quarters of 2020	Q.3, 2019	3 quarters of 2019
Products, including:	781,817	2,263,648	706,901	2,046,903
- the EPS	322,514	952,211	322,665	976,256
- the FPS	221,434	701,961	183,752	555,399
- the ASS	313,838	824,089	282,805	748,929
Consolidation adjustments**	(75,969)	(214,613)	(82,321)	(233,681)
including to related parties*	485	957	1,311	1,339
Services, including:	4,581	15,600	4,781	16,867
- the EPS	2,076	9,378	2,917	10,332
- the FPS	2,064	5,502	1,792	6,867
- the ASS	2,237	6,054	1,632	4,736
- services of the central units	4,474	13,220	3,995	11,843
Consolidation adjustments***	(6,270)	(18,554)	(5,555)	(16,911)
including to related parties*	16	5	15	18
Construction services of the ASS****	786	4,166	6,562	54,195
Trade goods, including:	8,944	25,648	6,986	27,083
- the EPS	1,064	2,662	999	2,737
- the FPS	6,730	19,645	4,675	19,440
- the ASS	1,150	3,341	1,312	4,906
Materials, including:	123,880	327,696	113,618	304,495
- the EPS	2,137	5,833	2,588	7,766
- the FPS	667	2,340	1,093	2,790
- the ASS	121,261	320,352	110,203	294,955
Consolidation adjustments****	(185)	(829)	(266)	(1,016)
including to related parties*	0	13	7	8
Total sales revenue	920,008	2,636,758	838,848	2,449,543
including from related parties	501	975	1,333	1,365

*Refers to an associate, information in note 27.

**Refers mainly to aluminium profiles sale by the EPS to the ASS.

***Refers mainly to the cooperation between the ASS and the EPS, and services of the central units provided to the segments.

****Refers mainly to aluminium scrap sales by the ASS to the 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 9 months would increase by PLN 2,905,000 (9 months of 2019: PLN 4,619,000). 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 for the 9 months would decrease by PLN 1,120,000 (9 months of 2019: PLN 1,151,000).

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.

	30.09.2020	31.12.2019
Bank deposits (current accounts) and short-term deposits	271,141	103,554
Cash in hand	32	38
Total	271,173	103,592

As at 30 September 2020, the Group had PLN 13,740,000 of restricted availability cash in its VAT accounts (31 December 2019: PLN 7,434,000). The cash may be used only for the purpose of output VAT, CIT, PIT and ZUS [social security] payments to authorities or as VAT payments to the Company suppliers.

As at 30 September 2020, the Group had undrawn committed credit lines amounting to PLN 623,703,000 with regard to which all conditions precedent had been complied with (31 December 2019: PLN 358,968,000).

10. Dividends paid and proposed for payment

Following the resolution of the Annual General Meeting of 20 August 2020, the parent company shall pay dividend for 2019 amounting to PLN 336,654,000, which translates into PLN 34.99 per share, for the 9,621,447 shares as at the date of determining the right to dividend.

The dividend shall be paid out from the 2019 profit of the parent company amounting of PLN 205,006,000 and from the reserve capital of the parent company in the amount of PLN 131,648,000.

The day of 21 September 2020 was determined to be the dividend record day, whereas the dividend payment dates are:

- 6 October 2020 – for the amount of PLN 105,740,000, i.e. PLN 10.99 per share;
- 4 November 2020 – for the amount of PLN 230,914,000, i.e. PLN 24 per share.

In 2019, the parent company paid out dividend amounting to PLN 229,009,000 (PLN 23.93 per share).

Dividend was also paid out by the subsidiary Aluprof Netherlands B.V., which means that the minority shareholders of that company received PLN 547,000 dividend (first half of 2019: PLN 400,000).

11. Income tax

Income tax structure	Q.3, 2020	3 quarters of 2020	Q.3, 2019 (restated)	3 quarters of 2019 (restated)
Current tax	(21,840)	(55,426)	(18,983)	(45,547)
Deferred tax	(8,546)	(16,369)	(4,030)	(9,869)
Income tax recognised in the statement of profit or loss	(30,386)	(71,795)	(23,013)	(55,416)

12. Property, plant and equipment

12.1. Purchase and sale

	Q.3, 2020	3 quarters of 2020	Q.3, 2019	3 quarters of 2019
Acquisition of property, plant and equipment	23,676	81,856	44,356	203,081
Net value of property, plant and equipment sold	185	705	770	1,333
Profit (loss) on sale of property, plant and equipment	(48)	156	(153)	178

12.2. Impairment losses

Owing to the occurrence of macroeconomic impairment indicators referred to in IAS 36, at the end of Q.1, 2020 the Group carried out impairment tests for the property, plant and equipment held. The tests assumed negative indicators, which in the belief of the Group were real as at the date of preparing these financial statements, assuming that in 2020 there will be observed a temporary decrease of profit from operating activities compared to the budget assumptions for that period. The tests did not reflect any impairment of the assets as at the balance-sheet date. At the end of the third quarter of 2020, the Group did not identify any new indicators for the impairment of property, plant and equipment.

In the 3 quarters of 2020, the Group reversed write-downs of property, plant and equipment amounting to PLN 263,000 (in the 3 quarters of 2019 no write-downs of property, plant and equipment were recognised).

13. Write-downs of goodwill

The impairment tests carried out for goodwill in 2020 did not reflect any impairment thereof. The assumptions for the tests complied with those described in note 12.2.

14. Short-term receivables

	30.09.2020	31.12.2019
Net receivables:	616,829	537,151
Trade receivables	588,702	507,119
- including from related parties*	90	209
Deposits on account of transactions hedging the aluminium price	25	919
Receivables from employees	212	183
Other	4,002	5,666
Total net financial receivables (under IFRS 7)	592,941	513,887
Public law receivables (except for the income tax)	8,359	15,380
Prepayments (trade-related) for suppliers	10,856	3,534
Prepaid expenses	4,673	4,350
Total net non-financial receivables	23,888	23,264

*Refers to an associate.

