STRATEGY FOR 2021-2025 AND THE 2021 FORECAST

17th December 2020

PRESENTATION PLAN

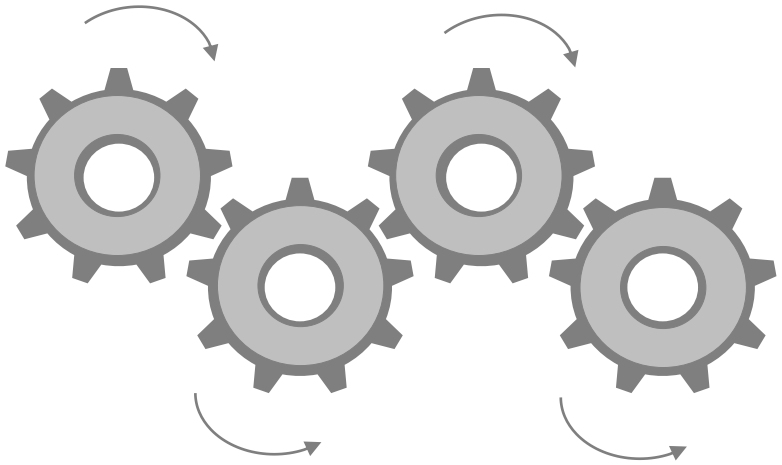
SUMMARY OF THE 2020 STRATEGY IMPLEMENTATION

Dariusz Mańko - Chairman of the Management Board

THE PILLARS OF THE 2025 STRATEGY

OPERATIONAL OBJECTIVES

FINANCIAL OBJECTIVES



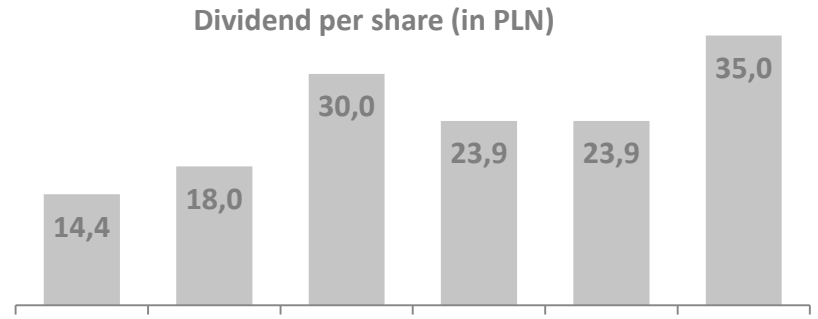
WE HAVE BUILT A STRONG POSITION IN THE EUROPEAN MARKET

FULFILLMENT OF THE 2020 FORECAST WILL EXCEED THE OBJECTIVES OF THE 2020 STRATEGY

	YEAR 2014		YEAR 2020
TOTAL SALE	PLN 1,8 billion	+94%	PLN 3,5 billion
INCLUDING FOREIGN SALE	PLN 0,7 billion	+143%	PLN 1,7 billion
EBITDA	PLN 309 million	+112%	PLN 656 million
NET PROFIT	PLN 169 million	+147%	PLN 417 million

INCREASED VALUE FOR SHAREHOLDERS

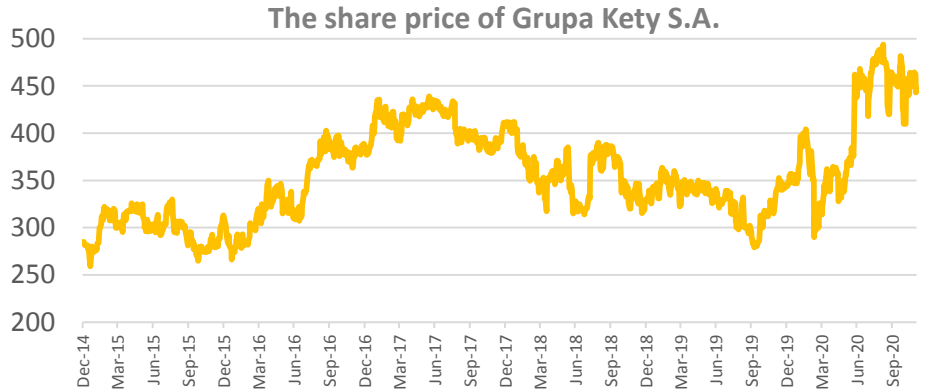
During the implementation of the Strategy, the dividend paid total of PLN 1.4 billion



	2015	2016	2017	2018	2019	2020
Div Yield *	5,2%	5,0%	7,3%	7,3%	6,9	7,8%

* Based on the share price at the end of each period (in 2020 - PLN 450 per share was assumed)

During the implementation of the Strategy, capitalization increased by PLN 1.6 billion to PLN 4.3 billion (compared to December 2014)



TOTAL INCREASE IN VALUE FOR SHAREHOLDERS BY

PLN 3.0 BILLION / OVER 100% (vs December 2014)

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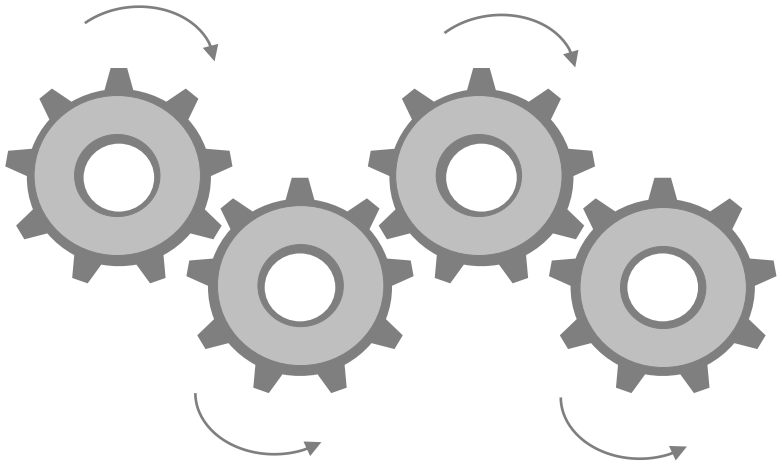


