



CAPITAL GROUP OF GRUPA KĘTY S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST HALF OF 2017 ENDED ON 30 JUNE 2017

PREPARED PURSUANT TO IAS 34

Consolidated semi-annual report PSr 2017

(Pursuant to § 82 Clause 2 and § 83 Clause 3 of the Minister of Finance's Ordinance of 19 February 2009 – Journal of Laws No. 33 item 259 as amended) for the issuers of securities involved in the production, construction, trading or servicing activities for the first half of the financial year 2017 covering the period from 01.01.2017 to 30.06.2017, comprising the interim condensed consolidated financial statements pursuant to IAS 34 in the Polish currency (PLN) and the interim condensed financial statements pursuant to IAS 34 in the Polish currency (PLN).

3 August 2017

(delivery date)

GRUPA KĘTY SPÓŁKA AKCYJNA	
(Issuer's full name)	
KĘTY	Metal (met)
<small>(Issuer's short name)</small>	<small>(sector according to the WSE classification / industry)</small>
32-650	Kęty
<small>(postal code)</small>	<small>(town/city)</small>
Kościuszki	111
<small>(street)</small>	<small>(building number)</small>
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549-000-14-68	070614970
<small>(Tax ID Number - NIP)</small>	<small>(Statistical ID Number - REGON)</small>

SELECTED FINANCIAL FIGURES

Data referring to the condensed consolidated financial statements according to IFRS				
ITEMS OF THE INCOME STATEMENT, COMPREHENSIVE INCOME AND CASH FLOW STATEMENT	in '000' PLN		in '000' EUR	
	First half of 2017	First half of 2016	First half of 2017	First half of 2016
Net sales revenue	1,265,827	1,083,225	298,024	247,283
Profit on operating activities	151,229	141,412	35,605	32,282
Profit before tax	148,967	134,436	35,073	30,690
Net profit	119,518	143,439	28,139	32,745
Net profit (loss) attributable to equity holders of the parent	119,501	143,439	28,135	32,745
Total net income (loss)	114,042	153,908	26,850	35,135
Total net income (loss) attributable to equity holders of the parent	114,025	153,908	26,846	35,135
Net cash flow from operating activities	96,812	160,825	22,793	36,714
Net cash flow from investing activities	-71,986	-150,770	-16,948	-34,418
Net cash flow from financing activities	-34,933	32,851	-8,225	7,499
Total net cash flow	-10,107	42,906	-2,380	9,795
Net earnings per share for the parent's equity holders (in PLN/EUR)	12.60	15.18	2.97	3.47
Diluted net earnings per share for the parent's equity holders (in PLN/EUR)	12.57	15.16	2.96	3.46
BALANCE SHEET ITEMS	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Total assets	2,444,936	2,322,835	578,478	525,053
Liabilities and provisions for liabilities	1,206,875	917,474	285,550	207,386
Long-term liabilities	241,713	227,631	57,190	51,454
Short-term liabilities	965,162	689,843	228,360	155,932
Equity attributable to the equity holders of the parent	1,238,061	1,405,361	292,928	317,667
Share capital	67,625	67,534	16,000	15,265
Number of shares	9,489,980	9,478,376	9,489,980	9,478,376
Book value per share (in PLN/EUR)	130.46	148.27	30.87	33.51
Diluted book value per share (in PLN/EUR)	130.14	148.06	30.79	33.47
Dividend per share — declared or paid (in PLN/EUR)	0.00	30.00	0.00	6.78
Data referring to the condensed separate financial statements according to IFRS				
ITEMS OF THE INCOME STATEMENT, COMPREHENSIVE INCOME AND CASH FLOW STATEMENT	in '000' PLN		in '000' EUR	
	First half of 2017	First half of 2016	First half of 2017	First half of 2016
Net sales revenue	512,420	423,284	120,643	96,629
Profit on operating activities	232,349	179,626	54,704	41,006
Profit before tax	233,069	179,736	54,873	41,031
Net profit	228,703	175,204	53,845	39,996
Total net income	227,108	181,390	53,470	41,409
Net cash flow from operating activities	8,669	44,435	2,041	10,144
Net cash flow from investing activities	-22,978	-21,038	-5,410	-4,803
Net cash flow from financing activities	18,675	661	4,397	151
Total net cash flow	4,366	24,058	1,028	5,492
Earnings per share (in PLN/EUR)	24.11	18.54	5.68	4.23
Diluted earnings per share (in PLN/EUR)	24.05	18.52	5.66	4.23
BALANCE SHEET ITEMS	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Total assets	1,246,787	980,678	294,993	221,672
Liabilities and provisions for liabilities	548,291	227,663	129,727	51,461
Long-term liabilities	63,894	65,466	15,117	14,798
Short-term liabilities	484,397	162,197	114,609	36,663
Equity	698,496	753,015	165,266	170,211
Share capital	67,625	67,534	16,000	15,265
Number of shares	9,489,980	9,478,376	9,489,980	9,478,376
Book value per share (in PLN/EUR)	73.60	79.45	17.41	17.96
Diluted book value per share (in PLN/EUR)	73.42	79.34	17.37	17.93
Dividend per share — declared or paid (in PLN/EUR)	0.00	30.00	0.00	6.78

The above financial figures for the first half of 2017 and of 2016 were translated into EUR as follows:

- assets and liabilities — at the average exchange rate of the National Bank of Poland (NBP) as at 30.06.2017 — 4.2265 PLN/EUR and as at 31.12. 2016 — 4.4240 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: the first half of 2017 — 4.2474 PLN/EUR; the first half of 2016 — 4.3805 PLN/EUR.

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I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2017 (not audited)	3 months ended on 30.06.2016 (not audited)	6 months ended on 30.06.2016 (not audited)
Total operating income, including:		669,133	1,274,329	568,244	1,088,542
Sales revenue	7	664,285	1,265,827	564,187	1,083,225
- including from the sales to an associate		0	9	304	308
Other operating income		4,848	8,502	4,057	5,317
Share of net profit of entities accounted for using the equity method		1,839	1,430	(120)	1,163
Change of inventories of finished goods and work in progress		6,655	24,472	6,459	15,117
Cost of manufacturing products for own needs		4,242	7,797	3,002	5,885
Total operating costs, including:		(600,471)	(1,156,799)	(502,190)	(969,295)
Depreciation/Amortisation		(29,545)	(59,229)	(25,731)	(51,116)
Materials, energy and the value of sold trade goods and materials		(413,674)	(801,173)	(334,924)	(651,083)
External services		(54,201)	(94,179)	(50,881)	(96,167)
Taxes and charges		(3,549)	(7,270)	(3,551)	(6,906)
Employee benefits		(92,752)	(182,722)	(76,280)	(148,465)
Other operating costs		(6,750)	(12,226)	(10,823)	(15,558)
Profit on operating activities		81,398	151,229	75,395	141,412
Finance income		1,286	3,567	284	1,112
Finance costs		(2,925)	(5,829)	1	(8,088)
Profit before tax		79,759	148,967	75,680	134,436
Income tax expense	10	(14,926)	(29,449)	13,679	9,003
Net profit on continuing operations		64,833	119,518	89,359	143,439
Attributable to non-controlling interests		17	17	0	0
Attributable to equity holders of the parent		64,816	119,501	89,359	143,439
Earnings per share for the parent's shareholders (in PLN)	31				
Basic		6.83	12.60	9.45	15.18
Diluted		6.81	12.57	9.44	15.16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2017 (not audited)	3 months ended on 30.06.2016 (not audited)	6 months ended on 30.06.2016 (not audited)
Net profit for the period	64,833	119,518	89,359	143,439
Other comprehensive income*:	(8,590)	(5,476)	6,932	10,469
Cumulative translation adjustment	(201)	(3,276)	1,597	812
Valuation of cash flow hedging instruments	(8,359)	(1,256)	6,125	9,181
Result from cash flow hedge	(2,030)	(1,597)	278	2,217
Income tax related to other comprehensive income to be charged to profit or loss	2,000	653	(1,068)	(1,741)
Comprehensive income for the period:	56,243	114,042	96,291	153,908
Attributable to non-controlling interests	17	17	0	0
Attributable to equity holders of the parent	56,226	114,025	96,291	153,908

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2017 (not audited)	31.12.2016 (audited)
I. Non-current assets		1,375,701	1,395,571
Property, plant and equipment	11	1,161,366	1,176,582
Intangible assets		48,113	49,173
Goodwill	12	19,849	19,954
Investment properties		6,577	6,490
Investments in entities accounted for using the equity method	22	2,963	4,206
Other investments		11	11
Other receivables		2,258	3,570
Advance payments for the purchase of property, plant and equipment		11,772	10,003
Deferred tax assets		122,792	125,582
II. Current assets		1,069,235	927,264
Inventories	14	429,257	393,632
Current tax receivables		1,317	863
Trade and other receivables	13	570,110	452,584
Short-term investments		188	219
Derivative financial instruments	27	3,528	5,024
Cash and cash equivalents	8	64,835	74,942
Total assets		2,444,936	2,322,835

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (cont.)

EQUITY AND LIABILITIES	Note	30.06.2017 (not audited)	31.12.2016 (audited)
I. Equity		1,238,061	1,405,361
Share capital		67,625	67,534
Share premium	29	27,543	23,385
Non-registered capital from the issue of shares		0	2,890
Capital from share based payments		20,304	18,592
Result from cash flow hedging transactions		722	337
Capital from the revaluation of hedging instruments		(76)	2,509
Capital from the revaluation of property, plant and equipment		3,787	3,787
Retained earnings		1,148,564	1,313,762
Cumulative translation adjustment		(30,711)	(27,435)
Equity attributable to equity holders of the parent		1,237,758	1,405,361
Equity attributable to non-controlling shareholders		303	0
II. Long-term liabilities		241,713	227,631
Liabilities due to borrowings and finance lease	16	152,346	138,541
Other liabilities		1,730	1,834
Provisions	15	499	2,791
Provisions due to employee benefits	15	10,269	10,081
Deferred income		35,427	36,111
Deferred tax liability		41,442	38,273
III. Short-term liabilities		965,162	689,843
Liabilities due to borrowings and finance lease	16	282,425	333,865
Income tax payable		10,314	14,471
Trade and other payables	18	637,227	298,254
Provisions and accruals	15	28,359	37,737
Derivative financial instruments	27	3,593	1,844
Deferred income		3,244	3,672
Total equity and liabilities		2,444,936	2,322,835