In the 3 quarters of 2020 the Group recognised write-downs of receivables amounting to PLN 764,000 (in the 3 quarters of 2019 there were recognised write-downs amounting to PLN 1,814,000). 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.

The Group has implemented a policy of selling solely 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. The fair value of receivables is close to their book value.

15. Contractual assets

	30.09.2020	31.12.2019
Contractual assets	1,482	3,899

In accordance with the Group estimates, the contractual assets will be realised within up to 12 months. As the Group believes there are no impairment indicators for the value of contractual assets.

16. Inventories

	30.09.2020	31.12.2019
Materials sold	218,361	196,171
Work in progress	102,706	91,546
Finished products	141,808	154,082
Trade goods	7,757	7,011
Total	470,632	448,810

In the 3 quarters of 2020, the Group recognised write-downs of trade goods and materials amounting to PLN 2,012,000 (in the 3 quarters of 2019: the Group recognised write-downs amounting to PLN 696,000). The recognitions and reversals of write-downs of trade goods and materials are reflected by the Group in the items 'Other operating costs' and 'Other operating revenue', respectively. Moreover, the Group booked an adjustment in the balance of products by way of reversal of write-downs of finished products and semi-products amounting to PLN 453,000 (in the 3 quarters of 2019 there were recognised write-downs amounting to PLN 1,252,000).

Write-downs	30.09.2020	31.12.2019
Materials sold	(8,662)	(7,154)
Work in progress	(3,654)	(3,136)
Finished products	(6,680)	(6,745)
Trade goods	(511)	(723)
Total write-downs of inventories	(19,507)	(17,758)

17. Provisions and accruals

	31.12.2019	Increases	Utilisation	Currency translation differences	30.09.2020
Long-term provisions:	17,528	1,304	(748)	270	18,354
Provision for jubilee bonuses and retirement benefits	16,807	1,304	(526)	270	17,855
Provision for warranty repairs	721	0	(222)	0	499
Short-term provisions	1,822	7	(346)	2	1,485
Provision for jubilee bonuses and retirement benefits	589	7	(164)	2	434
Provision for warranty repairs	1,233	0	(182)	0	1,051
Short-term accruals:	38,428	31,918	(34,724)	294	35,916
Unused holiday	7,050	7,726	(7,050)	68	7,794
Annual bonuses	17,352	16,091	(17,352)	81	16,172
Indemnities	3,704	87	0	0	3,791
Costs of services in progress	8,758	6,754	(8,758)	144	6,898
Financial statements audits	251	147	(251)	4	151
Other	1,313	1,113	(1,313)	(3)	1,110

	31.12.2018	Increases	Utilisation	Reversal/ Shift	Currency translation differences	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
Indemnities	3,704	0	0	0	0	3,704
Costs of 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

18. Bank loans

Long-term loans

Borrower	Lender	Loan currency	31.12.2019	Increases/ (decreases)	30.09.2020
Grupa Kęty S.A.	PKO BP S.A.	PLN	135,025	16,074	151,099
Grupa Kęty S.A.	BNP Paribas Bank Polska S.A.	PLN/EUR	78,500	(78,500)	0
Grupa Kęty S.A.	PKO BP S.A.	PLN	0	13,027	13,027
Alupol Packaging Kęty sp. z o.o.	BNP Paribas Bank Polska S.A.	PLN	34,711	(34,711)	0
Alupol Packaging Kęty sp. z o.o.	BNP Paribas Bank Polska S.A.	EUR	4,344	(4,344)	0
Alupol Packaging Kęty sp. z o.o.	BNP Paribas Bank Polska S.A.	PLN	32,218	(15,598)	16,620
Alupol Packaging Kęty sp. z o.o.	mBank S.A.	EUR	355	23	378
Alupol Packaging Kęty sp. z o.o.	BNP Paribas Bank Polska S.A.	EUR	634	(634)	0
ROMB S.A.	BNP Paribas Bank Polska S.A.	PLN	14,332	(14,332)	0
ROMB S.A.	Bank PKO BP S.A.	PLN	0	6,580	6,580
Aluprof S.A.	ING Bank Polska S.A.	PLN	15,529	35,291	50,820
Aluprof S.A.	Bank PekaO S.A.	PLN	28,333	(14,166)	14,167
Aluprof S.A.	BNP Paribas Bank Polska S.A.	PLN	99	(99)	0
Alupol Films sp. z o.o.	BNP Paribas Bank Polska S.A.	PLN	1,999	(1,200)	799
Alupol Films sp. z o.o.	mBank S.A.	PLN	35,000	48,590	83,590
Alupol Films sp. z o.o.	BNP Paribas Bank Polska S.A.	PLN	579	(579)	0
Alupol Films sp. z o.o.	BNP Paribas Bank Polska S.A.	EUR	9,993	(9,993)	0
Alupol Films sp. z o.o.	mBank S.A.	EUR	45,709	(45,709)	0
Total			437,360	(100,280)	337,080

Short-term loans

Borrower	Lender	Loan currency	31.12.2019	Increases/ (decreases)	30.09.2020
Grupa Kęty S.A.	Bank PKO BP S.A.*	PLN	46,490	7,888	54,378
Grupa Kęty S.A.	BNP Paribas Bank Polska S.A.	PLN/EUR	161	(161)	0

