



**THE CAPITAL GROUP OF GRUPA KĘTY S.A.
SEMI-ANNUAL REPORT FOR THE FIRST HALF OF 2019**

(PLN '000)

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated semi-annual PSr 1/2019

(compliant with paragraphs 60.2 and 62.1 of the Regulation on current and interim information for the issuers of securities running manufacturing, construction, commercial or service business) for the first half of the reporting year 2019, covering the period from 1 January 2019 to 30 June 2019, comprising the interim condensed consolidated financial statements in accordance with IAS 34, in Polish zlotys (PLN), the interim condensed separate statements of Grupa Kęty S.A. in accordance with IAS 34, in Polish zlotys (PLN), the report of the Management Board on the Company operations, and declarations of the Management Board.

7 August 2019

(date of submission)

GRUPA KĘTY SPÓŁKA AKCYJNA	
(full name of the issuer)	
KETY	Metal sector [met]
(short name of the issuer)	(sector in accordance with the Warsaw Stock Exchange classification/ industry)
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(tax identification number – NIP)	(statistical identification number – REGON)

SELECTED FINANCIAL DATA

Data referring to the condensed consolidated financial statements in accordance with IFRS				
ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	I H 2019	I H 2018	I H 2019	I H 2018
Net sales revenue	1,610,695	1,423,601	375,480	335,795
Profit on operating activities	177,964	169,019	41,486	39,868
Profit before tax	166,102	158,820	38,721	37,462
Net profit	133,754	124,992	31,180	29,483
Net profit (loss) attributable to owners of the parent	133,496	124,976	31,120	29,479
Total net income (loss)	137,172	126,956	31,977	29,946
Total net income (loss) attributable to owners of the parent	136,914	126,940	31,917	29,942
Net cash flow from operating activities	260,640	120,145	60,759	28,339
Net cash flow from investing activities	(144,442)	(98,254)	(33,672)	(23,176)
Net cash flow from financing activities	(15,307)	28,310	(3,568)	6,678
Total net cash flows	100,891	50,201	23,519	11,841
Net earnings per share attributable to owners of the parent (in PLN/EUR)	13.97	13.11	3.26	3.09
Diluted net earnings per share attributable to owners of the parent (in PLN/EUR)	13.94	13.08	3.25	3.09
BALANCE SHEET ITEMS	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Total assets	2,986,824	2,779,848	702,452	646,476
Liabilities and provisions for liabilities	1,679,116	1,382,806	394,900	321,583
Long-term liabilities	383,459	314,663	90,183	73,177
Short-term liabilities	1,295,657	1,068,143	304,717	248,405
Equity attributable to owners of the parent	1,306,659	1,396,251	307,305	324,710
Share capital	67,763	67,763	15,937	15,759
Number of shares	9,552,447	9,545,447	9,552,447	9,545,447
Book value per share (in PLN/EUR)	136.79	146.27	32.17	34.02
Diluted book value per share (in PLN/EUR)	136.62	145.95	32.13	33.94
Data referring to the condensed separate financial statements of Grupa Kęty S.A.				
ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	I H 2019	I H 2018	I H 2019	I H 2018
Net sales revenue	597,512	559,686	139,290	132,017
Profit on operating activities	195,954	186,598	45,680	44,014
Gross profit	191,959	181,591	44,749	42,833
Net profit	189,269	175,617	44,122	41,424
Net comprehensive income	190,751	174,962	44,467	41,269
Net cash flow from operating activities	38,626	(6,048)	9,004	(1,427)
Net cash flow from investing activities	(40,012)	(58,423)	(9,327)	(13,781)
Net cash flow from financing activities	2,656	77,699	619	18,327
Total net cash flows	1,270	13,228	296	3,120
Earnings per share (in PLN/EUR)	19.83	18.43	4.62	4.35
Diluted earnings per share (in PLN/EUR)	19.77	18.38	4.61	4.34
BALANCE SHEET ITEMS	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Total assets	1,444,545	1,223,056	339,733	284,432
Liabilities and provisions for liabilities	790,310	533,466	185,868	124,062
Long-term liabilities	166,565	158,326	39,173	36,820
Short-term liabilities	623,745	375,140	146,694	87,242
Equity	654,235	689,590	153,865	160,370
Share capital	67,763	67,763	15,937	15,759
Number of shares	9,552,447	9,545,447	9,552,447	9,545,447
Book value per share (in PLN/EUR)	68.49	72.24	16.11	16.80
Diluted book value per share (in PLN/EUR)	68.40	72.08	16.09	16.76

The above financial figures for the first half of 2019 and the first half of 2018 were translated into EUR as follows:

- assets and liabilities – at the mean exchange rate of the National Bank of Poland (NBP) as at 30 June 2019 – 4.2520 PLN/EUR, and as at 31 December 2018 – 4.30 PLN/EUR;
- the items of the statements of profit or loss, comprehensive income, and cash flows – at the exchange rate being the arithmetic mean of the exchange rates of the NBP for the last two days of each month: 1 H 2019 – 4.2897 PLN/EUR, and 1 H 2018 – 4.2395 PLN/EUR.

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**THE CAPITAL GROUP OF GRUPA KĘTY S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE FIRST HALF OF 2019, ENDED ON 30 JUNE 2019, PREPARED IN
ACCORDANCE WITH IAS 34**

(PLN '000)

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 months ended 30.06.2019	6 months ended 30.06.2019	3 months ended 30.06.2018	6 months ended 30.06.2018
Total operating revenue, including:		835,426	1,616,337	750,565	1,426,439
Sales revenue	8	831,810	1,610,695	748,761	1,423,601
- including from the sales to associates		0	32	0	2
Other operating revenue		3,616	5,642	1,804	2,838
Share in net profit of entities accounted for using the equity method		173	384	(1,723)	668
Change in inventories of finished goods and work in progress		(12,784)	(21,564)	1,895	15,392
Cost of manufacturing of products for own needs		4,073	6,613	3,056	5,667
Total operating costs, including:		(725,544)	(1,423,806)	(659,322)	(1,279,147)
Depreciation		(34,154)	(67,605)	(31,949)	(62,522)
Materials and energy and the value of trade goods and materials sold		(504,456)	(992,237)	(454,586)	(886,569)
Third-party services		(60,993)	(116,718)	(57,914)	(105,382)
Taxes and fees		(4,416)	(7,828)	(3,838)	(7,563)
Employee benefits		(112,708)	(224,959)	(103,772)	(204,556)
Write-downs of financial assets – IFRS 9		(637)	(608)	(96)	(96)
Other operating costs		(8,180)	(13,851)	(7,167)	(12,459)
Profit on operating activities		101,344	177,964	94,471	169,019
Financial revenue		(24)	422	239	349
Financial expense		(6,985)	(12,284)	(5,204)	(10,548)
Profit before tax		94,335	166,102	89,506	158,820
Income tax	11	(18,707)	(32,348)	(17,812)	(33,828)
Net profit on continued operations		75,628	133,754	71,694	124,992
Attributable to non-controlling interests		81	258	24	16
Attributable to owners of the parent		75,547	133,496	71,670	124,976
Earnings per share attributable to owners of the parent (PLN)	35				
Basic		7.91	13.97	7.51	13.11
Diluted		7.89	13.94	7.50	13.08

In the presented periods, the Group did not discontinue any operations.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	3 months ended 30.06.2019	6 months ended 30.06.2019	3 months ended 30.06.2018	6 months ended 30.06.2018
Net profit for the period	75,628	133,754	71,694	124,992
Other comprehensive income*:	(4,779)	3,418	12,827	1,964
Cumulative translation adjustment for related parties	(886)	(19)	3,088	4,337
Valuation of cash flow hedging instruments	(4,396)	4,540	11,311	(3,347)
Result on cash flow hedging transactions	(371)	(279)	554	336
Income tax related to other comprehensive income recognised in profit or loss	874	(824)	(2,126)	638
Comprehensive income for the period	70,849	137,172	84,521	126,956
Comprehensive income attributable to:				
Non-controlling interests	81	258	24	16
Owners of the parent	70,768	136,914	84,497	126,940

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2019	31.12.2018
I. Non-current assets		1,660,103	1,574,739
Property, plant and equipment		1,410,388	1,337,054
Intangible assets		37,464	39,657
Right-of-use assets	20	45,072	0
Goodwill		19,863	19,889
Investment properties		3,624	3,493
Interests in associates		5,112	4,761
Other investments		11	11
Long-term receivables		6,377	6,801
Advance payments for the purchase of property, plant and equipment		13,476	38,409
Deferred tax assets		118,716	124,664
II. Current assets		1,326,721	1,205,109
Inventories	16	467,015	509,461
Income tax receivables		920	1,883
Trade and other receivables	14	642,229	571,136
Contractual assets	15	14,276	21,243
Short-term investments		92	99
Derivative financial instruments	31	617	606
Cash and cash equivalents	9	201,572	100,681
Total assets		2,986,824	2,779,848

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

EQUITY/LIABILITIES	Note	30.06.2019	31.12.2018
I. Equity		1,307,708	1,397,042
Share capital		67,763	67,763
Share premium		33,900	33,900
Non-registered capital from the issue of shares		2,130	0
Capital from share based payments		25,177	24,322
Result on cash flow hedging transactions		(810)	(531)
Capital from the revaluation of hedging instruments		(3,649)	(7,365)
Capital from the revaluation of property, plant and equipment		2,841	2,841
Retained earnings		1,209,740	1,305,735
Cumulative translation adjustment for foreign companies		(30,433)	(30,414)
Equity attributable to owners of the parent		1,306,659	1,396,251
Equity attributable to non-controlling interests		1,049	791
II. Long-term liabilities		383,459	314,663
Liabilities related to loans	18	266,749	220,782
Lease liabilities	19	21,912	0
Other liabilities	22.1	1,096	1,130
Provisions	17	499	499
Provisions for employee benefits		12,814	12,675
Deferred income		37,280	37,103
Deferred tax liability		43,109	42,474
III. Short-term liabilities		1,295,657	1,068,143
Liabilities related to loans	18	618,744	654,274
Lease liabilities	19	3,516	0
Income tax payables		7,688	10,818
Trade payables and other liabilities	22.2	616,440	345,747
Contractual liabilities	22.3	11,442	10,738
Provisions and accruals	17	30,787	34,883
Derivative financial instruments	31	5,170	9,700
Deferred income		1,870	1,983
Total equity/liabilities		2,986,824	2,779,848

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from share based payments	Result on 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 for subsidiaries	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity as at 1 January 2019	67,763	33,900	0	24,322	(531)	(7,365)	2,841	1,305,735	(30,414)	1,396,251	791	1,397,042
Comprehensive income for the period:	0	0	0	0	(279)	3,716	0	133,496	(19)	136,914	258	137,172
<i>Net profit for the period</i>	0	0	0	0	0	0	0	133,496	0	133,496	258	133,754
<i>Other comprehensive income</i>	0	0	0	0	(279)	3,716	0	0	(19)	3,418	0	3,418
Costs of share options	0	0	0	855	0	0	0	0	0	855	0	855
Payment of dividend	0	0	0	0	0	0	0	(229,491)	0	(229,491)	0	(229,491)
Issue of shares	0	0	2,130	0	0	0	0	0	0	2,130	0	2,130
Equity as at 30 June 2019	67,763	33,900	2,130	25,177	(810)	(3,649)	2,841	1,209,740	(30,433)	1,306,659	1,049	1,307,708
Previous year												
Equity as at 1 January 2018	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	450	(2,823)	0	124,976	4,337	126,940	16	126,956
<i>Net profit for the period</i>	0	0	0	0	0	0	0	124,976	0	124,976	16	124,992
<i>Other comprehensive income</i>	0	0	0	0	450	(2,823)	0	0	4,337	1,964	0	1,964
Valuation of share based payments	0	0	0	1,154	0	0	0	0	0	1,154	0	1,154
Payment of dividend	0	0	0	0	0	0	0	(228,521)	0	(228,521)	0	(228,521)
Issue of shares	0	0	2,781	0	0	0	0	0	0	2,781	0	2,781
Equity as at 30 June 2018	67,704	31,179	2,781	23,146	996	2,580	3,314	1,162,896	(29,425)	1,265,171	577	1,265,748

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	6 months ended
	30.06.2019	30.06.2018
Cash flow from operating activities		
Profit before tax	166,102	158,820
Adjustments:	76,019	79,102
Share in net profit of entities accounted for using the equity method	(384)	(668)
Depreciation	67,605	62,522
Recognition/(reversal) of write-downs	0	0
Profit from net currency translation differences	308	5,216
(Profit)/loss from sales of property, plant and equipment	(331)	(91)
Interest and share in profits	8,045	9,462
Proceeds/(expenses) related to hedging instruments recognised in equity	(279)	450
Share based payments	855	1,154
Other items (net)	200	1,057
Cash flow from operating activities before the change of working capital	242,121	237,922
Change in inventories	42,446	(39,473)
Change in net receivables	(63,701)	(110,654)
Change in short-term liabilities, except for loans	72,447	66,586
Change in provisions	(3,957)	(4,627)
Change in deferred income	64	4,728
Net cash generated from operating activities	289,420	154,482
Tax paid	(28,780)	(34,337)
Net cash from operating activities	260,640	120,145
Cash flow from investing activities		
(+) Proceeds:	935	625
Sales of intangible assets, and property, plant and equipment	935	625
(-) Expenses:	(145,377)	(98,879)
Acquisition of intangible assets, and property, plant and equipment	(145,377)	(98,879)
Net cash from investing activities	(144,442)	(98,254)
Cash flow from financing activities		
(+) Proceeds:	149,823	214,301
Issue of shares (participation interests) and additional capital contributions	2,130	2,781
Proceeds from loans and credits	147,693	211,520
(-) Expenses:	(165,130)	(185,991)
Dividends to non-controlling interests	(400)	0
Repayment of loans and borrowings	(154,716)	(177,772)
Payment of lease liabilities	(2,070)	(678)
Interest	(7,939)	(7,541)
Interest on lease liabilities	(5)	0
Net cash from financing activities	(15,307)	28,310
Total net cash flows:	100,891	50,201
- change in cash due to currency translation differences	0	0
Cash and cash equivalents at the beginning of the period	100,681	78,912
Cash and cash equivalents at the end of the period	201,572	129,113

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

1. General information

These interim condensed consolidated financial statements of Grupa Kęty S.A. cover the period of 6 months of 2019 ended on 30.06.2019 and provide comparative data for the period of 6 months of 2018 ended on 30.06.2018 as well as figures as at 31.12.2018. The statements comprise also the data for Q.2, 2019 and Q.2, 2018.

The above figures have not been audited by a statutory auditor. The auditor reviewed the data for the first half of 2019. The review report forms an appendix to these financial statements.

The Grupa Kęty S.A. Capital Group ('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, ul. Kościuszki 111**, entered into the Register of Entrepreneurs under the number **KRS 0000121845**, using the tax identification number (**NIP**): **549-000-14-68** and statistical number (**REGON**): **070614970**. Grupa Kęty S.A. is also registered in the products and packaging database and in the waste management database under the number **BDO 000007710**.

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

The lifetime of the parent company as well as of the Capital Group companies is unlimited.

The core business of the Group includes manufacturing, trade and the rendering of services related to the processing of aluminium and its alloys, production and sales of aluminium systems for the construction industry and activities related to their assembly, as well as production of materials for plastic and paper packaging, including trade intermediation, supply services, marketing and other.

2. Group composition

All subsidiaries are subject to consolidation.

The Group consists of Grupa Kęty S.A. and the following subsidiaries:

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

Company name	Registered office	Core business	Parent's name	Percentage	Percentage	Date of control take-over	Reporting segment
				in share capital 30.06.2019	in share capital 31.12.2018		
Alupol Packaging S.A.	Tychy, Poland	Production and trade in plastic packaging	Grupa Kęty S.A.	100.00 %	100.00 %	04/1998	FPS
Aluprof S.A.	Bielsko-Biała, Poland	Sales of aluminium façade systems and roller shutters for the construction industry	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. under liquidation	Wrocław, Poland	No operating activity	Grupa Kęty S.A.	100.00 %	100.00 %	04/2000	Other
Aluprof Hungary Kft.	Dunakeszi, Hungary	Trade and provision of services	Aluprof S.A..	100.00 %	100.00 %	07/2000	ASS
Alupol LLC	Borodianka, Ukraine	Production of aluminium profiles	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 aluminium systems	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 in plastic packaging	Alupol Packaging S.A.	100.00%	100.00%	05/2009	FPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade services	Grupa Kęty S.A.	100.00%	100.00%	06/2009	EPS
Aluprof System Ukraina Sp. z o.o.	Kiev, Ukraine	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	Commercial intermediation	Grupa Kęty S.A.	100.00%	100.00%	5/2014	EPS
Marius Hansen Facader A/S	Viborg, Denmark	Sales of aluminium systems	Aluprof S.A.	100.00%	100.00%	6/2014	ASS
Aluprof System USA Inc	Wilmington, USA	Distribution of aluminium systems for the construction industry	Aluprof S.A.	100.00%	100.00%	7/2014	ASS
Alupol Films Sp. z o.o.	Oświęcim, Poland	Production and trade in plastic packaging	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 services	Aluform Sp. z o.o.	100.00%	100.00%	6/2016	EPS
Aluprof Netherlands B.V.	Rotterdam, 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 services	Aluform Sp. z o.o.	100.00%	100.00%	7/2017	EPS

As at the balance-sheet date and the preceding balance-sheet date of the year, the share in the total number of votes held by the Group in its subsidiaries was equal to the share in the capital held by the Group in those subsidiaries.

3. Basis for the interim condensed consolidated financial statements preparation

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 in Polish zlotys ('PLN') and all values, unless otherwise specified, are presented in thousands of PLN.

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

These interim condensed consolidated financial statements were approved for publication on 7 August 2019.

As at the date of approval of these financial statements, there were no circumstances implying that the Group companies would not continue as a going concern.

The interim condensed consolidated financial statements do not cover all information and disclosures required to be made in the annual consolidated financial statements, and must be read together with the consolidated financial statements of the Group for the year ended 31 December 2018, which was approved for publication by the Management Board on 3 April 2019.

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

The Group has adopted for the first time the principles of IFRS 16 *Leases* ('IFRS 16'). In accordance with the requirements of IAS 34 *Interim Financial Reporting*, the Group disclosed further herein a description and the consequences of change in accounting principles (policy).

The other new or changed standards and interpretations, which have been applied for the first time in 2019, have no significant impact on the interim condensed consolidated financial statements of the Group.

4. Significant accounting principles (policy)

The accounting principles (policy) applied in preparing these interim condensed consolidated financial statements are consistent with the ones applied in preparing the annual consolidated financial statements of the Group for the year ended 31 December 2018, with the exception of accounting and valuation policies resulting from the adoption of IFRS 16, as presented below.

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 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 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 ones.

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, whereas the transition provisions permit certain practical measures. The Group assumed the modified approach.

The Group avails of lease contracts for office and warehouse space and lease contracts for some machines, vehicles and forklift trucks.

Additionally, the Group avails of free-of-charge or acquired land perpetual usufruct rights, which have also been classified by the Group as lease contracts in accordance with IFRS 16. In accordance with the previous accounting policies, the Group recognised the rights as land.

In reference to the land perpetual usufruct rights, as at the date of the first adoption of IFRS 16 the Company assumed a solution consisting in measuring the rights in the amount previously recognised in fixed assets, increased for the value of the liability as at 1 January 2019, to be presented in a separate balance-sheet item as the 'right-of-use assets' and, on the other hand, in a separate balance-sheet item of 'lease liabilities' the discounted amounts of lease liabilities are to be presented.

As regards the IFRS 16 adoption, starting from 2019 the Group introduced the following changes:

Opening balance 2019

Balance sheet item	31.12.2018	Adjustment for IFRS 16	01.01.2019
ASSETS, including:	2,779,848	21,731	2,801,579
Property, plant and equipment, including:	1,337,054	(20,807)	1,316,247
land, including land perpetual usufruct rights	49,458	(19,179)	30,279
plant and machinery	606,661	(687)	605,974
vehicles	28,571	(941)	27,630
Right-of-use assets, including:	0	42,538	42,538
land use rights (land perpetual usufruct rights)	0	32,767	32,767
buildings use rights	0	7,353	7,353
plant and machinery use rights	0	687	687
vehicles use rights	0	1,731	1,731
EQUITY/LIABILITIES, including:	2,779,848	21,731	2,801,579
long-term liabilities related to loans	220,782	(875)	219,907
short-term liabilities related to loans	654,274	(561)	653,713
long-term lease liabilities	0	19,851	19,851
short-term lease liabilities	0	3,316	3,316

Group as a lessee

Lease identification

The Group adopted new guidelines regarding lease identification only in reference to contracts concluded (or amended) on the first adoption date, i.e. 1 January 2019, or thereafter. Thus, in reference to all of the contracts concluded before 1 January 2019, the Group applied a practical expedient provided for in IFRS 16, in accordance to which a company is not obliged to reassess an arrangement as to whether it is a lease or contains a lease on the first adoption date. The Group applied IFRS 16 only to the contracts which have been previously identified as lease contracts in accordance with IAS 17 and IFRIC 4.

At the moment of concluding a new contract, the Group assesses whether the arrangement is a lease or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether a right to control the use of the underlying asset by a period of time is conveyed under the concluded contract, the Group assesses whether throughout the period of use it avails jointly of the following rights:

- a) the right to obtain basically all economic benefits on account of the use of the underlying asset, and
- b) the right to manage the use of the underlying asset.

If the Group is entitled to control the use of the underlying asset only for a part of the contract term, the contract contains a lease in reference to that part of the term.

The rights resulting from lease, rental, hire or other arrangements which comply with the lease definition under IFRS 16 are recognised as an asset representing the right to use the underlying asset within the property, plant and equipment item, and, on the other hand, as a lease liability.

Initial disclosure and measurement

The Group recognises a right-of-use asset and a lease liability at the date of the lease commencement. At the commencement date, the Group measures the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the lessee; and
- d) the estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease payments included in the measurement of the lease liability shall comprise:

- fixed lease payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate in accordance with their value as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if it is reasonably certain that the Group will exercise the purchase option;
- payments of penalties for terminating the lease, unless it is reasonably certain that the Group will not exercise the option to terminate.

