

The Management Board's Report on the Operations of Grupa KĘTY S.A. in 2016

16 March 2017

CONTENTS

1.	THE LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD.....	3
2.	GENERAL INFORMATION	5
2.1.	A COMPANY WITH A FINANCIAL AND PRODUCTION POTENTIAL	5
2.2.	THE MOST IMPORTANT EVENTS AND ACCOMPLISHMENTS IN 2016	6
2.3.	THE COMPANY'S ORGANISATIONAL CHART.....	7
2.4.	BUSINESS ACTIVITIES	7
3.	SHARES AND SHAREHOLDING STRUCTURE OF GRUPA KĘTY S.A.	9
3.1.	SHARES AND SHAREHOLDERS.....	9
3.2.	SHARE QUOTATIONS AT WARSAW STOCK EXCHANGE.....	9
3.3.	INVESTOR RELATIONS.....	10
3.4.	DIVIDEND POLICY	10
4.	THE COMPANY'S AUTHORITIES	11
4.1.	GENERAL MEETING OF SHAREHOLDERS.....	11
4.2.	SUPERVISORY BOARD	11
4.3.	MANAGEMENT BOARD	12
5.	THE ASSESSMENT OF THE COMPANY'S FINANCIAL SITUATION	14
6.	INVESTMENT PROJECTS AND R&D ACTIVITIES	15
6.1.	INVESTMENT PROJECTS.....	15
6.2.	RESEARCH AND DEVELOPMENT	16
7.	FACTORS DETERMINING THE DEVELOPMENT OF THE GROUP.....	17
7.1.	EXTERNAL FACTORS.....	17
7.2.	INTERNAL FACTORS	19
7.3.	ANNUAL FORECASTS AND STRATEGY 2020	20
8.	DECLARATION ON NON-FINANCIAL INFORMATION	23
8.1.	CORPORATE SOCIAL RESPONSIBILITY	23
8.2.	STAKEHOLDERS.....	24
8.3.	PROFESSIONALISM AND ETHICS	26
8.4.	THE COMPANY AND ITS EMPLOYEES.....	27
8.5.	COMMUNITY INVOLVEMENT	34
8.6.	THE GROUP FOR THE WORLD.....	36
8.7.	ABOUT THE REPORT	44
8.8.	GRI INDICATORS	45
9.	DERIVATIVE FINANCIAL INSTRUMENTS	49
10.	BORROWINGS AND OTHER LIABILITIES	49
10.1.	BANK LOANS AND FINANCE LEASE	49
10.2.	CONTINGENT LIABILITIES.....	50
11.	THE PRINCIPLES OF FINANCIAL RISK MANAGEMENT	51
12.	ADDITIONAL INFORMATION	51
12.1.	RELATED PARTY TRANSACTIONS	51
12.2.	THE AGREEMENT WITH THE ENTITY AUDITING THE FINANCIAL STATEMENTS	53
12.3.	THE CONTROL SYSTEM FOR EMPLOYEE SHARE PROGRAMMES.....	53
12.4.	PENDING PROCEEDINGS.....	53
12.5.	DIFFERENCES BETWEEN ACCOMPLISHED FINANCIAL RESULTS AND PUBLISHED FORECASTS.....	53
12.6.	THE METHOD OF USING THE PROCEEDS FROM THE ISSUE BY THE ISSUER.....	54
12.7.	PURCHASE OF TREASURY SHARES	54
12.8.	EVENTS AFTER THE REPORTING PERIOD	54
13.	CORPORATE GOVERNANCE STATEMENT.....	54
14.	OTHER DECLARATIONS OF THE MANAGEMENT BOARD	61

1. THE LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

GRI G4 1

Dear Shareholders,

Presenting to you the annual report for 2016, I would like to begin with very optimistic information. For another year running, Grupa Kęty S.A. and its companies forming the Group generated record sales on the Polish and export markets. It happened in spite of the lower growth rate of the Polish and European economy than in previous years. Meanwhile, as if despite negative trends, our companies recorded significant increases in sales, strengthening their positions on the Polish market, and also recorded fast exports growth. It means they had double success.

Good news coming from particular companies were reflected in the financial results of Grupa Kęty S.A. Group, which, thanks to its consistent activities, shrewd control of costs and the market, and the ability to build competences in particular business areas, has strengthened its position in the three main segments. As a result, sales value increased to 2.3 billion PLN and was the highest ever (an increase by 12% y/y). Net profit was also record-high and amounted to 278 million PLN (an increase by 32% y/y).

One of the most important events in the Group in 2016 was the launch by Alupol Films, a company representing the Flexible Packaging Segment, of the line for the production of a five-layer biaxially oriented polypropylene film (BOPP), which is the most modern line of this type in Poland and one of the most modern lines in Europe (the investment value is ca. 150 million PLN). The line was assembled in the new plant in Oświęcim located in 'Krakowski Park Technologiczny' Special Economic Zone. In addition to the production and refinement of BOPP films, the new plant also began the production of printing cylinders used in rotogravure printing.

Among other investment projects in the packaging business, I should mention the commissioning of a new logistics centre in Kęty, which will contribute to more efficient customer service in the Flexible Packaging Segment.

On the other hand, the acquisition of a company from the aluminium business, i.e. Aluminium Kety EMMI d.o.o., was the most important event in the area of equity investments. The core business of this Slovenian company is machining and surface treatment of aluminium profiles, and its major customers comprise companies manufacturing household appliances, furniture and interior furnishings. Owing to this investment, Grupa Kęty managed to significantly enhance and expand its offer of extruded products and, as a result, also increase the Group's revenue. The position of Grupa Kęty (the EPS) was also strengthened due to the establishment of a subsidiary Aluminium Kety Deutschland.

The year 2016 was also very successful for Aluprof S.A. and was characterised by a high rate of sales growth on export markets. Once again, the company reported the record level of consolidated export sales of architectural systems manufactured in Bielsko-Biała, and of roller shutters, doors and insect screens manufactured in Opole.

The double-digit sales growth rate was possible due to consistent efforts on particular markets, the growing number of customers satisfied with the collaboration, gradual expansion of the product range and offering on particular markets finished products meeting customers' individual needs. It is worth noting that the biggest growths were recorded on attractive, in business terms, and major export markets such as the USA, the UK, Germany and the Netherlands.

The sales growth will be supported by further investments. Aluprof S.A. has obtained a grant from an EU programme to build its Research and Development Centre, which will carry out R&D works on the development of cutting-edge systems for the construction industry with ground-breaking technical parameters related to e.g. thermal insulation, strength and tightness. The project aims at ensuring unquestionable leadership position in the industry for Aluprof S.A.

I also have a pleasure to inform you about prestigious 'The Stock Exchange Company of 2015' award from *Puls Biznesu* daily granted in 2016. Grupa Kęty was ranked third in the general classification, but won in the 'Investor Relations' category, was second in 'Success' category, and fourth in 'Growth Prospects' and 'Competences of Boards of Directors' categories.

We must face further challenges. We have updated our strategic plan called 'Strategy 2020', because the targets set in 2015 for the Extruded Products Segment and the Aluminium Systems Segment have been virtually fulfilled. Having regard for the development of the Company and of the Group, we must raise our standards even higher. Our primary goal is to build an organisation with an international structure.

Dear Shareholders,

It is a great pleasure to present in this annual report the declaration on non-financial information, which presents additional social and environmental data. These are extremely crucial elements of our strategy expressed in the shared responsibility for the present and future well-being of our employees, their families and next generations. During its implementation, we will certainly support and develop 7 Goals for Sustainable Development—the idea of harmonious coexistence of the industry, people and nature which is so close to our hearts.

Dariusz Mańko

President of the Management Board

2. GENERAL INFORMATION

2.1. A COMPANY WITH A FINANCIAL AND PRODUCTION POTENTIAL

GRI G4 3; GRI G4 4; GRI G4 5; GRI G4 7

Grupa Kęty S.A. has been operating in the aluminium processing sector since 1953. The Company was established as a result of the transformation of a state-owned company Zakłady Metali Lekkich "KĘTY" into a sole-shareholder company of the State Treasury pursuant to the notary deed dated 3 March 1992. The Company is registered at the address: 32 650 Kęty, ul Kościuszki 111. Grupa Kęty S.A. is the parent company for the Group composed of three core business segments operating in the following areas:

- the production of aluminium profiles and components (Extruded Products Segment, EPS)
- designing and production of architectural systems and external aluminium roller shutters (Aluminium Systems Segment, ASS)
- the production of flexible packaging (Flexible Packaging Segment, FPS)

GRI G4 6; GRI G4 9

The Group comprises 25 companies; over half of them are foreign subsidiaries. The holding company processes ca. 80 thousand tonnes of aluminium materials annually and consolidated sales revenue in the reporting period amounted to ca. 2.3 billion PLN. At the end of 2016, the employment in the Group amounted to 4,650 employees, including 1,205 employees in Grupa Kęty S.A. All the companies of the Group focus on their development and modern technologies. Since 2000, the Group has spent over 1.7 billion PLN on investments in machines, new products and services. Owing to the expenditure, the companies of the Group joined the group of the most modern manufacturing companies in Europe in their respective industries. The Group operates on a global scale providing its products and services to customers in 50 countries. The map below shows the scale of the Group's activities.



2.2. THE MOST IMPORTANT EVENTS AND ACCOMPLISHMENTS IN 2016

February 10 – publishing forecasts for 2016 and the recommendation of the Company's Management Board concerning the amount of the dividend for 2015.

April 14 – the selection of Ernst & Young Audyt Polska as the entity to audit separate and consolidated financial statements for the years 2016-2019.

May 12 – General Meeting of Shareholders

June 28 – the Management Board of Grupa Kęty S.A., in connection with the planned changes in the Group's management structure, made the decision to change the method of presenting the results of individual business segments. From the publication of the current report, the results of subsidiaries (Metalplast Stolarka Sp. z o.o. and ROMB S.A.), which so far have been parts of the Building Services Segment and of the Building Accessories Segment, will be consolidated within the Aluminium Systems Segment. This decision is related to the works on the update of the Group's strategy, which will be presented, following the approval of the Company's Supervisory Board, at the time of the publication of financial forecasts for 2017.

August 9 – the Company received the confirmation of the decision of BGŻ BNP Paribas S.A. to extend, for another 12 months, the working capital loan agreement amounting to 100,000,000.00 PLN (the loan agreement entered into by the companies of the Group on 12 June 2014). The financing also covers the following subsidiaries: Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o. o., Alupol Films Sp. z o.o., ROMB S.A., Aluprof S.A., Metalplast Stolarka Sp. z o.o. The loan amount is the joint total debt of the aforementioned companies. The loan is to be 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 21 – increasing forecasts of consolidated financial results for 2016.

September 30 – the Company was informed about the confirmation of the decision of PKO BP S.A. to extend, for another 12 months, the working capital loan agreement amounting to 80,000,000.00 PLN

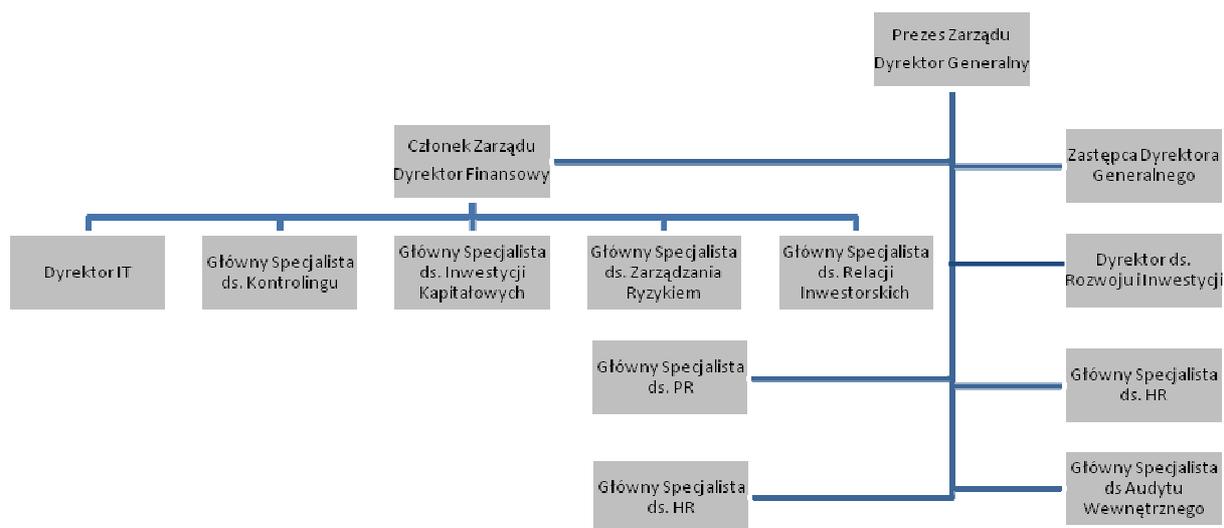
(the loan agreement entered into by the companies of the Group on 3 July 2008). The financing also covers the following subsidiaries: Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o. o., ROMB S.A., Aluprof S.A. The loan amount is the joint total debt of the aforementioned companies. The loan is to be 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.

October 28 – the Company received the confirmation of the decision of PEKAO S.A. to extend, for another 12 months, the working capital loan agreement and to increase the loan amount to PLN 200,000,000.00 (the loan agreement entered into by the Group companies on 31 October 2011). The financing also covers the following subsidiaries: Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o. o., Alupol Films Sp. z o.o., Metalplast – Stolarka Sp. z o.o., Aluprof S.A. and Aluform Sp. z o.o. The loan amount is the joint total debt of the aforementioned companies. The loan is to be 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.

2.3. THE COMPANY'S ORGANISATIONAL CHART

GRI G4 13, GRI G4 17

The organisational chart of Grupa KĘTY S.A. as at 31 December 2016 was as follows:



In 2016, the Company established the position of the Chief Internal Audit Specialist and the position of the Development and Investment Director.

2.4. BUSINESS ACTIVITIES

GRI G4 4; GRI G4 8

The Extruded Products Segment of Grupa Kęty S.A. is the biggest Polish manufacturer of aluminium profiles with an estimated ca. 30-percent share in the Polish market. For several years now, it has also been listed among the most significant European manufacturers, with a ca. 2-percent share in this market. Grupa Kęty S.A. has 13 production lines for the extrusion of aluminium profiles (located in

Kęty, Tychy – a subsidiary Aluform; Borodianka in Ukraine – a subsidiary Alupol LLC; Slovenska Bistrica – a subsidiary Aluminium Kety EMMI), owing to which the Company is able to flexibly utilise its production capacity throughout the year (75 thousand tonnes of extruded products annually) and adapt to any possible changes in the periodical structure of customer orders. The extensive product portfolio which makes it possible to supply aluminium profiles, elements and components to customers representing many diversified market segments is an additional asset. Apart from customers from traditional segments, including the leading one, i.e. building and construction industry, a significant portion of sales is to customers from modern and innovative industries where we record the highest sales growths. They include the automotive industry, the transport industry including rail transport (high speed rail, metro) and air transport with which we have launched the cooperation.

MARKET SITUATION, SALES, CUSTOMERS

GRI G4 8; GRI G4 9

The size of the aluminium profiles market in Europe in 2016 is estimated at ca. 3 million tonnes, i.e. it grew by ca. 3% as compared to the previous year. In such a market situation, the results of the Extruded Products Segment are very good. The Segment recorded, within the scope of its operations (the production and prefabrication of aluminium profiles), an increase by 13% in terms of value. Sales value amounted to 932 million PLN, while domestic sales increased by 5% and exports by as many as 30%. The growth rate of total sales was 14%. In 2016, the sales abroad accounted for ca. 43% of the segment's total sales. The main export countries in 2016 included Germany, Italy, the Czech Republic and the UK. Such high shares of export sales to individual countries were possible thanks to the proper commercial policy of Grupa Kęty. On all these markets with high growth rates and growing shares, i.e. in Germany, Italy, Czech Republic and the UK, local sales representatives have been hired. The second element of the company's success is adapting to the requirements of the cooperation with large companies from the automotive industry, as well as mastering the technology and crossing a certain barrier for the scale of the machining on CNC devices. Currently, orders from automotive customers are for millions of pieces, which calls for greater responsibility and specific monitoring of the contract implementation process. To this end, several investments in state-of-the-art machining centres have also been made. Grupa Kęty cooperates with such well-known brands from the automotive industry as Audi, Porsche or Ferrari. Renowned brands from the transportation industry to which Grupa Kęty supplies its products include Bombardier, Faiveley and Siemens. Moreover, there are well-known companies such as OEM, BoS GmbH (components for roller-blinds in luggage boots of VW, Audi, Ford), TRW (airbag units), Thule (components of aluminium luggage racks), Benteler, Kirhchhof-Automotive.

THE SUPPLY CHAIN

GRI G4 12; GRI G4 EC9; DMA in the Procurement Practices Aspect.

Primary aluminium, aluminium scrap and semi-finished products based on aluminium (e.g. ingots) are the basic group of raw materials used in the company. Due to the necessity of maintaining high quality of the production, the purchasing policy of the Group is based on the cooperation with selected suppliers who guarantee a proper standard of the cooperation. Simultaneously, such diversification of suppliers so as to ensure safety and maintain the competitiveness of supplies is the basic assumption. Being aware of its impact on the environment, the Company is trying, in the first place, to use the services of local or national suppliers. Unfortunately, due to the nature of the industry, it is possible only to a very limited extent (aluminium scrap, auxiliary materials for production, packaging). The vast

majority of raw materials (ca. 85 - 90 %) are imported. Currently, they are purchased in the whole Europe. In terms of sales, ca. 57% of products are sold to Polish customers, while the remaining part (ca. 43%) to customers abroad in 50 countries serviced by the company.