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent												
	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from share based payments	Result from cash flow hedging transactions	Capital from the revaluation of hedging instruments	Capital from the revaluation of property, plant and equipment	Retained earnings	Cumulative translation adjustment	Equity attributable to the equity holders of the parent	Equity attributable to non-controlling interests	Total equity
Equity as at 1 January 2017 (audited)	67,534	23,385	2,890	18,592	337	2,509	3,787	1,313,762	(27,435)	1,405,361	0	1,405,361
Comprehensive income for the period:	0	0	0	0	385	(2,585)	0	119,501	(3,276)	114,025	17	114,042
<i>Net profit for the period</i>	0	0	0	0	0	0	0	119,501	0	119,501	17	119,518
<i>Other comprehensive income</i>	0	0	0	0	385	(2,585)	0	0	(3,276)	(5,476)	0	(5,476)
Valuation of share based payments	0	0	0	1,712	0	0	0	0	0	1,712	0	1,712
Payment of dividend	0	0	0	0	0	0	0	(284,699)	0	(284,699)	0	(284,699)
Issue of shares	91	4,158	(2,890)	0	0	0	0	0	0	1,359	0	1,359
Sale of shares	0	0	0	0	0	0	0	0	0	0	286	286
Equity as at 30 June 2017 (not audited)	67,625	27,543	0	20,304	722	(76)	3,787	1,148,564	(30,711)	1,237,758	303	1,238,061
Previous year												
Equity as at 1 January 2016 (audited)	67,505	22,043	0	13,959	(1,872)	(3,925)	3,003	1,205,976	(27,846)	1,278,843	0	1,278,843
Comprehensive income for the period:	0	0	0	0	2,228	7,429	0	143,439	812	153,908	0	153,908
<i>Net profit for the period</i>	0	0	0	0	0	0	0	143,439	0	143,439	0	143,439
<i>Other comprehensive income</i>	0	0	0	0	2,228	7,429	0	0	812	10,469	0	10,469
Valuation of share based payments	0	0	0	831	0	0	0	0	0	831	0	831
Payment of dividend	0	0	0	0	0	0	0	(170,166)	0	(170,166)	0	(170,166)
Issue of shares	29	1,342	0	0	0	0	0	0	0	1,371	0	1,371
Equity as at 30 June 2016 (not audited)	67,534	23,385	0	14,790	356	3,504	3,003	1,179,249	(27,034)	1,264,787	0	1,264,787

Complementary information and explanations to the interim consolidated financial statements form an integral part thereof

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2016 (not audited)
Cash flow from operating activities		
Profit before tax	148,967	134,436
Adjustments:	60,053	57,029
Share of net profit of entities accounted for using the equity method	(1,430)	(1,163)
Depreciation/Amortisation	59,229	51,116
Recognition/(reversal) of write-downs	(40)	9
Profit from net currency translation differences	(4,126)	2,072
Profit from derivative financial instruments	35	(614)
(Profit) / loss from sales of property, plant and equipment	(227)	(79)
Interest and share of profits	4,240	3,334
Proceeds/(expenses) related to hedging instruments charged to equity	404	2,217
Share based payments	1,712	832
Gain from a bargain purchase	(58)	(1,176)
Other items (net)	314	481
Cash flow from operating activities before the change of working capital	209,020	191,465
Change in inventories	(35,625)	(15,852)
Change in net receivables	(116,214)	(61,377)
Change in short-term liabilities, except for loans	80,249	67,215
Change in provisions	(11,482)	1,576
Change in deferred income	(1,112)	(1,928)
Net cash generated from operating activities	124,836	181,099
Tax paid	(28,024)	(20,274)
Net cash from operating activities	96,812	160,825
Cash flow from investing activities		
(+) Proceeds:	656	579
Sales of intangible assets and property, plant and equipment	639	579
Paid loans	17	0
(-) Expenses:	(72,642)	(151,349)
Acquisition of intangible assets and property, plant and equipment	(71,667)	(141,454)
Cash loans granted	(24)	(99)
Acquisition of investments in subsidiaries	(951)	(9,796)

Complementary information and explanations to the interim consolidated financial statements form an integral part thereof

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Consolidated Financial Statements for the period from 1 January 2017 to 30 June 2017 (in thousand PLN)

Net cash from investing activities	(71,986)	(150,770)
Cash flow from financing activities		
(+) Proceeds:	118,132	126,010
Net proceeds from the issue of shares	1,359	1,371
Proceeds from borrowings	116,773	124,639
(-) Expenses:	(153,065)	(93,159)
Repayments of borrowings	(147,457)	(90,270)
Finance lease rentals	(906)	(127)
Interest	(4,702)	(2,762)
Net cash from financing activities	(34,933)	32,851
Total net cash flow:	(10,107)	42,906
- change in cash due to currency translation differences	0	0
Cash and cash equivalents at the beginning of the period	74,942	72,704
Cash and cash equivalents at the end of the period	64,835	115,610

COMPLEMENTARY INFORMATION AND EXPLANATIONS

1. GENERAL INFORMATION

These interim condensed consolidated financial statements of Grupa Kęty S.A. cover the period of the first half ended on 30.06.2017 and provide for comparative data for the first half ended on 30.06.2016 as well as figures as at 31.12.2016. In addition, the financial statements contain the figures for the second quarter of 2017 and the second quarter of 2016. The figures have not been reviewed by the certified auditor. The certified auditor has reviewed the figures for the first half of 2017. The report on the review has been attached to these financial statements.

The Capital Group of Grupa Kęty S.A. ('the Group') comprises the parent company, namely Grupa Kęty S.A. ('parent company', 'the parent', 'the Company') and its subsidiaries (see note 2).

Grupa Kęty S.A. is incorporated in Poland with its registered office located in **Kęty, at ul. Kościuszki 111**; it is entered into the Register of Entrepreneurs under **No. KRS 0000121845** and has been assigned its **tax identification number (NIP): 549-000-14-68** as well as its statistical number (**REGON**): **070614970**.

The parent company is listed under No. **ISIN PLKETY000011** at Warsaw Stock Exchange and classified in the metal sector.

The lifetime of the parent company as well as of the entities of the Group is indefinite.

The Group's basic range of activity includes manufacturing, trade and the rendering of services related to the processing of aluminium and its alloys; the production and sale of aluminium systems for the construction industry and activities related to their assembly; the production of materials for plastic and paper packaging, including trade, supply, marketing and other brokerage.

2. Group composition

The Group comprises Grupa Kęty S.A. as well as the following subsidiaries:

Company name	Registered office	Core business	Parent's name	Percentage of the share capital as at 30.06.2017	Percentage of the share capital as at 31.12.2016	Date of control take-over	Reporting segment
Alupol Packaging S.A.	Tychy, Poland	Production of and trade in plastic packaging	Grupa Kęty S.A.	100.00%	100.00%	04/1998	FPS
Aluprof S.A.	Bielsko-Biała, Poland	Production of construction joinery	Grupa Kęty S.A.	100.00%	100.00%	06/1998	ASS
Alutech Sp. z o.o. w likwidacji	Kęty, Poland	Heat distribution networks lease	Grupa Kęty S.A.	100.00%	100.00%	03/1999	Other
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00%	100.00%	09/1999	Other
Alu Trans System Sp. z o.o.	Kęty, Poland	The company does not carry out any activities	Grupa Kęty S.A.	100.00%	100.00%	04/2000	Other
Aluprof Hungary Kft.	Dunakeshi, Hungary	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	07/2000	ASS
Metalplast-Stolarka Sp. z o.o.	Goeszów, Poland	Production and assembly of woodwork	Grupa Kęty S.A.	100.00%	100.00%	07/2000	ASS
Alupol LLC	Borodianka, Ukraine	Production of aluminium sections	Aluform Sp. z o.o.	100.00%	100.00%	12/2004	EPS
Aluprof Deutschland GmbH	Schwanewede, Germany	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	02/2005	ASS
Aluprof System Romania s.r.l.	Bucharest, Romania	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Sales of window and door joinery from aluminium and PVC	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2006	ASS

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ROMB S.A.	Złotów, Poland	Production and provision of services	Aluprof S.A.	100.00%	100.00%	04/2007	ASS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production of and trade in plastic packaging	Alupol Packaging S.A.	100.00%	100.00%	05/2009	FPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade	Grupa Kęty S.A.	100.00%	100.00%	06/2009	EPS
Aluprof System Ukraina Sp. z o.o.	Kiev, Ukraine	Trade – sales of steel systems	Aluprof S.A.	100.00%	100.00%	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	The company does not carry out any activities	Aluprof S.A.	100.00%	100.00%	01/2012	ASS
Grupa Kęty Italia s.r.l.	Milan, Italy	Trading intermediation	Grupa Kęty S.A.	100.00%	100.00%	5/2014	EPS
Marius Hansen Facader A/S	Viborg, Denmark	Production and assembly of woodwork	Aluprof S.A.	100.00%	100.00%	6/2014	ASS
Aluprof System USA, Inc	Wilmington, USA	Distribution of aluminium systems for the building industry	Aluprof S.A.	100.00%	100.00%	7/2014	ASS
Alupol Films Sp. z o.o.	Oświęcim, Poland	Production and trade	Alupol Packaging Kęty Sp. z o.o.	100.00%	100.00%	12/2014	FPS
Aluprof Schelfhaut N.V.	Dendermonde, Belgium	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2015	ASS
Aluminium Kety Emmi d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	Aluform Sp. z o.o.	100.00%	100.00%	6/2016	EPS
Aluminium Kety Deutschland GmbH	Dortmund, Germany	Trade and marketing activities	Aluform Sp. z o.o.	100.00%	100.00%	6/2016	EPS
Aluprof Netherlands B.V.	Rotterdam, the Netherlands	Sales of aluminium systems	Aluprof S.A.	55.00%	-	4/2017	ASS

As at the balance sheet date and the previous balance sheet date, the Group's share in the total number of votes in subsidiaries equalled the Group's share in the equity of these entities.

3. Basis for the preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard No. 34 *Interim Financial Reporting* adopted by the EU ('IAS 34').

These interim condensed consolidated financial statements have been prepared with regard to the Polish zloty (PLN) and all values, unless otherwise specified, are provided in thousands of PLN.

These interim condensed consolidated financial statements have been prepared based on the assumption that the Group's companies will continue as a going concern in the foreseeable future.

These interim condensed consolidated financial statements were approved for publication on 3 August 2017.

As at the date of authoring these financial statements for publication, there are no circumstances implying that the Group's companies will not continue as a going concern.

These interim condensed consolidated financial statements do not comprise all the information and disclosures required in the annual consolidated financial statements and they should be read together with the Group's consolidated financial statements for the year ended on 31 December 2016.

The Management Board of Grupa Kęty S.A. hereby declares that, according to their best knowledge, these interim condensed consolidated financial statements and comparable data have been prepared according to the Group's accounting policies in force and they present a true and fair view of the financial standing, assets and financial result of the Group.

4. Significant accounting policies

Accounting policies applied for the preparation of these interim condensed consolidated financial statements are consistent with the ones applied for the preparation of the annual consolidated financial statements of the Group for the year ended on 31 December 2016.

No new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2016 have been published after 1 January 2016. The standards and interpretations that have been issued but are not effective as they have not been approved by the European Union yet, or which have been approved by the European Union but have not been adopted earlier by the Group are presented in the annual financial statements for 2016. In the first half of 2017, only IFRS 17 *Insurance Contracts* was issued.

The Management Board does not project that the implementation of the aforementioned standards and interpretations should exert any significant influence on the accounting policies applied by the Group.