STRATEGY PILLARS 2025

FOUNDATIONS

OUR

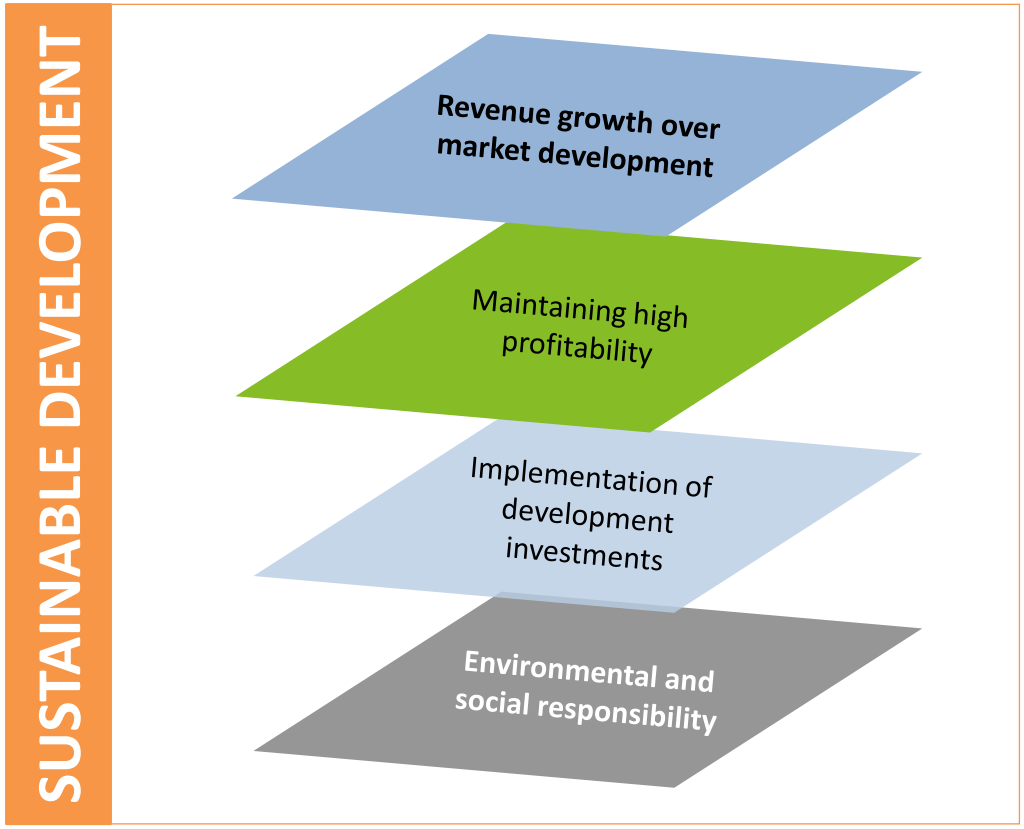
ACTIONS

REMAIN

FIXED

STRATEGY PILLARS 2025

STRATEGY PILLARS



OBJECTIVES 2025

PLN 4,6 billion revenues

PLN 787 million EBITDA
an increase by over PLN 1 billion in the period 21-25 vs 16-20

PLN 0.5 billion in development CAPEX as part of PLN 1.06 billion of total CAPEX

15% reduction in carbon footprint
vs 2016

PLN 178 per share / PLN 1.7 billion dividend in 21-25
an increase by approx. PLN 0.5 billion in the period 21-25 vs 16-20

PILLARS OF THE 2025 STRATEGY - Environmental and social responsibility

FOR THE FUTURE

STRATEGY 2020-2025

Our ambitions, declarations and goals

ENVIRONMENTAL PROTECTION AND COUNTERACTING CLIMATE CHANGE

Our ambition is to strive for climate neutrality in 2050

By 2025,
a 15%
reduction in carbon footprint
(base year 2016)

ENVIRONMENTAL PROTECTION AND COUNTERACTING CLIMATE CHANGE

Our ambition is to strive for climate neutrality in 2050

By 2025 increase the proportion of recycled materials in products manufactured from own products
to 75%
(extruded products segment)
(rok bazowy 2020)

ENVIRONMENTAL PROTECTION AND COUNTERACTING CLIMATE CHANGE

Our ambition is to strive for climate neutrality in 2050

By 2025 increase in the share of products used in environmentally certified facilities
by 20%
(segment of aluminum systems)

SECURITY

Our ambition is to achieve zero accident rates in the field of severe and fatal accidents and to create a safe work environment.

TRIR indicator
(number of accidents per 100 employees) strive for a result
of less than 1
(base year 2020)

SOCIAL COMMITMENT

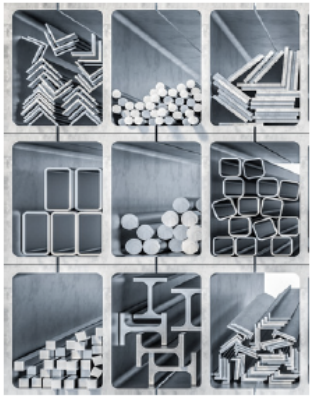
we have ambitions to support local communities

By 2025 we will carry out
150
initiatives under the grant program „together with a group"

ENVIRONMENTAL PROTECTION AND COUNTERACTING CLIMATE CHANGE

Our ambition is to strive for climate neutrality in 2050

By 2025, an increase in the share of recyclable films and laminates produced by
5%
(base year 2020)
(flexible packaging segment)



Gk Grupa Kęty

ALUPROF ALUMINIUM SYSTEMS

Alupol packaging

ATTRACTIVE, EMPLOYER, DECENT WORKPLACES

We have the ambition to create and develop a team of committed and professional employees.

