



**CAPITAL GROUP OF GRUPA KĘTY S.A.  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR  
THREE QUARTERS OF 2018 ENDING 30 SEPTEMBER 2018 PREPARED  
PURSUANT TO IAS 34**

(in thousand PLN)

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POLISH FINANCIAL SUPERVISION AUTHORITY  
**Consolidated interim report QSr 3/2018**

(Pursuant to § 82 Clause 2 and § 83 Clause 3 of the Regulation of the Minister of Finance of 19 February 2009 – Journal of Laws No. 33 item 259 as amended) for the issuers of securities involved in the production, construction, trading or servicing activities for three quarters of the financial year 2018 covering the period from 01.01.2018 to 30.09.2018, comprising the interim condensed consolidated financial statements pursuant to IAS 34 in the Polish currency (PLN) and the interim condensed separate financial statements pursuant to IAS 34 in the Polish currency (PLN).

24 October 2018

(delivery date)

<b>GRUPA KĘTY SPÓŁKA AKCYJNA</b>	
(Issuer's full name)	
<b>KĘTY</b>	<b>Metal (met)</b>
(Issuer's short name)	(sector according to the WSE classification / industry)
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(Tax ID Number - NIP)	(Statistical ID Number - REGON)

## 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 quarters of 2018	3 quarters of 2017	3 quarters of 2018	3 quarters of 2017
Net sales revenue	2,235,201	1,982,320	525,497	465,705
Profit on operating activities	278,251	249,923	65,417	58,714
Profit before tax	262,505	243,927	61,715	57,306
Net profit	208,142	196,635	48,934	46,195
Net profit (loss) attributable to equity holders of the parent	208,147	196,757	48,935	46,224
Total net income (loss)	202,747	196,173	47,666	46,087
Total net income (loss) attributable to equity holders of the parent	202,752	196,295	47,667	46,115
Net cash flow from operating activities	208,868	193,612	49,105	45,485
Net cash flow from investing activities	-160,752	-108,821	-37,793	-25,565
Net cash flow from financing activities	-20,410	-62,791	-4,798	-14,751
Total net cash flow	27,706	22,000	6,514	5,168
Net earnings per share attributable to equity holders of the parent (in PLN/EUR)	21.83	20.74	5.13	4.87
Diluted net earnings per share attributable to equity holders of the parent (in PLN/EUR)	21.78	20.69	5.12	4.86
<b>BALANCE SHEET ITEMS</b>	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>30.09.2018</b>	<b>31.12.2017</b>
Total assets	2,754,965	2,499,376	644,979	599,241
Liabilities and provisions for liabilities	1,412,866	1,135,998	330,774	272,363
Long-term liabilities	324,918	270,103	76,068	64,759
Short-term liabilities	1,087,948	865,895	254,705	207,604
Equity attributable to the equity holders of the parent	1,342,099	1,363,378	314,206	326,879
Share capital	67,763	67,704	15,864	16,232
Number of shares	9,545,447	9,521,700	9,545,447	9,521,700
Book value per share (in PLN/EUR)	140.60	143.19	32.92	34.33
Diluted book value per share (in PLN/EUR)	140.31	142.63	32.85	34.20
Dividend per share – declared or paid (in PLN/EUR)	0.00	23.94	0.00	5.74
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 quarters of 2018	3 quarters of 2017	3 quarters of 2018	3 quarters of 2017
Net sales revenue	874,251	788,208	205,537	185,173
Profit on operating activities	206,534	254,197	48,556	59,718
Profit before tax	200,555	253,251	47,151	59,496
Net profit	190,748	244,714	44,845	57,490
Total net income	186,940	245,390	43,950	57,649
Net cash flow from operating activities	171,469	93,549	40,312	21,977
Net cash flow from investing activities	-94,347	-41,226	-22,181	-9,685
Net cash flow from financing activities	-54,032	-22,454	-12,703	-5,275
Total net cash flow	23,090	29,869	5,428	7,017
Earnings per share (in PLN/EUR)	20.00	25.79	4.70	6.06
Diluted earnings per share (in PLN/EUR)	19.96	25.73	4.69	6.04
<b>BALANCE SHEET ITEMS</b>	<b>30.09.2018</b>	<b>31.12.2017</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
Total assets	1,246,783	1,081,130	291,891	259,208
Liabilities and provisions for liabilities	555,379	352,641	130,023	84,548
Long-term liabilities	149,184	59,957	34,926	14,375
Short-term liabilities	406,195	292,684	95,096	70,173
Equity	691,404	728,489	161,868	174,660
Share capital	67,763	67,704	15,864	16,232
Number of shares	9,545,447	9,521,700	9,545,447	9,521,700
Book value per share (in PLN/EUR)	72.43	76.51	16.96	18.34
Diluted book value per share (in PLN/EUR)	72.29	76.21	16.92	18.27
Dividend per share – declared or paid (in PLN/EUR)	0.00	23.94	0.00	5.74

The above financial figures for three 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 30.09.2018 – 4.2714 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: three quarters of 2018 – 4.2535 PLN/EUR; three quarters of 2017 – 4.2566 PLN/EUR.

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

CAPITAL GROUP OF GRUPA KĘTY S.A.

Consolidated Financial Statements for the period from 1 January 2018 to 30 September 2018 (in thousand PLN)

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

## I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months ended on 30.09.2018 (not audited)	9 months ended on 30.09.2018 (not audited)	3 months ended on 30.09.2017 (not audited)	9 months ended on 30.09.2017 (not audited)
<b>Total operating income, including:</b>		<b>813,344</b>	<b>2,239,783</b>	<b>717,453</b>	<b>1,991,782</b>
Sales revenue	7	811,600	2,235,201	716,493	1,982,320
- including from the sales to an associate		0	2	4	13
Other operating income		1,744	4,582	960	9,462
<b>Share of net profit of entities accounted for using the equity method</b>		<b>284</b>	<b>952</b>	<b>372</b>	<b>1,802</b>
<b>Change of inventories of finished goods and work in progress</b>		<b>15,191</b>	<b>30,583</b>	<b>16,540</b>	<b>41,012</b>
<b>Cost of manufacturing products for own needs</b>		<b>3,115</b>	<b>8,782</b>	<b>3,783</b>	<b>11,580</b>
<b>Total operating costs, including:</b>		<b>(722,702)</b>	<b>(2,001,849)</b>	<b>(639,454)</b>	<b>(1,796,253)</b>
Depreciation/Amortisation		(31,094)	(93,616)	(30,013)	(89,242)
Materials, energy and the value of sold trade goods and materials		(513,419)	(1,399,988)	(452,455)	(1,253,628)
External services		(61,896)	(167,278)	(50,825)	(145,004)
Taxes and charges		(3,989)	(11,552)	(3,973)	(11,243)
Employee benefits		(106,092)	(310,648)	(92,702)	(275,424)
Other operating costs		(6,212)	(18,671)	(9,486)	(21,712)
Revaluation of financial assets – IFRS 9		0	(96)	0	0
<b>Profit on operating activities</b>		<b>109,232</b>	<b>278,251</b>	<b>98,694</b>	<b>249,923</b>
Finance income		187	536	(860)	2,707
Finance costs		(5,734)	(16,282)	(2,874)	(8,703)
<b>Profit before tax</b>		<b>103,685</b>	<b>262,505</b>	<b>94,960</b>	<b>243,927</b>
Income tax expense	10	(20,535)	(54,363)	(17,843)	(47,292)
<b>Net profit on continuing operations</b>		<b>83,150</b>	<b>208,142</b>	<b>77,117</b>	<b>196,635</b>
Attributable to non-controlling interests		(21)	(5)	(139)	(122)
<b>Attributable to equity holders of the parent</b>		<b>83,171</b>	<b>208,147</b>	<b>77,256</b>	<b>196,757</b>
Earnings per share attributable to equity holders of the parent (in PLN)	31				
Basic		8.71	21.83	8.14	20.74
Diluted		8.70	21.78	8.12	20.69

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended on 30.09.2018 (not audited)	9 months ended on 30.09.2018 (not audited)	3 months ended on 30.09.2017 (not audited)	9 months ended on 30.09.2017 (not audited)
<b>Net profit for the period</b>	<b>83,150</b>	<b>208,142</b>	<b>77,117</b>	<b>196,635</b>
<b>Other comprehensive income*:</b>	<b>(7,359)</b>	<b>(5,395)</b>	<b>5,014</b>	<b>(462)</b>
Cumulative translation adjustment	(2,339)	1,998	91	(3,185)
Valuation of cash flow hedging instruments	(4,180)	(7,527)	4,023	2,767
Result from cash flow hedge	(1,633)	(1,297)	2,041	444
Income tax related to other comprehensive income to be charged to profit or loss	793	1,431	(1,141)	(488)
<b>Comprehensive income for the period:</b>	<b>75,791</b>	<b>202,747</b>	<b>82,131</b>	<b>196,173</b>
Attributable to non-controlling interests	(21)	(5)	(139)	(122)
<b>Attributable to equity holders of the parent</b>	<b>75,812</b>	<b>202,752</b>	<b>82,270</b>	<b>196,295</b>

*\* Subject to certain conditions being met in further periods, all items of other comprehensive income will be reclassified to profit or losses.*

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.09.2018 (not audited)	31.12.2017 (audited)
<b>I. Non-current assets</b>		<b>1,493,228</b>	<b>1,438,840</b>
Property, plant and equipment		1,269,584	1,201,266
Intangible assets		40,691	45,722
Goodwill		19,874	19,819
Investment properties		2,988	4,483
Other investments		4,529	5,634
Long-term receivables		2,153	1,457
Advance payments for the purchase of property, plant and equipment		42,960	39,082
Deferred tax assets		110,449	121,377
<b>II. Current assets</b>		<b>1,261,737</b>	<b>1,060,536</b>
Inventories	14	514,007	457,825
Current tax receivables		2,214	1,215
Trade and other receivables	13	638,036	513,010
Short-term investments		102	121
Derivative financial instruments	27	760	9,453
Cash and cash equivalents	8	106,618	78,912
<b>Total assets</b>		<b>2,754,965</b>	<b>2,499,376</b>



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (cont.)

EQUITY AND LIABILITIES	Note	30.09.2018 (not audited)	31.12.2017 (audited)
<b>I. Equity</b>		<b>1,342,099</b>	<b>1,363,378</b>
Share capital		67,763	67,704
Share premium		33,900	31,179
Capital from share based payments		23,707	21,992
Result from cash flow hedging transactions		(346)	546
Capital from the revaluation of hedging instruments		(1,098)	5,403
Capital from the revaluation of property, plant and equipment		3,314	3,314
Retained earnings		1,246,067	1,266,441
Cumulative translation adjustment		(31,764)	(33,762)
<b>Equity attributable to equity holders of the parent</b>		<b>1,341,543</b>	<b>1,362,817</b>
Equity attributable to non-controlling interests		556	561
<b>II. Long-term liabilities</b>		<b>324,918</b>	<b>270,103</b>
Liabilities due to borrowings and finance lease	16	231,108	179,374
Other liabilities		1,651	1,651
Provisions	15	499	499
Provisions due to employee benefits	15	10,992	10,737
Deferred income		38,792	34,669
Deferred tax liability		41,876	43,173
<b>III. Short-term liabilities</b>		<b>1,087,948</b>	<b>865,895</b>
Liabilities due to borrowings and finance lease	16	661,078	490,065
Income tax payable		17,598	18,006
Trade and other payables	18	374,779	319,323
Provisions and accruals	15	30,224	33,857
Derivative financial instruments	27	2,064	2,782
Deferred income		2,205	1,862
<b>Total equity and liabilities</b>		<b>2,754,965</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	(892)	(6,501)	0	208,147	1,998	202,752	(5)	202,747
<i>Net profit for the period</i>	0	0	0	0	0	0	0	208,147	0	208,147	(5)	208,142
<i>Other comprehensive income</i>	0	0	0	0	(892)	(6,501)	0	0	1,998	(5,395)	0	5,395
Valuation of share based payments	0	0	0	1,715	0	0	0	0	0	1,715	0	1,715
Payment of dividend	0	0	0	0	0	0	0	(228,521)	0	(228,521)	0	(228,521)
Issue of shares	59	2,721	0	0	0	0	0	0	0	2,780	0	2,780
<b>Equity as at 30 September 2018</b> (not audited)	67,763	33,900	0	23,707	(346)	(1,098)	3,314	1,246,067	(31,764)	1,341,543	556	1,342,099
<b>Previous year</b>												
<b>Equity as at 01 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	869	1,854	0	196,757	(3,185)	196,295	(122)	196,173
<i>Net profit for the period</i>	0	0	0	0	0	0	0	196,757	0	196,757	(122)	196,635
<i>Other comprehensive income</i>	0	0	0	0	869	1,854	0	0	(3,185)	(462)	0	(462)
Valuation of share based payments	0	0	0	2,584	0	0	0	0	0	2,584	0	2,584
Payment of dividend	0	0	0	0	0	0	0	(284,699)	0	(284,699)	0	(284,699)
Issue of shares	91	4,158	(2,890)	0	0	0	0	0	0	1,359	0	1,359
Sale of shares	0	0	0	0	0	0	0	0	0	0	796	796
<b>Equity as at 30 September 2017</b> (not audited)	67,625	27,543	0	21,176	1,206	4,363	3,787	1,225,820	(30,620)	1,320,900	674	1,321,574