The Group decided not to adopt earlier any standard, interpretation or amendment that was issued, but has not become effective yet in the light of the European Union's regulations.

In the consolidated statement of financial position as at 31 December 2016, selected items were adjusted to ensure the compliance with the presentation as at 30 June 2017. The change involved the separation in the consolidated balance sheet of additional items: 'Investments in entities accounted for using the equity method' (4,206 thousand PLN) and 'Advance payments for the purchase of property, plant and equipment' (10,003 thousand PLN).

5. Areas of estimates

The main accounting estimates are presented in respective notes to the financial statements:

- estimates concerning write-downs of inventories are presented in note 14
- estimates and assumptions concerning write-downs of receivables are presented in note 13
- estimates concerning write-downs of goodwill are presented in note 12
- estimates concerning provisions and accruals are presented in note 15
- estimates concerning the deferred tax asset are presented in note 10
- estimates concerning the valuation of net assets of an acquired entity are presented in note 21
- As regards the estimates concerning the valuation of long-term construction contracts, the Group applies the percentage of completion method for the settlement of long-term contracts. The application of this method requires the Group to estimate the proportion of the works already completed to the total budgeted costs. If the percentage of completion was higher by 5% than the percentage estimated by the Company, the revenue for the reporting period would increase by 934 thousand PLN (6 months of 2016: 2,310 thousand PLN). If the actual costs of construction contracts in progress as at the balance sheet date at the time of their completion were higher than the budgeted costs by 1%, the gross result would decrease by 554 thousand PLN (30 June 2016: 1,229 thousand PLN).

The detailed description of the assumptions made in particular areas of estimates is presented in the annual financial statements for 2016.

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

6. Seasonal nature of operations

Due to the breakdown into segments providing services to various customer markets, the following seasonal variations may be observed.

The Flexible Packaging Segment records bigger demand prior to the main holidays i.e. Christmas and Easter, with a minimally higher turnover in the second half of each year (up to 11%).

The Extruded Products Segment (historically from a few to 23% higher sales in the second half of the year) and the Aluminium Systems Segment (historically from a dozen or so to 50% higher sales in the second half of the year) generate the biggest sales in the second half of the year; it is related to the cycle of works in the construction industry, which is one of more significant markets of customers for these Segments.

The seasonality of the sale of the Group – due to the importance of particular segments, the sale in the second half of the year was higher by ca. 11 to 27% (based on historical figures for the last 6 years).

7. Information on business segments

The Group's business comprises three basic operating areas and is divided into:

- Extruded Products Segment (EPS)
- Flexible Packaging Segment (FPS)

- Aluminium Systems Segment (ASS)

The detailed description of the types of operating segments, of the assignment of companies to particular segments and the information on basic economic figures for particular segments are presented in note 3 in the Management Board's Report on the Operations of the Issuer's Capital Group published on 16 March 2017 together with the consolidated financial statements for 2016.

The Segment's results are assessed on the basis of revenue, EBIT, EBITDA and capital expenditure. EBIT is operating profit. EBITDA is operating profit less amortisation/depreciation and reversal/recognition of impairment losses for non-current assets.

The Group's financing and income tax are managed at the level of the entire Group and are not allocated to operating segments.

Basic economic figures for the Issuer's segments:

6 months of 2017:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
Income statement						
Sales	297,743	571,270	522,877	7,092	(133,155)	1,265,827
- outside the Group	297,709	447,730	520,294	94	0	1,265,827
- to other segments	34	123,540	2,583	6,998	(133,155)	0
Operating profit (EBIT)	42,213	42,802	74,011	206,679	(214,477)	151,228
Depreciation/Amortisation	13,342	28,733	15,697	1,417	40	59,229
EBITDA	55,555	71,535	89,708	208,096	(214,437)	210,457
Balance sheet						
Segment's assets	832,541	807,963	798,261	225,282	(219,111)	2,444,936
Segment's trade payables	90,320	81,082	150,330	1,212	(79,217)	243,727
Unallocated liabilities (joint)	0	0	0	963,148	0	963,148
Total liabilities	90,320	81,082	150,330	964,360	(79,217)	1,206,875
Other						
Capital expenditure on non-current assets	5,156	24,241	16,475	706	0	46,578

Second quarter of 2017:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
Income statement						
Sales	150,218	298,537	287,776	3,532	(75,778)	664,285
- outside the Group	150,211	227,751	286,273	50	0	664,285
- to other segments	7	70,786	1,503	3,482	(75,778)	0
Operating profit (EBIT)	20,415	24,527	41,684	209,021	(214,250)	81,397
Depreciation/Amortisation	6,654	14,268	7,872	732	19	29,545
EBITDA	27,069	38,795	49,556	209,753	(214,231)	110,942
Other						
Capital expenditure on non-current assets	2,839	13,696	11,555	516	0	28,606

6 months of 2016:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
Income statement						
Sales	239,095	427,370	508,986	6,203	(98,429)	1,083,225
- outside the Group	239,058	336,905	507,126	136	0	1,083,225
- to other segments	37	90,465	1,860	6,067	(98,429)	0
Operating profit (EBIT)	37,413	42,722	66,921	148,713	(154,357)	141,412
Depreciation/Amortisation	9,758	24,873	15,347	1,143	(5)	51,116
EBITDA	47,171	67,595	82,268	149,856	(154,362)	192,528
Balance sheet						
Segment's assets	704,902	727,184	746,357	531,415	(455,489)	2,254,369
Segment's trade payables	73,823	68,908	135,707	533	(56,844)	222,127
Unallocated liabilities (joint)	0	0	0	767,455	0	767,455
Total liabilities	73,823	68,908	135,707	767,988	(56,844)	989,582
Other						
Capital expenditure on non-current assets	77,405	16,181	25,457	1,445	0	120,488

Second quarter of 2016:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
Income statement						
Sales	116,965	229,827	268,689	3,135	(54,429)	564,187
- outside the Group	116,941	179,481	267,693	72	0	564,187
- to other segments	24	50,346	996	3,063	(54,429)	0
Operating profit (EBIT)	19,123	27,135	31,709	151,833	(154,405)	75,395
Depreciation/Amortisation	4,915	12,549	7,686	585	(4)	25,731
EBITDA	24,038	39,684	39,395	152,418	(154,409)	101,126
Other						
Capital expenditure on non-current assets	63,572	9,331	17,819	1,288	0	92,010

- the column 'Other' contains figures for the units responsible for the centrally managed areas (IT, finances, PR and IR, risk management, equity investments, HR) and figures for companies not organisationally grouped in the core business segments such as Alu Trans System Sp. z o.o., Alutech Sp. z o.o. w likwidacji and Dekret Centrum Rachunkowe Sp. z o.o.

- a segment's assets comprise: non-current assets (except for shares and interests in subsidiaries which are reclassified to 'Other' item), inventories, trade and other receivables (except for public law receivables) and derivative financial instruments.

- the item 'Eliminations' in the income statement contains inter-segmental sales. It is mainly the sale of aluminium profiles from the EPS to the ASS. In the balance sheet, it is mainly the elimination of shares and interests of the parent company in subsidiaries as well as inter-segmental receivables and liabilities. Transaction prices applied in transactions between operating segments are determined on market terms, as in the case of transactions with unrelated parties.

8. Cash and cash equivalents

Cash at bank bears interest at variable interest rates; the level of such rates depends on the interest rate of one-day bank term deposits. Short-term term deposits are made for periods of various lengths from one day to one month depending on the Group's current demand for cash and bear interest at applicable interest rates.

Fair value of cash and cash equivalents is presented in the table below.

	30.06.2017 (audited)	31.12.2016 (audited)
Bank deposits (current accounts) and short-term deposits	64,109	74,897
Cash in hand	51	44
Other cash	675	1
Cash recognised in the balance sheet	64,835	74,942

As at 30 June 2017, the Group had undrawn granted credit funds amounting to 243,242 thousand PLN (as at 31 December 2016: 185,475 thousand PLN).

9. Dividends paid and proposed for payment

The General Meeting of Shareholders held on 31 May 2017 allocated 284,699 thousand PLN for the dividend for 2016 (30 PLN per share for 9,489,980 eligible shares).

24 August 2017 will be the day of determining the right to dividend. Pursuant to the resolution of the General Meeting of Shareholders, the dividend will be paid in two instalments:

- 7 September – 8 PLN per share;
- 23 November – 22 PLN per share.

In 2016, Grupa Kęty S.A. paid the dividend of 170,166 thousand PLN (18 PLN per share).

10. Income tax expense

Main components of income tax expense are as follows:

Income tax structure	3 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2017 (not audited)	3 months ended on 30.06.2016 (not audited)	6 months ended on 30.06.2016 (not audited)
Current income tax	(11,122)	(22,984)	(9,050)	(16,800)
Deferred tax	(3,804)	(6,465)	22,729	25,803
Income tax recognised in the income statement	(14,926)	(29,449)	13,679	9,003

11. Property, plant and equipment

11.1. Purchase and sale

Purchase and sale transactions related to property, plant and equipment are presented below:

	6 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2016 (not audited)
Acquisitions of property, plant and equipment	46,578	120,488
Net value of sold property, plant and equipment	471	478
Profit (loss) on the sales of property, plant and equipment	232	139

11.2. Impairment losses

In the period of six months of 2017, the Group reversed write-downs of property, plant and equipment amounting to 228 thousand PLN (six months of 2016 – the Group reversed write-downs of 1,427 thousand PLN).

12. Write-downs of goodwill

In the period of 6 months of 2017 and in the period of 6 months of 2016, due to the absence of indicators of impairment, the Group did not write down goodwill from consolidation.

13. Short-term receivables

	30.06.2017 (not audited)	31.12.2016 (audited)
Trade receivables	530,758	414,690
- including from an associate	308	397
Public law receivables (except for the income tax)	12,107	9,357
Prepayments (trade-related) for suppliers	7,210	4,175
Receivables from employees	201	101
Prepaid expenses	4,422	4,382
Valuation of construction contracts	2,143	11,585
Settlements related to transactions hedging the aluminium price	7,046	4,474
Other receivables	6,223	3,820
Net receivables	570,110	452,584

In the period of 6 months of 2017, the Group recognised write-downs of receivables amounting to 837 thousand PLN (6 months of 2016: recognition of write-downs amounting to 3,380 thousand PLN). Recognised write-downs are presented in 'Other operating costs'.

14. Inventories

	30.06.2017 (not audited)	31.12.2016 (audited)
Materials	188,951	178,359
Work in progress	116,905	95,086
Finished products	115,547	112,895
Trade goods	7,854	7,292
TOTAL	429,257	393,632

In the period of 6 months of 2017, the Group recognised write-downs of inventories amounting to 1,479 thousand PLN (in the period of 6 months of 2016: reversal of write-downs amounting to 659 thousand PLN). The amount was recognised in 'Other operating costs'.