Variable lease payments which are not tied to an index or rate are not included in the value of the lease liability. The payments are recognised in profit or loss in the period of occurrence of the event resulting in their becoming due.

At the commencement date, the lease liability is measured at the present value of the lease payments due as at that date, discounted with the use of the lessee's incremental borrowing rate.

The Group does not discount lease liabilities with the use of interest rates implicit in the lease, because for the purpose of the rate determination, information regarding the unguaranteed residual value of the leased asset, as well as direct costs incurred by the lessor, i.e. information which may be known solely to the lessor, would be needed.

Determination of the lessee's incremental borrowing rate

The incremental borrowing rate has been defined as the total of:

- a) the risk-free rate determined based on Interest Rate Swap (IRS) in accordance with the discount rate maturity date and the respective base rate for the given currency; and
- b) credit risk premium of the particular Group companies (lessees).

Subsequent measurement

After the commencement date, a lessee shall measure the right-of-use asset by applying a cost model. To apply a cost model, a lessee shall measure the right-of-use asset at cost:

- a) less any accumulated depreciation (amortisation) and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability on account of lease which does not result in the necessity of reflecting a separate lease asset.

After the commencement date, a lessee shall measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Group remeasures the lease liability, if there is a change in the future lease payments resulting from a change of interest or rate applied to determine the payments (e.g. the payment on account of perpetual usufruct right changes); if there is a change in the amount expected by the Group to be payable under residual value guarantee; or if the Group changes the assessment of probability to exercise the purchase option, extension or termination of the lease.

The remeasurement of the lease liability also results in an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero the Group recognises a further reduction in the measurement of the lease liability in profit or loss.

Depreciation

Right-of-use assets are depreciated on straight-line basis for the shorter of the two periods: lease term or useful life of a right-of-use asset, unless the Group is reasonably certain that it is going to obtain the ownership title before the end of the lease term – in such case the right-of-use asset is depreciated from the commencement date to the end of the useful life. The estimated useful life of the right-of-use assets is determined in the same manner as for property, plant and equipment.

The Group avails of lease contracts which are mainly related to:

- a) the right of perpetual usufruct of land concluded for limited term ending 2079;
- b) buildings, mainly office and warehouse space concluded for limited time between 5 and 7 years;
- c) plant and machinery for limited time of up to 10 years;
- d) vehicles, i.e. passenger cars for limited time of up to 3 years.

Impairment

The Group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset lost its value and to recognise any identified impairment loss.

Recognition exemptions, simplified approach and practical expedients related to the application of IFRS 16

Exemptions

The following contracts of the Group are not subject to IFRS 16:

- licences granted falling under IFRS 15 *Revenue from Contracts with Customers*, and
- rights obtained under licences subject to IAS 36 *Intangible Assets*.

The Group does not apply IFRS 16 to lease contracts or similar contracts applicable to intangible assets.

Simplified approach and practical expedients related to the application of IFRS 16

Short-term lease

The Group has adopted a practical expedient in relation to short-term lease contracts characterised with the maximum possible term of 12 months, including the renewal option.

The simplified approach related to such contracts consists in recognising the lease payments as costs:

- on straight-line basis throughout the lease term; or
- on other systematic basis if it is more representative of the pattern of the lessee's benefit.

Lease of low-value assets

- The Group has not adopted the general principles of recognition, measurement and presentation under IFRS 16 to lease contracts of low-value assets.
- Low-value assets are considered to be those worth not more than PLN 20,000 when new, calculated as at the exchange rate of the first adoption date, i.e. 1 January 2019, at the mean closing rate of the National Bank of Poland as at the moment of the contract first recognition.
- The simplified approach related to such contracts consists in recognising the lease payments as costs:
 - on straight-line basis throughout the lease term; or
 - on other systematic basis if it is more representative of the pattern of the lessee's benefit.

- The object of a lease contract cannot be considered to be of low value if it results from its characteristics that the new (unused) asset has usually a high value.

Lease term determination: unlimited time contracts

- When determining the lease term for unlimited time contracts, the Group makes a professional judgement in consideration of:
 - the expenditure incurred in relation to the contract; or
 - the potential costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the lessee's needs, costs of integrating a new asset into the lessee's operations, or termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location.
- If the lease contract termination costs are significant, the lease term equal to the assumed depreciation term of a similar item of property, plant and equipment with parameters close to the object of lease is assumed.
- Providing that the lease contract termination costs may be reliably determined, there must be assumed a term in which the contract termination will not be justified.
- If the expenditures incurred in relation to the specific contract are significant, a lease term is assumed to be the term of deriving economic benefits from the use of the expenditure.
- The value of expenditure incurred is a separate item of assets, other than the right-of-use assets.
- If no expenditures are incurred in relation to the respective contract or if there are no costs related to the contract termination, or if the costs are of insignificant value, the lease term is deemed to be the contract notice period.

PROFESSIONAL JUDGEMENT

Separating non-lease components

The Group judges whether a contract contains lease and non-lease components. Under contracts which contain lease and non-lease components, the non-lease components are separated, e.g. service of assets being the object of the contract.

However, if a contract comprises non-lease components which are considered by the Group to be insignificant in the context of the whole contract, the Group applies a simplified approach consisting in joint treatment of the lease and non-lease elements as one lease element.

Lease term determination

When determining the lease term, the Group considers all important facts and events which result in economic incentives to avail of the extension option, economic penalties for a failure to extend the contract, or non-exercise of the termination option. The judgement is made if there occurs an important event or change in circumstances under the control of the Group, which affect the judgement.

Right-of-use assets useful life

The estimated useful life of the right-of-use assets is determined in the same manner as for property, plant and equipment.

Moreover:

a) Interpretation of IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation explains the method of income tax recognition and measurement in accordance with IAS 12, if there is an uncertainty regarding the tax treatment. It does not refer to taxes or payments outside of the scope of IAS 12, or requirements related to interest and penalties related to uncertain income tax treatment. The interpretation refers in particular to:

- separate consideration by an entity of the cases of uncertain tax treatment;
- assumptions made by an entity as to the control of the tax recognition by taxation authorities;
- the method in which an entity determines taxable income (tax loss), tax basis, unsettled tax losses, unused tax and tax rates;
- the method in which an entity recognises changes in facts and circumstances.

An entity must determine whether it considers each uncertain tax treatment separately, or jointly with one or more other uncertain tax treatments. An approach must be followed which better foresees the uncertainty clarification.

The interpretation has no significant impact on the interim condensed consolidated financial statements of the Group.

b) *Amendments to IFRS 9 Prepayment Features with Negative Compensation*

In accordance with IFRS 9, a debt instrument may be measured at amortised cost or fair value through other comprehensive income, providing that the contractual cash flows comprise solely payments of principal and interest on the outstanding principal amount ('SPPI criterion'), and the instrument is kept within a proper business model for such classification. The Amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

c) *Amendments to IAS 19 Plan Amendment, Curtailment or Settlement*

The Amendments to IAS 19 clarify that on amendment, curtailment or settlement of a plan, an entity has to determine the current service cost for the remaining part of the period post the plan amendment, curtailment or settlement, with the use of the actuarial assumptions applied in the net liability (asset) remeasurement on account of specific consideration reflecting the benefits offered under the plan and the plan assets post the event. An entity is also obliged to determine net interest for the remaining part of the period post the plan amendment, curtailment or settlement, with the use of net liability (asset) on account of the specific consideration reflecting the benefits offered under the plan and the plan assets post the event, as well as the discount rate applied in the net liability (asset) remeasurement on account of the specific consideration.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

d) *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interest in associates and joint-ventures to which the equity method does not apply, but as to the principle they are part of the net investment of an entity in an associate or joint venture (long-term interests). The clarification is important as it suggests that the expected model of credit losses under IFRS 9 applies to such long-term interests.

The amendments also clarify that when applying IFRS 9 an entity does not take into account the losses of the associate or joint venture or any impairment loss with respect to the net investment in the associate or joint venture, which result from the application of IAS 28 *Investments in Associates*.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

e) Changes resulting from the Annual Improvements to IFRS: 2015–2017 cycle

- *IFRS 3 Business Combinations*

The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for business combination performed by stages, which includes remeasurement at fair value of the previously held interests in that joint operation. In that way, the taking-over entity remeasures all of its previous interests in the joint operation.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

- *IFRS 11 Joint Arrangements*

The amendments clarify that an entity which participates in a joint operation but has no joint control over it may obtain joint control of the joint operation, within which the joint operation is a business within the meaning of IFRS 3. In such cases the previously held interests in the joint operation are not subject to remeasurement.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

- *IAS 12 Income Taxes*

The amendments clarify that the tax consequences of dividend payment are more directly related to former transactions or events that generated distributable profits than to payables to owners. Therefore, an entity recognises the tax consequences of dividend payment in profit or loss, other comprehensive income, or equity, depending on where the entity recognised the former transactions or events.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

- *IAS 23 Borrowing Costs*

The amendments clarify that an entity recognises any initially incurred loans for the purpose of qualifying asset production as part of general loans when basically all of the actions needed to prepare that asset to its intended use or sale are completed.

The amendments have no significant impact on the interim condensed consolidated financial statements of the Group.

The Group decided not to apply earlier any standard, interpretation or amendment that have been issued but are not yet effective in the light of the European Union regulations.

5. Estimation areas

The main accounting estimates and the assumptions made are presented in the respective explanatory notes to the financial statements:

- estimates concerning the recognition and measurement of lease contracts are presented in note 20;
- estimates concerning the write-downs of inventories are presented in note 16;
- estimates concerning the write-downs of receivables are presented in note 14;
- estimates concerning the write-downs of goodwill are presented in note 13;
- estimates concerning provisions and accruals are presented in note 17;
- estimates concerning deferred tax assets are presented in note 11;
- estimates concerning the valuation of net assets of associates are presented in note 26;
- estimates concerning energy-related assets are presented in note 34;
- estimates concerning investment properties are presented in note 34;
- estimates concerning financial instruments are presented in note 31;
- estimates concerning the fair value of the share options plan for the management staff are presented in note 33;

- estimates concerning the impairment of assets are presented in the financial statements for the year 2018;
- estimates concerning depreciation rates are presented in the financial statements for the year 2018.
- As regards the estimates concerning the valuation of long-term construction contracts, the Group applies the percentage of completion method to the settlement of long-term contracts. The method requires the Group to estimate the proportion of the works already completed to the total budgeted costs. If the percentage of completion were higher by 5% than the percentage estimated by the Group, the revenue for the reporting period would increase by PLN 4,362,000 (6 months of 2018: PLN 1,202,000). 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 PLN 1,049,000 (6 months of 2018: PLN 336,000).

The detailed description of the assumptions made in the particular areas of estimates is provided in the annual financial statements for the year 2018.

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

6. Seasonal nature of operations

Due to the division of operations into segments servicing various customer markets, the following seasonal variations may be observed.

The Flexible Packaging Segment records increased demand prior to the main holidays, i.e. Christmas and Easter, with a higher turnover in the second half of each year by 3–10%.

At the Extruded Products Segment the trend of sales revenue levelling during the year may be observed more and more often, particularly if the aluminium prices on the world's markets are lower in the second part of the year than in the first one. Within the last five years such situation was observed three times, including the previous year. In the other two cases, the sales in the second half of the year was by approx. 20% lower than in the first half of the year.

The Aluminium Systems Segment generates the highest sales 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 Segment managed to reduce the level of seasonality and in the last three years the sales in the second half of the year were higher by 20–25% at the most.

Seasonality of the Capital Group sales: due to the weights assigned to the particular segments, the sales in the second half of the year were higher by roughly 9–23% (based on the historical figures for the last 6 years), however, during the last three years the sales in those periods were higher by about 10%.

7. Information on operating segments

The Capital Group operations are organised in 3 basic operating areas and are divided into:

- Extruded Products Segment (EPS),
- Flexible Packaging Segment (FPS),
- Aluminium Systems Segment (ASS).

The detailed description of the types of operating segments, the assignment of companies to the segments, and information on the basic economic figures of the respective segments may be found in note 3 to the Management Board report on the operations of the Issuer's Capital Group published on 3 April 2019 together with the consolidated financial statements for 2018.

The operating segments 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.

Basic economic figures of the Issuer's operating segments:

6 months of 2019

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	393,184	667,922	705,207	7,849	(163,467)	1,610,695
- outside the Group	393,145	513,521	703,855	142	0	1,610,663
- to related parties	39	154,401	1,352	7,707	(163,467)	32
Write-down of inventories	(53)	(139)	(416)	0	0	(608)
Write-down of receivables	(13)	272	(867)	0	0	(608)
Write-downs of property, plant and equipment, and intangible assets	0	0	0	0	0	0
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	58,765	38,282	89,574	174,805	(183,462)	177,964
Depreciation	14,139	33,058	18,589	1,803	16	67,605
EBITDA	72,904	71,340	108,163	176,608	(183,446)	245,569
Interest income	21	159	167	73	0	420
Interest costs	(2,331)	(3,499)	(2,597)	(256)	0	(8,683)
Profit before tax	55,386	34,504	84,736	174,938	(183,462)	166,102
Income tax	(9,087)	(8,052)	(16,644)	1,250	185	(32,348)
Net profit	46,299	26,452	68,092	176,188	(183,277)	133,754
Balance sheet as at 30.06.2019						
Total assets	1,045,571	1,080,233	958,374	528,407	(625,761)	2,986,824
Liabilities	468,168	602,450	624,266	275,674	(291,442)	1,679,116
Other data						
Capital expenditure on property, plant and equipment	84,540	44,468	27,562	2,156	(1)	158,725

Q.2, 2019

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	192,787	341,461	376,436	3,894	(82,768)	831,810
- outside the Group	192,765	263,183	375,789	73	0	831,810
- to related parties	22	78,278	647	3,821	(82,768)	0
Write-down of inventories	(53)	(72)	(416)	0	0	(541)
Write-down of receivables	(13)	271	(895)	0	0	(637)
Write-downs of property, plant and equipment, and intangible assets	0	0	0	0	0	0
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	29,774	24,893	52,974	178,761	(185,058)	101,344
Depreciation	7,047	16,786	9,415	899	7	34,154
EBITDA	36,821	41,679	62,389	179,660	(185,051)	135,498
Interest income	21	(74)	167	41	0	155
Interest costs	(992)	(1,766)	(1,110)	(120)	0	(3,988)
Profit before tax	28,131	23,451	49,255	178,556	(185,058)	94,335
Income tax	(5,165)	(4,716)	(9,510)	193	491	(18,707)
Net profit	22,966	18,735	39,745	178,747	(184,565)	75,628
Capital expenditure on property, plant and equipment	76,420	29,003	18,839	1,557	0	125,819

6 months of 2018

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	348,365	624,302	589,699	7,727	(146,492)	1,423,601
- outside the Group	348,338	487,612	587,501	148	0	1,423,599
- to related parties	27	136,690	2,198	7,579	(146,492)	2
Write-down of inventories	0	(99)	13	0	0	(86)
Write-down of receivables	(138)	(128)	(676)	0	4	(938)
Write-downs of property, plant and equipment, and intangible assets	0	0	0	0	0	0
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	45,866	59,648	74,139	145,968	(156,602)	169,019
Depreciation	14,177	29,300	17,448	1,558	39	62,522
EBITDA	60,043	88,948	91,587	147,526	(156,563)	231,541
Interest income	68	104	144	21	0	337
Interest costs	(2,925)	(1,184)	(2,396)	(427)	0	(6,932)
Profit before tax	39,210	55,408	75,549	145,255	(156,602)	158,820
Income tax	(8,557)	(11,253)	(16,588)	1,874	696	(33,828)
Net profit	30,653	44,155	58,961	147,129	(155,906)	124,992
Balance sheet as at 30.06.2018						
Total assets	913,875	917,050	882,729	598,830	(597,012)	2,715,472
Liabilities	413,672	421,659	532,204	340,882	(258,692)	1,449,725
Other data						
Capital expenditure on property, plant and equipment	3,137	22,247	20,685	31,636	(1)	77,704

Q.2, 2018

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Revenue from contracts with customers	169,970	327,932	324,848	3,886	(77,875)	748,761
- outside the Group	169,954	255,103	323,627	81	(4)	748,761
- to related parties	16	72,829	1,221	3,805	(77,871)	0
Write-down of inventories	0	(74)	(48)	0	0	(122)
Write-down of receivables	(139)	(75)	(720)	0	4	(930)
Write-downs of property, plant and equipment, and intangible assets	0	(3)	0	0	0	(3)
Write-down of goodwill	0	0	0	0	0	0
Operating profit (EBIT)	22,695	35,373	43,489	149,196	(156,282)	94,471
Depreciation	7,069	14,817	9,249	796	18	31,949
EBITDA	29,764	50,190	52,738	149,992	(156,264)	126,420
Interest income	52	59	101	15	0	227
Interest costs	(1,514)	(816)	(1,493)	(246)	0	(4,069)
Profit before tax	17,325	33,945	46,477	148,041	(156,282)	89,506
Income tax	(3,272)	(6,927)	(9,541)	1,287	641	(17,812)
Net profit	14,053	27,018	36,936	149,328	(155,641)	71,694
Other data						
Capital expenditure on property, plant and equipment	5,156	24,241	16,475	706	0	46,578

- The item 'Other' contains figures of business units responsible for the centrally managed areas (IT, finance, PR and IR, risk management, capital investments, HR) and figures of companies not organisationally grouped in the core operating segments, such as Alu Trans System Sp. z o.o. under liquidation or Dekret Centrum Rachunkowe Sp. z o.o.

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

- The 'Eliminations' item in the statement of profit or loss refers to inter-segment sales. It is mainly related to the sale of aluminium profiles by the EPS to the ASS. In the balance sheet, it is mainly the elimination of shares and interests in subsidiaries as well as inter-segment receivables and liabilities. Transaction prices applied in the transactions between operating segments are determined at arm's length basis, as in the case of transactions with unrelated parties.

8. Structure of revenue from contracts with customers

	01.04.2019– 30.06.2019	01.01.2019– 30.06.2019	01.04.2018– 30.06.2018	01.01.2018– 30.06.2018
Products, including:	694,846	1,340,002	629,079	1,199,420
- aluminium products of the EPS	334,169	633,591	319,178	607,910
- plastic packaging of the FPS	182,543	371,647	156,536	318,960
- aluminium systems of the ASS	255,045	466,124	223,997	404,213
Consolidation adjustments**	(76,911)	(151,360)	(70,632)	(131,663)
including to related parties*	0	28	0	0
Services, including:	6,739	12,086	3,430	16,766
- services of the EPS	3,724	7,415	4,869	9,271
- services of the FPS	2,826	5,075	2,005	4,209
- services of the ASS	1,831	3,104	(616)	9,653
- services of the central units	3,893	7,848	3,874	7,716
Consolidation adjustments***	(5,535)	(11,356)	(6,702)	(14,083)
including to related parties*	0	3	0	0
Construction services of the ASS	19,669	47,633	14,394	22,039
Trade goods, including:	9,364	20,097	18,393	30,538
- goods of the EPS	1,064	1,738	1,055	1,658
- goods of the FPS	6,495	14,765	15,270	23,688
- goods of the ASS	1,805	3,594	2,068	5,192
Materials, including:	101,192	190,877	83,465	154,838
- materials of the EPS	2,504	5,178	2,831	5,463
- materials of the FPS	922	1,697	706	1,508
- materials of the ASS	98,088	184,752	80,455	148,602
Consolidation adjustments****	(322)	(750)	(527)	(735)
including to related parties*	0	1	0	2
TOTAL SALES REVENUE	831,810	1,610,695	748,761	1,423,601
including from related parties	0	32	0	2

* for an associate; see note 26

** refers mainly to aluminium profiles sale by EPS to ASS

*** refers mainly to the cooperation between ASS and EPS, and services of the central units provided to the segments

**** refers mainly to aluminium scrap sale by ASS to EPS

9. Cash and cash equivalents

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

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

	30.06.2019	31.12.2018
Bank deposits (current accounts) and short-term deposits	201,512	100,634
Cash in hand	58	45
Other cash	2	2
Cash recognised in the balance sheet	201,572	100,681

As at 30 June 2019, the Group possessed in its VAT accounts restricted cash amounting to PLN 895,000 (31.12.2018: PLN 895,000). The cash may be used only for the purpose of output VAT payment to the tax office or as VAT payment to the Company suppliers.

As at 30 June 2019, the Group had undrawn credit funds granted amounting to PLN 273,394,000 with regard to which all conditions precedent had been complied with (as at 31 December 2018: PLN 201,340,000).

10. Dividends paid and proposed for payment

On 30 May 2019, the Annual General Meeting passed a resolution on allocation of the net profit generated by the Company in 2018, amounting to PLN 191,439,215.01 to the payment of dividend.

Additionally, the AGM decided to allocate to dividend payment the profit from reserve capital amounting to PLN 37,651,512.99. Therefore, the dividend will amount to PLN 229,090,728 (PLN 24 per share in reference to the number of the Company shares as at the date of passing the resolution on dividend payment, i.e. 9,545,447 shares).

The dividend record date was decided to be 22 August 2019.

The dividend payment declaration assumes payout in two tranches, i.e. PLN 68,818,129 on 5 September 2019, and PLN 162,272,599 on 7 November 2019.

In the preceding year, Grupa Kęty S.A. paid dividend amounting to PLN 228,521,000 (PLN 23.94 per share).

11. Income tax

The main components of the tax payables are as follows:

Income tax structure	3 months ended 30.06.2019	6 months ended 30.06.2019	3 months ended 30.06.2018	6 months ended 30.06.2018
Current tax	(14,081)	(26,564)	(14,600)	(26,130)
Deferred tax	(4,626)	(5,784)	(3,212)	(7,698)
Income tax recognised in the statement of profit or loss	(18,707)	(32,348)	(17,812)	(33,828)

12. Property, plant and equipment

12.1. Purchase and sale

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

	3 months ended 30.06.2019	6 months ended 30.06.2019	3 months ended 30.06.2018	6 months ended 30.06.2018
Acquisition of property, plant and equipment	125,156	158,725	46,961	77,036
Net value of property, plant and equipment sold	61	563	212	491
Profit (loss) on sale of property, plant and equipment	167	331	81	147

12.2. Impairment losses

In the period of 6 months of 2019, the Group did not remeasure any write-downs of property, plant and equipment (6 months of 2019: the Group did not remeasure any write-downs of property, plant and equipment, either).