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended on <b>30.09.2018</b> (not audited)	9 months ended on <b>30.09.2017</b> (not audited)
Cash flow from operating activities		
<b>Profit before tax</b>	<b>262,505</b>	<b>243,927</b>
Adjustments:	110,477	95,229
Share of net profit of entities accounted for using the equity method	(952)	(1,802)
Depreciation/Amortisation	93,616	89,242
Profit from net currency translation differences	3,540	(1,915)
Profit from derivative financial instruments	0	87
(Profit) / loss from sales of property, plant and equipment	16	(418)
Interest and share of profits	13,022	6,514
Proceeds/(expenses) related to hedging instruments charged to equity	(894)	868
Share based payments	1,715	2,585
Gain from a bargain purchase	0	(58)
Other items (net)	414	126
<b>Cash flow from operating activities before the change of working capital</b>	<b>372,982</b>	<b>339,156</b>
Change in inventories	(55,319)	(43,225)
Change in net receivables	46,599	(124,287)
Change in short-term liabilities, except for loans	(111,243)	72,587
Change in provisions	(3,433)	(10,845)
Change in deferred income	4,176	(2,898)
<b>Net cash generated from operating activities</b>	<b>253,762</b>	<b>230,488</b>
Tax paid	(44,894)	(38,876)
<b>Net cash from operating activities</b>	<b>208,868</b>	<b>193,612</b>
Cash flow from investing activities		
(+) Proceeds:	2,193	1,005
Sales of intangible assets and property, plant and equipment	2,185	940
Paid loans	8	65
(-) Expenses:	(162,945)	(109,826)
Acquisition of intangible assets and property, plant and equipment	(162,945)	(108,750)
Cash loans granted	0	(125)
Acquisition of investments in subsidiaries	0	(951)
<b>Net cash from investing activities</b>	<b>(160,752)</b>	<b>(108,821)</b>
Cash flow from financing activities		
(+) Proceeds:	374,144	173,390
Net proceeds from the issue of shares	2,780	1,357
Proceeds from borrowings	371,364	172,033
(-) Expenses:	(394,554)	(236,181)
Dividends and other payments to owners	(228,521)	(75,920)
Repayments of loans and borrowings	(154,474)	(152,272)
Finance lease rentals	(904)	(1,002)
Interest	(10,655)	(6,987)
<b>Net cash from financing activities</b>	<b>(20,410)</b>	<b>(62,791)</b>
<b>Total net cash flow:</b>	<b>27,706</b>	<b>22,000</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>74,942</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>106,618</b>	<b>96,942</b>

## COMPLEMENTARY INFORMATION AND EXPLANATIONS

### 1. General information

These interim condensed consolidated financial statements of Grupa Kęty S.A. cover the period of 3 quarters ended on 30.09.2018 and provide for comparative data for the period of 3 quarters ended on 30.09.2017 as well as figures as at 31.12.2017. In addition, the financial statements contain the figures for the third quarter of 2018 and the third quarter of 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**. Grupa Kęty S.A. is also registered in the products and packaging database and in the waste management database under No. **BDO 000007710**.

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 core business includes manufacturing, trade and the rendering of services related to the processing of aluminium and its alloys; the production and sales 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 30 September 2018 (in thousand PLN)

Company name	Registered office	Core business	Parent's name	Percentage of the share capital as at 30-09-2018	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 Kft	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	Schwanewede, Germany	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	02/2005	ASS
Aluprof System Romania s.r.l.	Bucharest, Romania	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Sales of window and door joinery from aluminium and PVC	Aluprof S.A.	100.00%	100.00%	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	05/2006	ASS
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 24 October 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 which was authorised for publication by the Management Board on 16 March 2018.

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, with the exception of accounting and valuation policies resulting from the application of IFRS 9 and IFRS 15 presented below.

#### **The impact of new and amended standards:**

*The impact of new and amended standards and interpretations:*

The International Accounting Standards Board approved new standards to be applied after 1 January 2018:

- IFRS 9 *Financial Instruments*, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*;
- IFRS 15 *Revenue from Contracts with Customers* and Amendments to IFRS 15 clarifying certain requirements of the standard, which replaced IAS 11 and IAS 18, IFRIC 13, IFRIC 15 and IFRIC 18, and SIC-31.

The impact of the application of the aforementioned standards on the Group's accounting policies and on its consolidated financial statements:

#### **IFRS 9 Financial Instruments**

As part of the implementation of IFRS 9, the Group carried out a comprehensive analysis of the impact of the application of this standard on its consolidated financial statements. The results of the analysis have been presented in the consolidated financial statements of Grupa Kęty S.A. for 2017.

The Group did not adopt IFRS 9 earlier and applied IFRS 9 retrospectively for periods beginning after 1 January 2018. Using the option allowed by the standard, the Group did not restate the comparative data. Changes in the valuation of financial assets and liabilities as at the date of the first application of the standard were not material. The implementation of IFRS 9 resulted in the change in accounting policies regarding the recognition, classification and measurement of financial assets, the measurement of financial liabilities and of the impairment loss on financial assets.

#### *Selected accounting policy*

Measurement of financial assets and liabilities

Since 1 January 2018, the Group has classified financial assets in the following categories:

- measured at amortised cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss;
- derivatives designated as hedging instruments.

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

The classification is made upon the initial recognition of assets. The classification of debt financial assets depends on the business model for managing the financial assets and on the contractual cash flow characteristics (SPPI test) for a given financial asset.

In the category of assets measured at amortised cost, the Group classifies trade receivables (except for receivables sold under factoring agreements and trade receivables including a pricing formula, i.e. for which the price will be determined ultimately after the end date of the reporting period), loans granted which passed the SPPI test, other receivables and cash and cash equivalents.

Financial assets measured at amortised cost are carried at amortised cost based on the effective interest method, taking account of impairment losses. Trade receivables with a maturity of less than 12 months from the date of their arising (i.e. without a financing component) and not submitted for factoring, are not discounted and are valued at par value. Purchased or originated credit-impaired (POCI) financial assets are measured at amortised cost using the credit-adjusted effective interest rate.

The category of assets measured at fair value through other comprehensive income includes:

1. a debt financial asset if the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows from held financial assets and selling financial assets and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. it passed the SPPI test);

2. an equity instrument for which there was made an irrevocable election at initial recognition to classify it in this category. The option to choose fair value through other comprehensive income is not available for instruments held for trading.

Gains and losses, both as measured and actual gains and losses, on these assets are recognised in other comprehensive income, except for revenue from received dividends.

In the category of assets measured at fair value through profit or loss, the Group classifies trade receivables submitted for factoring, trade receivables based on a pricing formula, loans granted that have not passed the contractual cash flows test and derivative instruments being assets, unless they have been designated as hedging instruments.

Gains and losses on a financial asset measured at fair value through profit or loss are recognised in profit or loss in the period in which they occurred (including interest income and dividends).

Financial instruments designated as hedging instruments include financial assets and liabilities being derivatives designated and meeting the requirements of hedge accounting, measured at fair value comprising all components of market risk and credit risk.

Since 1 January 2018, the Group has classified financial liabilities in the following categories:

- measured at amortised cost;
- measured at fair value through profit or loss;
- financial instruments designated as hedging instruments.

Liabilities measured at amortised cost include liabilities other than liabilities measured at fair value through profit or loss (including trade payables, loans and borrowings), except for:

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition;
- financial guarantee contracts which are measured at the higher of:
  - the amount of the loss allowance for expected credit losses determined in accordance with IFRS 9;
  - the amount initially recognised (i.e. at fair value plus transaction costs that may be directly attributable to a financial liability) less the cumulative amount of income recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Liabilities measured at fair value through profit or loss comprise liabilities due to derivatives not designated for hedge accounting purposes.

Impairment of financial assets

IFRS 9 introduces a new approach to the estimation of losses related to financial assets measured at amortised cost. This approach is based on the determination of expected losses, regardless of whether any indicators occurred or not.

The Group applies the following approaches to the determination of loss allowances:

- general (basic) approach;
- simplified approach.

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Under the general approach, the Group monitors changes in credit risk associated with a given financial asset and classifies financial assets in one of the three stages of determining loss allowances:

Stage 1 – balances for which credit risk has not increased significantly since initial recognition and for which expected credit losses are determined on the basis of 12-month probability of default.

Stage 2 – balances for which credit risk has increased significantly since initial recognition and for which expected credit losses are determined on the basis of lifetime probability of default.

Stage 3 – balances with impairment.

In the simplified approach, the Group does not monitor changes in credit risk during the lifetime of the instrument, estimates the expected credit loss until the maturity of the instrument.

To estimate the expected credit loss, the Group applies:

- in the general model – probability of default levels implied from market quotations of credit derivatives, for entities with a given rating and from a given sector;
- in a simplified approach – historical repayment rates for receivables from counterparties.

According to the Group, default event is the counterparty's failure to pay its obligations after 90 days from the receivable maturity.

The Group includes forward-looking information in the applied parameters of the expected losses estimation approach by adjusting the base probability of default ratios (for receivables) or by calculating the probability of default parameters based on current market quotations (for other financial assets).

The Group applies the simplified approach to the calculation of impairment losses for trade receivables.

The general approach is applied to other types of financial assets, including debt financial assets measured at fair value through other comprehensive income.

Impairment losses for debt financial instruments measured at amortised cost (upon initial recognition and calculated for each subsequent end date of the reporting period) are recognised in other operating costs. Gains (reversal of allowance) due to the decrease in the expected impairment are recognised in other operating income.

In the case of purchased or originated credit-impaired (POCI) financial assets, favourable changes in expected credit losses are recognised as impairment gains in other operating income.

Impairment losses for debt financial instruments measured at fair value through other comprehensive income are recognised in other operating costs in correspondence with other comprehensive income. Gains (reversal of allowance) due to the decrease in the expected credit loss are recognised in other operating income.

### ***Hedge accounting***

The group of hedging instruments comprises instruments hedging fair value, instruments hedging future cash flows and instruments hedging net investments in foreign operations.

The Group does not apply fair value hedge accounting or the hedge of net investments in foreign operations. Hedging instruments are designated as hedging future cash flows.

A derivative hedging cash flows is a derivative that:

- is used to mitigate the exposure to volatility of cash flows and is attributable to a particular type of risk associated with an asset or liability recognised in the statement of financial position or with a highly probable forecast future transaction, and
- will have an impact on the recognised net profit or loss.