3. SHARES AND SHAREHOLDING STRUCTURE OF GRUPA KĘTY S.A.

3.1. SHARES AND SHAREHOLDERS

GRI G4 13; GRI G4 7

The Company's shares have been quoted on Warsaw Stock Exchange since 30 January 1996. At present, the Company's shares are quoted as part of mWIG40 index. As at 31 December 2016, the number of all issued shares of Grupa KĘTY S.A. amounted to 9,478,376 shares with the nominal value of 2.50 PLN each. The list of shareholders holding more than 5% of shares as at 31 December 2016 and 2015 is as follows:

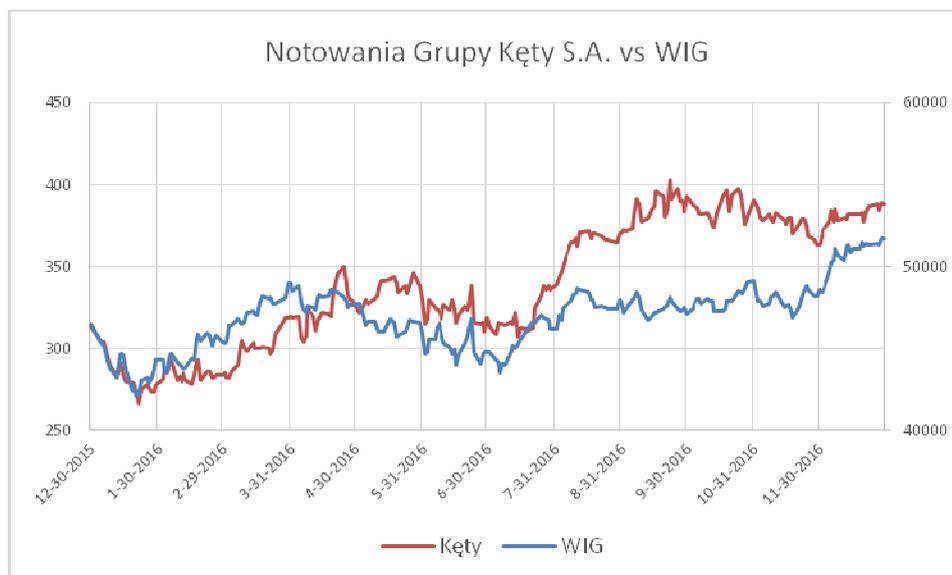
	No. of shares as at 31.12.2016	Interest in capital	No. of shares as at 31.12.2015	Interest in capital
Aviva OFE	1,649,000	17.40%	1,691,276	18.00%
Nationale-Nederlanden OFE	1,732,000	18.27%	1,610,534	17.15%
OFE PZU ZŁOTA JESIEŃ	870,000	9.18%	921,000	9.80%
PTE Allianz Polska	498,000	5.25%	499,748	5.32%
Others	4,729,376	49.90%	4,719,430	49.73%
Total	9,478,376	100.00%	9,441,988	100.00%

After the balance sheet date, there were no material changes in the structure of shareholders holding more than 5% of shares at the Company's General Meeting of Shareholders. Furthermore, the Management Board did not have any information about any agreement, including any agreement concluded after the balance sheet date, as a result of which significant changes in the shareholding structure of Grupa KĘTY S.A. might occur.

3.2. SHARE QUOTATIONS AT WARSAW STOCK EXCHANGE

In 2016 (on the basis of the closing prices):

- the average share price amounted to 338.94 PLN;
- the minimum share price (January 21) amounted to 266.40 PLN;
- the maximum share price (September 22) was 402.85 PLN;
- price change throughout the year (between 31 December 2016 and 31 December 2015) amounted to 24%; in the same period, WIG index increased by only 11%;
- the average per session turnover amounted to 2.3 million PLN as compared to 2.0 million PLN in 2015.



3.3. INVESTOR RELATIONS

The information policy of Grupa Kęty S.A. is based on open relations with existing and potential shareholders with due observance of the fundamental principles governing equal access to information.

The year 2016 was the second year of the implementation of Strategy 2020. Therefore, the Company continued activities aiming at presenting the strategy objectives to foreign investors who so far have not had the opportunity to meet the Company face to face. Due to excellent results accomplished during the year, in the second quarter the Management Board notified that at the beginning of 2017 they are going to adjust Strategy 2020 due to a high degree of its implementation in the Aluminium Systems Segment and in the Extruded Products Segment. This information and increased forecasts for 2016 were the main topics of the meetings held in the second half of 2016. Apart from meetings with Polish investors, the Company presented its plans in London, Budapest, Vienna and Prague. Each year, the building of knowledge about the Company and its prospects, results in the publication of a number of reports and recommendations by leading brokerage houses. The list of analysts who regularly publish reports about the Company is available on the corporate website at: <http://www.grupakety.com/pl/36,analicycy.html>.

Traditional information channels are supported by electronic channels. In 2016, the spectrum of investor relations was expanded with communications via LinkedIn portal. It has resulted in contacts with a few hundred experts specialising in capital markets around the world. We believe that all our activities support our shareholders and provide them with knowledge, which allows them to consciously determine the level of risks related to investments in the Company's shares.

The third place in the overall classification of 'The Stock Exchange Company of the Year' ranking compiled by *Puls Biznesu* daily and the first place in 'Investor Relations' category of this ranking was an undeniable success for the Company.

3.4. DIVIDEND POLICY

Since 2001, the Company has paid dividend on a regular basis; until 2014, it had been at the level of ca. 40% of consolidated net profit. In the strategy for 2015-2020 announced in 2015, the Management Board of Grupa Kęty S.A. declared that the dividend payment ratio would rise to 60 % of consolidated net profit. In February 2017, the dividend policy was changed again. The present dividend policy adopted by the Supervisory Board of Grupa Kęty S.A. provides for the payment of dividend amounting

to 60%-100% of consolidated net profit of Grupa Kęty S.A. during the implementation period of Strategy 2020. The Management Board assumes that the payment of dividend during the implementation period of Strategy 2020 strategic plan will amount on average to 80% of consolidated net profit of Grupa Kęty S.A. The Management Board, when determining the recommended dividend, will take into account, among other things:

- the Group's net debt to EBITDA ratio calculated as at the last balance sheet date of the previous financial year with the maximum level of 2.0;
- time shifts of dividends received from subsidiaries affecting the maximum level of recommended dividend;
- the value of potential and feasible acquisitions;
- the value of actual capital expenditure to be made in the year of dividend payment.

Pursuant to the adopted policy, the Management Board, on 7 February 2017, recommended the payment of 80% of the consolidated net profit for 2016 in the form of dividend.

4. THE COMPANY'S AUTHORITIES

4.1. GENERAL MEETING OF SHAREHOLDERS

On 12 May 2016, the Ordinary General Meeting of Shareholders of Grupa KĘTY S.A. was held. It approved of the separate and consolidated financial statements of Grupa KĘTY S.A. for 2015. In addition, the General Meeting of Shareholders distributed the Company's net profit for 2015 amounting to 150,821,060.75 PLN as follows:

- a) the amount of 150,313,718.70 PLN (one hundred and fifty million three hundred and thirteen thousand seven hundred and eighteen zloty and 70/100) for the payment of the dividend to shareholders;
- b) the amount of 507,342.05 PLN (five hundred and seven thousand three hundred and forty two zloty and 05/100) for the reserve capital;
- c) shareholders also decided to use the Company's reserve capital by allocating 19,852,755.30 PLN to the payment of the dividend to the Company's shareholders.

The total amount allocated to dividend amounts to 170,166,474.00 PLN. In addition, the General Meeting of Shareholders discharged all members of the Management Board and of the Supervisory Board for the performance of their duties in the financial year 2015.

4.2. SUPERVISORY BOARD

The composition of the Supervisory Board in the reporting period was as follows:

Maciej Matusiak	Chairman
Szczepan Strublewski	Vice-Chairman
Jerzy Surma	Member
Paweł Niedziółka	Member
Jerzy Marciniak	Member

GRI G4 51; GRI G4 LA12

In the two most recent financial years, the participation of women in the Supervisory Board of Grupa Kęty S.A. was at the level of 0%.

The table below contains the information about the remunerations of the members of the Supervisory Board in the reporting period and about the number of the Company's shares held by them as at the last day of this report.

	No. of shares of Grupa KĘTY S.A. held as at 31.12.2016	Remuneration in the period 1.01 - 31.12.2016
Maciej Matusiak	0	156,031.92 PLN
Szczepan Strublewski	0	130,026.63 PLN
Jerzy Surma	0	104,021.28 PLN
Paweł Niedziółka	0	104,021.28 PLN
Jerzy Marciniak	0	104,021.28 PLN

4.3. MANAGEMENT BOARD

The Management Board headed by its President manages the Company's affairs and represents the Company vis-a-vis third parties. If the Management Board consists of more than one member, two members of the Management Board acting jointly or one member of the Management Board acting jointly with the Proxy are authorised to make statements and sign documents on behalf of the Company. Any matters related to the management of the Company's affairs, not reserved to other authorities of the Company, are handled by the Management Board. The operation of the Management Board is determined in detail in the By-laws of the Management Board approved of by the Supervisory Board. The meetings of the Company's Management Board, convened by its President, are held at least once a month. As at the last day of the reporting period, the Management Board was composed of:

Dariusz Mańko - President
Adam Piela - Member

GRI G4 LA12

In the two most recent financial years, the participation of women in the Company's Management Board was at the level of 0%.

GRI G4 51

The basic remuneration of the members of the Company's Management Board in the reporting period was as follows:

President of the Management Board 1,026,730.48 PLN
Member of the Management Board 619,090 PLN

Furthermore, the Members of the Management Board received an annual bonus for the previous year of 1,383,674.00 PLN in the case of the President of the Management Board, and of 830,204.00 PLN in the case of the Member of the Management Board. The annual bonus is awarded by the Supervisory Board and its value depends on the degree of the accomplishment of financial forecasts for a particular year. Its maximum value is 250% of the annual basic remuneration of a given member of the Management Board.

According to the declarations made as at the last day of the reporting period, 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 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, 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.

The Corporate Collective Bargaining Agreement (CCBA) concluded with the corporate trade unions on 30 June 1992 (as amended) is the basic corporate document concerning the remuneration policy. According to the CCBA, the employees of Grupa Kęty S.A. are entitled to the following remuneration components:

- the basic remuneration;
- the extra remuneration (e.g. for overtime or night shifts);
- incentive bonuses and discretionary awards and/or on-target bonuses.

In the companies of Grupa Kęty S.A. Group, depending on the headcount, remuneration principles are specified in remuneration rules or in contracts of employment.

The Management Board of Grupa Kęty S.A. and key managers of the Group are entitled to the following remuneration components:

- the basic remuneration;
- the annual bonus depending on the accomplishment of financial parameters with a limited maximum bonus level;
- discretionary awards;
- incentive programmes described in the financial statements, based on financial ratios and the share price.

In the opinion of the Management Board, the existing remuneration policy accomplishes the objectives of the long-term growth for shareholders, ensuring the stability of the Company's operations.

Members of the Management Board are not entitled to other, non-financial remuneration components, apart from those listed above. In the reporting period, Grupa Kęty S.A. neither concluded any material transactions with related, supervising and managing persons nor granted loans, guarantees or sureties to such persons and such persons' relatives. There are no agreements between Grupa KĘTY S.A. and managing persons which provide for any compensation in the case of their resignation or dismissal from their positions for no important reason or where their dismissal is related to the Issuer's merger by acquisition, except for the conditions included in the term of notice and conditions included in non-competition agreements. Managing persons do not receive any remuneration for being members of managing or supervisory authorities of other companies of Grupa Kęty S.A. Group.

5. THE ASSESSMENT OF THE COMPANY'S FINANCIAL SITUATION

GRI G4 EC1; DMA in the Economic Results Aspect.

Selected financial figures concerning the financial statements pursuant to the IFRS

ITEMS OF THE INCOME STATEMENT, COMPREHENSIVE INCOME AND CASH FLOW STATEMENT	in '000' PLN		in '000' EUR	
	2016	2015	2016	2015
Net sales revenue	872,925	806,993	199,494	192,839
Profit on operating activities	186,783	147,912	42,686	35,345
Profit before tax	186,256	146,910	42,566	35,106
Net profit	176,333	150,821	40,298	36,040
Total net income	182,875	148,117	41,793	35,394
Net cash flow from operating activities	232,495	231,820	53,133	55,396
Net cash flow from investing activities	-42,206	-62,298	-9,646	-14,887
Net cash flow from financing activities	-193,240	-162,400	-44,162	-38,807
Total net cash flow	-2,951	7,122	-674	1,702
Earnings per share (in PLN/EUR)	18.65	16.01	4.26	3.83
Diluted earnings per share (in PLN/EUR)	18.62	15.99	4.26	3.82
BALANCE SHEET ITEMS	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total assets	980,678	944,775	221,672	221,700
Liabilities and provisions for liabilities	227,663	213,363	51,461	50,068
Long-term liabilities	65,466	70,776	14,798	16,608
Short-term liabilities	162,197	142,587	36,663	33,459
Equity	753,015	731,412	170,211	171,633
Share capital	67,534	67,505	15,265	15,841
Number of shares	9,478,376	9,441,988	9,478,376	9,441,988
Book value per share (in PLN/EUR)	79.45	77.46	17.96	18.18
Diluted book value per share (in PLN/EUR)	79.34	77.29	17.93	18.14
Dividend per share — declared or paid (in PLN/EUR)	23.50	18.00	5.31	4.22

The above financial figures for 2016 and 2015 were translated into EUR as follows:

- assets and liabilities – at the average exchange rate of the National Bank of Poland (NBP) as at 31.12.2016 – 4.4240 PLN/EUR and as at 31.12. 2015 – 4.2615 PLN/EUR;
- the items of the income statement, of the statement of comprehensive income and of the cash flow statement – at the exchange rate being an arithmetic mean of the exchange rates of the NBP for the last two days of each month: of 2016 – 4.3757 PLN/EUR; of 2015 – 4.1848 PLN/EUR.

COMMENTS TO THE FINANCIAL FIGURES

A systematic increase in the economic value of the Company is one of the main, long-term objectives of its operations. In an effort to meet this objective, the Management Board focuses on maintaining a high level of operating profitability, stable cash flows and the optimum use of capitals held by the Company and the Group. The year 2016 was another year in which the Company accomplished its financial objectives meeting the criteria of its long-term policy. Sales revenue increased by ca. 8% reaching 873.0 million PLN, mainly due to the increase in sales volume. In 2016, the average price of aluminium expressed in PLN did not change as compared to the previous year, so this factor did not affect the revenue. Fast-growing export (+15%) against an ca. 5% increase on the Polish market was the main driver for the revenue. As a result, taking into account income from dividend from subsidiaries, operating profit increased by more than 27% to 186.7 million PLN and net profit amounted to 176.3 million PLN (an increase by 17%).

As estimated by the Management Board, the Company's balance sheet has a safe borrowing structure. Despite the continuous development, considerable investment projects and payments of higher and higher dividends, equity still accounts for the major part of the balance sheet total. As at the balance sheet date, it accounted for 77 % of total equity and liabilities, which is a similar figure to the one recorded at the end of 2015. The Company continues to invest in its development; therefore, property, plant and equipment are a significant item of assets. In the period, they accounted for 36% of total assets (the level similar as in the previous year). Shares and interests are a significant item (368 million PLN), as the Company is a parent company in a capital group. The value of current assets as at the balance sheet date amounted to 252.0 million PLN and accounted for ca. 26% of total assets (an increase by 4 p.p. as compared to last year's figures). The Company's interest-related debt decreased from 96.7 million PLN at the beginning of the year to 71.7 million PLN at the end of the year.

Cash flows owing to which the Group's companies are able to continue their development is one of very important parameters from the point of view of the Management Board. In the reporting period, cash flow from operating activities amounted to 232.5 million PLN and was similar to the last year's value. However, the cash flow is sufficiently safe and stable and it does not influence further policy of financing future development. As intended by the Management Board, further development is to be financed essentially from this source (cash from operating activities) and external sources of financing such as bank loans.

Summing up, the Management Board has a positive opinion about generated financial results in all material respects. The Group is based on solid financial foundations and is ready to face further challenges related to the implementation of the new strategy for 2015-2020.

6. INVESTMENT PROJECTS AND R&D ACTIVITIES

6.1. INVESTMENT PROJECTS

For many decades now, investment projects have been the driving force behind the Group's growth. The funds allocated to the construction of new facilities, the purchase of modern technologies, plant and machinery confirm that. Since 2000, the Group has spent on investment projects ca. 1.7 billion PLN and, until the end of 2020, it intends to spend, in line with its development strategy, another 0.8 billion PLN. In total, in the period of 20 years from 2000, the capital expenditure will amount to ca. 2.5 billion PLN.

In 2016, the acquisition of Aluminium Kety EMMI d.o.o. was the most important equity investment. The core business of this Slovenian company is machining and surface treatment of aluminium profiles, and its major customers comprise companies manufacturing household appliances, furniture and interior furnishings (IKEA, Bosch and Gorenje). As a result, it is expanding its trade offer of extruded products and is increasing the revenue of the entire Group. The position of the Extruded Products Segment was also strengthened due to the establishment of a subsidiary in Germany; its core business comprises trading, marketing and promotional activities.

Investments in assets in Grupa Kęty aimed at strengthening the position of the Advanced Aluminium Products Unit by acquiring modern equipment for the machining of aluminium profiles; the Unit cooperates with demanding customers from the automotive and transport industries and should be one of the most technologically advanced and the best equipped units in Grupa Kęty. The total value of the capital expenditure during the reporting period was as follows:

	2016	2015
Total expenditure (in million PLN)	42.3	62.5

The Group's planned capital expenditure in the next 12 months will amount to ca. 140 million PLN. The said expenditure will be allocated to the following crucial projects:

- Launching the upgrade of the production of the so-called hard alloys (the press and auxiliary equipment).
- Construction of a new production hall and the assembly of a press to extrude profiles from soft alloys.
- Further expansion of the Advanced Aluminium Products Unit in the Extruded Products Segment;
- Improving the efficiency on existing devices.

The remaining part of the expenditure comprises the current expenditure on maintaining machines in an appropriate technical condition or small projects with an individual value not exceeding 1 million PLN. Capital expenditure made and scheduled is financed from own funds and bank loans.

6.2. RESEARCH AND DEVELOPMENT

High quality, innovative products and investments in state-of-the-art technologies and machinery are the basis of the operating philosophy and strategy of Grupa Kęty S.A. as regards offered products and services. Over the years, the Company has consistently built its advantage by developing products, investing in human capital and the latest technologies. This approach is successful; the products of the companies of Grupa Kęty S.A. are purchased by more and more customers in Poland and worldwide.

The Centre launched in 2011 was partially financed by the European Union from the European Regional Development Fund under the Operational Programme Innovative Economy 2007-2013. In retrospect, the establishment of this Centre proved to be a shrewd decision, as it enabled Grupa Kęty S.A. to attempt to win new markets that require the observance of high quality standards and the implementation of new innovative solutions. Owing to its activities, the R&DC ensured further upgrade and diversification of offered products in an effort to build up their competitiveness in existing and potential new markets. In addition, R&DC is a strong promotional element, which distinguishes Grupa Kęty from other companies from the aluminium industry.

