



**CAPITAL GROUP OF GRUPA KĘTY S.A.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF  
2018 ENDED ON 31 MARCH 2018 PREPARED PURSUANT TO IAS 34**

**Consolidated semi-annual report QSr 1/2018**

(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) for the issuers of securities involved in the production, construction, trading or servicing activities for the first quarter of the financial year 2018 covering the period from 01.01.2018 to 31.03.2018, 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).

19 April 2018 |

(delivery date)

<b>GRUPA KĘTY SPÓŁKA AKCYJNA</b>	
(Issuer's full name)	
<b>KĘTY</b>	<b>Metal (met)</b>
<small>(Issuer's short name)</small>	<small>(sector according to the WSE classification / industry)</small>
<b>32-650</b>	<b>Kęty</b>
<small>(postal code)</small>	<small>(town/city)</small>
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<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	
	3 months of 2018	3 months of 2017	3 months of 2018	3 months of 2017
Net sales revenue	674,840	601,542	161,507	140,249
Profit on operating activities	74,548	69,831	17,841	16,281
Profit before tax	69,314	69,208	16,589	16,136
Net profit	53,298	54,685	12,756	12,750
Net profit (loss) attributable to equity holders of the parent	53,306	54,685	12,758	12,750
Total net income (loss)	42,435	57,799	10,156	13,476
Total net income (loss) attributable to equity holders of the parent	42,443	57,799	10,158	13,476
Net cash flow from operating activities	59,908	19,287	14,338	4,497
Net cash flow from investing activities	-46,357	-40,830	-11,094	-9,519
Net cash flow from financing activities	-27,697	23,423	-6,629	5,461
Total net cash flow	-14,146	1,880	-3,386	438
Net earnings per share attributable to equity holders of the parent (in PLN/EUR)	5.60	5.77	1.34	1.35
Diluted net earnings per share attributable to equity holders of the parent (in PLN/EUR)	5.58	5.75	1.34	1.34
<b>BALANCE SHEET ITEMS</b>	<b>31.03.2018</b>	<b>31.12.2017</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
Total assets	2,547,002	2,499,376	605,204	599,241
Liabilities and provisions for liabilities	1,140,691	1,135,998	271,045	272,363
Long-term liabilities	252,263	270,103	59,941	64,759
Short-term liabilities	888,428	865,895	211,103	207,604
Equity attributable to the equity holders of the parent	1,406,311	1,363,378	334,160	326,879
Share capital	67,704	67,704	16,087	16,232
Number of shares	9,521,700	9,521,700	9,521,700	9,521,700
Book value per share (in PLN/EUR)	147.70	143.19	35.09	34.33
Diluted book value per share (in PLN/EUR)	147.17	142.63	34.97	34.20
Dividend per share – declared or paid (in PLN/EUR)	0.00	20.00	0.00	4.80
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	
	3 months of 2018	3 months of 2017	3 months of 2018	3 months of 2017
Net sales revenue	265,898	242,570	63,636	56,555
Profit on operating activities	12,488	6,956	2,989	1,622
Profit before tax	10,362	7,292	2,480	1,700
Net profit	8,177	5,438	1,957	1,268
Total net income	1,741	8,756	417	2,041
Net cash flow from operating activities	4,226	-15,411	1,011	-3,593
Net cash flow from investing activities	-25,114	-14,403	-6,010	-3,358
Net cash flow from financing activities	29,806	35,832	7,133	8,354
Total net cash flow	8,918	6,018	2,134	1,403
Earnings per share (in PLN/EUR)	0.86	0.57	0.21	0.13
Diluted earnings per share (in PLN/EUR)	0.86	0.57	0.21	0.13
<b>BALANCE SHEET ITEMS</b>	<b>31.03.2018</b>	<b>31.12.2017</b>	<b>31.03.2018</b>	<b>31.12.2017</b>
Total assets	1,133,979	1,081,130	269,450	259,208
Liabilities and provisions for liabilities	403,252	352,641	95,818	84,548
Long-term liabilities	51,931	59,957	12,340	14,375
Short-term liabilities	351,321	292,684	83,479	70,173
Equity	730,727	728,489	173,631	174,660
Share capital	67,704	67,704	16,087	16,232
Number of shares	9,521,700	9,521,700	9,521,700	9,521,700
Book value per share (in PLN/EUR)	76.74	76.51	18.23	18.34
Diluted book value per share (in PLN/EUR)	76.47	76.21	18.17	18.27
Dividend per share – declared or paid (in PLN/EUR)	0.00	20.00	0.00	4.80

The above financial figures for the first quarters of 2018 and of 2017 were translated into EUR as follows:

- assets and liabilities – at the average exchange rate of the National Bank of Poland (NBP) as at 31.03.2018 – 4.2085 PLN/EUR and as at 31.12.2017 – 4.1709 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 quarter of 2018 – 4.1784 PLN/EUR; the first quarter of 2017 – 4.2891 PLN/EUR.

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....	3
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT .....	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	4
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET .....	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	7
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT .....	8
COMPLEMENTARY INFORMATION AND EXPLANATIONS .....	9
1. General information .....	9
2. Group composition .....	9
3. Basis for the preparation of the interim condensed consolidated financial statements .....	11
4. Significant accounting policies .....	11
5. Areas of estimates .....	11
6. Seasonal nature of operations .....	12
7. Information on business segments .....	12
8. Cash and cash equivalents .....	13
9. Dividends paid and proposed for payment .....	13
10. Income tax expense .....	14
11. Property, plant and equipment .....	14
11.1. Purchase and sale .....	14
11.2. Impairment losses .....	14
12. Write-downs of goodwill .....	14
13. Short-term receivables .....	15
14. Inventories .....	15
15. Provisions and accruals .....	15
16. Interest-bearing bank loans and lease obligations .....	17
17. Equity securities — employee share scheme .....	18
18. Trade and other payables .....	18
19. Explaining the reasons for material changes in items of revenue and costs .....	18
20. Discontinued operations .....	19
21. Business combinations and acquisitions of non-controlling interests .....	19
22. Investments in associates .....	19
23. Objectives and principles of financial risk management .....	20
24. Capital management .....	20
25. Contingent liabilities .....	20
26. Investment obligations .....	21
27. Derivative financial instruments .....	21
28. Shareholding structure and transactions with the management personnel .....	21
28.1. Shareholding structure .....	21
28.2. Transactions with Members of the Management Board .....	22
28.3. The costs of the remunerations of the Group’s senior management .....	22
28.4. Participation of the senior management in the employee share scheme .....	22
29. Shares issue and capital increase .....	23
30. Fair value measurement methods (fair value hierarchy) .....	23
31. Earnings per share (EPS) .....	24
32. Events after the reporting period .....	24
II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS .....	25
INTERIM CONDENSED INCOME STATEMENT .....	25
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME .....	26
INTERIM CONDENSED BALANCE SHEET .....	27
INTERIM CONDENSED CASH FLOW STATEMENT .....	28
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY .....	29

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

COMPLEMENTARY INFORMATION AND EXPLANATIONS .....	30
1. General information .....	30
2. The basis for the preparation of the interim condensed separate financial statements .....	30
3. Significant accounting policies .....	30
4. Areas of estimates .....	30
5. Seasonal nature of operations .....	31
6. Information on business segments .....	31
7. Investments in subsidiaries .....	31
8. Changes in the Company's organisational structure .....	31
9. Cash and cash equivalents .....	31
10. Dividends paid and proposed for payment .....	31
11. Income tax expense .....	32
12. Property, plant and equipment .....	32
12.1. Purchase and sale .....	32
13. Trade and other receivables .....	32
14. Inventories .....	33
15. Provisions and accruals .....	33
16. Interest-bearing bank loans and credits .....	34
17. Share based payments (share options for the management personnel) .....	34
18. Trade and other payables .....	35
19. Explaining the reasons for material changes in items of revenue and costs .....	35
20. Derivative financial instruments .....	35
21. Objectives and principles of financial risk management .....	36
22. Capital management .....	36
23. Contingent liabilities and assets .....	36
24. Investment obligations .....	37
25. Related party transactions .....	37
25.1. Transactions with Members of the Management Board .....	37
25.2. Remunerations of the Company's senior management .....	37
25.3. Participation of the senior management in the employee share scheme .....	38
26. Issue of shares .....	38
27. Fair value measurement methods (fair value hierarchy) .....	39
28. Earnings per share (EPS) .....	39
29. Events after the reporting period .....	40