Gains and losses arising from changes in the fair value of cash flow hedge are recognised in other comprehensive income to the extent to which a given instrument constitutes effective hedging for the related hedged item. In addition, the Group recognises, in valuation capitals, a portion of the change in the hedging instrument resulting from a change in the time value of an option, a forward element and a foreign currency basis spread; however, for the last two items, the Group may each time choose the method of recognition (through equity or directly to profit or loss).

The ineffective portion is charged to profit or loss as other operating income or other operating costs – for hedges of cash flows from operating activities, and as finance income or finance costs – for hedges of cash flows from financing activities.

Gains and losses on cash flow hedge are recognised in profit or loss when the hedged item affects profit or loss.

In particular, in the case of gains or losses due to a change in the time value of an option, a forward element or a foreign currency basis spread, the reclassification from equity (from other comprehensive income) to profit or loss (as other operating income or other operating costs – for hedges of cash flows from operating activities, or



as finance income or finance costs – for hedges of cash flows from financing activities) it is carried out once, if the exercise of the hedged item is related to a transaction or amortised in the lifetime of the hedging relationship, if the exercise of the hedged item occurs in time.

The Group applies the following requirements for the effectiveness of a hedging relationship:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the changes in the fair value of the hedged item or the hedging instrument;
- the hedge ratio is the same as that resulting from the quantity (principal) of the hedged item that the Group actually hedges and the quantity (principal) of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

#### ***IFRS 15 – Revenue from Contracts with Customers***

As part of the implementation of IFRS 15, the Group carried out a comprehensive analysis of the impact of the application of this standard on its consolidated financial statements. The results of the analysis have been presented in the consolidated financial statements of the Capital Group of Grupa Kęty S.A. for 2017.

The Group has applied IFRS 15 since 1 January 2018 in accordance with section C3 (b) and C7 – retrospectively, due to immaterial amounts. The Group has not adjusted retained earnings as at the beginning of 2018.

#### ***Selected accounting policy***

Under IFRS 15, from 1 January 2018, the Group has recognised revenue from contracts with customers when the entity satisfies a performance obligation by transferring a promised good or service to a customer, where, as a result of the transfer, the customer also obtains control of that asset, i.e. the ability to direct the use of, and obtain substantially all of the remaining benefits from, the transferred asset and the ability to prevent other entities from directing the use of, and obtaining the benefits from, such an asset.

For the Group, a performance obligation is any promise in a contract to transfer to the customer either a good or service that is distinct, or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. For each performance obligation, a Group entity determines (based on contractual terms) whether it will satisfy them over time or whether it will satisfy them at a point in time.

Revenue from the sales of products, trade goods and materials is recognised in profit or loss on a one-off basis, at a point in time consistent with the time of the satisfaction of the performance obligation (determined in particular on the basis of INCOTERMS delivery terms), provided that it is probable that the entity will collect the consideration in exchange for the goods transferred to the customer.

Revenue from the sales of services is recognised in profit or loss over time provided that it is probable that the entity will collect the consideration in exchange for the services transferred to the customer and if one of the following conditions is met:

- the customer simultaneously receives and consumes the economic benefits provided by the Group entity's performance as the entity performs, or
- the Group entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced, or
- the Group entity's performance does not create an asset with an alternative use to the Group entity and the entity has an enforceable right to payment for performance completed to date.

The transaction price is allocated to particular performance obligations on the basis of stand-alone selling prices. In revenue from contracts with customers in the income statement, the Group recognises income arising in the course of the Group's ordinary operating activities, i.e. revenue from the sales of products, trade goods and materials.

Revenue from contracts with customers is recognised in the amount equal to the transaction price (including all discounts and rebates).

The transaction price also reflects a change in the time value of money if the contract with the customer contains a significant financing component, which is determined on the basis of agreed payment terms, regardless of whether it is explicitly stated in the contract. In particular, a financing component is considered significant if, at contract inception, the period from the time of the transfer a promised good or service to a customer to the time of the customer's payment for that good or service is over one year.

In the case of sales transactions for which the price will be determined after the date of the recognition of the sales in the books of account, revenue is adjusted at the end of each reporting period with the change in the fair value of the related trade receivables. Revenue from sales transactions for which the price was not determined finally at the end of the reporting period is presented in the consolidated income statement (including those based on price formula).

Sales revenue is adjusted with profit/loss from derivatives hedging future cash flows according to the general principle that the valuation of a derivative designated as a hedging instrument in the portion constituting the effective hedge is recognised in the same item of profit or loss in which the valuation of the hedged item is recognised at the time when the hedged item affects profit or loss.

**Adoption of IFRS 16:**

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 *Leases* ('IFRS 16') which replaced IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single accounting model for lessees under which a lessee must recognise assets and liabilities under each lease with a lease term of over 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset ('right-of-use asset') and a lease liability to make lease payments ('lease liability').

Lessees are required to separately recognise the depreciation expense on the right-of-use asset and interest expense on the lease liability.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach, and standard's transition provisions permit certain reliefs.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted in the case of entities which apply IFRS 15 from or before the date of the first adoption of IFRS 16. The Group did not decide to apply IFRS 16 earlier.

As at the date of authorising these consolidated financial statements for publication, the Management Board has been performing an assessment of the impact of the adoption of IFRS 16 on the Group's accounting policies with reference to the Group's activities or profit or loss.

**In addition:**

No new or amended standards and interpretations effective for annual periods beginning on or after 01 January 2018 have been published after 01 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.

The following standards have not yet been approved

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – according to the decision of the European Commission, the approval of the standard in its preliminary version will not be initiated prior to the release of the standard in its final version – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture* (issued on 11 September 2014) – the works leading to the approval of these amendments have been deferred indefinitely by the EU – the effective date has been deferred by the IASB indefinitely;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2021;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;
- *Annual Improvements to IFRS Standards: 2015–2017 Cycle* (issued on 12 December 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;
- Amendments to *References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2020.

Effective dates are dates resulting from the content of standards issued by the International Financial Reporting Council. The dates of the adoption of standards in the European Union may differ from the dates of adoption resulting from the content of standards and are announced at the time of authorising them for adoption by the European Union.

## 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
- estimates concerning the energy-related assets are presented in note 30
- estimates concerning investment property are presented in note 30
- estimates concerning financial instruments are presented in notes 27 and 30
- estimates concerning the fair value of the share option programme for the management personnel are presented in note 28
- estimates concerning the impairment of assets are presented in the financial statements for 2017
- estimates concerning the depreciation/amortisation rates are presented in the financial statements for 2017
- 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 1.522 thousand PLN (the first 9 months of 2017: 938 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 379 thousand PLN (the first 9 months of 2017: 369 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 higher turnover in the second half of each year of 5-10%.

In the Extruded Products Segment more and more often there may be observed a trend of equalisation of sales revenue during the year. Over the last four years such situation occurred twice. During the remaining two years, the sale in the second half of the year was higher than in the first half of the year by ca. 20%. The Aluminium Systems Segment achieves the highest volume of sale in the second half of the year, which is connected with the cycle of works in the building industry. Historically, that difference accounted for as much as 40 -50%, however, during the last few years the ASS managed to reduce the level of seasonality and in the last three years the sale volume in the second half of the year was higher by 25% at the most.

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. 9 to 23% (based on historical figures for the last 6 years), however during the last three years it amounted to ca. 10%.

## 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 depreciation and amortisation.

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:

9 months of 2018:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
<b>Income statement</b>						
Sales	527,092	976,196	949,655	11,559	(229,301)	2,235,201
- outside the Group	527,049	761,587	946,280	207	(1)	2,235,122
- to other segments	43	214,609	3,375	11,352	(229,300)	79
Operating profit (EBIT)	72,753	94,067	124,230	142,421	(155,219)	278,251
Depreciation/Amortisation	21,355	43,595	26,229	2,378	59	93,616
EBITDA	94,108	137,662	150,459	144,799	(155,160)	371,867
<b>Balance sheet</b>						
Segment's assets	874,232	986,482	859,978	38,983	(4,710)	2,754,965
Segment's trade payables	90,457	93,060	185,741	1,500	(93,505)	277,253
Unallocated liabilities (joint)	0	0	0	1,135,613	0	1,135,613
Total liabilities	90,457	93,060	185,741	1,137,113	(93,505)	1,412,866
<b>Other</b>						
Capital expenditure on non-current assets	6,130	108,465	40,881	755	(1)	156,230

Third quarter of 2018:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
<b>Income statement</b>						
<b>Sales</b>	178,727	351,894	359,956	3,843	(82,820)	811,600
- outside the Group	178,711	273,975	358,779	70	(3)	811,532
- to other segments	16	77,919	1,177	3,773	(82,817)	68
Operating profit (EBIT)	26,887	34,419	50,091	(3,547)	1,385	109,232
Depreciation/Amortisation	7,178	14,295	8,781	820	20	31,094
EBITDA	34,065	48,714	58,872	(2,727)	1,402	140,326

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Other						
Capital expenditure on non-current assets	2,993	55,191	20,196	146	0	78,526

9 months of 2017:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
Income statement						
Sales	459,364	876,285	842,954	10,729	(207,012)	1,982,320
- outside the Group	459,300	683,774	839,088	158	0	1,982,320
- to other segments	64	192,511	3,866	10,571	(207,012)	0
Operating profit (EBIT)	67,573	77,026	120,449	204,029	(219,154)	249,923
Depreciation/Amortisation	20,323	42,794	23,875	2,190	60	89,242
EBITDA	87,896	119,820	144,324	206,219	(219,094)	339,165
Balance sheet						
Segment's assets	862,499	830,067	792,341	161,494	(143,005)	2,503,396
Segment's trade payables	104,721	76,607	166,248	1,106	(94,582)	254,100
Unallocated liabilities (joint)	0	0	0	927,723	0	927,723
Total liabilities	104,721	76,607	166,248	928,829	(94,582)	1,181,823
Other						
Capital expenditure on non-current assets	19,432	36,760	24,563	1,066	0	81,821

Third quarter of 2017:

Group's business segments	FPS	EPS	ASS	Other	Eliminations	Total
Income statement						
Sales	161,621	305,015	320,077	3,637	(73,857)	716,493
- outside the Group	161,591	236,044	318,794	64	0	716,493
- to other segments	30	68,971	1,283	3,573	(73,857)	0
Operating profit (EBIT)	25,360	34,224	46,438	(2,650)	(4,678)	98,694
Depreciation/Amortisation	6,981	14,061	8,178	773	20	30,013
EBITDA	32,341	48,285	54,616	(1,877)	(4,658)	128,707
Other						
Capital expenditure on non-current assets	14,276	12,519	8,088	360	0	35,243

- 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.

	<b>30.09.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Bank deposits (current accounts) and short-term deposits	106,511	78,883
Cash in hand	64	28
Other cash	43	1
<b>Cash recognised in the balance sheet</b>	<b>106,618</b>	<b>78,912</b>

As at 30 September 2018, the Group had in its VAT accounts restricted cash amounting to 614 thousand PLN. This cash may be used only for the purpose of output VAT payment to the tax office or as VAT payment resulting from invoices issued by the Group's suppliers. As at 31.12.2017 the above item did not exist.

As at 30 September 2018, the Group had undrawn granted credit funds amounting to 198,195 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

Grupa Kęty S.A. allocated 228,521 thousand PLN for the dividend for 2017.

As at the record date, i.e. 26 June 2018, the number of shares admitted to trading was 9,545,447. Therefore, dividend per share was 23.94 PLN.