Grupa Kęty S.A.	ING Bank Polska S.A.	PLN	1,651	(1,651)	0
Grupa Kęty S.A.	Bank Pekao S.A.	PLN	63,425	(21,536)	41,889
Grupa Kęty S.A.	Bank Societe Generale S.A.	EUR	11,543	(11,543)	0
Grupa Kęty S.A.	BNP Paribas Bank Polska S.A.	PLN/EUR	0	12,266	12,266
Alupol Packaging Kęty sp. z o.o.	Bank PKO BP S.A.	PLN	3,231	(3,231)	0
Alupol Packaging Kęty Sp. z o.o.	Bank Pekao S.A.	PLN/USD	20,649	(8,376)	12,273
Alupol Packaging Kęty Sp. z o.o.	BNP Paribas Bank Polska S.A.	PLN	23,163	38,192	61,355
Aluprof S.A.	Bank Pekao S.A.	PLN	79,890	(51,238)	28,652
Aluprof S.A.	Societe Generale S.A.	PLN	12,002	(12,002)	0
Aluprof S.A.	ING Bank Polska	PLN	48,942	(37,454)	11,488
ROMB S.A.	Bank PKO BP S.A.	PLN	8,421	(8,421)	0
ROMB S.A.	BNP Paribas Bank Polska S.A.	PLN	0	12,480	12,480
Alupol Films sp. z o.o.	Bank Pekao S.A.	EUR	26,645	(26,645)	0
Alupol Films sp. z o.o.	BNP Paribas Bank Polska S.A.	PLN	30	570	600
Alupol Films sp. z o.o.	mBank S.A.	EUR	4,995	(4,995)	0
Aluform sp. z o.o.	Bank Pekao S.A.	EUR	29	253	282
Aluminium Kety Emmi d.o.o.	Bank Pekao S.A.	EUR	18,316	1,294	19,610
Alupol Packaging S.A.	Bank PKO BP S.A.	EUR	0	1,643	1,643
Total			369,583	(112,667)	256,916

*Short-term part of long-term loans.

In the 3 quarters of 2020 and as at 31 December 2019, the Group complied with all credit/loan covenants.

The Group loans bear interest at variable rates determined on arm's length basis in reference to WIBOR/EURIBOR/LIBOR plus the bank margin. An exception to that principle is the working capital loan at PKO BP S.A., which has a fixed interest rate for the term of the agreement, i.e. by July 2022.

19. Lease liabilities

Maturity date:	30.09.2020	31.12.2019
Short-term	3,214	4,015
From 1 to 3 years	5,531	8,958
More than 3 years	15,884	12,461
Total	24,629	25,434

20. Leases

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

Costs on account of		Q.3, 2020	3 quarters of 2020	Q.3, 2019	3 quarters of 2019
Lease interest	Finance costs	(159)	(582)	(420)	(727)
Depreciation	Operating costs (depreciation)	(1,086)	(2,738)	(910)	(2,633)
Low-value lease	Operating costs (third-party services)	(130)	(360)	(148)	(458)
Short-term lease	Operating costs (third-party services)	(190)	(480)	(132)	(613)
Total		(1,565)	(4,160)	(1,610)	(4,431)

Value of future lease payments

	30.09.2020	31.12.2019
Value of future lease payments	55,170	56,426
Discount	(30,541)	(30,992)
Present value of lease liabilities	24,629	25,434
Including short-term lease	3,214	4,015

The weighted average incremental borrowing rate which the Group as the lessee applied to lease liabilities as at 30 September 2020 amounted to 4.22% (31 December 2019 – 4.02%).

20.1. Group as a lessor

	30.09.2020	31.12.2019
Gross lease investment	2,117	2,223
Up to 1 year	1,123	974
Between 1 and 5 years	994	1,249
Present value of minimum lease payments	2,008	2,094
Up to 1 year	1,059	919
Between 1 and 5 years	949	1,175
Unearned finance income (discount)	109	129
Unguaranteed residual value vested in the lessor	758	706

21. Equity securities – employee share plans

The Capital Group plan of vesting shares to its employees as well as the principles of the plan valuation are described in detail in the consolidated financial statements for 2019 (note 24.1).

The shares taken up under the employee share plan are presented in note 34.

Moreover, in accordance with Resolution No. 27/20 of the Annual General Meeting of 20 August 2020, the Group launched a new share option plan in September 2020. The plan is identical to the plans of the previous years, except that it consists of three share option tranches, of 90,000 pieces each, which commence (i.e. have the vesting date) in 2020, 2021 and 2022, respectively.

The precondition to be eligible to the share options is employment as at 30 September 2023 for the first tranche, 30 September 2024 for the second tranches, and 30 September 2025 for the third tranche.

The issue price of the shares offered under the plan is PLN 376.95.

Each of the tranches consists of 4 sub-tranches, the vesting of which depends on the fulfilment of the following conditions:

- a) 15% of shares – Grupa Kęty S.A. share price increase at the level of WIG growth;
- b) 25% of shares – Grupa Kęty S.A. share price increase at the level exceeding WIG growth by 15%;
- c) 30% of shares – growth of the Group EBITDA by 28%;
- c) 30% of shares – growth of the Group net profit by 28%.

Achievement of parameters c) and d) at the level between 89.9% and 100% entitles vesting the number of share options pro rata to the scale of performance.

The reference period for calculation of the aforesaid period is the year 2019 for the first tranche, the year 2020 for the second tranche, and the year 2021 for the third tranche. The above described conditions should be fulfilled within 3 years directly following 2020 for the first tranche, 2021 for the second tranche, and 2022 for the third tranche.

As at the balance-sheet date, the eligible staff were vested with 90,000 options within the first tranche of the plan. The list of the persons eligible to obtain the options of the second and third tranche will be determined in 2021 and 2022, respectively. The fair value of the options vested within the first tranche was determined by an independent actuary and amounts to PLN 7,702,000.

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

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 receives 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.

	30.09.2020	31.12.2019
Building security deposits	1,323	1,310

22.2. Short-term trade payables and other liabilities

	30.09.2020	31.12.2019
Short-term liabilities:	700,581	294,749
Trade receivables	277,032	215,414
On account of property, plant and equipment purchase	14,139	28,090
Payroll payables	20,669	18,172
Dividend payables	336,799	0
Total financial liabilities (under IFRS 7)	648,639	261,676
Public law payables (except for income tax payables)	45,021	28,926
Other	6,921	4,147
Total non-financial liabilities	51,942	33,073

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 Group assets.