In 2016, as part of proposed and implemented projects, the Company carried out several thousand technical tests. Several examples of innovative technologies developed last year in the Research and Development Centre in Kęty:

- Extrusion of seamless tubes and pipes from ingots with a pre-drilled hole
- Launching the production of a new EN-AW7021 high-strength alloy

- Continuous expansion of the offer of products made from EN-AW 6101B alloy in overaged states
- Modifying the technology of producing bars for heavy-duty forgings from EN-AW2618 alloy
- Developing the technology of producing profiles from 6xxx alloys to be used in elements of crumple zones in motor vehicles, meeting the requirements of Class C24

7. FACTORS DETERMINING THE DEVELOPMENT OF THE GROUP

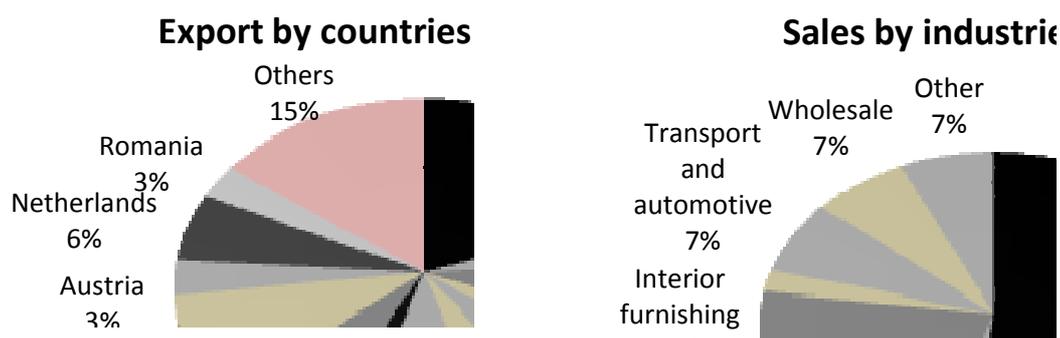
7.1. EXTERNAL FACTORS

GRI G4 2; GRI G4 6, GRI G4 8

Taking into account the materiality of the impact of the remaining companies of the Group upon the picture of the financial standing of Grupa Kęty S.A. as well as the risks to which the Company is exposed, if not stated otherwise, the presented factors are related to the entire Grupa Kęty S.A. Group.

BUSINESS CONDITIONS ON MARKETS

The companies of the Group are exposed to demand fluctuations occurring both in the Polish economy, which is the recipient of ca. 56% of the sale, and in the economies of other European countries, which receive ca. 44% of the Group's total sales. The situation on the markets of Germany, the Czech Republic, Italy, the UK, the Netherlands and Ukraine, which receive 68 % of the export sale and, to a lesser degree, on the markets of Slovakia, Hungary, Austria, Belgium, Romania, Russia, France, Switzerland and the USA, is of special importance for the sale growth. At the same time, when analysing the sale by industries, one can notice high concentration of the Group's sale in the building industry (ca. 52 % of the consolidated sale value), thus, all factors affecting business conditions in the building industry (availability of loans, the level of investments) on the Polish market and the main export markets exert substantial influence on the sale generated by the Group.



Source: own study

EU CUSTOMS POLICY

Since May 2007, the customs for aluminium imported from the states of the former USSR have been decreased from 6 % to 3 %; the producers located in these states are the main suppliers of the main raw material for the Company. The continuation of such activities, i.e. the reduction to 0% in further

years, may positively affect the Company's financial results. In turn, the return to previous rates (6%) will affect the financial results in a disadvantageous way.

AVAILABILITY OF RAW MATERIALS

Primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium tape as well as ingots made from aluminium and its alloys) are the basic group of raw materials used in the Group. In aggregate, they account for ca. 53% of all purchased raw materials and production materials. In the production of flexible packaging, the Group also uses various types of films and plastics granulates (polyethylene, polypropylene), printing paper, paints, adhesives and binders, which in aggregate represent 20% of all purchased raw and other materials. The list of basic items is supplemented with accessories for the production of aluminium systems with an 11% share. Due to the necessity of maintaining high quality of the production, the purchasing policy of the Group is based on the cooperation with selected suppliers who guarantee a proper standard of the cooperation. Simultaneously, such diversification of suppliers so as to ensure safety and maintain the competitiveness of supplies is the basic assumption.

PRICES OF RAW MATERIALS

In terms of shaping the selling prices of extruded products, the Group depends on world aluminium prices, which may significantly affect the changes in sales value, profitability and financial results as well as the level of working capital. All supplies of primary aluminium and semi-finished products based on aluminium (ingots), which are the basic raw materials used in the manufacturing processes, are based on aluminium prices established at the London Metal Exchange. A major increase in the prices of primary aluminium, if not balanced by the increase in the products prices, may have a significant detrimental impact upon financial results. To mitigate the risk of the volatility of aluminium prices, the companies of the Group apply price formulae based on exchange quotations of aluminium, transferring a part of the risk to customers, or they conclude futures for the purchase of aluminium. In the case of other raw materials groups, the companies of the Group do not use derivatives to hedge their exposure. However, in selected cases, they apply mechanisms of the indexation of product prices depending on the level of prices of the main groups of raw materials (e.g. plastics and paper in the Flexible Packaging Segment).

EXCHANGE RATES

According to the Management Board's estimates, in the reporting period, ca. 45 % of the Group's sales were generated in PLN and ca. 50 % in EUR. The remaining 5% was sales in USD, GBP and UHR. As regards expenses, ca. 44% of costs are costs incurred in PLN, 30% are costs in USD, 25% are costs in EUR and ca. 1% are costs in other currencies (GBP, UHR). Having regard for the foregoing, the PLN/EUR, PLN/USD and EUR/USD exchange rates will materially affect the Company's results. The companies of the Group take measures to mitigate the currency risk by entering into currency forwards, purchasing options or maintaining a part of their debt in foreign currencies.

COMPETITION

Since the 1990s, we have observed steady increase in the competition due to the attractiveness of the Polish market and the vicinity of the markets of Eastern Europe. In the reporting period, the number of competitors in particular business segments did not change substantially. According to the Management Board's estimates, the main competitors in particular business areas are as follows:

Extruded Products Segment	Sapa Aluminium, Yawal and Final (Yawal Group), Eurometal, Cortizo, Kaye Aluminium, Extral Aluminium, Aliplast, Albatros
Aluminium Systems Segment	Sapa Building System, Schuco, Hydro Building System, Ponzio, Yawal, Aliplast, Blyweert, Heroal, Alukon, Reynaers
Flexible Packaging Segment	Amcor, Constantia Teich, Mondi Packaging, Suominen Polska, Fuji Seal Polska, Schur Flexibles Poland

Source: own study

LOANS

The companies of the Group systematically invest cash into further technical and technological development, using borrowings. Furthermore, due to the standards applicable on the market, it partially finances its customers by granting trade credits to them. It means that, despite generated cash from operating activities, the restrictions concerning the access to borrowing in the form of bank loans may have significant impact upon the Company's development opportunities. It may also affect the amount of the dividend paid by Grupa Kęty S.A. The level of interest rates will directly affect the finance costs disclosed by particular companies, hence upon the generated net profit.

POLITICAL AND ECONOMIC SITUATION IN UKRAINE

In Ukraine, the Group has two companies: Alupol Ukraina LLC, a production company, and Aluprof System LLC, a trading company. The unstable political and economic situation in Ukraine results in the exposure of the said assets to the risk exceeding the usual economic risk. The Management Board has been analysing the situation of subsidiaries in Ukraine on an ongoing basis. Any possible future write-downs related to the deteriorating economic situation or potential military actions in Ukraine may affect the results in further years.

7.2. INTERNAL FACTORS

GRI G4 2

INVESTMENTS IN THE DEVELOPMENT OF TECHNOLOGIES AND OF THE DISTRIBUTION AND SALE NETWORK

The operation of the Group on a highly competitive market calls for constant meeting of the requirements of the competition and customers. Those requirements can only be met through technological development, new products, greater potential as well as the development of the distribution and sale network. The Company is aware of those requirements, therefore it has been implementing systematically its strategic plan that ensures the Company's development in all key areas which guarantee high competition level with respect to the other players on the market.

STAFF COMPETENCE LEVELS AND THE EMPLOYMENT STRUCTURE THAT ENSURES THE MEETING OF THE CHALLENGES POSED BY THE FAST DEVELOPING MARKET

The Group's success partially depends on the work of the management staff and the ability to retain and motivate highly qualified staff. The loss of services provided by qualified and experienced staff may have significant adverse impact upon the functioning of the Group. Therefore, the Group

implemented a worked-out policy of recruitment and retention of key and valuable employees, whose work and contribution translates directly into its success.

THE ABILITY TO FINANCE CURRENT OPERATIONS AND INVESTMENT PROJECTS

The continuous development of the Group depends on the preservation of the stable financial situation (high operating profitability and large cash flow generated from operating activities). Therefore, the Management Board pays a lot of attention to continuous improvement of production processes and logistics, which should result in high effectiveness of activities, further reflected in profits. Appropriate currency risk management is also an important factor for the accomplishment of stable results. It results from the Company's high exposure to foreign currencies as regards both purchases and sale.

7.3. ANNUAL FORECASTS AND STRATEGY 2020

Due to the accomplishment of a part of objectives to be implemented as part of the strategy for 2015-2020 and measures aiming at the consolidation of smaller business units within the Aluminium Systems Segment, the Management Board of Grupa Kęty S.A. have developed and submitted to the Company's Supervisory Board a new version of 'Strategy 2020' strategic plan.

STRATEGY OBJECTIVES

The basic objective of Strategy 2020 is ensuring steady increase in shareholder value owing to:

- sustainable development resulting in the systematic increase in generated profit and cash;
- stable dividend policy;
- creating the potential for future development in further periods;
- maintaining high corporate governance standards.

OPERATIONAL OBJECTIVES AND MACROECONOMIC ASSUMPTIONS

On the basis of adopted assumption concerning the prices of raw materials and exchange rates, particular segments forecast the following sales revenue:

- Extruded Products Segment – 1,444 million PLN (+53% as compared to 2016)
- Aluminium Systems Segment – 1,420 million PLN (+32% as compared to 2016)
- Flexible Packaging Segment – 665 million PLN (+34% as compared to 2016)

Taking the above into consideration, consolidated sales revenue of the Group in 2020 should amount to 3,257 million PLN (+44% as compared to 2016), operating profit to 359 million PLN (+24% as compared to 2016), EBITDA to 506 million PLN (+28% as compared to 2016) and consolidated net profit to 265 million PLN (-4% as compared to 2016).

The above forecasts have been prepared on the basis of the following macroeconomic assumptions:

- average aluminium price (3M) – 1,800 USD/tonne
- average USD exchange rate – 4.05 PLN
- average EUR exchange rate – 4.30 PLN
- EUR/USD relation – 1.06
- GDP growth in Poland – 3.4%

CHANGES IN THE MANAGEMENT STRUCTURE

The Management Board of Grupa Kęty S.A. intends to take measures to separate the production activities of the Extruded Products Segment from the structures of Grupa Kęty S.A. Grupa Kęty S.A. would remain the holding company listed on Warsaw Stock Exchange with assets in the form of shares and interests in leading companies in each segment.

INVESTMENT PLAN

The Management Board assumes that, in the period covered by this strategy (taking into account the expenses incurred to date from the beginning of the implementation of the strategy, i.e. from 2015), the capital expenditure will amount to ca. 1,246 million PLN (+316 million PLN as compared to the 2015 strategy and the total of 787 million PLN of spending in 2017-2020), including:

- Extruded Products Segment – 550 million PLN
- Aluminium Systems Segment – 393 million PLN
- Flexible Packaging Segment – 257 million PLN

This forecast does not comprise any possible additional expenditure on acquisitions, whose effects are also not included in the forecast of sale and results.

DIVIDEND POLICY

The dividend policy adopted by the Supervisory Board of Grupa Kęty S.A. provides for the payment of dividend amounting to 60%-100% of consolidated net profit of Grupa Kęty S.A. during the implementation period of Strategy 2020. The Management Board assumes that the payment of dividend during the implementation period of Strategy 2020 strategic plan will amount on average to 80% of consolidated net profit of Grupa Kęty S.A.

The Management Board, when determining the recommended dividend, will take into account, among other things:

- the Group's net debt to EBITDA ratio calculated as at the last balance sheet date of the previous financial year with the maximum level of 2.0;
- time shifts of dividends received from subsidiaries affecting the maximum level of recommended dividend;
- the value of potential and feasible acquisitions;
- the value of actual capital expenditure to be made in the year of dividend payment.

POTENTIAL ACQUISITIONS

The forecasts for 2017 do not take into account any effects of potential acquisition projects. Nevertheless, the Management Board takes into account two directions of potential acquisitions within existing segments and the establishment of a new segment:

In the Extruded Products Segment – they may be related to the development of existing competences or the acquisitions of new competences in the area of profiles processing and the production of components based on aluminium profiles. Potential projects may be related to entities with sales revenue of up to 50 million EUR.

In the Aluminium Systems Segment – they may be related to the geographic or product-related development on new markets. Potential projects may be related to entities with sales revenue of up to 20 million EUR.

A new segment with the potential enabling the generation of sales revenue in 2020 at the minimum level of 200 million PLN.

DEBT

In relation to the investment programme being implemented and the planned payment of dividend, the Group's debt will rise to ca. 820 million PLN at the end of 2018 (ca. 762 million PLN in net terms) and ca. 801 million PLN at the end of 2020 (ca. 682 million PLN in net terms).

UNCERTAINTY RISK AND THE FREQUENCY OF THE EVALUATION OF THE STRATEGY ACCOMPLISHMENT LEVEL

These strategy objectives, including the forecasts of future revenue and profits, have been established on the basis of a number of assumptions, expectations and projections and, as a result, are subject to uncertainty risk and may change due to both external and internal factors. The Company will assess the possibility of the implementation of Strategy 2020 and make any possible adjustments on an annual basis.

FORECAST OF FINANCIAL RESULTS FOR 2017

The Management Board assumes that 2017 will be another year of the growth of the Group's sales and profits. On the basis of adopted assumption concerning the prices of raw materials and exchange rates, particular segments forecast the following sales revenue:

- Extruded Products Segment – 1063 million PLN (+13%)
- Aluminium Systems Segment – 1180 million PLN (+10%)
- Flexible Packaging Segment – 515 million PLN (+4%)

Consolidated sales revenue will amount to 2.5 billion PLN and will be higher by 11% than the revenue generated in 2016. The Management Board is projecting that consolidated operating profit will amount to 297 million PLN, i.e. it will be higher than in the previous year by 2%. EBITDA (earnings before interest, taxes, depreciation and amortisation) will amount to 420 million PLN, i.e. it will increase by 6%. The expected financing activities balance in 2016 will amount to -18.2 million PLN and is based solely on the calculation of loan costs. In addition, when calculating the net profit for 2017, the Company took account of 5 million PLN of a deferred tax asset related to business activities in the Special Economic Zone (in 2016, it was ca. 50 million PLN). As a result, consolidated net profit will amount to 227 million PLN.

The table below shows the forecast of basic consolidated financial figures for 2017 in million PLN as compared to results for 2016:

	2016	2017*	Change
Sales revenue	2,267.4 mill. PLN	2,500 mill. PLN	+ 10%
EBIT	282.3 mill. PLN	297 mill. PLN	+ 5%
EBITDA	394.1 mill. PLN	420 mill. PLN	+ 7%
Net profit	277.9 mill. PLN	227 mill. PLN	-18%
Capital expenditure	271.3 mill. PLN	287.5 mill. PLN**	

* forecast

** including 41 million PLN of payments carried forward from investment projects in 2016

8. DECLARATION ON NON-FINANCIAL INFORMATION

8.1. CORPORATE SOCIAL RESPONSIBILITY

GRI G4 1; GRI G4 15; GRI G4 16; GRI G4 42

Corporate Social Responsibility (CSR) Policy is our response to the challenges related to sustainable development, not only in economic and market terms, but also as regards social and ecological aspects.



We declare that, as part of the Company's operations, we have made and will continue to make efforts to ensure the creation of better society, retain balance and protect the environment.

We believe that the long-term success of GRUPA KĘTY S.A. depends on the cooperation with a broadly-defined group of stakeholders. We place particular emphasis on the activities which influence the Company's employees, their families and local communities in a positive way.

We operate in line with the adopted code of ethical conduct and corporate governance principles, and partnership is the basic value that drives us in our Company. We are aware that we impact the environment in a direct and indirect way, therefore we operate in such a way so as to reduce this influence to minimum.

The adopted CSR policy is the main document and the philosophy of our company in the area of corporate social responsibility. It determined our activities in this area a long time ago.

The implementation of adopted goals is supervised by the Sustainable Development and Corporate Social Responsibility Steering Committee which prioritises the implementation of the Company's development strategy in such a way so that it is fully aligned with the Company's mission, vision and values.

The business approach in Grupa Kęty S.A. Group is not focused solely on economic and commercial aspects. We understand the idea of shared responsibility and we feel the need to care about the future of next generations.

The Committee composed of the Management Board of Grupa Kęty S.A., presidents of management boards of all business segments of the Group and the CSR Manager ensures an informed policy and strategy in the area of the sustainable development in the entire Grupa Kęty S.A. Group.

In 2016, the Company was developing its expertise with organisations and societies which significantly affect sustainable development and corporate social responsibility activities.

At the same time, Grupa Kęty S.A. supports 17 Goals for Sustainable Development declaring special emphasis on Goal 8 — Decent Work and Economic Growth.

The social engagement of Grupa Kęty has been noticed – two practices applied in the organisation qualified for '2015 RESPONSIBLE BUSINESS IN POLAND REPORT. GOOD PRACTICES.' Grupa Kęty was ranked sixth on the Socially Responsible Companies List 2016*.

* The Responsible Companies Ranking and the Socially Responsible Companies List are compiled each year by Prof. Bolesław Rok from Kozłowski University in collaboration with Jarosław Horodecki, and verified by Deloitte. The Responsible Business Forum is the patron of the ranking.

Grupa Kęty S.A. became one of the winners of 'Złoty Płatnik 2015' ('Golden Payer 2015') Poll held by Euler Hermes Collections. Our Company recorded average PMI at the level of 95 in 2015, and the average index for all the remaining analysed companies was 58.

Grupa Kęty S.A. is a signatory to the UN Global Compact, applies the guidelines of ISO 26000 and is listed on Warsaw Stock Exchange.