Pursuant to the resolution of the General Meeting of Shareholders, the dividend will be paid in two instalments:

10 July 2018 – 63,954,494.90 PLN, i.e. 6.70 PLN per share (28% of the dividend amount);

26 September 2018 – 164,566,305.10 PLN, i.e. 17.24 PLN per share (72% of the dividend amount).

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</b> <b>ended on</b> <b>30.09.2018</b> (not audited)	<b>9 months</b> <b>ended on</b> <b>30.09.2018</b> (not audited)	<b>3 months</b> <b>ended on</b> <b>30.09.2017</b> (not audited)	<b>9 months</b> <b>ended on</b> <b>30.09.2017</b> (not audited)
Current income tax	(17,093)	(43,223)	(16,675)	(39,659)
Deferred income tax	(3,442)	(11,140)	(1,168)	(7,633)
<b>Income tax recognised in the income statement</b>	<b>(20,535)</b>	<b>(54,363)</b>	<b>(17,843)</b>	<b>(47,292)</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>9 months</b> <b>ended on</b> <b>30.09.2018</b> (not audited)	<b>9 months</b> <b>ended on</b> <b>30.09.2017</b> (not audited)
Acquisitions of property, plant and equipment	156,230	81,821
Net value of sold property, plant and equipment	1,600	529
Profit (loss) on the sales of property, plant and equipment	62	232

## 11.2. Impairment losses

During the first 9 months of 2018, the Group did not recognise or reverse any write-downs of property, plant and equipment (the first 9 months of 2017 – the Group reversed write-downs amounting to 228 thousand PLN).

## 12. Write-downs of goodwill

In the period of the first 9 months of 2018 and in the period of the first 9 months of 2017, due to the absence of indicators of impairment, the Group did not write down goodwill.

## 13. Short-term receivables

	30.09.2018 (not audited)	31.12.2017 (audited)
<b>Net receivables:</b>	<b>638,036</b>	<b>513,010</b>
Trade receivables	588,237	475,059
- including from associates*	0	643
Settlements related to transactions hedging the aluminium price	3,562	3,797
Valuation of construction contracts	19,192	903
Receivables from employees	272	122
Other	5,596	9,809
<b>Total net financial receivables (under IFRS 7)</b>	<b>616,859</b>	<b>489,690</b>
Public law receivables (except for the income tax)	6,169	13,861
Prepayments (trade-related) for suppliers	9,907	4,248
Prepaid expenses	5,101	5,211
<b>Total net non-financial receivables</b>	<b>21,177</b>	<b>23,320</b>

In the period of the first 9 months of 2018, the Group recognised write-downs of receivables amounting to 1.156 thousand PLN (the first 9 months of 2017: recognition of write-downs amounting to 2.592 thousand PLN). Recognised write-downs are presented in 'Other operating costs'.

## 14. Inventories

	30.09.2018 (not audited)	31.12.2017 (audited)
Materials	228,815	204,505
Work in progress	134,877	108,859
Finished products	142,335	137,745
Trade goods	7,980	6,716
<b>TOTAL</b>	<b>514,007</b>	<b>457,825</b>

In the period of the first 9 months of 2018, the Group reversed write-downs of inventories amounting to 103 thousand PLN (in the period of the first 9 months of 2017: recognition of write-downs amounting to 14 thousand PLN). The amount was recognised in 'Other operating costs'.

## 15. Provisions and accruals

In the reporting period, the Group introduced the following changes in the value of provisions:

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	As at 01.01.2018	Increases	Utilisation	Currency translation differences	As at 30.09.2018
<b>Long-term provisions</b>	<b>11,236</b>	<b>234</b>	<b>(69)</b>	<b>90</b>	<b>11,491</b>
provision for jubilee bonuses and retirement benefits	10,737	234	(69)	90	10,992
warranty repairs	499	0	0	0	499
<b>Short-term provisions</b>	<b>1,651</b>	<b>0</b>	<b>(11)</b>	<b>0</b>	<b>1,640</b>
provision for jubilee bonuses and retirement benefits	803	0	0	0	803
warranty repairs	848	0	(11)	0	837
<b>Short-term accruals:</b>	<b>32,206</b>	<b>24,266</b>	<b>(27,663)</b>	<b>(225)</b>	<b>28,584</b>
provision for the costs of unused holiday	7,421	6,856	(7,421)	20	6,876
costs of annual bonus	13,460	12,210	(13,460)	43	12,253
environmental protection costs	0	0	0	0	0
costs of damages	4,134	0	0	0	4,134
for incurred costs	3,830	4,385	(3,830)	18	4,403
for costs of auditing financial statements	278	71	(278)	29	100
other items	3,083	744	(2,674)	(335)	818

	01.01.2017	Increases	Decreases Utilisation	Currency translation differences	30.09.2017
<b>Long-term provisions</b>	<b>12,872</b>	<b>396</b>	<b>(2,305)</b>	<b>(87)</b>	<b>10,876</b>
provision for jubilee bonuses and retirement benefits	10,081	396	(13)	(87)	10,377
costs of warranty repairs	499	0	0	0	499
provision for costs	2,292	0	(2,292)	0	0
<b>Short-term provisions and accruals:</b>	<b>37,737</b>	<b>23,262</b>	<b>(32,026)</b>	<b>(85)</b>	<b>28,888</b>
provision for jubilee bonuses and retirement benefits	764	0	0	0	764
costs of warranty repairs	684	0	(3)	0	681
provision for the costs of unused holiday	6,800	5,691	(5,983)	(23)	6,485
costs of annual bonus	14,643	8,346	(14,303)	(22)	8,664
environmental protection costs	0	86	0	0	86
costs of damages	5,074	0	(981)	0	4,093
for incurred costs	4,039	8,452	(8,776)	4	3,719
costs of auditing/reviewing financial statements	217	85	(169)	(1)	132
provision for costs	4,585	0	(1,146)	0	3,439
Other items	931	602	(665)	(43)	825

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



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

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

### Long-term loans:

Borrower	Lender	Loan currency	31.12.2017	Increases (decreases)	30.09.2018
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	6,489	(6,489)	0
Grupa Kęty S.A.	PKO BP	PLN	0	96,150	96,150
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	77,560	(16,620)	60,940
Aluprof S.A.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	7,154	(7,154)	0
Aluprof S.A.	Bank PEKAO	PLN	85,000	(14,167)	70,833
Alupol Films sp. z o.o.	BGŻBNP PARIBAS Bank Polska S.A.	EUR	2,798	(599)	2,199
Aluprof UK Ltd.	Santander Consumer Bank S.A.	GBP	0	16	16
<b>Long-term loans</b>			<b>179,001</b>	<b>51,137</b>	<b>230,138</b>
Aluprof System Romania s.r.l	Finance lease obligations	RON	91	172	263
Aluprof S.A.	Finance lease obligations	PLN	201	0	201
Aluprof UK Ltd.	Finance lease obligations	GBP	24	(24)	0
Aluminium Kety Emmi d.o.o.	Finance lease obligations	EUR	42	449	491
Marius Hansen Facader A/S	Finance lease obligations	DKK	15	0	15
<b>Total lease</b>			<b>373</b>	<b>597</b>	<b>970</b>
<b>Total long-term loans and lease</b>			<b>179,374</b>	<b>51,734</b>	<b>231,108</b>

### 16.1. Short-term loans:

Borrower	Lender	Loan currency	31.12.2017	Increases (decreases)	30.09.2018
Grupa Kęty S.A.	Bank PKO BP	PLN, EUR	1,358	2,636	3,994
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	8,839	(8,839)	0
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	53,310	88,434	141,744
Grupa Kęty S.A.	ING Bank Polska	PLN	26,084	(26,084)	0
Grupa Kęty S.A.	Bank PeKaO S.A.	PLN	64,476	14,907	79,383
Grupa Kęty S.A.	Bank Societe Generale	EUR	14,915	3,866	18,781
Grupa Kęty S.A.	Bank PKO BP	PLN	0	12,381	12,381
Alupol Packaging S.A.	BGŻBNP Paribas	PLN	4,975	2	4,977
Alupol Packaging S.A.	Bank Polska S.A.	PLN	34,912	(5,564)	29,348
Alupol Packaging S.A.	Bank PKO BP	PLN	10,571	1,450	12,021
Alupol Packaging S.A.	Bank Polska S.A.	PLN, USD	4,705	(4,705)	0
Alupol Packaging Kęty Sp. z o.o.	Bank PKO BP	PLN, EUR	15,110	2,668	17,778
Alupol Packaging Kęty Sp. z o.o.	PEKAO S.A.	PLN, EUR	27,277	(2,493)	24,784
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	14,480	23,845	38,325
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	22,565	(87)	22,478
Aluprof S.A.	PEKAO S.A.	PLN, EUR	70,124	45,444	115,568
Aluprof S.A.	Societe Generale S.A.	GBP	2,713	(2,713)	0

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Aluprof S.A.	BGŻBNP Paribas	PLN	9,650	14,718	24,368
Aluprof S.A.	Alior Bank S.A.	PLN	15,145	(15,145)	0
Aluprof S.A.	PKO BP	PLN	3,385	11,469	14,854
Aluprof S.A.	ING Bank Polska	PLN, EUR	1,054	(1,054)	0
ROMB S.A.	BGŻBNP Paribas	PLN	7,089	1,877	8,966
ROMB S.A.	Bank Polska S.A.	PLN	0	7,986	7,986
Alupol Films sp. z o.o.	PEKAO S.A.	PLN, EUR	24,350	1,070	25,420
Alupol Films sp. z o.o.	BGŻBNP Paribas	PLN	27,646	5,685	33,331
Alupol Films sp. z o.o.	Mbank	EUR, PLN	0	25	25
Aluminium Kety Emmi d.o.o.	Delavska Hranilnica d.d.	EUR	630	(630)	0
Aluminium Kety Emmi d.o.o.	ALEA	EUR	963	(963)	0
Aluminium Kety Emmi d.o.o.	Bank PEKAO	EUR	22,865	1,298	24,163
	<b>Short-term loans</b>		<b>489,191</b>	<b>171,484</b>	<b>660,675</b>
Aluprof System Romania s.r.l., Marius Hansen Facader A/S, Aluprof UK Ltd.	Finance lease obligations	RON, DKK, GBP	75	15	90
Aluminium Kety Emmi d.o.o.	Finance lease obligations	EUR	588	(323)	265
Aluprof S.A.	Finance lease obligations	PLN	211	(163)	48
	<b>Total lease</b>		<b>874</b>	<b>(471)</b>	<b>403</b>
	<b>Total short-term loans and lease</b>		<b>490,065</b>	<b>171,013</b>	<b>661,078</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

	30.09.2018 (not audited)	31.12.2017 (audited)
<b>Short-term liabilities:</b>	<b>374,779</b>	<b>319,323</b>
Trade payables	277,253	235,702
- including due to associates	16	0
Liabilities due to the purchase of property, plant and equipment	19,982	26,060
Remuneration liabilities	18,252	15,424
<b>Total financial liabilities (under IFRS 7)</b>	<b>315,487</b>	<b>277,186</b>
Public law liabilities (except for the income tax liabilities)	40,059	27,428
Down payments (trade-related) from customers	13,203	10,848
Other liabilities	6,030	3,861
<b>Total non-financial liabilities</b>	<b>59,292</b>	<b>42,137</b>

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**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 9 months of 2018 as compared to the period of the first 9 months of 2017, material changes in particular items of revenue and costs had place in the following areas:

- the increase in sales revenue by 252,881 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 4,374 thousand PLN results from the Group's investments;
- the increase in the costs of energy and materials by 146,360 thousand PLN results from the increase in sales volume and the related increase in output as well as from changes in prices of the basic raw material, i.e. aluminium, and exchange rates. As estimated by the Group, the quotations of the average aluminium price in the period of 9 months of 2018 as compared to the period of 9 months of 2017 increased by ca. 12.1% against the simultaneous decrease in the USD exchange rate by ca. 7.3%.
- an increase in the costs of external services by 22,274 thousand PLN results mainly from higher production and sales and the related higher number of purchased services;
- an increase in the costs of employee benefits by 35,224 thousand PLN results mainly from the increase in the sales and production volumes, which resulted in the increase in employment in the Group and the increase in remunerations;
- the decrease in finance income and the increase in finance costs result from the increase in interest expense by 4,172 thousand PLN and from net foreign exchange gains in the first 9 month of 2017 amounting to 1,935 in relation to net foreign exchange losses in the first 9 month of 2018 amounting to 3,112.