15. Provisions and accruals

In the reporting period, the Group decreased the result from the revaluation of deferred tax liabilities and assets by 6,326 thousand PLN. In addition, in the reporting period, the Group introduced the following changes in the value of provisions:

	01.01.2017	Increases	Decreases Utilisation	Currency translation differences	30.06.2017
Long-term provisions	12,872	349	(2,300)	(153)	10,768
provision for jubilee bonuses and retirement benefits	10,081	349	(8)	(153)	10,269
costs of warranty repairs	499	0	0	0	499
provision for costs	2,292	0	(2,292)	0	0
Short-term provisions and accruals:	37,737	19,606	(28,833)	(151)	28,359
provision for jubilee bonuses and retirement benefits	764	0	0	0	764
costs of warranty repairs	684	0	(3)	0	681
provision for the costs of unused holiday	6,800	7,655	(5,322)	(37)	9,096
costs of annual bonus	14,643	5,864	(14,496)	(43)	5,968
environmental protection costs	0	57	0	0	57
costs of damages	5,074	0	(981)	0	4,093
for incurred costs	4,039	5,601	(7,391)	(20)	2,229
costs of auditing/reviewing financial statements	217	13	(109)	(2)	119
provision for costs	4,585	0	0	0	4,585
other	931	416	(531)	(49)	767

	01.01.2016	Increases	Utilisation	Company acquisition	Currency translation differences	30.06.2016
Long-term provisions	6,747	281	0	7,873	0	14,901
provision for jubilee bonuses and retirement benefits	5,559	0	0	3,288	0	8,847
costs of warranty repairs	1,188	281	0	0	0	1,469
provision for costs	0	0	0	4,585	0	4,585
Short-term provisions and accruals:	21,769	16,181	(14,887)	5,413	17	28,493
provision for jubilee bonuses and retirement benefits	975	0	0	0	0	975
costs of warranty repairs	45	0	0	0	0	45
provision for the costs of unused holiday	5,210	6,587	(3,549)	474	8	8,730
costs of annual bonus	9,082	5,032	(9,083)	0	5	5,036
environmental protection costs	7	0	(7)	0	0	0
costs of damages	430	0	0	0	0	430
for incurred costs	4,261	3,777	(1,303)	363	2	7,100
costs of auditing/reviewing financial statements	241	37	(243)	(18)	1	18
provision for costs	0	0	0	4585	0	4585
other	1,518	748	(702)	9	1	1,574

16. Interest-bearing bank loans and lease obligations

The table below demonstrates the changes in the balances of particular loans in the reporting period.

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Long-term loans:

Borrower	Lender	Loan currency	31.12.2016	Increases (decreases)	30.06.2017
Grupa Kęty S.A.	BNP PARIBAS Bank Polska SA	PLN	15,181	(4,366)	10,815
Alupol Packaging Kęty Sp. z o.o.	BNP PARIBAS Bank Polska SA	PLN	99,720	(11,080)	88,640
Aluprof S.A.	BNP PARIBAS Bank Polska SA	PLN	16,692	(4,769)	11,923
Aluprof S.A.	Bank PEKAO SA	PLN	0	30,000	30,000
Aluminium Kety Emmi d.o.o.	Bank PEKAO	EUR	4,866	5,079	9,945
Aluminium Kety Emmi d.o.o.	AK Servicing	EUR	849	(849)	0
	Total loans		137,308	14,015	151,323
Aluprof Romania	Finance lease obligations	RON	102	(12)	90
Metalplast Stolarka sp. z o.o.		PLN	386	(136)	250
Aluprof UK		GBP	31	(7)	24
Aluminium Kety Emmi d.o.o.		EUR	668	(31)	637
Marius Hansen Facader A/S		DKK	46	(24)	22
	Total lease		1,233	(210)	1,023
Total long-term loans and lease			138,541	13,805	152,346

Short-term loans:

Borrower	Lender	Loan currency	31.12.2016	Increases (decreases)	30.06.2017
Grupa Kęty S.A.	Bank PKO BP	PLN, EUR	3,843	(2,620)	1,223
Grupa Kęty S.A.	BNP PARIBAS Bank Polska SA	PLN	11,072	(2,288)	8,784
Grupa Kęty S.A.	BNP PARIBAS Bank Polska SA	PLN	5,608	(4,636)	972
Grupa Kęty S.A.	ING Bank Polska	PLN	3	20,269	20,272
Grupa Kęty S.A.	Bank PeKaO S.A.	PLN	22,205	11,469	33,674
Grupa Kęty S.A.	Bank Societe Generale	EUR	13,771	(606)	13,165
Alupol Packaging S.A.	Bank PKO BP	PLN	0	2,592	2,592
Alupol Packaging S.A.	BNP Paribas	PLN	9,580	(5,961)	3,619
Alupol Packaging S.A.	PEKAO S.A.	PLN	23,342	(23,342)	0
Alupol Packaging Kęty Sp. z o.o.	Bank PKO BP	PLN, EUR	11,542	(11,542)	0
Alupol Packaging Kęty Sp. z o.o.	PEKAO S.A.	PLN, EUR	16,945	(1,417)	15,528
Alupol Packaging Kęty Sp. z o.o.	BNP PARIBAS Bank Polska SA	PLN	14,304	491	14,795
Alupol Packaging Kęty Sp. z o.o.	BNP PARIBAS Bank Polska SA	PLN	11,770	11,090	22,860
Aluprof S.A.	PEKAO S.A.	PLN, EUR	43,757	(30,872)	12,885
Aluprof S.A.	Societe Generale S.A.	GBP	3,756	165	3,921
Aluprof S.A.	BNP Paribas	PLN	19,665	(14,888)	4,777
Aluprof S.A.	BNP Paribas	PLN	9,753	(125)	9,628
Aluprof S.A.	BNP Paribas	PLN	12,356	(12,356)	0
Metalplast Stolarka Sp. z o.o.	Bank PEKAO SA	PLN, EUR	32,074	(4,746)	27,328
Metalplast Stolarka Sp. z o.o.	ING Bank Polska	PLN	24,951	(14,368)	10,583
ROMB S.A.	BNP Paribas	PLN	7,949	1,378	9,327
ROMB S.A.	Bank PKO BP		4,066	1,396	5,462
Alupol Films sp. z o.o.	PEKAO S.A.	PLN, EUR	5,899	13,825	19,724
Alupol Films sp. z o.o.	BNP Paribas	PLN	6,805	12,990	19,795
Aluform Sp. z o.o.	Bank PEKAO SA	PLN	0	6,712	6,712
Aluminium Kety Emmi d.o.o.	Delavska Hranilnica d.d.	EUR	3,468	(2,268)	1,200
Aluminium Kety Emmi d.o.o.	Unicredit	EUR	13,272	(592)	12,680

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		Total loans	331,756	(50,250)	281,506
Aluprof Romania	Finance lease obligations	RON	2	6	8
MHF A/S		DKK	80	(6)	74
Aluprof UK		GBP	10	(5)	5
Aluminium Kety Emmi d.o.o.		EUR	1,730	(1,185)	545
Metalplast Stolarka Sp. z o.o.		PLN	287	0	287
Total lease			2,109	(1,190)	919
Total short-term loans and lease			333,865	(51,440)	282,425

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 Group's liquidity.

17. Equity securities – employee share scheme

The Group's scheme of allocating shares to selected employees of the Group and the principles of its valuation are described in detail in the consolidated financial statements for 2016.

Subscriptions of shares related to the employee share scheme are presented in note 29.

The Group recognises the programme costs in proportion to the vesting period for options.

18. Trade and other payables

	30.06.2017 (not audited)	31.12.2016 (audited)
Short-term liabilities:	637,227	298,254
Trade payables	243,727	200,129
- including due to an associate	289	1,854
Liabilities due to the purchase of property, plant and equipment	15,553	38,004
Remuneration liabilities	16,211	14,189
Dividend liabilities	284,699	0
Total financial liabilities (under IFRS 7)	560,190	252,322
Public law liabilities (except for income tax payables)	39,734	30,357
Down payments (trade-related) from customers	29,337	10,194
Other liabilities	7,966	5,381
Total non-financial liabilities	77,037	45,932

Principles and conditions of the payment of the aforementioned financial liabilities:

Trade payables do not bear interest and are usually settled within 30-60 days. Other liabilities do not bear interest and their average payment period is one month.

19. Explaining the reasons for material changes in items of revenue and costs

In the period of the first 6 months of 2017 as compared to the period of the first 6 months of 2016, material changes in particular items of revenue and costs had place in the following areas:

- the increase in sales revenue by 182,602 thousand PLN results from the increase in the sales volume in the core segments and changes in prices of the basic raw material, i.e. aluminium, and exchange rates;
- the increase in depreciation/amortisation costs by 8,113 thousand PLN results from the Group's investments;
- the increase in the costs of energy and materials by 150,090 thousand PLN results from the increase in sales volume and the related increase in output as well as from changes in prices of the basic raw material, i.e. aluminium, and exchange rates. As estimated by the Group, the quotations of the average aluminium price in the period of 6 months of 2017 as compared to the period of 6 months of 2016 increased by ca. 22% against the simultaneous increase in the USD exchange rate by ca. 1%.

- the decrease in the costs of external services by 1,988 thousand PLN results mainly from a more limited use of subcontractors;
- the increase in the costs of employee benefits by 34,994 thousand PLN results mainly from the increase in the sales volume, the increase in remunerations and the increase in employment in the Group.

20. Discontinued operations

In the period of 6 months of 2017 and in the period of 6 months of 2016, the Group did not discontinue any significant operations.

21. Business combinations and acquisitions of non-controlling interests

In January 2017, the subsidiary Aluprof S.A. established its subsidiary Aluprof Netherlands B.V. with its registered office in Rotterdam.

Aluprof Netherlands B.V. mainly provides commercial agency services related to the acquisition of customers for Aluprof S.A. in the aluminium systems and roller-shutter industry. Following its incorporation, Aluprof Netherlands B.V. acquired the business of the entity which had exclusive rights to operate in this area on the Dutch market. The acquisition of the business consisted in the acquisition of 4 employees and of the rights and contacts of the acquired company.

The settlement of the fair value of all identified assets and liabilities as of the company acquisition day was as follows:

Assets, and equity and liabilities	Fair value of acquired assets and liabilities (in '000' PLN)
Rights to business commissions	1,439
Deferred tax liability	(288)
Net assets	1,151
Total acquisition price (paid cash)	(1,093)
Negative goodwill (other operating income)	58

As a result of the recognition of the gain from the bargain purchase of Aluprof Netherlands B.V., other operating income in the first half of 2017 increased by 58 thousand PLN.

In April, Aluprof S.A. sold 45% of shares in Aluprof Netherlands B.V. Net profit from the sales transaction increased other operating income by 492 thousand PLN.

22. Investments in associates

In the reporting period, the Group did not acquire any new associates.

As at 30.06.2017, the Group held 45.5% of shares in Aluprof USA LLC with its registered office in New York.