13. Write-downs of goodwill

In the period of the first 6 months of 2019 and in the period of the first 6 months of 2018, due to the absence of indicators of impairment, the Group did not write down goodwill.

14. Short-term receivables

	30.06.2019	31.12.2018
Net receivables:	642,229	571,136
Trade receivables	614,274	531,801
- including from associates	19	0
Deposits on account of transactions hedging the aluminium price	2,500	2,485
Receivables from employees	313	161
Other	3,982	9,113
Total net financial receivables (under IFRS 7)	621,069	543,560
Public law receivables (except for the income tax)	9,060	17,991
Prepayments (trade-related) for suppliers	8,302	5,582
Prepaid expenses	3,798	4,003
Total net non-financial receivables	21,160	27,576

In the period of 6 months of 2019, the Group recognised write-downs of receivables amounting to PLN 637,000 (6 months of 2017: the Group reversed write-downs amounting to PLN 938,000). The write-downs were recognised in a separate item of the statement of profit or loss entitled 'Write-downs of financial assets – IFRS 9'.

Trade receivables do not bear interest and usually have 30- up to 90-day maturity.

The Group has implemented an appropriate policy related to sales only to verified customers and applies receivables insurance with specialised companies. Consequently, according to the management's opinion, there is no additional credit risk exceeding the level established by the write-down of uncollectible receivables applicable to the Group trade receivables. The fair value of receivables is close to their book value.

15. Contractual assets

Contractual assets	30.06.2019	31.12.2018
Contractual assets recognised in the balance sheet	14,276	21,243

In accordance with the Group estimates, the above contractual assets will be realised within up to 12 months. According to the Group estimates, there are no probable loss indications and, therefore, no impairment of contractual assets has been recognised.

16. Inventories

	30.06.2019	31.12.2018
Materials	207,444	228,612
Work in progress	118,480	121,522
Finished products	132,671	151,194
Trade goods	8,420	8,133
TOTAL	467,015	509,461

In the period of 6 months of 2019, the Group recognised write-downs of inventories amounting to PLN 608,000 (6 months of 2018: the Group recognised write-downs amounting to PLN 86,000). The amount was recognised in 'Other operating costs'.

17. Provisions and accruals

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

	Balance as at 01.01.2019	Increases	Utilisation	Reversal/ Movements	Currency translation difference s	Balance as at 30.06.2019
Long-term provisions	13,174	343	(142)	(17)	(45)	13,313
provision for jubilee bonuses and retirement benefits	12,675	343	(142)	(17)	(45)	12,814
provision for warranty repairs	499	0	0	0	0	499
Short-term provisions	1,934	0	(117)	7	3	1,827
provision for jubilee bonuses and retirement benefits	686	0	0	7	3	696
provision for warranty repairs	1,248	0	(117)	0	0	1,131
Short-term accruals:	32,949	25,370	(28,693)	(623)	(43)	28,960
provision for the costs of unused holiday	7,449	10,056	(6,845)	0	(15)	10,645
costs of annual bonus	16,497	8,643	(15,800)	(623)	(17)	8,700
costs of damages	3,704	0	0	0	0	3,704
costs incurred	3,807	6,326	(5,232)	0	(12)	4,889
costs of auditing financial statements	250	135	(221)	0	(2)	162
provision for costs	1,242	210	(595)	0	3	860

	Balance as at 01.01.2018	Increases	Utilisation	Currency translation differences	Balance as at 30.06.2018
Long-term provisions	11,236	216	(22)	108	11,538
provision for jubilee bonuses and retirement benefits	10,737	216	(22)	108	11,039
provision for warranty repairs	499	0	0	0	499
Short-term provisions	1,651	0	(11)	0	1,640
provision for jubilee bonuses and retirement benefits	803	0	0	0	803
provision for warranty repairs	848	0	(11)	0	837
Short-term accruals:	32,206	27,060	(32,138)	160	27,288
provision for the costs of unused holiday costs of annual bonus	7,421	10,046	(7,421)	36	10,082
costs of damages	13,460	8,357	(13,460)	41	8,398
costs incurred	4,134	0	0	0	4,134
costs of auditing financial statements	3,830	8,449	(8,438)	42	3,883
provision for costs	278	31	(144)	3	168
	3,083	177	(2,675)	38	623

18. Bank loans

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

Long-term loans

Borrower	Lender	Loan currency	31.12.2018	Increases (decreases)	30.06.2019
Grupa Kęty S.A.	PKO BP S.A.	PLN	105,829	3,070	108,899
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS S.A.	PLN	55,400	(16,191)	39,209
Aluprof S.A.	Bank Pekao S.A.	PLN	56,667	(14,167)	42,500
Alupol Films sp. z o.o.	BGŻBNP PARIBAS S.A.	EUR	1,999	(400)	1,599
Alupol Films sp. z o.o.	mBank	PLN	0	74,177	74,177
Alupol Packaging Kęty sp. z o.o.	mBank	PLN	0	357	357
Aluprof UK Ltd.	Santander Consumer Bank S.A.	GBP	12	(4)	8
Total long-term loans			219,907	46,842	266,749

Short-term loans

Borrower	Lender	Loan currency	31.12.2018	Increases (decreases)	30.06.2019
Grupa Kęty S.A.	Bank PKO BP S.A.*	PLN	20,117	19,130	39,247
Grupa Kęty S.A.	Bank PKO BP S.A.	PLN/EUR	285	9,602	9,887
Grupa Kęty S.A.	BGŻBNP PARIBAS S.A.	PLN/EUR	151,208	(12,317)	138,891
Grupa Kęty S.A.	ING Bank Polska	PLN	825	(825)	0
Grupa Kęty S.A.	Bank Pekao S.A.	PLN	61,859	(12,666)	49,193
Grupa Kęty S.A.	Bank Societe Generale S.A.	EUR	17,813	(2,002)	15,811
Alupol Packaging S.A.	BGŻBNP Paribas	PLN	4,964	(4,964)	0
Alupol Packaging S.A.	Bank Pekao S.A.	PLN	27,624	655	28,279
Alupol Packaging S.A.	Bank Pekao S.A.	PLN/USD	0	674	674
Alupol Packaging S.A.	Bank PKO BP S. A	PLN	10,529	(10,529)	0
Alupol Packaging S.A.	Bank Pekao S.A.	EUR	1,427	(1,427)	0

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Alupol Packaging Kęty Sp. z o.o.	Bank PKO BP S.A.	PLN	16,018	190	16,208
Alupol Packaging Kęty Sp. z o.o.	Bank Pekao S.A.	PLN/USD	29,763	(2)	29,761
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska S.A.	PLN	38,267	299	38,566
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS S.A.*	PLN	22,763	5,043	27,806
Alupol Packaging Kęty Sp. z o.o.	mBank	PLN	0	2,234	2,234
Aluprof S.A.	Bank PKO BP S.A.	PLN	0	1,626	1,626
Aluprof S.A.	Bank Pekao S.A.	PLN	89,471	19,887	109,358
Aluprof S.A.	Societe Generale S.A.	PLN	8,020	(8,020)	0
Aluprof S.A.	BGŻBNP Paribas	PLN	7,202	(7,202)	0
Aluprof S.A.	BGŻBNP Paribas	EUR	767	(767)	0
Aluprof S.A.	ING Bank Polska	PLN	43,097	(22,339)	20,758
ROMB S.A.	BGŻBNP Paribas	PLN	8,315	560	8,875
ROMB S.A.	Bank PKO BP S.A.	PLN	6,577	801	7,378
Alupol Films sp. z o.o.	Bank Pekao S.A.	EUR	28,376	(4,686)	23,690
Alupol Films sp. z o.o.	BGŻBNP Paribas	PLN	37,191	(20,606)	16,585
Alupol Films sp. z o.o.	mBank	EUR	105	190	295
Alupol Films sp. z o.o.	BGŻBNP Paribas	EUR	0	12,059	12,059
Alupol Films sp. z o.o.	BGŻBNP Paribas	PLN	0	800	800
Aluform sp. z o.o.	Bank Pekao S.A.	EUR	5,379	(5,379)	0
Aluminium Kety Emmi d.o.o.	Bank PEKAO	EUR	15,751	5,012	20,763
Total short-term loans			653,713	(34,969)	618,744

* Short-term part of long-term loans.

During the first half of 2019 and as at 31.12.2018, the Group complied with all credit/loan covenants.

All the Group loans bear interest at variable rates determined on arm's length basis in reference to WIBOR/EURIBOR/LIBOR plus the bank margin.

Loans repayment complied with the repayment schedule. Loans were taken out for the purpose of managing the Group liquidity.

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

19. Lease liabilities

Long-term liabilities related the right-of-use assets

Entity liable	Type of liability	Currency	30.06.2019	01.01.2019
Aluprof Netherlands B.V.	Car lease	EUR	429	284
Aluprof Netherlands B.V.	Office lease	EUR	320	383
Aluprof System Hungary KFT	Car lease	HUF	117	0
Aluprof System Romania SRL	Car lease	RON	225	266
Aluprof System Romania SRL	Office lease	EUR	1,150	1,321
Aluprof S.A.	Warehouse lease	PLN	339	317
Aluminium Kety EMMI d.o.o.	Warehouse lease	EUR	234	236
Grupa Kęty S.A.	Fees on account of land perpetual usufruct rights	PLN	3,494	3,587
Alupol Packaging Kęty sp.z o.o.	as above	PLN	2,028	2,082
Aluprof S.A.	as above	PLN	3,829	3,922
ROMB S.A.	as above	PLN	2,636	2,706
ROMB S.A.	Forklift trucks lease	PLN	446	550
Aluprof S.A.	Premises lease contracts	PLN	132	246
Other foreign companies of the Capital Group	Other land and buildings lease contracts	EUR/GBP	6,533	3,951
Total			21,912	19,851

Short-term liabilities related to the right-of-use assets

Entity liable	Type of liability	Currency	30.06.2019	01.01.2019
Aluprof Netherlands B.V.	Car lease	EUR	47	284
Aluprof Netherlands B.V.	Office lease	EUR	167	167
Aluprof System Hungary KFT	Car lease	HUF	17	0
Aluprof System Romania SRL	Car lease	RON	70	266
Aluprof System Romania SRL	Office lease	EUR	400	400
Aluprof S.A.	Warehouse lease	PLN	20	89
Aluminium Kety EMMI d.o.o.	Warehouse lease	EUR	158	236
Grupa Kęty S.A.	Fees on account of land perpetual usufruct rights	PLN	177	177
Alupol Packaging Kęty sp.z o.o.	as above	PLN	103	103
Aluprof S.A.	as above	PLN	194	194
ROMB S.A.	as above	PLN	134	134
ROMB S.A.	Forklift trucks lease	PLN	241	240
Aluprof S.A.	Premises lease contracts	PLN	228	228
Other foreign companies of the Capital Group	Other land and buildings lease contracts	EUR/GBP	1,560	798
Total			3,516	3,316

20. Lease
20.1. Group as a lessee
Change in the balance of the right-of-use assets

	Land	Buildings	Plant and machinery*	Vehicles*	Total
Gross book value as at 01.01.2019	32,767	7,353	938	1,824	42,882
Accumulated amortisation as at 01.01.2019	0	0	(251)	(93)	(344)
Net book value as at 01.01.2019 (IFRS 16 impact)	32,767	7,353	687	1,731	42,538
<i>Increases (decreases)</i>					
Depreciation in 2019	(232)	(1,061)	(90)	(340)	(1,723)
New contracts	0	4,104	16	439	4,559
Currency translation differences	16	(290)	(7)	(21)	(302)
Total increases (decreases)	16	3,814	9	418	4,257
Gross book value	32,783	11,167	947	2,242	47,139
Accumulated amortisation	(232)	(1,061)	(341)	(433)	(2,067)
Total net book value as at 30.06.2019	32,551	10,106	606	1,809	45,072

* The items 'Plant and machinery' and 'Vehicles' represent reclassifications comprising gross value and amortisation of property, plant and equipment, which were recognised as at 31.12.2018 as financial lease under IAS 17.

Costs of lease contracts recognised in the statement of profit or loss:

Costs on account of		
Lease interest	Finance costs	(307)
Depreciation	Operating costs (depreciation)	(1,723)
Low-value lease	Operating costs (third-party services)	(310)
Short-term lease	Operating costs (third-party services)	(481)
Total		(2,821)

Value of future lease payments as at 31.12.2018

Value of future lease payments	52,920
Discount	(29,753)
Present value of lease liabilities as at 31.12.2018	23,167
including short-term lease	3,316

Weighted average incremental borrowing rate of the Group as the lessee applied to lease liabilities as at 01.01.2019 amounted to 4.36%.

20.2. Group as a lessor

As at the lease commencement date, the Group classifies lease as either finance or operating lease. For the purpose of classification, the Group assesses whether basically the whole risk and benefits resulting from the asset are conveyed to the lessee. If basic risks and benefits are transferred to the lessee, the Group classifies lease as finance lease, otherwise, the Group classifies lease as operating lease.

Occasionally, the Group concludes finance lease contracts with its customers in reference to machinery, and with commercial representatives in reference to cars.

As at the balance-sheet date, the Group had more than ten contracts pending repayment. The Group did not recognise any uncollectible lease payments.

The terms and conditions of the contract concluded by the Group are as follows:

- the finance covers the period from 18 to 60 months;
- the object of the contracts may be machinery or cars;
- the contracts cover for the option of the lease object purchase by the user after repayment, at a price lower than the market value on the day of acquisition;
- the contracts cover for termination option, for example in case arrears amount to 3 monthly instalments. The user may terminate the contract providing that they cover any losses of the lessor resulting from the termination;
- the contracts forbid sub-leasing of the object of lease or assignment of the rights under the contract.

The concluded contracts do not contain any contingent lease payment depending on future factors other than the lapse of time.

	30.06.2019	31.12.2018
Gross lease investment	2,203	2,609
Up to 1 year	792	1,032
Between 1 and 5 years	1,411	1,577
Present value of minimum lease payments	2,082	2,455
Up to 1 year	723	952
Between 1 and 5 years	1,359	1,503
More than 5 years	0	
Unearned finance income (discount)	121	154
Unguaranteed residual value vested in the lessor	737	768

21. Equity securities – employee share plans

The Capital Group plan of vesting shares to its selected employees as well as the principles of the plan valuation are described in detail in the consolidated financial statements for 2018.

The shares taken up under the employee share plan are presented in note 32.

The Group recognises the plan costs proportionally to the vesting period of the rights to options.

22. Trade payables and other liabilities

22.1. Long-term liabilities

As a performance bond for construction services for a part of construction contracts, the Company submits security deposits. In the event of any defects that the supplier fails to eliminate pursuant to such a bond, the Group may retain the security deposit and use it to repair such defects.

	30.06.2019	31.12.2018
Building security deposits	1,096	1,130

22.2. Short-term trade payables and other liabilities

	30.06.2019	31.12.2018
Short-term liabilities:	616,440	345,747
Trade payables	280,161	244,226
Payables on account of property, plant and equipment purchase	31,930	49,610
Payroll payables	18,473	17,419
Dividend payables	229,091	0
Total financial liabilities (under IFRS 7)	559,655	311,255
Public law payables (except for income tax payables)	46,264	30,899
Settlements related to transactions hedging the aluminium price	3,705	0
Other liabilities	6,816	3,593
Total non-financial liabilities	56,785	34,492

Principles and conditions of 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.

The said liabilities are not secured with the Company assets.

22.3. Contractual liabilities

	30.06.2019	31.12.2018
Contractual liabilities related to construction contracts	0	129
Contractual liabilities related to other contracts	11,442	10,609
Total contractual liabilities	11,442	10,738

The contracts with the customers provide that the above amounts should be realised within up to 12 months.

23. Explanation of the reasons for material changes in the items of revenue and costs

In the period of the first 6 months of 2019 as compared to the first 6 months of 2018, material changes in the particular items of revenue and costs applied to the following areas:

- increase in sales revenue by PLN 187,094,000, which resulted from higher sales volume in the core segments as well as changes in the prices of the basic raw material (aluminium) and exchange rates;
- increase in depreciation costs by PLN 4,973,000, which resulted from the Group investments;
- increase in the costs of energy and materials by PLN 105,668,000, which resulted from higher sales volume and the related increase in output as well as changes in the prices of the basic raw material (aluminium) and exchange rates. As estimated by the Group, the quotations of the average aluminium price in the period of 6 months of 2019 as compared to 6 months of 2018 decreased by approximately 17%, with the simultaneous increase in the USD exchange rate by about 9%;
- increase in the costs of external services by PLN 11,456,000, which resulted mainly from higher production and sales and the related higher number of purchased services, and the observed growth in the prices of the purchased services;
- increase in the costs of employee benefits by PLN 20,403,000, which resulted mainly from higher sales and production volumes and contributed to headcount increase at the Group and growth in payroll.

24. Discontinued operations

In 6 months of 2019 and 6 months of 2018, the Group did not discontinue any significant operations.

25. Business combinations and acquisitions of non-controlling interests

In the current period and the comparative period there were no such transactions.

26. Investments in associates

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

As at 30 June 2019, 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	Majority investor	Percentage of share capital as at		Profit (loss) allocated to the major investor as at		Accumulated value of shares as at		Segment
				30-06-2019	31-12-2018	30-06-2019	31-12-2018	30-06-2019	31-12-2018	
Aluprof USA LLC	USA	Distribution of aluminium systems	Aluprof System USA	45.5%	45.5%	384	1,144	5,121	4,761	ASS

27. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed compared to those published in the latest annual financial statements.

Below presented is the detailed information concerning fair values of financial instruments that can be estimated.

- Cash and cash equivalents, short-term bank deposits and short-term bank loans. The fair value of the said instruments is close to their carrying amounts due to their short-term 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 borrowings, bank loans, 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 determined as at the balance-sheet date.

28. Capital management

The main aim of the Group capital management process is to retain safe capital ratios which would support the Group 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 reporting period ended 30 June 2019, compared to the year ended 31 December 2018, no changes were introduced to the objectives, principles and processes binding in that area.

The Group monitors equity using the leverage ratio, which is the ratio of net debt to total equity increased for net debt. The Group principles provide that the ratio shall not be higher than 50% as at the end of the reporting year. The Group net debt includes interest-bearing loans and borrowings, trade payables and other liabilities, less cash and cash equivalents. Equity comprises convertible preference shares and equity attributable to owners of the parent, less reserves for unrealised net profit.

	30.06.2019	31.12.2018
Interest-bearing loans and borrowings	910,921	875,056
Trade payables and other liabilities	627,882	356,485

Less cash and cash equivalents	(201,572)	(100,681)
Net debt	1,337,231	1,130,860
Equity	1,307,708	1,397,042
Equity and net debt	2,644,939	2,527,902
Leverage ratio	50.56%	44.74%

Leverage ratio = net debt / (net debt + equity)

29. Contingent liabilities

Item	30.06.2019	31.12.2018
Bank performance bonds for construction contracts, as provided by the ASS	21,667	25,097
Insurance performance bonds for construction contracts, as provided by the ASS	3,285	50,960
Total guarantees granted	24,952	76,057

Construction-related guarantees refer to the proper performance of construction service contracts, and their validity dates depend on the terms and conditions of the particular contracts.

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

30. Future investment liabilities

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

Contractual liabilities related to the purchase of property, plant and equipment, by segments	30.06.2019	31.12.2018
Extruded Products Segment	17,473	12,746
Flexible Packaging Segment	14,437	70,004
Aluminium Systems Segment	3,207	10,547
Joint expenditure	71	103
TOTAL	35,188	93,400

31. Derivative financial instruments

Financial assets	30.06.2019	31.12.2018
Currency forward contracts hedging cash flows	429	272
Futures contracts hedging cash flows related to the purchase of aluminium	188	334
TOTAL FINANCIAL ASSETS	617	606
Financial liabilities	30.06.2019	31.12.2018
Currency forward contracts hedging cash flows	853	386
Futures contracts hedging cash flows related to the purchase of aluminium	4,317	9,314
TOTAL FINANCIAL LIABILITIES	5,170	9,700

Compared to the principles described in the latest annual financial statements, the Group has not introduced any changes in the method of classification and valuation of financial instruments.

The fair value of futures and forwards is calculated on the basis of the present net value of the future cash flows related to such contracts and quoted market prices of forward contracts determined with the use of the present interest rates. Forward/futures contracts and derivative instruments which cannot be classified as hedging instruments are recognised as instruments held for trading.

The fair value of currency forward contracts is determined by reference to the present forward rates of contracts with similar maturity.

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

32. Shareholding structure and transactions with management staff

32.1. Shareholding structure

Entity	30.06.2019		31.12.2018	
	Number of shares	Percentage of capital	Number of shares	Percentage of capital
OFE AVIVA Santander	1,723,000	18.04%	1,762,985	18.47%
Nationale Nederlanden OFE	1,847,000	19.34%	1,836,002	19.23%
OFE PZU ŻŁOTA JESIEŃ	952,419	9.97%	946,571	9.92%
AEGON PTE	693,079	7.26%	688,823	7.22%
PTE Allianz Polska	494,262	5.17%	491,227	5.15%
MetLife OFE	500,000	5.23%	509,873	5.34%
Others	3,342,687	34.99%	3,309,966	34.68%
Total*	9,552,447	100.00%	9,545,447	100.00%

The number of shares covers the 7,000 shares taken up by the authorised employees under the share options plan performance at the beginning of June 2019. As at the balance-sheet date the shares have not been registered by the Court or admitted to trading by the Warsaw Stock Exchange.

Moreover, post the balance-sheet date, on 2 July 2019, the authorised persons took up 17,500 G series shares under the performance of the share options plan.