## 20. Discontinued operations

In the period of the first 9 months of 2018 and in the period of first 9 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 three quarters of 2017 increased by 58 thousand PLN.

In April 2017, Aluprof S.A. sold 45% of shares in Aluprof Netherlands B.V. Net profit from the sales transaction increased other operating income by 492 thousand PLN.

## 22. Investments in associates

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

As at 30.09.2018, the Group held 45.5% of shares in Aluprof USA LLC with its registered office in New York.

Company name	Place of business	Core business	Significant investor	Percentage of the share capital as at		Profit (loss) allocated to the significant investor as at		Accumulated value of shares as at		Segment
				30-09-2018	31-12-2017	30-09-2018	30-09-2017	30-09-2018	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.

Below, we present the detailed information concerning fair values of financial instruments that can be estimated: Cash and cash equivalents, short-term bank term deposits and short-term bank loans. The fair value of the said instruments is close to their carrying amounts due to their short maturity.

Trade receivables, other receivables, trade payables and other liabilities. The fair value of the said instruments is close to their carrying amounts due to their short-term nature.

Long-term interest-bearing bank loans, bank credits and lease. The fair value of the said instruments is close to their carrying amounts due to the fluctuating nature of their interest rates as well as the market level of the margin.

Financial derivatives at fair value as at the balance sheet date

## 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 30 September 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.

	30.09.2018	31.12.2017
Interest-bearing loans and borrowings	892,186	669,439
Trade and other payables	376,430	320,974
Less cash and cash equivalents	(106,618)	(78,912)
Net debt	1,161,998	911,501
Equity	1,342,099	1,363,378

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Equity and net debt	2,504,097	2,274,879
Leverage ratio	46.40%	40.07%

## 25. Contingent liabilities

Item	30.09.2018	31.12.2017
Construction-related bank guarantees granted by the ASS	26,603	26,587
Construction-related insurance guarantees granted by the ASS	50,403	5,664
<b>Total granted guarantees</b>	<b>77,006</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. Future 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>30.09.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Extruded Products Segment	43,550	70,348
Flexible Packaging Segment	76,497	86,837
Aluminium Systems Segment	29,533	10,828
Joint expenditure	0	14
<b>TOTAL</b>	<b>149,580</b>	<b>168,027</b>

## 27. Derivative financial instruments

<b>Financial assets</b>	<b>30.09.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Currency forwards hedging cash flows	760	101
Futures for the purchase of aluminium hedging cash flows	0	9,352
<b>TOTAL FINANCIAL ASSETS</b>	<b>760</b>	<b>9,453</b>
<b>Financial liabilities</b>		
Currency forwards hedging cash flows	290	2,194
Futures for the purchase of aluminium hedging cash flows	1,774	585
IRS's hedging interest rates	0	3
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>2,064</b>	<b>2,782</b>

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

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

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

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

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

### 28.1. Shareholding structure

Entity	Number of shares	Interest in capital	Number of shares	Interest in capital
	30.09.2018		31.12.2017	
Aviva OFE Aviva BZ WBK	1,750,000	18.33%	1,654,000	17.37%
Nationale Nederlanden PTE (formerly ING PTE)	1,733,000	18.16%	1,737,000	18.24%
OFE PZU „Złota Jesień”	865,000	9.06%	921,000	9.67%
Aegon PTE SA	590,000	6.18%	591,866	6.22%
PTE Allianz Polska	498,000	5.22%	499,748	5.25%
MetLife OFE	490,535	5.14%	-	-
Others	3,618,912	37.91%	4,118,086	43.25%
<b>Total</b>	<b>9,545,447</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

Management Board:	9 months of 2018	9 months of 2017
Costs of short-term employee benefits	1,912	1,234
Costs of the provision for annual bonuses and other benefits	4,265	1,755
<b>Total costs of remunerations of the Members of the Management Board</b>	<b>6,177</b>	<b>2,989</b>
The valuation of the costs of options for treasury shares due when the programme is implemented*	655	977
<b>Total payments to the Members of the Management Board</b>	<b>6,832</b>	<b>3,966</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 2018 as compared to 2017, the composition of the Company’s Management Board expanded by 3 new members.

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:

	9 months of 2018	9 months of 2017
Parent’s Management Board*	6,832	3,966
Senior management*	8,928	10,955
Supervisory Board	596	511
<b>Total</b>	<b>16,356</b>	<b>15,432</b>

\*The presented remunerations cover the costs of provisions for annual bonuses for the management personnel 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 subscribed for 23,747 shares of Grupa Kęty S.A. Under the programme, the members of the Management Board hold options entitling them to 28,000 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	23,100
Share options from the second part of the 2015 programme	33,000	01.10.2019	20,378
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 9 months of 2018 amounted to 655 thousand PLN (9 months of 2016: 977 thousand PLN).

The options for the shares of Grupa Kęty S.A. were granted to members of the senior management who are not members of the Management Board. 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	6,300
Share options from the second part of the 2015 programme	9,000	01.10.2019	5,558
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 9 months of 2018 to 778 thousand PLN (9 months of 2017: 1,326 thousand PLN).

## 29. Shares issue and capital increase

In the reporting period, eligible employees purchased 23,747 shares.

In addition, the Company issued 28,000 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 30.09.2018, the aforementioned shares were not subscribed for.

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

Shares	Quantity 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

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

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
Series G shares – the 2012 programme	23,747	2018	2,780	59	2,721
<b>TOTAL</b>	<b>319,784</b>		<b>34,698</b>	<b>798</b>	<b>33,900</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 revalued amount was determined with the replacement value method using the cost approach, the replacement value method and index method technique. The valuation was based on nationwide pricing catalogues, having regard for the regional division. The valuation was carried out by an independent appraiser and is classified in the fair value hierarchy at level 3. On 1 January 2016, the Group performed the revaluation of energy-related assets. As a result of the valuation, the Group charged 1,658 thousand PLN to the revaluation reserve accounting for an increase in the fair value of energy-related assets, at the same time recognising a deferred income tax liability of 315 thousand PLN decreasing the reserve. In addition, the Group charged 655 thousand PLN to other operating costs accounting for a decrease in the fair value of energy-related assets.

Fair value of energy-related assets is monitored on an ongoing basis and, in the opinion of the Management Board, the accounting policy, according to which the revaluation of these assets is carried out every 5 years, presents the value of these assets reliably.

Consolidated financial statements for 2017 describe the detailed principles for determining the fair value of energy-related assets as at the revaluation date in note 18, and the method of the measurement of investment properties at fair value is described in note 20. And, the detailed information about the valuation of derivative financial instruments is available in note 41.

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'. Fair value of investment properties is monitored on an ongoing basis and, in the opinion of the Management Board, in relation to the valuation carried out as at 31 December 2017, there were no significant changes that could affect the valuation as at 30.09.2018.

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

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

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

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

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



Fair value hierarchy	Fair value hierarchy level	30.09.2018 (not audited)	31.12.2017 (audited)
<b>Assets</b>			
Investment properties	3	2,988	4,483
Energy-related assets	3	6,016	6,256
Hedging derivatives	2	760	9,453
<b>TOTAL ASSETS</b>		<b>9,764</b>	<b>20,192</b>
<b>Liabilities</b>			
Hedging derivatives	2	2,064	2,782
<b>TOTAL LIABILITIES</b>		<b>2,064</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:

	9 months ended on 30.09.2018 (not audited)	9 months ended on 30.09.2017 (not audited)
<b>Net profit attributable to equity holders of the parent</b>	<b>208,147</b>	<b>196,757</b>
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,535,705	9,488,407
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share*	9,554,631	9,511,461
Basic earnings per share from the basic profit for the period attributable to equity holders of the parent (in PLN)	21.83	20.74
Diluted earnings per share from the basic profit for the period attributable to equity holders of the parent (in PLN)	21.78	20.69

During the reporting period, eligible employees purchased 23,747 shares of Grupa Kęty S.A.

In addition, eligible employees hold options entitling them to purchase up to 28,000 shares at 117.10 PLN per share from the 2012 programme.

The average market price of the Company's share in the period of 9 months of 2018 was 361.37 PLN. The closing price as at 30.09.2018 was 384.50 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 18,927 shares.

### 32. Events after the reporting period

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

## II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

### INTERIM CONDENSED INCOME STATEMENT

	Note	3 months ended on 30.09.2018 (not audited)	9 months ended on 30.09.2018 (not audited)	3 months ended on 30.09.2017 (not audited)	9 months ended on 30.09.2017 (not audited)
<b>Total operating income, including:</b>		<b>315,035</b>	<b>1,028,408</b>	<b>276,067</b>	<b>1,003,409</b>
Sales revenue		314,565	874,251	275,788	788,208
Other operating income		470	1,280	273	3,535
Dividends		0	152,877	6	211,666
<b>Change of inventories of finished goods and work in progress</b>		<b>232</b>	<b>(723)</b>	<b>3,965</b>	<b>2,493</b>
<b>Cost of manufacturing products for own needs</b>		<b>1,216</b>	<b>3,569</b>	<b>1,590</b>	<b>4,482</b>
<b>Total operating costs, including:</b>		<b>(296,547)</b>	<b>(824,720)</b>	<b>(259,774)</b>	<b>(756,187)</b>
Depreciation/Amortisation		(10,357)	(31,036)	(9,675)	(29,152)
Materials and energy and the value of sold trade goods and materials		(212,937)	(574,802)	(183,156)	(531,818)
External services		(40,012)	(118,085)	(36,811)	(105,742)
Taxes and charges		(1,448)	(4,382)	(1,532)	(4,194)
Employee benefits		(30,994)	(94,154)	(27,888)	(83,360)
Other operating costs		(799)	(2,165)	(712)	(1,921)
Revaluation of financial assets – IFRS 9		0	(96)	0	0
<b>Profit on operating activities</b>		<b>19,936</b>	<b>206,534</b>	<b>21,848</b>	<b>254,197</b>
Finance income		84	137	(1,076)	839
Finance costs		(1,056)	(6,116)	(590)	(1,785)
<b>Profit before tax</b>		<b>18,964</b>	<b>200,555</b>	<b>20,182</b>	<b>253,251</b>
Income tax expense	11	(3,833)	(9,807)	(4,171)	(8,537)
<b>Net profit on continuing operations</b>		<b>15,131</b>	<b>190,748</b>	<b>16,011</b>	<b>244,714</b>
Net earnings per share for the period (PLN)					
Basic earnings per share	28	1.59	20.00	1.69	25.79
Diluted earnings per share	28	1.58	19.96	1.68	25.73

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

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended on 30.09.2018 (not audited)	9 months ended on 30.09.2018 (not audited)	3 months ended on 30.09.2017 (not audited)	9 months ended on 30.09.2017 (not audited)
<b>Net profit for the period</b>	<b>15,131</b>	<b>190,748</b>	<b>16,011</b>	<b>244,714</b>
<b>Other comprehensive income*, including:</b>	<b>(3,153)</b>	<b>(3,808)</b>	<b>2,271</b>	<b>676</b>
Valuation of cash flow hedging instruments	(2,208)	(3,431)	2,231	287
Result from cash flow hedge	(1,343)	(1,007)	464	444
Income tax related to other comprehensive income	398	630	(424)	(55)
<b>Comprehensive income for the period</b>	<b>11,978</b>	<b>186,940</b>	<b>18,282</b>	<b>245,390</b>

*\* Subject to certain conditions being met in further periods, all items of other comprehensive income will be reclassified to profit or losses.*