## I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months ended on 31.03.2018 (not audited)	3 months ended on 31.03.2017 (not audited)
<b>Total operating income, including:</b>		<b>675,874</b>	<b>605,196</b>
Sales revenue	7	674,840	601,542
- including from the sales to an associate		2	9
Other operating income		1,034	3,654
<b>Share of net profit of entities accounted for using the equity method</b>		<b>2,391</b>	<b>(409)</b>
<b>Change of inventories of finished goods and work in progress</b>		<b>13,497</b>	<b>17,817</b>
<b>Cost of manufacturing products for own needs</b>		<b>2,611</b>	<b>3,555</b>
<b>Total operating costs, including:</b>		<b>(619,825)</b>	<b>(556,328)</b>
Depreciation/Amortisation		(30,573)	(29,684)
Materials, energy and the value of goods and materials sold		(431,983)	(387,499)
External services		(47,468)	(39,978)
Taxes and charges		(3,725)	(3,721)
Employee benefits		(100,784)	(89,970)
Other operating costs		(5,292)	(5,476)
<b>Profit on operating activities</b>		<b>74,548</b>	<b>69,831</b>
Finance income		110	2,281
Finance costs		(5,344)	(2,904)
<b>Profit before tax</b>		<b>69,314</b>	<b>69,208</b>
Income tax expense	10	(16,016)	(14,523)
<b>Net profit on continuing operations</b>		<b>53,298</b>	<b>54,685</b>
Attributable to non-controlling interests		(8)	0
<b>Attributable to equity holders of the parent</b>		<b>53,306</b>	<b>54,685</b>
Earnings per share attributable to equity holders of the parent (in PLN)	31		
Basic		5.60	5.77
Diluted		5.58	5.75

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>3 months ended on 31.03.2018</b>	<b>3 months ended on 31.03.2017</b>
	(not audited)	(not audited)
<b>Net profit for the period</b>	<b>53,298</b>	<b>54,685</b>
<b>Other comprehensive income*:</b>	(10,863)	3,114
Cumulative translation adjustment	1,249	(3,075)
Valuation of cash flow hedging instruments	(14,658)	7,103
Result from cash flow hedge	(218)	433
Income tax related to other comprehensive income to be charged to profit or loss	2,764	(1,347)
<b>Comprehensive income for the period</b>	<b>42,435</b>	<b>57,799</b>
Comprehensive income attributable to:		
Non-controlling interests	(8)	0
<b>Equity holders of the parent</b>	<b>42,443</b>	<b>57,799</b>

*\*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	31.03.2018 (not audited)	31.12.2017 (audited)
<b>I. Non-current assets</b>		<b>1,440,882</b>	<b>1,438,840</b>
Property, plant and equipment		1,203,270	1,201,266
Intangible assets		44,757	45,722
Goodwill		19,840	19,819
Investment properties		3,009	4,483
Other investments		5,713	5,634
Long-term receivables		1,955	1,457
Advance payments for the purchase of property, plant and equipment		46,004	39,082
Deferred tax assets		116,334	121,377
<b>II. Current assets</b>		<b>1,106,120</b>	<b>1,060,536</b>
Inventories	14	475,555	457,825
Current tax receivables		1,809	1,215
Trade and other receivables	13	563,884	513,010
Short-term investments	20	106	121
Derivative financial instruments	27	0	9,453
Cash and cash equivalents	8	64,766	78,912
<b>Total assets</b>		<b>2,547,002</b>	<b>2,499,376</b>



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (cont.)

EQUITY AND LIABILITIES	Note	31.03.2018 (not audited)	31.12.2017 (audited)
<b>I. Equity</b>		<b>1,406,311</b>	<b>1,363,378</b>
Share capital		67,704	67,704
Share premium		31,179	31,179
Capital from share based payments		22,490	21,992
Result from cash flow hedging transactions		328	546
Capital from the revaluation of hedging instruments		(6,491)	5,403
Capital from the revaluation of property, plant and equipment		3,314	3,314
Retained earnings		1,319,747	1,266,441
Cumulative translation adjustment		(32,513)	(33,762)
<b>Equity attributable to equity holders of the parent</b>		<b>1,405,758</b>	<b>1,362,817</b>
Equity attributable to non-controlling interests		553	561
<b>II. Long-term liabilities</b>		<b>252,263</b>	<b>270,103</b>
Liabilities due to borrowings and finance lease	16	165,184	179,374
Other liabilities		1,651	1,651
Provisions	15	499	499
Provisions due to employee benefits		10,842	10,737
Deferred income		34,300	34,669
Deferred tax liability		39,787	43,173
<b>III. Short-term liabilities</b>		<b>888,428</b>	<b>865,895</b>
Liabilities due to borrowings and finance lease	16	482,263	490,065
Income tax payable		20,420	18,006
Trade and other payables	18	339,006	319,323
Provisions and accruals	15	36,750	33,857
Derivative financial instruments	27	7,989	2,782
Deferred income		2,000	1,862
<b>Total equity and liabilities</b>		<b>2,547,002</b>	<b>2,499,376</b>

## 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
<b>Equity as at 1 January 2018</b> (audited)	67,704	31,179	0	21,992	546	5,403	3,314	1,266,441	(33,762)	1,362,817	561	1,363,378
Comprehensive income for the period:	0	0	0	0	(218)	(11,894)	0	53,306	1,249	42,443	(8)	42,435
<i>Net profit for the period</i>	0	0	0	0	0	0	0	53,306	0	53,306	(8)	53,298
<i>Other comprehensive income</i>	0	0	0	0	(218)	(11,894)	0	0	1,249	(10,863)	0	(10,863)
Valuation of share based payments	0	0	0	498	0	0	0	0	0	498	0	498
Issue of shares	0	0	0	0	0	0	0	0	0	0	0	0
<b>Equity as at 31 March 2018</b> (not audited)	67,704	31,179	0	22,490	328	(6,491)	3,314	1,319,747	(32,513)	1,405,758	553	1,406,311
<b>Previous year</b>												
<b>Equity as at 1 January 2017</b> (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	170	6,019	0	54,685	(3,075)	57,799	0	57,799
<i>Net profit for the period</i>	0	0	0	0	0	0	0	54,685	0	54,685	0	54,685
<i>Other comprehensive income</i>	0	0	0	0	170	6,019	0	0	(3,075)	3,114	0	3,114
Valuation of share based payments	0	0	0	853	0	0	0	0	0	853	0	853
Issue of shares	91	4,158	(2,890)	0	0	0	0	0	0	1,359	0	1,359
<b>Equity as at 31 March 2018</b> (not audited)	67,625	27,543	0	19,445	507	8,528	3,787	1,368,447	(30,510)	1,465,372	0	1,465,372

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Cash flow statement	3 months ended on 31.03.2018 (not audited)	3 months ended on 31.03.2017 (not audited)
Cash flow from operating activities		
<b>Profit before tax</b>	<b>69,314</b>	<b>69,208</b>
Adjustments:	36,049	29,118
Share of net profit of entities accounted for using the equity method	(2,391)	409
Depreciation/Amortisation	30,573	29,684
Profit from net currency translation differences	2,163	(4,949)
(Profit) / loss from sales of property, plant and equipment	(35)	(296)
Interest and share of profits	5,092	4,449
Proceeds/(expenses) related to hedging instruments charged to equity	(218)	170
Share based payments	498	853
Change of the valuation of currency forwards/futures	0	41
Other items (net)	367	(1,243)
<b>Cash flow from operating activities before the change of working capital</b>	<b>105,363</b>	<b>98,326</b>
Change in inventories	(17,730)	(25,812)
Change in net receivables	(51,372)	(67,604)
Change in short-term liabilities, except for loans	30,773	31,258
Change in provisions	2,998	1,599
Change in deferred income	(231)	300
<b>Net cash generated from operating activities</b>	<b>69,801</b>	<b>38,067</b>
Tax paid	(9,893)	(18,780)
<b>Net cash from operating activities</b>	<b>59,908</b>	<b>19,287</b>
Cash flow from investing activities		
(+) Proceeds:	334	425
Sales of intangible assets and property, plant and equipment	334	410
Paid loans	0	15
(-) Expenses:	(46,691)	(41,255)
Acquisition of intangible assets and property, plant and equipment	(46,691)	(41,255)
<b>Net cash from investing activities</b>	<b>(46,357)</b>	<b>(40,830)</b>
Cash flow from financing activities		
(+) Proceeds:	100,971	94,202
Net proceeds from the issue of shares	0	1,359
Proceeds from borrowings	100,971	92,843
(-) Expenses:	(128,668)	(70,779)
Repayments of loans and borrowings	(125,036)	(67,896)
Finance lease rentals	(220)	(505)
Interest	(3,412)	(2,378)
<b>Net cash from financing activities</b>	<b>(27,697)</b>	<b>23,423</b>
<b>Total net cash flow:</b>	<b>(14,146)</b>	<b>1,880</b>
- change in cash due to currency translation differences	0	0
<b>Cash and cash equivalents at the beginning of the period</b>	<b>78,912</b>	<b>74,945</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>64,766</b>	<b>76,825</b>

## COMPLEMENTARY INFORMATION AND EXPLANATIONS

### 1. General information

These interim condensed consolidated financial statements of Grupa Kęty S.A. cover the period of 3 months ended on 31.03.2018 and provide for comparative information for the period of 3 months ended on 31.03.2017.

