

CAPITAL GROUP OF GRUPA KĘTY S.A.

**THE NOTES OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. TO THE INTERIM
CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED ON 30
SEPTEMBER 2015**

CONTENTS

SUMMARY OF THE ISSUER'S MATERIAL ACCOMPLISHMENTS OR FAILURES IN THE PERIOD COVERED BY THIS REPORT AND THE SUMMARY OF RESPECTIVE KEY EVENTS	2
FACTORS WHICH HAVE MATERIAL IMPACT UPON THE RESULTS ACCOMPLISHED IN THE PERIOD COVERED BY THIS REPORT	2
FACTORS LIKELY TO INFLUENCE THE RESULTS GENERATED BY THE ISSUER IN THE PERIOD OF AT LEAST ONE QUARTER (ACCORDING TO THE ISSUER)	4
EFFECTS OF CHANGES IN THE BUSINESS STRUCTURE, INCLUDING THOSE RESULTING FROM BUSINESS COMBINATIONS, ACQUISITION OR SALE OF THE GROUP'S BUSINESSES, LONG-TERM INVESTMENT PROJECTS, DEMERGER, RESTRUCTURING AND DISCONTINUED OPERATIONS	4
ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES	5
THE MANAGEMENT BOARD'S POSITION ON PUBLISHED FORECASTS	5
SHAREHOLDERS HOLDING AT LEAST 5% OF TOTAL VOTES AT THE GENERAL MEETING OF SHAREHOLDERS AS AT THE DATE OF SUBMITTING THIS REPORT, I.E. AS AT 22.10.2015	5
SHARES HELD BY MEMBERS OF THE COMPANY'S MANAGEMENT BOARD AND SUPERVISORY BOARD AS AT THE PUBLICATION DATE OF THIS REPORT	5
MATERIAL PROCEEDINGS CURRENTLY IN PROGRESS IN THE COURT, ARBITRATION COURT OR PUBLIC ADMINISTRATION AUTHORITY	6
RELATED PARTY TRANSACTIONS	6
INFORMATION ON THE ISSUER'S OR ITS SUBSIDIARIES' SURETIES FOR LOANS OR CREDITS, OR OTHER GRANTED GUARANTEES	6
OTHER INFORMATION WHICH, IN THE ISSUER'S OPINION, IS MATERIAL FOR THE ASSESSMENT OF ITS STAFF, FINANCIAL SITUATION, ASSETS, FINANCIAL RESULT AND THEIR CHANGES, AND INFORMATION MATERIAL FOR THE ASSESSMENT OF THE POSSIBILITY OF THE REPAYMENT OF ISSUER'S LIABILITIES	6

SUMMARY OF THE ISSUER'S MATERIAL ACCOMPLISHMENTS OR FAILURES IN THE PERIOD COVERED BY THIS REPORT AND THE SUMMARY OF RESPECTIVE KEY EVENTS

In the third quarter of 2015, very good business conditions both on the Polish market and on export markets persisted. In Poland, the Aluminium Systems Segment (+17%) and the Flexible Packaging Segment (+14%) recorded the highest growth rate; and, on export markets, the biggest growth was recorded for the Extruded Products Segment (+22%) and the Aluminium Systems Segment (+13%). In terms of value, the biggest growth was recorded on the markets of Austria, Belgium, Slovakia, the Netherlands, the Czech Republic, Romania and Italy. As a result, the Capital Group generated 541.1 million PLN of consolidated sales revenue, 80.5 million PLN of consolidated operating profit and 65.4 million PLN of consolidated net profit. In addition, the Group recorded spectacular result on cash flow, generating 98 million PLN of cash from operating activities in only one quarter. As regards the operating activity, the Capital Group implemented the following tasks:

1. Continuing the implementation of first projects as part of the new strategy approved of by the Company's Supervisory Board; its basic objectives were published on 10 February 2015.
2. Developing the sale abroad, which allowed for the diversification of the risk related to business conditions and demand on the Polish market.
3. Product development which makes it possible to reach new customers and markets.