## INTERIM CONDENSED BALANCE SHEET

ASSETS	Note	30.09.2018 (not audited)	31.12.2017 (audited)
<b>I. Non-current assets</b>		<b>844,519</b>	<b>782,215</b>
Property, plant and equipment		449,191	382,382
Intangible assets		6,063	6,431
Shares and interests		368,880	367,978
Advance payments for property, plant and equipment		20,385	25,424
<b>II. Current assets</b>		<b>402,264</b>	<b>298,915</b>
Inventories	14	124,956	116,701
Trade and other receivables	13	250,330	173,604
Derivative financial instruments	20	503	5,225
Cash and cash equivalents	9	26,475	3,385
<b>Total assets</b>		<b>1,246,783</b>	<b>1,081,130</b>
<b>EQUITY AND LIABILITIES</b>			
<b>I. Equity</b>		<b>691,404</b>	<b>728,489</b>
Share capital		67,763	67,704
Share premium		33,900	31,179
Capital from the revaluation of property, plant and equipment		3,314	3,314
Capital from share based payments		23,708	21,992
Capital from the revaluation of hedging instruments		(76)	2,725
Result from cash flow hedge		(461)	546
Retained earnings		563,256	601,029
<b>II. Long-term liabilities</b>		<b>149,184</b>	<b>59,957</b>
Liabilities related to loans	16	96,150	6,489
Provisions due to employee benefits	15	1,737	1,737
Grants		29,501	30,266
Deferred tax liability		21,796	21,465
<b>III. Short-term liabilities</b>		<b>406,195</b>	<b>292,684</b>
Liabilities related to loans	16	256,283	168,982
Income tax payable		4,405	3,979
Trade and other payables	18	129,661	102,157
Provisions and accruals	15	14,256	14,684
Derivative financial instruments	20	570	1,862
Grants		1,020	1,020
<b>Total equity and liabilities</b>		<b>1,246,783</b>	<b>1,081,130</b>

## INTERIM CONDENSED CASH FLOW STATEMENT

	9 months ended on 30.09.2018 (not audited)	9 months ended on 30.09.2017 (not audited)
<b>Cash flow from operating activities</b>		
<b>Profit before tax</b>	<b>200,555</b>	<b>253,251</b>
<b>Adjustments:</b>	<b>35,261</b>	<b>33,469</b>
Depreciation/Amortisation	31,036	29,152
Write-downs of interests in subsidiaries	0	85
(Profit) / loss from net currency translation differences	1,424	823
Change in realised gains on transactions hedging the price of aluminium charged to equity	(1,007)	444
(Profit) / loss from sales of property, plant and equipment	70	(26)
Interest	2,909	1,431
Share based payments	814	1,460
Other items (net)	15	100
<b>Cash flow from operating activities before the change of working capital</b>	<b>235,816</b>	<b>286,720</b>
Change in inventories	(8,255)	4,707
Change in net receivables	(76,726)	(214,623)
Change in short-term liabilities, except for loans	30,247	28,402
Change in provisions	(428)	(4,884)
Change in grants	(765)	(765)
<b>Net cash generated from operating activities</b>	<b>179,889</b>	<b>99,557</b>
Tax refunded / (paid)	(8,420)	(6,008)
<b>Net cash from operating activities</b>	<b>171,469</b>	<b>93,549</b>
Cash flow from investing activities		
<b>(+) Proceeds:</b>	<b>386</b>	<b>132</b>
Sales of intangible assets and property, plant and equipment	386	132
<b>(-) Expenses:</b>	<b>(94,733)</b>	<b>(41,358)</b>
Acquisition of intangible assets and property, plant and equipment	(94,733)	(41,358)
<b>Net cash from investing activities</b>	<b>(94,347)</b>	<b>(41,226)</b>
Cash flow from financing activities		
<b>(+) Proceeds:</b>	<b>219,873</b>	<b>72,748</b>
Net proceeds from the issue of shares	2,780	1,359
Proceeds from borrowings	217,093	71,387
Issue of bonds	0	2
<b>(-) Expenses:</b>	<b>(273,905)</b>	<b>(95,202)</b>
Dividends	(228,521)	(75,920)
Repayments of loans and borrowings	(42,701)	(17,728)
Interest	(2,683)	(1,554)
<b>Net cash from financing activities</b>	<b>(54,032)</b>	<b>(22,454)</b>
<b>Total net cash flow:</b>	<b>23,090</b>	<b>29,869</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>26,475</b>	<b>35,835</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	(2,801)	(1,007)	190,748	186,940
<i>Net profit for the period</i>	0	0	0	0	0	0	0	190,748	190,748
<i>Other comprehensive income</i>	0	0	0	0	0	(2,801)	(1,007)	0	(3,808)
Valuation of share based payments	0	0	0	0	1,716	0	0	0	1,716
Payment of dividend	0	0	0	0	0	0	0	(228,521)	(228,521)
Issue of shares	59	2,721	0	0	0	0	0	0	2,780
<b>Equity as at 30 September 2018</b> (not audited)	<b>67,763</b>	<b>33,900</b>	<b>0</b>	<b>3,314</b>	<b>23,708</b>	<b>(76)</b>	<b>(461)</b>	<b>563,256</b>	<b>691,404</b>
<b>Previous year</b>									
<b>Equity as at 01 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	232	444	244,714	245,390
<i>Net profit for the period</i>	0	0	0	0	0	0	0	244,714	244,714
<i>Other comprehensive income</i>	0	0	0	0	0	232	444	0	676
Valuation of share based payments	0	0	0	0	2,585	0	0	0	2,585
Payment of dividend	91	4,158	(2,890)	0	0	0	0	0	1,359
Issue of shares	0	0	0	0	0	0	0	(284,699)	(284,699)
<b>Equity as at 30 September 2017</b> (not audited)	<b>67,625</b>	<b>27,543</b>	<b>0</b>	<b>3,787</b>	<b>21,177</b>	<b>2,182</b>	<b>981</b>	<b>594,355</b>	<b>717,650</b>

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## 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 9 months ended on 30.09.2018 and provide for comparative data for the period of 3 quarters of 2017 ended on 30.09.2017 as well as figures as at 31.12.2017. The financial statements contain the figures for the third quarter of 2018 and the third 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**. Grupa Kęty S.A. is also registered in the products and packaging database and in the waste management database under No. **BDO 000007710**.

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 which was authorised for publication by the Management Board on 16 March 2018.

These interim condensed separate financial statements were authorised for publication on 24th October 2018.

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 the 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, with the exception of accounting and valuation policies resulting from the application of IFRS 9 and IFRS 15 presented below.

#### **The impact of new and amended standards:**

*The impact of new and amended standards and interpretations:*

The International Accounting Standards Board approved new standards to be applied after 1 January 2018:

- IFRS 9 *Financial Instruments*, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*;
- IFRS 15 *Revenue from Contracts with Customers* and Amendments to IFRS 15 clarifying certain requirements of the standard, which replaced IAS 11 and IAS 18, IFRIC 13, IFRIC 15 and IFRIC 18, and SIC-31.

The impact of the application of the aforementioned standards on the Company's accounting policies and on its financial statements:

#### ***IFRS 9 Financial Instruments***

As part of the implementation of IFRS 9, the Company carried out a comprehensive analysis of the impact of the application of this standard on its financial statements. The results of the analysis are presented in the Company's financial statements for 2017.

The Company did not adopt IFRS 9 earlier and applied IFRS 9 retrospectively for periods beginning after 1 January 2018. Using the option allowed by the standard, the Company did not restate the comparative data. Changes in the valuation of financial assets and liabilities as at the date of the first application of the standard were not material. The implementation of IFRS 9 resulted in the change in accounting policies regarding the recognition, classification and measurement of financial assets, the measurement of financial liabilities and of the impairment loss on financial assets.

#### *Selected accounting policy*

##### Measurement of financial assets and liabilities

Since 1 January 2018, the Company has classified financial assets in the following categories:

- measured at amortised cost;
- measured at fair value through other comprehensive income;
- measured at fair value through profit or loss;
- derivatives designated as hedging instruments.

The classification is made upon the initial recognition of assets. The classification of debt financial assets depends on the business model for managing the financial assets and on the contractual cash flow characteristics (SPPI test) for a given financial asset.

In the category of assets measured at amortised cost, the Company classifies trade receivables (except for receivables sold under factoring agreements and trade receivables including a pricing formula, i.e. for which the price will be determined ultimately after the end date of the reporting period), loans granted which passed the SPPI test, other receivables and cash and cash equivalents.

Financial assets measured at amortised cost are carried at amortised cost based on the effective interest method, taking account of impairment losses. Trade receivables with a maturity of less than 12 months from the date of their arising (i.e. without a financing component) and not submitted for factoring, are not discounted and are valued at par value. Purchased or originated credit-impaired (POCI) financial assets are measured at amortised cost using the credit-adjusted effective interest rate.

The category of assets measured at fair value through other comprehensive income includes:

1. a debt financial asset if the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows from held financial assets and selling financial assets and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. it passed the SPPI test);

2. an equity instrument for which there was made an irrevocable election at initial recognition to classify it in this category. The option to choose fair value through other comprehensive income is not available for instruments held for trading.

Gains and losses, both as measured and actual gains and losses, on these assets are recognised in other comprehensive income, except for revenue from received dividends.

In the category of assets measured at fair value through profit or loss, the Company classifies trade receivables submitted for factoring, trade receivables based on a pricing formula, loans granted that have not passed the contractual cash flows test and derivative instruments being assets, unless they have been designated as hedging instruments.

Gains and losses on a financial asset measured at fair value through profit or loss are recognised in profit or loss in the period in which they occurred (including interest income and dividends).

Financial instruments designated as hedging instruments include financial assets and liabilities being derivatives designated and meeting the requirements of hedge accounting, measured at fair value comprising all components of market risk and credit risk.

Since 1 January 2018, the Company has classified financial liabilities in the following categories:

- measured at amortised cost;
- measured at fair value through profit or loss;
- financial instruments designated as hedging instruments.



Liabilities measured at amortised cost include liabilities other than liabilities measured at fair value through profit or loss (including trade payables, loans and borrowings), except for:

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition;
- financial guarantee contracts which are measured at the higher of:
  - the amount of the loss allowance for expected credit losses determined in accordance with IFRS 9;
  - the amount initially recognised (i.e. at fair value plus transaction costs that may be directly attributable to a financial liability) less the cumulative amount of income recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Liabilities measured at fair value through profit or loss comprise liabilities due to derivatives not designated for hedge accounting purposes.

Impairment of financial assets

IFRS 9 introduces a new approach to the estimation of losses related to financial assets measured at amortised cost. This approach is based on the determination of expected losses, regardless of whether any indicators occurred or not.

The Company applies the following approaches to the determination of loss allowances:

- general (basic) approach;
- simplified approach.

Under the general approach, the Company monitors changes in credit risk associated with a given financial asset and classifies financial assets in one of the three stages of determining loss allowances:

Stage 1 – balances for which credit risk has not increased significantly since initial recognition and for which expected credit losses are determined on the basis of 12-month probability of default.

Stage 2 – balances for which credit risk has increased significantly since initial recognition and for which expected credit losses are determined on the basis of lifetime probability of default.

Stage 3 – balances with impairment.

In the simplified approach, the Company does not monitor changes in credit risk during the lifetime of the instrument, estimates the expected credit loss until the maturity of the instrument.

To estimate the expected credit loss, the Company applies:

- in the general model – probability of default levels implied from market quotations of credit derivatives, for entities with a given rating and from a given sector;
- in a simplified approach – historical repayment rates for receivables from counterparties.

According to the Company, default event is the counterparty's failure to pay its obligations after 90 days from the receivable maturity.

The Company includes forward-looking information in the applied parameters of the expected losses estimation approach by adjusting the base probability of default ratios (for receivables) or by calculating the probability of default parameters based on current market quotations (for other financial assets).

The Company applies the simplified approach to the calculation of impairment losses for trade receivables.

The general approach is applied to other types of financial assets, including debt financial assets measured at fair value through other comprehensive income.

Impairment losses for debt financial instruments measured at amortised cost (upon initial recognition and calculated for each subsequent end date of the reporting period) are recognised in other operating costs. Gains (reversal of allowance) due to the decrease in the expected impairment are recognised in other operating income.

In the case of purchased or originated credit-impaired (POCI) financial assets, favourable changes in expected credit losses are recognised as impairment gains in other operating income.