The figures have not been reviewed by the certified auditor.

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 a company incorporated in Poland with its registered office 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:

CAPITAL GROUP OF GRUPA KĘTY S.A.  
Consolidated Financial Statements for the period from 1 January 2018 to 31 March 2018 (in thousand PLN)

Company name	Registered office	Core business	Parent's name	Percentage of the share capital as at 31-03-2018	Percentage of the share capital as at 31-12-2017	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
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.	Wrocław, Poland	Production	Grupa Kęty S.A.	100.00%	100.00%	04/2000	Other
Aluprof Hungary	Dunakeshi, Hungary	Trade and provision of services	Aluprof 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	Schwanevede, 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
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 and trade	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	Kiev, Ukraine	Trade – sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	Aluprof S.A.	100.00%	100.00%	1/2012	ASS
Grupa Kety 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 Belgium 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	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%	55.00%	4/2017	ASS
Aluminium Kety CSE s.r.l.	Ostrava, Czech Republic	Trade and marketing activities	Aluform Sp. z o.o.	100.00%	100.00%	7/2017	EPS

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 19 April 2018.

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 2017.

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 2017.

No new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2018 have been published after 1 January 2018. 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 2017.

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.

### **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 Group, the revenue for the reporting period would increase by 779 thousand PLN (the first 3 months of 2017: 1,093 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 210 thousand PLN (the first 3 months of 2017: 1,005 thousand PLN).

The detailed description of the assumptions made in particular areas of estimates is presented in the annual financial statements for 2017.

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 Group published on 16 March 2018 together with the consolidated financial statements for 2017.

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:

### 3 months of 2018:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
<b>Income statement</b>						
Sales	178,395	296,370	264,851	3,841	(68,617)	674,840
- outside the Group	178,384	232,509	263,874	67	4	674,838
- to related parties	11	63,861	977	3,774	(68,621)	2
Operating profit (EBIT)	23,171	24,275	30,650	(3,228)	(320)	74,548
Depreciation/Amortisation	7,108	14,483	8,199	762	21	30,573
EBITDA	30,279	38,758	38,849	(2,466)	(299)	105,121
<b>Balance sheet</b>						
Segment's assets	871,804	888,686	774,571	34,852	(22,911)	2,547,002
Segment's trade payables	92,288	84,096	154,429	1,266	(73,835)	258,244
Unallocated liabilities (joint)	0	0	0	882,447	0	882,447
Total liabilities	92,288	84,096	154,429	883,713	(73,835)	1,140,691
<b>Other</b>						
Capital expenditure on non-current assets	719	18,329	9,060	1,967	0	30,075

**3 months of 2017:**

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
Income statement						
Sales	147,525	272,733	235,101	3,559	(57,376)	601,542
- outside the Group	147,498	219,979	234,021	44	0	601,542
- to related parties	27	52,754	1,080	3,516	(57,377)	0
Operating profit (EBIT)	21,798	18,275	32,327	(2,342)	(227)	69,831
Depreciation/Amortisation	6,688	14,465	7,825	685	21	29,684
EBITDA	28,486	32,740	40,152	(1,657)	(206)	99,515
Balance sheet						
Segment's assets	835,579	783,754	751,698	31,105	6,808	2,408,944
Segment's trade payables	89,835	67,642	124,539	1,181	(60,279)	222,918
Unallocated liabilities (joint)	0	0	0	720,654	0	720,654
Total liabilities	89,835	67,642	124,539	721,835	(60,279)	943,572
Other						
Capital expenditure on non-current assets	2,317	10,545	4,920	190	0	17,972

- 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. 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 sales 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 at arm's length, 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.

	31.03.2018 (not audited)	31.12.2017 (audited)
Bank deposits (current accounts) and short-term deposits	63,690	78,883
Cash in hand	58	28
Other cash	1018	2
<b>Cash recognised in the balance sheet</b>	<b>64,766</b>	<b>78,913</b>

As at 31 March 2018 and as at 31 December 2017, the Group did not hold any restricted cash.

As at 31 March 2018, the Group had undrawn granted credit funds amounting to 189,643 thousand PLN with regard to which all conditions precedent had been complied with (31 December 2017: 200,903 thousand PLN).

## 9. Dividends paid and proposed for payment

The result for the reporting period and the consolidated result are not distributed.

Grupa Kęty S.A. intends to allocate 190,434 thousand PLN for the dividend for 2017.

As of today, the number of shares entitled to dividend is 9,521,700, which means the payment of dividend of 20 PLN per share. The number of shares may increase by 23,747 series G shares, which may be subscribed for as part of the incentive programme for the management personnel. If these shares are admitted to exchange trading by the date of determining the right to dividend, the total number of shares entitled to dividend will be 9,545,447, which will mean the payment of dividend of 19.95 PLN per share. The amount of the dividend is in line with the Company's policy, which assumes the dividend payment ratio of 60%-100% of the consolidated



net profit. The proposed dividend day (the date when the right to dividend is determined) is 26 June 2018, and the proposed dividend payment dates are as follows:

- 10 July 2018 (34% of the dividend);
- 26 September 2018 (66% of the dividend).

The final decision about the amounts and dates concerning the dividend will be made by the General Meeting of Shareholders of Grupa Kęty S.A.

In the previous year, Grupa Kęty S.A. paid dividend amounting to 284,699 thousand PLN (30.00 PLN per share).

## 10. Income tax expense

Main components of income tax expense are as follows:

<b>Income tax structure</b>	<b>3 months ended on 31.03.2018 (not audited)</b>	<b>3 months ended on 31.03.2017 (not audited)</b>
Current income tax	(11,530)	(11,862)
Deferred tax	(4,486)	(2,661)
<b>Income tax recognised in the income statement</b>	<b>(16,016)</b>	<b>(14,523)</b>

## 11. Property, plant and equipment

### 11.1. Purchase and sale

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

	<b>3 months ended on 31.03.2018 (not audited)</b>	<b>3 months ended on 31.03.2017 (not audited)</b>
Acquisitions of property, plant and equipment	30,075	17,972
Net value of sold property, plant and equipment	279	114
Profit (loss) on the sales of property, plant and equipment	66	322

### 11.2. Impairment losses

In the period of the first 3 months of 2018, the Group reversed a write-down of property, plant and equipment amounting to 3 thousand PLN (the first 3 months of 2017 – the Group reversed a write-down of 230 thousand PLN). In the aforementioned periods, the Group did not recognise any write-downs of property, plant and equipment.

## 12. Write-downs of goodwill

In the period of the first 3 months of 2018 and in the period of the first 3 months of 2017, due to the absence of indicators of impairment, the Group did not write down goodwill from consolidation.

### 13. Short-term receivables

	31.03.2018 (not audited)	31.12.2017 (audited)
<b>Net receivables:</b>	<b>563,884</b>	<b>513,010</b>
Trade receivables	530,784	475,059
- including from related parties*	0	643
Settlements related to transactions hedging the aluminium price	1,358	3,797
Valuation of construction contracts	4,591	903
Receivables from employees	199	122
Other	8,276	9,809
<b>Total net financial receivables (under IFRS 7)</b>	<b>545,208</b>	<b>489,690</b>
Public law receivables (except for the income tax)	7,527	13,861
Prepayments (trade-related) for suppliers	6,018	4,248
Prepaid expenses	5,131	5,212
<b>Total net non-financial receivables</b>	<b>18,676</b>	<b>23,320</b>

In the period of the first 3 months of 2018, the Group recognised write-downs of receivables amounting to 8 thousand PLN (the first 3 months of 2017: recognition of write-downs amounting to 515 thousand PLN). Recognised write-downs are presented in 'Other operating costs'.

### 14. Inventories

	31.03.2018 (not audited)	31.12.2017 (audited)
Materials	208,129	204,505
Work in progress	112,879	108,859
Finished products	147,222	137,745
Trade goods	7,325	6,716
<b>TOTAL</b>	<b>475,555</b>	<b>457,825</b>

In the period of the first 3 months of 2018, the Group reversed write-downs of inventories amounting to 17 thousand PLN (in the period of the first 3 months of 2017: recognition of write-downs amounting to 376 thousand PLN). The amount was recognised in 'Other operating income'.