22.3. Contractual liabilities

	30.09.2020	31.12.2019
Contractual liabilities related to construction contracts	0	83
Contractual liabilities related to other contracts (advance payments for deliveries)	18,250	12,954
Total	18,250	13,037

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 3 quarters of 2020, compared to the corresponding period of the preceding year, material changes in the particular items of revenue and costs included:

- increase in the total revenue by PLN 188,301,000, including sales revenue by PLN 187,215,000, which resulted mainly from the quantitative growth of sales, mainly in the FPS, owing to launching the second line for BOPP film production in Q.4, 2019 as well as changes in the prices of basic raw materials and exchange rates;
- increase in the total costs of operation by PLN 94,153,000, including:
 - increase in depreciation by PLN 7,437,000, which resulted mainly from the completion of the Company investment projects;
 - increase in the costs of energy and materials by PLN 54,965,000, which resulted mainly from higher production and sales volume as well as changes in the prices of basic raw materials and exchange rates. The quotations of the average aluminium price in the 3 quarters 2020 were lower by 9.7% compared to the corresponding period of 2019, with simultaneous weakening of PLN to USD by 2.9%;
 - increase in the costs of third-party services by PLN 13,673,000, which resulted mainly from higher production and sales, and the observed growth of the unit prices of services;
 - increase in the costs of taxes and fees by PLN 1,164,000, which resulted mainly from higher local fees and commissioning of new production halls in 2019;
 - increase in the costs of employee benefits by PLN 19,376,000, which resulted mainly from the extended scale of the Group operations, and contributed to headcount increase and growth in payroll;
 - decrease in the write-downs of financial assets by PLN 1,050,000, which reflects the effect of the higher level of receivables with positive impact of counterparty rating changes;
 - decrease in the other operating costs by PLN 1,412,000, which resulted mainly from a reduction in the costs of advertising and promotion.

- Change in the balance of inventory of finished products and work in progress PLN (1,148,000) in the period of 3 quarters of 2020, compared to PLN (23,196,000) in the 3 quarters of 2019, reflects lower decrease in the value of finished products and work in progress in the current period.

As an effect of the above changes, the profit on operating activities in the 3 quarters of 2020 amounted to PLN 421,539,000 and was lower by PLN 117,322,000 than in the preceding year.

- Growth of net finance costs by PLN 777,000 resulted from higher foreign exchange losses in the 3 quarters of 2020 and higher the costs of interest, mainly due to their lower capitalisation within investments in property, plant and equipment.

Upon consideration of tax charges higher by PLN 16,379,000, resulting from the improvement of results described above, the net profit in the 3 quarters of 2020 amounted to PLN 333,409,000 and was higher by PLN 100,166,000 compared to the corresponding period of the preceding year.

24. Explanation of the reasons of major changes in other items

As at 30 September 2020, compared to 31 December 2019, major changes in the balance-sheet items comprise:

- decrease in the value of property, plant and equipment as well as intangible assets by PLN 23,791,000, resulting mainly from depreciation charges in the period of 3 quarters of 2020 amounting to PLN 109,367,000, and capital expenditure on the purchase of assets in the amount of PLN 81,856,000;
- increase in the value of inventories by PLN 21,822,000, which resulted from higher sales and greater scale of operation compared to the end of the preceding year;
- increase in receivables by PLN 79,678,000, which resulted from higher sales and greater scale of operation compared to the end of the preceding year;
- decrease in loan payables by PLN 212,947,000 and increase in cash by PLN 167,581,000, resulting mainly from the growth of cash flows on operating activities and reduced capital expenditure;
- increase in the value of equity by PLN 11,023,000, which resulted mainly from the Group net profit generated in the period of 3 quarters of 2020 amounting to PLN 333,409,000 and allocation of the amount of PLN 337,266,000 to dividend payment to shareholders;
- increase in liabilities by PLN 405,832,000, which resulted mainly from dividend payables in the amount of PLN 336,799,000 and higher trade liabilities and public law payables, with the simultaneous drop of liabilities related to the acquisition of property, land and equipment.

25. Discontinued operations

In the 3 quarters of 2020 and 3 quarters of 2019, the Group did not discontinue any significant operations.

26. Business combinations and acquisitions of non-controlling interests

In the 3 quarters of 2020 and 3 quarters of 2019 there were no such transactions.

27. Investments in associates

As at 30 September 2020, 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	Majority Investor	Percentage of share capital as at		Profit (loss) allocated to the major investor as at		Accumulated value of shares as at		Segment
				30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019	
Aluprof USA LLC	USA	Distribution of aluminium systems	Aluprof System USA	45.5%	45.5%	(382)	152	2,935	4,978	ASS

In the 3 quarters of 2020, the Group received PLN 1,780,000 dividend from its associate.

On 29 June 2020, a resolution was passed on commencement of liquidation of the aforesaid associate and reimbursement of contributions to the shareholders. The liquidation is related to ordering the organisational structure and model of the Group operations on the American market and availing of the services of the subsidiary Aluprof System USA Inc. operating on that market or direct sales from Poland.

28. 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 2019, note 37.

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 are recognised at fair value determined as at the balance-sheet date.

29. Capital management

The Group monitors the return on equity using the ROE ratio, which is calculated as net profit to equity for the last 12 months.

The finance structure is monitored by the net financial leverage ratio, which is calculated as net debt to total equity and net liabilities, as well as the net debt to EBITDA ratio, whereas EBITDA is understood as operating profit plus depreciation and amortisation for the last 12 months. The Group net debt comprises interest-bearing loans and borrowings, as well as lease liabilities, less cash and cash equivalents.

The policy of the Company accepts the optimal leverage ratio at the level of up to 50%, and net debt to EBITDA ratio at the level of up to 2.5.

The basic objective of capital management is to maximise the return on equity (ROE) while maintaining a secure and flexible structure of finance. When preparing the specific guidelines, the division into operating segments is taken into account as well as the necessity of maintaining current liquidity and ensuring financing of development objectives by the respective companies of the segments, in accordance with the assumed plans.

To retain or adjust the capital structure, the Group may change the value of dividend payable to the shareholders, return capital to shareholders or issue new shares. In the reporting periods presented, no changes were introduced to the objectives, principles and processes in that area.