32.2. Transactions with members of the Management Board

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

32.3. Costs of remuneration of the Group senior management

Management Board:	6 months of 2019	6 months of 2018
Costs of short-term employee benefits	1,242	1,260
Costs of provisions for annual bonuses and other benefits	2,258	3,150
Total amount of costs of the Management Board members remuneration	3,500	4,410
The valuation of the costs of options for treasury shares due when the plan is implemented*	320	450
Total benefits to the Management Board members	3,820	4,860

* The details of the plan are described in note 32.4. If the market conditions for the allocation of options are not fulfilled, despite the recognition of the costs of the plan, eligible persons will not acquire the right to take up shares.

Senior management is considered by the Group to be the Management Boards of the subsidiaries.

Remuneration and benefits under the options plan due to the members of the Management Board, the senior management and members of the Company Supervisory Board are as follows:

	6 months of 2019	6 months of 2018
Management Board of the parent*	3,820	4,860
Senior management*	5,883	5,515

Supervisory Board	423	399
Total	10,126	10,774

* The presented remuneration covers the costs of provisions for annual bonuses for the management staff and share options costs recognised in the statement of profit or loss. Pursuant to the principles of the plan and IFRS 2, the value of the share options constitutes the valuation of the options plan as at the date of its launch. The costs of options are recognised in profit or loss on a straight-line basis throughout the validity period of the plan, i.e. 36 months. In accordance with IFRS 2, the costs presented in such a way constitute the cost of remuneration for the Company, but do not reflect the value of the possible benefits that the employees may obtain in the future on that account. The possible benefits of the employees depend on the level of share prices in the future as compared to the acquisition price resulting from the conditions of the particular parts of the options plan.

32.4. Participation of senior management in the employee share plan

In the reporting period, the Management Board did not take up any shares of Grupa Kęty S.A.

In the reporting period, the Management Board took up 4,200 shares of the Company under the first part of the 2015 plan.

As at the balance-sheet date the members of the Management Board held options entitling them to 17,500 shares from the third part of the 2012 plan (shares taken up in July 2019), and 14,700 shares from the first part of the 2015 plan.

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 plan conditions.

Number of share options in the vesting period granted to the members of the Management Board of the parent	Number of granted options	End date of the vesting period	Estimated number of options meeting the vesting conditions
Share options from the second part of the 2015 plan	21,000	01.10.2019	14,700
Share options from the third part of the 2015 plan	21,000	01.10.2020	3,150

The costs of considerations on that account recognised in the statement of profit or loss for the period of 6 months of 2019 amounted to PLN 320,000 (6 months of 2018: PLN 450,000).

Under the plan, the members of senior management hold options entitling them to purchase 7,700 shares from the first part of the 2015 plan.

Number of share options in the vesting period granted to the members of the Management Board of the parent	Number of granted options	End date of the vesting period	Estimated number of options meeting the vesting conditions
Share options from the second part of the 2015 plan	23,000	01.10.2019	16,100
Share options from the third part of the 2015 plan	23,000	01.10.2020	3,450

The costs of options for the senior management recognised in profit or loss amounted in the period of the first 6 months of 2019 to PLN 352,000 (6 months of 2018: PLN 438,000).

33. Shares issue and capital increase

In the reporting period, the eligible employees did not acquire any shares of the company.

In the reporting period, the authorised persons took up 7,000 shares of the first part of the 2015 plan for the price per share of PLN 304.24.

Moreover, post the balance-sheet date, the authorised persons took up 17,500 shares of the third part of the 2012 plan for the issue price of PLN 117.10.

The Company issued 28,000 share options for the management staff under the third part of the 2012 plan, with the right to take up G series shares at the issue price of PLN 117.10 per share (17,500 shares taken up by the authorised persons in July 2019) and 30,800 share options under part one of the 2015 plan. As at 30 June 2019 the shares were not taken up.

Below presented is the method of settling proceeds from the issue of employee shares.

Shares	Number of shares	Year of acquisition	Value (PLN '000)	Amounts accounted for as share capital	Amounts accounted for as share premium
E series shares – 2006 plan	13,375	2013	1,669	33	1,636
F series shares – 2009 plan	85,200	2013	6,547	213	6,334
F series shares – 2009 plan	9,000	2014	1,059	23	1,036
E series shares – 2006 plan	4,350	2014	543	11	532
F series shares – 2009 plan	43,200	2014	5,082	108	4,974
F series shares – 2009 plan	12,750	2014	1,601	32	1,569
F series shares – 2009 plan	48,450	2015	6,083	121	5,962
G series shares – 2012 plan	11,705	2016	1,371	29	1,342
G series shares – 2012 plan	24,683	2016	2,890	62	2,828
G series shares – 2012 plan	11,604	2017	1,359	29	1,330
G series shares – 2012 plan	31,720	2017	3,714	78	3,636
G series shares – 2012 plan	23,747	2018	2,780	59	2,721
H series shares – 2015 plan*	7,000	2019	2,130	0	0
TOTAL	326,784		36,828	798	33,900

* As at the balance-sheet date H series shares were not entered in the National Court Register and were not admitted to stock trading.

34. Methods of measurement at fair value (fair value hierarchy)

At fair value, the Group measures 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 Company remeasured energy-related assets. As a result of the valuation, the Group recognised PLN 1,658,000 in 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 PLN 315,000 decreasing the reserve. In addition, the Company recognised PLN 655,000 in 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.

In the consolidated financial statements for 2018, the detailed principles for determining the fair value of energy-related assets as at the revaluation date are described in note 17. The method of the valuation of investment properties at fair value is described in note 19. Detailed information about the valuation of derivative financial instruments is available in note 40.

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 'Level 3'.

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

The fair value of currency forward contracts is determined by reference to the present forward rates of 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 '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 'Level 2' of the fair value hierarchy.

Fair value hierarchy	Fair value hierarchy level	30.06.2019	31.12.2018
Assets			
Investment properties	3	3,624	3,493
Energy-related assets	3	5,665	5,545
Hedging derivatives	2	617	606
TOTAL ASSETS		9,906	9,644
Liabilities			
Hedging derivatives	2	5,170	9,700
TOTAL LIABILITIES		5,170	9,700

35. Earnings per share

Below presented are the data related to earnings and the number of shares applied to calculate the basic and diluted earnings per share.

	6 months ended 30.06.2019	6 months ended 30.06.2018
Net profit attributable to owners of the parent	133,502	124,976
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,546,259	9,530,753
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share	9,572,192	9,553,475
Basic earnings per share from the basic profit for the period attributable to owners of the parent (in PLN)	13.97	13.11
Diluted earnings per share from the basic profit for the period attributable to owners of the parent (in PLN)	13.94	13.08

During the reporting period, the authorised employees took up 7,000 shares of Grupa Kęty S.A. under the first part of the 2015 plan, at the price of PLN 304.24 per share.

Moreover, the authorised employees held options to take up 28,000 shares at the price of PLN 117.10 per share under the third part of the 2012 plan, and 35,000 shares under the first part of the 2015 plan at the price of PLN 304.24 per share.

The average market price of the Company shares in the period of 6 months of 2019 was PLN 365,50. The closing price as at 30 June 2019 was PLN 320.

The potential number of ordinary shares associated with the employee options plan increasing the number of shares and assumed for the calculation of diluted earnings per share is 25,933.

36. Post-balance-sheet events

Apart from those mentioned above, there were no significant events post the balance-sheet date which should be included in these consolidated financial statements.

GRUPA KĘTY S.A.

**II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
OF GRUPA KĘTY S.A.**

(PLN '000)

SEPARATE STATEMENT OF PROFIT OR LOSS

	Note	3 months ended 30.06.2019	6 months ended 30.06.2019	3 months ended 30.06.2018	6 months ended 30.06.2018
Total operating revenue, including:		491,373	780,970	447,062	713,373
Sales revenue		308,494	597,512	293,788	559,686
Other operating revenue		432	1,011	397	810
Dividends		182,447	182,447	152,877	152,877
Change in inventories of finished goods and work in progress		(5,105)	(16,235)	(7,924)	(955)
Cost of manufacturing of products for own needs		1,480	2,982	1,124	2,353
Total operating costs, including:		(293,135)	(571,763)	(266,152)	(528,173)
Depreciation		(12,709)	(24,869)	(10,480)	(20,679)
Materials and energy and the value of materials sold		(202,851)	(396,402)	(178,496)	(361,865)
Third-party services		(42,295)	(79,802)	(43,214)	(78,073)
Taxes and fees		(1,655)	(3,010)	(1,482)	(2,934)
Employee benefits		(33,000)	(66,436)	(31,516)	(63,160)
Write-downs of financial assets – IFRS 9		271	272	(868)	(1,366)
Other operating costs		(896)	(1,516)	(96)	(96)
Profit on operating activities and dividends		194,613	195,954	174,110	186,598
Financial revenue		(87)	134	41	53
Finance costs		(1,557)	(4,129)	(2,922)	(5,060)
Profit before tax		192,969	191,959	171,229	181,591
Income tax	11	(2,669)	(2,690)	(3,789)	(5,974)
Net profit on continued operations		190,300	189,269	167,440	175,617
Net earnings per share for the period (PLN)	31				
Basic earnings per share		19.93	19.83	17.55	18.43
Diluted earnings per share		19.88	19.77	17.51	18.38

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended 30.06.2019	6 months ended 30.06.2019	3 months ended 30.06.2018	6 months ended 30.06.2018
Net profit for the period	190,300	189,269	167,440	175,617
Other comprehensive income*, of which:	(2,504)	1,482	5,781	(655)
Valuation of cash flow hedging instruments	(2,669)	2,137	6,314	(1,223)
Result on cash flow hedging transactions	(372)	(279)	667	336
Income tax related to other comprehensive income	537	(376)	(1,200)	232
Comprehensive income for the period	187,796	190,751	173,221	174,962

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

SEPARATE BALANCE SHEET

ASSETS	NOTE	30.06.2019	31.12.2018
I. Non-current assets		882,854	877,508
Property, plant and equipment		492,509	486,547
Intangible assets		6,182	6,497
Right-of-use assets		11,973	0
Shares and interests		369,519	369,107
Advance payments for property, plant and equipment		2,671	15,357
II. Current assets		561,691	345,548
Inventories	14	102,435	134,887
Income tax receivables		1,719	0
Trade and other receivables	13	440,255	194,457
Derivative financial instruments	23	154	347
Cash and cash equivalents	9	17,128	15,857
Total assets		1,444,545	1,223,056
EQUITY/LIABILITIES			
I. Equity		654,235	689,590
Share capital		67,763	67,763
Share premium		33,900	33,900
Non-registered capital from the issue of shares		2,130	0
Capital from the revaluation of property, plant and equipment		2,842	2,842
Capital from share based payments		25,177	24,322
Capital from the revaluation of hedging instruments		(1,447)	(3,208)
Result on cash flow hedging transactions		(811)	(532)
Retained earnings		524,681	564,503
II. Long-term liabilities		166,565	158,326
Liabilities related to loans	16	108,899	105,829
Lease liabilities	17	3,494	0
Provisions for employee benefits	15	1,691	1,691
Subsidies		28,753	29,246
Deferred tax liability		23,728	21,560
III. Short-term liabilities		623,745	375,140
Liabilities related to loans	16	253,029	252,107
Lease liabilities	17	177	0
Income tax payables		0	2,356
Trade payables and other liabilities	20	353,679	98,445
Contractual liabilities	21	1,861	1,203
Provisions and accruals	15	11,992	15,702
Derivative financial instruments	23	1,987	4,307
Subsidies		1,020	1,020
Total equity/liabilities		1,444,545	1,223,056

SEPARATE STATEMENT OF CASH FLOWS

	6 months ended	6 months ended
	30.06.2019	30.06.2018
Cash flow from operating activities		
Profit before tax	191,959	181,591
Adjustments:	27,992	26,094
Depreciation	24,869	20,679
Net (profit) loss from currency translation differences	(617)	3,070
Change in the realised result on transactions hedging the price of aluminium recognised in equity	(279)	336
(Profit)/loss from sales of property, plant and equipment	(43)	(54)
Interest and share in profits	3,598	1,404
Share based payments	443	535
Other items (net)	21	124
Cash flow from operating activities before the change of working capital	219,951	207,685
Change in inventories	32,451	(6,600)
Change in the balance of receivables	(245,794)	(229,537)
Change in short-term liabilities, except for loans	41,195	31,198
Change in provisions	(3,710)	(1,493)
Change in subsidies	(493)	(510)
Net cash generated from operating activities	43,600	743
Tax (paid)/refunded	(4,974)	(6,791)
Net cash from operating activities	38,626	(6,048)
Cash flow from investing activities		
(+) Proceeds:	63	250
Sales of intangible assets, and property, plant and equipment	63	250
(-) Expenses:	(40,075)	(58,673)
Acquisition of intangible assets, and property, plant and equipment	(40,075)	(58,673)
Net cash from investing activities	(40,012)	(58,423)
Cash flow from financing activities		
(+) Proceeds:	33,832	117,363
Net proceeds from the issue of shares	2,130	2,781
Proceeds from loans	31,702	114,582
(-) Expenses:	(31,176)	(39,664)
Repayment of loans	(27,838)	(37,868)
Lease liabilities payments	(177)	0
Interest	(3,161)	(1,796)
Net cash from financing activities	2,656	77,699
Total net cash flows:	1,270	13,228
change in cash due to currency translation differences	0	0
Cash and cash equivalents at the beginning of the period	15,858	3,385
Cash and cash equivalents at the end of the period	17,128	16,613

SEPARATE 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 on cash flow hedging transactions	Retained earnings	Total equity
Equity as at 1 January 2019	67,763	33,900	0	2,842	24,322	(3,208)	(532)	564,503	689,590
Comprehensive income for the period:	0	0	0	0	0	1,761	(279)	189,269	190,751
<i>Net profit for the period</i>	0	0	0	0	0	0	0	189,269	189,269
<i>Other comprehensive income</i>	0	0	0	0	0	1,761	(279)	0	1,482
Valuation of share based payments	0	0	0	0	855	0	0	0	855
Payment of dividend	0	0	0	0	0	0	0	(229,091)	(229,091)
Issue of shares	0	0	2,130	0	0	0	0	0	2,130
Equity as at 30 June 2019	67,763	33,900	2,130	2,842	25,177	(1,447)	(811)	524,681	654,235
Previous year									
Equity as at 01 January 2018	67,704	31,179	0	3,314	21,992	2,725	546	601,029	728,489
Comprehensive income for the period:	0	0	0	0	0	(991)	336	175,617	174,962
<i>Net profit for the period</i>	0	0	0	0	0	0	0	175,617	175,617
<i>Other comprehensive income</i>	0	0	0	0	0	(991)	336	0	(655)
Valuation of share based payments	0	0	0	0	1,153	0	0	0	1,153
Payment of dividend	0	0	0	0	0	0	0	(228,521)	(228,521)
Issue of shares	0	0	2,781	0	0	0	0	0	2,781
Equity as at 30 June 2018	67,704	31,179	2,781	3,314	23,145	1,734	882	548,125	678,864

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

1. General information

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

These interim condensed separate financial statements of Grupa Kęty S.A. cover the period of the first half of 2019 ended on 30.06.2019 and provide comparative data for the period of the first half of 2018 ended on 30.06.2018 as well as figures as at 31.12.2018. The statements comprise also the data for Q.2, 2019 and Q.2, 2018. The above figures have not been audited by a statutory auditor. The statutory auditor reviewed the data for the first half of 2019. The review report has been attached to these statements.

The Company is entered into the Register of Entrepreneurs under the number **KRS 0000121845** and uses the **tax identification number (NIP): 549-000-14-68**. The Company uses the **statistical identification number (REGON): 070614970**. Grupa Kęty S.A. is also registered in the products and packaging database and in the waste management database under the number **BDO 000007710**.

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

The activities of the Company include production, trade and services related to the processing of aluminium and its alloys. Moreover, the activities of the Company include trade intermediation, supply services, marketing and other.

2. Basis for the interim condensed separate financial statements preparation

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').

The 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 in Polish zlotys ('PLN') and all values, unless otherwise specified, are presented in thousands of PLN. These interim condensed separate financial statements have been prepared based on the assumption that the Company companies will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, there were no circumstances implying that the Company would not continue as a going concern.

The interim condensed separate financial statements do not cover all information and disclosures required to be made in the annual financial statements, and must be read together with the financial statements of the Company for the year ended 31 December 2018, which was approved for publication by the Management Board on 3 April 2019.

These interim condensed separate financial statements were approved for publication on 7 August 2019.

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

3. Significant accounting principles (policy)

The accounting principles (policy) applied in preparing these interim condensed separate financial statements are consistent with the ones applied in preparing the annual separate financial statements of the Grupa Kęty S.A. for the year ended 31 December 2018, with the exception of accounting and valuation policies resulting from the adoption of IFRS 16, as presented below.

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 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 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, whereas the transition provisions permit certain practical measures. The Company assumed the modified approach.

The Company avails of free-of-charge land perpetual usufruct rights. In accordance with the previous accounting policies, the Company recognised the rights as land. Apart from the above, the Company has no other contracts to which IFRS 16 would apply.

In reference to the land perpetual usufruct rights, as at the date of the first adoption of IFRS 16 the Company assumed a solution consisting in measuring the rights in the amount previously recognised in fixed assets, increased for the value of the liability as at 1 January 2019, to be presented in a separate balance-sheet item as the 'right-of-use assets' and, on the other hand, in a separate balance-sheet item of 'lease liabilities' the discounted amounts of lease liabilities were presented.

As regards the IFRS 16 adoption, starting from 2019 the Company introduced the following changes:

Opening balance 2019

Balance sheet item	31.12.2018	Adjustment for IFRS 16	01.01.2019
ASSETS, including:	1,223,056	3,764	1,226,820
Property, plant and equipment, including:	486,547	(8,293)	478,254
land, including land perpetual usufruct rights	11,735	(8,293)	3,442
Right-of-use assets, including:	0	12,057	12,057
land use rights (land perpetual usufruct rights)	0	12,057	12,057
EQUITY/LIABILITIES, including:	1,223,056	3,764	1,226,820
long-term liabilities related to right-of-use assets	0	3,587	3,587
short-term liabilities related to right-of-use assets	0	177	177

Company as a lessee*Lease identification*

The Company adopted new guidelines regarding lease identification only in reference to contracts concluded (or amended) on the first adoption date, i.e. 1 January 2019, or thereafter. Thus, in reference to all of the contracts concluded before 1 January 2019, the Group applied a practical expedient provided for in IFRS 16, in accordance to which a company is not obliged to reassess an arrangement whether it is a lease or contains a lease on the first adoption date. The Company applied IFRS 16 only to the contracts which have been previously identified as lease contracts in accordance with IAS 17 and IFRIC 4.

At the moment of concluding a new contract, the Company assesses whether the arrangement is a lease or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether a right to control the use of the underlying asset by a period of time is conveyed under the concluded contract, the Company assesses whether throughout the period of use it avails jointly of the following rights:

- a) the right to obtain basically all economic benefits on account of the use of the underlying asset, and
- b) the right to manage the use of the underlying asset.

If the Company is entitled to control the use of the underlying asset only for a part of the contract term, the contract contains a lease in reference to that part of the term.

The rights resulting from lease, rental, hire or other arrangements which comply with the lease definition under IFRS 16 are recognised as an asset representing the right to use the underlying asset within the property, plant and equipment item, and, on the other hand, as a lease liability.

Initial disclosure and measurement

The Company recognises a right-of-use asset and a lease liability at the date of the lease commencement.

At the commencement date, the Company measures the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the lessee; and
- d) the estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease payments included in the measurement of the lease liability shall comprise:

- fixed lease payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate in accordance with their value as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if it is reasonably certain that the Company will exercise the purchase option;
- payments of penalties for terminating the lease, unless it is reasonably certain that the Company will not exercise the option to terminate.

Variable lease payments which are not tied to an index or rate are not included in the value of the lease liability. The fees are recognised in profit or loss in the period of occurrence of the event resulting in their becoming due.

At the commencement date, the lease liability is measured at the present value of the lease payments due as at that date, discounted with the use of the lessee's incremental borrowing rate.

The Company does not discount lease liabilities with the use of interest rates implicit in the lease, as for the purpose of the rate determination, information regarding the unguaranteed residual value of the leased asset, as well as direct costs incurred by the lessor, i.e. information which may be known solely to the lessor, would be needed.

Determination of the lessee's incremental borrowing rate

The incremental borrowing rate has been defined as the total of:

- a) the risk-free rate determined based on Interest Rate Swap (IRS) in accordance with the discount rate maturity date and the respective base rate for the given currency; and
- b) credit risk premium of the particular companies of the Company (lessees).

Subsequent measurement

After the commencement date, a lessee shall measure the right-of-use asset by applying a cost model.

To apply a cost model, a lessee shall measure the right-of-use asset at cost:

- a) less any accumulated depreciation (amortisation) and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability on account of lease which does not result in the necessity of reflecting a separate lease asset.

After the commencement date, a lessee shall measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Company remeasures the lease liability, if there is a change in the future lease payments resulting from a change of interest or rate applied to determine the payments (e.g. the payment on account of perpetual usufruct right changes); if there is a change in the amount expected by the Company to be payable under residual value guarantee; or if the Company changes the assessment of probability to exercise the purchase option, extension or termination of the lease.

The remeasurement of the lease liability also results in an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero the Company recognises a further reduction in the measurement of the lease liability in profit or loss.

Depreciation

Right-of-use assets are depreciated on straight-line basis for the shorter of the two periods: lease term or useful life of a right-of-use asset, unless the Company is reasonably certain that it is going to obtain the ownership title before the end of the lease term – in such case the right-of-use asset is depreciated from the commencement date to the end of the useful life. The estimated useful life of the right-of-use assets is determined in the same manner as for property, plant and equipment.

The Company has lease contracts related to the right of perpetual usufruct of land concluded for limited term ending 2079.

Impairment

The Company applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset lost its value and to recognise any identified impairment loss.

Recognition exemptions, simplified approach and practical expedients related to the application of IFRS 16

Exemptions

The following contracts of the Company are not subject to IFRS 16:

- licences granted falling under IFRS 15 *Revenue from Contracts with Customers*, and
- rights obtained under licences subject to IAS 36 *Intangible Assets*.

The Company does not apply IFRS 16 to lease contracts or similar contracts applicable to intangible assets.