8.2. STAKEHOLDERS

GRI G4 24; GRI G4 25; GRI G4 26; GRI G4 27

In 2016 the organisation continues its dialogue and cooperation with a defined group of stakeholders. As compared to the previous year, there was no change as regards leading stakeholders defined by Grupa Kęty S.A. Group, namely employees, customers, suppliers, shareholders and supervisory authorities, i.e. the groups that exert the greatest impact on the business value of our organisation. The table below presents individual groups of stakeholders and the method of communicating with them:

Stakeholders Map of Grupa Kęty S.A.	Communications method	Frequency (minimum)	Key topics raised by stakeholders	Reference to a given topic in the Management Board's report
Employees	Intranet, <i>Aluway Express</i> newsletter Periodical meetings with managers Team-building meetings	On an ongoing basis	Safety at work Payroll policy Additional processes and supporting programmes	Chapter: The Company and its employees Chapter: Social commitment
Customers	Face-to-face meetings Newsletters Telephone calls Trade fairs	On an ongoing basis	Quality of products and services Product innovation R&D activities Production safety	Chapter: Investment projects and R&D activities Chapter: Risk management
Shareholders and potential shareholders	Face-to-face meetings General Meetings of Shareholders Stock exchange announcements Website www.grupakety.com	Annually or more frequently, as needed by particular groups of shareholders	Dividend policy Corporate governance Development strategy The Company's current activities	Chapter: Shares and shareholders Chapter: Annual forecasts and Strategy 2020 Chapter: Corporate governance statement
Suppliers	Face-to-face meetings Telephone calls Fairs	On an ongoing basis	Transparent cooperation terms	Not discussed in the report

Supervisory Board	Face-to-face meetings Stock exchange announcements	On a quarterly basis	Risk management Corporate governance Development strategy The Company's current activities	Chapter: Risk management Chapter: Annual forecasts and Strategy 2020 Chapter: Corporate governance statement
Polish Financial Supervision Authority	Announcements Face-to-face meetings	On an ongoing basis	Compliance with legal regulations	Chapter: Corporate governance statement
Warsaw Stock Exchange	Announcements Face-to-face meetings	On an ongoing basis	Compliance with legal regulations Corporate governance principles	Chapter: Corporate governance statement
Local authorities	Face-to-face meetings	Once in 6 months	Supporting local initiatives The development of the local labour market	Chapter: Social commitment Chapter: The Company and its employees
Local communities	Participation in local sports and social events Face-to-face meetings, e.g. with educators from children's homes	Annually or more frequently, as needed by particular groups	Supporting local initiatives Assistance for children from children's homes Sport development	Chapter: Social commitment
Issuers organisations	Participation in the works of the Polish Association of Listed Companies	On an ongoing basis	Corporate governance principles	Chapter: Corporate governance statement
Business organisations	Participation as part of the membership of selected business organisations	On an ongoing basis	Completing joint projects	Not discussed in the report
Mass media	Press conferences Face-to-face meetings	On an ongoing basis	The Company's current activities The Company's strategy	Chapter: Annual forecasts and Strategy 2020
Competition	Fairs Industry meetings	On an ongoing basis	Market conditions Business environment Business issues	Not discussed in the report
Trade unions in the organisation	Face-to-face meetings	Once in 6 months or more frequently, as needed	Working conditions The Company's current activities The Company's strategy	Chapter: The Company and its employees Chapter: Annual forecasts and Strategy 2020

Grupa Kęty S.A. Group maintains high standards of the communication with a broadly-defined group of stakeholders. For years now, the Company has been perceived by market participants as a recognised brand and a credible partner. The Company's social activities are reported on external portals www.grupakety.com/odpowiedzialny_biznes; www.dziecipodbeskidzia.pl; and on the Facebook page of 'Grupa Kęty Dzieciom Podbeskidzia' Foundation ('Grupa Kęty for the Children of Podbeskidzie Region' Foundation). Ongoing communication with employees is maintained via the Intranet, newsletters and notice boards.

Through our daily work, business meetings, team-building events, telephone conversations and available information channels, we communicate with our stakeholders. We inform them about our business plans, development plans for our organisation and our impact on local communities and the environment. The Company supports and participates in local initiatives together with other companies and the local community, creating the future of the region. The Entrepreneurship Council of Kęty established in the District of Kęty and headed by Vice-CEO of Grupa Kęty S.A. is an example of such activities.

When developing the reporting process, we consulted selected groups of stakeholders (e.g. employees and representatives of local communities).

The standards of the Group have been confirmed by the first place in 'The Stock Exchange Company of 2015' ranking in the 'Investor Relations' category.

8.3. PROFESSIONALISM AND ETHICS

GRI G4-56, GRI G4-57, GRI G4-58, GRI G4-HR12, GRI G4-S04, GRI G4-S06 GC, GRI G4-LA16,

DMA in the Human Rights and Labour Practices Grievance Mechanisms Aspect; Principles 1, 2, 3, 5, 7, 8, 10

In 2016, the organisation extended the scope of its competences in business ethics areas by establishing Business Ethics Committees in major business segments. Currently, 18 employees are involved in the area of ethics, including the Business Ethics Ombudsman in Grupa Kęty S.A. The Business Ethics Ombudsman whose main role is to ensure compliance with standards and values provided for in the Code of Ethics, which Grupa Kęty S.A. Group treats as overriding in its business. The main tasks of the Business Ethics Ombudsman are as follows:

- receiving from employees/business partners official reports of violations of the Code of Ethics (reports may be submitted through a number of channels, i.e. to the Business Ethics Ombudsman personally, or in the form of a letter or an e-mail sent to a special e-mail address—all these channels are listed in the Code of Ethics);
- participating in the development of ethical systems in Grupa Kęty S.A. Group;
- participating in information and educational campaigns to popularise the Code of Ethics and the Company's organisational culture.

The primary objective of the Business Ethics Committees (appointed in Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A.) is to help the Employer ensure the compliance with the standards and values provided for in the Code of Ethics of Grupa Kęty S.A. Group in all areas subject to this Code. To this end, the Committee cooperates with the Business Ethics Ombudsman.

The Business Ethics Ombudsman in Grupa Kęty S.A. Group and members of Business Ethics Committees are functions performed free of charge for the sake of employees.

In 2016, the Company conducted ethics training courses for selected groups of employees, i.e. the Group's management, the Group's chief specialists, the employees responsible for CSR areas in business segments and members of Business Ethics Committees. There were four training courses in total with 61 participants. In 2016, the Business Ethics Ombudsman did not receive any report concerning a violation of the Code of Ethics, including a violation of human rights and labour practices grievances.

In 2016, the Business Ethics Ombudsman along with the internal expert team developed new policies expanding the scope of the Code of Ethics and had consultations within the Group on final provisions of the policies, i.e. the Anti-Corruption Policy and the Conflicts of Interests Policy. Both documents will become an integral part of the Code of Ethics and together with previous policies, i.e. the Dignity at Work Policy and the Diversity Policy, they will create the platform of guidelines and operating standards across Grupa Kęty S.A. Group.

In 2016, the Company did not make any donations to political parties.

8.4. THE COMPANY AND ITS EMPLOYEES

DMA in the Employment Aspect

HR POLICY

Business diversity within the structure of Grupa Kęty S.A. Group, which is reflected in the division into segments, requires a flexible approach to many issues, also in the area of human resources management. This is not an obstacle to building and implementing shared assumptions which, at the level of the companies of the Extruded Products Segment, the Flexible Packaging Segment and the Aluminium Systems Segment, are made more detailed in such a way so as to, on the one hand, respond to specific needs of the organisation and, on the other hand, to meet the standards which constitute the Group's identity. The HR Policy concept comprises all basic HR processes and is being developed gradually to ensure high quality and to respond to contemporary needs.

DMA in the Non-discrimination Aspect

ENSURING EQUAL OPPORTUNITIES

All employees of Grupa Kęty S.A. Group have guaranteed equal access to employee benefits and development opportunities through the improvement of their skills and promotions.

Many companies of the Group have been present on the market for dozens of years. Both them and the companies which have been operating on the market for a relatively short time, hire employees who gained almost all of their professional experiences within this organisation. Each year, the team of our employees is expanded with new, experienced professionals in their fields, but also with people just starting their careers with their capital of knowledge gained at school or at university and their heads full of ideas and enthusiasm to make them come true. The criteria for promotion, pay rise or participation in training do not include such elements as seniority, age and experience of an employee, but focus on the requirements defined in the job description and a given employee's ability to meet them.

The reporting system in the area of human resources management in the companies of Grupa Kęty S.A. Group makes it possible to analyse data also in terms of ensuring equal access to benefits. As a result, we can study the processes in terms of the participation in them of men and women and people of all ages.

GRI G4 10

As at 31.12.2016, the main business segments of Grupa Kęty S.A. Group in Poland employed 3,242 people with contracts of employment. 77% of employees are men, who work on 86% of management positions. Among all groups of employees, management positions account for 3%. 70% of employees have permanent contracts of employment. 75% of all employees are production and worker employees. Employment by gender, age, position type and work contract type is presented in the following tables:

Employment by types of positions

2015		women	men	trial period contracts	fixed-term contracts	permanent contracts	specific task contracts	mandate contracts	other civil-law contracts	temporary employees
EPS	management staff	4	40	0	1	43	0	0	0	0
EPS	administrative employees	89	144	4	28	201	0	0	0	0
EPS	workers	148	660	8	159	641	0	0	0	0
EPS	total	241	844	12	188	885	0	0	0	0
FPS	management staff	no data	no data	no data	no data	no data	no data	no data	no data	no data
FPS	administrative employees	no data	no data	no data	no data	no data	no data	no data	no data	no data
FPS	workers	no data	no data	no data	no data	no data	no data	no data	no data	no data
FPS	total	no data	no data	no data	no data	no data	no data	no data	no data	no data
ASS	management staff	no data	no data	no data	no data	no data	no data	no data	no data	no data
ASS	administrative employees	no data	no data	no data	no data	no data	no data	no data	no data	no data
ASS	workers	no data	no data	no data	no data	no data	no data	no data	no data	no data
ASS	total	no data	no data	no data	no data	no data	no data	no data	no data	no data

2016		women	men	trial period contracts	fixed-term contracts	permanent contracts	specific task contracts	mandate contracts	other civil-law contracts	temporary employees
EPS	management staff	2	28	0	0	30	0	0	0	0
EPS	administrative employees	97	153	3	14	233	2	2	0	0
EPS	workers	187	847	54	198	782	0	0	0	0
EPS	total	286	1028	57	212	1045	2	2	0	0
FPS	management staff	3	20	0	0	23	0	0	0	0
FPS	administrative employees	38	50	2	15	256	0	0	0	0
FPS	workers	57	456	9	94	225	0	0	0	0
FPS	total	98	526	11	109	504	0	0	0	0
ASS	management staff	7	27	0	0	35	0	0	1	0
ASS	administrative employees	167	212	9	124	245	0	0	0	0
ASS	workers	173	718	17	438	436	0	0	0	10
ASS	total	347	957	26	562	716	0	0	1	10

Employment by gender

		2015						2016					
	employees by gender	trial period contracts	fixed-term contracts	permanent contracts	specific task contracts	mandate contracts	other civil-law contracts	trial period contracts	fixed-term contracts	permanent contracts	specific task contracts	mandate contracts	other civil-law contracts
EPS	women	6	42	194	0	0	0	13	53	220	1	0	0
EPS	men	6	146	691	0	0	0	44	159	825	1	2	0
EPS	total	12	188	885	0	0	0	57	212	1045	2	2	0
FPS	women	no data	no data	no data	no data	no data	no data	3	19	76	0	0	0
FPS	men	no data	no data	no data	no data	no data	no data	8	90	428	0	0	0
FPS	total	no data	no data	no data	no data	no data	no data	11	109	504	0	0	0
ASS	women	no data	no data	no data	no data	no data	no data	5	165	177	0	0	0
ASS	men	no data	no data	no data	no data	no data	no data	21	397	539	0	0	1
ASS	total	no data	no data	no data	no data	no data	no data	26	562	716	0	0	1

 Employment by age GRI G4 LA12

		2015				2016			
	age group	men	women	workers	administrative employees	men	women	workers	administrative employees
EPS	up to 30 years	168	43	176	35	269	61	283	47
EPS	30-50 years	471	121	417	175	543	148	521	170
EPS	> 50 years	205	77	215	67	216	77	230	63
FPS	up to 30 years	no data	no data	no data	no data	133	14	130	16
FPS	30-50 years	no data	no data	no data	no data	328	47	290	86
FPS	> 50 years	no data	no data	no data	no data	65	37	91	11
ASS	up to 30 years	no data	no data	no data	no data	304	80	311	73
ASS	30-50 years	no data	no data	no data	no data	513	233	450	296
ASS	> 50 years	no data	no data	no data	no data	140	34	130	44

GRI G4 LA1

In 2016, 687 new employees were hired in the EPS, FPS and SSA, including 22% of women. In the same period, 468 employees left the company (17% of women).

New employees by gender

		2015					2016				
	gender	age – up to 30 years	age – 31-40 years	age – 41-50 years	age – 51-60 years	age over 60 years	age – up to 30 years	age – 31-40 years	age – 41-50 years	age – 51-60 years	age over 60 years
EPS	women	18	9	8	2	0	20	15	13	1	0
EPS	men	68	31	23	3	0	88	38	24	8	0
EPS	total	86	40	31	5	0	108	53	37	9	0
FPS	women	no data	no data	no data	no data	no data	16	17	4	0	0
FPS	men	no data	no data	no data	no data	no data	89	40	19	0	0
FPS	total	no data	no data	no data	no data	no data	105	57	23	0	0
ASS	women	no data	no data	no data	no data	no data	28	26	11	2	0
ASS	men	no data	no data	no data	no data	no data	132	61	33	2	0
ASS	total	no data	no data	no data	no data	no data	160	87	44	4	0

Leaving employees by gender

		2015					2016				
	gender	age – up to 30 years	age – 31-40 years	age – 41-50 years	age – 51-60 years	age over 60 years	age – up to 30 years	age – 31-40 years	age – 41-50 years	age – 51-60 years	age over 60 years
EPS	women	0	2	0	7	1	4	3	1	6	5
EPS	men	19	11	2	11	10	29	9	5	11	5
EPS	total	19	13	2	18	11	33	12	6	17	10
FPS	women	no data	no data	no data	no data	no data	6	16	5	2	5
FPS	men	no data	no data	no data	no data	no data	62	58	17	5	4
FPS	total	no data	no data	no data	no data	no data	68	74	22	7	9
ASS	women	no data	no data	no data	no data	no data	6	12	2	2	4
ASS	men	no data	no data	no data	no data	no data	100	39	29	13	3
ASS	total	no data	no data	no data	no data	no data	106	51	31	15	7

GRI G4 LA2

The EPS and the FPS offers its employees a group unit-linked life insurance plan called 'Pogodna Przyszłość'. The programme is available to employees who have worked with the Company for at least one year. In December 2016, there were 1,654 insured employees, who represent 85% of all employees.

In the ASS, only 10% of its employees are covered by a group life insurance programme as this programme has been suspended and no new participants may join it.

	2015		2016	
	no. of insured employees	% of insured employees	no. of insured employees	% of insured employees
EPS	938	87%	1143	87%
FPS	no data	no data	511	82%
ASS	no data	no data	127	10%

GRI G4 11

Among all the companies covered by this report, only Grupa Kęty S.A. has its Corporate Collective Bargaining Agreement, which applies to all employees of the Company, i.e. 100% of its workforce. For all reported Segments, employees subject to the Collective Bargaining Agreement represent 36%.

A collective bargaining agreement is a form of the cooperation between the employer and trade unions, which represent employees' interests. Pursuant to the Trade Unions Act, the employer informs trade unions about matters falling within their powers, in accordance with the deadlines laid down in this act. The Company has various means of communications through which employees receive important and interesting information. They include the official website with the content for the general public. Next, there is the Intranet that can be accessed by employees, with news about the Company and tools needed for work, such as manuals or links to various programmes. Once a month, employees receive an electronic *Aluway Express* newsletter; and a few times a year, the Company issues its corporate newspaper called *Aluway*. To communicate with those employees who do not have their corporate e-mail boxes, the Company uses notice boards where announcements are displayed.

GRI G4 LA4

In accordance with the agreement on informing employees and consultations with them concluded between the employer and the Workers Council, every 6 months, the Company's Management Board provides employees with the information about:

- the Company's activities and economic situation, and expected changes in this area;

- the status, structure and projected changes in employment, and measures taken to maintain the level of employment in the Company;
- the activities that may cause significant changes in the work organisation or in the basis of employment in the Company.

GRI G4 LA12, GRI G4 HR3; GRI G4 LA16, DMA in the Diversity and Equal Opportunity Aspect

DIVERSITY POLICY

To prevent unwanted discrimination incidents, the segments implement the Diversity Policy and the Dignity at Work Policy. Expanding employees' knowledge and awareness about relations based on mutual respect and tolerance is an important aspect. In 2016, there were no reported cases of discrimination or any reports concerning dignity at work.

GRI G4 LA13,

The Diversity Policy is an extension of the guidelines set forth in the Code of Ethics of Grupa Kęty S.A. Group. The average remuneration of women as compared to the average remuneration of men in the majority of occupational groups is at a lower level, but the difference is not significant and is ca. 10%. There are groups of positions in Segments, i.e. executive and managerial ones, which are occupied by men only.

Basic remunerations of women vs. men (%)

		2015	2016
EPS	executives	no women in such positions	no women in such positions
EPS	director	75%	68%
EPS	manager	90%	107%
EPS	specialist	83%	72%
EPS	foreman	no women in such positions	no women in such positions
EPS	production area, worker	86%	86%
FPS	executives	no data	no women in such positions
FPS	director	no data	no women in such positions
FPS	manager	no data	92%
FPS	specialist	no data	93%
FPS	foreman	no data	no women in such positions
FPS	production area, worker	no data	105%
ASS	executives	no data	80%
ASS	director	no data	93%
ASS	manager	no data	96%
ASS	specialist	no data	83%
ASS	foreman	no data	no women in such positions
ASS	production area, worker	no data	93%

GRI G4 LA3

In 2016, there were 178 employees in the segments entitled to maternity leave and paternity leave, including 82% of men. During this period, 183 employees exercised the right; this group includes both employees who acquired the right in 2016 and employees who continued their leaves started in 2015. For this reason, the use of this entitlement is at the level of 103%.

Parental leaves used:

		2015				2016			
	gender	employees entitled to leaves	employees on leaves	employees returning from leaves	employees returning from leaves and working at least 12 months since their return	employees entitled to leaves	employees on leaves	employees returning from leaves	employees returning from leaves and working at least 12 months since their return
EPS	women	18	18	7	7	12	12	11	12
EPS	men	33	33	28	28	74	47	39	31
EPS	total	52	52	35	35	86	59	50	43
FPS	women	no data	no data	no data	no data	5	5	2	0
FPS	men	no data	no data	no data	no data	40	40	40	0
FPS	total	no data	no data	no data	no data	45	45	42	0
ASS	women	no data	no data	no data	no data	15	31	23	23
ASS	men	no data	no data	no data	no data	32	48	46	43
ASS	total	no data	no data	no data	no data	47	79	69	66

GRI G4 LA9, DMA in the Training and Education Aspect

THE DEVELOPMENT OF THE ORGANISATION'S INTELLECTUAL POTENTIAL

Acting upon the motto: "Human capital as a path to success," they take action to develop the potential of employees. Training programmes are one of the tools contributing to professional development of employees. They are designed not only to develop and improve skills, but are also a part of the incentive system and they play a team-building role. The segments' policy in this area allows for ensuring the continuity of the organisation's operation in the case of planned and abrupt changes in employment on key positions. On the other hand, the reserve staff that is built now allows for the smooth implementation of development plans. In 2016, the Company trained 2,057 employees in various fields. Most training courses were related to occupational health and safety, and other courses included specialised training for particular employee groups related to management or law. 22% of training participants were women and there were 29 training hours per employee on average.