Company name	Place of business	Core business	Parent's name	Shares in the basic capital as at		Profit (loss) allocated to investments in associates as at		Cumulative investments in associates as at		Segment
				30-06-2017	31-12-2016	30-06-2017	30-06-2016	30-06-2017	31-12-2016	
Aluprof USA LLC	USA	Distribution of aluminium systems	Aluprof System USA	45.5%	45.5%	1,430	1,163	2,963	4,206	ASS

23. Objectives and principles of financial risk management

The objectives and principles of financial risk management did not change as compared to those published in the last annual financial statements.

24. Capital management

The main aim of the Group's capital management process is to maintain safe equity ratios which would support the Group's operating activities and increase shareholder value.

The Group manages the capital structure and, as a result of changes in economic conditions, amends it. To retain or adjust the capital structure, the Group may change the payment of dividend to shareholders, return the capital to shareholders or issue new shares. In the financial periods ended on 30 June 2017 and 31 December 2016, no changes were introduced to objectives, principles and processes in this area.

The Group monitors equity using the leverage ratio which is the ratio of net debt to total equity increased with net debt. According to the Group's principles, the ratio should be lower than 50%. The Group's net debt includes interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Equity comprises convertible preference shares, equity attributable to equity holders of the parent less reserves for unrealised net gains.

	30.06.2017 (not audited)	31.12.2016 (audited)
Interest-bearing lease and loans	434,771	472,406
Trade and other payables	638,957	300,088
Less cash and cash equivalents	(64,835)	(74,942)
Net debt	1,008,893	697,552
Equity	1,238,061	1,408,674
Equity and net debt	2,246,954	2,106,226
Leverage ratio	44.90%	33.12%

25. Contingent liabilities

Item	30.06.2017 (not audited)	31.12.2016 (audited)
Building bank guarantees granted by Metalplast Stolarka sp. z o.o.*	33,292	35,669
Building guarantees granted by other companies	2,031	1,294
Bank rental agreement performance bond	0	434
Total granted guarantees	35,323	37,397

*Building guarantees are related to the proper performance of construction services contracts, and their validity dates depend on the terms and conditions of particular contracts.

Apart from aforementioned liabilities, there are no other contingent liabilities.

26. Investment obligations

The table below presents liabilities related to the purchase of property, plant and equipment by segments. The amounts will be allocated to the construction of production halls and the purchase of new plant and machinery.

Contractual liabilities related to the purchase of non-current assets by segments	30.06.2017 (not audited)	31.12.2016 (audited)
Extruded Products Segment	12,432	11,620
Flexible Packaging Segment	16,596	15,436
Aluminium Systems Segment	8,919	13,291
TOTAL	37,947	40,347

27. Derivative financial instruments

Financial assets	30.06.2017 (not audited)	31.12.2016 (audited)
Currency forwards hedging cash flows	1,322	2,126
Futures for the purchase of aluminium hedging cash flows	2,206	1,955
Ineffective currency forwards	0	939
IRS's hedging interest rates	0	4
TOTAL FINANCIAL ASSETS	3,528	5,024

Financial liabilities	30.06.2017 (not audited)	31.12.2016 (audited)
Currency forwards hedging cash flows	3,248	282
Futures for the purchase of aluminium hedging cash flows	338	709
Ineffective currency forwards	0	853
IRS's hedging interest rates	7	0
TOTAL FINANCIAL LIABILITIES	3,593	1,844

In comparison to the principles described in the most recent annual financial statements, the Group did not introduce any changes in the methods of qualifying and evaluating financial instruments. In the reporting period, the Company entered into IRS's hedging interest rates of overdraft facilities.

The fair value of futures, forwards and IRS's is calculated on the basis of the present net value of the future cash flows related to these contracts, quoted market prices of forwards calculated with the application of present interest rates. Forwards/futures and derivative instruments which cannot be classified as hedging instruments are recognised as instruments held for trading.

Fair value of currency forwards is determined by reference to the present forward rates for contracts with similar maturity.

The valuation is based on market valuations of identical transactions in commercial banks.

28. Shareholding structure and transactions with the management personnel

28.1. Shareholding structure

Entity	Number of shares 30-06-2017	Interest in capital	Number of shares 31-12-2016	Interest in capital
Aviva OFE Aviva BZ WBK	1,649,000	17.38%	1,649,000	17.40%
Nationale Nederlanden PTE (formerly ING PTE)	1,732,000	18.25%	1,732,000	18.27%
OFE PZU "Złota Jesień"	870,000	9.17%	870,000	9.18%
PTE Allianz Polska	498,000	5.25%	498,000	5.25%
Others	4,740,980	49.95%	4,729,376	49.90%
Total	9,489,980	100%	9,478,376	100%

28.2. Transactions with Members of the Management Board

In the reporting period, the Group did not conduct any transactions with members of the Management Board apart from those described below.

28.3. The costs of the remunerations of the Group's senior management

Management Board:	6 months of 2017	6 months of 2016
Costs of short-term employee benefits	823	823
Costs of the provision for annual bonuses and other benefits	1,170	1,469
Total costs of remunerations of the Members of the Management Board	1,993	2,292
The valuation of the costs of options for treasury shares due when the programme is implemented*	651	460
Total payments to the Members of the Management Board	2,644	2,752

* The details of the programme are described in the financial statements for 2016. If the market conditions for the allocation of options are not fulfilled, despite the recognition of the costs of the programme, eligible persons will not acquire the right to subscribe for shares.

By senior management, the Group means management boards of subsidiaries and proxies of the parent company.

Remunerations and benefits under the options programme due to the Members of the Management Board, senior management and members of the Company's Supervisory Board are as follows:

	First half of 2017	First half of 2016
Parent's Management Board*	2,644	2,752
Senior management*	5,990	4,922
Supervisory Board	329	306
Total	8,963	7,980

* The presented remunerations cover the costs of provisions for annual bonuses for the management staff and share options costs recognised in the income statement. Pursuant to the principles of the programme and IFRS 2, the value of share options constitutes the valuation of the options programme as at the date of its granting. The costs of options are recognised in the income statement on a straight line basis throughout the validity period of the programme, i.e. 36 months. According to IFRS 2, the costs presented in such a way constitute the cost of remunerations for the Company, but do not reflect the value of possible benefits that employees may obtain in the future on this account. Employees' possible benefits depend on the level of share prices in the future as compared to the acquisition price resulting from the conditions for particular parts of the options programme.

28.4. Participation of the senior management in the employee share scheme

In the reporting period, the Management Board subscribed for 11,604 share options from the first part of the 2012 programme at the issue price of 117.10 PLN per share. In the period, members of the Management Board did not subscribe for any shares of the Company.

Under the programme, the members of the Management Board hold options entitling them to purchase 24,467 shares from the second part of the 2012 programme.

In addition, the members of the Management Board hold the rights to the following number of share options. The final number of share options that the Management Board will be able to exercise will depend on the satisfaction of the programme conditions.

Number of share options in the vesting period granted to members of the Management Board	Number of granted options	End date of the vesting period	Estimated number of options meeting the granting conditions
Share options from the third part of the 2012 programme	28,000	01.10.2017	28,000
Share options from the first part of the 2015 programme	15,000	01.10.2018	10,500
Share options from the second part of the 2015 programme	15,000	01.10.2019	6,000

The costs of related benefits recognised in the income statement for the period of 6 months of 2017 amounted to 651 thousand PLN (6 months of 2016: 460 thousand PLN).

The options for the shares of Grupa Kęty S.A. were granted to members of the senior management. In the reporting period, members of the senior management did not subscribe for any share options.

Number of share options in the vesting period granted to the senior management	Number of granted options	End date of the vesting period	Estimated number of options meeting the granting conditions
Share options from the third part of the 2012 programme	31,000	01.10.2017	31,000
Share options from the first part of the 2015 programme	35,000	01.10.2018	24,500
Share options from the second part of the 2015 programme	33,000	01.10.2019	13,200

The costs of options for the senior management charged to the result amounted in the period of 6 months of 2017 to 910 thousand PLN (6 months of 2016: 533 thousand PLN).

In the reporting period, members of the senior management did not subscribe for any shares of Grupa Kęty S.A.

29. Shares issue and capital increase

In the reporting period, as part of the implementation of the options programme for the management personnel, eligible employees subscribed for 11,705 shares of the Company at 117.10 PLN per share. As at the subscription date, the share market price was 315 PLN per share. In addition, the Company issued 14,455 share options under the 2012 programme for the management personnel entitling their holders to subscribe for series G shares at the issue price of 117.10 PLN per share; and 7,500 options for series F shares under the 2009 programme for the management personnel at the issue price of 125.57 PLN. As at 30.06.2017, the aforementioned shares were not subscribed for.

Below, we present the method of recognising proceeds from the issue of employee shares.

Shares	Number of shares	Acquisition year	Value ('000' PLN)	Amounts charged to share capital	Amounts charged to share premium
Series E shares – the 2006 programme	13,375	2013	1,669	33	1,636
Series F shares – the 2009 programme	85,200	2013	6,547	213	6,334
Series F shares – the 2009 programme	9,000	2014	1,059	23	1,036
Series E shares – the 2006 programme	4,350	2014	543	11	532
Series F shares – the 2009 programme	43,200	2014	5,082	108	4,974
Series F shares – the 2009 programme	12,750	2014	1,601	32	1,569
Series F shares – the 2009 programme	48,450	2015	6,083	121	5,962
Series G shares – the 2012 programme	11,705	2016	1,371	29	1,342
Series G shares – the 2012 programme	24,683	2016	2,890	62	2,828
Series G shares – the 2012 programme	11,604	2017	1,359	29	1,330
TOTAL	264,317		28,204	661	27,543

30. Fair value measurement methods (fair value hierarchy)

The Group measures at fair value investment properties and derivative financial instruments.

The carrying amount of investment properties is based on fair values determined on the basis of the valuation conducted by a qualified independent expert experienced in the valuation of investment properties. The approach applied by the expert was based on compared market prices of rents in accordance with the income method and straight capitalisation of gross revenue technique. Fair value of investment properties is classified at the so-called 'Level 3'.

The fair value of futures and forwards is calculated on the basis of the present net value of the future cash flows related to these contracts, quoted market prices of forwards calculated with the application of the present interest rates.

Fair value of currency forwards is determined by reference to the present forward rates for contracts with similar maturity.

As compared to the previous financial year, the Group did not change the method of measuring derivatives.

Derivatives are recognised as assets when their measurement is positive, and as liabilities when their measurement is negative. Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are recognised in profit or loss for the reporting year.

In the case of determining fair value on the basis of market quotations, it is classified at the so-called 'Level 1'. In the case of derivatives held by the Group, fair value is determined on the basis of other inputs that are observable either directly or indirectly. As a result, the value is classified at the so-called 'Level 2' of the fair value hierarchy.

