

Grupa Kęty S.A.

Independent Registered Auditor's Opinion

Financial Statements

Directors' Report

**Registered Auditor's Report on the audit of the financial
statements**

For the financial year from 1 January to 31 December 2015

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prepared by PricewaterhouseCoopers Sp. z o.o.

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**Registered Auditor's Report on the audit of the financial
statements**

prepared by PricewaterhouseCoopers Sp. z o.o.



Translator's note:

This version of our report is a translation from the original, which was prepared in Polish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters regarding the interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Registered Auditor's Report

To the Shareholders and the Supervisory Board of Grupa Kęty S.A.

Report on the financial statements

We have audited the accompanying financial statements of Grupa Kęty S.A. (hereinafter called "the Company"), with its registered office in Kęty, Kościuszki 111 Street, comprising the statement of financial position as at 31 December 2015, the statement of comprehensive income for the year from 1 January to 31 December 2015, the statement of changes in equity, the statement of cash flows for the financial year and a summary of significant accounting policies and other explanatory notes, including regulatory financial information specified in the requirements of Article 44 of the Energy Law of 10 April 1997 ("the Energy Law" – Journal of Laws of 2012, item 1059 as amended).

Management and Supervisory Board's Responsibility for the financial statements

The Company's Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and the Report on the Company's operations and for the correctness of the books of account in accordance with the applicable regulations. The Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the financial statements and the Report on the Company's operations meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Auditor's Responsibility

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion and the report on whether the financial statements present, in all material respects, a true and fair view of the Company's financial position and its financial results in accordance with the regulations and the applicable accounting policies and on the correctness of the accounting records constituting the basis for their preparation, and whether disclosures concerning regulatory financial information presented by the Company are in accordance with the requirements of Article 44 of the Energy Law.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

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financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements in all material respects:

- a. give a true and fair view of the Company's financial position as at 31 December 2015 and its financial performance and its cash flows for the year from 1 January to 31 December 2015, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133) and the Company's Memorandum of Association;
- c. have been prepared on the basis of correctly maintained books of account.

Report on other legal requirements and regulations

Opinion on the fulfilment of the requirements of Article 44 of the Energy Law

In our opinion, in the regulatory financial information (Note 44) the Company presented the balance sheets as at 31 December 2015 and the income statements for the year then ended separately for each of its business activities, in all material respects, in accordance with the requirements of Article 44 of the Energy Law.

The scope of the regulatory financial information is specified in the requirements of Article 44 of the Energy Law. Our audit did not include assessing whether the information which must be disclosed under this Act is sufficient to ensure the equal treatment of customers and elimination of cross-subsidizing among the activities.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Company's operations

The information contained in the Report on the Company's operations for the year from 1 January to 31 December 2015 accommodates the requirements of article 49 paragraph 2 of the Accounting Act and the Decree and is consistent with the information contained in the audited financial statements.

Based on the knowledge of the Company and its environment obtained during our audit we have not identified any material misstatements in the Report on the Company's operations.



In the Statement of Corporate Governance, which is a separate part of the Report on the Company's operations, the Company included information in accordance with the scope defined in the Decree. This information complies with the applicable regulations and is consistent with the information contained in the financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Michał Mastalerz

Key Registered Auditor
No. 90074

Kraków, 16 March 2016

Grupa Kęty S.A.

**Registered auditor's report on the financial statements
for the financial year from 1 January to 31 December 2015**



Translator's note:

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**Registered auditor's report on the audit of the financial statements
for the financial year from 1 January to 31 December 2015**

**To the General Shareholders' Meeting and Supervisory Board of Grupa
Kęty S.A.**

This report contains 10 consecutively numbered pages and consists of:

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Grupa Kęty S.A.
Registered auditor's report on the audit of the financial statements
for the period from 1 January to 31 December 2015