The turnover ratio until 2025
at the level of
-5% y / y

JOINT DEVELOPMENT

We have ambitions to develop our business and share the generated profit with a wide range of stakeholders

2025 target to maintain a stable dividend policy
(at the level of
60-100%
of consolidated net profit)

SUSTAINABLE SUPPLY CHAIN

our ambition is to respect human rights, prevent corruption and a responsible environmental policy in a wide supply chain.

Our goal by 2025 is
100%
of suppliers covered by the Supplier Code of Conduct

ORGANIC GROWTH IS POSSIBLE AT A RATE EXCEEDING THE ESTIMATED DYNAMICS OF INDIVIDUAL MARKETS

Safe financial ratios will allow to take advantage of possible acquisition opportunities in the area related to the basic scope of Grupa KĘTY's operations - production of aluminum-based products and systems.

IMPROVING EFFICIENCY AND HIGH PROFITABILITY IS A PRIORITY

WE WILL VERIFY IF THE PRESENTED STRATEGY OF THE FLEXIBLE PACKAGING SEGMENT IS THE OPTIMAL CHOICE

The FPS market environment will be monitored, which may lead to updating the segment's strategy and launching development projects, including acquisition projects. At the same time, taking into account the observed processes of market consolidation in this area and the strong position of the segment, Grupa KĘTY intends to carry out the process of estimating the market value of the FPS by verifying the interest of potential investors.

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THE PILLARS OF THE 2025 STRATEGY

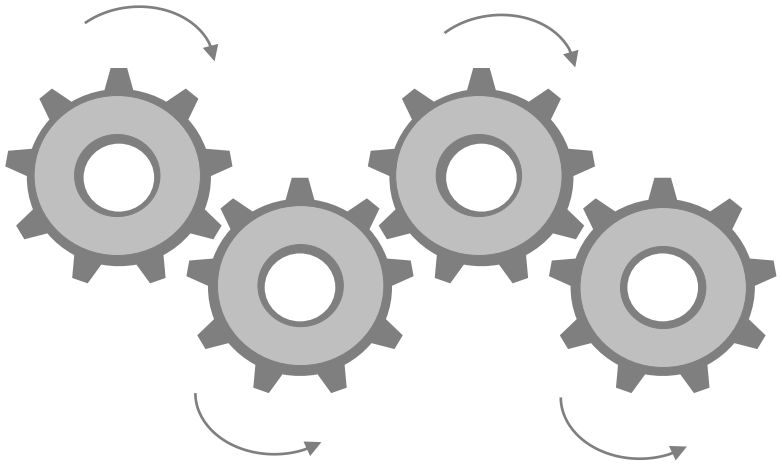
OPERATIONAL OBJECTIVES

Piotr Wysocki – Member of the Management Board (EPS)

Tomasz Grela – Member of the Management Board (ASS)

Rafał Lechowicz – Chairman of Alupol Packaging (FPS)

FINANCIAL OBJECTIVES



STRATEGY ASSUMPTIONS FOR THE EXTRUDED PRODUCTS SEGMENT (EPS)

Piotr Wysocki - Member of the Board

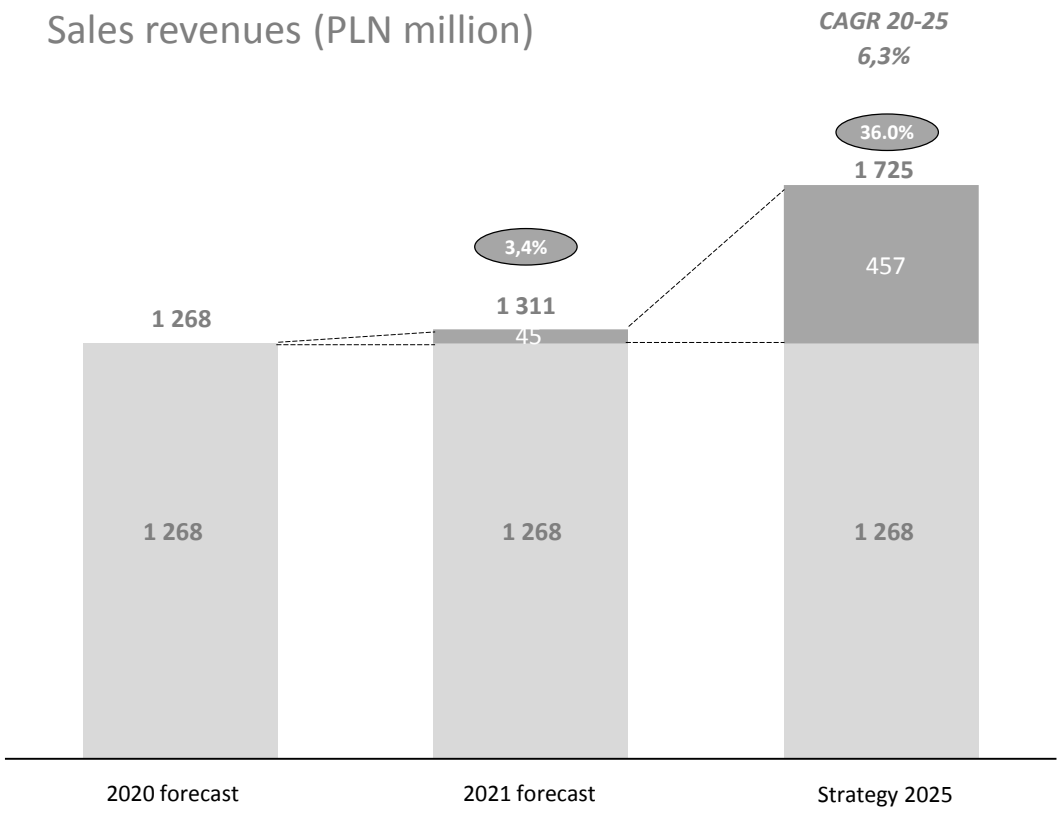
ASSUMPTIONS OF THE 2025 STRATEGY - EPS - market and competition