	30.09.2020	31.12.2019
EBITDA (operating profit plus depreciation and amortisation) in the last 12 months	647,890	523,131
Net profit (in the last 12 months)	395,974	295,435
Interest-bearing borrowings and lease liabilities	618,625	832,377
Cash and cash equivalents	(271,173)	(103,592)
Net debt	347,452	728,785
Equity	1,487,160	1,476,137
Equity and net debt	1,834,612	2,204,922
Net financial leverage*	18.94%	33.05%
Net debt to EBITDA	0.54	1.39
ROE	26.63%	20.05%

* calculated as net debt/equity and net debt

30. Contingent liabilities

	30.09.2020	31.12.2019
Bank performance bonds for construction contracts	6,962	14,383
Insurance performance bonds for construction contracts	2,380	2,175
Subsidies (in the period of conditions fulfilment)	5,847	5,401
Total	15,189	21,959

The maturity dates of performance bonds for construction contracts depend on the provisions of the respective agreements.

31. Future investment liabilities

Contractual liabilities related to the purchase of property, plant and equipment, by operating segments

	30.09.2020	31.12.2019
Extruded Products Segment	9,792	10,748
Flexible Packaging Segment	18,410	9,325
Aluminium Systems Segment	33,530	2,356
Total	61,732	22,429

32. Derivative financial instruments

Financial assets

	30.09.2020	31.12.2019
Currency forward contracts hedging cash flows	839	56
Futures contracts hedging cash flows related to the purchase of aluminium	3,326	2,650
Total	4,165	2,706

Financial liabilities

	30.09.2020	31.12.2019
Currency forward contracts hedging cash flows	1,195	1,374
Futures contracts hedging cash flows related to the purchase of aluminium	913	348
Total	2,108	1,722

The Group did not introduce any changes in the method of classification and measurement of financial instruments compared to the principles described in the consolidated statements for 2019, note 38.

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.

33. Shareholding structure and transactions with key management staff

33.1. Shareholding structure

Entity	Number of shares	Percentage of capital	Number of shares	Percentage of capital
	30.09.2020		31.12.2019	
Nationale Nederlanden OFE	1,847,000	19.20%	1,829,832	19.12%
OFE AVIVA Santander	1,550,000	16.11%	1,735,302	18.13%
OFE PZU ŻŁOTA JESIEŃ	920,000	9.56%	943,654	9.86%
AEGON PTE	700,994	7.29%	694,474	7.26%
MetLife OFE	530,000	5.51%	534,584	5.59%
PTE Allianz Polska	494,262	5.14%	489,576	5.12%

Others	3,579,191	37.20%	3,342,525	34.92%
Total*	9,621,447	100.00%	9,569,947	100.00%

The shareholding structure does not reflect the subscriptions to take up 2,200 shares made at the beginning of September under the share options plan for key management staff. The shares were issued in October and admitted to trading on 19 October 2020.

33.2. Transactions with the Group key management staff

In the reporting period, the Group did not enter into any transactions with members of the Management Board apart from those described in note 33.3.

33.3. Costs of remuneration of the Group key management staff

The Group key management staff include: members of the Supervisory Board of the parent company and members of the Management Board of the parent company.

Management Board of the parent:	3 quarters of 2020	3 quarters of 2019
Remuneration at the parent company	1,889	1,695
Provisions for annual bonuses and other benefits at the parent company	4,146	3,387
Costs of share options	128	343
Total costs of the Management Board remuneration at the parent company	6,163	5,425
Remuneration at other Group companies	346	518
Provisions for annual bonuses and other benefits at other Group companies	606	225
Costs of share options	58	193
Total costs of remuneration at other Group companies	1,010	936
Total consideration for the Management Board members	7,173	6,361

There are no agreements between the parent company and the managing persons which would provide for any compensation in the case of their resignation or dismissal from their positions for no important reason or where their dismissal would be related to the Issuer's merger by acquisition, except for the conditions included in the term of notice or non-competition agreements.

Supervisory Board of the parent:

	3 quarters of 2020	3 quarters of 2019
Supervisory Board	665	630
Total	665	630

33.4. Group Management Options Plan

In the reporting period, the Management Board took up 10,500 shares of the Company under the third tranche of the 2012 plan, and 19,950 shares under the first and second tranches of the 2015 plan.

Moreover, the Management Board has been vested with share options in accordance with the following table. The right to acquire the below listed shares shall be fulfilled providing that the respective person is employed by the Group as at the end date of the vesting period.

Number of share options in the vesting period granted to members of the Management Board	Number of granted options	End date of the vesting period	Number of options meeting the vesting conditions
Share options under the third tranche of the 2015 plan	21,000	30.09.2020	6,930
Share options under the second tranche of the 2020 plan	30,000	30.09.2023	30,000*

*Plan launched in September 2020, the estimation assumes the fulfilment of all of the parameters, the update of the estimate shall take place upon publication of the Capital Group Strategy for the years following 2020.

34. Issue of shares

In the 3 quarters of 2020, under the shares issue for the management staff, 50,600 shares of the nominal value of PLN 126,000 and the issue value of PLN 13,429,000 were entered in the Court Register. Moreover, as at the balance-sheet date, 900 shares of the issue value of PLN 274,000 were not entered in the Court Registers, and 2,200 subscribed shares of the value of PLN 669,000, were not taken up as at 30 September 2020.

	30.09.2020	31.12.2019
Share premium	51,321	38,018
Total	51,321	38,018

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

The detailed principles of fair value measurement are described in the consolidated financial statements for 2019, note 41.

Compared to the preceding year, the Group amended the accounting policy with regard to energy-related assets measurement, which has been described in note 4.

As compared to the previous financial year, the Group did not change the method of fair value measurement.

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 the statement of profit or loss.

Fair value hierarchy	Fair value hierarchy level	30.09.2020	31.12.2019
Assets			
Investment properties	3	4,236	3,315
Hedging derivatives	2	4,165	2,706
Total		8,401	6,021
Liabilities			
Hedging derivatives	2	2,108	1,722
Total		2,108	1,722

36. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period assigned to regular shareholders of the Group by the weighted average number of ordinary shares issued and outstanding in the period.