Simplified approach and practical expedients related to the application of IFRS 16

Short-term lease

The Company has adopted a practical expedient in relation to short-term lease contracts characterised with the maximum possible term of 12 months, including the renewal option.

The simplified approach related to such contracts consists in recognising the lease payments as costs:

- on straight-line basis throughout the lease term; or
- on other systematic basis if it is more representative of the pattern of the lessee's benefit.

Lease of low-value assets

- The Company has not adopted the general principles of recognition, measurement and presentation under IFRS 16 to lease contracts of low-value assets.
- Low-value assets are considered to be those worth not more than PLN 20,000 when new, calculated as at the exchange rate of the first adoption date, i.e. 1 January 2019, at the mean closing rate of the National Bank of Poland as at the moment of the contract first recognition.
- The simplified approach related to such contracts consists in recognising the lease payments as costs:
 - on straight-line basis throughout the lease term; or
 - on other systematic basis if it is more representative of the pattern of the lessee's benefit.
- The object of a lease contract cannot be considered to be of low value if it results from its characteristics that the new (unused) asset has usually a high value.

Lease term determination: unlimited time contracts

- When determining the lease term for unlimited time contracts, the Company makes a professional judgement in consideration of:
 - the expenditure incurred in relation to the contract; or
 - the potential costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the lessee's needs, costs of integrating a new asset into the lessee's operations, or termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location.
- If the lease contract termination costs are significant, the lease term equal to the assumed depreciation term of a similar item of property, plant and equipment with parameters close to the object of lease is assumed.
- Providing that the lease contract termination costs may be reliably determined, there must be assumed a term in which the contract termination will not be justified.
- If the expenditures incurred in relation to the specific contract are significant, a lease term is assumed to be the term of deriving economic benefits from the use of the expenditure.
- The value of expenditure incurred is a separate item of assets, other than the right-of-use assets.
- If no expenditures are incurred in relation to the respective contract or if there are no costs related to the contract termination or if the costs are of insignificant value, the lease term is deemed to be the contract notice period.

PROFESSIONAL JUDGEMENT

Separating non-lease components

The Company judges whether a contract contains lease and non-lease components. Under contracts which contain lease and non-lease components, the non-lease components are separated, e.g. service of assets being the object of the contract.

However, if a contract comprises non-lease components which are considered by the Company to be insignificant in the context of the whole contract, the Company applies a simplified approach consisting in joint treatment of the lease and non-lease elements as one lease element.

Lease term determination

When determining the lease term, the Company considers all important facts and events which result in economic incentives to avail of the extension option, economic penalties for a failure to extend the contract, or non-exercise of the termination option. The judgement is made if there occurs an important event or change in circumstances under the control of the Group, which affect the judgement.

Right-of-use assets useful life

The estimated useful life of the right-of-use assets is determined in the same manner as for property, plant and equipment.

Moreover:

No new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2019 have been published after 1 January 2019. 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 had not been earlier adopted by the Company are presented in the annual financial statements for the year 2018.

The Company decided not to apply earlier any standard, interpretation or amendment that have been issued but are not yet effective in the light of the European Union regulations.

The below standards have not yet been approved:

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – in accordance with the decision of the European Commission, the process of 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 approval of these financial statements the standard had not been 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 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 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 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 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 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 approval of these financial statements not approved by the EU – effective for annual periods beginning on or after 1 January 2020.

The effective dates are the dates resulting from the content of standards issued by the International Financial Reporting Council. The dates of the standards adoption in the European Union may differ from the dates of adoption resulting from the content of the respective standards and are announced at the time of approving them for adoption by the European Union. The Management Board does not project that the implementation of new standards and interpretations should exert any significant influence on the accounting policies applied by the Company.

4. Estimation areas

The main accounting estimates and the assumptions made are presented in the respective explanatory notes to the financial statements:

- estimates concerning the recognition and measurement of lease contracts are presented in note 18;
- estimates concerning the write-downs of inventories are presented in note 14;
- estimates concerning the write-downs of receivables are presented in note 13;
- estimates concerning provisions and accruals are presented in note 15;
- estimates concerning deferred tax assets are presented in note 11;
- estimates concerning energy-related assets are presented in note 30;
- estimates concerning financial instruments are presented in note 23;

- estimates concerning the fair value of the share options plan for the management staff are presented in note 28.3;
- estimates concerning the impairment of assets are presented in the financial statements for the year 2018;
- estimates concerning depreciation rates are presented in the financial statements for the year 2018.

The detailed description of the assumptions made in the particular areas of estimates is provided in the annual financial statements for the year 2018.

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

5. Seasonal nature of operations

At basic segment of the Company activities the trend of sales revenue levelling during the year may be observed more and more often, particularly if the aluminium prices on the world's markets are lower in the second part of the year than in the first one. Within the last five years such situation was observed three times, including the previous year. In the other two cases, the sales in the second half of the year were by approx. 20% lower than in the first half of the year.

6. Information on operating segments

The Company has two internally-separated operating segments, i.e. the Extruded Products Segment and other activities ('Other') including central functions at the Capital Group. Due to the fact that the Company financial statements are published simultaneously with the consolidated financial statements, the Company presents segment information only in the consolidated financial statements, pursuant to IFRS 8.4.

7. Information on investments in subsidiaries

In the reporting period there were no new investments in subsidiaries.

8. Changes in the Company organisational structure

In the reporting period there were no significant changes in the Company organisational structure, except for the resignation from the function of a Member of the Management Board by Financial Director Adam Piela and by the Member of the Management Board in charge of the Flexible Packaging Segment, Rafał Lachowicz.

9. Cash and cash equivalents

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

	30.06.2019	31.12.2018
Bank deposits (current accounts) and short-term deposits	17,128	15,857
Cash recognised in the balance sheet and the statement of cash flows	17,128	15,857

As at 30 June 2019, the Company possessed in its VAT accounts restricted cash amounting to PLN 52,000. This cash may be used only for the purpose of output VAT payment to the tax office or as VAT payment to the Company suppliers. As at 31 December 2017 the item amounted to PLN 14,000. As at 30 June 2019, Grupa Kęty S.A. had undrawn credit funds granted amounting to PLN 91,528,000 with regard to which all conditions precedent had been complied with (as at 31 December 2018: PLN 72,311,000).

10. Dividends paid and proposed for payment

The result for the reporting period is not subject to distribution.

On 30 May 2019, the Annual General Meeting passed a resolution on allocation of the net profit generated by the Company in 2018, amounting to PLN 191,439,215.01 to the payment of dividend.

Additionally, the AGM decided to allocate to dividend payment the profit on reserve capital amounting to PLN 37,651,512.99. Therefore, the dividend will amount to PLN 229,090,728 (PLN 24 per share in reference to the number of the Company shares as at the date of passing the resolution on dividend payment, i.e. 9,545,447 shares).

The dividend record date was decided to be 22 August 2019.

The dividend payment declaration assumes payout in two tranches, i.e. PLN 68,818,129 on 5 September 2019, and PLN 162,272,599 on 7 November 2019.

In the preceding year, Grupa Kęty S.A. paid dividend amounting to PLN 228,521,000 (PLN 23.94 per share).

11. Income tax

The main components of tax payables for continued operations recognised in the statement of profit or loss are as follows:

	3 months ended 0.06.2019	6 months ended 30.06.2019	3 months ended 30.06.2018	6 months ended 30.06.2018
Current income tax				
Current income tax expense recognised in the statement of profit or loss	(663)	(899)	(3,327)	(5,321)
Deferred income tax:				
related to origination and reversal of temporary differences	(2,006)	(1,791)	(462)	(653)
Income tax expense recognised in the statement of profit or loss	(2,669)	(2,690)	(3,789)	(5,974)

12. Property, plant and equipment

12.1. Purchase and sale

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

	6 months of 2019	6 months of 2018
Acquisition of property, plant and equipment	38,753	45,994
Net value of property, plant and equipment sold	20	196
Profit (loss) on sale of property, plant and equipment	43	54

In the first half of 2019 and in the first half of 2018 the Company recognised no impairment losses for property, plant and equipment.

13. Trade and other receivables

Short-term receivables	30.06.2019	31.12.2018
Net receivables	440,255	194,457
Trade receivables from related parties	86,525	62,405
Trade receivables from other entities	167,075	122,965
Public law receivables (except for income tax)	15	1,244
Down payments (trade-related) for suppliers – related parties	0	0
Prepayments (trade-related) for suppliers	815	317
Receivables from employees	22	6
Deposits on account of transactions hedging the aluminium price	2,500	2,485
Dividend receivables	182,000	0
Settlements on account of sale of shares	0	3,064
Prepaid expenses	1,248	1,797
Other receivables	55	174

In the period of 6 months of 2019, the Company recognised write-downs of receivables amounting to PLN 51,000 (6 months of 2018: the Company recognised write-downs amounting to PLN 126,000). The write-downs of receivables are recognised by the Company in the item 'Write-downs – IFRS 9'. In the period of 6 months of 2019, the Company reversed write-downs of receivables amounting to PLN 323,000 (6 months of 2018: the Company reversed write-downs amounting to PLN 30,000). The reversal of write-downs resulted from the receipt of the receivables covered with the write-downs. The reversal of write-downs of receivables was recognised in the item of 'Write-downs – IFRS 9' or finance income as interest received, in accordance with the nature of the receivables.

The fair value of receivables is close to their book value.

14. Inventories

	30.06.2019	31.12.2018
Materials	40,394	56,642
Work in progress	41,211	51,156
Finished products	20,830	27,089
TOTAL	102,435	134,887

In the period of 6 months of 2019, the Company neither reversed nor recognised any write-downs of inventories (6 months of 2018: the Company reversed write-downs amounting to PLN 122,000).

15. Provisions and accruals

The changes in the balance of provisions and accruals are presented in the table below.

	Balance as at 31.12.2018	Increases	Utilisation	Balance as at 30.06.2019
Provisions and accruals	17,393	7,942	(11,652)	13,683
long-term part of the provision for retirement and disability benefits	1,691	0	0	1,691
short-term part of the provision for retirement and disability benefits	336	0	0	336
costs of holiday leaves	2,003	3,305	(2,003)	3,305
costs of annual bonus	9,435	4,585	(9,435)	4,585
cogeneration fees	182	0	(182)	0

costs of indemnities	3,704	0	0	3,704
costs of warranty repairs	10	0	0	10
provision for other costs	32	52	(32)	52

	Balance as at 31.12.2017	Increases	Utilisation	Balance as at 30.06.2018
Provisions and accruals	16,421	8,473	(9,966)	14,928
long-term part of the provision for retirement and disability benefits	1,737	0	0	1,737
short-term part of the provision for retirement and disability benefits	375	0	0	375
costs of holiday leaves	2,397	3,372	(2,397)	3,372
costs of annual bonus	7,527	5,007	(7,527)	5,007
cogeneration fees	196	94	0	290
costs of indemnities	4,134	0	0	4,134
costs of warranty repairs	24	0	(11)	13
provision for other costs	31	0	(31)	0

16. Interest-bearing bank credits and loans

The table below presents the changes in the balances of the particular fair values of loans in the period of 6 months of 2019.

Loan	Lender	Loan currency	31.12.2018	Increase (decrease)	30.06.2019
Long-term loan	Bank PKO BP	PLN	105,829	3,070	108,899
Short-term part of the long-term loan	Bank PKO BP	PLN	20,117	19,130	39,247
Short-term loan	Bank PKO BP	PLN, EUR, USD	285	9,602	9,887
Short-term loan	BNP Paribas Polska	PLN, EUR	151,208	(12,317)	138,891
Short-term loan	ING Bank Polska	EUR, PLN	825	(825)	0
Short-term loan	Bank PeKaO S.A.	PLN, EUR, USD	61,859	(12,666)	49,193
Short-term loan	Bank Societe Generale	PLN, EUR	17,813	(2,002)	15,811
	Total loans		357,936	3,992	361,928

All loans bear interest at the WIBOR/EURIBOR rates + bank margin.

The loans repayment complied with the repayment schedule. Loans were taken out for the purpose of managing the Company liquidity. As at the balance-sheet date and as at 31.12.2018, the Company complied with all credit/loan 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 subsequent year. Each year, before the end of a given period, the Company negotiates agreements/annexes with the banks for the subsequent 12-month periods to roll over the loans.

17. Lease liabilities

The table below presents changes in the balance of the particular discounted values of lease liabilities.

Characteristics	Type	Loan currency	31.12.2018	Increase (decrease)	30.06.2019
Long-term loan	Payments on account of land perpetual usufruct rights	PLN	3,587	(93)	3,494
Short-term loan	Payments on account of land perpetual usufruct rights	PLN	177	0	177

The above liabilities comprise payments for the use of land (land perpetual usufruct rights).

18. Lease

18.1. Company as a lessee

Change in the balance of right-of-use assets:

	Land
Gross book value as at 01.01.2019 (IFRS 16 impact)	12,057
Increases (decreases)	
Depreciation	(84)
Total increases (decreases)	(84)
Gross book value	12,057
Accumulated amortisation	(84)
Total net book value as at 30.06.2019	11,973

The weighted average incremental borrowing for the Company lease is 4.5%.

Costs of lease contracts recognised in the statement of profit or loss:

Costs on account of		
Lease interest	Finance costs	(85)
Depreciation	Operating costs (depreciation)	(84)
Short-term lease and low-value lease	Operating costs (third-party services)	(10)
Total		(179)

Value of future lease payments as at 31.12.2018

Value of future lease payments	12,578
Discount	(8,814)
Present value of lease liabilities as at 31.12.2018	3,764
Including short-term lease	177

18.2. Company as a lessor

As at the lease commencement date, the Company classifies lease as either finance or operating lease. For the purpose of classification, the Company assesses whether basically the whole risk and benefits resulting from the asset is conveyed to the lessee. If basic risks and benefits are transferred to the lessee, the Company classifies lease as finance lease, otherwise, the Company classifies lease as operating lease. In the reporting period, the Company as a lessor was no party to any significant contracts.

19. Share options for the management staff

The plan and the principles of valuation of the plan costs are described in the annual report for 2018. The Group recognises the plan costs proportionally to the vesting period of the rights to options.

There have been no significant changes in the data presented in the annual financial statements, or the method of recognising the costs of the management staff share options plan.

20. Trade payables and other liabilities

	30.06.2019	31.12.2018
Trade payables to related companies	11,778	11,331
Trade payables to non-related companies	70,476	46,557
Public law payables (except for income tax payables)	20,092	7,888
Payroll payables	5,597	4,793
Securities	0	4
Payables on account of property, plant and equipment purchase	10,852	27,100
Dividend payables	229,091	0
Liabilities related to transactions hedging the aluminium price	3,705	0
Other	2,088	772
TOTAL SHORT-TERM LIABILITIES	353,679	98,445

21. Contractual liabilities

	30.06.2019	31.12.2018
Prepayments from customers (trade-related)	1,861	1,203

The contracts with the customers provide that the above amounts should be realised within up to 12 months.

22. Explanation of the reasons for material changes in the items of revenue and costs

In the period of 6 months of 2019 as compared to 6 months of 2018, material changes in the particular items of revenue and costs applied to the following areas:

Sales revenue – sales revenue higher in the period by PLN 37,825,000 was related to the quantitative growth of sales, and was partially decreased by a drop in the aluminium prices. In accordance with the Company estimations, the quantitative growth of sales was about 2.2 thousand tonnes of aluminium products, whereas aluminium prices dropped by about 17%, with the simultaneous increase of USD exchange rate by approximately 9%.

Dividend income – growth of divided income by PLN 29,570,000 in the period was related to the results of the subsidiaries and the profit distribution amounts at those companies.

Depreciation costs – growth of depreciation costs by PLN 4,190,000 was related to the capital expenditure process carried out.

Costs of third party services – growth of the costs of third party services by PLN 1,729,000 was related to extended number of services acquired from contractors in relation to higher sales and increase in the sales volume of more processed products and higher service prices.

Costs of materials and energy – growth of materials and energy consumption costs by PLN 34,537,000 was related to a growth in the average aluminium prices and quantitative growth of aluminium products sales by 2.2 thousand tonnes, as well as the related higher raw materials consumption.

As estimated by the Company, the quotations of the average aluminium price in the period of 6 months of 2019 as compared to 6 months of 2018 decreased by approximately 17%, with the simultaneous increase in the USD exchange rate by about 9%;

Costs of employee benefits – increase in the costs of employee benefits by PLN 3,276,000, resulted mainly from higher sales and production volumes and contributed to headcount and payroll increase at the Company.

Finance costs – drop in finance costs by PLN 931,000 resulted from higher interest costs by PLN 2,220,000 and lower costs of surplus of currency translation losses over currency translation gains to PLN 145,000, whereas in Q.1, 2018 the Company recognised a surplus of currency translation losses over currency translation gains amounting to PLN 3,296,000.

23. Derivative financial instruments

Financial assets	30.06.2019	31.12.2018
Futures contracts hedging cash flows for the purchase of aluminium	0	12
Currency forward contracts hedging cash flows	154	335
TOTAL FINANCIAL ASSETS	154	347
Financial liabilities		
Currency forward contracts hedging cash flows	0	32
Futures contracts hedging cash flows for the purchase of aluminium	1,976	4,275
Futures contracts for the purchase of aluminium	11	0
TOTAL FINANCIAL LIABILITIES	1,987	4,307

24. Objectives and principles of financial risk management

The objectives and principles of financial risk management have been described in the annual financial statements for 2018 published on 3 April 2019. Compared to the objectives and principles of risk management described in the 2018 statements, there have been no material changes.

Below presented is the detailed information concerning fair values of financial instruments that can be estimated.

- Cash and cash equivalents, short-term bank deposits and short-term bank loans. The fair value of the said instruments is close to their carrying amounts due to their short-term 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 borrowings, bank loans, 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 determined as at the balance-sheet date.

25. Capital management

Capital management takes place at the level of the Capital Group of Grupa Kęty S.A.

26. Contingent liabilities and assets

The Company received or granted guarantees and security bonds presented in the table below. According to the Company present estimates, the guarantees and security bonds presented below will not be realised.

Guarantees and security bonds granted by subsidiaries

For:	Purpose	Amount	Validity
Aluprof S.A.	Revolving credit collateral	40,000	30.07.2019

Aluprof S.A.	Security bond for Euler Hermes guarantee	2,035	28.02.2023
Alupol Films sp. z o.o.	Security bond for term contracts	5,500	Unlimited
Alupol Packaging Kęty sp. z o.o.	Security bond for term contracts	5,500	Unlimited
Alupol Packaging S.A.	Security bond for term contracts	5,500	Unlimited
Aluprof S.A.	Security bond for term contracts	33,000	Unlimited

Guarantees and security bonds received from subsidiaries

From:	Purpose	Amount	Validity
Aluprof S.A.	Credit collateral	40,000	30.07.2019
Alupol Packaging SA, Alupol Packaging Kęty sp. z o.o., Alupol Films sp. z o.o.	Security bond for term contracts	5,500	Unlimited
Aluprof S.A.	Security bond for term contracts	11,000	Unlimited

Moreover:

- 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 PLN 80 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amounts of the said loan drawn by other companies as at the balance sheet date amounted to PLN 25,212,000. The agreement is valid until 30 September 2019.
- 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 PLN 300 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amounts of the said loan drawn by other companies as at the balance sheet date amounted to PLN 171,238,000. The agreement is valid until 31 October 2019.
- 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 PLN 65 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. As at the balance-sheet date, Aluprof S.A. was indebted in the amount of PLN 20,758,000 on account of the aforementioned agreement. The agreement is valid until 31 August 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 PLN 300 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that loan. The amount of the said loan drawn by the companies as at the balance sheet date amounted to PLN 76,084,000. The agreement is valid until 5 July 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 PLN 260 million. All the companies being parties to the agreement are jointly and severally liable for the liabilities related to that 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 March 2024.

27. Future liabilities related to the purchase of property, plant and equipment

As at 30 June 2019, the Company committed to incur expenditures on property, plant and equipment amounting to PLN 16,342,000 (as at 31 December 2018, the capital expenditure liabilities amounted to PLN 70,299,000). The amounts will be allocated to the purchase of new plant and machinery. The main task is to construct a new aluminium profiles anodising plant, for which the liabilities amount to PLN 10,357,000.

28. Intercompany transactions

Intra-group transactions in the period from 1 January 2019 to 30 June 2019 and as at 30 June 2019

Related company	Sales	Purchases	Receivables	Liabilities	Dividends
Aluprof S.A.	148,403	1,139	77,257	502	140,000
Alupol Packaging S.A.	791	0	280	0	20,000
Alu Trans System Sp. z o.o.	2	0	0	0	0
Dekret Centrum Rachunkowe Sp. z o.o.	443	988	53	379	0
Aluprof Hungary Kft	64	121	64	122	0
Alupol Ukraina LLC	2,727	5,006	2,113	1,664	0
Romb S.A.	6,606	59	4,618	0	0
Aluform Sp. z .o.o.	597	30,115	315	8,450	22,000
Alupol Packaging Kęty Sp. z o.o.	2,289	17	655	8	0
Alupol Films sp. z o.o.	220	0	42	0	0
Aluprof Belgium N.V.	35	0	12	0	0
Aluminium Kety EMMI d.o.o.	3,677	2,166	1,113	129	0
Aluminium Kety CSE s.r.o.	0	367	0	41	0
Aluminium Deutschland Kety Gmbh	0	751	0	265	0
Grupa Kęty Italia s.r.l.	0	909	0	218	0
Aluprof System Czech s.r.o.	1	0	0	0	0
Aluprof Deutschland Gmbh	1	0	0	0	0
Aluprof Netherlands B.V.	0	0	1	0	0
Aluporf UK Ltd.	33	0	0	0	0
Aluprof System Romania s.r.l	6	0	1	0	0
Marius Hansen Facader A/S	0	0	1	0	0
Total	165,895	41,638	86,525	11,778	182,000

Apart from the above mentioned transactions the Company did not enter into any other intercompany transactions in the 6 months of 2019.

28.1. Transactions with members of the Management Board

In the reporting period, the Company did not enter into any other transactions with the Management Board Members, except for those described below.