### 15. Provisions and accruals

In the reporting period, the Group decreased the result from the revaluation of deferred tax liabilities and assets by 4,486 thousand PLN. In addition, in the reporting period, the Group made the following changes in the value of provisions:

CAPITAL GROUP OF GRUPA KĘTY S.A.  
Consolidated Financial Statements for the period from 1 January 2018 to 31 March 2018 (in thousand PLN)

	As at 01.01.2018	Increases	Utilisation	Currency translatio n difference s	As at 31.03.2018
<b>Long-term provisions</b>	<b>11,236</b>	<b>79</b>	<b>(8)</b>	<b>34</b>	<b>11,341</b>
provision for jubilee bonuses and retirement benefits	10,737	79	(8)	34	10,842
warranty repairs	499	0	0	0	499
<b>Short-term provisions</b>	<b>1,651</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,651</b>
provision for jubilee bonuses and retirement benefits	803	0	0	0	803
warranty repairs	848	0	0	0	848
<b>Short-term accruals:</b>	<b>32,206</b>	<b>13,957</b>	<b>(11,097)</b>	<b>33</b>	<b>35,099</b>
provision for the costs of unused holiday costs of annual bonus	7,421	7,393	(5,173)	4	9,645
environmental protection costs	0	0	0	0	0
costs of damages	4,134	0	0	0	4,134
for incurred costs	3,830	2,443	(1,682)	10	4,601
for costs of auditing financial statements	278	13	(128)	(1)	162
other items	3,083	119	(1,471)	11	1,742

	01.01.2017	Increases	Utilisation	Currency translation differences	As at 31.03.2017
<b>Long-term provisions</b>	<b>12,872</b>	<b>47</b>	<b>(1,150)</b>	<b>(157)</b>	<b>11,612</b>
provision for jubilee bonuses and retirement benefits	10,081	47	(4)	(157)	9,967
costs of warranty repairs	499	0	0	0	499
provision for costs	2,292	0	(1,146)	0	1,146
<b>Short-term provisions and accruals:</b>	<b>37,737</b>	<b>11,945</b>	<b>(8,915)</b>	<b>(171)</b>	<b>40,596</b>
provision for jubilee bonuses and retirement benefits	764	0	0	0	764
provision for the costs of unused holiday	6,800	3,883	(1,967)	(44)	8,672
costs of annual bonus	14,643	5,247	(4,309)	(49)	15,532
environmental protection costs	0	29	0	0	29
costs of warranty repairs	684	0	(3)	0	681
costs of damages	5,074	0	0	0	5,074
for incurred costs	4,039	2,219	(2,433)	(27)	3,798
costs of auditing financial statements	217	12	(56)	(3)	170
provision for costs	4,585	0	0	0	4,585
other	931	555	(147)	(48)	1,291

## 16. Interest-bearing bank loans and lease obligations

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

<b>Long-term loans:</b>					
Borrower	Lender	Loan currency	31.12.2017	Increases (decreases)	31.03.2018
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	6,489	(6,489)	0
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	77,560	(5,540)	72,020
Aluprof S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	7,154	(2,385)	4,769
Aluprof S.A.	Bank PEKAO	PLN	85,000	0	85,000
Alupol Films sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	EUR	2,798	(200)	2,598
<b>Long-term loans</b>			<b>179,001</b>	<b>(14,614)</b>	<b>164,387</b>
Aluprof Romania	Finance lease obligations		91	(16)	75
Aluprof S.A.	Finance lease obligations	RON	201	0	201
Aluprof UK	Finance lease obligations	PLN	24	(2)	22
Aluminium Kety Emmi d.o.o.	Finance lease obligations	GBP	42	442	484
Marius Hansen Facader A/S	Finance lease obligations	EUR	15	0	15
<b>Total lease</b>			<b>373</b>	<b>424</b>	<b>797</b>
<b>Total long-term loans and lease</b>			<b>179,374</b>	<b>(14,190)</b>	<b>165,184</b>

<b>Short-term loans:</b>					
Borrower	Lender	Loan currency	31.12.2017	Increases (decreases)	31.03.2018
Grupa Kęty S.A.	Bank PKO BP	PLN, EUR	1,358	9,574	10,932
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	8,839	4,210	13,049
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	53,310	(3,269)	50,041
Grupa Kęty S.A.	ING Bank Polska	PLN	26,084	11,658	37,742
Grupa Kęty S.A.	Bank PeKaO S.A.	PLN	64,476	15,047	79,523
Grupa Kęty S.A.	Bank Societe Generale	EUR	14,915	1,016	15,931
Alupol Packaging S.A.	BGŻBNP Paribas	PLN	4,975	(82)	4,893
Alupol Packaging S.A.	PEKAO S.A.	PLN	34,912	(5,030)	29,882
Alupol Packaging S.A.	Bank PKO BP	PLN	10,571	(10,571)	0
Alupol Packaging S.A.	PEKAO S.A.	PLN, USD	4,705	(4,321)	384
Alupol Packaging Kęty Sp. z o.o.	Bank PKO BP	PLN, EUR	15,110	(1,183)	13,927
Alupol Packaging Kęty Sp. z o.o.	PEKAO S.A.	PLN, EUR	27,277	(14,563)	12,714
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	14,480	5,510	19,990
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	22,565	(82)	22,483
Aluprof S.A.	PEKAO S.A.	PLN, EUR	70,124	(2,825)	67,299
Aluprof S.A.	Societe Generale S.A.	GBP	2,713	(157)	2,556
Aluprof S.A.	BGŻBNP Paribas	PLN	9,650	(18)	9,632
Aluprof S.A.	Alior Bank S.A.	PLN	15,145	(15,119)	26
Aluprof S.A.	PKO BP	PLN	3,385	(1,438)	1,947
Aluprof S.A.	ING Bank Polska	PLN, EUR	1,054	(1,054)	0
ROMB S.A.	BGŻBNP Paribas	PLN	7,089	(2,124)	4,965
ROMB S.A.	PEKAO S.A.	PLN	0	1,536	1,536
Alupol Films sp. z o.o.	PEKAO S.A.	PLN, EUR	24,350	1,536	25,886
Alupol Films sp. z o.o.	BGŻBNP Paribas	PLN	27,646	3,490	31,136

CAPITAL GROUP OF GRUPA KĘTY S.A.  
Consolidated Financial Statements for the period from 1 January 2018 to 31 March 2018 (in thousand PLN)

Aluform sp. z o.o.	PEKAO S.A.	PLN, EUR	0	516	516
Aluminium Kety Emmi d.o.o.	Delavska Hranilnica d.d.	EUR	630	106	736
Aluminium Kety Emmi d.o.o.	ALEA	EUR	963	(475)	488
Aluminium Kety Emmi d.o.o.	Bank PEKAO	EUR	22,865	261	23,126
	<b>Short-term loans</b>		<b>489,191</b>	<b>(7,851)</b>	<b>481,340</b>
Aluprof Romania, Marius Hansen Facader A/S, Aluprof UK	Finance lease obligations	RON, DKK, GBP	75	(14)	61
Aluminium Kety Emmi d.o.o.	Finance lease obligations	EUR	588	127	715
Aluprof S.A.	Finance lease obligations	PLN	211	(64)	147
	<b>Total lease</b>		<b>874</b>	<b>49</b>	<b>923</b>
	<b>Total short-term loans and lease</b>		<b>490,065</b>	<b>(7,802)</b>	<b>482,263</b>

All the Group's loans bear interest at variable interest rates determined on market terms on the basis of WIBOR/EURIBOR/LIBOR rates plus the bank's margin.

Loans repayments resulted from the repayment schedule. Borrowings are related to the management of the Group's liquidity.

Standard agreements of working capital loans listed above are concluded for a period of one year with maturity dates falling in the second half of the next year. Each year, before the end of a given period, the Group negotiates agreements/annexes with banks for subsequent 12-month periods to roll over loans.