Diluted earnings per share are calculated by dividing net profit for the period assigned to regular shareholders of the Group by the weighted average number of ordinary shares issued and outstanding in the period.

	3 quarters of 2020	3 quarters of 2019
Net profit attributable to owners of the parent	333,320	232,870
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,594,247	9,554,114
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share	9,603,041	9,572,076
Basic earnings per share from the basic profit for the period attributable to owners of the parent (in PLN)	34.73	24.37
Diluted earnings per share from the basic profit for the period attributable to owners of the parent (in PLN)	34.70	24.33

During the reporting period, the eligible employees took up 10,500 shares of Grupa Kęty S.A. under the 2012 plan at the price of PLN 117.10 per share, and 41,000 shares of Grupa Kęty S.A. under the 2015 plan at the price of PLN 304.24 per share. Moreover, the eligible employees hold 15,000 options to acquire shares under 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 2020 was PLN 394.54. The closing price as at 30 September 2020 was PLN 460.

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 8,794.

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

Intra-group transactions in the period from 1 January 2020 to 30 September 2020 and as at 30 September 2020

Related company	Sales	Purchases	Receivables	Liabilities
Aluprof S.A.	212,586	1,460	71,442	244
Alupol Packaging S.A.	1,252	0	320	0
Dekret Sp. z o.o.	676	1,514	61	181
Aluprof Hungary Kft.	327	191	58	0
Alupol LLC	3,547	6,790	635	3,544
ROMB S.A.	8,567	68	4,225	0
Aluform Sp. z o.o.	1,093	45,850	259	7,801
Alupol Packaging Kęty Sp. z o.o.	3,129	26	661	8
Alupol Films Sp. z o.o.	430	0	110	0
Aluprof System Czech s.r.o.	2	0	0	0
Aluprof Belgium N.V.	63	0	12	0
Aluprof Deutschland	1	0	0	0
Aluminium Kety EMMI d.o.o.	4,443	1,995	1,092	107
Aluminium Kety CSE s.r.o.	0	461	0	44
Aluminium Kety Deutschland GmbH	0	1,097	0	0
Grupa Kety Italia s.r.l.	0	1,482	0	579
Aluprof System Romania s.r.l	13	0	2	0
Aluprof UK Ltd.	73	0	8	0
Total	236,202	60,934	78,885	12,508

Moreover, in the reporting period Grupa Kęty recognised dividend income from related companies in the following amounts:

- PLN 150,000,000 from Aluprof S.A.;
- PLN 84,300,000 from Alupol Packaging S.A.;
- PLN 23,965,000 from Aluform sp. z o.o.;
- PLN 309,000 from Dekret sp. z o.o.

As at 30 September 2020 Grupa Kęty S.A. had the following receivables on account of the above dividends:

- PLN 100,000,000 from Aluprof S.A.;
- PLN 17,300,000 from Alupol Packaging S.A.;
- PLN 6,966,000 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 2020.

The transactions with the Management Board and the Supervisory Board are described in note 33.2 to the interim condensed consolidated financial statements.

38. Post-balance-sheet events

Apart from those referred to in these statements, 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

In Q.3, the situation has been gradually improving on the markets and in the sectors which suffered the most in Q.2 owing to the SARS-CoV-2 ('coronavirus') pandemic. Therefore, all of the Capital Group Segments reached high production capacity utilisation: ca. 97% at the Extruded Products Segment (EPS), and 88% at the Flexible Packaging Segment (FPS), thus resulting in high effectiveness of operations. Higher sales were also generated by the Aluminium Systems Segment.

Consolidated sales revenue in Q.3, 2020 increased by 10% compared to the corresponding period of the preceding year, despite aluminium prices in PLN lower by ca. 5%. It was possible thanks to attracting a larger number of orders from domestic customers and systematic extension of cooperation with foreign customers. Sales volume increased at the Aluminium Systems Segment by about 12%, by ca. 7% at the Extruded Products Segment, and the Flexible Packaging Segment by as much as 34%. Such fast growth rate at the FPS resulted from the effective utilisation of the new production capacity (the second line for BOPP film production commissioned at the end of the third and beginning of the fourth quarters of 2019).

Higher volume of sales, related to high operating efficiency and favourable margins on some assortment groups, contributed to generation of PLN 161.6 million consolidated profit on operating activities by the Capital Group, which represents a growth by 28% compared to Q.3, 2019.

The consolidated net profit equalled PLN 129.0 million in the discussed period and was higher by 30% compared to Q.3, 2019.

Cash flows on operating activities amounting to PLN 159 million enabled capital expenditure financing in the amount of PLN 23 million, mainly related to the projects pending, as well as repayment of interest and net debt reduction by roughly PLN 138 million compared to the end of the preceding quarter.

With regard to the pandemic, the Capital Group companies maintain work arrangements aimed at a reduction of the risk of the coronavirus spreading among the employees.

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

Demand for the Company products

Higher sales volume was recorded by all segments of the Capital Group. No growth of revenue at the Extruded Products Segment despite volume increase by 7% compared to Q.3, 2019 reflects specifically a drop in PLN aluminium prices by 5% and, in effect, lower prices of the segment products.

A 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	328.8	0%	174.2	153.5
Aluminium Systems Segment	439.3	+9%	269.1	170.2
Flexible Packaging Segment	230.9	+21%	113.0	117.9

Exchange rates

As estimated, over half of the sales are 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 reporting period, the average EUR/PLN exchange rate was 4.42 and was by about 2% higher than in the corresponding period of the preceding year. The average USD/PLN rate was 3.80, compared to 3.88 in Q.3, 2019.

With regard to the FX position of the Capital Group, PLN depreciation against EUR has a positive 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. The Group is, thus, 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 the contracts concluded by the Group companies.