The current market trends suggest a high potential for EPS growth

Analysis area	*Main observations*	*Impact*
Meta-trends and market development scenarios	• Estimated CAGR of the market of aluminum products in Europe approx. 2% by 2025. • Progressive urbanization and development of emerging economies. • Dynamic development of electric car production. Increase in aluminum consumption due to the trend of reducing vehicle weight.	↗
Environmental and regulatory implications	• The European Union's carbon footprint regulations can have an impact on the cost base. • Ecological awareness of consumers creates potential, but also requires building an image based on pro-ecological and innovative solutions.	→
Conclusions from the competition analysis	• Competitors build their strategies and image by offering innovative and ecological products (including fully recycled products) • Company orientation towards high added value products and customer orientation.	→

ASSUMPTIONS OF THE 2025 STRATEGY - EPS - revenues

EPS focuses on maximizing the opportunities resulting from the wide use of aluminum products in many market segments



Revenue growth significantly exceeding the market dynamics estimated at 2% based on:

- increase in sales of extruded products on selected European markets,
- doubling the sales of processed products for the automotive industry,
- increasing the efficiency of the current production capacity,
- increasing the production capacity by investing in a new press.

ASSUMPTIONS OF THE 2025 STRATEGY- EPS - financial and operational plans

PLN million	F2020	F2021	change	S2025	CAGR
Volume sales [thousand. t]	**84,5**	**87,0**	***3,0%***	**107,0**	***4,8%***
capacity utilization	*93%*	*95%*		*98%*	
Sales revenue	**1 268**	**1 311**	***3,4%***	**1 725**	***6,3%***
EBITDA	**167**	**172**	***3,0%***	**225**	***6,1%***
EBITDA margin	*13,2%*	*13,1%*		*13,1%*	
Investments		**110**	*within 21-25*	**504**	
including development		*49*	*within 21-25*	*216*	

- **Maintaining high EBITDA profitability with growing revenues:**
  - **increasing the use of existing production capacity,**
  - **organizational activities and optimization of processes improving production efficiency.**
- **Investments that follow the market:**
  - **new extrussion press (increased production capacity by 10,900 tons),**
  - **expansion of the factory machinery,**
  - **cogeneration in line with the environmental policy.**
- **Implementation of tasks resulting from the developed "Climate Policy" of Grupa KĘTY, including: increasing energy efficiency, reducing the carbon footprint and increasing the share of recycled raw materials.**

STRATEGY ASSUMPTIONS FOR THE ALUMINUM SYSTEMS SEGMENT (ASS)

Tomasz Grela – Member of the Board

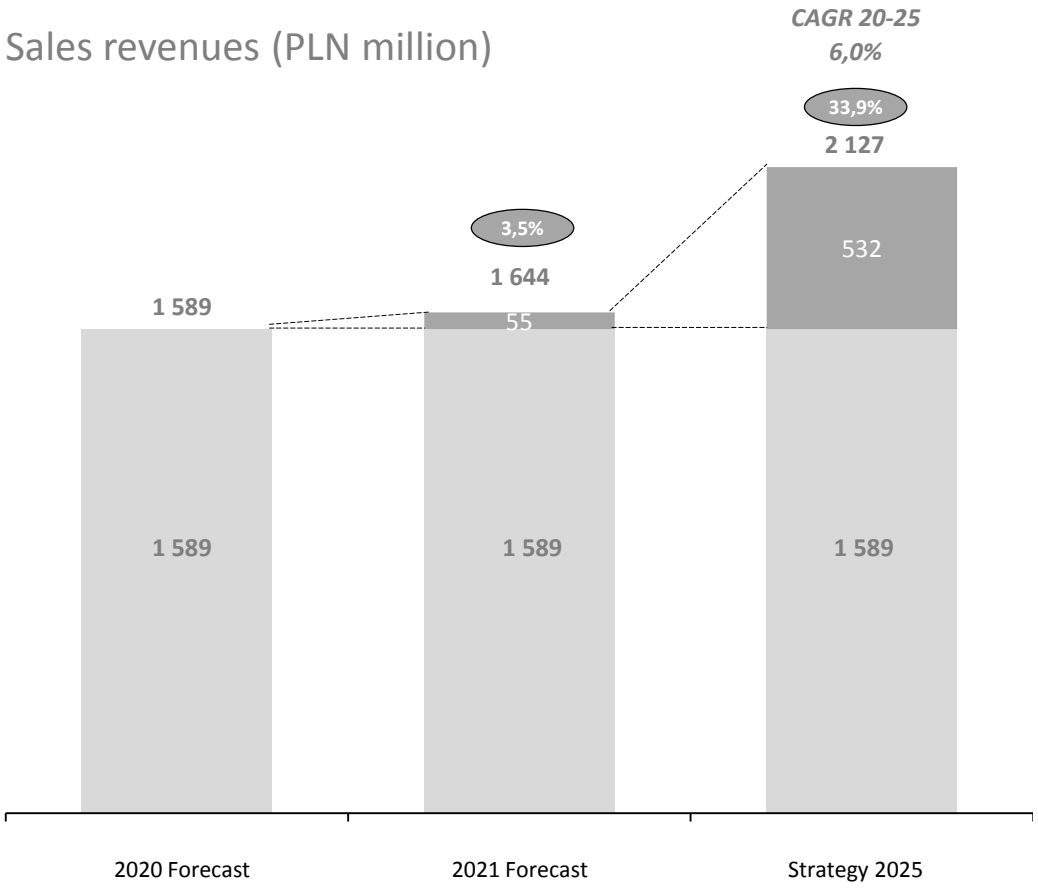
ASSUMPTIONS OF THE 2025 STRATEGY- ASS - market and competition