## 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 2017.

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

	31.03.2018 (not audited)	31.12.2017 (audited)
<b>Short-term liabilities:</b>	<b>339,006</b>	<b>319,323</b>
Trade payables*	258,244	235,702
Liabilities due to the purchase of property, plant and equipment	13,960	26,060
Remuneration liabilities	16,716	15,424
<b>Total financial liabilities (under IFRS 7)</b>	<b>288,920</b>	<b>277,186</b>
Public law liabilities (except for the income tax liabilities)	34,189	27,428
Down payments (trade-related) from customers	8,426	10,848
Other liabilities	7,471	3,861
<b>Total non-financial liabilities</b>	<b>50,086</b>	<b>42,137</b>

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 3 months of 2018 as compared to the period of the first 3 months of 2017, material changes in particular items of revenue and costs had place in the following areas:

- the increase in sales revenue by 73,298 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 889 thousand PLN results from the Group's investments;

- the increase in the costs of energy and materials by 44,484 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 at the exchange in the period of the first 3 months of 2018 as compared to the period of the first 3 months of 2017 increased by ca. 17% against the simultaneous decrease in the USD exchange rate by ca. 16%.
- the increase in the costs of external services by 7,490 thousand PLN results mainly from a more limited use of subcontractors;
- the increase in the costs of employee benefits by 10,814 thousand PLN results mainly from the increase in the sales volume, the increase in remunerations and the increase in employment in the Group;
- the decrease in financial revenue by 2,171 thousand PLN results mainly from the unfavourable impact of exchange rate differences;
- the increase in finance costs by 2,440 thousand PLN results mainly from the unfavourable impact of exchange rate differences and higher interest on credit obligations.

## 20. Discontinued operations

In the period of the first 3 months of 2018 and in the period of first 3 months of 2017, the Group did not discontinue any significant operations.

## 21. Business combinations and acquisitions of non-controlling interests

In the reporting period, there were no such transactions.

Last year, 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	1439
Deferred tax liability	(288)
<b>Net assets</b>	<b>1,151</b>
<b>Total acquisition price (paid cash)</b>	<b>(1,093)</b>
<b>Negative goodwill (other operating income)</b>	<b>58</b>

As a result of the recognition of the gain from the bargain purchase of Aluprof Netherlands B.V., other operating income in the period of the first quarter 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 costs by 18 thousand PLN.

## 22. Investments in associates

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

As at 31.03.2018, the Group held 45.5% of shares in Aluprof USA LLC with its registered office in New York.

CAPITAL GROUP OF GRUPA KĘTY S.A.  
Consolidated Financial Statements for the period from 1 January 2018 to 31 March 2018 (in thousand PLN)

Company name	Place of business	Core business	Parent's name	Percentage of the share capital as at		Profit (loss) allocated to non-controlling interests as at		Cumulative non-controlling interests as at		Segment
				31-03-2018	31-12-2017	31-03-2018	31-03-2017	31-03-2018	31-12-2017	
				Aluprof USA LLC	USA	Distribution of aluminium systems	Aluprof System USA	45.5%	45.5%	

## 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 period ended on 31 March 2018 as compared to the year ended on 31 December 2017, 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.

	31.03.2018	31.12.2017
Interest-bearing loans and borrowings	647,447	669,439
Trade and other payables	340,657	320,974
Less cash and cash equivalents	(64,766)	(78,912)
Net debt	923,338	911,501
Equity	1,406,311	1,363,378
Equity and net debt	2,329,649	2,274,879
Leverage ratio	39.63%	40.07%

## 25. Contingent liabilities

Item	31.03.2018	31.12.2017
Construction-related bank guarantees granted by the ASS	31,595	26,587
Insurance performance bond from the ASS	5,691	5,664
<b>Total granted guarantees</b>	<b>37,286</b>	<b>32,251</b>

\*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.

<b>Contractual liabilities related to the purchase of non-current assets by segments</b>	<b>31.03.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Extruded Products Segment	69,153	70,348
Flexible Packaging Segment	91,409	86,837
Aluminium Systems Segment	24,262	10,828
Joint expenditure	843	14
<b>TOTAL</b>	<b>185,667</b>	<b>168,027</b>

## 27. Derivative financial instruments

<b>Financial assets</b>	<b>31.03.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Currency forwards hedging cash flows	0	101
Futures for the purchase of aluminium hedging cash flows	0	9,352
<b>TOTAL FINANCIAL ASSETS</b>	<b>0</b>	<b>9,453</b>
<b>Financial liabilities</b>	<b>31.03.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Currency forwards hedging cash flows	1,778	2,194
Futures for the purchase of aluminium hedging cash flows	6,211	585
IRS's hedging interest rates	0	3
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>7,989</b>	<b>2,782</b>

Currency forwards and futures for the purchase of aluminium are measured either on the basis of the stock exchange quotations or, in the case of the lack of stock exchange quotations, by discounting values based on the forward rate resulting from the contract and deduction of the amount in the given currency translated at the current exchange rate.

In the event of the application of the discounted cash flows method, the estimated value of the future cash flows is based on the most reliable estimates of the Management Board, whereas the discount rate is the market interest rate for a similar instrument as of the balance sheet date. In the event of the application of other valuation models, the output data are based on the market data as of the balance sheet date.

## 28. Shareholding structure and transactions with the management personnel

### 28.1. Shareholding structure

Entity	Number of shares 31-03-2018	Interest in capital	Number of shares 31-12-2017	Interest in capital
Aviva OFE Aviva BZ WBK	1,750,000	18.38%	1,654,000	17.37%
Nationale Nederlanden PTE (formerly ING PTE)	1,733,000	18.20%	1,737,000	18.24%
OFE PZU "Złota Jesień"	865,000	9.08%	921,000	9.67%
Aegon PTE SA	590,000	6.20%	591,866	6.22%
PTE Allianz Polska	498,000	5.23%	499,748	5.25%
Others	4,085,700	42.91%	4,118,086	43.25%
<b>Total</b>	<b>9,521,700</b>	<b>100%</b>	<b>9,521,700</b>	<b>100%</b>



## 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

<b>Management Board:</b>	<b>3 months of 2018</b>	<b>3 months of 2017</b>
Costs of short-term employee benefits	609	411
Costs of the provision for annual bonuses and other benefits	1,425	411
<b>Total costs of remunerations of the Members of the Management Board</b>	<b>2,034</b>	<b>822</b>
The valuation of the costs of options for treasury shares due when the programme is implemented*	180	326
<b>Total payments to the Members of the Management Board</b>	<b>2,214</b>	<b>1,148</b>

\* The details of the programme are described in note 28.4. 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.

In the first quarter of 2018 as compared to the first quarter of 2017, the composition of the Company's Management Board was expanded with 3 new members.

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:

By senior management, the Group means management boards of subsidiaries.

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:

	<b>3 months of 2018</b>	<b>3 months of 2017</b>
Parent's Management Board*	2,214	1,148
Senior management*	2,508	2,587
Supervisory Board	201	160
<b>Total</b>	<b>4,923</b>	<b>3,895</b>

\* 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, members of the Management Board did not subscribe for any shares of Grupa Kęty S.A. Under the programme, the members of the Management Board hold options entitling them to purchase 15,247 shares from the second part of the 2012 programme and 36,500 shares from the third 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.

<b>Number of share options in the vesting period granted to members of the Management Board</b>	<b>Number of granted options</b>	<b>End date of the vesting period</b>	<b>Estimated number of options meeting the granting conditions</b>
Share options from the first part of the 2015 programme	33,000	01.10.2018	28,446
Share options from the second part of the 2015 programme	33,000	01.10.2019	13,200
Share options from the third part of the 2015 programme	33,000	01.10.2020	13,200

The costs of related benefits recognised in the income statement for the period of the first 3 months of 2018 amounted to 180 thousand PLN (3 months of 2017: 326 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 first part of the 2015 programme	9,000	01.10.2018	7,758
Share options from the second part of the 2015 programme	9,000	01.10.2019	3,600
Share options from the third part of the 2015 programme	9,000	01.10.2020	3,600

The costs of options for the senior management charged to the result amounted in the period of the first 3 months of 2018 to 205 thousand PLN (3 months of 2017: 438 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, no shares were subscribed for as part of the implementation of the option programme for the management personnel.

In addition, the Company issued 51,747 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. As at 31.03.2018, 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
Series G shares – the 2012 programme	31,720	2017	3,714	78	3,636
<b>TOTAL</b>	<b>296,037</b>		<b>31,918</b>	<b>739</b>	<b>31,179</b>

## 30. Fair value measurement methods (fair value hierarchy)

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

In addition, the Group evaluates energy-related assets at a revalued amount, i.e. at the fair value as at the valuation date adjusted for depreciation.