In addition, the following events had place in the quarter:

July 22 — Grupa Kęty S.A. received the confirmation of the conclusion of an annex to the agreement on an overdraft facility of 12.06.2014 concluded by the Company and its subsidiaries (Aluprof S.A., Alupol Packaging S.A., Metalplast Stolarka Sp. z o.o.) with Bank BNP Paribas Polska S.A. for the total amount of 50 million PLN. Under the annex, the date of the loan disbursement was changed to 1.06.2016, and it can be shifted further into the future. In the new lending period, the loan amount will be 100,000,000.00 PLN. In addition, the following subsidiaries joined the agreement: Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o. and Romb S.A. The loan amount is the joint total debt of the aforementioned companies. The above-mentioned loan is used to finance the current operations of the companies. According to specific terms and conditions of the agreement, the companies are jointly and severally liable for the debt under the aforementioned agreement.

September 30 – Grupa Kęty S.A. received the confirmation of the conclusion of an annex to the multilateral agreement concerning an overdraft facility and a loan in foreign currency accounts with Bank PKO BP, signed by the Company and its subsidiaries on 30.09.2015 and related to the agreement entered into on 3 July 2008 (current report No. 32/2008) as amended. Pursuant to this annex, the following companies may take advantage of the financing under the agreement in the period of the next 12 months: Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A., Alu Trans System Sp. z o.o., Alupol Packaging Kęty Sp. z o.o., Romb S.A. The annex extends the term of the agreement until 30.09.2016 and decreases the financing amount to 80 million PLN.

FACTORS WHICH HAVE MATERIAL IMPACT UPON THE RESULTS ACCOMPLISHED IN THE PERIOD COVERED BY THIS REPORT

Demand for the Company's products

In the third quarter, most companies of the Capital Group recorded an increase in sales revenue. The entire growth was basically an effect of greater demand, as macroeconomic factors and prices of raw materials had only limited impact upon the prices. Polish customers were especially active (in four out of five segments, domestic sale growth rate was higher than the growth rate for sale abroad). As a result, the actual sales revenue figures were as follows:

CAPITAL GROUP OF GRUPA KĘTY S.A.

Notes of the Management Board of Grupa Kęty S.A. to the Consolidated Financial Statements for the period from 1 January to 30 September 2015

Segment (in million PLN)	Total revenue	Growth rate	Poland	Foreign markets
Extruded Products Segment	228.5	+14%	143.2	85.3
Aluminium Systems Segment	240.3	+15%	155.1	85.2
Flexible Packaging Segment	109.2	+9%	65.7	43.5
Building Services Segment	28.0	+4%	15.0	13.0
Building Accessories Segment	13.4	-8%	9.0	4.4

Exchange rates

According to the Management Board's estimates, ca. 50% of sales were generated in PLN and ca. 47% in EUR. The remaining 3% was sales in USD, GBP and UHR. As regards expenses, ca. 36% of costs are costs incurred in PLN, 38% are costs in USD, 25% are costs in EUR and ca. 1% are costs in other currencies (GBP, UHR). From the point of view of operations, in the period, the depreciation of PLN against EUR from ca. 4.10 in July to 4.20 at the end of September had positive impact. In addition, the companies of the Capital Group hold trade receivables and liabilities in foreign currencies. From this point of view, the fluctuations of EUR and USD against PLN and of USD against UHR (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, aluminium strip and sheet aluminium are the basic raw materials in the Capital Group, accounting for ca. 38% of total costs. Thus, the Capital Group is exposed to the risk of increased prices of this raw material, considering the fact that it cannot in any way influence the prices quoted at the London Metal Exchange (LME), which are the pricing base for aluminium supplies contracts concluded by the companies of the Capital Group. In the period, aluminium prices fell from 1,700 to ca. 1,550 USD per ton. The changes of the prices of the raw material in a short period of time may affect the profitability of operations, particularly in the Extruded Products Segment, as the prices are transferred upon customers with a certain delay (1 up to 1.5 months). The transactions hedging the purchases of aluminium (futures), the result of which, when decreases in the metal prices on global exchanges are rapid, is negative and, in an opposite situation (increases in the prices of metals), they "generate" positive result, are a stabilising factor for the results.