Numbers of trained employees by gender

		2015			2016		
	gender	training participants	training hours	training hours per employee	training participants	training hours	training hours per employee
EPS	women	73	185	2.5	176	2,669	31.0
EPS	men	445	1,407	3.2	758	14,891	38.0
EPS	total	518	1,592	5.7	934	17,560	36.0
FPS	women	no data	no data	no data	57	1,041	44.9
FPS	men	no data	no data	no data	472	10,787	48.1
FPS	total	no data	no data	no data	529	11,827	45.9
ASS	women	no data	no data	no data	211	972	4.6
ASS	men	no data	no data	no data	383	1,805	4.7
ASS	total	no data	no data	no data	594	2,777	4.6

GRI G4 LA5; GRI G4 LA6, DMA in the Occupational Health and Safety Aspect

OCCUPATIONAL HEALTH AND SAFETY

To ensure health and safety of our employees, for many years now we have been developing safe work systems in the segments of Grupa Kęty S.A. Group. Continuing the measures commenced in 2010 under the Safe Work Programme, the organisation strives to eliminate risks at work.

Preventative measures comprise, apart from basic statutory ones, e.g. additional H&S and fire protection training courses with reference to the specific nature of the operations of a given company. Suggestion systems are also used to implement the programme objectives; they encourage employees to share their knowledge, allow them to suggest improvements and they are an additional source of information about potential risks at work. Thanks to our reporting system, we constantly analyse the results of our measures and potential risks.

The companies of Grupa Kęty S.A. Group have in place teams of H&S specialists responsible for monitoring the work environment. They identify hazards at workstations and suggest preventive measures to prevent accidents at work and occupational diseases. Third-party laboratories accredited by the Polish Centre for Accreditation to take tests and measurements of work environment parameters measure harmful factors on a regular basis. At workstations where the standards for factors posing hazard to health (e.g. noise) are exceeded, employees are required to use personal protective equipment. As a result of taken measures, the Company evaluates the occupational hazard for each workstation. All employees of segments (100% of the workforce) are subject to the activities of teams responsible for safety at work.

In order to meet legal requirements, the segments organise periodic H&S training courses for non-worker, worker, engineering & technical and management staff. Training courses are also compulsory for third-party employees working in the companies.

New employees and trainees are trained as part of their general new employee orientation programmes. In addition, as part of PZU Preventive Fund, in 2016 Grupa Kęty S.A. conducted a first-aid training course for 80 employees. Occupational Health and Safety Committees in segments held consultations with employees or their representatives. The topics discussed included changes in the work organisation and equipment at workstations, occupational risk assessment, the allocation of PPE and industrial or occupational clothing and footwear, H&S training. Preventative measures do not guarantee complete elimination of situations in which employees may be subject to accidents. In 2016, there were 39 victims of accidents at work in the main business segments (5 women and 34 men). In 2016, the National District Sanitary Inspectorate did not detect any occupational diseases in Grupa Kęty S.A. An occupational disease is a disease included in the list of occupational diseases if, as a result of the evaluation of working conditions, one is able to ascertain clearly or with high probability that the disease was caused by the operation of factors harmful to human health occurring in the work environment or in relation to the way work is performed, called 'occupational exposure'.

In 2016, total sick leave days for employees of Grupa Kęty S.A. amounted to 20,651 days, including 702 sick days due to accidents at work. On average sick leave days per employee amounted to 16.9 days, including 0.6 day due to accidents at work.

Accidents at work – victims by age groups

	Age	2015	2016
EPS	up to 30 years	2	9
EPS	30-50 years	4	5
EPS	> 50 years	1	2
FPS	up to 30 years	no data	0
FPS	30-50 years	no data	0
FPS	> 50 years	no data	0
ASS	up to 30 years	no data	15
ASS	30-50 years	no data	5
ASS	> 50 years	no data	3

Accidents at work – victims by gender

	Gender	2015	2016
EPS	women	3	5
EPS	men	6	11
FPS	women	no data	0
FPS	men	no data	0
ASS	women	no data	0
ASS	men	no data	23

PROJECTS FOR EMPLOYEES

The Company's activities aim at engaging employees and initiating projects dedicated to them. The most important activities in 2016 in the area of corporate social responsibility include:

- An art contest for children of employees – In the contest titled ‘**Colourful World** — draw how you play together with children from other countries’, the total of 973 works from the entire Group were submitted. More than 90,000 PLN allocated for awards for the participants.
- Sport – The Company has always tried to engage employees in all sports-related initiatives (we describe all these projects in more detail in chapter: *Educating through sport*).
- Employees’ voluntary work – We support and foster employees’ voluntary work initiatives, e.g. through the programme called ‘Razem z GRUPĄ’ (‘Together with the GROUP’) described in Chapter: *Community involvement*, and the involvement of our employees in initiatives and programmes organised by ‘Grupa Kęty for the Children of Podbeskidzie Region’ Foundation. ‘The Christmas of Children’s Dreams’ is the most spectacular, cyclical initiative of this type; employees voluntarily prepare Christmas gifts for children supported by the Foundation. They take letters hung by children on Christmas trees in the Group’s companies and fulfil their dreams. The Foundation organises Christmas parties for children where the gifts are given.

8.5. COMMUNITY INVOLVEMENT

GRI G4 SO1, DMA in the Local Communities Aspect

What does social responsibility mean in the contemporary world for a company or a group operating in a specific environment and region? Involvement in the life of local communities, financial assistance for the disadvantaged, pursuing the idea of educating young people through sport or perhaps effective investing in ecology or the highest possible ecological neutrality?

Today corporate social responsibility is not just about single campaigns and pro-social measures taken by companies but about the comprehensive system of enterprise management in such a way that all groups of stakeholders cooperating with it have the feeling of being together and creating common values for the good of the community in which the company operates. In the case of Grupa Kęty S.A. Group, not only is it the work and activity of our flagship entity and social institution, i.e. Fundacja Grupa Kęty Dzieciom Podbeskidzia (‘Grupa Kęty for the Children of Podbeskidzie Region’ Foundation) assisting children from children’s homes in their start in adult life, but also and above all the management of all aspects of the Company’s operations related to social responsibility, manifested, among other things, in the compliance with the principles of global business in accordance with international guidelines, corporate governance principles and adopted code of ethics, as well as the protection of the environment, ensuring high quality of life for residents and conscious creation of

processes and services. In 2016, Grupa Kęty S.A. Group was socially engaged through, among others, 'Grupa Kęty for the Children of Podbeskidzie Region' Foundation, as part of the following projects:

TRANSITIONAL LIVING FLAT – Recognising the needs of local communities, 'Grupa Kęty for the Children of Podbeskidzie Region' Foundation opened in Kęty a transitional living flat for young people leaving children's homes to help them become independent. Such transitional living flats help such young people begin their better lives. Maximum four people can live in the flat for a period not longer than two years. In 2016, two girls resided there.

16+ PROGRAMME – an individual support programme for children from children's homes. To participate in the programme on a voluntary basis, a child from a children's home must be aged 16+. During a face-to-face meeting, the so-called 'personal development questionnaire' of a participant is completed. It takes into account the participant's age, level of education, opportunities, potential as well as interests and plans for the future. The questionnaire becomes the basis for short- and long-term goals which the Foundation will support. In 2016, as part of the programme, the Company organised traineeships, paid for skill-building courses (driving, nails painting, computer operation) and held open workshops on topics relevant for young people:

1. Workshops: "I do not eat—restrictive diets and eating disorders"
2. Workshops: "Sex education"
3. Workshops: "Prevention of addictions"
4. Workshops: "Self-destructive behaviour and the prevention of violence"

'A LIKE ART' PROGRAMME – As part of the programme, children and young people from children's homes from Kęty, Oświęcim and Żywiec took part in photo workshops which ended with a unique session using ultraviolet lamps and fluorescent paints. The project turned out to be so successful that the Foundation organised additional Blackminton event during which children from all children's homes had the opportunity to play with ultraviolet light and, additionally, to practice some sports.

'GET TO KNOW OUR GROUP' PROGRAMME – By visiting the companies of the Group abroad, the programme is designed to arouse curiosity in young people; to broaden their horizons through contacts with other cultures; to encourage them to learn foreign languages; and to help young people have faith in their own talents and abilities. Each year, five adult young people designated by children's homes take part in the programme. In 2016, the programme took place in Italy (Grupa Kety Italia Srl.). In addition, young people visited Milan, Venice and picturesque Islands of Burano and Murano.

'TOGETHER WITH THE GROUP' PROGRAMME – In 2016, the organisation held the second edition of 'Together with the GROUP' programme as part of which employees-volunteers get engaged in lives of local communities. 22 grants with the total value of 39.6 thousand PLN were allocated.

THE IDEA OF EDUCATING THROUGH SPORT – The commitment to and promotion of the idea of educating through sport is a very important element of the organisation's social activities. Each year, we get involved in various sports initiatives which aim mainly at encouraging children and young people to practise sports. Each sport-related project of the Group involves encouraging and engaging employees to participate in joint sport activities. Employees or their children have the opportunity to sign up for a given tournament or a sports event. The Management Board of Grupa Kęty pays their enrolment fees and provides other necessary items such as passes to use ski lifts or sportswear for matches. Employees take part in such events willingly. In 2016, the Company continued its involvement in sports events, which, on the one hand, encourage young people to practise sports,

often help develop their passions, and teach them how to compete and play fair in sports; and, on the other hand, support local communities. During the year, Grupa Kęty S.A. Group was a partner of the following sports events:

- Reksio The Dog's Cup (skiing);
- 'Młoda Plaża Open' beach volleyball tournament;
- the 4th Football Tournament for Children of Podbeskidzie Region;
- the Bielski Family Bike Rally;
- Poland Business Run – the edition in Wrocław.

8.6. THE GROUP FOR THE WORLD

ENVIRONMENTAL ASPECTS MANAGEMENT

The report includes the total of 12 environmental indicators covered by the GRI standard. The process of defining reporting areas comprised the prioritisation of environmental aspects identified within the framework of the management system implemented in the companies of GRUPA KĘTY S.A. GROUP based on ISO 140001. The register covers all elements of the operations of the companies of GRUPA KĘTY S.A. GROUP, including goods and services, which can interact with the environment. The analysis of the importance of a given aspect to stakeholders and of its environmental impact was the basis for priority assignment. As a result, the following GRI G4 indicators were selected: EN1, EN2, EN3, EN8, EN10, EN15, EN21, EN22, EN23, EN29, EN31, EN34, as being related to the Company's business and its environmental impact to the greatest extent. These indicators are associated with environmental areas and components that particular companies may influence to a great extent, air, water, effluents, waste, raw and other materials, energy and fuel consumption or compliance with regulations. The report presents data for six production plants aggregated within three main segments:

- 1) EPS - Extruded Products Segment
- 2) ASS - Aluminium Systems Segment
- 3) FPS - Flexible Packaging Segment

The data for 2015 are for Grupa KĘTY S.A.

PRECAUTIONARY PRINCIPLE

GRI G4 14

Grupa Kęty S.A. Group is committed to ensuring and maintaining a high level of the safety of processes. The companies of Grupa Kęty S.A. Group strive to minimise environmental risks. This is achieved by monitoring material aspects under ISO14001 and by proper maintenance of the infrastructure based on predictive and preventive measures and internal audits. The companies constantly monitor and assess environmental risks, taking measures referred to in the operational control procedures for processes with material aspects. In addition, they take preventative measures or measures aiming at eliminating potential hazards.

The number of completed preventive environmental measures:

Segment	Specification	Unit	2015	2016
EPS	Number of controlled environmental aspects	pcs	67	90
EPS	Number of preventive environmental measures	pcs	38	34
FPS	Number of controlled environmental aspects	pcs		149
FPS	Number of preventive environmental measures	pcs		15
ASS	Number of controlled environmental aspects	pcs		42
ASS	Number of preventive environmental measures	pcs		12

ENVIRONMENTAL IMPACT

GRI G4 EN15, DMA in the Emissions Aspect

Direct greenhouse gas (GHG) emissions

When analysing the environmental impact of the companies of Grupa Kęty S.A. Group, we pay particular attention to air emissions of gases and dust, especially of carbon dioxide, as air emissions are sources of direct environmental impact.

CO₂ emission in the ASS results from the combustion of natural gas in heat treatment and polymerisation furnaces as well as in radiators and heating boilers.

Carbon dioxide emitted in the FPS originates from the combustion of natural gas in boilers, heaters and thermal oxidisers used to reduce VOCs.

Direct greenhouse gas (GHG) emissions

Segment	EMISSIONS TYPE	Unit	2015	2016
EPS	Greenhouse gas emissions	Mg p.a.	11,352	13,169
FPS	Greenhouse gas emissions	Mg p.a.		5,217
ASS	Greenhouse gas emissions	Mg p.a.		2,737

As part of their environmental impact audits, the Group's companies measure periodically emissions from systems. Measurements taken as part of the monitoring process prove the compliance with the standards specified in permits and licences. Total emissions of the Group's companies are well below limits.

Apart from carbon dioxide, the EPS emits to air sulphur dioxide, nitrogen oxides, carbon monoxide, dust and small amounts of inorganic compounds. Natural gas combustion is the main source of emissions.

The main pollutants emitted by the ASS include sulphur dioxide, nitrogen oxides, carbon monoxide and dust. Natural gas combustion is the source of emissions.

In addition, the FPS companies emit to air VOCs and ozone. Emissions originate mainly from the process of printing and laminating packaging using VOCs and ozone and from the combustion of natural gas in boilers and thermal oxidisers.

GRI G4 EN21

 NO_x, SO_x and other significant air emissions by compound type and weight

Segment	EMISSIONS TYPE	Unit	2015	2016
EPS	Total dust	Mg p.a.	1.26	2.02
EPS	SO ₂	Mg p.a.	0.79	1.28
EPS	NO ₂	Mg p.a.	7.96	10.90
EPS	CO	Mg p.a.	2.22	4.12
EPS	Fluorine	Mg p.a.	0.02	0.07
EPS	Chlorine	Mg p.a.	0.01	0.00
EPS	Sulphuric acid	Mg p.a.	3.00	3.54
EPS	Metal hydroxides	Mg p.a.	3.01	3.86
FPS	Total dust	Mg p.a.		0.00
FPS	SO ₂	Mg p.a.		0.10
FPS	NO ₂	Mg p.a.		4.40
FPS	CO	Mg p.a.		0.70
FPS	VOCs	Mg p.a.		53.50
FPS	Ozone	Mg p.a.		2.40
ASS	Total dust	Mg p.a.		0.37
ASS	SO ₂	Mg p.a.		0.11
ASS	NO ₂	Mg p.a.		1.78
ASS	CO	Mg p.a.		0.50
ASS	Sulphuric acid	Mg p.a.		0.16

ASS	Acetone	Mg p.a.	0.22
ASS	Aliphatic hydrocarbons	Mg p.a.	0.36
ASS	Aromatic hydrocarbons	Mg p.a.	1.84

GRI G4 EN1, DMA in the Materials Aspect

Materials consumption

Due to the specific nature of the Group's production segments, the list of used raw and other materials is very diverse. Major raw materials used by the EPS in the production of aluminium components include aluminium, alloy components, aluminium scrap. The Segment manufactures aluminium ingots from them, which are the input material for the sections extrusion process. The secondary smelting process uses aluminium scrap produced in the plant and purchased from the market. The materials supplied to the plant are checked for contaminants. The ASS's characteristic raw materials include aluminium profiles, chemical substances for chemical treatment of aluminium and powder coatings. Purchased aluminium profiles, after their initial preparation, are coated with powder coatings in corporate paint shops. These raw materials are used in the production of window and door systems, façade systems, roller shutter profiles and boxes, roller-shutters, garage and industrial doors. The main raw materials used in the production of packaging in the FPS include aluminium foil, paper, plastic pellets (PP, PE, PA, EVOH), plastic films (OPP, PET, PE, PA), paints, varnishes, adhesives and solvents. These raw materials are used to manufacture single- and multi-layer flexible laminates, including printed or varnished laminates. Prior to their purchase raw materials are approved for compliance with the requirements of the food law. The raw materials are checked and used taking into account the requirements of ISO 9001 and 14001 to ensure the safety of the manufacturing process and to reduce emissions to minimum.

Segment	Specification	Unit	2015	2016
EPS	Aluminium	Mg	16,088	17,398
EPS	Alloy components	Mg	498	474
EPS	Master alloys	Mg	893	1,084
EPS	Purchased scrap	Mg	3,031	3,427
EPS	Imported ingots	Mg	24,152	26,664
FPS	Paints, varnishes, adhesives	Mg		7,090
FPS	Aluminium foil	Mg		4,295
FPS	PP, PET, PVC films	Mg		15,051
FPS	Plastic pellets	Mg		13,350
FPS	Paper	Mg		8,899
ASS	Aluminium profiles	Mg		25,539
ASS	Powder coatings	Mg		725
ASS	Chemical substances	Mg		450

GRI G4 EN2

The EPS has in place the aluminium recovery process. There is a high share of secondary raw materials in the final production. The EPS recycles aluminium waste produced in the facilities of the Group, and also obtains and processes waste from the market. The waste is applied as a component of input materials for the production of new elements extruded from aluminium and aluminium alloys. The plant selectively collects particular grades of alloys and, as a result, in the secondary melting process, it does not apply covering fluxes that are harmful to the environment. The company acquires both post-consumer aluminium waste (originating from end users) and pre-consumer aluminium waste (waste from manufacturing processes). This process is subject to strict requirements regarding the quality of purchased scrap. As a result, there is no contaminated aluminium in the secondary smelting process and no hazardous substances, which could pose a risk to the environment, are emitted to air. By recovering aluminium, the plant saves a lot of the energy needed to produce primary aluminium

from bauxite (its smelting is very energy-consuming). The recycling of secondary aluminium also helps reduce air and water pollution.

Segment	Specification	Unit	2015	2016
EPS	Recycled content POST	%	18.8	17.2
EPS	Recycled content PRE	%	18.9	21.6
EPS	Recycled content PRE+POST	%	37.7	38.8

GRI G4 EN3

Energy efficiency

In Grupa Kęty S.A. Group energy efficiency of production systems is a priority. In order to ensure energy efficiency, the Company has implemented a special system of technical and organisational solutions in accordance with ISO 14001 and ISO 50001 guidelines. The consumption of energy is subject to planning and monitoring. The plant's individual units must report their actual energy consumption, and, when planned volumes are exceeded, the growth cause analysis is carried out. Consumption monitoring involves measurements at utilities supply and distribution points. The readings are the basis for the breakdown of costs and their allocation to particular locations where they were generated. Utilities consumption is measured using a special computer system which ensures real-time control of all utilities-processing devices. Data concerning their operation are transmitted to the central management point, which ensures immediate response or correction of any deviations. In addition, as part of ISO 14001 system, the Group has implemented the utilities saving programme and performs energy efficiency audits. The implemented solutions make it possible to predict accurately utilities consumption. The EPS companies improve their energy efficiency due to continuous upgrades of production lines.