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	31.03.2018 (not audited)	31.12.2017 (audited)
<b>Assets</b>			
Investment properties	3	3,009	4,483
Energy-related assets	3	6,062	6,256
Hedging derivatives	2	0	9,453
<b>TOTAL ASSETS</b>		<b>9,071</b>	<b>20,192</b>
<b>Liabilities</b>			
Hedging derivatives	2	7,989	2,782
<b>TOTAL LIABILITIES</b>		<b>7,989</b>	<b>2,782</b>

### 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:

	3 months ended on 31.03.2018 (not audited)	3 months ended on 31.03.2017 (not audited)
<b>Net profit attributable to equity holders of the parent</b>	53,306	54,685
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,521,700	9,485,209
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share	9,557,488	9,511,275
Basic earnings per share from the basic profit for the period attributable to equity holders of the parent (in PLN)	5.60	5.77
Diluted earnings per share from the basic profit for the period attributable to equity holders of the parent (in PLN)	5.58	5.75

During the reporting period, eligible employees did not purchase shares of Grupa Kęty S.A.

In addition, eligible employees hold options entitling them to purchase up to 51,747 shares at 117.10 PLN per share from the 2012 programme.

The average market price of the Company's share in the period of the first 3 months of 2018 was 379.69 PLN. The closing price as at 31.03.2018 was 343 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 35,788 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 31.03.2018 (not audited)	3 months ended on 31.03.2017 (not audited)
<b>Total operating income, including:</b>		<b>266,311</b>	<b>243,819</b>
Sales revenue		265,898	242,570
Other operating income		413	1,249
<b>Change of inventories of finished goods and work in progress</b>		<b>6,969</b>	<b>4,999</b>
<b>Cost of manufacturing products for own needs</b>		<b>1,229</b>	<b>1,361</b>
<b>Total operating costs, including:</b>		<b>(262,021)</b>	<b>(243,223)</b>
Depreciation/Amortisation		(10,199)	(9,670)
Materials, energy and the value of sold materials		(183,369)	(173,181)
External services		(34,859)	(30,412)
Taxes and charges		(1,452)	(1,408)
Employee benefits		(31,644)	(27,927)
Other operating costs		(498)	(625)
<b>Operating profit with dividends</b>		<b>12,488</b>	<b>6,956</b>
Finance income		12	772
Finance costs		(2,138)	(436)
<b>Profit before tax</b>		<b>10,362</b>	<b>7,292</b>
Income tax expense	11	(2,185)	(1,854)
<b>Net profit on continuing operations</b>		<b>8,177</b>	<b>5,438</b>
Net earnings per share for the period (PLN)			
Basic earnings per share	28	0.86	0.57
Diluted earnings per share	28	0.86	0.57

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

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## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<b>3 months ended on 31.03.2018 (not audited)</b>	<b>3 months ended on 31.03.2017 (not audited)</b>
<b>Net profit for the period</b>	<b>8,177</b>	<b>5,438</b>
<b>Other comprehensive income*, including:</b>	<b>(6,436)</b>	<b>3,318</b>
Valuation of cash flow hedging instruments	(7,537)	3,887
Result from cash flow hedge	(331)	169
Income tax related to other comprehensive income	1,432	(738)
<b>Comprehensive income for the period</b>	<b>1,741</b>	<b>8,756</b>

*\*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	31.03.2018 (not audited)	31.12.2017 (audited)
<b>I. Non-current assets</b>		<b>792,575</b>	<b>782,215</b>
Property, plant and equipment		388,385	382,382
Intangible assets		6,348	6,431
Shares and interests		368,223	367,978
Advance payments for property, plant and equipment		29,619	25,424
<b>II. Current assets</b>		<b>341,404</b>	<b>298,915</b>
Inventories	14	110,780	116,701
Trade and other receivables	13	218,321	173,604
Derivative financial instruments	20	0	5,225
Cash and cash equivalents	9	12,303	3,385
<b>Total assets</b>		<b>1,133,979</b>	<b>1,081,130</b>
<b>EQUITY AND LIABILITIES</b>			
<b>I. Equity</b>		<b>730,727</b>	<b>728,489</b>
Share capital		67,704	67,704
Share premium		31,179	31,179
Non-registered capital from the issue of shares		0	0
Capital from the revaluation of property, plant and equipment		3,314	3,314
Capital from share based payments		22,489	21,992
Capital from the revaluation of hedging instruments		(3,380)	2,725
Result from cash flow hedge		215	546
Retained earnings		609,206	601,029
<b>II. Long-term liabilities</b>		<b>51,931</b>	<b>59,957</b>
Liabilities related to loans	16	0	6,489
Provisions due to employee benefits	15	1,737	1,737
Grants		30,011	30,266
Deferred tax liability		20,183	21,465
<b>III. Short-term liabilities</b>		<b>351,321</b>	<b>292,684</b>
Liabilities related to loans	16	207,218	168,982
Income tax payable		4,757	3,979
Trade and other payables	18	116,824	102,157
Provisions and accruals	15	17,329	14,684
Derivative financial instruments	20	4,173	1,862
Grants		1,020	1,020
<b>Total equity and liabilities</b>		<b>1,133,979</b>	<b>1,081,130</b>

## INTERIM CONDENSED CASH FLOW STATEMENT

	3 months ended on <b>31.03.2018</b> (not audited)	3 months ended on <b>31.03.2017</b> (not audited)
<b>Cash flow from operating activities</b>		
<b>Profit before tax</b>	<b>10,362</b>	<b>7,292</b>
<b>Adjustments:</b>	<b>11,811</b>	<b>9,107</b>
Depreciation/Amortisation	10,199	9,670
Recognition/(reversal) of write-downs	0	(57)
(Profit) / loss from net currency translation differences	1,055	(1,611)
Change in realised gains on transactions hedging the price of aluminium charged to equity	(331)	169
(Profit) / loss from sales of property, plant and equipment	(23)	2
Interest and share of profits	659	450
Share based payments	252	484
<b>Cash flow from operating activities before the change of working capital</b>	<b>22,173</b>	<b>16,399</b>
Change in inventories	5,921	8,006
Change in receivables	(44,717)	(50,107)
Change in short-term liabilities, except for loans	19,716	13,665
Change in provisions	2,645	1,864
Change in grants	(255)	(255)
<b>Net cash generated from operating activities</b>	<b>5,483</b>	<b>(10,428)</b>
Tax refunded / (paid)	(1,257)	(4,983)
<b>Net cash from operating activities</b>	<b>4,226</b>	<b>(15,411)</b>
Cash flow from investing activities		
<b>(+) Proceeds:</b>	<b>108</b>	<b>26</b>
Sales of intangible assets and property, plant and equipment	108	26
<b>(-) Expenses:</b>	<b>(25,222)</b>	<b>(14,429)</b>
Acquisition of intangible assets and property, plant and equipment	(25,222)	(14,429)
<b>Net cash from investing activities</b>	<b>(25,114)</b>	<b>(14,403)</b>
Cash flow from financing activities		
<b>(+) Proceeds:</b>	<b>36,111</b>	<b>44,834</b>
Net proceeds from the issue of shares	0	1,359
Proceeds from borrowings	36,111	43,475
<b>(-) Expenses:</b>	<b>(6,305)</b>	<b>(9,002)</b>
Repayments of loans and borrowings	(5,531)	(8,507)
Interest	(774)	(495)
<b>Net cash from financing activities</b>	<b>29,806</b>	<b>35,832</b>
<b>Total net cash flow:</b>	<b>8,918</b>	<b>6,018</b>
change in cash due to currency translation differences	0	0
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,385</b>	<b>5,966</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12,303</b>	<b>11,984</b>

## 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
<b>Equity as at 1 January 2018</b> (audited)	<b>67,704</b>	<b>31,179</b>	<b>0</b>	<b>3,314</b>	<b>21,992</b>	<b>2,725</b>	<b>546</b>	<b>601,029</b>	<b>728,489</b>
Comprehensive income for the period:	0	0	0	0	0	(6,105)	(331)	8,177	1,741
<i>Net profit for the period</i>	0	0	0	0	0	0	0	8,177	8,177
<i>Other comprehensive income</i>	0	0	0	0	0	(6,105)	(331)	0	(6,436)
Valuation of share based payments	0	0	0	0	497	0	0	0	497
Issue of shares	0	0	0	0	0	0	0	0	0
<b>Equity as at 31 March 2018</b> (not audited)	<b>67,704</b>	<b>31,179</b>	<b>0</b>	<b>3,314</b>	<b>22,489</b>	<b>(3,380)</b>	<b>215</b>	<b>609,206</b>	<b>730,727</b>
<b>Previous year</b>									
<b>Equity as at 1 January 2017</b> (audited)	<b>67,534</b>	<b>23,385</b>	<b>2,890</b>	<b>3,787</b>	<b>18,592</b>	<b>1,950</b>	<b>537</b>	<b>634,340</b>	<b>753,015</b>
Comprehensive income for the period:	0	0	0	0	0	3,149	169	5,438	8,756
<i>Net profit for the period</i>	0	0	0	0	0	0	0	5,438	5,438
<i>Other comprehensive income</i>	0	0	0	0	0	3,149	169	0	3,318
Valuation of share based payments	0	0	0	0	856	0	0	0	856
Issue of shares	91	4,158	(2,890)	0	0	0	0	0	1,359
<b>Equity as at 31 March 2017</b> (not audited)	<b>67,625</b>	<b>27,543</b>	<b>0</b>	<b>3,787</b>	<b>19,448</b>	<b>5,099</b>	<b>706</b>	<b>639,778</b>	<b>763,986</b>



## 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 3 months ended on 31.03.2018 and provide for comparative data for the period of 3 months of 2017 ended on 31.03.2017 as well as figures as at 31.12.2017. The financial statements contain the figures for the first quarter of 2018 and the first quarter of 2017. The figures have not been reviewed by the certified auditor.