A favorable starting position of the ASS due to the growing demand and wider use of aluminum in the construction industry as well as favorable EU environmental regulations.

Analysis area	*Main observations*	*Impact*
Meta-trends and market development scenarios	• Progressive urbanization and the need for environmentally and user-friendly buildings that support a healthy lifestyle, and at the same time are more durable, resistant and provide better insulation • Aluprof primarily bases its activities on the Polish market (> 50% of sales); the most important European markets for the company are Great Britain, Germany, the Benelux countries as well as the Czech Republic and Slovakia • The estimated average annual market growth based on external data adjusted by the company is 3%	↗
Environmental and regulatory implications	• EU projects, incl. The European Green Deal (mass building renovation program and strengthening the circular economy) and Directive 2018/844 / EU (almost zero-energy all new and modernized buildings in the EU from 2020) generate demand and offer great potential for the delivery of systems that increase the energy efficiency of buildings • High sales potential for solutions / systems that increase the energy efficiency of buildings	↗
Conclusions from the competition analysis	• Aluprof's competitors on the domestic market of construction systems are, to a large extent, Polish companies or representative offices of foreign companies. Often, building systems (aluminum and / or roller shutters) are their only business segment • Competition in foreign markets dominated by large international concerns • Goal - Aluprof leads the market in Fire Resistance Systems solutions in 2025	→

ASSUMPTIONS OF THE 2025 STRATEGY - ASS - revenues

The ASS assumes an increase in sales above the market dynamics by acquiring new customers on domestic market and intensifying foreign sales



Revenue growth significantly exceeding the market dynamics estimated at 3% based on:

- increasing sales of "traditional products" in all major European markets
- extending the product offer with new, innovative products and extending the value chain
- intensification of sales on the American market, doubling of sales on the British market

ASSUMPTIONS OF THE 2025 STRATEGY - ASS - operational plans and financial

PLN million	F2020	F2021	*change*	S2025	*CAGR*
Sales revenue, including:	**1 589**	**1 644**	***3,5%***	**2 127**	***6,0%***
Poland	963	974	*1,1%*	1 150	*3,6%*
Foreign sales	625	670	*7,2*	978	*9,4%*
EBITDA	**280**	**286**	***2,1%***	**377**	***6,1%***
EBITDA margin	*17,6%*	*17,4%*		*17,7%*	
Investments		**135**	*within 21-25*	**424**	
including development		*100*	*within 21-25*	*257*	

- **Maintaining high EBITDA profitability with growing revenues:**
  - extending the value chain by investing in new business areas
  - organizational activities improving production efficiency
  - 2021, a slight increase in EBITDA due to the increase in the price of aluminum
  - export sales as a tool to achieve the goal

Implementation of tasks resulting from the developed "Climate Policy" of Grupa KĘTY, including: reduction of the carbon footprint and increasing the share of product sales to facilities with an environmental certificate

STRATEGY ASSUMPTIONS FOR THE FLEXIBLE PACKAGING SEGMENT (FPS)

Rafał Lechowicz – Chairman of Alupol Packaging S.A.

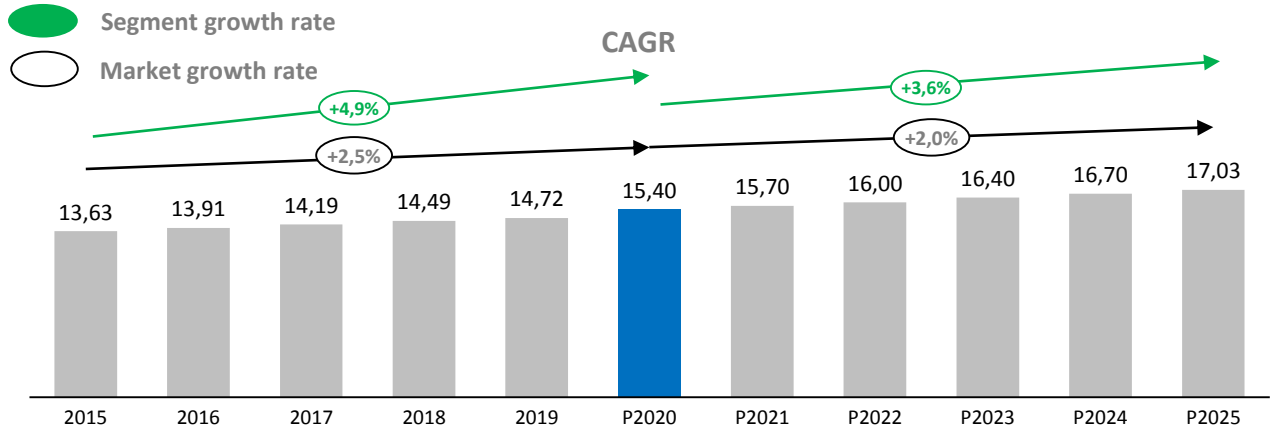
ASSUMPTIONS OF THE 2025 STRATEGY - FPS - market and competition