I. General information about the Company

- a. Grupa Kęty spółka akcyjna ("the Company") has its registered office in Kęty, ul. Kościuszki 111.
- b. The Company was formed on the basis of a Notarial Deed drawn up at the Notarial Office of Paweł Błaszczak, a notary public, in Warsaw on 3 March 1992 and registered in *Repertorium A* with the reference number 1413/92. On 9 July 2002, the Company was entered in the Register of Businesses maintained by the District Court in Kraków, 12th Business Department of the National Court Register, with the reference number KRS 0000121845.
- c. The Company was assigned a tax identification number (NIP) 549-00-01-468 for making tax settlements and a statistical business identification number (REGON) 070614970 for statistical purposes.
- d. As at 31 December 2015, the Company's registered share capital amounted to PLN 23,605 thousand and consisted of 9,441,988 shares with a par value of PLN 2.50 each. In addition, as at the date of adoption of International Financial Reporting Standards as adopted by the European Union, the share capital was restated in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", by PLN 43,900 thousand. As at 31 December 2015, the Company's equity amounted to PLN 731,412 thousand.
- e. As at 31 December 2015, the Company's shareholders were as follows:

Shareholder's name	Number of shares held	Par value of shares held (PLN'000)	Type of shares held	Votes (%)
OFE Aviva BZ WBK	1,691,276	4,228	ordinary	17.9
NATIONALE-NEDERLANDEN Powszechno Towarzystwo Emerytalne S.A. (formerly ING PTE)	1,610,534	4,026	ordinary	17.1
OFE PZU "Złota Jesień"	921,000	2,303	ordinary	9.8
PTE Allianz Polska	499,748	1,249	ordinary	5.3
Other shareholders	4,719,430	11,799	ordinary	49.9
	9,441,988	23,605		100.0

As at 31 December 2014, the Company's shareholders were as follows:

Shareholder's name	Number of shares held	Par value of shares held (PLN'000)	Type of shares held	Votes (%)
OFE Aviva BZ WBK	1,691,276	4,228	ordinary	18.0
ING OFE	1,610,534	4,026	ordinary	17.2
OFE PZU "Złota Jesień"	921,000	2,303	ordinary	9.8
PTE Allianz Polska	499,748	1,249	ordinary	5.3
Other shareholders	4,670,980	11,677	ordinary	49.7
	9,393,538	23,483		100.0

Grupa Kęty S.A.
Registered auditor's report on the audit of the financial statements
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I. General information about the Company (cont.)

The number of shares presented as at 31 December 2014 includes 12,750 shares taken up by the authorized persons in December 2014, registered by the Central Securities Depository of Poland and admitted to public trading in 2015.

f. In the audited period, the Company's operations comprised:

- manufacturing, trading and service activities consisting of processing aluminium and its alloys;
- activities consisting of trade intermediation, procurement and marketing.

g. In the financial year, the following people were on the Company's Management Board:

- Dariusz Mańko President of the Management Board;
- Adam Piela Member of the Management Board.

h. The Company has the following related entities:

Alupol Packaging S.A.	-	subsidiary;
Aluprof S.A.	-	subsidiary;
Alutech Sp. z o.o. in liquidation	-	subsidiary;
Dekret Centrum Rachunkowe Sp. z o.o.	-	subsidiary;
Alutrans System Sp. z o.o.*	-	subsidiary;
Aluprof Hungary Kft.	-	subsidiary;
Metalplast-Stolarka Sp. z o.o.	-	subsidiary;
Alupol Ukraina LLC	-	subsidiary;
Aluprof Deutschland GmbH	-	subsidiary;
Aluprof System Romania SRL	-	subsidiary;
Aluprof System Czech s.r.o.	-	subsidiary;
Aluprof UK Ltd.	-	subsidiary;
ROMB S.A.	-	subsidiary;
Alupol Packaging Kęty Sp. z o.o.	-	subsidiary;
Aluform Sp. z o.o.	-	subsidiary;
Aluprof System LLC	-	subsidiary;
Aluprof Serwis Sp. z o.o.	-	subsidiary;
Grupa Kęty Italia s.r.l.	-	subsidiary;
Marius Hansen Facader A/S	-	subsidiary;
Aluprof System USA, Inc	-	subsidiary;
Alupol Films Sp. z o.o.	-	subsidiary;
Aluprof Schelfhaut N.V.	-	subsidiary;
Alupol USA, LLC	-	associate.

*In December 2015, the business of Alutrans System Sp. z o.o. was incorporated into Grupa Kęty S.A. as part of the restructuring of the Group.