Impairment losses for debt financial instruments measured at fair value through other comprehensive income are recognised in other operating costs in correspondence with other comprehensive income. Gains (reversal of allowance) due to the decrease in the expected credit loss are recognised in other operating income.

### **Hedge accounting**

The group of hedging instruments comprises instruments hedging fair value, instruments hedging future cash flows and instruments hedging net investments in foreign operations.

The Company does not apply fair value hedge accounting or the hedge of net investments in foreign operations. Hedging instruments are designated as hedging future cash flows.

A derivative hedging cash flows is a derivative that:

- is used to mitigate the exposure to volatility of cash flows and is attributable to a particular type of risk associated with an asset or liability recognised in the statement of financial position or with a highly probable forecast future transaction, and
- will have an impact on the recognised net profit or loss.

Gains and losses arising from changes in the fair value of cash flow hedge are recognised in other comprehensive income to the extent to which a given instrument constitutes effective hedging for the related hedged item. In addition, the Company recognises, in valuation capitals, a portion of the change in the hedging instrument resulting from a change in the time value of an option, a forward element and a foreign currency basis spread; however, for the last two items, the Company may each time choose the method of recognition (through equity or directly to profit or loss).

The ineffective portion is charged to profit or loss as other operating income or other operating costs – for hedges of cash flows from operating activities, and as finance income or finance costs – for hedges of cash flows from financing activities.

Gains and losses on cash flow hedge are recognised in profit or loss when the hedged item affects profit or loss.

In particular, in the case of gains or losses due to a change in the time value of an option, a forward element or a foreign currency basis spread, the reclassification from equity (from other comprehensive income) to profit or loss (as other operating income or other operating costs – for hedges of cash flows from operating activities, or as finance income or finance costs – for hedges of cash flows from financing activities) it is carried out once, if the exercise of the hedged item is related to a transaction or amortised in the lifetime of the hedging relationship, if the exercise of the hedged item occurs in time.

The Company applies the following requirements for the effectiveness of a hedging relationship:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the changes in the fair value of the hedged item or the hedging instrument;
- the hedge ratio is the same as that resulting from the quantity (principal) of the hedged item that the Company actually hedges and the quantity (principal) of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

#### ***IFRS 15 – Revenue from Contracts with Customers***

As part of the implementation of IFRS 15, the Company carried out a comprehensive analysis of the impact of the application of this standard on its financial statements. The results of the analysis have been presented in the financial statements of Grupa Kęty S.A. for 2017.

The Company has applied IFRS 15 since 1 January 2018 in accordance with section C3 (b) and C7 – retrospectively, due to immaterial amounts. The Company has not adjusted retained earnings as at the beginning of 2018.

#### ***Selected accounting policy***

Under IFRS 15, from 1 January 2018, the Company has recognised revenue from contracts with customers when the entity satisfies a performance obligation by transferring a promised good or service to a customer, where, as a result of the transfer, the customer also obtains control of that asset, i.e. the ability to direct the use of, and obtain substantially all of the remaining benefits from, the transferred asset and the ability to prevent other entities from directing the use of, and obtaining the benefits from, such an asset.

For the Company, a performance obligation is any promise in a contract to transfer to the customer either a good or service that is distinct, or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. For each performance obligation, the Company entity determines (based on contractual terms) whether it will satisfy them over time or whether it will satisfy them at a point in time.

Revenue from the sales of products, trade goods and materials is recognised in profit or loss on a one-off basis, at a point in time consistent with the time of the satisfaction of the performance obligation (determined in particular on the basis of INCOTERMS delivery terms), provided that it is probable that the entity will collect the consideration in exchange for the goods transferred to the customer.

Revenue from the sales of services is recognised in profit or loss over time provided that it is probable that the entity will collect the consideration in exchange for the services transferred to the customer and if one of the following conditions is met:

- the customer simultaneously receives and consumes the economic benefits provided by the Company entity's performance as the entity performs, or

- the Company entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced, or
- the Company entity's performance does not create an asset with an alternative use to the Company entity and the entity has an enforceable right to payment for performance completed to date.

The transaction price is allocated to particular performance obligations on the basis of stand-alone selling prices. In revenue from contracts with customers in the income statement, the Company recognises income arising in the course of the Company's ordinary operating activities, i.e. revenue from the sales of products, trade goods and materials.

Revenue from contracts with customers is recognised in the amount equal to the transaction price (including all discounts and rebates).

The transaction price also reflects a change in the time value of money if the contract with the customer contains a significant financing component, which is determined on the basis of agreed payment terms, regardless of whether it is explicitly stated in the contract. In particular, a financing component is considered significant if, at contract inception, the period from the time of the transfer a promised good or service to a customer to the time of the customer's payment for that good or service is over one year.

In the case of sales transactions for which the price will be determined after the date of the recognition of the sales in the books of account, revenue is adjusted at the end of each reporting period with the change in the fair value of the related trade receivables. Revenue from sales transactions for which the price was not determined finally at the end of the reporting period is presented in the consolidated income statement (including those based on price formula).

Sales revenue is adjusted with profit/loss from derivatives hedging future cash flows according to the general principle that the valuation of a derivative designated as a hedging instrument in the portion constituting the effective hedge is recognised in the same item of profit or loss in which the valuation of the hedged item is recognised at the time when the hedged item affects profit or loss.

#### **Adoption of IFRS 16:**

In January 2016, the International Accounting Standards Board issued International Financial Reporting Standard 16 *Leases* ('IFRS 16') which replaced IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single accounting model for lessees under which a lessee must recognise assets and liabilities under each lease with a lease term of over 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise an asset representing the right to use the underlying asset ('right-of-use asset') and a lease liability to make lease payments ('lease liability').

Lessees are required to separately recognise the depreciation expense on the right-of-use asset and interest expense on the lease liability.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company is a lessee under office space rental agreements.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach, and standard's transition provisions permit certain reliefs.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted in the case of entities which apply IFRS 15 from or before the date of the first adoption of IFRS 16. The Company did not decide to apply IFRS 16 earlier.

As at the date of authorising these financial statements for publication, the Management Board has been performing an assessment of the impact of the adoption of IFRS 16 on the Company's accounting policies with reference to the Company's activities or profit or loss.

#### **In addition:**

No new or amended standards and interpretations effective for annual periods beginning on or after 01 January 2018 have been published after 01 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 Company 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 Company. The Company 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.

The following standards have not yet been approved:

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – according to the decision of the European Commission, the approval of the standard in its preliminary version will not be initiated prior to the release of the standard in its final version – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture* (issued on 11 September 2014) – the works leading to the approval of these amendments have been deferred indefinitely by the EU – the effective date has been deferred by the IASB indefinitely;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2021;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;
- *Annual Improvements to IFRS Standards: 2015–2017 Cycle* (issued on 12 December 2017) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2019;
- Amendments to *References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) – by the date of the approval of these financial statements, not approved by the EU – effective for annual periods beginning on or after 1 January 2020.

Effective dates are dates resulting from the content of standards issued by the International Financial Reporting Council. The dates of the adoption of standards in the European Union may differ from the dates of adoption resulting from the content of standards and are announced at the time of authorising them for adoption by the European Union.

#### **4. Areas of estimates**

Changes in estimates are described in notes 12, 13, 14, 15 and 25.2. 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 8.4, presents segment information only in the consolidated financial statements.

## 7. Investments in subsidiaries

There were no new 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>30.09.2018</b> (audited)	<b>31.12.2017</b> (audited)
Bank deposits (current accounts) and short-term deposits	26,475	3,385
<b>Cash recognised in the balance sheet and in the cash flow statement</b>	<b>26,475</b>	<b>3,385</b>

As at 30 September 2018, Grupa Kęty S.A. had undrawn granted credit funds amounting to 59,593 thousand PLN with regard to which all conditions precedent had been complied with (31 December 2017: 44.271 thousand PLN).

Furthermore, as at 30-09-2018, in its VAT account the Company had restricted cash amounting to 259 thousand PLN. This cash may be used only for the purpose of output VAT payment to the tax office or as VAT payment to the Company's suppliers. As at 31-12-2017 the above item did not exist.

## 10. Dividends paid and proposed for payment

The result for the reporting period is not distributed.

Grupa Kęty S.A. allocated 228,521 thousand PLN for the dividend for 2017.

As at the record date, i.e. 26 June 2018, the number of shares admitted to trading was 9,545,447. Dividend per share was 23.94 PLN.

Pursuant to the resolution of the General Meeting of Shareholders, the dividend will be paid in two instalments:

10 July 2018 – 63,954,494.90 PLN, i.e. 6.70 PLN per share (28% of the dividend amount);

26 September 2018 – 164,566,305.10 PLN, i.e. 17.24 PLN per share (72% of the dividend amount).

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 30.09.2018 (not audited)	9 months ended on 30.09.2018 (not audited)	3 months ended on 30.09.2017 (not audited)	9 months ended on 30.09.2017 (not audited)
Current income tax				
Current income tax expense recognised in the income statement	(3,525)	(8,846)	(4,852)	(5,548)
Deferred income tax:				
Recognition (reversal) of tax losses	0	0	0	0
Related to the recognition and reversal of temporary differences	(308)	(961)	681	(2,989)
<b>Tax expense recognised in the income statement</b>	<b>(3,833)</b>	<b>(9,807)</b>	<b>(4,171)</b>	<b>(8,537)</b>

## 12. Property, plant and equipment

### 12.1. Purchase and sale

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

	9 months of 2018	9 months of 2017
Acquisition of property, plant and equipment	97,777	24,716
Net value of sold property, plant and equipment	456	106
Profit (loss) on the sales of property, plant and equipment	(70)	26
Retired property, plant and equipment due to their faster wear	15	100

In the current period, the Company did not recognise impairment losses for property, plant and equipment.

## 13. Trade and other receivables

Short-term receivables	30.09.2018 (not audited)	31.12.2017 (audited)
<b>Net receivables</b>	<b>250,330</b>	<b>173,604</b>
Trade receivables towards related parties	86,962	58,217
Trade receivables towards other entities	156,391	107,912
Public law receivables (except for the income tax)	112	938
Prepayments (trade-related) for suppliers	756	375
Down payments (trade-related) for suppliers – related parties	0	168
Receivables from employees	45	18
Settlements related to transactions hedging the aluminium price	3,562	3,797
Prepaid expenses	2,502	2,179

In the period of 9 months of 2018, the Company recognised write-downs of receivables amounting to 158 thousand PLN (9 months of 2017, recognition of write-downs amounting to 13 thousand PLN). The Company recognises write-downs of receivables in 'Other operating costs'. In the period of 9 months of 2018, the Company reversed write-offs for receivables amounting to 30 thousand PLN (in the period of 9 months of 2017: the Company reversed write-downs for receivables of 489 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>30.09.2018</b> (not audited)	<b>31.12.2017</b> (audited)
Materials	55,138	46,497
Work in progress	46,221	36,241
Finished products	23,597	33,963
<b>TOTAL</b>	<b>124,956</b>	<b>116,701</b>

In the period of 9 months of 2018, the Company recognised write-downs of inventories amounting to 32 thousand PLN; in the period of 9 months of 2017, it reversed write-downs amounting to 686 thousand PLN.