28.2. Costs of remuneration of the Company senior management

Management Board:	6 months of 2019	6 months of 2018
Costs of short-term employee benefits	1,242	1,260
Costs of provisions for annual bonuses and other benefits	2,258	3,150
Total amount of costs of the Management Board members remuneration	3,500	4,410
The valuation of the costs of options for treasury shares due when the plan is implemented*	320	450
Total benefits to the Management Board members	3,820	4,860

The details of the share options plan are described in notes 28.3 and 19. If the market conditions for the allocation of options are not fulfilled, despite the recognition of the costs of the plan, eligible persons will not acquire the right to take up shares.

Remuneration and benefits under the options plan due to the members of the Management Board, the senior management and members of the Company Supervisory Board are as follows:

	6 months of 2019	6 months of 2018
Management Board	3,820	4,860
Supervisory Board	423	399

TOTAL	4,243	5,259
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The presented remuneration covers the costs of provisions for annual bonuses for the management staff and share options costs recognised in the statement of profit or loss.

Pursuant to the principles of the plan and IFRS 2, the value of the share options constitutes the valuation of the plan as at the date of its launch. The costs of options are recognised in profit or loss on a straight-line basis throughout the validity period of the plan, i.e. 36 months. In accordance with IFRS 2, the costs presented in such a way constitute the cost of remuneration for the Company, but do not reflect the value of the possible benefits that the employees may obtain in the future on that account. The possible benefits of the employees depend on the level of share prices in the future as compared to the acquisition price resulting from the conditions of the particular parts of the options plan.

28.3. Participation of senior management in the employee share plan

The Company runs a share option plan for the management staff.

In the reporting period, the Management Board took up 4,200 shares of the Company under the first part of the 2015 plan.

As at the balance-sheet date the members of the Management Board held options entitling them to 17,500 shares from the third part of the 2012 plan (shares taken up in July 2019), and 10,500 shares from the first part of the 2015 plan.

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 plan 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 vesting conditions
Share options from the second part of the 2015 plan	21,000	01.10.2019	14,700
Share options from the third part of the 2015 plan	21,000	01.10.2020	3,150

The costs of considerations on that account recognised in the statement of profit or loss for the period of 6 months of 2019 amounted to PLN 320,000 (6 months of 2018: PLN 450,000).

29. Issue of shares

In the reporting period, the authorised persons took up 7,000 shares of the first part of the 2015 plan for the price per share of PLN 304.24.

Moreover, post the balance-sheet date, the authorised persons took up 17,500 shares of the third part of the 2012 plan for the issue price of PLN 117.10.

The Company issued 28,000 share options for the management staff under the third part of the 2012 plan, with the right to take up G series shares at the issue price of PLN 117.10 per share (17,500 shares taken up by the authorised persons in July 2019) and 30,800 share options under part one of the 2015 plan. As at 30 June 2019 the shares were not taken up.

Below presented is the method of settling proceeds from the issue of employee shares.

Shares	Number of shares	Year of acquisition	Value (PLN '000)	Amounts accounted for as share capital	Amounts accounted for as share premium
E series shares – 2006 plan	13,375	2013	1,669	33	1,636
F series shares – 2009 plan	85,200	2013	6,547	213	6,334
F series shares – 2009 plan	9,000	2014	1,059	23	1,036
E series shares – 2006 plan	4,350	2014	543	11	532
F series shares – 2009 plan	43,200	2014	5,082	108	4,974
F series shares – 2009 plan	12,750	2014	1,601	32	1,569

F series shares – 2009 plan	48,450	2015	6,083	121	5,962
G series shares – 2012 plan	11,705	2016	1,371	29	1,342
G series shares – 2012 plan	24,683	2016	2,890	62	2,828
G series shares – 2012 plan	11,604	2017	1,359	29	1,330
G series shares – 2012 plan	31,720	2017	3,714	78	3,636
G series shares – 2012 plan	23,747	2018	2,780	59	2,721
H series shares – 2015 plan*	7,000	2019	2,130	0	0
TOTAL	326,784		36,828	798	33,900

* The shares had not been entered in the National Court Register by 30 June 2019.

30. Methods of measurement at fair value (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, and quoted market prices of forward contracts determined 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 remeasured energy-related assets. As a result of the valuation, the Company recognised PLN 1,658,000 in 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 PLN 315,000 decreasing the reserve. In addition, the Company recognised PLN 655,000 in 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.

The detailed principles for determining the fair value of energy-related assets as at the revaluation date are described in the annual financial statements for 2018. Detailed information about the valuation of derivative financial instruments is also available in the annual financial statements for 2018.

The fair value of currency forward contracts is determined by reference to the present forward rates of 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 '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 'Level 2' of the fair value hierarchy.

Apart from those listed below, the Company has no other assets measured at fair value.

Fair value hierarchy	Hierarchy	30.06.2019	31.12.2018
Assets			
Energy-related assets	3	5,665	5,545
Hedging derivatives	2	154	347
Liabilities			
Hedging derivatives	2	1,987	4,307

31. Earnings per share

Below presented are the data related to earnings and the number of shares applied to calculate the basic and diluted earnings per share.

	6 months ended 30.06.2019	6 months ended 30.06.2018
Net profit	189,269	175,617
Weighted average number of ordinary shares assumed for the calculation of earnings per share	9,546,259	9,530,753
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per share*	9,572,192	9,553,475
Basic earnings per share (PLN)	19.83	18.43
Diluted earnings per share (PLN)	19.77	18.38

During the reporting period, the authorised employees took up 7,000 shares of Grupa Kęty S.A. under the first part of the 2015 plan, at the price of PLN 304.24 per share.

Moreover, the authorised employees held options to take up 28,000 shares at the price of PLN 117.10 per share under the third part of the 2012 plan, and 35,000 shares under the first part of the 2015 plan at the price of PLN 304.24 per share.

The average market price of the Company shares in the period of 6 months of 2019 was PLN 365.50. The closing price as at 30/06/2019 was PLN 320.

The potential number of ordinary shares associated with the employee options plan increasing the number of shares and assumed for the calculation of diluted earnings per share is 25,933.

32. Post-balance-sheet events

Post the balance-sheet date there were no significant events which should be included in these financial statements.

III. REPORT OF THE MANAGEMENT BOARD ON THE OPERATIONS OF THE CAPITAL GROUP OF GRUPA KĘTY S.A. IN THE FIRST HALF OF 2019

1. DESCRIPTION OF THE COMPANY AND THE GRUPA KĘTY S.A. CAPITAL GROUP

1.1. The Company and the Capital Group business profile

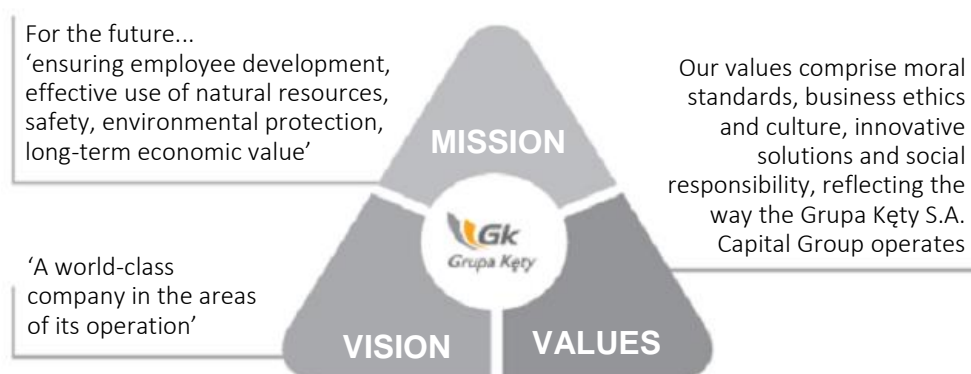
Grupa Kęty S.A. may boast of over 65 years of experience in aluminium processing. From 1953 to 1992 it operated as a state-owned company under the name Zakłady Metali Lekkich 'Kęty' ['Kęty' Light Metals Plant]. In 1992 it was transformed into a sole-shareholder company of the State Treasury, and in 2001 it changed its name into Grupa Kęty S.A. The Company is registered at the address: 32-650 Kęty, ul. Kościuszki 111. Grupa Kęty S.A. is the parent company for the Capital Group composed of three business segments operating in the following areas:

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

The Capital Group consists of 25 companies, including 15 foreign subsidiaries. The Group companies process ca. 90,000 tonnes of aluminium materials annually and the consolidated sales revenue in the reporting period amounted to roughly PLN 1.6 billion. At the end of the first half of 2019, the Capital Group headcount was 5,190 employees (growth by 1% compared to the end of 2018), including 1,402 employees at Grupa Kęty S.A. (growth by 1% compared to the end of the preceding year). All of the Capital Group companies focus on development and modern technologies. Since 2000, the Group has spent over PLN 2.2 billion on plant and machinery, new products and services. Thanks to that the Group companies enjoy a place among the cutting-edge manufacturing companies in Europe in their respective industries. The Capital Group operates on a global scale, providing its products and services to customers in 55 countries.

1.2. Guiding values in our day-to-day work

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



We declare that within the Company operations we have made and will continue to make efforts to ensure the creation of a better society, retaining balance and protecting the environment.

We believe that the long-term success of Grupa Kęty S.A. depends on its cooperation with a broadly-defined group of stakeholders. We place particular emphasis on activities beneficial to the Company employees and their families as well as local communities.

We operate in line with the adopted Code of Ethics and corporate governance principles, whereas partnership is the basic value we believe in. We are aware that we impact the environment in a direct and indirect way, therefore we operate such as to reduce that influence to minimum.

1.3. Most important events in the first half of 2019




- 23 January – the Management Board of Grupa Kęty S.A., upon consulting the Supervisory Board, made a decision on strategic options review commencement with the aim to create the Company development strategy for the coming years.
- 6 February – publication of projections for the year 2019.
- 26 February – Alupol Films Sp. z o.o. (belonging to the Flexible Packaging Segment) signed an agreement with Basell Orlen Polyolefins Sprzedaż Sp. z o.o. on the purchase by the Company of raw materials for the manufacturing of BOPP (Biaxially Oriented Polypropylene Film), used in the manufacturing of packaging, among other things. The agreement is binding by the end of 2019 and its estimated value based on the current market conditions (price of polypropylene granulate and EUR/PLN exchange rate) amounts to approximately PLN 147 million.
- 3 April – publication of the annual report for 2018; Management Board motion with regard to 2018 profit distribution.
- 21 May – resignation from the function of a Member of the Management Board of Grupa Kęty S.A. by Financial Director Adam Piela.
- 30 May – Annual General Meeting.
- 5 June – completion of the strategic options review process.
- 7 June – resignation from the function of a Member of the Management Board of Grupa Kęty S.A. by Rafał Lechowicz.
- 14 June – subsidiary Aluprof S.A. signed a credit agreement with ING Bank Śląski S.A. for the amount of PLN 80,000. The credit will be assigned to financing and re-financing of capital expenditures incurred starting from 1 January 2018.

2. THE GROUP OPERATIONS

2.1 Management structure

The Capital Group consists of 25 companies divided into three business segments. Each segment has a leading company, the name of which is at the same time the main brand on the basis of which the products of the particular segment are recognised on the market. Each segment has in its structures all the services necessary to carry out business in the area of both production and trade. Only a part of specialised functions have been concentrated in competence centres providing services to all of the Capital Group segments. These include in particular: bookkeeping, IT services, organisation of financing, supervision of the acquisition processes, supervision of the risk management policy, internal audit, coordination of processes related to corporate social responsibility and sustainable development. In the first half of 2019 the Capital Group structure did not undergo any significant changes. The present structure of the Group is presented in the chart below (Alutrans System does not carry out any operating activities, therefore it is omitted):

Grupa Kęty S.A. Capital Group structure

Extruded Products Segment	Aluminium Systems Segment	Flexible Packaging Segment
 <p><u>Grupa Kęty S.A.*</u> <u>Aluform Sp. z o.o.*</u> <u>Alupol LLC (Ukraine)</u> <u>Aluminium Kety EMMI (Slovenia)</u> <u>Aluminium Kety Deutschland (Germany)</u> <u>Grupa Kety Italia (Italy)</u> <u>Aluminium Kety CSE (Czech Republic)</u></p>	 <p><u>Aluprof S.A.*</u> <u>Romb S.A.*</u> <u>Aluprof System Ukraina (Ukraine)</u> <u>Aluprof System Romania (Romania)</u> <u>Aluprof System Czech (Czech Republic)</u> <u>Aluprof System USA (USA)</u> <u>Aluprof UK (UK)</u> <u>Aluprof Belgium (Belgium)</u> <u>Aluprof Deutschland (Germany)</u> <u>Aluprof Netherlands (Netherlands)</u> <u>Aluprof Hungary (Hungary)</u> <u>Marius Hansen Facader (Denmark)</u> <u>Aluprof Serwis Sp. z o.o.</u></p>	 <p><u>Alupol Packaging S.A.*</u> <u>Alupol Packaging Kęty Sp. z o.o.*</u> <u>Alupol Films Sp. z o.o.*</u></p>

↓
 Dekret Centrum Rachunkowe
 (accounting services for the Group companies)

2.2 Business segments description

2.2.1 Extruded Products Segment

Grupa Kęty S.A. and the Extruded Products Segment built on its basis are considered to be one of Poland's largest manufacturers of extruded products with about 30% market share. The estimated market share in the European market is ca. 2.5%, which places the Segment at the bottom of the top ten largest players list. The production potential of the companies of the Grupa Kęty S.A. Group includes 13 extrusion presses with the total production capacity of ca. 92 thousand tonnes, in three locations: Kęty, Tychy and Borodianka near Kiev, Ukraine, and two profile prefabrication plants in Kęty and Slovenska Bistrica. With such potential, Grupa Kęty may each year increase the sales of aluminium profiles and components to the fastest-growing industries such as automotive, rail and air transport.

Market situation, sales, customers

In the first half of 2019, the Segment generated 7% growth of sales, to the level of PLN 667 million. Domestic sales grew by 6%, whereas revenues on foreign markets increased by 8%. Similarly as in 2018, the economic situation in Europe was favourable to the manufacturers of aluminium products in the first two quarters of the year, however, at the end of the period a slow-down was visible on some Western European markets (e.g. on the German market). Thanks to the launching of new production capacity, the customers did not encounter any significant problems in profiles supply, and the order lead times for the main product assortments returned to levels reasonable for both sides (4–6 weeks). On four among 6 main markets (Germany, UK, Austria, Czech Republic), the segment recorded growth from several to nearly 30%. On the Italian and British markets, the revenue dropped by approx. 5%. As regards the sectors of economy, growths reaching several to 15% were recorded by transport, household goods, construction and automotive industry. As regards machinery production and wholesales, a drop of roughly 10% was recorded.

2.2.2 Aluminium Systems Segment

Aluprof S.A. is perceived as an epitome of a modern and fast-growing company. It is estimated that as many as 7 out of 10 modern buildings being built in Poland incorporate façade systems supplied by Aluprof. It means that there is no architect, developer or contractor today who would not know the Aluprof brand and its high quality. The reputation earned over the years make investors and architects reach for advanced aluminium systems by Aluprof in many projects. Comprehensive cooperation with all market participants results in mutual benefits, while investors obtain unique, functional and cutting-edge designs. The efforts of Aluprof, which apart from its four plants in Poland has ten divisions in Europe and the USA, focus on the export market. It is the area where communication with architects and decision-makers in the construction business as well as business partners has been intensified and extended. In that, Aluprof relies fully on in-house competencies: 'The essence of our competencies is our extensive expertise in manufacturing aluminium systems, independent and flexible production and tailored solutions'.

Market situation, sales, customers

In the first half of 2019, the consolidated revenue of the Segment reached PLN 705 million, which means they were higher by as much as 20% than the sales in the preceding year. Such a high increase was mainly contributed by the domestic market customers, who generated 23% growth of sales revenue. Export sales increased by 14%, whereas the growth on European markets was 31%, and the sales on the US market dropped by approximately 30%. Currently, export sales account for 36% of the ASS total revenue. The double-digit sales growth rate was possible due to consistent efforts on the particular markets, a growing number of customers satisfied with the collaboration, gradual expansion of the product range both as regards architectural systems and roller-shutter systems, as well as offering finished products tailored to meet individual customer requirements on the respective markets. Practically on all major European exports markets growth of the sales value reaching from several to over 30%, depending on the market, were recorded.

2.2.3 Flexible Packaging Segment

The Flexible Packaging Segment (consisting of Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o.o. and Alupol Films Sp. z o.o.) is a leader on the market of flexible packaging in Poland. Its share in the domestic market of flexible packaging exceeds 20%. The Alupol Group is also a major manufacturer of packaging in Europe, with the market share of 1.5%. The FPS is at the same time the leading supplier of BOPP transparent, white, pearl, matte and metallised films. Moreover, it is one of the largest European manufacturers of laminates based on paper made using the extrusion technology. It also offers HBF9™ high-barrier films and laminates based thereon. The Flexible Packaging Segment has an extensive portfolio of recipients, including Nestlé, AB Foods, Unilever, Koninklijke Douwe Egberts, Orkla Foods, McCormick, Brügggen, Dr. Oetker, Perfetti van Melle, Aryzta, Meier Verpackung, as well as Prymat, Maspex, Mokate, Bakalland, Foodcare, Animex, Tarczyński, Sokołów, Serpol Cosmetics, Mlekovita, Koral, Mlekpól, and Woseba. Most of the packaging is dedicated to the sector of food concentrates, however, sales to confectionery, fat, dairy, meat, bakery, pharmaceutical and chemical industries have been growing from year to year.

Market situation, sales, customers

For the companies of the Alupol Packaging Group, the first six months of 2019 was the best period in their history, both in terms of sales value and generated profits. Sales revenue grew by 13%, reaching the level of PLN 393 million. As in previous years, extensive works were continued on the optimisation of production and technology processes, which contributed to lower costs and ultimately resulted in new orders from the market. Growth of sales was recorded both on the domestic and exports markets (ca. 9% and 18%, respectively). The highest growth rate reaching as much as 30% was generated on German, Dutch and Swiss markets. The Czech, Hungarian and Slovak market recorded several percent growth of sales, whereas the sales on the UK market was similar to the level of the preceding year.

3. COMPANY GOVERNING BODIES

GENERAL MEETING

On 30 May 2019, the Annual General Meeting of Grupa KĘTY S.A. was held, during which the separate and consolidated financial statements of Grupa KĘTY S.A. for 2018 were approved and 2018 financial result was distributed, with PLN 229,090,728.00 allocated to dividend. In addition, the General Meeting granted the vote of approval to the members of the Supervisory and Management Board with regard to their performance of duties in the reporting year 2018.

SUPERVISORY BOARD

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

Szczepan Strublewski – Chairman of the Supervisory Board,
 Paweł Niedziółka – Deputy Chairman of the Supervisory Board,
 Piotr Kaczmarek – Member of the Supervisory Board,
 Bartosz Kazimierczuk – Member of the Supervisory Board,
 Piotr Stępiak – Member of the Supervisory Board,
 Wojciech Włodarczyk – Member of the Supervisory Board.

The Supervisory Board members are appointed from among the candidates recommended by the shareholders. During the last two terms of office, shareholders did not recommend any woman as a candidate for the Supervisory Board. Therefore, in the two preceding reporting years, there were no women in the Supervisory Board of Grupa Kęty S.A.

The table below contains the information on the remuneration of the Supervisory Board members in the reporting period, and the number of the Company shares held by them as at the last day of the report.

	Number of Grupa Kęty S.A. shares held as at 30.06.2018
Chairman	0
Deputy Chairman	0
Member	0
Member	0
Member	0
Member	0

MANAGEMENT BOARD

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

Dariusz Mańko – President of the Management Board,
 Piotr Wysocki – Member of the Management Board,
 Tomasz Grela – Member of the Management Board,

During the first half of 2019 two Members of the Management Board: Adam Piela and Rafał Lechowicz, resigned for personal reasons.

In accordance with the declarations made as at the last day of the reporting period, the persons managing the Company held 203,521 ordinary bearer shares of Grupa Kęty S.A., including: President of the Management Board – 142,218 shares, Member of the Management Board – 44,435 shares, Member of the Management Board – 16,868 shares (growth by 4,200 shares compared to the end of 2018). In addition, within the incentive plans adopted at the General Meeting on 29 May 2012 and on 23 April 2015, the Management Board members held:

- the right to acquire 17,500 J series bonds with the pre-emptive right to acquire G series ordinary bearer shares, and in that number: President of the Management Board – 17,500 bonds (taken up by the President of the Management Board in July 2019);

- the right to acquire 10,500 K series bonds with the pre-emptive right to acquire H series ordinary bearer shares, and in that number: President of the Management Board – 6,300, Member of the Management Board – 4,200;
- the right to acquire 21,000 L series bonds with the pre-emptive right to acquire H series ordinary bearer shares, and in that number: President of the Management Board – 9,000, Member of the Management Board – 6,000, Member of the Management Board – 6,000, in accordance with the terms and conditions of the plan;
- the right to acquire 21,000 M series bonds with the pre-emptive right to acquire H series ordinary bearer shares, and in that number: President of the Management Board – 9,000 bonds, Member of the Management Board – 6,000, Member of the Management Board – 6,000, in accordance with the terms and conditions of the plan.

Apart from the remuneration listed above, the Management Board members are not entitled to other, non-financial remuneration components. In the reporting period, Grupa Kęty S.A. neither concluded any material transactions with related, supervising and managing persons nor granted loans, guarantees or security bonds to such persons and such persons' relatives. There are no agreements between Grupa Kęty S.A. and the managing persons which would provide for any compensation in the case of their resignation or dismissal from their positions for no important reason or where their dismissal would be related to the Issuer's merger by acquisition, except for the conditions included in the term of notice or non-competition agreements.