Energy consumption within the organisation

Company	Specification	Unit	2015	2016
EPS	Electricity	GJ	236,618	284,036
EPS	Natural gas	GJ	200,394	288,517
EPS	Electricity consumption per production unit	GJ/Mg	2.88	2.45
EPS	Gas consumption per production unit	GJ/Mg	2.44	2.49
FPS	Electricity	GJ		114,643
FPS	Natural gas	GJ		100,304
FPS	Electricity consumption per production unit	GJ/Mg		3.88
FPS	Gas consumption per production unit	GJ/Mg		3.39
ASS	Electricity	GJ		37,990
ASS	Natural gas	GJ		62,838
ASS	Electricity consumption per production unit	GJ/Mg		1.46
ASS	Gas consumption per production unit	GJ/Mg		2.42

GRI G4 EN8, DMA in the Water Aspect

Water usage

In Grupa Kęty S.A. Group, only Grupa Kęty S.A. withdraws water from its own water intakes, i.e. from its well and from the dewatering of the plant's soil. The well is a source of drinking water for the plant and a source of water for domestic purposes and for employees. In addition, water is used for fire-extinguishing purposes. Water from the process of dewatering soils near the plant is the main source of water for production purposes. Water resources are used pursuant to the permit required under the Water Law and the integrated permit. Analyses of the impact of water withdrawal on the environment confirm that related activities do not significantly affect the availability of water resources and the functioning of protected areas. The amount of withdrawn water is kept well below prescribed limits. The ASS and the FPS do not have their own water intakes. Water is purchased from

third-party suppliers on the basis of appropriate agreements. Water in the ASS is used by employees and for production purposes in the process of chemical treatment of aluminium profiles prior to powder coating. In the FPS, due to the nature of its production process, water is used mainly by employees and to extinguish fires.

Segment	WATER SOURCE	Unit	2015	2016
EPS	Underground water	m ³	245,328	216,326
EPS	Dewatering of soils	m ³	359,778	324,691
EPS	Public water supply and sewage system	m ³		4,008
FPS	Public water supply and sewage system	m ³		26,300
ASS	Public water supply and sewage system	m ³		62,004

GRI G4 EN10

Due to the nature of the production process, the recycling and reuse of the water withdrawn from own intakes is related to the EPS. The aim is to increase to maximum the percentage of recycled water in the total volume of water used in production processes, and to reduce the use of the environment. This effect is produced by cooling thermal processes related to aluminium smelting and processing in a closed circulation system. Such a closed circulation system allows for substantial savings in terms of water consumption. Dirty water is discharged or clean water is replenished periodically in small volumes only to prevent the accumulation of suspended solids and petroleum-based substances. Cooling water is discharged to the central wastewater treatment plant.

Volume of water recycled and reused

Company	CLOSED CIRCULATION SYSTEM	Unit	2015	2016
EPS	Water circulating in a closed system	thou. m ³	3,055	3,033

GRI G4 EN22, DMA in the Effluents and Waste Aspect

Among all companies of the Group, only Grupa Kęty S.A. (the EPS) discharges treated industrial waste water directly to the environment. The wastewater is discharged after treatment to the Soła River. Wastewater from the chemical treatment of aluminium elements is first neutralised in pre-treatment works designed specifically for this purpose. The Company holds permits required under the Water Law and its limits are fully observed. Impact reduction was possible due to the installation of separate wastewater neutralisation stations in the systems in which production wastewater is produced. The metering of wastewater discharge points and the application of a number of technical and organisational solutions that ensure the appropriate quality of produced wastewater, such as a multi-stage washing process, microprocessor-based control of reagents dosing, bath recovery equipment, mutual neutralisation of acidic and alkaline wastewater or reuse of leachate in the neutralisation process.

The plants of the ASS do not discharge wastewater directly to the environment. Produced wastewater, after pre-treatment in corporate neutralisation stations, is discharged to sewage systems of third-party companies. Plants have entered into appropriate agreements with sewage companies concerning sewage collection and hold permits required under the Water Law.

Likewise, the FPS companies discharge wastewater to sewage systems of third-party companies. Industrial wastewater from electroplating processes, after treatment in the corporate neutralisation station, is discharged to the sewage system on the basis of agreements and held permits under the Water Law. The requirements of permits required under the Water Law are fully met.

Segment	Specification	Unit	2015	2016
EPS	To public sewage system	thou. m ³ p.a.	20	26
EPS	To surface waters	thou. m ³ p.a.	693	771
EPS	including effluents from the chemical treatment of aluminium	thou. m ³ p.a.	477	446
FPS	To public sewage system	thou. m ³ p.a.		19
ASS	To public sewage system	thou. m ³ p.a.		62
ASS	including effluents from the chemical treatment of aluminium	thou. m ³ p.a.		41

GRI G4 EN23

Waste management

Waste produced in the Group is managed in accordance with EU and Polish regulations, ensuring safety for the environment. Waste is collected selectively. Waste storing areas are separated from the ground, and waste is kept in special hermetic containers. The Company keeps quantitative and qualitative waste records. An advanced computer system is used to monitor waste management. Waste not managed in-house is handed over to companies with required permits. Waste management processes were monitored in the Company's ISO 14001-compliant environmental management system.

Aluminium scrap and melting loss are typical waste produced in the EPS. Aluminium waste is a valuable material for the production of aluminium profiles. For this reason, Grupa Kęty S.A. recycles it and, as a result, aluminium scrap is transformed into ready input material. The Company manages 100% of aluminium waste produced in the plant, and also collects and processes waste from the market.

The main waste produced in the ASS includes waste from aluminium processing, sludge from sewage treatment plants and waste coating powder.

Characteristic waste produced during the packaging manufacturing in the FPS includes waste in the form of multi-material laminates, paper, plastics, waste paints, varnishes and adhesives.

Produced waste and waste management in Grupa KĘTY S.A.

Company	Specification	Unit	2015	2016
EPS	Produced hazardous waste	Mg	1997	3451
EPS	Produced non-hazardous waste	Mg	22076	24633
EPS	Total produced waste	Mg	24073	28084
EPS	Waste produced per production unit	Mg/Mg	0.29	0.24
EPS	Waste recovered	Mg	22202	26204
EPS	Neutralised waste	Mg	1872	1881
FPS	Produced hazardous waste	Mg		1694
FPS	Produced non-hazardous waste	Mg		6916
FPS	Total produced waste	Mg		8610
FPS	Waste produced per production unit	Mg/Mg		0.29
FPS	Waste recovered	Mg		8581
FPS	Neutralised waste	Mg		29
ASS	Produced hazardous waste	Mg		470
ASS	Produced non-hazardous waste	Mg		2490
ASS	Total produced waste	Mg		2960
ASS	Waste produced per production unit	Mg/Mg		0.11
ASS	Waste recovered	Mg		2458
ASS	Neutralised waste	Mg		502

Compliance

The companies of Grupa Kęty S.A. Group comply with all applicable laws and regulations. The results of audits performed in 2016 by the Provincial Environmental Protection Inspectorate and by independent auditors from TUV NORD Cert as part of the supervision of ISO 14001 system confirmed the compliance. The measurements and analyses of the environment quality carried out by the companies are an additional confirmation of the compliance with standards. For the emission of pollutants to the environment, the plant pays regular and timely charges required by law and submits reports to respective offices. In 2016, none of the Group's companies paid any fines or other sanctions for non-compliance with environmental laws and regulations.

Charges and fines related to the use of the environment

Segment	Specification	Unit	2015	2016
EPS	Air emissions charges	PLN	19,223	25,877
EPS	Water withdrawal charges	PLN	50,082	44,799
EPS	Wastewater charges	PLN	50,277	46,832
EPS	Total environmental charges	PLN	119,582	117,508
EPS	Total environmental fines	PLN	0	0
FPS	Air emissions charges	PLN		68,232
FPS	Total environmental fines	PLN		0
ASS	Air emissions charges	PLN		9,593
ASS	Wastewater charges	PLN		1,402
ASS	Total environmental charges	PLN		10,995
ASS	Total environmental fines	PLN		0

GRI G4 EN31

Environmental protection spending

The Group's companies maintain complete records of environmental costs. 'Green accounting' is a model of allocating environmental costs related to corporate accounting, enabling the assessment of their structure and changes over time. The sources of data for the financial evaluation of environmental activities are as follows: expenditure on eco-investments, costs of the maintenance and operation of protection devices, costs of waste disposal and emission purification, legally required environmental charges. The accounting is a tool facilitating the decision-making process in the area of environmental activities as well as investment projects and organisational measures. The priority for expenditure is regular upgrade of machinery and the improvement of the environmental management system going beyond legal requirements. In 2016, the Group's companies adapted their activities to the Industrial Emissions Directive (IED) through the monitoring of soil quality and the improvement of environmental techniques and devices, e.g. in aluminium smelting and chemical treatment systems. Moreover, they took measures to reduce the amounts of withdrawn water and discharged wastewater. As a result of the 'employee suggestions' programme, the Company has implemented a number of projects to improve utilities consumption efficiency or reduce emissions. As part of the environmental management system, the Company has recognised a special provision in the budget which facilitates the effective implementation of the 'Environmental Programme', which is a schedule of environmental measures for a given year.

Segments	Specification	Unit	2015	2016
EPS	Total environmental costs	PLN	3,645,631	4,223,785
EPS	Protection of ambient air and climate	PLN	729,675	777,685
EPS	Wastewater management	PLN	819,323	1,071,944
EPS	Waste management	PLN	439,926	689,322
EPS	Protection of soil, and surface and underground water	PLN	1,592,518	1,439,690
EPS	Other EP costs	PLN	64,265	245,144
FPS	Total environmental costs	PLN		2,762,747
FPS	Protection of ambient air and climate	PLN		1,723,056
FPS	Wastewater management	PLN		371,180
FPS	Waste management	PLN		538,877
FPS	Protection of soil, and surface and underground water	PLN		0
FPS	Other EP costs	PLN		129,634
ASS	Total environmental costs	PLN		1,375,012
ASS	Protection of ambient air and climate	PLN		23,496
ASS	Wastewater management	PLN		829,224
ASS	Waste management	PLN		439,826
ASS	Protection of soil, and surface and underground water	PLN		19,216
ASS	Other EP costs	PLN		63,250

GRI G4 EN34

Environmental impact grievances

None of the companies of Grupa Kęty S.A. Group received any stakeholder grievance concerning the use of the environment. Environmental auditing authorities and local residents did not have any complaints, which confirms that the plant's impact is under control. The Company's open information policy, including the publication of annual environmental reports, helped increase stakeholders' awareness of the nature and extent of the Company's impact on the environment.

ECOLOGICAL SENSITIVITY

When Grupa Kęty S.A. joined UN Global Compact initiative, it significantly affected the scope and nature of its environmental measures. We focused even more on the preventative approach to the environment, the application of ecological technologies and projects aiming at the promotion of ecological responsibility attitude. We increased the effectiveness of the use of natural resources, and modernised the infrastructure to a large extent. The measures were implemented in a formal manner on the basis of international environmental standards. In addition to operational activities and processes that continuously influence our business philosophy in the area of ecology, which claims: "We are aware that we impact the environment in a direct and indirect way, therefore we operate in such a way so as to reduce this influence to minimum," the Company carries out a number of educational activities and programmes to promote ecological attitudes and behaviour. The most important measures in this area in 2016 include:

- 'A Top to Get a Wheelchair' programme – it is an ongoing programme implemented across the Group. In 2016, as many as 1,109 kg of bottle tops were collected. Over 2.5 tonnes have been collected since the beginning of the campaign. The money from the sales of bottle tops is donated via the Foundation to a family from Międzyrzecze for the purchase of a wheelchair.

- In 2016, it became a partner of 'Let's Clean the Beskids 2016' initiative. Together with the organiser (Polish Tatra Society, branch in Bielsko-Biała), it encouraged its employees and children supported by 'Grupa Kęty for the Children of Podbeskidzie Region' Foundation to participate in the campaign. As part of the campaign, there were three excursions combined with the cleaning of mountain trails.

- 'Bike Helps' programme – it is a great project which combines ecology with charity. 'ARKA' ecological foundation is the main initiator and organiser of the project. You can exchange kilometres ridden on a bike for points and donate them to specific beneficiaries who, after reaching certain levels of points, are given bikes. In 2016, 'Grupa Kęty for the Children of Podbeskidzie Region' Foundation was a beneficiary in this campaign. It donated two granted bikes to the Children's Home from Bielsko-Biała. Employees of the companies of Grupa Kęty S.A. Group were among the participants in this initiative.

- In 2016, Grupa Kęty S.A. became a Patron of 'Eco-Inspiration 2016', one of the most prestigious ecological awards in Poland and one of the biggest events on the market promoting sustainability ideas. The programme is focused on social and consumer education. It awards innovative and eco-friendly brands, products, companies, institutions, organisations and personalities committed to environmental protection and sustainability.

8.7. ABOUT THE REPORT

GRI G4 18; GRI G4 19; GRI G4 20; GRI G4 21; GRI G4 22; GRI G4 23; GRI G4 28; GRI 29; GRI G4 30; GRI G4 31; GRI G4 32; GRI G433, GRI G4 42

This declaration has been prepared for the second time. When preparing the declaration, the Company was inspired by the guidelines of GRI G4 standard. The previous such report was published in March 2015. The organisation discloses the same range of data (quantity and type of indicators); however the reporting area changes. The change, as compared to the previous declaration, involves the expansion of the group of the Group's companies for which we disclose non-financial data. In 2015, the Company presented only the data for Grupa Kęty S.A. In this declaration, it has disclosed data from three main business segments of Grupa Kęty S.A. Group.* These entities are presented in detail in the report as they generate most of the sales revenue of Grupa Kęty S.A. Group.

The Company reports such information on an annual basis; hence, the information contained herein refers to the calendar year 2016. Disclosed information refers to the aforementioned segments, except when the text refers to activities carried out across Grupa Kęty S.A. Group (e.g. ethics, the activities of the corporate Foundation or ecological sensitivity projects). The reporting scope is also presented in the GRI Table. The Company has not introduced any corrections of the information presented in the previous report.

When preparing the report, we applied selected indicators proposed in GRI G4 in the CORE version. The report was drawn up in the collaboration with the internal project team, which featured many employees responsible for particular aspects discussed in the report, including HR, environmental protection, investor relations, CSR, sales, production, procurement, etc.

Mr Zbigniew Paruch, Chief PR Specialist, is the person supervising the process of the report preparation and the contact person for the report. The dedicated project team, which prepared this report in the cooperation with the Management Board of Grupa Kęty S.A., identified material aspects for the organisation that we present in this report. They were selected mainly on the basis of our CSR Policy, which is the primary document and the Company's philosophy in the area of corporate social responsibility. It determined our activities in this area a long time ago. In the report, we focused on these aspects, trying to present them in a credible, transparent, balanced, comparable, accurate and timely manner. When presenting them, we tried to observe GRI principles:

- stakeholder inclusiveness
- materiality
- sustainability context
- completeness

The Sustainable Development and Social Responsibility Steering Committee plays an important role in the process of determining the philosophy of activities and areas of commitment. At its meetings, the Committee takes important decisions concerning the operational management of the entire Group in accordance with the vision, mission and values, which are paramount for us. The report was audited by an independent auditor selected by the Company's Supervisory Board. The audit covered financial figures only.

This report presents the following material aspects:

Labour Practices and Decent Work, particularly: Employment; Occupational Health and Safety; Diversity and Equal Opportunity; Training and Education; Labour Practices Grievance Mechanisms (within the organisation).

Human Rights, particularly: Non-discrimination; Human Rights Grievance Mechanisms (within the organisation).

Society, particularly: Local Communities, Public Policy (within and outside the organisation).

Environmental, particularly: Materials; Water; Emissions; Effluents and Waste;

Compliance (within the organisation).

Ethics and Integrity

* Disclosed information refers only to Polish companies; in addition, in the Flexible Packaging Segment, we do not disclose data from Alupol Films Sp. z o.o. (the company did not carry out business activities for the most part of 2016) and, in the Aluminium Systems Segment, we do not disclose data from Metalplast Stolarka Sp. z o.o. and ROMB S.A. (in 2016, both companies were undergoing the reorganisation of the business segment). In addition, the comparative information for 2015 in the EPS refer only to Grupa Kęty S.A.