FPS is prepared to progressive environmental regulations, which likely will not significantly affect the structure of the market in the next 5 years

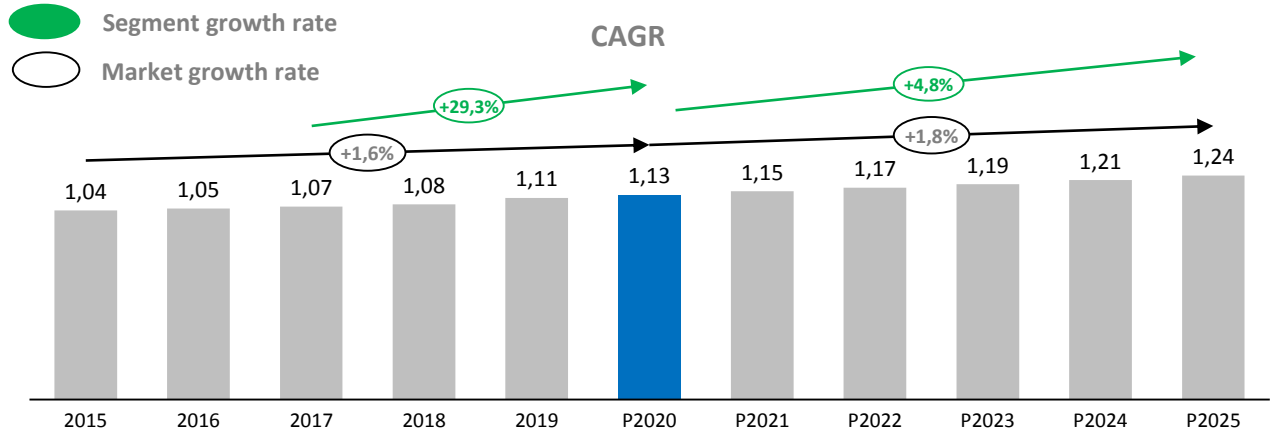
Analysis area	*Main observations*	*Impact*
Meta-trends and market development scenarios	• Packaging market with a stable growth forecast (~ + 2% annually), but there is no one key trend that will permanently change the market picture in 5 years • The structure of materials used on the market will not change significantly, plastic-based packaging (including PE, PP) will maintain the highest share in flexible packaging	↗
Environmental and regulatory implications	• The regulatory environment and pro-environmental initiatives imply communication activities in the field of innovation, but without a significant impact on the demand structure. Despite strong ecological trends, none of the product innovations achieve the intended scale effects • The only visible general market change, however, is the greater focus on thinner and more homogeneous packaging	→
Conclusions from the competition analysis	• The flexible packaging market is highly fragmented, but global leaders do not limit development prospects to highly specialized players • The development directions of global competitors focus on organic growth, improving cost efficiency and a selective M&A strategy (difficult for smaller players)	→

The European market for flexible packaging and BOPP films will grow at a rate of approximately 2% per year

The size and development of the European flexible packaging market - demand (EUR million)



The size and development of the European BOPP film market - demand (million tons)

