
CAPITAL GROUP OF GRUPA KĘTY S.A.

**THE COMMENTS OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. TO THE
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER
ENDED ON 30 SEPTEMBER 2016**

CONTENTS

SUMMARY OF THE ISSUER'S MATERIAL ACCOMPLISHMENTS OR FAILURES IN THE REPORTING PERIOD AND THE SUMMARY OF RESPECTIVE KEY EVENTS	3
FACTORS WHICH HAVE MATERIAL IMPACT UPON THE RESULTS ACCOMPLISHED IN THE REPORTING PERIOD.....	3
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.....	5
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	5
SHARES HELD BY MEMBERS OF THE COMPANY'S MANAGEMENT BOARD AND SUPERVISORY BOARD AS AT THE PUBLICATION DATE OF THIS REPORT.....	6
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.....	7
OTHER INFORMATION MATERIAL FOR THE ASSESSMENT OF THE ISSUER'S STAFF SITUATION, ASSETS AND FINANCIAL STANDING, AND INFORMATION MATERIAL FOR THE ASSESSMENT OF THE POSSIBILITY OF THE PAYMENT OF THE ISSUER'S OBLIGATIONS.....	7

SUMMARY OF THE ISSUER'S MATERIAL ACCOMPLISHMENTS OR FAILURES IN THE REPORTING PERIOD AND THE SUMMARY OF RESPECTIVE KEY EVENTS

In the third quarter, very good business conditions both on the Polish market and on export markets persisted. In terms of value, the biggest growths of export were recorded for the US, Hungarian, Dutch, Russian, Czech and Danish markets. Belgium and Ukraine were the only countries where a decline was recorded. As a result, the Capital Group generated 633.9 million PLN of consolidated sales revenue, 90.7 million PLN of consolidated operating profit and 86.5 million PLN of consolidated net profit. In addition, the Group recorded a very good result on cash flows, generating 68 million PLN of cash from operating activities in only one quarter. As regards the operating activity, the Capital Group implemented the following tasks:

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

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

August 9 — extending, for another 12 months, the working loan agreement of 100 million PLN with BGŻ Paribas S.A.

September 21 – increasing forecasts for 2016.

September 30 — extending, for another 12 months, the working loan agreement of 80 million PLN with PKO BP S.A.

FACTORS WHICH HAVE MATERIAL IMPACT UPON THE RESULTS ACCOMPLISHED IN THE REPORTING PERIOD

Demand for the Company's products

Almost all Group companies recorded an increase in sales revenues. It was entirely the result of increased demand, as macro-economic factors and the prices of raw materials had no significant impact on the level. In all segments, increases in revenue were recorded both in Poland and in export; however, the international sales growth rate was almost twice as high as the growth rate in Poland. As a result, the actual sales revenue figures were as follows:

Segment (in million PLN)	Total revenue	Growth rate	Poland	Foreign markets
Extruded Products Segment	273.6	+20 %	153.9	119.8
Aluminium Systems Segment	293.0	+11 %	172.5	120.4
Flexible Packaging Segment	130.7	+20 %	75.7	55.5

Exchange rates

According to the Management Board's estimates, ca. 45 % of sales were generated in PLN; ca. 45 % in EUR; and ca. 5% in USD. The remaining 5 % were sales in GBP and UHR. As regards expenses, ca. 35 % of costs are costs incurred in PLN, 33 % are costs in USD, 30 % are costs in EUR and ca. 2 % are costs in other currencies (GBP, UHR). In the reporting period, Polish currency appreciated against EUR by ca. 2-3 %, from ca. 4.40 to

4.30 and by ca. 5 % against USD (from 4.00 to 3.80). 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. 40 % 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 reporting period, aluminium prices fluctuated between 1,560 to 1,680 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 (1-1.5 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 reporting period, the Capital Group had 138 million PLN of long-term loans and 312 million PLN of short-term loans. Ca. 17 % of the value of loans is held in foreign currencies (13 % 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. In the present quarter, the valuation was negative and amounted to 1.3 million PLN.

Other

In the reporting period, 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 – an increase by ca. 10-15 %

Aluminium Systems Segment – an increase by ca. 10-15 %

Flexible Packaging Segment – an increase by ca. 10-15 %

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 the Ukrainian and Polish companies of the Capital Group.

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. 1,550 – 1,700 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 increase by ca. 60-80 million PLN due to the increase in capital expenditure.

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 reporting period, 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 reporting period, 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 21 September 2016.

SHAREHOLDERS HOLDING AT LEAST 5 % OF TOTAL VOTES AT THE GENERAL MEETING OF SHAREHOLDERS AS AT THE DATE OF SUBMITTING THIS REPORT

	No. of shares as at 20.10.2016	Interest in capital	No. of shares as at 30.06.2016	Interest in capital
Aviva OFE	1,691,276	17.89 %	1,691,276	17.89 %
ING OFE	1,610,534	17.04 %	1,610,534	17.04 %
OFE PZU ZłOTA JESIEŃ	921,000	9.74 %	921,000	9.74 %
PTE Allianz Polska	499,748	5.29 %	499,748	5.29 %

Others	4,731,135	50.05 %	4,731,135	50.05 %
Total	9,453,693	100.00	9,453,693	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 made as at 20 April 2016, 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 incentive programmes adopted at the General Meeting of Shareholders on 29 May 2012 and on 23 April 2015, members of the Management Board have:

- the right to acquire 11,604 series H bonds with the pre-emptive right to subscribe for series G ordinary bearer shares, including: the President of the Management Board – 7,231 bonds, and the Member of the Management Board – 4,373 bonds; due to the fulfilment of the conditions laid down in the programme;
- the right to acquire 24,467 series I bonds with the pre-emptive right to subscribe for series G ordinary bearer shares, including: the President of the Management Board – 15,247 bonds, and the Member of the Management Board – 9,220 bonds, under the conditions laid down in the programme;
- 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; under the conditions laid down in the programme.
- the right to acquire 15,000 series K bonds with the pre-emptive right to subscribe for series H ordinary bearer shares, including: the President of the Management Board – 9,000 bonds, and the Member of the Management Board – 6,000 bonds, under the conditions laid down in the programme.
- the right to acquire 15,000 series L bonds with the pre-emptive right to subscribe for series H ordinary bearer shares, including: the President of the Management Board – 9,000 bonds, and the Member of the Management Board – 6,000 bonds, under the conditions laid down in the programme.

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 reporting period, 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 MATERIAL FOR THE ASSESSMENT OF THE ISSUER'S STAFF SITUATION,
ASSETS AND FINANCIAL STANDING, AND INFORMATION MATERIAL FOR THE ASSESSMENT OF THE
POSSIBILITY OF THE PAYMENT OF THE ISSUER'S OBLIGATIONS**

Except for the information included in the consolidated financial statements for the period from 1 January 2016 to 30 September 2016 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

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Adam Piela

Member of the Management Board

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Kęty, 20 October 2016