4. FINANCIAL RESULTS

SELECTED CONSOLIDATED AND SEPARATE FINANCIAL DATA

Data referring to the condensed consolidated financial statements in accordance with IFRS				
ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	I H 2019	I H 2018	I H 2019	I H 2018
Net sales revenue	1,610,695	1,423,601	375,480	335,795
Profit on operating activities	177,964	169,019	41,486	39,868
Profit before tax	166,102	158,820	38,721	37,462
Net profit	133,754	124,992	31,180	29,483
Net profit (loss) attributable to owners of the parent	133,496	124,976	31,120	29,479
Total net income (loss)	137,172	126,956	31,977	29,946
Total net income (loss) attributable to owners of the parent	136,914	126,940	31,917	29,942
Net cash flow from operating activities	260,640	120,145	60,759	28,339
Net cash flow from investing activities	(144,442)	(98,254)	(33,672)	(23,176)
Net cash flow from financing activities	(15,307)	28,310	(3,568)	6,678
Total net cash flows	100,891	50,201	23,519	11,841
Net earnings per share attributable to owners of the parent (in PLN/EUR)	13.97	13.11	3.26	3.09
Diluted net earnings per share attributable to owners of the parent (in PLN/EUR)	13.94	13.08	3.25	3.09
BALANCE SHEET ITEMS	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Total assets	2,986,824	2,779,848	702,452	646,476
Liabilities and provisions for liabilities	1,679,116	1,382,806	394,900	321,583
Long-term liabilities	383,459	314,663	90,183	73,177
Short-term liabilities	1,295,657	1,068,143	304,717	248,405
Equity attributable to owners of the parent	1,306,659	1,396,251	307,305	324,710
Share capital	67,763	67,763	15,937	15,759
Number of shares	9,552,447	9,545,447	9,552,447	9,545,447
Book value per share (in PLN/EUR)	136.79	146.27	32.17	34.02
Diluted book value per share (in PLN/EUR)	136.62	145.95	32.13	33.94
Data referring to the condensed separate financial statements of Grupa Kęty S.A.				
ITEMS OF THE STATEMENTS OF PROFIT OR LOSS, COMPREHENSIVE INCOME, AND CASH FLOWS	PLN '000		EUR '000	
	I H 2019	I H 2018	I H 2019	I H 2018
Net sales revenue	597,512	559,686	139,290	132,017
Profit on operating activities	195,954	186,598	45,680	44,014
Gross profit	191,959	181,591	44,749	42,833
Net profit	189,269	175,617	44,122	41,424
Net comprehensive income	190,751	174,962	44,467	41,269
Net cash flow from operating activities	38,626	(6,048)	9,004	(1,427)
Net cash flow from investing activities	(40,012)	(58,423)	(9,327)	(13,781)
Net cash flow from financing activities	2,656	77,699	619	18,327
Total net cash flows	1,270	13,228	296	3,120
Earnings per share (in PLN/EUR)	19.83	18.43	4.62	4.35
Diluted earnings per share (in PLN/EUR)	19.77	18.38	4.61	4.34
BALANCE SHEET ITEMS	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Total assets	1,444,545	1,223,056	339,733	284,432
Liabilities and provisions for liabilities	790,310	533,466	185,868	124,062
Long-term liabilities	166,565	158,326	39,173	36,820
Short-term liabilities	623,745	375,140	146,694	87,242
Equity	654,235	689,590	153,865	160,370
Share capital	67,763	67,763	15,937	15,759
Number of shares	9,552,447	9,545,447	9,552,447	9,545,447
Book value per share (in PLN/EUR)	68.49	72.24	16.11	16.80
Diluted book value per share (in PLN/EUR)	68.40	72.08	16.09	16.76

The above financial figures for the first half of 2019 and of 2018 were translated into EUR as follows:

- assets and liabilities – at the mean exchange rate of the National Bank of Poland (NBP) as at 30 June 2019 – 4.2520 PLN/EUR, and as at 31 December 2018 – 4.30 PLN/EUR;
- the items of the statements of profit or loss, comprehensive income, and cash flows – at the exchange rate being the arithmetic mean of the exchange rates of the NBP for the last two days of each month 1 H 2019 – 4.2897 PLN/EUR, and 1 H 2018 – 4.2395 PLN/EUR.

MANAGEMENT BOARD COMMENTS ON THE FINANCIAL STATEMENTS

The basic objective of the 'Strategy 2020' is to ensure steady increase in shareholder value. One of the main conditions for achieving that goal is sustainable development resulting in systematic growth of generated profits and cash. The objective was systematically carried out in the first half of 2019. The companies of the Capital group recorded a number of achievements in the market, production finance and non-finance (ESG) areas. Sales revenue grew to PLN 1.61 billion (+13.1%), out of which 46% sales were made to our customers on international markets. Thanks to high utilisation of production capacity (over 90%), approximately 5% growth in the profit on operating activities was achieved (PLN 178.0 million), despite the maintained growing trend in labour, energy and third-party services costs. The pressure on the remuneration increase which is to continue in the coming years is perceived by the Management Board as one of the main challenges. Taking into account the result on financing activities, which is mostly affected by credit costs and valuation of receivables and liabilities in foreign currencies, the consolidated net profit attributable to owners of the parent amounted to PLN 136.9 million, representing 8% growth compared to the previous year value.

As estimated by the Management Board, the financing structure of the Capital Group balance sheet is safe. Despite continued development and major investments (capital expenditure equalled PLN 145.4 million), combined with the annual payment of dividend, equity still represents roughly 44% of the balance-sheet total. As the main companies of the Group are mostly production enterprises continuously investing in their development, property, plant and equipment represent a significant item of assets. As at the balance-sheet date they accounted for 47% of total assets (drop by 1 p.p. compared to the preceding year). The value of current assets as at the balance-sheet date amounted to PLN 1,326.7 million and accounted for approximately 44% of total assets (growth by 2 p.p. compared to the preceding year).

Cash flows thanks to which the Group companies are able to continue their development represent one of the major parameters from the point of view of the Management Board. Within the 6 months of 2019, the level of PLN 260.6 million was generated, which was nearly twice as much as in the corresponding period of 2018. The value was generated despite the 13% growth of sales revenue, which confirms the efficient management of working capital. This also means that cash flows are safe and stable, enabling financing of development projects. As intended by the Management Board, further development is to be financed essentially from internal sources (cash from operating activities) and interest-bearing debt.

Summing up, the Management Board positively assesses the generated financial results in all material respects. Considering the current potential of the Capital Group and the planned programme of investments in further development, as well as optimistic projections as to the economic growth in Poland and on a global scale, the Management Board upholds its expectations regarding the economic values provided for in the 'Strategy 2020' to be achieved.

5. ANNUAL PROJECTIONS AND DEVELOPMENT STRATEGY

STRATEGY OBJECTIVES

The basic objective of the 'Strategy 2020' is to ensure steady increase in shareholder value, through:

- sustainable development resulting in systematic growth of generated profits and cash;
- consequent dividend policy;
- creation of potential for further development in the future periods;
- maintenance of high corporate governance standards.

OPERATIONAL OBJECTIVES AND MACROECONOMIC ASSUMPTIONS

On the basis of the adopted assumptions concerning the prices of raw materials and foreign exchange rates, the particular segments forecast the following sales revenue in 2020:

- Extruded Products Segment – PLN 1,458 million,
- Aluminium Systems Segment – PLN 1,420 million,
- Flexible Packaging Segment – PLN 750 million.

Taking the above into consideration, the consolidated sales revenue of the Capital Group in 2020 should amount to PLN 3,357 million, operating profit to PLN 360 million, EBITDA to PLN 514 million and consolidated net profit to PLN 263 million PLN.

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

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

INVESTMENT PLAN

The Management Board assumes that, in the period covered by this strategy (taking into account the expenses incurred to date from the beginning of the strategy implementation, i.e. from 2015), the capital expenditure will amount to ca. PLN 1,354 million, of which:

- Extruded Products Segment – PLN 585 million,
- Aluminium Systems Segment – PLN 356 million,
- Flexible Packaging Segment – PLN 367 million.

The forecast does not comprise any possible additional expenditure on acquisitions, which means that the effects of acquisitions have not been included in the sales and results forecast.

DIVIDEND POLICY

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

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

- the Capital Group net debt to consolidated EBITDA ratio calculated as at the last balance-sheet date of the previous financial year with the maximum level of 2.0;
- time shifts applicable to the dividends receivable from the subsidiaries, which affect the maximum level of the recommended dividend;
- the value of potential and feasible acquisitions;
- the value of actual capital expenditure to be incurred in the year of dividend payment.

POTENTIAL ACQUISITIONS

The 'Strategy 2020' does not take into account any effects of potential acquisition projects. Nevertheless, the Management Board takes into account two directions of potential acquisitions within the existing segments and the establishment of a new segment:

- within the Extruded Products Segment – the projects may be related to the development of the existing competences or acquisition of new ones in the area of profiles processing and the production of components based on aluminium profiles. The potential projects may be related to entities with sales revenue of up to EUR 50 million;
- within the Aluminium Systems Segment – the projects may refer to geographic or product-related development on new markets. The potential projects may be related to entities with sales revenue of up to EUR 20 million;
- a new segment with the potential enabling the generation of sales revenue in 2020 at the minimum level of PLN 200 million.

UNCERTAINTY RISK AND FREQUENCY OF THE STRATEGY ACCOMPLISHMENT EVALUATION

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

PROJECTION OF 2019 FINANCIAL RESULTS

Consolidated data (PLN million)*	2018	2019	Change (%)
Sales, of which:	2,993	3,216	+7%
– Extruded Products Segment	1,270	1,364	+7%
– Aluminium Systems Segment	1,292	1,393	+8%
– Flexible Packaging Segment	707	739	+5%
EBITDA**	464	488	+5%
EBIT***	338	344	+2%
Net profit	268	261	-3%
Capital expenditure	231	284	+23%
Net debt****	774	866	+12%

* Not applicable to the particular segments.

** EBITDA – operating profit plus depreciation.

*** EBIT – operating profit.

**** Net debt – interest-bearing debt less cash and cash equivalents.

MAIN ASSUMPTIONS FOR THE PROJECTION

- 1) sales will grow by 7% compared to 2018 and reach PLN 3,216 million, which will result mainly from:
 - use of the new production capacity of the Extruded Products Segment commissioned at the end of 2018 and in the first quarter of 2019, which will translate in the segment sales volume higher by 8,000 tonnes y/y;
 - attracting new customers for the Aluminium Systems Segment and further development of cooperation with the existing ones, which will contribute to the segment export increase by 13% y/y and domestic sales by 6%;
 - improved effectiveness the Flexible Packaging Segment production capacity utilisation, resulting in the segment sales increase by approx. 5% y/y;
- 2) operating costs will grow by 7% compared to 2018 and reach PLN 2,883 million, of which:
 - depreciation: PLN 144 million (+14%),
 - costs of materials: PLN 1,869 million (+3%),
 - costs of energy: PLN 99 million (+41%),
 - costs of employee benefits: PLN 468 million (+10%),
 - costs of third party services: PLN 262 million (+16%);
- 3) consolidated cash flow from operating activities will amount to PLN 376 million;
- 4) capital expenditure will amount to roughly PLN 284 million, including approx. PLN 100 million carried forward from the projects foreseen to have been performed in 2018;
- 5) negative balance on financing activities will reach about PLN 19 million, including interest on loans of approx. PLN 21 million;
- 6) dividend will be paid out in accordance with the binding policy, amounting to approx. 80% of the consolidated net profit for 2018;
- 7) foreign exchange rates, aluminium prices and economic growth rate will remain relatively stable and have the following average values throughout the period:
 - aluminium price: USD 1,950 per ton,
 - USD/PLN exchange rate: 3.75,
 - EUR/PLN exchange rate: 4.25,
 - EUR/USD exchange rate: 1.13,
 - GDP growth in Poland: 3.7%;

6. INVESTMENT PROJECTS

For the Grupa Kęty S.A. Capital Group, investment projects have been drivers of technical and technological development and thus have become an asset in the form of competitive advantage over other manufacturers operating on the aluminium processing market and the flexible packaging production market. Between 2000 and 2018, the Group companies spent approximately PLN 2.2 billion on investment projects. In line with its development strategy, in 2019–2020 the Company plans to spend ca. PLN 500 million on investment projects, which means that within 20-year span approximately PLN 2.7 billion will have been invested. Capital expenditure of the Grupa KĘTY S.A. Capital Group on the

purchase of property, plant and equipment, and intangible assets as well as shares and interests in the acquired companies in the period of 6 months of 2019 and of 2018 was as follows:

(PLN million)	6 months of 2019	6 months of 2018
Total expenditure:	145.4	98.9
including Grupa Kęty S.A.	40.1	58.7

The largest projects carried out in the first half of 2019 included:

- in the Extruded Products Segment, a speciality 36 MN indirect press to extrude hard alloys, and a modern anodising line;
- in the Flexible Packaging Segment, the main investment project was the extension of the BOPP film production plant for another hall and the second production line. As a result, the production capacity will be doubled, which will contribute to output increase to roughly 60,000 tonnes a year;
- in the Aluminium Systems segment, vertical painting line, completion of the Research and Innovation Centre construction and commencement of construction of a new production hall at the roller shutters production plant in Opole.

In the period of 12 months after the balance-sheet date, the Group intends to spend roughly PLN 300 million on investment projects.

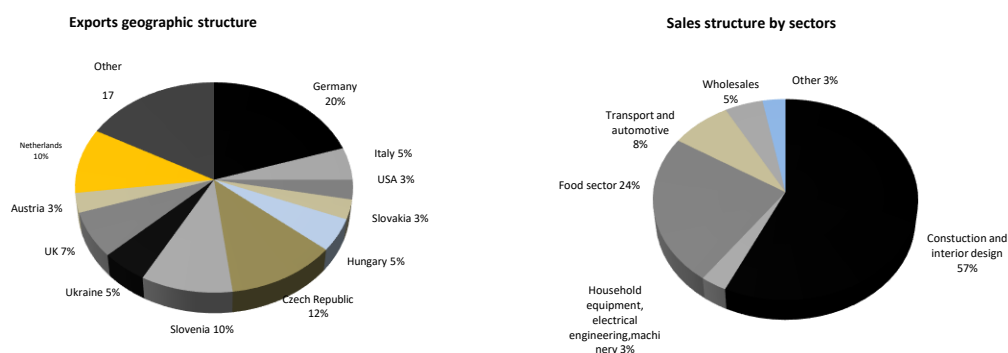
7. FACTORS IMPORTANT FOR THE CAPITAL GROUP DEVELOPMENT WITHIN THE PERSPECTIVE OF AT LEAST SEVERAL MONTHS

EXTERNAL FACTORS

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

MARKET ECONOMIC CONDITIONS

The companies of the Capital Group are exposed to trends fluctuations occurring both in the Polish economy, which is the recipient of roughly 54% of the sales, and in the economies of other European countries, which receive about 44% of the Group total sales. The remaining 2% are the products sold on other markets, including the USA. Particularly important for sales development is the situation on the German, Czech, Hungarian, British, Dutch, Italian, Slovenian and Ukrainian markets, which receive 74% of export sales and, to a lesser extent that on the Slovakian, Austrian, and US markets. Sales analysis by industries shows a high concentration of the Group sales in the construction industry (approximately 57% consolidated sales by value), which means that all of the factors affecting the economic situation in that industry (availability of loans, level of investments) on the domestic market and major export markets have a significant effect on the sales generated by the Group.



Source: Company own materials.

RAW MATERIALS AVAILABILITY

Primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium tape as well as ingots made from aluminium and its alloys) are the basic raw

materials used by the Group. In aggregate, they account for ca. 50% of all purchased raw materials and production materials. In the production of flexible packaging, the Group also uses various types of films and plastics granulates (polyethylene, polypropylene), printing paper, paints, adhesives and binders, which jointly represent 20% of all purchased raw and other materials. The list of basic materials is supplemented with accessories for the production of aluminium systems, with 10% share. Due to the necessity of maintaining high quality of production, the purchasing policy of the Group is based on cooperation with selected suppliers who guarantee the proper standards. At the same time, diversification of suppliers has been assumed in order to secure supplies and maintain their competitiveness.

CUSTOMS POLICY

Since May 2007, the customs duties on aluminium imported from the former USSR states – the main source of the raw material for the Company – has been reduced from 6% to 3%. The continuation of such activities, i.e. reduction to 0% in further years, may positively affect the Company financial results. In turn, the return to previous rates (6%) will negatively affect the financial results.

The customs policy of the specific countries in relation to the products offered by the Capital Group or its customers may affect sales indirectly. Imposing by the USA of import duties on passenger cars imported from the EU is an example of such a risk. Owing to the fact that the Group companies have so far been a minor player on that market with a small share in sales structure, the current situation has no significant impact on our business. Considering the growing scale of the Group operations in the domain of manufacturing elements for the automotive industry, such events may have a greater impact on the generated sales and profits in the future.

EXCHANGE RATES

As estimated by the Company, in the period covered with these statements, approximately 45% of the Capital Group sales were generated in PLN, whereas 50% was sales denominated in EUR, and 5% were settled in GBP, USD, UHR, and DEK. As regards expenses, ca. 45% of costs were incurred in PLN, 33% in EUR, 20% in USD, and about 2% in other currencies (GBP, UHR and DEK). Taking the above into account, EUR/PLN and USD/PLN exchange rates will have a significant impact on the Company results, as they will influence both exports profitability and competitiveness on the Polish market as compared to imported goods. The companies of the Capital Group take measures to mitigate FX risk by entering into currency forward transactions or maintaining a part of their debt in foreign currencies.

COMPETITION

Since the 1990s, a steady increase in competition has been observed due to the attractiveness of the Polish market and the vicinity of the markets of Central and Eastern Europe. Competing companies take ongoing measures aimed at the expansion of their production capacities or their product offer. As estimated by the Management Board, the main competitors in the particular business areas are as follows:

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

Source: Company own materials.

ACCESS TO THE SOURCES OF FINANCE

The companies of the Capital Group have systematically invested cash in further technical and engineering development based on third-party finance. Furthermore, due to the standards applicable on the market, the Company partially finances its customers by granting trade credits. It means that even if cash is generated from operating activities the restrictions in access to third-party finance in the form of bank loans may have a significant impact on the Company development opportunities. It may also affect the amount of dividend paid by Grupa Kęty S.A. The level of interest rates will directly affect the costs of finance disclosed by the particular Group companies and, consequently, the net profit generated by them.

POLITICAL AND ECONOMIC SITUATION IN UKRAINE

The Capital Group has two companies in Ukraine: Alupol Ukraina LLC – a production company, and Aluprof System LLC – a trading company. The unstable political and economic situation in Ukraine results in the exposure of the said assets to the risk, which exceeds the usual economic risk. The Management Board has been analysing the situation of Ukrainian subsidiaries on a constant basis. Any

possible future write-downs related to the deteriorating economic situation or potential military actions in Ukraine may affect the results in the years to come.

INTERNAL FACTORS

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

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

STAFF COMPETENCE LEVELS AND HEADCOUNT STRUCTURE ENSURING THAT THE CHALLENGES POSED BY THE FAST-GROWING MARKET ARE MET

The Group success partially depends on the work of the management staff and their ability to retain and motivate highly qualified employees. The loss of services provided by such qualified and experienced people may bring a significant adverse impact on the functioning of the Group. Therefore, the Capital Group has been continuously fine-tuning its HR policy to market changes in order to attract and retain valuable employees whose work and efforts directly translate into the Group success.

ABILITY TO FINANCE CURRENT OPERATIONS AND INVESTMENT PROJECTS

The continuous development of the Group depends on preservation of its stable financial standing (high operating profitability and large cash flows generated from operating activities). Therefore, the Management Board pays a lot of attention to continuous improvement of production processes and logistics, which should result in high effectiveness of activities and be subsequently reflected in profits. The appropriate FX risk management is also an important factor for the accomplishment of stable results. The risk results from the Company high exposure to foreign currencies as regards both purchase and sale.

8. CORPORATE SOCIAL RESPONSIBILITY

THE COMPANY AND ITS EMPLOYEES

HR policy

The management in the area of human resources at the companies of the Grupa Kęty S.A. Capital Group is based on common standards defined in conduct procedures, in consideration of high quality and a professional approach. In that way all basic HR processes are regulated, systematically developed and improved. With regard to the business diversity, an important element is the system flexibility, which enables the application of guidelines accordingly to the specifics of the respective company, caring for the high level of professionalism.

The recruitment processes performance focuses on attracting candidates who bring new competencies to the company, are oriented on cooperation and possess the ability to share their knowledge with the other staff. An important element is internal recruitment, as a result of which a great number of employees were given the opportunity to be promoted within the organisation's structure. We do not overstate requirements for positions where the offered jobs do not require particular skills. Therefore, the companies of the Capital Group are open to a broad range of candidates.

The adaptation process is aimed at fast but stress-less introduction of an employee to work in new conditions, in a new environment. System solutions ensure access to information about the company, the principles binding therein and the values we care for. An appointed mentor helps in getting around the organisational culture and the established customs.

The formal meetings of the employees and their superiors held once a year are an occasion to sum up the work results achieved, determine the requirements for another period and specify the training needs in relation to the objectives for the given position.

The assumptions of the remuneration policy focus on the results of job positions evaluation. At each of the companies specific salary scales are determined based on the information available in market payroll reports relating to the remuneration in the specific sector, region, and professional group. The value of remuneration of an employee as well as the possibility to be awarded from the incentive fund depend on the periodical assessment of results, the individual effects of work and other factors important from the business development point of view. All of the principles are described in the respective regulations.

The payroll policy is supplemented with the following benefits:

- social fund, within which, except for the standard co-financing of the employee's or their children's holiday, the employees receives additional support in the holiday and season periods;
- 'Pogodna Przyszłość' pension scheme;
- medical insurance co-financed by the employer in roughly 70% on the average, depending on the package selected by employees;
- one of the companies offers additional benefits in the form of Multisport cards or prepaid Ticket Restaurant cards.

Any activities at the companies are performed in compliance with high standards regarding EQUAL OPPORTUNITIES of access to any benefits, SAFETY at the place of work and proper staff DEVELOPMENT.

Development of the organisation's intellectual potential

The development processes are performed by way of designing career paths, training programmes, and periodical evaluation systems.

Within the organisation, training in various forms is provided (including courses, studies), both in technical subjects and those developing personal and social skills. Very important is the improvement of communication in foreign languages.

Skills development plans are performed such as to enable the accomplishment of business objectives with satisfying individual ambitions at the same time. We see the specific competencies of our employees, therefore, we create profiles best tailored to the respective professional groups.