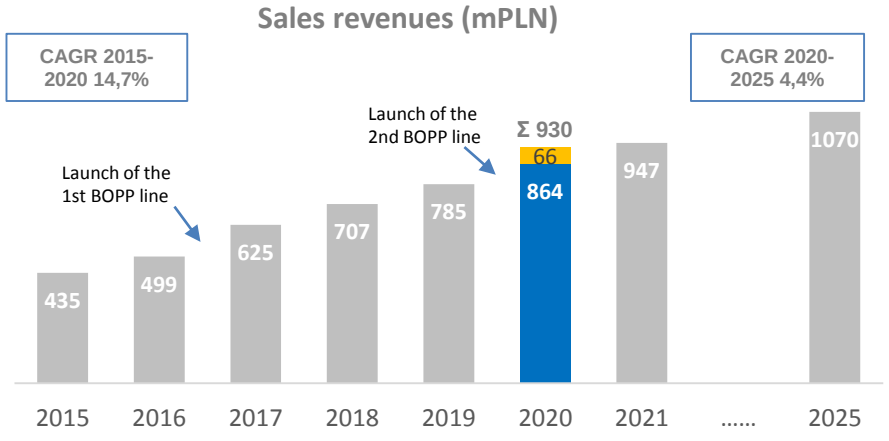


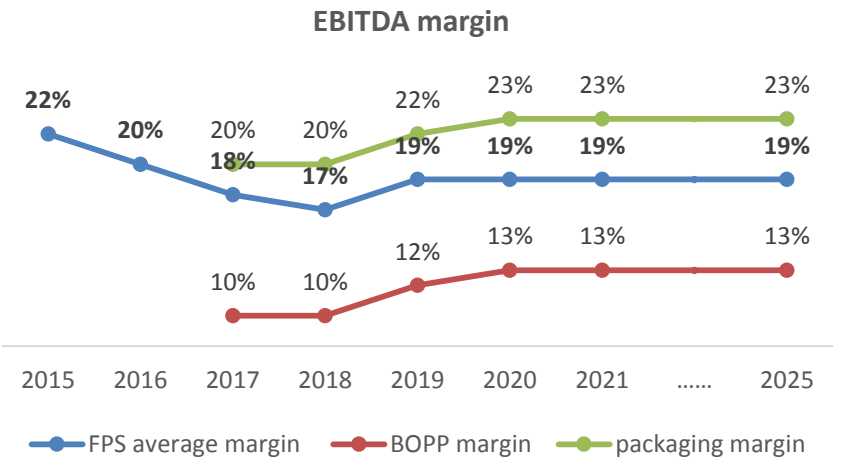
Source: Deloitte

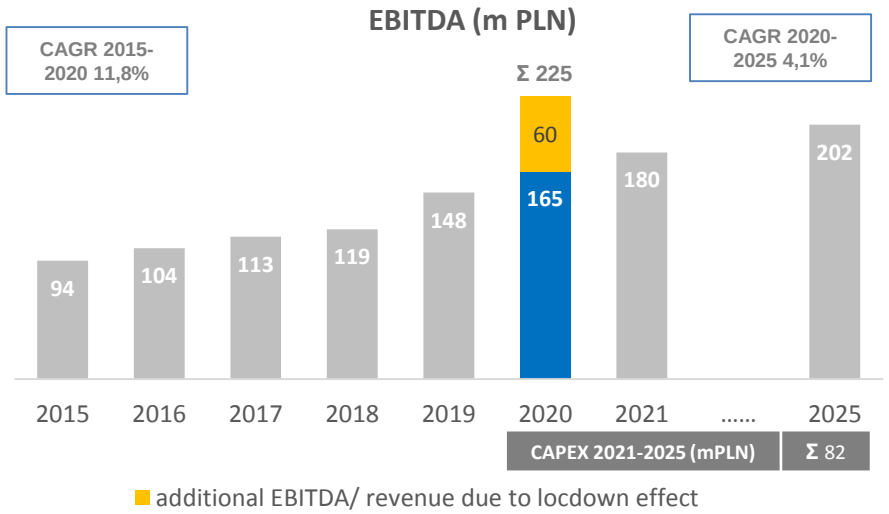
- Assumed stable dynamics of the development of the polypropylene packaging and film market
- The increase in BOPP film production capacity in Europe, estimated at 4% annually, exceeds the assumed market growth rate of 1.8%, which will deepen the supply surplus

The 2020 database in terms of FPS data has been adjusted for the "lockdown effect" (see also the following slides)

ASSUMPTIONS OF THE 2025 STRATEGY - FPS - revenues







- Due to having a very modern one and universal machine park, as well as ambiguity on the development directions of the flexible packaging market, the segment is withholding new decisions investment projects.
- Assumed increase in the occupancy of the machine park owned from the current 80% to 95% in 2025
- Planned introduction to the market of more and more innovative packaging - thinner, more homogeneous

The 2020 database in terms of FPS data has been adjusted in relation to the forecast for 2020 by the "lockdown effect" in the amount estimated at: revenues - PLN 66 million, EBITDA - PLN 60 million

ASSUMPTIONS OF THE 2025 STRATEGY - FPS - operating and financial plans

PLN million	F2020	B2020*	F2021	change	S2025	CAGR B20-25
Sales revenue, including:	**930**	**864**	**947**	***9,6%***	**1 070**	***4,4%***
packaging	570	554	587	*6,0%*	661	*3%*
BOPP films	360	310	360	*16,1%*	409	*6%*
EBITDA	**225**	**165**	**180**	***9,1%***	**202**	***4,1%***
packaging	152	125	133	*6,4%*	149	*4%*
BOPP films	73	40	47	*17,5%*	53	*6%*
EBITDA margin	***24%***	***19%***	***19%***		***19%***	
packaging	27%	23%	23%		23%	
BOPP films	20%	13%	13%		13%	
Investments			**22**	*within 21-25*	**82**	

- The results for 2020 include a one-time positive effect resulting from the so-called lockdown of the world economy - restrictions on supplies from the Far and Middle East to the European market, drop in raw material prices
- Considering the lack of an unequivocal market development trend and the suspension of development investments, the ambitious assumption of sales growth above the forecast market dynamics was adopted, which translates into an increase in revenues from the base PLN 864 (B2020) million to PLN 1 070 million in 2025
- It was assumed that the high operating profitability will be maintained, which will translate into an increase in EBITDA from PLN 165 million (B2020) to PLN 202 million in 2025

The 2020 database in terms of FPS data has been adjusted in relation to the forecast for 2020 by the "lockdown effect" in the amount estimated at: revenues - PLN 66 million, EBITDA - PLN 60 million

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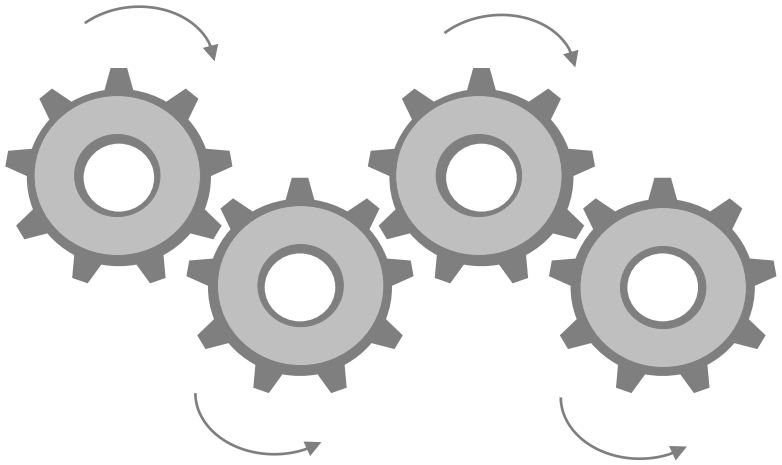
Rafał Warpechowski – Member of the Management Board