8.8. GRI INDICATORS

INDICATOR AND ITS DESCRIPTION	PAGE NUMBER IN THE REPORT OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A.	GLOBAL COMPACT PRINCIPLES	PN-ISO 26000 KEY AREAS
STRATEGY AND ANALYSIS			
G4-1 Statement from CEO or equivalent senior position about the relevance of sustainability to the organisation and the organisation's strategy.	2-3;21		
G4-2 Description of key impacts, risks, and opportunities.	15-17; 49		
ORGANISATIONAL PROFILE			
G4-3 Name of the organisation.	4		
G4-4 Primary brands, products, and services.	4		
G4-5 Location of the organisation's headquarters.	4		
G4-6 Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	4, 15		
G4-7 The nature of ownership and legal form.	4, 7		
G4-8 Markets served, including geographic breakdown, sectors served, and types of customers and beneficiaries.	6-7; 15		
G4-9 Scale of the organisation.	4; 6		
G4-10 Total number of employees and workforce by employment type, employment contract type, region, and gender.	25-27	Principle 1	

G4-11 Percentage of total employees covered by collective bargaining agreements.	27-28		
G4-12 Description of the organisation's supply/value chain.	7		
G4-13 Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	5-7		
G4-14 Report whether and how the precautionary approach or principle is addressed by the organisation.	34	Principle 8	
G4-15 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	21-22		
G4-16 Memberships of associations (such as industry associations) and/or national or international advocacy organisations.	21-22		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17 The organisational structure of the organisation, including main departments, subsidiaries, related parties and joint ventures, indicating which of them are not covered by the report.	5-6		
G4-18 Process for defining the report content and the Aspect Boundaries. The implementation of the Reporting Principles for Defining Report Content.	41-42		
G4-19 All the material Aspects identified in the process for defining report content.	41-42		
G4-20 For each material Aspect, report the Aspect Boundary within the organisation.	41-42		
G4-21 For each material Aspect, report the Aspect Boundary outside the organisation.	41-42		
G4-22 Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	41-42		
G4-23 Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	41-42		
STAKEHOLDER ENGAGEMENT			
G4-24 A list of stakeholder groups engaged by the organisation.	22-23		
G4-25 Basis for identification and selection of stakeholders with whom to engage.	22-23		
G4-26 Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	22-23		
G4-27 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded, including through its reporting, indicating the stakeholder groups that raised each of the key topics and concerns.	22-23		
REPORT PROFILE			
G4-28 Reporting period.	41-42		
G4-29 Date of most recent previous report.	41-42		
G4-30 Reporting cycle.	41-42		
G4-31 Contact point for questions regarding the report or its contents.	41-42		
G4-32	41-42		
a) 'In accordance' option the organisation has chosen.	41-42		
b) GRI Content Index for the chosen option.	41-42		
c) Reference to the External Assurance Report, if the report has been externally assured.	41-42		
G4-33 Organisation's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided and the relationship between the organisation and the assurance providers.	41-42		
GOVERNANCE			
G4-34 Governance structure of the organisation, including committees of the highest governance body, indicating any committees responsible for decision-making on economic, environmental and social impacts.	57-58		
G4-35 The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	54-55		
G4-42 The highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	21-22, 42, 57		Governance

G4-51 The remuneration policies for the highest governance body and senior executives.	10-11		
ETHICS AND INTEGRITY			
G4-56 Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	24	Principles 1, 2, 3, 5, 7, 8,10	Fair operating practices; Labour practices; Human rights
G4-57 The internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.	24		
G4-58 The internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	24		
ECONOMIC			
Economic Performance			
G4-EC1 Direct economic value generated and distributed.	12		
G4-DMA Management approach to the Economic Performance Aspect.	12		
Procurement Practices			
G4-EC9 Proportion of spending on local suppliers at significant locations of operation.	7		
G4-DMA Management approach to the Procurement Practices Aspect.	7		
ENVIRONMENTAL			
Materials			
G4-EN1 Materials used by weight or volume.	35-36		
G4-EN2 Percentage of materials used that are recycled input materials.	36		The environment / Sustainable resource use
G4-DMA Management approach to the Materials Aspect.	35-37		
Energy			
G4-EN3 Energy consumption within the organisation.	36		
Water			
G4-EN8 Total water withdrawal by source.	37		
G4-EN10 Percentage and total volume of water recycled and reused.	38		The environment / Sustainable resource use
G4-DMA Management approach to the Water Aspect.	37-38		
Emissions			
G4-EN15 Direct greenhouse gas (GHG) emissions by weight.	34-35		
G4-EN21 NO _x , SO _x and other significant air emissions by compound type and weight.	35		
G4-DMA Management approach to the Emissions Aspect.	34		The environment / Prevention of pollution
Effluents and Waste			
G4-EN22 Total water discharge by quality and destination.	37-38		
G4-EN23 Total weight of waste by type and disposal method.	38-39		
G4-DMA Management approach to the Effluents and Waste Aspect.	37-39		
Compliance			
G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	39		
G4-DMA Management approach to the Compliance Aspect.	39		
Overall			
G4-EN31 Total environmental protection expenditures and investments by type.	39-40		
Environmental Grievance Mechanisms			
G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	40		
SOCIAL			

Labour Practices and Decent Work			
Employment			
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region.	27		Labour practices / Employment and employment relationships
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees.	27		
G4-LA3 Return to work and retention rates after parental leave, by gender	29	Principles 1, 6	
G4-DMA Management approach to the Employment Aspect.	25	Principle 1	
Labour/Management Relations			
G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	28		Labour practices / Social dialogue
Occupational Health and Safety			
G4-LA5 Percentage of total workforce represented in formal joint management—worker health and safety committees.	30		
G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	30		
G4-DMA Management approach to the Occupational Health and Safety Aspect.	30-31		Labour practices / Health and safety at work
Training and Education			
G4-LA9 Average hours of training per year per employee by employee category.	29-30		
G4-DMA Management approach to the Training and Education Aspect.	29-30		Labour practices / Human development and training in the workplace
Diversity and Equal Opportunity			
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	10		
G4-DMA Management approach to the Diversity and Equal Opportunity Aspect.	28	Principles 1, 6	Human rights / Discrimination and vulnerable groups
Equal Remuneration for Women and Men			
G4-LA13 Ratio of basic salary and remuneration of women to men by employee category.	28	Principles 1, 6	
Labour Practices Grievance Mechanisms			
G4-LA16 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms.	24, 28	Principle 2.6	
G4-DMA Management approach to the Labour Practices Grievance Mechanisms Aspect.	24	Principle 2.6	
Human Rights			
Non-discrimination			
G4-HR3 Total number of incidents of discrimination and corrective actions taken	28	Principles 1, 6	
G4-DMA Management approach to the Non-discrimination Aspect.	28	Principles 1, 6	Human rights/ Discrimination and vulnerable groups / Due diligence / Fundamental principles and rights at work
Human Rights Grievance Mechanisms			
G4 HR 12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	24	Principle 2.6	
G4-DMA Management approach to the Human Rights Grievance Mechanisms.	24	Principle 2.6	
Society			
Local Communities			
G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	32-33	Principles 1, 8	
G4-DMA Management approach to the Local Communities Aspect.	32	Principles 1, 8	Community involvement and Development / Community involvement / Education and culture / Employment creation and skills development
Anti-Corruption			

G4-S04 Communication and training on anti-corruption policies and procedures.	24	Principle 10	
Public Policy			
G4-S06 Total monetary value of financial and in-kind political contributions made by the organisation by country and recipient/beneficiary	23	Principle 10	

9. DERIVATIVE FINANCIAL INSTRUMENTS

Details concerning derivative financial instruments are presented in note 38 to the Financial Statements of Grupa Kęty S.A. for 2016.

10. BORROWINGS AND OTHER LIABILITIES

10.1. BANK LOANS AND FINANCE LEASE

LONG-TERM LOANS				
Lender	Loan currency	Security	31.12.2016	31.12.2015
BGŻ BNP Paribas Polska	PLN	First capped mortgage on real properties owned by Grupa Kęty S.A. and Alupol Packaging Kęty sp. z o.o. up to 50 million PLN, including the assignment of rights from insurance policies for the said real properties up to 35 million PLN.	0	3,798
BGŻ BNP Paribas Polska	PLN	Collective mortgage on the Company's real properties up to 36 million PLN. The assignment of rights from the insurance policy for the said real property amounting to 36 million.	15,181	20,000
TOTAL LONG-TERM LOANS:			15,181	23,798

SHORT-TERM LOANS AND BORROWINGS				
Lender	Loan currency	Security	31.12.2016	31.12.2015
BGŻ BNP Paribas Polska	PLN	Short-term part of long-term loans – the same securities as in the case of the long-term loan.	11,702	17,329
ING Bank Polska	EUR, PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. and Metalplast Stolarka Sp. z o.o.	3	3
BNP Paribas Polska	PLN, EUR	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 100 million PLN), Metalplast Stolarka Sp. z o.o. (up to 10 million PLN), Alupol Packaging S.A. (up to 15 million PLN), Aluprof S.A. (up to 20 million PLN), Romb S.A. (up to 10 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 15 million PLN), Alupol Films sp. z o.o. (up to 20 million PLN) + blank promissory notes of the aforementioned companies	5,608	4,979
Bank PeKaO S.A.	PLN, EUR, USD,	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 200 million PLN), Alupol Packaging S.A. (up to 40 million PLN), Aluprof S.A. (up to 55 million PLN), Metalplast-Stolarka sp. z o.o. (up to 40 million PLN), Aluform sp. z o.o. (up to 10 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 40 million PLN), Alupol Films sp. z o.o. (up to 12 million PLN) and Aluminium Kęty Emmi d.o.o. (up to 20 million PLN).	22,205	42,026

Societe Generale	EUR, PLN	Surety of Aluprof S.A. up to 5 million PLN	13,771	3,705
Bank PKO BP	PLN, EUR, USD	Joint and several liability of the following companies: Grupa KĘTY S.A. (up to 80 million PLN), Alupol S.A. (up to 20 million PLN), Aluprof S.A. (up to 60 million PLN), Alupol Packaging Kęty sp. z o.o. (up to 20 million PLN), Romb S.A. (up to 10 million PLN)	3,843	3,312
Alutech Sp. z o.o.	PLN	N/A	0	1,500
TOTAL SHORT-TERM LOANS AND BORROWINGS:			56,502	72,854

All loans bear interest at Wibor/Euribor rates plus the bank's margin. Loans repayments resulted from the repayment schedule. Borrowings are related to the management of the Company's liquidity.

10.2. CONTINGENT LIABILITIES

Item	31.12.2016	31.12.2015
Bank guarantee securing production hall rental payments	434	411
Total granted guarantees	434	411

In addition, the Company received or granted guarantees and sureties presented in the table below. According to the Company's present estimates, the guarantees and sureties presented below will not be realised.

Granted guarantees and sureties for subsidiaries:

For:	Purpose	Amount	Maturity
Aluprof S.A.	Security for a working capital loan	5,000	27-04-2017
Aluminium Kęty Emmi d o.o.	Security for a working capital loan	13,277	15-11-2017

Guarantees and sureties from subsidiaries

From:	Purpose	Amount	Maturity
Aluprof S.A.	Loan security	5,000	27-06-2017

In addition:

Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o. and Romb S.A. entered into an agreement with PKO BP S.A. for an overdraft facility up to the total amount of 80 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amounts of the said loan drawn by other companies as at the balance sheet date amounted to 4,066 thousand PLN. The agreement is valid until 30.09.2017.

Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films, Aluform sp. z o.o., Metalplast Stolarka sp. z o.o. and Aluminium Kęty Emi d.o.o. entered into an agreement with Pekao S.A. for an overdraft facility up to the total amount of 200 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amounts of the said loan drawn by other companies as at the balance sheet date amounted to 137,895 thousand PLN. The agreement is valid until 31.10.2017.

Grupa Kęty S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with ING S.A. for an overdraft facility up to the total amount of 65 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amount of the said loan drawn by Metalplast Stolarka as at the balance sheet date amounted to 24,951 thousand PLN. The agreement is valid until 30.06.2017.

Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A., Metalplast Stolarka Sp. z o.o., Alupol Packaging Kęty Sp. z o.o., Alupol Films Sp. z o.o. and ROMB S.A. entered into an agreement with BNP Paribas Polska S.A. for an overdraft facility up to the total amount of 100 million PLN. All the companies being parties to this agreement are jointly and severally liable for the liabilities related to this loan. The amount of the said loan drawn by the companies as at the balance sheet date amounted to 58,235 thousand PLN. The agreement is valid until 29.08.2017.

Grupa Kęty S.A., Aluform sp. z o.o., Aluprof S.A. and Metalplast Stolarka sp. z o.o. entered into an agreement with BNP Paribas Polska S.A. for a guarantee facility up to the total amount of 35 million PLN, and Grupa Kęty S.A. granted its surety for the said agreement. As at the balance sheet date, Metalplast Stolarka issued guarantees under this agreement amounting to 14,040 thousand PLN. This agreement will be valid until the expiry of the guarantees and the last guarantees for this loan will expire in 2023.

Grupa Kęty granted its surety for bills of exchange securing a guarantee line agreement amounting to 20,000 thousand PLN between Metalplast-Stolarka Sp. z o.o. and Euler-Hermes. As at the balance sheet date, the value of issued guarantees amounted to 1,071 thousand PLN. The guarantee is valid until 28.02.2018.

Grupa Kęty assumed liability for the guarantees of Euler-Hermes issued for customers of Metalplast-Stolarka Sp. z o.o. As at the balance sheet date, the value of issued guarantees amounted to 3,232 thousand PLN. The guarantee is valid until 11.04.2017.

Apart from the aforementioned liabilities, there are no other contingent liabilities for entities from outside the Group.

11. THE PRINCIPLES OF FINANCIAL RISK MANAGEMENT

GRI G4 2

The basic risks as well as objectives and principles of risk management in Grupa Kęty S.A. did not change as compared to the ones published in the most recent annual financial statements of Grupa Kęty S.A. for 2016. Details concerning 2016 are presented in note 37 to the Financial Statements of Grupa Kęty S.A. for 2016.

12. ADDITIONAL INFORMATION

12.1. RELATED PARTY TRANSACTIONS

Intra-Group transactions from the point of view of the parent company:

Subsidiary		Sales	Purchases	Dividends	Receivables	Liabilities
Aluprof S.A.	2016	192,097	3,590	85,000	40,364	596
	2015	187,189	3,241	71,000	31,215	218
Alupol Packaging S.A.	2016	1,686	0	60,000	182	0
	2015	1,128	0	40,000	111	0
Alutech Sp. z o.o. w likwidacji	2016	4	0	0	0	0
	2015	14	0	0	0	0
Alu Trans System Sp. z o.o.	2016	3	02	0	0	0
	2015	5,750	212	0	0	0
Dekret Sp. z o.o.	2016	797	1,514	150	71	162
	2015	768	1,384	69	67	281
Aluprof Węgry Ltd	2016	159	220	0	29	73
	2015	585	318	0	20	107
Metalplast Stolarka Sp. z o.o.	2016	1,549	453	0	277	59
	2015	4,872	394	0	1,495	38
Alupol Ukraina Sp. z o.o.	2016	3,080	6,451	0	178	1,075
	2015	2,566	5,588	0	980	452
ROMB S.A.	2016	716	4	0	121	0
	2015	977	3	0	258	0
Aluform Sp. z o.o.	2016	2,582	59,279	9,364	340	4,778
	2015	1,717	48,695	13,000	134	3,947
Alupol Packaging Kęty Sp. z o.o.	2016	8,654	113	0	1,106	113
	2015	8,086	130	0	1,060	113
Alupol Films sp. z o.o.	2016	24	0	0	25	0
	2015	0	0	0	0	0
Aluprof System Czechy Ltd	2016	0	2,042	0	0	53
	2015	0	451	0	0	26
Aluprof Schelfhaut NV	2016	59	0	0	50	0
	2015	0	0	0	0	0
Grupa Kęty Italia s.r.l.	2016	0	1,513	0	0	201
	2015	0	1,343	0	0	223
Aluminium Kety Emmi d.o.o.	2016	141	93	0	97	87
	2015	0	0	0	0	0
Aluminium Kety Deutschland GmbH	2016	0	411	0	0	0
	2015	0	0	0	0	0
Marius Hansen Facader A/S	2016	16	0	0	0	0
	2015	0	0	0	0	0
Total	2016	211,568	75,683	154,513	42,840	7,197
Total	2015	213,652	61,759	124,069	35,340	5,405

In the current year, the Company received the payment for the receivables covered by a write-down from Alupol LLC Ukraine amounting to 5,983 thousand PLN; as a result, the Company reversed the write-down in this amount. In the previous year, due to the receipt of the payment from Alupol LLC Ukraine, the Company reversed the write-down of receivables from this company amounting to 2,728 thousand PLN.

In addition, during 2016, the Company recognised a write-down of shares in Metalplast Stolarka amounting to 13,815 thousand PLN.

Furthermore, in the reporting period, the Company paid a donation to 'Grupa Kęty Dzieciom Podbeskidzia' ('Grupa Kęty for the Children of Podbeskidzie Region') Foundation amounting to 54 thousand PLN (previous year: 15 thousand PLN). The said Foundation was established by Grupa Kęty S.A. in 2011. The Company contributed 50 thousand PLN as the Founder's capital. The Foundation is a non-profit organisation accomplishing social objectives.

Apart from the transactions described in note 34 (guarantees and sureties) and note 36.5 in the financial statements, the Group did not carry out any other related party transactions.

The transactions with the Management Board and the Supervisory Board are described in note 36.4 of the financial statements. There were no other significant related party transactions apart from the aforementioned transactions and balances.

12.2. THE AGREEMENT WITH THE ENTITY AUDITING THE FINANCIAL STATEMENTS

On 14.04.2016, the Supervisory Board of Grupa Kęty S.A., acting pursuant to § 21 Clause 2 item 11 of the Company's Articles of Association, selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw (Auditor Registration No. 130, Company Registration (KRS) No. 0000481039) as the auditor to audit the separate financial statements of Grupa Kęty S.A. and the consolidated financial statements of Grupa Kęty S.A. Group for the years 2016-2019, as recommended by the Audit Committee. In 2015, the financial statements were audited by PricewaterhouseCoopers Sp. z o.o. The table below presents the auditor's remunerations in 2016 and 2015:

	2016	2015
Remuneration for the audit of annual separate and consolidated financial statements	68,000 PLN	54,000 PLN
Remuneration for semi-annual reviews	30,000 PLN	30,000 PLN
Additional procedures related to works on financial statements (energy-related assets)	0 PLN	15,000 PLN
Auditor's total remuneration for the period	98,000 PLN	99,000 PLN

Apart from the above-mentioned services, the Group did not take advantage of other services rendered by the auditor auditing the financial statements of the parent company.

12.3. THE CONTROL SYSTEM FOR EMPLOYEE SHARE PROGRAMMES

The share-based incentive programmes are approved in Grupa Kęty S.A. by the General Meeting of Shareholders and supervised by the Company's Supervisory Board.

12.4. PENDING PROCEEDINGS

The companies of Grupa Kęty S.A. Group, as at the last day of the reporting period and as at the date of this report, were not a party to any proceedings pending in the court, competent arbitration court or public administration authority with the total value accounting for at least 10% of the equity of Grupa Kęty S.A.

12.5. DIFFERENCES BETWEEN ACCOMPLISHED FINANCIAL RESULTS AND PUBLISHED FORECASTS

Disclosed financial results do not differ to a large extent from increased forecasts published on 21 September 2016.

12.6. THE METHOD OF USING THE PROCEEDS FROM THE ISSUE BY THE ISSUER

As part of the programme of the issue of employee shares, in the reporting period, eligible employees subscribed for the total of 24,683 series G shares from the first part of the 2012 programme. Detailed information is presented in the table below. The related proceeds were allocated to the financing of the current operations of the Company.

Shares	Issue price	Number	Value ('000' PLN)
Series G shares (first part) – the 2012 programme	117.10	24,683	2,890.4
TOTAL	-	24,683	2,890.4

12.7. PURCHASE OF TREASURY SHARES

The Company did not purchase treasury shares in the period covered by this report.

12.8. EVENTS AFTER THE REPORTING PERIOD

On 7 February 2017, the Management Board of Grupa Kęty S.A. published forecasts for 2017, updated Strategy 2020 and the recommendation concerning the payment of dividend amounting to 80% of the consolidated net profit.