## 15. Provisions and accruals

Changes in provisions and accruals:

	<b>As at</b> <b>31.12.2017</b>	<b>Increases</b>	<b>Utilisation</b>	<b>As at</b> <b>30.09.2018</b>
<b>Provisions and accruals</b>	<b>16,421</b>	<b>9,734</b>	<b>(10,162)</b>	<b>15,993</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	2,032	(2,397)	2,032
costs of annual bonus	7,527	7,561	(7,527)	7,561
cogeneration fees	196	141	(196)	141
costs of damages	4,134	0	0	4,134
costs of warranty repairs	24	0	(11)	13
provision for other costs	31	0	(31)	0

	<b>As at</b> <b>31.12.2016</b> (audited)	<b>Increases</b>	<b>Utilisation/ Reversal</b>	<b>As at</b> <b>30.09.2017</b> (not audited)
<b>Provisions and accruals</b>	<b>18,535</b>	<b>7,651</b>	<b>(12,535)</b>	<b>13,651</b>
long-term part of the provision for jubilee bonuses and retirement benefits	1,500	34	0	1,534
short-term provision for jubilee bonuses and retirement benefits	373	0	0	373
provision for the costs of unused holiday	2,037	2,059	(2,037)	2,059
costs of annual bonus	9,008	5,077	(9,008)	5,077
cogeneration fees	335	364	(335)	364
costs of damages	5,074	0	(981)	4,093
costs of warranty repairs	37	0	(3)	34
environmental protection costs	0	86	0	86
provision for the costs of auditing financial statements	31	31	(31)	31
other provisions	140	0	(140)	0

## 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 9 months of 2018.

Loan	Lender	Loan currency	31.12.2017	Increase (decrease)	30.09.2018
Long-term	Bank PKO BP	PLN	0	96,150	96,150
Long-term	BNP Paribas Polska	PLN	6,489	(6,489)	0
Short-term part of a long-term loan	Bank PKO BP	PLN	0	12,381	12,381
Short-term part of a long-term loan	BNP Paribas Polska	PLN	8,840	(8,840)	0
Short-term loan	Bank PKO BP	PLN, EUR, USD	1,358	2,636	3,994
Short-term loan	BNP Paribas Polska	PLN, EUR	53,309	88,435	141,744
Short-term loan	ING Bank Polska	EUR, PLN	26,084	(26,084)	0
Short-term loan	Bank PeKaO S.A.	EUR, USD, CHF	64,476	14,907	79,383
Short-term loan	Bank Societe Generale	PLN, EUR	14,915	3,866	18,781
<b>Total loans</b>			<b>175,471</b>	<b>176,962</b>	<b>352,433</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

	30.09.2018 (not audited)	31.12.2017 (audited)
Trade payables to related parties	13,866	11,162
Trade payables to non-related parties	79,670	60,634
Down payments (trade-related) from customers	1,220	1,254
Public law liabilities (except for income tax payables)	15,192	7,091
Remuneration liabilities	5,509	4,688
Securities	3	5
Liabilities due to the purchase of property, plant and equipment	12,021	16,622
Other	2,180	701
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>129,661</b>	<b>102,157</b>

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

In the period of 9 months of 2018 as compared to the period of 9 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 86,043 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. 2.4 thousand tonnes of aluminium products while the prices of raw material rose by ca. 4.2%.

Other operating income – the decrease by 2,255 thousand PLN in the period in the amount of 981 thousand PLN is related to the reversal of the provision for damages in 2017.

Dividend income – the decrease in dividend income by 58,783 thousand PLN in the period related to the results of subsidiaries and amounts of the profit distribution in such companies.

Amortisation/depreciation costs – an increase in amortisation/depreciation costs by 1,884 thousand PLN related to the current investment process.

External services – an increase in the costs of external services by 12,343 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 42,984 thousand PLN is related to the increase in average aluminium prices and the increase in the sales volume of products by ca. 2.4 thousand tonnes and the prices of raw material rose by ca. 4.2%.

As estimated by the Company, the quotations of the average aluminium price in the period of 9 months of 2018 as compared to the period of 9 months of 2017 increased by 12.1% against the simultaneous decrease in the USD exchange rate by ca. 7.3%.

Costs of employee benefits – an increase in the costs of employee benefits by 10,794 thousand PLN results mainly from the increase in the sales and production volumes, which resulted in the increase in employment in the Group and the increase in remunerations;

Finance costs – the increase in finance costs by 4,331 thousand PLN results from the increase in interest expense by 1,449 thousand PLN and in the costs of net foreign exchange losses amounting to 2,492 thousand PLN, while in the first 9 months of 2017 the Company disclosed net foreign exchange gains amounting to 633 thousand PLN.

## 20. Derivative financial instruments

Financial assets	30.09.2018 (not audited)	31.12.2017 (audited)
Futures for the purchase of aluminium hedging cash flows	0	5,225
Currency forwards hedging cash flows	503	0
<b>TOTAL FINANCIAL ASSETS</b>	<b>503</b>	<b>5,225</b>
<b>Financial liabilities</b>		
Currency forwards hedging cash flows	0	1,404
Futures for the purchase of aluminium hedging cash flows	570	455
IRS's hedging interest rates of loans	0	3
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>570</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.

Below, we present the detailed information concerning fair values of financial instruments that can be estimated: Cash and cash equivalents, short-term bank term deposits and short-term bank loans. The fair value of the said instruments is close to their carrying amounts due to their short maturity.

Trade receivables, other receivables, trade payables and other liabilities. The fair value of the said instruments is close to their carrying amounts due to their short-term nature.

Long-term interest-bearing bank loans, bank credits and lease. The fair value of the said instruments is close to their carrying amounts due to the fluctuating nature of their interest rates as well as the market level of the margin.

Financial derivatives at fair value as at the balance sheet date.

## 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	40,000	30-07-2019
Aluprof S.A.	Surety for Euler Hermes guarantee	2,777	28-02-2023
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	33,000	No maturity

Guarantees and securities received from subsidiaries

From:	Purpose	Amount	Maturity
Aluprof S.A.	Loan security	40,000	30-07-2019
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 52,638 thousand PLN. The agreement is valid until 30.09.2018.
- The companies 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 Kety 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 159,981 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 31.08.2019.
- 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 300 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 84,066 thousand PLN. The agreement is valid until 05.07.2019.
- Grupa Kęty S.A. and Aluform sp. z o.o. entered into a loan agreement with PKO BP up to the total amount of 260 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, Aluform sp. z o.o. did not have any debt under the aforementioned agreement. The agreement is valid until 31.03.2024.

## 24. Future investment obligations

As at 30 September 2018, the Company committed to make expenditure on property, plant and equipment amounting to 39,011 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 30 September 2018 and as at 30 September 2018.

Related party	Sales	Purchases	Receivables	Liabilities	Dividends
Aluprof S.A.	202,042	2,992	79,869	828	95,000
Alupol Packaging S.A.	1,203	0	307	0	40,000
Alu Trans System Sp. z o.o.	2	0	0	0	0
Dekret Centrum Rachunkowe Sp. z o.o.	592	1,429	53	396	357
Aluprof Hungary Kft	380	257	55	309	0
Alupol Ukraina LLC	2,950	8,209	605	3,682	0
Romb S.A.	11,163	47	3,958	1	0
Aluform Sp. z o.o.	1,015	45,729	217	8,196	17,520
Alupol Packaging Kęty Sp. z o.o.	5,602	9	981	4	0
Alupol Films sp. z o.o.	314	0	117	0	0
Aluprof Belgium N.V.	52	0	12	0	0
Aluminium Kety EMMI d.o.o	2,987	3,088	774	42	0
Aluminium Kety Czechy s.r.o.	0	497	0	29	0
Aluminium Deutschland Kety GmbH	19	953	0	184	0
Grupa Kęty Italia s.r.l.	0	1,174	0	195	0
Aluprof System Czech s.r.o.	1	0	0	0	0
Aluprof Deutschland GmbH	2	0	1	0	0
Aluprof Netherlands B.V.	1	0	1	0	0
Aluprof System Romania s.ro.	9	0	2	0	
Aluprof UK Ltd.	52	0	10	0	0
<b>Total</b>	<b>228,386</b>	<b>64,384</b>	<b>86,962</b>	<b>13,866</b>	<b>152,877</b>

Apart from the aforementioned transactions, in the period of 9 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 reporting 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:	9 months of 2018	9 months of 2017
Costs of short-term employee benefits	1,912	1,234
Costs of the provision for annual bonuses and other benefits	4,265	1,755
<b>Total costs of remunerations of the Members of the Management Board</b>	<b>6,177</b>	<b>2,989</b>
The valuation of the costs of options for treasury shares due when the programme is implemented*	655	977
<b>Total payments to the Members of the Management Board</b>	<b>6,832</b>	<b>3,966</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 2018 as compared to 2017, the composition of the Company's Management Board expanded by 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:

	9 months of 2018	9 months of 2017
Proxies of the parent company*	0	1,366
Parent's Management Board*	5,065	3,966
Supervisory Board	596	511
<b>TOTAL</b>	<b>5,661</b>	<b>5,843</b>

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

The presented remunerations cover the costs of provisions for annual bonuses for the management personnel and share options costs recognised in the income statement.

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 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.

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

The Group has the share options programme for the management personnel.

In the reporting period, the Management Board, according to the terms and conditions of the programme, subscribed for 15,247 shares of the Company from the second part of the 2012 programme. Under the programme, the members of the Management Board hold options entitling them to up to 28,000 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	23,100
Share options from the second part of the 2015 programme	33,000	01.10.2019	20,378
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 9 months of 2018 amounted to 596 thousand PLN (9 months of 2017: 977 thousand PLN).

## 26. Issue of shares

In the reporting period, the eligible persons acquired 23,747 shares at the price of 117.10 PLN.

In addition, the Company issued 28,000 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 30.09.2018, the aforementioned shares were not subscribed for.

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

Shares	Quantity 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
Series G shares – the 2012 programme	23,747	2018	2,780	59	2,721
<b>TOTAL</b>	<b>319,784</b>		<b>34,698</b>	<b>798</b>	<b>33,900</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. The revalued amount was determined with the replacement value method using the cost approach, the replacement value method and index method technique. The valuation was based on nationwide pricing catalogues, having regard for the regional division. The valuation was carried out by an independent appraiser and is classified in the fair value hierarchy at level 3. On 1 January 2016, the Company performed the revaluation of energy-related assets. As a result of the valuation, the Company charged 1,658 thousand PLN to the revaluation reserve accounting for an increase in the fair value of energy-related assets, at the same time recognising a deferred income tax liability of 315 thousand PLN decreasing the reserve. In addition, the Company charged 655 thousand PLN to other operating costs accounting for a decrease in the fair value of energy-related assets.

Fair value of energy-related assets is monitored on an ongoing basis and, in the opinion of the Management Board, the accounting policy, according to which the revaluation of these assets is carried out every 5 years, presents the value of these assets reliably.

Detailed principles for determining the fair value of energy-related assets as at the revaluation date are described in note 18.8 in the annual financial statements for 2017. Detailed information about the valuation of derivative financial instruments is available in note 39 in the annual financial statements for 2017.

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	30.09.2018 (not audited)	31.12.2017 (audited)
<b>Assets</b>			
Energy-related assets	3	5,734	5,873
Hedging derivatives	2	503	2,738
<b>Liabilities</b>			
Hedging derivatives	2	570	597

## 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>9 months ended on 30.09.2018 (not audited)</b>	<b>9 months ended on 30.09.2017 (not audited)</b>
<b>Net profit</b>	<b>190,748</b>	<b>244,714</b>
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,535,705	9,488,407
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share*	9,554,631	9,511,461
Basic earnings per share (in PLN)	20.00	25.79
Diluted earnings per share (in PLN)	19.96	25.73

During the reporting period, eligible employees purchased 23,747 shares of Grupa Kęty S.A.

In addition, eligible employees hold options entitling them to purchase up to 28,000 shares at 117.10 PLN per share from the 2012 programme.

The average market price of the Company's share in the period of 9 months of 2018 was 361.37 PLN. The closing price as at 30.09.2018 was 384.50 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 18,927 shares.

## 29. Events after the reporting period

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

### *Signatures of all Members of the Management Board*

Dariusz Mańko  
*President of the Management Board*

.....

Adam Piela  
*Member of the Management Board*

.....

Piotr Wysocki  
*Member of the Management Board*

.....

Tomasz Grela  
*Member of the Management Board*

.....

Rafał Lechowicz  
*Member of the Management Board*

.....

Kęty, 24 October 2018

*Signature of the person entrusted with bookkeeping*

Andrzej Stempak

*President of the Management Board*

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

.....  
Kęty, 24 October 2018