Occupational health and safety

We care for a safe and friendly workplace, designing workstations with safety measures in mind, caring at the same time for their comfort and functionality. We care for interior design not only where we meet the external customers but provide clean, warm and functional office spaces, changing rooms and dining rooms.

In 2010 we launched the 'Safe Work' programme, within which we build the staff awareness as regards their influence on their own safety and that of the others. Our preventive actions focus on the basic statutory requirements as well as additional OHS and fire safety training courses, related to the specifics of the respective company operations.

The suggestion systems enable employees to pass information about the potential hazards present at their workplaces, or report specific improvements. For that purpose 'suggestion boxes' have been installed, and at those companies where all of the employees have access to e-mail, there are optional separate mail boxes.

Employment

The headcount at the end of June 2019 was higher by roughly 1% compared to the end of 2018, The performance of new projects will result in further growth of headcount in the second half of 2019. The Management Board expects that in the coming months, there will be additionally employed about 100 people at the Capital Group in relation to the projects.

Headcount specification by Segments and jointly at the Capital Group

Segment	31.12.2018	30.06.2019
Extruded Products Segment	2,038	2,030
Aluminium Systems Segment	2,226	2,268
Flexible Packaging Segment	786	791
Other	96	101
TOTAL	5,146	5,190

COMMUNITY INVOLVEMENT

The Capital Group of Grupa Kęty S.A. has been consequently and reliably following the set out direction for the company community involvement as well as the assumed CSR policy. The global framework of actions and directions of such involvement are approved in annual meetings of the Sustainable Development and Corporate Social Responsibility Steering Committee. In the first half of 2019, the Committee discussed the results of non-financial data disclosure for the year 2018. During the meeting there was approved the plan of actions in the areas of educating through sport, environmental protection and social activities of the company (through the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation and the 'Together with the GROUP' programme). Also the ethics in the organisation, the health and safety of the employees and development of internal control processes in the CSR areas have been dealt with. In the first half of the year, the social activities of the Group focused on the CSR policy issues, which included but were not limited to:

The idea of educating through sport

The Group was engaged in sports events, encouraging their staff to be active in sports. The major events included:

- a) REKSIO THE DOG'S CUP skiing competition for the children aged up to 13 years;
- b) Cross-country skiing 'Along the Footsteps of Archduchess Maria Theresa Habsburg' or the 12th Magurka Cup in open cross-country skiing;
- c) 'Bielsko-Biała Family Bicycle Rally' held at the end of April. Another time, the Grupa Kęty Team was the largest among all and won a memorial cup and a diploma;
- d) 'Young Beach Open' cycle of beach volley ball tournaments for youths under 18 years of age;
- e) Sports Day in Kęty, or a wonderful all-day sports event in which the Group acted as a partner;
- f) 'Bike HELPS' – an action of sports, charity and environmental nature; 'I Promote Cycling' action.

Occupational health and safety

The Group was engaged in health-promoting projects:

- a) 'We Care for Health' – the 5th edition of the 'Together with the GROUP' grant programme;
- b) 'Prophylactics is the Power' – an event devoted to area of caring for health;
- c) The health prophylactics among the Grupa Kęty employees was financed from the PZU Życie Preventive Actions Fund.

Environmental protection

Apart from the daily care for the production processes, in the first half of the year the Group carried out its educational activities in the area of environmental protection through engagement in the following projects:

- a) 'Letters to the Earth' – a nationwide project within which children and youths write special letters to the adults with their ideas for ecological actions;
- b) 'Let's Clean the Beskids with PTT' – another time the company and its employees took active part in that ecological action. During three trips in 2019 (in Beskid Śląski, Beskid Żywiecki and Beskid Mały) 631 people, including 334 children and youths, managed to clean the mountain tracks of 10,200 litres of waste;
- c) 'Sowing the Sun' – a sunflowers planting project is an initiative promoting simple ecological activities, focused in particular on assistance to bees and birds;
- d) 'A Top to Get a Wheelchair' programme continuing at all of the Capital Group companies. Since the beginning of the action over 5 tonnes of plastic tops have been collected;
- e) 'A Book Supports the Hero' – a new action within the Company portfolio. The action has an ecological dimension – recycling of books gives them another life during book sales.

Social activities

In that area the Group is strongly connected to the activities of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation. In the first half of the year the children supported by the Foundation participated in the aforesaid events, but also in other events dedicated to the Foundation:

- a) the CROWN OF THE POLISH MOUNTAINS project with the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation – an internal project of the Foundation carried out with the voluntary support of the Bielsko-Biała Branch of the Polish Tatra Society (PTT). The project assumes climbing 28 highest Polish summits;
- b) Wings for Life – the largest charity relay race in Poland. The youths from Oświęcim supported by the Foundation took part in the relay;
- c) Talent SHOW – within the 'S for Skills' programme the Foundation proposed to the supported children to take part in the SHOW in order to develop and promote their talents;
- d) Time Capsule – an educational project of journey through time.

THE GROUP FOR THE WORLD

In the first quarter 2019, the management carried out a comprehensive compliance review of the formal and legal affairs related to environmental protection. Based on the monitoring results and measurement of the major environmental aspects as well as the results of external audits and inspections carried out in 2018, the compliance of Grupa KĘTY S.A. and its subsidiaries with the legal regulations in environmental protection was confirmed.

At the same time, in relation to the coming into force of a series of new requirements, an analysis has been carried out and the environmental risks list has been updated, specifically with the possibility of

occurrence of a serious industrial failure and the potential limitations resulting from the legal restrictions in the use of the environment.

Assessed was also the Environmental Management System operating based on the requirements of the ISO 14001:2015 standard. Its usefulness, adequacy and efficiency was confirmed. Also positively assessed was the efficiency of the 'Environmental Programme 2018' as well as higher efficiency of processes, which resulted in lower utilities consumption per production unit.

An annual environmental report was prepared. The report covers the total of 12 environmental indicators under the GRI standard, associated with the environmental areas and components that the particular Group companies can influence to a great extent, i.e. air, water, effluents, waste, materials, fuels and energy consumption or compliance with legal regulations.

In relation to the planned project entitled 'Construction of a High-efficiency Gas Cogeneration System at Grupa KĘTY Plants' and the application for a subsidy under the Operational Programme Infrastructure and Environment 2014–2020, a series of certificates and decisions were obtained for the application, including those issued by the authority responsible for the 'Nature 2000' areas, the 'State Waters' authority and the Governor of the Municipality.

Within the fulfilment of the legal requirements, the following were performed in the first part of 2019:

- environmental quality measurements and analyses, the results of which confirmed the compliance with standards;
- assessment of chemicals handling compliance by way of verifying the up-to-datedness and compliance of Material Safety Data Sheets with the requirements of Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures;
- timely compliance with reporting duties, including calculation and payment of fees for the use of the environment, including fixed and variable payments for the intake of water belonging to the State Treasury and effluents discharge;
- compliance with the requirements of the Act on Ozone-depleting Substances and fluorinated greenhouse gases, for example by an update of data on the equipment and systems comprising the controlled substances in the Central Operators Register;
- qualification of the Company in the group of serious industrial failure occurrence risk in accordance with the new Regulation of the Minister of Development dated 29 January 2016 and the Regulation (EC) No 1272/2008 on classification of substances and mixtures;
- confirmation of complete fulfilment of the purchased packaging recycling duty and managing the hazardous materials packaging waste introduced in trading.

For the purpose of complying with the new legal requirements the following were performed in the first half of 2019:

- a decision was obtained as regards the emission of dusts or gases to air and production of waste by subsidiary Aluform Sp. z o.o.;
- an application was filed with the 'State Waters' authority for a water permit related to the discharge of effluents and water to the Soła River;
- a paper was prepared comprising the conditions of fire safety for waste storage systems and structures at the Grupa Kęty S.A. and Aluform Sp. z o.o. plants;
- a CCTV system was installed in March to control the places of storing waste intended for processing, enabling 24-hour registration as well as identification of people, for the purpose of rendering the records available to the authorised entity at their request, in accordance with the amendment of the Act on Waste of 2018 (Journal of Laws of 2018, item 992).

Exceeding the legal requirements, Grupa KĘTY issued the 'Green Accounting 2018' report comprising a register of the costs of environmental protection. The report is a model of allocating environmental costs within corporate accounting, which enables the assessment of the costs structure and changes over time.

On a current basis, the Company monitors changes in the legal environment, identifies the risks related thereto and determines the directions for further actions. For example, in order to check whether the systems operated by the Company, including the planned cogeneration system, will be covered by the European Emissions Trading System (EU ETS) in the years 2021–2030, a respective verification procedure was carried out. The classification criterion was the total heat output of the fuel burning systems operated at the companies, which cannot exceed 20 MW. The analysis results show that the fuels burning systems, including the planned projects, operated at the plants will not exceed the threshold values, and that the GK and its subsidiaries will not fall under the ETS.

9. RISK MANAGEMENT

Basic risks and their impact as well as the measures used to mitigate the particular risks are presented in the table below:

Risk	Description	Potential impact	Risk-mitigating measures
Currency risk	The Group companies export products and services and purchase imported materials. In addition, the prices of some sales and purchases made in Poland are tied to foreign exchange rates.	A decline in exchange rates applicable to currencies in which export is made results in lower profitability. An increase in exchange rates of the export currencies results in higher costs of materials.	- 'natural hedge' measures - forward and futures contracts - debt currency structure management
Risk related to rapid changes in the prices of basic materials	Aluminium is the most important material of the Capital Group. Other crucial materials include raw materials for the Flexible Packaging Segment, such as BOPP and PE granulate or plastics.	An increase in the prices of key materials results in lower return on sales of those products for which fixed prices have been established.	- 'natural hedge' measures (pricing formulas) - forward and futures contracts - contracts based on fixed delivery prices
Extraordinary events risk (fire, flood, etc.)	The production process of a major part of the assortment requires the use of high temperatures and flammable substances. Additionally, some of the Group plants are located near rivers, which means the risk of flooding.	Loss of property/assets Loss of profit Declining sales	- transfer of a portion of risk to the insurer - diversification of the locations of production plants - investments in fire-fighting systems - training courses in fire safety
Liquidity risk	Liquidity risk may result from the loss of creditworthiness and the associated withdrawal of funding by certain banks, rapid growth in the demand for working capital, for example due to a soar of materials prices, deterioration of the term structure of receivables, etc.	Problems with supplies of basic materials or their higher cost. Higher costs of finance resulting from the need to acquire new sources	- diversification of the sources of funding in terms of entities and products and maintaining liquidity buffers in the event of sudden increases in material prices - transfer of a portion of the trade credit risk to the insurer
Interest rate risk	All major Group companies take advantage of both working capital and investment capital finance. All loan agreements are based on variable rates, therefore, a significant increase in interest rates will adversely affect the costs of finance.	Higher costs of finance	- applying interest rate risk mitigation procedures depending on the level of debt of a particular company
Risk of economic downturn on the main markets	Approximately 58% of consolidated sales are made to the construction industry, which means that a significant economic downturn in that business will adversely affect the Group performance.	Lower sales and thereby lower margins resulting from low level of production capacity utilisation	- geographical diversification (exports growth) - product diversification – sales growth in industries not related to construction (automotive, food)
Risk of losing key employees	The success of the organisation depends on its employees. Therefore, the ability to retain skilled employees on key positions in all corporate areas is important for both current activities and growth prospects.	Higher costs resulting from lower work efficiency of new employees. Additional costs of recruiting and training new employees	- periodic assessment and evaluation of the respective positions and suitable remuneration policy - HR policy, including resource planning, development and training policy, competence management system

THE CAPITAL GROUP OF GRUPA KĘTY S.A. (PLN '000)

<p>Risk of damage to the environment</p>	<p>In the production process, the Group companies use substances which, if they leak to soil or surface waters in an uncontrolled manner, may cause contamination of the environment. The companies use special systems to reduce emissions of harmful substances to air. Their failure may result in excessive emission of harmful substances to the environment.</p>	<p>Fines for environmental pollution Land reclamation costs Damaged reputation Potential loss of some customers</p>	<ul style="list-style-type: none"> - periodic inspections and repairs of the environmental protection systems - adequate preparation of the places of hazardous and harmful substances storage
<p>Reputational risk and the risk of claims related to the quality of the manufactured products</p>	<p>The Group operates in market segments characterised with high requirements regarding the quality and safety of products, including automotive and construction industries.</p>	<p>Loss of a portion of sales Costs of product withdrawal/recall Fines and compensations due to death or health deterioration, or production downtimes at the customers</p>	<ul style="list-style-type: none"> - product quality assurance procedures - insurance procedures, including product liability insurance, product withdrawal/recall insurance - verification of insurance policies of key suppliers
<p>Non-compliance risk</p>	<p>The legal environment of the Company related to the Company business and operation on the capital market is subject to major changes, which brings about a risk of the possible failure to apply legal changes in the operations of the Company.</p>	<p>Legal sanctions, including fines Damaged reputation</p>	<ul style="list-style-type: none"> - internal procedures, including internal control and internal audit

10. GRUPA KĘTY S.A. ON THE CAPITAL MARKET

SHARES AND SHAREHOLDERS

The Company shares have been quoted on Warsaw Stock Exchange since 16 January 1996. At present, the shares are quoted as part of the mWIG40 index. The number of all issued shares of the Company as at 30 June 2019 was 9,552,447. The nominal value of one share is PLN 2.50. The list of shareholders with more than 5% of shares as at 30 June 2019 and end of 2018 was as follows:

	Number of shares as at 30.06.2019	Percentage of capital	Number of shares as at 31.12.2018	Percentage of capital
OFE AVIVA Santander	1,723,000	18.04%	1,762,985	18.47%
Nationale Nederlanden OFE	1,847,000	19.34%	1,836,002	19.23%
OFE PZU ŻŁOTA JESIEŃ	952,419	9.97%	946,571	9.92%
AEGON PTE	693,079	7.26%	688,823	7.22%
PTE Allianz Polska	494,262	5.17%	491,227	5.15%
MetLife OFE	500,000	5.23%	509,873	5.34%
Others	3,342,687	34.99%	3,309,966	34.68%
Total	9,552,447	100.00%	9,545,447	100.00%

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

COMMUNICATION WITH THE CAPITAL MARKET PARTICIPANTS

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

- current and interim reports,
- face-to-face individual and group meetings,
- electronic tools (corporate website, profiles in social media, online broadcasts of corporate events).

As part of current reporting, the Company announces annual financial projections for a given year and objectives of long-term strategies. In addition, it is the only company which discloses preliminary results forecasts for a given quarter one month prior to the publication of official quarterly statements. Information about the Company and its prospects is also available in reports and recommendations published by leading brokerage houses. The list of analysts who regularly publish reports about the Company is available on the corporate website at: <http://www.grupakety.com/pl/36,analitcy.html>.

DIVIDEND POLICY

Since 2001, the Company has paid dividend on a regular basis. Until 2014, it had been at the level of approximately 40% of consolidated net profit. In the strategy for the years 2015–2020 announced in 2015, the Management Board of Grupa Kęty S.A. declared that the dividend payment ratio would be raised to 60% of consolidated net profit. In February 2017, the dividend policy was changed again. The present dividend policy adopted by the Supervisory Board of Grupa Kęty S.A. provides for the payment of dividend amounting to 60–100% of consolidated net profit of Grupa Kęty S.A. during the implementation period of the 'Strategy 2020'. The Management Board has assumed that the payment of dividend during the implementation period of the 'Strategy 2020' will amount to the average of 80% of Grupa Kęty S.A. consolidated net profit. When determining the recommended dividend, the Management Board will take into account, among other things:

- the Capital Group net debt to consolidated EBITDA ratio calculated as at the last balance-sheet date of the previous financial year with the maximum level of 2.0;
- time shifts applicable to the dividends receivable from the subsidiaries, which affect the maximum level of the recommended dividend;

- the value of potential and feasible acquisitions;
 - the value of actual capital expenditure to be incurred in the year of dividend payment.
 Pursuant to the adopted policy, on 3 April 2018 the Management Board of Grupa Kęty S.A. recommended the payment of 80% of the consolidated net profit for 2018 in the form of dividend.

11. OTHER REPORT ELEMENTS

11.1 Information on the Employee Share Plan control system

The share-based incentive plans are approved at Grupa Kęty S.A. by the General Meeting and supervised by the Company Supervisory Board.

11.2 Description of the allocation of the issue proceeds by the issuer

By way of exercising the rights under the Employee Share Plan the eligible employees acquired the total of 7,000 H series shares assigned to the 2015 plan. Detailed information is provided in the table below. The related proceeds were allocated to the financing of the current operations of the Company.

Shares	Issue price	Number	Value (PLN '000)
H series shares – 2015 plan	304.24	7,000	2,129.7
TOTAL	304.24	7,000	2,129.7

11.3 Information on shares repurchase

In the period covered with the report the Company did not repurchase any of its shares.

11.4 Information on agreements known to the issuer (including agreements concluded after the balance-sheet date), which may result in future changes in the proportions of the shares held by the existing shareholders and bondholders

At present, the Group has two share options plans open for the management staff, based on the issue of shares as part of contingent capital, i.e. the plan adopted by the General Meeting in 2012 and the plan adopted in 2015. An eligible person indicated by the Company Supervisory Board is granted the right to acquire shares when the plan conditions are met. Currently, the maximum number of shares that can be acquired by the eligible persons is 183,000, out of which the acquisition conditions specified by the plan have already been met for 105,000 shares, whereas the fulfilment of conditions for the remaining 60,000 shares will be verified after the approval of 2019 financial statements by the General Meeting. Apart from the information disclosed above, the Company is not aware of any other agreements which may result in future changes in the proportions of the shares held by the existing shareholders and bondholders.

11.5 Information on pending proceedings

As at the last day of the reporting period and as at the date of preparing this report, the companies of the Grupa Kęty S.A. Capital Group were not a party to any proceedings pending at court, competent arbitration tribunal or public administration authority, for which the total value would account for at least 10% of the equity of Grupa Kęty S.A.

11.6 Clarification of differences between the financial result disclosed in the report and previously published projections for the year

The generated financial results in the first half of the year comply with the expectations and, therefore, the Management Board sustains the projections of 2019 results published in 6 February.

11.7 Information on security bonds and guarantees of significant value granted by the companies of the Capital Group

Apart from those listed below, Grupa Kęty S.A. or its subsidiaries did not grant any security bonds and guarantees of significant value.

Item	30.06.2019	31.12.2018
Bank performance bonds for construction contracts, as provided by the ASS	21,667	25,097
Insurance performance bonds for construction contracts, as provided by the ASS	3,285	50,960
Total guarantees granted	24,952	76,057

Construction-related guarantees refer to the proper performance of construction service contracts, and their validity dates depend on the terms and conditions of the particular contracts.

11.8 Intra-group transactions

Intra-group transactions in the period from 1 January 2019 to 30 June 2019 and as at 30 June 2019

Related company	Sales	Purchases	Receivables	Liabilities	Dividends
Aluprof S.A.	148,403	1,139	77,257	502	140,000
Alupol Packaging S.A.	791	0	280	0	20,000
Alu Trans System Sp. z o.o.	2	0	0	0	0
Dekret Centrum Rachunkowe Sp. z o.o	443	988	53	379	0
Aluprof Hungary Kft	64	121	64	122	0
Alupol Ukraina LLC	2,727	5,006	2,113	1,664	0
Romb S.A.	6,606	59	4,618	0	0
Aluform Sp. z .o.o.	597	30,115	315	8,450	22,000
Alupol Packaging Kęty Sp. z o.o.	2,289	17	655	8	0
Alupol Films sp. z o.o.	220	0	42	0	0
Aluprof Belgium N.V.	35	0	12	0	0
Aluminium Kety EMMI d.o.o	3,677	2,166	1,113	129	0
Aluminium Kety CSE s.r.o.	0	367	0	41	0
Aluminium Deutschland Kety Gmbh	0	751	0	265	0
Grupa Kęty Italia s.r.l.	0	909	0	218	0
Aluprof System Czech s.r.o.	1	0	0	0	0
Aluprof Deutschland Gmbh	1	0	0	0	0
Aluprof Netherlands B.V.	0	0	1	0	0
Aluporf UK Ltd.	33	0	0	0	0
Aluprof System Romania s.r.l	6	0	1	0	0
Marius Hansen Facader A/S	0	0	1	0	0
Total	165,895	41,638	86,525	11,778	182,000

11.9 Post-balance-sheet events

Post the balance-sheet date there were no significant events which in the opinion of the Management Board should be included in this report on the operations of the Capital Group.

12. DECLARATIONS OF THE MANAGEMENT BOARD

DECLARATION OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. REGARDING COMPLIANCE OF THE ANNUAL FINANCIAL STATEMENTS WITH THE APPLICABLE ACCOUNTING PRINCIPLES

The Management Board of Grupa Kęty S.A. declares that to their best knowledge:

- the interim condensed consolidated financial statements of the Capital Group of Grupa Kęty S.A. covering the period from 1 January 2019 to 30 June 2019 and the comparative data have been prepared in accordance with the binding accounting policies and present a true and fair view of the assets, the financial standing and the financial result of the Capital Group of Grupa Kęty S.A. ('the Group');
- the semi-annual report on the operations of the Capital Group of Grupa Kęty S.A. presents a true image of the Group development, achievements and standing, including the basic threats and risks.

The Management Board of Grupa Kęty S.A. declares that to their best knowledge:

- the interim condensed separate financial statements of Grupa Kęty S.A. covering the period from 1 January 2019 to 30 June 2019 and the comparative data have been prepared in accordance with the binding accounting policies and present a true and fair view of the assets, the financial standing and the financial result of Grupa Kęty S.A. ('the Company');
- the semi-annual report on the operations of the Capital Group of Grupa Kęty S.A. presents a true image of the Company development, achievements and standing, including the basic threats and risks.

Signatures of all Members of the Management Board

Dariusz Mańko

President of the Management Board

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Piotr Wysocki

Member of the Management Board

.....

Tomasz Grela

Member of the Management Board

.....

Signature of the person entrusted with bookkeeping

Andrzej Stempak

President of the Management Board

Dekret Centrum Rachunkowe Sp. z o.o.

.....