Fair value hierarchy	Fair value hierarchy level	30.06.2017 (not audited)	31.12.2016 (audited)
Assets			
Investment properties	3	6,577	6,490
Hedging derivatives	2	3,528	5,024
TOTAL ASSETS		10,105	11,514
Liabilities			
Hedging derivatives	2	3,593	1,844
TOTAL LIABILITIES		3,593	1,844

31. Earnings per share (EPS)

Below, we present the data related to earnings and the number of shares applied to calculate basic and diluted earnings per share:

	6 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2016 (not audited)
Net profit attributable to equity holders of the parent	119,518	143,439
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,487,608	9,448,355
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share*	9,510,368	9,462,378
Basic earnings per share from the basic profit for the period attributable to equity holders of the parent (in PLN)	12.60	15.18
Diluted earnings per share from the basic profit for the period attributable to equity holders of the parent (in PLN)	12.57	15.16

In the reporting period, eligible employees subscribed for 11,604 series G shares at 117.10 PLN. In addition, eligible employees are entitled to subscribe for 7,500 shares from the third part of the programme at 125.57 PLN and 24,467 shares from the second part of the 2012 programme at 117.10 PLN.

The average market price of the Company's share in the period of 6 months of 2017 was 413.49 PLN. The closing price as at 30.06.2017 was 435.00 PLN.

The potential number of ordinary shares associated with the employee options programme increasing the number of shares and assumed for the calculation of diluted earnings per share is 22,760 shares.

32. Events after the reporting period

Except for the aforementioned event, there were no significant events after the reporting period, which should be included in these consolidated financial statements.

II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

INTERIM CONDENSED INCOME STATEMENT

	Note	3 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2017 (not audited)	3 months ended on 30.06.2016 (not audited)	6 months ended on 30.06.2016 (not audited)
Total operating income, including:		483,523	727,342	382,614	579,903
Sales revenue		269,850	512,420	227,110	423,284
Other operating income		2,013	3,262	991	2,106
Dividends		211,660	211,660	154,513	154,513
Change of inventories of finished goods and work in progress		(6,471)	(1,472)	(217)	(817)
Cost of manufacturing products for own needs		1,531	2,892	1,272	2,588
Total operating costs, including:		(253,190)	(496,413)	(211,865)	(402,048)
Depreciation/Amortisation		(9,807)	(19,477)	(8,607)	(17,045)
Materials and energy and the value of sold trade goods and materials		(175,481)	(348,662)	(141,552)	(267,402)
External services		(38,519)	(68,931)	(34,888)	(64,351)
Taxes and charges		(1,254)	(2,662)	(1,276)	(2,679)
Employee benefits		(27,545)	(55,472)	(24,951)	(49,353)
Other operating costs		(584)	(1,209)	(591)	(1,218)
Profit on operating activities		225,393	232,349	171,804	179,626
Finance income		1,143	1,915	564	1,471
Finance costs		(759)	(1,195)	(586)	(1,361)
Profit before tax		225,777	233,069	171,782	179,736
Income tax expense	11	(2,512)	(4,366)	(2,821)	(4,532)
Net profit on continuing operations		223,265	228,703	168,961	175,204
Net earnings per share for the period (PLN)					
Basic earnings per share	28	23.53	24.11	17.87	18.54
Diluted earnings per share	28	23.47	24.05	17.86	18.52

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2017 (not audited)	3 months ended on 30.06.2016 (not audited)	6 months ended on 30.06.2016 (not audited)
Net profit for the period	223,265	228,703	168,961	175,204
Other comprehensive income*, including:	(4,913)	(1,595)	5,110	6,186
Valuation of cash flow hedging instruments	(5,831)	(1,944)	5,693	4,744
Result from cash flow hedge	(189)	(20)	404	2,343
Income tax related to other comprehensive income	1,107	369	(987)	(901)
Comprehensive income for the period	218,352	227,108	174,071	181,390

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

INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	30.06.2017 (not audited)	31.12.2016 (audited)
I. Non-current assets		725,994	728,658
Property, plant and equipment		348,234	351,186
Intangible assets		6,948	7,309
Shares and interests		368,733	367,989
Advance payments for property, plant and equipment		2,079	2,174
II. Current assets		520,793	252,020
Inventories	14	96,754	101,699
Current tax receivables		60	0
Trade and other receivables	13	411,296	141,742
Derivative financial instruments	20	2,351	2,613
Cash and cash equivalents	9	10,332	5,966
Total assets		1,246,787	980,678
EQUITY AND LIABILITIES			
I. Equity		698,496	753,015
Share capital		67,625	67,534
Share premium	26	27,543	23,385
Non-registered capital from the issue of shares	26	0	2,890
Capital from the revaluation of property, plant and equipment		3,787	3,787
Capital from share based payments		20,304	18,592
Capital from the revaluation of hedging instruments		375	1,950
Result from cash flow hedging transactions		517	537
Retained earnings		578,345	634,340
II. Long-term liabilities		63,894	65,466
Liabilities related to loans	16	10,815	15,181
Provisions due to employee benefits	15	1,534	1,500
Grants		30,776	31,218
Deferred tax liability		20,769	17,567
III. Short-term liabilities		484,397	162,197
Liabilities related to loans	16	78,090	56,502
Income tax payable		0	4,642
Trade and other payables	18	392,142	82,724
Provisions and accruals	15	11,257	17,035
Derivative financial instruments	20	1,888	206
Grants		1,020	1,088
Total equity and liabilities		1,246,787	980,678

INTERIM CONDENSED CASH FLOW STATEMENT

	6 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2016 (not audited)
Cash flow from operating activities		
Profit before tax	233,069	179,736
Adjustments:	20,216	24,061
Depreciation/Amortisation	19,477	17,045
Write-downs of property, plant and equipment	(40)	0
(Profit) / loss from net currency translation differences	(1,098)	421
Proceeds from the sales of interests in a subsidiary	0	3,188
Expenditure on the purchase of a subsidiary's business	0	(672)
Change in realised gains on transactions hedging the price of aluminium charged to equity	(20)	2,343
(Profit) / loss from sales of property, plant and equipment	(26)	(34)
Interest	955	1,143
Share based payments	968	620
Other items (net)	0	7
Cash flow from operating activities before the change of working capital	253,285	203,797
Change in inventories	4,945	1,866
Change in net receivables	(269,554)	(198,655)
Change in short-term liabilities, except for loans	31,742	39,815
Change in provisions	(5,744)	(1,402)
Change in grants	(510)	(544)
Net cash generated from operating activities	14,164	44,877
Tax refunded / (paid)	(5,495)	(442)
Net cash from operating activities	8,669	44,435
Cash flow from investing activities		
(+) Proceeds:	132	100
Sales of intangible assets and property, plant and equipment	132	100
(-) Expenses:	(23,110)	(21,138)
Acquisition of intangible assets and property, plant and equipment	(23,110)	(21,138)
Net cash from investing activities	(22,978)	(21,038)
Cash flow from financing activities		
(+) Proceeds:	33,097	13,091
Net proceeds from the issue of shares	1,359	1,371
Proceeds from borrowings	31,738	11,720
(-) Expenses:	(14,422)	(12,430)
Repayments of borrowings	(13,393)	(11,266)
Interest	(1,029)	(1,164)
Net cash from financing activities	18,675	661
Total net cash flow:	4,366	24,058
change in cash due to currency translation differences	0	0
Cash and cash equivalents at the beginning of the period	5,966	8,917
Cash and cash equivalents at the end of the period	10,332	32,975

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from the revaluation of property, plant and equipment	Capital from share based payments	Capital from the revaluation of hedging instruments	Result from cash flow hedge	Retained earnings	Total equity
Equity as at 1 January 2017 (audited)	67,534	23,385	2,890	3,787	18,592	1,950	537	634,340	753,015
Comprehensive income for the period:	0	0	0	0	0	(1,575)	(20)	228,703	227,108
<i>Net profit for the period</i>	0	0	0	0	0	0	0	228,703	228,703
<i>Other comprehensive income</i>	0	0	0	0	0	(1,575)	(20)	0	(1,595)
Valuation of share based payments	0	0	0	0	1,712	0	0	0	1,712
Issue of shares	91	4,158	(2,890)	0	0	0	0	0	1,359
Dividends	0	0	0	0	0	0	0	(284,698)	(284,698)
Equity as at 30 June 2017 (not audited)	67,625	27,543	0	3,787	20,304	375	517	578,345	698,496
Previous year									
Equity as at 1 January 2016 (audited)	67,505	22,043	0	3,003	13,959	(699)	(2,070)	627,671	731,412
Comprehensive income for the period:	0	0	0	0	0	3,843	2,343	175,204	181,390
<i>Net profit for the period</i>	0	0	0	0	0	0	0	175,204	175,204
<i>Other comprehensive income</i>	0	0	0	0	0	3,843	2,343	0	6,186
Valuation of share based payments	0	0	0	0	830	0	0	0	830
Issue of shares	29	1,342	0	0	0	0	0	0	1,371
Dividends	0	0	0	0	0	0	0	(170,166)	(170,166)
Equity as at 30 June 2016 (not audited)	67,534	23,385	0	3,003	14,789	3,144	273	632,709	744,837

COMPLEMENTARY INFORMATION AND EXPLANATIONS

1. General information

Grupa KĘTY S.A. ('the Company') is a joint-stock company incorporated in Poland with its registered office in Kęty, at Kościuszki 111.

These interim condensed separate financial statements of Grupa Kęty S.A. cover the period of the first half ended on 30.06.2017 and provide for comparative data for the first half ended on 30.06.2016 as well as figures as at 31.12.2016. The financial statements contain the figures for the second quarter of 2017 and the second quarter of 2016. The figures have not been reviewed by the certified auditor. The certified auditor has reviewed the figures for the first half of 2017. The report on the review has been attached to these financial statements.

The Company is entered into the Register of Entrepreneurs under No. **KRS 0000121845** and has been assigned its tax identification number (**NIP**) **5490001468**.

The Company's business statistical number (**REGON**) is **070614970**.

The Company is listed at Warsaw Stock Exchange under No. **ISIN PLKETY000011** and classified in the metal sector.

The Company's objects comprise the production of, trade in and the rendering of services related to the processing of aluminium and its alloys. In addition, the Company is engaged in the trade, supply, marketing and other brokerage.

2. The basis for the preparation of the interim condensed separate financial statements

These interim condensed separate financial statements have been prepared in accordance with the International Accounting Standard No. 34 *Interim Financial Reporting* adopted by the EU ('IAS 34').

IFRS comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC'). These interim condensed separate financial statements have been prepared with regard to the Polish zloty ('PLN') and all values, unless otherwise specified, are provided in thousands PLN. These interim condensed separate financial statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of authoring these financial statements, there are no circumstances implying that the Company will not continue as a going concern.

These interim condensed separate financial statements do not comprise all the information and disclosures required in the annual financial statements and they should be read together with the Company's financial statements for the year ended on 31 December 2016.

These interim condensed separate financial statements were authorised for publication on 3 August 2017.

The Management Board of Grupa Kęty S.A. hereby declares that, according to their best knowledge, these interim condensed separate financial statements and comparable data have been prepared according to the Company's accounting policies in force and they present a true and fair view of the financial standing, assets and financial result of the Company.