Debt

At the end of the period covered by this report, the Capital Group had 76.3 million PLN of long-term loans and 254.3 million PLN of short-term loans. Ca. 22% of the value of loans is held in foreign currencies (18% in EUR and 4% in USD), which affects the income statement due to the monthly evaluation of the impact of the changes of EUR and USD exchange rates upon the value of the loan. The depreciation of PLN against both currencies in the period had adverse impact upon the result. As estimated, the negative total balance amounted to 0.8 million PLN.

Other

In the period covered by this report, there were no other significant factors or events, especially of unusual character, with significant impact on the accomplished financial results, apart from those mentioned above and in items 11-15 of the consolidated financial statements.

FACTORS LIKELY TO INFLUENCE THE RESULTS GENERATED BY THE ISSUER IN THE PERIOD OF AT LEAST ONE QUARTER (ACCORDING TO THE ISSUER)

Demand for the Company's products

The Management Board of Grupa Kęty S.A. expects that, in the next quarter, the sale of particular segments will be as follows (as compared to the corresponding period in the previous year):

Extruded Products Segment – a decrease by ca. 5% due to lower aluminium prices

Aluminium Systems Segment – an increase by ca. 5%

Flexible Packaging Segment – an increase by ca. 10%

Building Services Segment – similar to last year's level

Building Accessories Segment – similar to last year's level

Exchange rates

Having regard for the currency position of the Capital Group, any possible appreciation of PLN against EUR will be negative for the sale and margins. Therefore, the Management Board of Grupa Kęty S.A. intends to continue to maintain a part of debt in foreign currencies and to continue the policy of hedging currency risk with forwards and futures. In addition, the financial result may be affected by the fluctuations of the Ukrainian currency due to the persisting level of debt between Ukrainian and Polish companies of the Capital Group, which, as at the last day of the period covered by this report, amounted to ca. 4.0 million USD.

Prices of basic raw materials

The Management Board of Grupa Kęty S.A. assumes that, in a few upcoming months, aluminium prices will remain at the level of ca. 1,500 – 1,650 USD per ton. However, the Management Board would like to mention that the possible rapid growth of aluminium prices at the LME may result in the temporary decline in the profitability due to the fact that increases in product prices are realized on the market with a 1- or 1.5-month delay in relation to the movements of aluminium prices at the London Metals Exchange. A certain portion of items are also hedged systematically in the perspective of 6-12 months; the level of hedging is between 50% and 20% of items for a given month. Having regard for continuous declines in the prices of metal, the levels of hedging are higher than the present quoted price (negative result on hedging transactions); however, it is positively reflected in the costs of the raw material, as, physically, the metal is purchased at lower prices. In the case of an increase in prices, the situation is reverse.

Debt

The Management Board estimates that the debt in the next three months will decline by ca. 10 million PLN due to the seasonal decrease in demand for working capital financing.

EFFECTS OF CHANGES IN THE BUSINESS STRUCTURE, INCLUDING THOSE RESULTING FROM BUSINESS COMBINATIONS, ACQUISITION OR SALE OF THE GROUP'S BUSINESSES, LONG-TERM INVESTMENT PROJECTS, DEMERGER, RESTRUCTURING AND DISCONTINUED OPERATIONS

In the period covered by this report, there were no important activities carried out aiming at introducing any changes in the organisational structure, including business combinations, acquisitions or sale of the Group's businesses.

In relation to the strategy by 2020 published on 10 February 2015, the Management Board of Grupa Kęty S.A. does not exclude the possibility of carrying out such activities in the future.

ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

In the period covered by this report, the Company did not issue, redeem or repay debt or equity securities.

THE MANAGEMENT BOARD'S POSITION ON PUBLISHED FORECASTS

The Management Board of Grupa Kęty S.A. upholds the forecast published on 10 February 2015.