BASIC MACROECONOMIC ASSUMPTIONS OF THE 2025 STRATEGY

Indicator	F2020	F2021	S2022 - 2025
GDP POLAND	-5,40%	4,90%	3,70%
GDP Euro zones	-10,20%	6,00%	1,60%
CPI %	3,30%	1,50%	2,10%
Dollar exchange rate (average NBP) PLN / USD	3,79	3,69	3,69
EUR exchange rate (average NBP) PLN / EUR	4,43	4,35	4,35
Average monthly EUR / USD exchange rate	1,17	1,18	1,18
Aluminum price (3 months) [USD / ton]	1 707	1 900	1 900

Sources: own estimates based on data available in Reuters, the IMF website and NBP forecasts

FINANCIAL OBJECTIVES OF THE 2025 STRATEGY AND THE 2021 FORECAST

The implementation of Strategy 2025 will generate PLN 1,0 billion in higher EBITDA than in the period 2016-20

PLN million	F2020	B2020*	F2021	*change vs B20*	S2025	*change 25/B20*
Sales revenue	**3 498**	**3 432**	**3 620**	*5,5%*	**4 637**	*35,1%*
EBITDA	**656**	**596**	**624**	*4,7%*	**787**	*32,0%*
EBITDA margin	*18,8%*	*17,4%*	*17,2%*		*17,0%*	
Operating profit	**510**	**450**	**474**	*5,3%*	**598**	*32,9%*
operating margin	*14,6%*	*13,1%*	*13,1%*		*12,9%*	
Result on financial activities	-18	-18	-19		-18	
Gross profit	**492**	**432**	**454**	*5,1%*	**580**	*34,3%*
Income tax	-75	-65	-86		-109	
Net profit	**417**	**366**	**369**	*0,8%*	**470**	*28,4%*

- Revenue growth exceeding the estimated pace of market development
- High margin with growing revenues thanks to high operational efficiency
- Result on financial activities - mainly debt servicing costs
- No one-off events reducing the effective tax rate after 2020

* The forecast for 2020 (F2020), in order to ensure comparability, has been adjusted for the "lockdown effect" in the FPS and presented as the adjusted 2020 base (B2020)

Assumed payment of dividends in the amount of PLN 1,7 billion - an increase by PLN 0,5 billion compared to 2016-2020

PLN million	F2020	F2021	S2025 cumulatively
Cash flows from operating activities, including:	**600**	**508**	**2 849**
Change in working capital	19	-51	-234
Investments	**-157**	**-284**	**-1 064**
Dividends	**-337**	**-354**	**-1 719**
Net debt at the end of the period	634	780	640
Net debt / EBITDA at the end of the period	1,0	1,2	0,8
Net debt / equity at the end of the period	41%	50%	34%

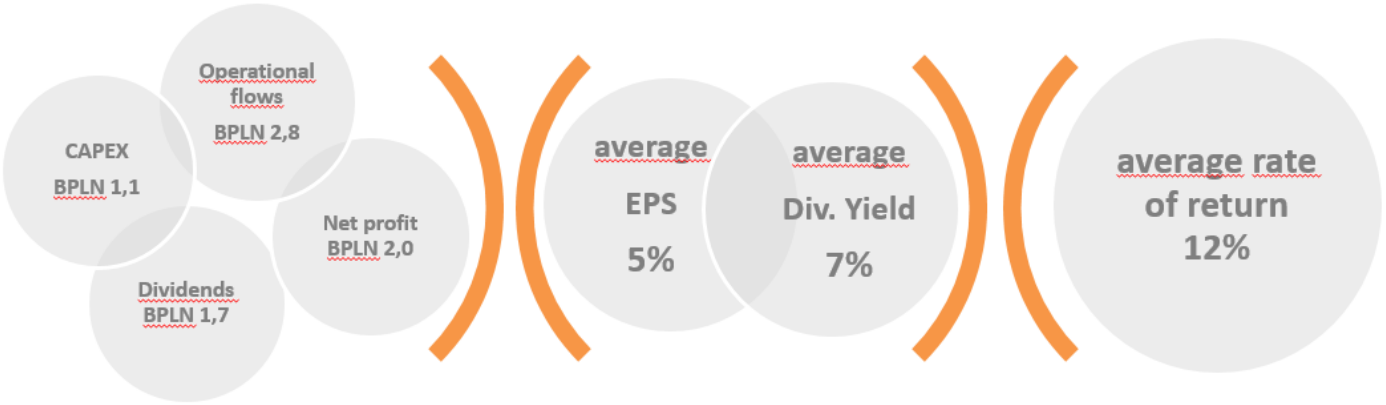
- High operating cash flows mainly based on increasing EBITDA
- Increased working capital demand due to higher raw material prices and the growing scale of operations
- Assumption of dividend payments from 2021 in the amount of 85% of consolidated net profit
- Maintaining financial ratios at a safe level

SUMMARY

THE 2025 STRATEGY MEETS THE EXPECTATIONS OF A WIDE RANGE OF STAKEHOLDERS

- Dynamic, organic development of all operating segments of Grupa KĘTY
- Increase in revenues, profits and an optimal investment program and the continuation of dividend policy while maintaining safe financial ratios:
  - taking advantage of possible investment / acquisition opportunities and, at the same time, a safety margin in case of market trends other than planned
  - market changes and the strong position of the FPS are a good moment to test investors' interest in this segment
- A sustainable development Strategy with a number of goals in the non-financial area (ESG)

We want to increase the value for our shareholders, which in numerical terms is illustrated by the planned annual average of 5% increase in earnings per share and a 7% dividend yield.



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