3. Significant accounting policies

Accounting policies applied for the preparation of these interim condensed separate financial statements are consistent with the ones applied for the preparation of the annual financial statements of the Company for the year ended on 31 December 2016.

4. Areas of estimates

Changes in estimates are described in notes 12, 13, 14, 15 and 25. Apart from the changes described in aforementioned notes, there were no other changes in estimates.

5. Seasonal nature of operations

The Company's core business comprises the production of aluminium profiles. The biggest sales related to that are generated in the second half of the year (historically, the sale in the second half of the year is higher than the sale in the first half of the year by a few to even 23%). It is related to the cycle of works in the building industry that accounts for a considerable share of serviced markets of customers in this Segment.

6. Information on business segments

The Company has two internally-separated operating segments, i.e. the Extruded Products Segment and other activities ('Other') including central functions in the Group. Due to the fact that the Company's financial statements are published simultaneously with the consolidated financial statements, the Company, pursuant to IFRS 8 item 4, presents segment information only in the consolidated financial statements.

7. Investments in subsidiaries

There were no investments in subsidiaries in the reporting period.

8. Changes in the Company's organisational structure

There were no major changes in the Company's organisational structure in the reporting period.

9. Cash and cash equivalents

For the purpose of the interim condensed cash flow statement, cash and cash equivalents are composed of the following items:

	30.06.2017 (not audited)	31.12.2016 (audited)
Bank deposits (current accounts) and short-term deposits	10,332	5,966
Cash recognised in the balance sheet and in the cash flow statement	10,332	5,966

As at 30 June 2017, Grupa Kęty S.A. had undrawn granted credit funds amounting to 43,922 thousand PLN with regard to which all conditions precedent had been complied with (31 December 2016: 50,570 thousand PLN).

10. Dividends paid and proposed for payment

The result for the reporting period is not distributed.

The General Meeting of Shareholders held on 31 May 2017 allocated 284,699 thousand PLN for the dividend for 2016 (30 PLN per share for 9,489,980 eligible shares).

24 August 2017 will be the day of determining the right to dividend. Pursuant to the resolution of the General Meeting of Shareholders, the dividend will be paid in two instalments:

- 7 September – 8 PLN per share;
- 23 November – 22 PLN per share.

In 2016, Grupa Kęty S.A. paid the dividend of 170,166 thousand PLN (18 PLN per share).

11. Income tax expense

The main components of the tax expense for continuing operations in the income statement are as follows:

	3 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2017 (not audited)	3 months ended on 30.06.2016 (not audited)	6 months ended on 30.06.2016 (not audited)
Current income tax				
Current income tax expense recognised in the income statement	(696)	(696)	(1,609)	(1,609)
Deferred income tax:				
Related to the recognition and reversal of temporary differences	(1,816)	(3,670)	(1,212)	(2,923)
Tax expense recognised in the income statement	(2,512)	(4,366)	(2,821)	(4,532)

12. Property, plant and equipment

12.1. Purchase and sale

Purchase and sale transactions related to property, plant and equipment are presented below.

	6 months of 2017 (not audited)	6 months of 2016 (not audited)
Acquisition of property, plant and equipment	15,575	10,717
Net value of sold property, plant and equipment	106	66
Profit (loss) on the sales of property, plant and equipment	26	7

In the presented periods, the Company did not recognise impairment losses for property, plant and equipment. In the reporting period, the Company reversed a write-down of property, plant and equipment amounting to 40 thousand PLN.

13. Trade and other receivables

	30.06.2017 (not audited)	31.12.2016 (audited)
Short-term receivables		
Trade receivables from related parties	78,342	42,840
Trade receivables from other entities	128,434	89,011
Public law receivables (except for the income tax)	199	1,835
Down payments (trade-related) for suppliers – other entities	512	181
Receivables from employees	51	15
Settlements related to transactions hedging the aluminium price	7,046	4,474
Dividend receivables	194,464	0
Other receivables	2,248	3,386
Net receivables	411,296	141,742

In the period of 6 months of 2017, the Company recognised write-downs of receivables amounting to 13 thousand PLN (6 months of 2016, recognition of write-downs amounting to 25 thousand PLN). The Company recognises write-downs of receivables in 'Other operating costs'. In the period of 6 months of 2017, the Company reversed write-downs of receivables amounting to 554 thousand PLN (in the period of 6 months of 2016, the Company reversed write-downs of receivables amounting to 907 thousand PLN). The reversal of write-downs resulted from the receipt of the receivables payable subject to write-downs. The reversals of write-downs are presented in 'Other operating income' or in 'Finance income' as received interest as per the nature of receivables.

Fair value of receivables is close to their book value.

14. Inventories

	30.06.2017 (not audited)	31.12.2016 (audited)
Materials	38,217	41,833
Work in progress	40,921	33,992
Finished products	17,616	25,874
TOTAL	96,754	101,699

In the period of 6 months of 2017, the Company reversed write-downs of receivables amounting to 686 thousand PLN; in the period of 6 months of 2016, it reversed write-downs amounting to 259 thousand PLN.

15. Provisions and accruals

In the reporting period, the Company recognised, for a decrease in the result, the deferred tax liability amounting to 3,505 thousand PLN.

Changes in provisions and accruals:

	31.12.2016 (audited)	Increases	Utilisation/ Reversal	30.06.2017 (not audited)
Provisions and accruals	18,535	6,791	(12,535)	12,791
long-term part of the provision for jubilee bonuses and retirement benefits	1,500	34	0	1,534
short-term provision for jubilee bonuses and retirement benefits	373	0	0	373
provision for the costs of unused holiday	2,037	3,109	(2,037)	3,109
costs of annual bonus	9,008	3,250	(9,008)	3,250
cogeneration fees	335	310	(335)	310
costs of damages	5,074	0	(981)	4,093
costs of warranty repairs	37	0	(3)	34
environmental protection costs	0	57	0	57
provision for the costs of auditing financial statements	31	31	(31)	31
other provisions	140	0	(140)	0

	31.12.2015 (audited)	Increases	Utilisation/ Reversal	30.06.2016 (not audited)
Provisions and accruals	10,068	6,068	(7,470)	8,666
long-term part of the provision for jubilee bonuses and retirement benefits	1,459	0	0	1,459
short-term provision for jubilee bonuses and retirement benefits	363	0	0	363
provision for the costs of unused holiday	1,842	2,905	(1,842)	2,905
costs of annual bonus	4,738	2,972	(4,738)	2,972
cogeneration fees	493	171	(493)	171
costs of damages	430	0	0	430
costs of onerous contracts	664	0	(363)	301
costs of warranty repairs	45	0	0	45
provision for the costs of auditing/reviewing financial statements	34	20	(34)	20

16. Interest-bearing bank loans and credits

The table below presents changes in the balances of particular fair values of loans in the period of 6 months of 2017.

Loan	Lender	Loan currency	31.12.2016 (audited)	Increase (decrease)	30.06.2017 (not audited)
Long-term	BNP Paribas Polska	PLN	15,181	(4,366)	10,815
Short-term loan	Bank PKO BP	PLN, EUR, USD	3,843	(2,620)	1,223
Short-term loan	BNP Paribas Polska	PLN, EUR	16,680	(6,924)	9,756
Short-term loan	ING Bank Polska	EUR, PLN	3	20,269	20,272
Short-term loan	Bank PeKaO S.A.	EUR, USD, CHF	22,205	11,469	33,674
Short-term loan	Bank Societe Generale	PLN, EUR	13,771	(606)	13,165
Total loans			71,683	17,222	88,905

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 Company's liquidity management.

17. Share based payments (share options for the management personnel)

The details of the programme and the principles for measuring the programme costs are described in the financial statements for 2016. The Group recognises the programme costs in proportion to the vesting period for options.

As compared to the information presented in the annual financial statements, there were no significant changes of the valuation and of the method of recognising the costs of the programme of options for the management personnel.

18. Trade and other payables

	30.06.2017 (not audited)	31.12.2016 (audited)
Trade payables to related parties	10,778	7,197
Trade payables to non-related parties	67,348	51,498
Down payments (trade-related) from customers	1,688	1,047
Public law liabilities (except for income tax payables)	17,462	6,922
Remuneration liabilities	4,931	3,902
Securities	4	4
Liabilities due to the purchase of property, plant and equipment	2,898	11,564
Liability due to dividend	284,699	0
Other	2,334	590
TOTAL SHORT-TERM LIABILITIES	392,142	82,724

19. Explaining the reasons for material changes in items of revenue and costs

In the period of 6 months of 2017 as compared to the period of 6 months of 2016, material changes in particular items of revenue and costs had place in the following areas:

Sales revenue — the increase in sales revenue in the period by 89,136 thousand PLN associated with the increase in the sales volume and the increase in aluminium price. According to the Company's estimates, the increase in the sales volume amounted to ca. 4.7 thousand tonnes of aluminium products while aluminium price rose by ca. 22%.

Other operating income — the increase by 1,156 thousand PLN in the period in the amount of 981 thousand PLN is related to the reversal of the provision for damages.

Dividend income — the increase in dividend income by 57,147 thousand PLN in the period related to the results of subsidiaries and amounts of the profit distribution in such companies.

Amortisation/depreciation costs — the increase in amortisation/depreciation costs by 2,432 thousand PLN related to the investment process carried out in 2016.

External services — the increase in the costs of external services by 4,580 thousand PLN is related to the increase in the number of services acquired from cooperating parties due to the sales growth and due to the increase in the sales volume of more processed products.

Costs of materials and energy — the increase in the costs of materials and energy by 81,260 thousand PLN is related to the increase in average aluminium prices and the increase in the sales volume of aluminium products by ca. 4,700 tonnes and the associated increase in the consumption of raw materials.

As estimated by the Company, the quotations of the average aluminium price in the period of 6 months of 2017 as compared to the period of 6 months of 2016 increased by ca. 22% against the simultaneous increase in the USD exchange rate by ca. 1%.

Costs of employee benefits — the increase in the costs of employee benefits by 6,119 thousand PLN results from the increase in the sales volume and the increase in employment and remunerations in the second half of 2016 and in the first half of 2017.

20. Derivative financial instruments

Financial assets	30.06.2017 (not audited)	31.12.2016 (audited)
Currency forwards hedging cash flows	500	984
Futures for the purchase of aluminium hedging cash flows	1,851	1,625
IRS's hedging interest rates of loans	0	4
TOTAL FINANCIAL ASSETS	2,351	2,613
Financial liabilities		
Currency forwards hedging cash flows	1,834	1
Futures for the purchase of aluminium hedging cash flows	47	205
IRS's hedging interest rates of loans	7	0
TOTAL FINANCIAL LIABILITIES	1,888	206

21. Objectives and principles of financial risk management

The objectives and principles of financial risk management are described in the annual financial statements for 2016 published on 16 March 2017. No significant changes had place in the objectives and principles of risk management as compared to the ones described in the financial statements for 2016.

22. Capital management

The capital is managed at the level of the Capital Group of Grupa Kęty S.A.