Grupa Kęty S.A.
Registered auditor's report on the audit of the financial statements
for the period from 1 January to 31 December 2015

I. General information about the Company (cont.)

- i. The Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange. In accordance with an election permitted by the Accounting Act, the Company has decided, commencing 2005, to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The decision to prepare the Company's financial statements in accordance with these standards was approved by Resolution No. 17/05 passed by the General Shareholders' Meeting on 10 May 2005.
- j. The Company, as the parent company in its Group, has also prepared consolidated financial statements as at 31 December 2015, in accordance with IFRS as adopted by the European Union. In order to understand the financial position and results of the Company as the parent company, the separate financial statements should be read in conjunction with the consolidated financial statements.

Grupa Kęty S.A.
Registered auditor's report on the audit of the financial statements
for the period from 1 January to 31 December 2015

II. Information about the audit

- a. The audit of the financial statements for the financial year from 1 January to 31 December 2015 was conducted by PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, Al. Armii Ludowej 14, Registered Audit Company No. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, Michał Mastalerz (No. 90074).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. VIII/12/12 of the Supervisory Board dated 10 May 2012 on the basis of paragraph 21, clause 2, point 11 of the Company's Articles of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of Article 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2015, item 1011).
- d. The audit was conducted in accordance with an agreement dated 25 May 2012 in the following periods:
 - interim audit from 19 to 21 October 2015;
 - final audit from 15 February to 16 March 2016.

Grupa Kęty S.A.
Registered auditor's report on the audit of the financial statements
for the period from 1 January to 31 December 2015

III. The Company's results, financial position and significant financial statement components

BALANCE SHEET as at 31 December 2015 (selected lines)

	31.12.2015 PLN'000	31.12.2014 PLN'000	Change		Structure	
			PLN'000	(%)	31.12.2015 (%)	31.12.2014 (%)
ASSETS						
Non-current assets	735,330	711,907	23,423	3.3	77.8	73.0
Current assets	209,445	262,794	(53,349)	(20.3)	22.2	27.0
Total assets	944,775	974,701	(29,926)	(3.1)	100.0	100.0
EQUITY AND LIABILITIES						
Equity	731,412	714,662	16,750	2.3	77.4	73.4
Long-term liabilities	70,776	73,429	(2,653)	(3.6)	7.5	7.5
Short-term liabilities	142,587	186,610	(44,023)	(23.6)	15.1	19.1
Total equity and liabilities	944,775	974,701	(29,926)	(3.1)	100.0	100.0

INCOME STATEMENT

for the financial year from 1 January to 31 December 2015 (selected lines)

	2015 PLN'000	2014 PLN'000	Change		Structure	
			PLN'000	(%)	2015 (%)	2014 (%)
Total operating income	942,248	825,525	116,723	14.1	100.0	100.0
Total operating expenses	(790,583)	(746,624)	(43,959)	5.9	(83.9)	(90.4)
Operating profit	147,912	103,937	43,975	42.3	15.7	12.6
Profit on continued operations	150,821	98,009	52,812	53.9	16.0	11.9

STATEMENT OF COMPREHENSIVE INCOME

for the financial year from 1 January to 31 December 2015 (selected lines)

	2015 PLN'000	2014 PLN'000	Change		Structure	
			PLN'000	(%)	2015 (%)	2014 (%)
Net profit for the year	150,821	98,009	52,812	53.9	16.0	11.9
Other comprehensive income (net)	(2,704)	2,101	(4,805)	(228.7)	(0.3)	0.2
Comprehensive income for the year	148,117	100,110	48,007	48.0	15.7	12.1

Grupa Kęty S.A.
Registered auditor's report on the audit of the financial statements
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III. The Company's results, financial position and significant financial statement components (cont.)

Selected ratios characterizing the Company's financial position and results

The following ratios characterize the Company's operating activities, financial results during the year and its financial position as at the balance sheet date compared with the previous years:

	2015	2014	2013
Asset ratios			
- receivables turnover	47 days	54 days	54 days
- inventory turnover	48 days	47 days	43 days
Profitability ratios			
- net profit margin	16%	12%	9%
- gross margin on sales	16%	16%	10%
- return on capital employed	21%	14%	10%
Liability ratios			
- gearing	23%	27%	25%
- payables turnover	18 days	18 days	17 days
	31.12.2015	31.12.2014	31.12.2013
Liquidity ratios			
- current ratio	1.5	1.4	1.3
- quick ratio	1.0	0.8	0.9

The above ratios have been calculated on the basis of the financial statements.