In the discussed period the average aluminium price was 1,740 USD per tonne, i.e. a drop by 3% in USD and by 5% when translated into PLN compared to the corresponding period of the preceding year. 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 price changes are transferred to customers with a certain delay (1–1.5 months at the EPS, and 3–6 months at the ASS). A factor stabilising the generated results are transactions hedging aluminium purchase prices and, partially, a natural hedge in the form of quoting products based on the current prices of raw materials.

Debt

At the end of the reporting period, the Capital Group had PLN 337 million of long-term loans and PLN 257 million of short-term loans. Roughly 23% of the value of loans is held in foreign currencies (mainly EUR), which is reflected in the statement of profit or loss by way of monthly measurement of the impact of foreign currency rate fluctuations on the value of the loans.

Other

In reference to the worldwide coronavirus pandemic and the related limitations introduced by the governments of the particular countries, the import of some of the products to Europe from the manufacturers in Middle and Far East has shrunk. On the European market that resulted in a temporary growth of profitability of some products sales, whereas at the Capital Group this referred specifically to the profitability of BOPP film sales, which nearly doubled compared to the corresponding period of the preceding year. Owing to systematic return of the particular companies to the European market and growth of local (European) production capacity in that area, margins have been gradually decreasing to the levels preceding the pandemic, and in the coming quarters this will have a growingly lower effect on the results generated by the Flexible Packaging Segment and the whole Capital Group.

Apart from the above, 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 Q.3, 2020.

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

Demand for the Company products

At all Segments of the Capital Group revenues are expected to be maintained at the levels at least comparable or slightly higher than those generated in the corresponding period of the preceding year.

Exchange rates

Considering the FX position of the Capital Group, any possible appreciation of PLN against EUR will be negative for the sales 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 against USD due to the persisting level of debt between the Ukrainian and Polish companies of the Capital Group.

Prices of basic raw materials

Owing to the uncertainty related to a higher number of Covid-19 cases, it is estimated that aluminium prices will remain at levels comparable to those observed in Q.3

Debt

It is estimated that the value of the Group net debt in the coming several months may increase due to the dividend payment planned in October and November in the total amount of PLN 337 million.

Other

In reference to the worldwide coronavirus pandemic and the related limitations introduced by the governments of the particular countries, the import of some of the products to Europe from the manufacturers in Middle and Far East has shrunk. On the European market that resulted, in the Management Board's opinion, in a temporary growth of profitability of some products sales, whereas at the Capital Group this referred specifically to the profitability of BOPP film sales, which doubled compared to the corresponding period of the preceding year. Owing to systematic return of the particular companies to the European market and growth of local production capacity in that area (meaning at the European manufacturers of BOPP film), margins have been gradually decreasing to the levels preceding the pandemic, as the high-margin phenomenon was of exceptional nature and in the coming quarters it will have a growingly lower effect on the results generated by the Flexible Packaging Segment and the whole Capital Group.

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 maintains the adjusted projection published on 24 August 2020.

6. 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 238,796 ordinary bearer shares of Grupa Kęty S.A., including: Dariusz Mańko 166,393 shares (growth by 6,675 shares y/y), Rafał Warpechowski 0 shares, Piotr Wysocki 51,335 shares (growth by 6,900 shares y/y), Tomasz Grela 21,068 shares (growth by 4,200 shares y/y). In addition, within the incentive plan adopted at the General Meeting on 23 April 2015, the Management Board members held:

- the right to acquire 6,930 M series bonds with the pre-emptive right to take up H series ordinary bearer shares, and in that number: Dariusz Mańko – 2,970 bonds, Piotr Wysocki – 1,980 bonds, and Tomasz Grela – 1,980 bonds.

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

7. 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.

8. Intercompany transactions

In the period covered by this report, there were made intercompany transactions, however, these were transactions of typical or routine nature, whereas their terms and conditions complied with the current operations of the Issuer and its subsidiaries.

9. 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.

10. 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 these interim condensed consolidated financial statements for Q.3, 2020, 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, 2020

(PLN '000)

III. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF PROFIT OR LOSS

	Q.3, 2020	3 quarters of 2020	Q.3, 2019 (restated)	3 quarters of 2019 (restated)
Total operating revenue, including:	443,840	1,135,343	303,662	1,084,632
Revenue from contracts with customers	293,341	875,258	303,241	900,753
Other operating revenue	499	1,511	421	1,432
Dividends	150,000	258,574	0	182,447
Change in the level of products and work in progress	(5,852)	(1,630)	(9,602)	(25,837)
Cost of manufacturing of products for own needs	1,409	4,351	1,329	4,311
Total operating costs, including:	(267,453)	(832,028)	(275,499)	(846,970)
Depreciation	(12,892)	(38,242)	(12,694)	(37,271)
Materials and energy, and the value of trade goods and materials sold	(176,696)	(566,922)	(189,021)	(585,423)
Third-party services	(42,190)	(121,395)	(40,128)	(119,930)
Taxes and fees	(1,562)	(4,591)	(1,456)	(4,466)
Employee benefits	(31,513)	(96,379)	(31,600)	(98,036)
Revaluation of financial assets	0	(261)	0	272
Other operating costs	(2,600)	(4,238)	(600)	(2,116)
Profit on operating activities	171,944	306,036	19,890	216,136
Financial revenue	53	181	49	183
Finance costs	(1,235)	(7,096)	(3,201)	(7,330)
Profit before tax	170,762	299,121	16,738	208,989
Income tax	(4,388)	(8,484)	(3,401)	(6,146)
Net profit on continued operations	166,374	290,637	13,337	202,843
Basic net earnings per share (PLN)	17.29	30.29	1.39	21.23
Diluted net earnings per share (PLN)	17.28	30.27	1.39	21.19

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Q.3, 2020	3 quarters of 2020	Q.3, 2019 (restated)	3 quarters of 2019 (restated)
Net profit for the period	166,374	290,637	13,337	202,843
Other comprehensive income recognised in profit or loss, including:	2,723	(443)	1,318	2,800
Valuation of cash flow hedging instruments	1,395	(1,099)	783	2,920
Result on cash flow hedging transactions	1,593	447	713	434
Income tax related to other comprehensive income	(265)	209	(178)	(554)
Comprehensive income for the period	169,097	290,194	14,655	205,643