13. CORPORATE GOVERNANCE STATEMENT

1.1. Corporate governance principles and scope of compliance

In 2016, the Company was subject to corporate governance principles described in the document *Best Practice of GPW Listed Companies 2016*, ('Corporate Governance Principles', 'BP') which is Attachment to Resolution No. 26/1413/2015 of the Supervisory Board of Warsaw Stock Exchange dated 13 October 2015. Due to the adoption by the Board of Warsaw Stock Exchange, by virtue of its Resolution No. 26/1413/2015 of 13 October 2015, of *Best Practice of GPW Listed Companies 2016*, the Company's Management Board, by virtue of its Resolution No. 1/2016, adopted the statement on the compliance with *Best Practice of GPW Listed Companies 2016* in Grupa Kęty S.A. The scope of the compliance with the corporate governance principles laid down in the said document was also defined in EBI report No. 1/2016 published by the Company on 16 March 2016.

The text of the statement, indicating the extent to which the Company declares compliance with the principles, is available on the corporate website in the section concerning corporate governance in Grupa Kęty S.A.

In 2016, Grupa Kęty S.A. complied with the corporate governance principles described in *Best Practice of GPW Listed Companies 2016* published by Warsaw Stock Exchange on the basis of Resolution No. 26/1413/2015 of the Supervisory Board of Warsaw Stock Exchange dated 13 October 2015. Due to the shareholding structure, the absence of the information from shareholders about their expectations regarding the method of conducting the general meeting of shareholders using electronic communications means, and the inability to provide technical infrastructure necessary for the general meeting of shareholders to proceed efficiently using electronic communications means and to ensure

proper security of electronic communications during the general meeting of shareholders of Grupa Kęty S.A., the Company did not comply with Recommendation IV.R.2. Grupa Kęty S.A. ensured real-time broadcast of general meetings of shareholders in the form of online broadcast.

In addition, the Company did not comply with two detailed principles laid down in II. Z.2 and V.Z.6. in BP 2016. Pursuant to II.Z.2, a company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board. In its commentary, the Company declared appropriate amendments in the Company's Articles of Association in 2016 and, after their introduction, principle II.Z.2 is now complied with.

On the other hand, as per principle V.Z.6. of BP 2016, in its internal regulations, a company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. In 2016 the Company's internal regulations were expanded and in 2017 the Company will continue its efforts to meet all the requirements of this principle.

The information about the decision not to comply with the aforementioned recommendation IV.R.2 and principle V.Z.6. has been posted by Grupa Kęty S.A. on its corporate website in the section concerning corporate governance in Grupa Kęty S.A.

1.2 The description of basic characteristics of the internal control and risk management systems implemented in Grupa Kęty S.A. in relation to the process of preparing financial statements and consolidated financial statements

The Group's Management Board is responsible for the development and implementation of an appropriate, effective and efficient internal control and risk management systems in relation to the process of preparing financial statements. The Financial Function, supervised by a Member of the Management Board of Grupa Kęty S.A. is responsible for the preparation of financial statements, interim financial reporting and ensuring management information. The Supervisory Board supervises the operation of the internal control system, evaluating its appropriate nature, effectiveness and efficiency via its Audit Committee and the Internal Audit unit.

The financial statements are prepared directly by Dekret Centrum Rachunkowe sp. z o.o., a wholly-owned subsidiary of Grupa Kęty S.A. Dekret employs accounting specialists, who have knowledge supported with required certificates and education, and appropriate experience needed to prepare such statements in an appropriate way.

Grupa Kęty S.A. adopted the Accounting Policy conforming to the International Financial Reporting Standards, the chart of accounts and reporting databases, having regard for the format and detailed nature of financial figures presented in financial statements.

The internal control system in the process of preparing financial statements aims at ensuring accurate, complete and correct accounting for all business transactions in a given period, and is based on the division of duties, the approval of transactions and data on multiple levels, and the verification of the correctness of obtained information.

The process of preparing financial statements comprises control mechanisms of technical nature (numerical and logical control formulas) and substantive nature (the analysis of outcomes of control reports). The following risks were identified in the process of preparing financial statements:

- erroneous input data;

- faulty data presentation system;
- the application of erroneous estimates;
- lack of the integration of IT systems.

The risks are mitigated by:

- the uniform system of mapping data from source systems to financial statements, which ensures the proper presentation of data;
- reviews conducted by internal specialists, mainly so as to confront their knowledge with financial figures and detect any possible improper presentations of data and erroneous input data;
- estimates are based on the best knowledge of the Management Board and certain estimates are prepared with the assistance of independent advisors (e.g. licensed actuaries or property appraisers);
- the Company's and the Group's financial statements are audited on an annual basis and reviewed every six months by an independent auditor; annual audits and reviews conducted every six months are supposed to detect material irregularities, including omissions, in the process of preparing financial statements;
- the Company operates an integrated IT system, which ensures full data integration; the verification of data from the IT system is monitored according to the Company's IT systems security procedures.
- the reporting of the companies of the Group which is maintained according to the uniform principles pursuant to the uniform Chart of Accounts applicable in the Group.

The observance of respective laws and regulations (compliance-related tasks).

The risk management structures in Grupa Kęty S.A. allow for the coordination of measures aiming at ensuring compliance with respective laws and regulations both in particular business segments and at the level of the Group. The structures comprise departments in the Head Office of Grupa Kęty S.A. responsible for separate areas; corresponding structures in subsidiaries; the Group's procedures system called OrangeBook; defined competencies of departments; and the structures of the developed ERM system.

The ERM system ensures, in organisational terms, a multi-directional circulation of information between the companies of the Group, and provides a system improvement mechanism for the entire Group. And, the established system of guidelines called OrangeBook allows the companies of the Group to take advantage of the knowledge and have a proper approach to the issues related to the legal requirements and the conducting of business activities.

1.3. Shareholders holding, directly or indirectly, qualifying holdings, the number of shares held by such entities, their percentage of the share capital, the number of votes resulting from them and their percentage of the total number of votes at the General Meeting of Shareholders

The information concerning major shareholders is available in item 3.1 of this Report.

1.4. Owners of all securities which incorporate special control rights and their description

The Company did not issue securities with special control rights to shareholders or other entities. The shares of Grupa Kęty S.A. are ordinary bearer shares. Each share entitles its holder to one vote at the General Meeting of Shareholders.

1.5. Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

The Company did not introduce any special restrictions on voting rights.

1.6. Any restrictions on the transfer of securities of Grupa Kęty S.A.

The transfer of securities issued by the Company is not restricted. No issued series of shares give their holders any special control rights concerning the issuer. They also do not impose limitations concerning the exercising of voting rights or other rights of shareholders. In addition, there are no restrictions on the transfer of the issuer's securities.

GRI G4 35

1.7. The rules of appointing and dismissing managing persons and concerning their rights, including the right to decide to issue or redeem shares

The Management Board is composed of 1 to 5 Members, where the remaining Members of the Management Board are appointed upon the motion of the President of the Management Board. Members of the Management Board may be appointed and dismissed at any time by the Supervisory Board with a simple majority of the votes cast. The term of office of the Members of the Management Board is three years.

Any matters related to the management of the Company's affairs, not reserved to other authorities of the Company, are resolved by the Management Board. The working procedure of the Management Board is determined in detail in the By-laws of the Management Board, adopted by the Management Board and approved of by the Supervisory Board, which are available at <http://www.grupakety.com/pl/18,dokumenty-spolki.html>.

In particular, the Management Board is authorised to determine the Group's strategy; approve of the economic and financial plan; establish, transform and wind-up the Company's business units; exercise owner supervision over the Group's companies. Members of the Management Board do not have the right to decide on the issue or redemption of shares; they only have the right to initiate measures concerning the issue or redemption of shares.

1.8. The rules governing the amendments to the Company's Articles of Association

Any amendment to the Articles of Association calls for a resolution of the General Meeting of Shareholders adopted with the majority of 3/4 of votes, and the amendment must be registered in the National Court Register (Article 430 of the Polish Code of Commercial Companies). The obligation to report the amendment to the Articles of Association is the responsibility of the Company's Management Board. The Management Board has an obligation to report an amendment to the Articles of Association within three months from the adoption of an appropriate resolution.

1.9. The operation mode of the General Meeting of Shareholders and its essential rights and the description of the rights of shareholders and of the method of their exercising, particularly the principles resulting from the by-laws of the General Meeting of Shareholders, if such by-laws were adopted, if the relevant information does not follow directly from the law

Pursuant to the Company's Articles of Association and the By-laws of the General Meeting of Shareholders, General Meetings of Shareholders are held in the Company's registered office in Bielsko-Biała or in Warsaw. They are convened by the Management Board on the basis of a notice published on the Company's website and in the manner specified for the publication of current information according to the provisions on public offer and the conditions for introducing financial instruments to an organised trading system and on public companies. A General Meeting of Shareholders may be convened also by the Supervisory Board or shareholders representing at least half of the share capital. Shareholders representing at least 5% of the share capital may request the

convening of the General Meeting of Shareholders and including certain specific items in the agenda of the Meeting.

A General Meeting of Shareholders is valid regardless of the number of the shares represented at it. Pursuant to the adopted By-laws, the General Meeting of Shareholders is opened by the Chairman of the Company's Supervisory Board or a person indicated by him/her; afterwards, the aforementioned person orders to elect the Chairman of the General Meeting of Shareholders from among persons having voting rights. Candidates for the position of the Chairman of the General Meeting of Shareholders may be put forward by persons authorised to vote at the General Meeting of Shareholders. Following the election of the Chairman, he/she declares that the General Meeting of Shareholders is validly held and that it is capable of adopting resolutions as regards matters included in the agenda, and orders to adopt the agenda. During the meeting, the Chairman is responsible and has the right to supervise the compliance of the proceedings of the General Meeting of Shareholders with the Polish Code of Commercial Companies, the Company's Articles of Association and the By-laws of the General Meeting of Shareholders; to give and take the floor to the participants of the General Meeting of Shareholders; to order breaks during discussions; to order voting on resolutions; to confirm that the discussion on them is properly held and its results are correct and valid.

Due to the fact that the Company is a public company, only the shareholders who are owners of bearer shares 16 days prior to the date of the General Meeting of Shareholders may participate in it and exercise their voting rights. They must properly register the participation in the General Meeting of Shareholders pursuant to the Polish Code of Commercial Companies. Furthermore, Members of the Management Board and of the Supervisory Board as well as the Company's Certified Auditor and other persons invited by the authority convening the General Meeting of Shareholders may participate in the General Meeting of Shareholders, unless, upon the request of shareholders filed before proceeding to the discussion over issues included in the agenda, the General Meeting of Shareholders decided otherwise with a simple majority of votes.

The list of shareholders entitled to participate in the General Meeting of Shareholders, signed by the Management Board, including the names and surnames or business names of entitled persons or companies, their addresses (addresses of registered offices), the number of their shares and the number of their votes, is available in the registered office/on the premises of the Management Board of the Company three business days prior to the General Meeting of Shareholders.

Pursuant to the Company's Articles of Association, the By-laws of the General Meeting of Shareholders of Grupa Kęty S.A. and legal regulations, the Company's shareholders may:

- participate in the General Meeting of Shareholders and exercise their voting rights in person or through proxies;
- run for the Chairman of the General Meeting of Shareholders or propose one candidate for the position of the Chairman of the General Meeting of Shareholders who will be included in the minutes;
- ask questions concerning each item on the agenda;
- raise objections to decisions of the Chairman of the General Meeting of Shareholders; the General Meeting of Shareholders decides by virtue of its resolution whether a decision of the Chairman of the General Meeting of Shareholders should be upheld or overruled;
- submit proposals of amendments and supplements to draft resolutions included in the agenda of the General Meeting of Shareholders by the time of closing the discussion on the items of the agenda concerning the draft resolutions to which such proposals pertain;

- demand confidential vote;
- demand information from the Company's Management Board concerning the items on the agenda of the General Meeting of Shareholders in the case of and subject to exceptions provided for in legal regulations;
- demand the list of shareholders to be e-mailed to them free of charge, stating the e-mail address to which such a list should be sent; shareholders may examine the list of shareholders on the Management Board's premises and demand a copy of the list, paying the costs of its preparation;
- examine the books of minutes of the General Meeting of Shareholders and request copies of resolutions certified by the Management Board;
- appeal against resolutions of the General Meeting of Shareholders in the cases provided for in legal regulations.

The proceedings of the General Meeting of Shareholders are recorded in the minutes by a notary public and an excerpt from the minutes along with the proof of convening the General Meeting of Shareholders and the powers of attorney granted by shareholders are attached by the Company's Management Board to the book of minutes that the shareholders may view and demand issuing from it copies of resolutions certified by the Management Board. Resolutions of the General Meeting of Shareholders are adopted with the majority of votes as set out in the Articles of Association and the Polish Code of Commercial Companies. Votes are cast and counted in an electronic votes counting system. The voting is open. A confidential vote is ordered during the elections and with regard to motions to dismiss members of the Company's authorities, bringing them to justice as well as with respect to personal issues. Confidential vote is also ordered when at least one shareholder present or represented at the General Meeting of Shareholders requests so. After discussing all matters included in the agenda, the Chairman announces the closing of the General Meeting of Shareholders. The proceedings of the General Meeting of Shareholders are broadcast live on the Internet for all interested parties, and also recorded and uploaded to the website of Grupa Kęty S.A. to be watched at a chosen time.

1.10. The composition and changes in the composition in the last financial year, and the description of the operation, of Grupa Kęty S.A.'s managing, supervising or administering authorities and of their Committees

1.10.1 The composition of the Management Board in 2016

The composition of the Management Board of Grupa Kęty S.A. did not change during the year and, as at 31.12.2016, was as follows:

Dariusz Mańko	President of the Management Board, Chief Executive Officer
Adam Pielą	Member of the Management Board, Chief Financial Officer

1.10.2. The composition of the Supervisory Board in 2016

The composition of the Supervisory Board of Grupa Kęty S.A. did not change during the year and, as at 31.12.2016, was as follows:

Maciej Matusiak	– Chairman
Szczepan Strublewski	– Vice-Chairman
Jerzy Marciniak	– Member
Paweł Niedziółka	– Member
Jerzy Surma	– Member

1.10.3. The operation of the Management Board

The Company's Management Board headed by its President manages the Company's affairs and represents it vis-a-vis third parties. Any matters related to the management of the Company's affairs, not reserved to other authorities of the Company, are resolved by the Management Board. The operation of the Management Board is determined in detail in the By-laws of the Management Board approved of by the Supervisory Board. The detailed powers of the Management Board are provided for in the By-laws of the Management Board available at <http://www.grupakety.com/pl/18,dokumenty-spolki.html>

The Company's Management Board passes resolutions in open voting with an absolute majority of the votes cast. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the meeting chairman. Particular Members of the Management Board manage the areas of the Company's operations assigned to them.

GRI G4 34; GRI G4 42

1.10.4. The operation of the Supervisory Board

The work of the Supervisory Board is coordinated by its Chairman. The Supervisory Board holds its meetings at least once a quarter. The Management Board or a Member of the Supervisory Board may demand to convene the meeting of the Supervisory Board, submitting its proposed agenda. The Chairman of the Supervisory Board convenes the meeting within 14 days from the date of such a request. The Supervisory Board adopts resolutions by a simple majority of the votes cast in the presence of at least half of the Members of the Supervisory Board. In the case of the voting resulting in the same number of 'for' and 'against' votes, the Chairman of the Supervisory Board has the casting vote.

The powers of the Supervisory Board are in particular as follows: appointing Members of the Management Board and determining their remunerations; appointing independent auditors; and supervising the Company's operations. As part of its supervising role, the Supervisory Board, among other things, examines the strategic plan and the annual budget of the Company and of the Group; monitors operating and financial results; expresses its consent to incur liabilities by the Management Board; assesses the Management Board's reports on the operation of the Company and the Management Board's motions concerning the distribution of profit or the covering of losses. The Supervisory Board is a collective body; however, it delegated some of its powers to specific committees described below. The By-laws of the Supervisory Board are available at <http://www.grupakety.com/pl/18,dokumenty-spolki.html>

GRI G4 34

1.10.5. The operation of the Committees of the Supervisory Board

The following committees of the Supervisory Board operate in Grupa Kęty S.A.: the Audit Committee and the Remunerations Committee. The committees are appointed to make the current work of the Supervisory Board more efficient by preparing, on a current basis, draft decisions of the Supervisory Board concerning its own motions or the motions submitted by the Management Board for examination.

The Committee members are appointed by virtue of a resolution adopted by the Supervisory Board, from among the Board's members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointment procedure. The Committee members do not receive any additional remuneration for their work in the Committee.

The main objective of the Audit Committee is the cooperation with the Management Board of Grupa Kęty S.A. in order to ensure the coherence of financial statements of the Company, the compliance with legally binding regulations and principles, the independence of the auditor's opinion and the conducting of internal audits in the Company, as well as drawing the Committee's report, which is attached to the annual report on the operations of the Company's Supervisory Board submitted to the General Meeting of Shareholders.

The Committee's most important tasks are as follows: the review of selected issues related to the application of accounting principles and the presentation of financial statements; the rules of applying transfer prices by the companies of the Group; the provisions establishment policy; reporting according to the IFRS; the cooperation with certified auditors auditing subsidiaries. The Committee also discusses, with the Management Board and the Company's internal and external auditors, the risk assessment and risk management policies. Such discussion should account for major financial risks for the Company and measures taken by the Management Board with a view to monitor and control these risks. The Committee presents recommendations to the Supervisory Board in the form of resolutions; however, the Committee's resolutions are not binding for the Supervisory Board.

The Remunerations Committee is mainly responsible for establishing and controlling remunerations of the Members of the Company's Management Board. The basic objective of the Remunerations Committee is as follows: the control and supervision over the remuneration system for Members of the Management Board of Grupa Kęty S.A.; an analysis of the system of remunerations for Members of the Management Board as compared with other systems implemented in other entities operating on the market; drawing a report of the Committee, which is attached to the annual report on the operations of the Company's Supervisory Board submitted to the General Meeting of Shareholders.

14. OTHER DECLARATIONS OF THE MANAGEMENT BOARD

THE DECLARATION OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. CONCERNING THE TRUTH AND FAIRNESS OF PRESENTED FINANCIAL STATEMENTS

The Management Board of Grupa Kęty S.A. hereby declares that, according to their best knowledge, the financial information and comparable data recognised in the financial statements included in the Annual Report 2016 of Grupa Kęty S.A. were prepared according to the accounting principles in force and they present a true and fair view of the financial standing and assets of Grupa Kęty S.A. The Management Board's Report for 2016 included in this document presents a true view of the development and accomplishments as well as of the standing, including the description of basic risks and threats, of Grupa Kęty S.A. in 2016.

THE DECLARATION OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. CONCERNING THE SELECTION OF THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

The entity authorised to audit financial statements that audits the annual financial statements of Grupa Kęty S.A. for 2016, i.e. Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k., was selected according to the law. The entity and the auditors performing the audit observed the conditions for the issuance of an impartial and independent opinion on the audit, according to the law and professional standards.

Dariusz Mańko

Adam Piela

President of the Management Board

Member of the Management Board

Kęty, 16 March 2017