It was not the purpose of the audit to present the Company in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Company's operations and its circumstances.

III. The Company's results, financial position and significant financial statement components (cont.)

The observations below are based on the knowledge obtained during the audit of the financial statements.

- As at the end of the financial year, the Company's assets amounted to PLN 944,775 thousand. During the year total assets/equity and liabilities decreased by PLN 29,926 thousand (i.e. by 3.1%). This drop resulted mainly from the payment of a dividend of PLN 136,072 thousand out of the 2014 profit, a decrease in the balance of loan liabilities of PLN 33,409 thousand, a decrease in the balance of trade and other payables of PLN 5,752 thousand, and a decrease in the balance of the deferred tax provision of PLN 4,204 thousand. Furthermore, in the audited year the Company generated a net profit of PLN 150,821 thousand.
- The Company's liability ratios and the structure of its liabilities have changed. The gearing ratio decreased from 27% as at the end of the previous year to 23% as at the end of the current year. The average payables turnover cycle did not change compared with the previous year and amounted to 18 days.
- Total operating income amounted to PLN 942,248 thousand and increased by PLN 116,723 thousand (i.e. by 14.1%) compared with the previous year. The Company's core operations in the current financial year comprised manufacturing, trading and service activities consisting of processing aluminium and its alloys. The Company's revenue from these activities increased by PLN 100,155 thousand (i.e. by 14.2%) compared with the previous financial period.
- The costs of materials and energy used and the cost of sales of materials and goods for resale were the largest items of operating expenses and amounted to PLN 542,156 thousand, which represented 68.6% of the operating expenses. The costs of materials and energy used and the cost of sales of materials and goods for resale increased by PLN 55,275 thousand (i.e. by 11.4%) compared with the previous year, which was mainly due to the increased sales volumes.
- Profitability measured with the net profit amounted to 16% and was 4 percentage points higher than in the previous year. In the audited year, the Company received dividends of PLN 124,071 thousand (PLN 112,383 thousand in 2014). The higher dividend level had a positive effect on both the operating profit and net profit. In addition, write-downs of shares and receivables in a subsidiary, Alupol LLC located in Ukraine, had a considerable effect on the profitability and results of operations for the previous year.
- The current ratio and quick ratio amounted to 1.5 and 1.0 respectively as at the end of the audited year, whereas as at the end of 2014 they amounted to 1.4 and 0.8 respectively.

The financial statements have been prepared in accordance with the going concern principle.

IV. The independent registered auditor's statements

- a. In the course of the audit the Company's Management Board presented the required information, explanations and representations and provided us with a representation letter confirming the completeness of the data in the books of account and the disclosure of all the contingent liabilities. They also informed us of the significant post balance sheet events which occurred up to the date of that letter being signed.
- b. The scope of the audit was not limited.

The Company's financial statements for the financial year from 1 January to 31 December 2014 were approved by Resolution No. 1/15 of the Ordinary General Shareholders' Meeting dated 23 April 2015 and filed with the National Court Register in Kraków on 28 April 2015.

- c. We have assessed the operations of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, correctness and verifiability of the books of account, including computerized books of account;
 - the methods used for controlling access to data and the computerized data processing system;
 - the safeguarding of the accounting documentation, books of account and financial statements.

This assessment, together with our verification of the individual financial statement components, provides the basis for expressing a general, comprehensive opinion on these financial statements. Our audit was not aimed at providing a comprehensive opinion on the operations of the said system.

- d. The notes to the financial statements present all significant information required by International Financial Reporting Standards as adopted by the European Union.
- e. The information in the Directors' Report for the financial year from 1 January to 31 December 2015 is presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognizing information required by the law of a state which is not a member state as being equivalent (Journal of Laws of 2014, item 133) and is consistent with the information in the audited financial statements.



V. Final information and comments

This report has been prepared in connection with our audit of the financial statements of Grupa Kęty S.A. with its registered office in Kęty, at ul. Kościuszki 111. The financial statements were signed by the Company's Management Board and the person entrusted with maintaining the books of account on 16 March 2016.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and Supervisory Board of Grupa Kęty S.A. dated 16 March 2016, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Michał Mastalerz

Key Registered Auditor
No. 90074

Kraków, 16 March 2016

TRANSLATION ONLY

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