23. Contingent liabilities and assets

Item	30.06.2017 (not audited)	31.12.2016 (audited)
Bank guarantee securing production hall rental payments	0	434
Total granted guarantees	0	434

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.

Guarantees and sureties from subsidiaries as at 30-06-2017 are presented in the table below.

For:	Purpose	Amount	Maturity
Aluprof S.A.	Security for a working capital loan	5,000	31-03-2018
Aluprof S.A.	Surety for an insurance guarantee	2,031	21-08-2019
Metalplast Stolarka sp. z o.o.	Surety for an insurance guarantee	865	No maturity
Aluminium Kety Emmi d o.o.	Loan security	12,680	15-11-2017
Aluprof S.A.	Surety for futures/forwards	27,500	No maturity
Alupol Packaging S.A.	Surety for futures/forwards	5,500	No maturity
Alupol Packaging Kęty sp. z o.o.	Surety for futures/forwards	5,500	No maturity
Alupol Films sp. z o.o.	Surety for futures/forwards	5,500	No maturity
Metalplast Stolarka sp. z o.o.	Surety for futures/forwards	5,500	No maturity

Guarantees and securities received from subsidiaries

From:	Purpose	Amount	Maturity
Aluprof S.A.	Loan security	5,000	31-03-2018
Aluprof, FPS companies	Surety for futures/forwards	5,500	No maturity

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 5,461 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 87,372 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 10,584 thousand PLN. The agreement is valid until 30.06.2018.
- 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 52,339 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 8,791 thousand PLN. This agreement will be valid until the expiry of the guarantees and the last guarantees for this loan will expire in 2023.

24. Investment obligations

As at 30 June 2017, the Company committed to make expenditure on property, plant and equipment amounting to 12,306 thousand PLN (as at 31 December 2016, the investment obligations amounted to 10,505 thousand PLN). The amounts will be allocated to the purchase of new plant and machinery.

25. Related party transactions

Intra-group transactions for the period from 1 January 2017 to 30 June 2017 and as at 30 June 2017.

Related party	Sales	Purchases	Receivables	Liabilities	Dividends
Aluprof S.A.	121,800	1,891	75,798	667	120,000
Alupol Packaging S.A.	907	0	330	0	74,464
Alu Trans System Sp. z o.o.	2	0	0	0	0
Dekret Sp. z o.o.	358	825	43	170	144
Aluprof Hungary Sp. z o.o.	50	210	43	118	0
Metalplast Stolarka Sp. z o.o.	275	184	281	35	0
Alupol Ukraina LLC	1,440	4,391	165	2,173	0
Alutech Sp. z o.o. w likwidacji	2	0	0	0	0
Romb S.A.	357	22	134	0	0
Aluform Sp. z o.o.	973	29,514	293	7,114	17,052
Alupol Films sp. z o.o.	187	0	87	0	0
Alupol Packaging Kęty Sp. z o.o.	3,846	12	971	0	0
Aluprof Schelfhaut Ltd	34	0	3	0	0
Aluprof System Czechy sro	0	1,732	0	30	0
Aluminium Deutschland Kęty GmbH	12	845	4	239	0
Grupa Kęty Italia srl	0	561	0	88	0
Aluminium Kęty EMMI d.d.o	486	637	190	144	0
Total	130,729	40,824	78,342	10,778	211,660

In addition, the Company has dividend receivables of 120,000 thousand PLN from Aluprof S.A. and of 74,464 thousand PLN from Alupol Packaging S.A.

Apart from the aforementioned transactions, in the period of 6 months of 2017 the Company did not carry out any other related party transactions.

The transactions with the Management Board and the Supervisory Board are described in note 28 to the interim condensed consolidated financial statements. There were no other significant related party transactions apart from the aforementioned transactions and balances.

25.1. Transactions with Members of the Management Board

In the period, the Company did not carry out any transactions with members of the Management Board apart from those described below.

25.2. Remunerations of the Company's senior management

Management Board:	6 months of 2017	6 months of 2016
Costs of short-term employee benefits	823	823
Costs of the provision for annual bonuses and other benefits	1,170	1,469
Total costs of remunerations of the Members of the Management Board	1,993	2,292
The valuation of the costs of options for treasury shares due when the programme is implemented*	651	460
Total payments to the Members of the Management Board	2,644	2,752

* The details of the programme are described in notes 25.3 and 17. If the market conditions for the allocation of options are not fulfilled, despite the recognition of the costs of the programme, eligible persons will not acquire the right to subscribe for shares.

Remunerations and benefits under the options programme due to the Members of the Management Board, senior management and members of the Company's Supervisory Board are as follows:

	6 months of 2017	6 months of 2016
Proxies of the parent company*	870	515
Parent's Management Board*	2,644	2,752
Supervisory Board	329	306
TOTAL	3,843	3,573

* The presented remunerations cover the costs of provisions for annual bonuses for the management staff and share options costs recognised in the income statement. The details of the share options programme are described in note 17. Pursuant to the principles of the programme and IFRS 2, the value of the share option programme constitutes the valuation of the programme as at the date of its granting. The costs of options are recognised in the income statement on a straight line basis throughout the validity period of the programme,

i.e. 36 months. According to IFRS 2, the costs presented in such a way constitute the cost of remunerations for the Company, but do not reflect the value of possible benefits that employees may obtain in the future on this account. Employees' possible benefits depend on share prices in the future as compared to the acquisition price resulting from the conditions for particular parts of the options programme.

25.3. Participation of the senior management in the employee share scheme

As described in details in note 17, the Group has implemented an options programme for the management personnel.

In the reporting period, the Management Board subscribed for 11,604 share options from the first part of the 2012 programme at the issue price of 117.10 PLN per share. Under the programme, the members of the Management Board hold options entitling them to purchase 24,467 shares from the second part of the 2012 programme.

In addition, the members of the Management Board hold the rights to the following number of share options. The final number of share options that the Management Board will be able to exercise will depend on the satisfaction of the programme conditions.

Number of share options in the vesting period granted to members of the Management Board	Number of granted options	End date of the vesting period	Estimated number of options meeting the granting conditions
Share options from the third part of the 2012 programme	28,000	01.10.2017	28,000
Share options from the first part of the 2015 programme	15,000	01.10.2018	10,500
Share options from the second part of the 2015 programme	15,000	01.10.2019	6,000

The costs of related benefits recognised in the income statement for the period of 6 months of 2017 amounted to 651 thousand PLN (6 months of 2016: 460 thousand PLN).

Options to purchase shares were also issued to proxies. In the period, the Proxies did not subscribe for any shares for options.

Number of share options in the vesting period granted to the senior management	Number of granted options	End date of the vesting period	Estimated number of options meeting the granting conditions
Share options from the third part of the 2012 programme	8,500	01.10.2017	8,500
Share options from the first part of the 2015 programme	6,000	01.10.2018	4,200
Share options from the second part of the 2015 programme	6,000	01.10.2019	2,400

The costs of related benefits recognised in the income statement for the period of 6 months of 2017 amounted to 215 thousand PLN (6 months of 2016: 142 thousand PLN).

In the period, the members of the senior management did not subscribe for any shares of the Company.

26. Issue of shares

In the reporting period, as part of the implementation of the options programme for the management personnel, eligible employees subscribed for 11,604 shares of the Company at 117.10 PLN per share. In addition, the Company issued 24,467 share options under the 2012 programme for the management personnel entitling their holders to subscribe for series G shares at the issue price of 117.10 PLN per share; and 7,500 options for series F shares under the 2009 programme for the management personnel at the issue price of 125.57 PLN. As at 30.06.2017, the aforementioned shares were not subscribed for.

Below, we present the method of recognising proceeds from the issue of employee shares.

Shares	Number of shares	Acquisition year	Value ('000' PLN)	Amounts charged to share capital	Amounts charged to share premium
Series E shares – the 2006 programme	13,375	2013	1,669	33	1,636
Series F shares – the 2009 programme	85,200	2013	6,547	213	6,334
Series F shares – the 2009 programme	9,000	2014	1,059	23	1,036
Series E shares – the 2006 programme	4,350	2014	543	11	532
Series F shares – the 2009 programme	43,200	2014	5,082	108	4,974

Series F shares – the 2009 programme	12,750	2014	1,601	32	1,569
Series F shares – the 2009 programme	48,450	2015	6,083	121	5,962
Series G shares – the 2012 programme	11,705	2016	1,371	29	1,342
Series G shares – the 2012 programme	24,683	2016	2,890	62	2,828
Series G shares – the 2012 programme	11,604	2017	1,359	29	1,330
TOTAL	264,317		28,204	661	27,543

27. The methods of the measurement at fair value of financial instruments disclosed at fair value (fair value hierarchy)

The fair value of futures, forwards and IRS's is calculated on the basis of the present net value of the future cash flows related to these contracts, quoted market prices of forwards calculated with the application of present interest rates.

Fair value of currency forwards is determined by reference to the present forward rates for contracts with similar maturity.

As compared to the previous financial year, the Company did not change the method of measuring derivatives.

Derivatives are recognised as assets when their measurement is positive, and as liabilities when their measurement is negative. Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are recognised in profit or loss for the reporting year.

In the case of determining fair value on the basis of market quotations, it is classified at the so-called 'Level 1'. In the case of derivatives held by the Company, fair value is determined on the basis of other inputs that are observable either directly or indirectly. As a result, the value is classified at the so-called 'Level 2' of the fair value hierarchy.

Fair value hierarchy	Hierarchy level	30.06.2017 (not audited)	31.12.2016 (audited)
Financial assets			
Hedging derivatives	2	2,351	2,613
Financial liabilities			
Hedging derivatives	2	1,888	206

28. Earnings per share (EPS)

Below, we present the data related to earnings and the number of shares applied to calculate basic and diluted earnings per share:

	6 months ended on 30.06.2017 (not audited)	6 months ended on 30.06.2016 (not audited)
Net profit	228,703	175,204
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,487608	9,448355
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share*	9,510608	9,462378
Basic earnings per share (in PLN)	24.11	18.54
Diluted earnings per share (in PLN)	24.05	18.52

* In the reporting period, eligible employees subscribed for 11,604 series G shares at 117.10 PLN. In addition, eligible employees are entitled to subscribe for 7,500 shares from the third part of the programme at 125.57 PLN and 24,467 shares from the second part of the 2012 programme at 117.10 PLN.

The average market price of the Company's share in the period of 6 months of 2017 was 413.49 PLN. The closing price as at 30.06.2017 was 435.00 PLN.

The potential number of ordinary shares associated with the employee options programme increasing the number of shares and assumed for the calculation of diluted earnings per share is 22,760 shares.

29. Events after the reporting period

After the reporting period, there were no significant events which should be included in these financial statements.

Signatures of all Members of the Management Board:

Dariusz Mańko

President of the Management Board

Adam Piela

Member of the Management Board

.....

Kęty, 3 August 2017

.....

Signature of the person entrusted with bookkeeping

Andrzej Stempak

President of the Management Board

Dekret Centrum Rachunkowe Sp. z o.o.

.....

Kęty, 3 August 2017