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 2017.

These interim condensed separate financial statements were authorised for publication on 19 March 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 2017.

### 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

In the reporting period, there were no significant changes in the organisational structure of the Company, except for the appointment of three new members of the Management Board responsible for the supervision of the Group's operating segments.

## 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:

	<b>31.03.2018</b> (audited)	<b>31.12.2017</b> (audited)
Bank deposits (current accounts) and short-term deposits	12,303	3,385
<b>Cash recognised in the balance sheet and in the cash flow statement</b>	<b>12,303</b>	<b>3,385</b>

As at 31 March 2018, Grupa Kęty S.A. had undrawn granted credit funds amounting to 33,072 thousand PLN with regard to which all conditions precedent had been complied with (31 December 2017: 44,271 thousand PLN).

## 10. Dividends paid and proposed for payment

The result for the reporting period is not distributed.

The result for the reporting period and the consolidated result are not distributed.

Grupa Kęty S.A. intends to allocate 190,434 thousand PLN for the dividend for 2017.

As of today, the number of shares entitled to dividend is 9,521,700, which means the payment of dividend of 20 PLN per share. The number of shares may increase by 23,747 series G shares, which may be subscribed for as part of the incentive programme for the management personnel. If these shares are admitted to exchange trading by the date of determining the right to dividend, the total number of shares entitled to dividend will be 9,545,447, which will mean the payment of dividend of 19.95 PLN per share. The amount of the dividend is in line with the Company's policy, which assumes the dividend payment ratio of 60%-100% of the consolidated net profit. The proposed dividend day (the date when the right to dividend is determined) is 26 June 2018, and the proposed dividend payment dates are as follows:

- 10 July 2018 (34% of the dividend);
- 26 September 2018 (66% of the dividend).

The final decision about the amounts and dates concerning the dividend will be made by the General Meeting of Shareholders of Grupa Kęty S.A.

In the previous year, Grupa Kęty S.A. paid dividend amounting to 284,699 thousand PLN (30.00 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 31.03.2018 (not audited)	3 months ended on 31.03.2017 (not audited)
Current income tax		
Current income tax expense recognised in the income statement	(1,994)	0
Deferred income tax:		
Related to the recognition and reversal of temporary differences	(191)	(1,854)
<b>Tax expense recognised in the income statement</b>	<b>(2,185)</b>	<b>(1,854)</b>

## 12. Property, plant and equipment

### 12.1. Purchase and sale

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

	3 months of 2018	3 months of 2017
Acquisition of property, plant and equipment	16,203	6,932
Net value of sold property, plant and equipment	85	28
Profit (loss) on the sales of property, plant and equipment	23	(2)
Retired property, plant and equipment due to their faster wear	0	172

In the presented periods, the Company did not recognise impairment losses for property, plant and equipment.

## 13. Trade and other receivables

Short-term receivables	31.03.2018 (not audited)	31.12.2017 (audited)
<b>Net receivables</b>	<b>218,321</b>	<b>173,604</b>
Trade receivables towards related parties	73,107	58,217
Trade receivables towards other entities	140,577	107,912
Public law receivables (except for the income tax)	288	938
Prepayments (trade-related) for suppliers	621	375
Down payments (trade-related) for suppliers – related parties	293	168
Receivables from employees	31	18
Settlements related to transactions hedging the aluminium price	1,358	3,797
Prepaid expenses	2,044	2,178
Other receivables	2	1

In the period of the first 3 months of 2018, the Company recognised write-downs of receivables amounting to 52 thousand PLN (in the period of the first 3 months of 2017, 13 thousand PLN). The Company recognises write-downs of receivables in 'Other operating costs'.

In the period of the first 3 months of 2018, the Company did not reverse any write-downs of receivables (in the period of the first 3 months of 2017, the Company reversed write-downs of receivables amounting to 10 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

	<b>31.03.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Materials	33,354	46,497
Work in progress	50,439	36,241
Finished products	26,987	33,963
<b>TOTAL</b>	<b>110,780</b>	<b>116,701</b>

In the period of the first 3 months of 2018, the Company did not reverse and did not recognise any write-downs of inventories. In the period of the first 3 months of 2017, the Company reversed write-downs amounting to 686 thousand PLN. The Company presents reversed write-downs of inventories in 'Other operating income'.

## 15. Provisions and accruals

In the reporting period, the Company recognised, for a decrease in the result, the deferred tax liability amounting to 191 thousand PLN.

Changes in provisions and accruals:

	<b>01.01.2017</b>	<b>Increases</b>	<b>Utilisation</b>	<b>As at 31.12.2017</b>
<b>Provisions and accruals</b>	<b>16,421</b>	<b>6,011</b>	<b>(3,366)</b>	<b>19,066</b>
long-term part of the provision for retirement and disability benefits	1,737	0	0	1,737
short-term provision for retirement and disability benefits	375	0	0	375
costs of holidays	2,397	3,286	(2,397)	3,286
costs of annual bonus	7,527	2,678	(938)	9,267
cogeneration fees	196	47	0	243
costs of damages	4,134	0	0	4,134
costs of warranty repairs	24	0	0	24
provision for other costs	31	0	(31)	0

	As at 31.12.2016	Increases	Utilisation	As at 31.03.2017
<b>Provisions and accruals</b>	<b>18,535</b>	<b>2,917</b>	<b>(1,053)</b>	<b>20,399</b>
long-term part of the provision for retirement and disability benefits	1,500	0	0	1,500
short-term provision for retirement and disability benefits	373	0	0	373
costs of holidays	2,037	679	0	2,716
costs of annual bonus	9,008	2,157	(1,050)	10,115
cogeneration fees	475	52	0	527
costs of damages	5,074	0	0	5,074
costs of warranty repairs	37	0	(3)	34
environmental protection costs	0	29	0	29
provision for the costs of auditing financial statements	31	0	0	31

## 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 3 months of 2018.

Loan	Lender	Loan currency	31.12.2017	Increase (decrease)	31.03.2018
Long-term	BNP Paribas Polska	PLN	6,489	(6,489)	0
Short-term part of a long-term loan	BNP Paribas Polska	PLN	8,840	4,209	13,049
Short-term loan	Bank PKO BP	PLN, EUR, USD	1,358	9,574	10,932
Short-term loan	BNP Paribas Polska	PLN, EUR	53,309	(3,268)	50,041
Short-term loan	ING Bank Polska	EUR, PLN	26,084	11,658	37,742
Short-term loan	Bank PeKaO S.A.	EUR, USD, CHF	64,476	15,047	79,523
Short-term loan	Bank Societe Generale	PLN, EUR	14,915	1,016	15,931
	<b>Total loans</b>		<b>175,471</b>	<b>31,747</b>	<b>207,218</b>

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. As at the balance sheet date and as at 31.12.2017, the Company met all credit terms (covenants).

Standard agreements of working capital loans listed above are concluded for a period of one year with maturity dates falling in the second half of the next year. Each year, before the end of a given period, the Company negotiates agreements/annexes with banks for subsequent 12-month periods to roll over loans.

## 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 2017. 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

	31.03.2018 (not audited)	31.12.2017 (audited)
Trade payables to related parties	13,984	11,162
Trade payables to non-related parties	70,175	60,634
Down payments (trade-related) from customers	1,440	1,254
Public law liabilities (except for income tax payables)	13,547	7,091
Remuneration liabilities	5,161	4,688
Securities	5	5
Liabilities due to the purchase of property, plant and equipment	10,230	16,622
Other	2,282	702
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>116,824</b>	<b>102,158</b>

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

In the period of 3 months of 2018 as compared to the period of 3 months of 2017, 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 23,328 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. 1 thousand tonne of aluminium products while the prices of purchased aluminium fell by ca. 3.2%.

Amortisation/depreciation costs — an increase in amortisation/depreciation costs by 529 thousand PLN related to the current investment process.