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

SEPARATE BALANCE SHEET

ASSETS	30.09.2020	31.12.2019 (restated)
I. Non-current assets	874,717	885,290
Property, plant and equipment	486,267	495,638
Intangible assets	6,435	6,993
Right-of-use assets	11,762	11,888
Shares and interests	369,697	369,440
Advance payments for the purchase of property, plant and equipment	556	1,331
II. Current assets	552,609	282,235
Inventories	87,086	96,212
Income tax receivables	0	1,498
Trade and other receivables	349,978	176,324
Derivative financial instruments	1,076	1,554
Cash and cash equivalents	114,469	6,647
Total assets	1,427,326	1,167,525
EQUITY/LIABILITIES		
I. Equity	642,392	674,082
Share capital	67,951	67,825
Share premium	51,321	38,018
Non-registered capital from the issue of shares	943	0
Capital from share based payments	26,854	26,392
Capital from the revaluation of hedging instruments	370	1,259
Result on cash flow hedging transactions	144	(303)
Retained earnings	494,809	540,891
II. Long-term liabilities	223,257	272,099
Loan payables	164,126	213,525
Lease liabilities	3,528	3,579
Provisions	0	107
Provisions for employee benefits	2,073	1,947
Subsidies	27,544	28,258
Deferred income tax provision	25,986	24,683
III. Short-term liabilities	561,677	221,344
Loan payables	108,533	123,269
Lease liabilities	177	177
Income tax payables	1,924	0
Trade payables and other liabilities	434,081	81,079
Contractual liabilities	1,328	705
Provisions and accruals	14,023	14,960
Derivative financial instruments	620	134
Subsidies	991	1,020
Total equity/liabilities	1,427,326	1,167,525

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from share based payments	Capital from the revaluation of hedging instruments	Result on cash flow hedging transactions	Retained earnings	Total equity
Present year								
Equity as at 31.12.2019 (restated)	67,825	38,018	0	26,392	1,259	(303)	540,891	674,082
Comprehensive income for the period:	0	0	0	0	(889)	447	290,637	290,195
<i>Net profit for the period</i>	0	0	0	0	0	0	290,637	290,637
<i>Other comprehensive income</i>	0	0	0	0	(889)	447	0	(442)
Costs of share based payments	0	0	0	462	0	0	0	462
Dividends	0	0	0	0	0	0	(336,719)	(336,719)
Issue of shares	126	13,303	943	0	0	0	0	14,372
Equity as at 30.09.2020	67,951	51,321	943	26,854	370	144	494,809	642,392
Previous year								
Equity as at 31.12.2018 (restated)	67,763	33,900	0	24,322	(3,208)	(532)	564,503	686,748
Comprehensive income for the period:	0	0	0	0	2,366	434	202,843	205,643
<i>Net profit for the period</i>	0	0	0	0	0	0	202,843	202,843
<i>Other comprehensive income</i>	0	0	0	0	2,366	434	0	2,800
Costs 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 30.09.2019 (restated)	67,825	38,018	0	25,508	(842)	(98)	538,255	668,666

SEPARATE STATEMENT OF CASH FLOWS

	Q.3, 2020	3 quarters of 2020	Q.3, 2019 (restated)	3 quarters of 2019 (restated)
Cash flow from operating activities				
Profit before tax	170,762	299,121	16,738	208,989
Adjustments:	17,443	48,965	17,499	45,199
Depreciation	12,892	38,242	12,694	37,271
Recognition/(reversal) of write-downs of property, plant and equipment	(1)	(209)	0	0
Net (profit)/loss from currency translation differences	481	2,999	1,946	1,329
(Profit)/loss from sales of property, plant and equipment	90	134	(62)	(105)
Interest	1,129	5,351	2,070	5,668
Realised result on transactions hedging the price of aluminium recognised in equity	1,593	447	713	434
Costs of share based payments	65	204	125	568
Net value of property, plant and equipment liquidated	1,194	1,797	13	34
Cash flow from operating activities before the change of working capital and tax payment	188,205	384,086	34,237	254,188
Change in inventories	2,891	9,126	21,030	53,481
Change in net receivables	(100,384)	(173,654)	55,423	(190,371)
Change in short-term liabilities, except for loans	875	22,565	(10,916)	30,279
Change in provisions	(4,327)	(920)	1,471	(2,239)
Change in subsidies	(248)	(743)	(248)	(741)
Cash flow from operating activities before tax	87,012	204,460	100,997	144,597
Tax (paid)/refunded	(1,893)	(3,550)	(1,576)	(6,550)
Net cash from operating activities	85,119	200,910	99,421	138,047
Cash flow from investing activities				
(+) Proceeds:	31	155	153	216
Sales of intangible assets, and property, plant and equipment	31	155	153	216
(-) Expenses:	(7,269)	(35,102)	(16,104)	(56,179)
Acquisition of intangible assets, and property, plant and equipment	(7,269)	(35,102)	(16,104)	(56,179)
Net cash from investing activities	(7,238)	(34,947)	(15,951)	(55,963)
Cash flow from financing activities				
(+) Proceeds:	(111,627)	51,361	4,761	38,593
Net proceeds from the issue of shares	8,868	14,372	2,050	4,180
Proceeds from loans and credits	(120,495)	36,989	2,711	34,413
(-) Expenses:	104,384	(109,502)	(97,323)	(128,499)
Dividends	0	0	(66,798)	(66,798)
Repayment of loans	105,472	(104,062)	(28,122)	(55,960)
Interest on loans	(1,088)	(5,263)	(2,403)	(5,564)
Payment of lease liabilities	0	(177)	0	(177)
Net cash from financing activities	(7,243)	(58,141)	(92,562)	(89,906)
Total net cash flows:	70,638	107,822	(9,092)	(7,822)
Cash and cash equivalents at the beginning of the period	43,831	6,647	17,127	15,857
Cash and cash equivalents at the end of the period	114,469	114,469	8,035	8,035

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.

.....