SHAREHOLDERS HOLDING AT LEAST 5% OF TOTAL VOTES AT THE GENERAL MEETING OF SHAREHOLDERS AS AT THE DATE OF SUBMITTING THIS REPORT, I.E. AS AT 22.10.2015

	No. of shares as at 22.10.2015	Interest in capital	No. of shares as at 30.06.2015	Interest in capital
Aviva OFE	1 691 276	17.91%	1 691 276	17.91%
ING OFE	1 610 534	17.06%	1 610 534	17.06%
OFE PZU ŻŁOTA JESIEŃ	921 000	9.75%	921 000	9.75%
PTE Allianz Polska	499 748	5.29%	499 748	5.29%
Others	4 719 430	49.99%	4 719 430	49.99%
Total	9 441 988	100.00	9 441 988	100.00

SHARES HELD BY MEMBERS OF THE COMPANY'S MANAGEMENT BOARD AND SUPERVISORY BOARD AS AT THE PUBLICATION DATE OF THIS REPORT

According to the declarations submitted as at 30 September 2015, the Management Board of the Company held 161,681 ordinary bearer shares of Grupa KĘTY S.A., including: the President of the Management Board – 126,550 shares, and the Member of the Management Board – 35,131 shares. In addition, on the basis of the incentive programme adopted at the General Meeting of Shareholders on 29 May 2012, members of the Management Board have:

- the right to acquire 27,280 series H bonds with the pre-emptive right to subscribe for series G ordinary bearer shares, including: the President of the Management Board – 17,000 bonds, and the Member of the Management Board – 10,280 bonds.
- the right to acquire 27,280 series I bonds with the pre-emptive right to subscribe for series G ordinary bearer shares, including: the President of the Management Board – 17,000 bonds, and the Member of the Management Board – 10,280 bonds.
- the right to acquire 28,000 series J bonds with the pre-emptive right to subscribe for series G ordinary bearer shares, including: the President of the Management Board – 17,500 bonds, and the Member of the Management Board – 10,500 bonds.

Supervising persons did not hold any shares of Grupa Kęty S.A.

MATERIAL PROCEEDINGS CURRENTLY IN PROGRESS IN THE COURT, ARBITRATION COURT OR PUBLIC ADMINISTRATION AUTHORITY

In the period covered by this report, no proceedings before the court or public administration authority concerning liabilities or claims of the Issuer or of the Issuer's subsidiaries, whose total value amounts to minimum 10% of the Issuer's equity, were initiated or pending against the Issuer or its subsidiaries.

RELATED PARTY TRANSACTIONS

In the period covered by this report, there were related-party transactions with the total value in the period since the beginning of the financial year exceeding the PLN equivalent of 500,000 EUR, but these transactions were typical and routine, and their nature as well as terms and conditions were determined by current operations of the Issuer and its subsidiaries.

INFORMATION ON THE ISSUER'S OR ITS SUBSIDIARIES' SURETIES FOR LOANS OR CREDITS, OR OTHER GRANTED GUARANTEES

In the period covered by this report, the Issuer and its subsidiaries did not grant any sureties for loans or credits or guarantees jointly to a single entity outside the Capital Group or to this entity's subsidiary, whose total value amounts to minimum 10% of the Issuer's equity.

OTHER INFORMATION WHICH, IN THE ISSUER'S OPINION, IS MATERIAL FOR THE ASSESSMENT OF ITS STAFF, FINANCIAL SITUATION, ASSETS, FINANCIAL RESULT AND THEIR CHANGES, AND INFORMATION MATERIAL FOR THE ASSESSMENT OF THE POSSIBILITY OF THE REPAYMENT OF ISSUER'S LIABILITIES

Except for the information included in the consolidated financial statements for the period from 1 January 2015 to 30 September 2015 and the information included in this document, there is no other information which, in the Issuer's opinion, is material for the assessment of its staff, financial situation, assets, financial result and changes thereof and information material for the assessment of the possibility of the payment of the Issuer's liabilities.

Signatures of all Members of the Management Board

Dariusz Mańko

President of the Management Board

.....

Adam Piela

Member of the Management Board

.....

Kęty, 22 October 2015