External services — an increase in the costs of external services by 4,447 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 — an increase in the costs of materials and energy by 10,188 thousand PLN is related to the change of average aluminium prices and the increase in the sales volume of aluminium products by ca. 1 thousand tonne and the associated increase in the consumption of materials.

As estimated by the Company, the exchange quotations of the average aluminium price in the period of the first 3 months of 2018 as compared to the period of the first 3 months of 2017 increased by ca. 17% against the simultaneous increase in the USD exchange rate by ca. 16.2%.

Costs of employee benefits — an increase in the costs of employee benefits by 3,717 thousand PLN results from the increase in the sales volume and the increase in employment and remunerations.

## 20. Derivative financial instruments

Financial assets	31.03.2018 (not audited)	31.12.2017 (audited)
Futures for the purchase of aluminium hedging cash flows	0	5,225
IRS's hedging interest rates of loans	0	0
<b>TOTAL FINANCIAL ASSETS</b>	<b>0</b>	<b>5,225</b>
Financial liabilities		
Currency forwards hedging cash flows	1,450	1,404
Futures for the purchase of aluminium hedging cash flows	2,723	455
IRS's hedging interest rates of loans	0	3
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,173</b>	<b>1,862</b>

## 21. Objectives and principles of financial risk management

The objectives and principles of financial risk management are described in the annual financial statements for 2017 published on 16 March 2018. No significant changes had place in the objectives and principles of risk management as compared to the ones described in the financial statements for 2017.

## 22. Capital management

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

## 23. Contingent liabilities and assets

Guarantees and sureties from subsidiaries

For:	Purpose	Amount	Maturity
Aluprof S.A.	Security for a working capital loan	5,000	30-06-2018
Aluprof S.A.	Surety for Euler Hermes guarantee	2,679	28-02-2023
Aluprof S.A.	Surety for Euler Hermes guarantee	2,368	No maturity
Alupol Films sp. z o.o.	Surety for futures/forwards	5,500	No maturity
Alupol Packaging Kęty sp. z o.o.	Surety for futures/forwards	5,500	No maturity
Alupol Packaging S.A.	Surety for futures/forwards	5,500	No maturity
Aluprof S.A.	Surety for futures/forwards	27,500	No maturity

Guarantees and securities received from subsidiaries

From:	Purpose	Amount	Maturity
Aluprof S.A.	Loan security	5,000	30-06-2018
Alupol Packaging S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films sp. z o.o.	Surety for futures/forwards	5,500	No maturity
Aluprof S.A.	Surety for futures/forwards	11,000	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 15,463 thousand PLN. The agreement is valid until 30-09-2018.
- Grupa Kęty S.A., Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty sp. z o.o., Alupol Films sp. z o.o., Aluform sp. z o.o. and Aluminium Kęty Emmi d.o.o. entered into an agreement with Pekao S.A. for an overdraft facility up to the total amount of 300 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 165,008 thousand PLN. The agreement is valid until 31-10-2018.
- Grupa Kęty S.A. and Aluprof S.A. 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. As at the balance sheet date, Aluprof S.A. did not have any debt under the aforementioned agreement. The agreement is valid until 30-06-2018.
- Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A., 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 150 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 53,529 thousand PLN. The agreement is valid until 29-08-2018.

## 24. Investment obligations

As at 31 March 2018, the Company committed to make expenditure on property, plant and equipment amounting to 65,323 thousand PLN (as at 31 December 2017, the investment obligations amounted to 65,593 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 01 January 2018 to 31 March 2018 and as at 31 March 2018.

Related party	Sales	Purchases	Receivables	Liabilities
Aluprof S.A.	58,913	856	63,731	480
Alupol Packaging S.A.	425	0	184	0
Alu Trans System Sp. z o.o.	1	0	1	0
Dekret Sp. z o.o.	204	471	76	362
Aluprof Hungary Sp. z o.o.	33	115	33	157
Alupol Ukraina LLC	898	2,672	285	3,907
Romb S.A.	4,248	18	6,661	22
Aluform Sp. z o.o.	340	14,109	121	7,994
Alupol Packaging Kęty Sp. z o.o.	2,155	0	1,360	0
Alupol Films sp. z o.o.	113	0	140	0
Aluprof Belgium ltd	16	0	5	0
Aluminium Kęty EMMI d.d.o	879	857	493	124
Aluminium Kęty Czechy sro	1	247	1	194
Aluminium Deutschland Kęty GmbH	19	305	125	309
Grupa Kęty Italia srl	0	430	169	435
Aluprof System Romania	4	0	1	0
Aluprof Netherlands	1	0	1	0
Aluprof UK	19	0	13	0
<b>Total</b>	<b>68,269</b>	<b>20,080</b>	<b>73,400</b>	<b>13,984</b>

Apart from the aforementioned transactions, in the period of the first 3 months of 2018, 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:	3 months of 2018	3 months of 2017
Costs of short-term employee benefits	609	411
Costs of the provision for annual bonuses and other benefits	1,425	411
<b>Total costs of remunerations of the Members of the Management Board</b>	<b>2,034</b>	<b>822</b>
The valuation of the costs of options for treasury shares due when the programme is implemented*	180	326
<b>Total payments to the Members of the Management Board</b>	<b>2,214</b>	<b>1,148</b>

\* 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.

In the first quarter of 2018 as compared to the first quarter of 2017, the composition of the Company's Management Board was expanded with 3 new members.

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:



	3 months of 2018	3 months of 2017
Proxies of the parent company*	0	251
Parent's Management Board*	2,214	1,148
Supervisory Board	201	160
<b>TOTAL</b>	<b>2,415</b>	<b>1,559</b>

\*In the first quarter of 2018 as compared to the first quarter of 2017, the composition of the Company's Management Board was expanded with 3 new members. The person who was a proxy has been a member of the Management Board since 1 January 2018.

\*The presented remunerations cover the costs of provisions for annual bonuses for the management personnel 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 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 15,247 shares from the second part of the 2012 programme and 36,500 shares from the third 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 first part of the 2015 programme	33,000	01.10.2018	28,446
Share options from the second part of the 2015 programme	33,000	01.10.2019	13,200
Share options from the third part of the 2015 programme	33,000	01.10.2020	13,200

The costs of related benefits recognised in the income statement for the period of 3 months of 2018 amounted to 180 thousand PLN (3 months of 2017: 326 thousand PLN).

## 26. Issue of shares

In the reporting period, no shares were subscribed for as part of the implementation of the option programme for the management personnel.

In addition, the Company issued 51,747 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. As at 31.03.2018, 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
Series G shares – the 2012 programme	31,720	2017	3,714	78	3,636
<b>TOTAL</b>	<b>296,037</b>		<b>31,918</b>	<b>739</b>	<b>31,179</b>

## 27. Fair value measurement methods (fair value hierarchy)

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.

In addition, the Company evaluates energy-related assets at a revalued amount, i.e. at the fair value as at the valuation date adjusted for depreciation.

Detailed principles for determining the fair value of energy-related assets as at the revaluation date are described in note 18.8. Detailed information about the valuation of derivative financial instruments is available in note 39.

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.

The Company has no other assets measured at fair value, apart from those listed below.

Fair value hierarchy	Hierarchy level	31.03.2018 (not audited)	31.12.2017 (audited)
<b>Assets</b>			
Energy-related assets	3	6,062	6,256
Hedging derivatives	2	0	5,225
<b>Liabilities</b>			
Hedging derivatives	2	4,173	1,862

## 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:

	<b>3 months ended on 31.03.2018 (not audited)</b>	<b>3 months ended on 31.03.2017 (not audited)</b>
<b>Net profit</b>	<b>8,177</b>	<b>5,438</b>
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,521,700	9,485,209
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share*	9,557,488	9,511,275
Basic earnings per share (in PLN)	0.86	0.57
Diluted earnings per share (in PLN)	0.86	0.57

During the reporting period, eligible employees did not purchase shares of Grupa Kęty S.A.

In addition, eligible employees hold options entitling them to purchase up to 51,747 shares at 117.10 PLN per share from the 2012 programme.

The average market price of the Company's share in the period of 3 months of 2018 was 379.69 PLN. The closing price as at 31.03.2018 was 343 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 35,788 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*

.....

Piotr Wysocki

*Member of the Management Board*

.....

Rafał Lechowicz

*Member of the Management Board*

.....

Kęty, 19 April 2018

Adam Piela

*Member of the Management Board*

.....

Tomasz Grela

*Member of the Management Board*

.....

**Signature of the person entrusted with bookkeeping**

Andrzej Stempak

*President of the Management Board*

*Dekret Centrum Rachunkowe Sp. z o.o.*

.....

Kęty, 19 April 2018