



Capitals:     

Group Strategy for the years 2021–2025

Strategy of Grupa Kęty S.A. Capital Group development for the years 2021–2025

On 16 December 2020, the Management Board of Grupa Kęty S.A. adopted the Strategy of development of the Grupa Kęty S.A. Capital Group for the years 2021–2025, which was approved by the Company Supervisory Board.

The Strategy is based on four pillars, which comply with the Mission, Vision and Values of the Group. These include:

- growth of the Group revenue beyond the development of the markets in which it operates;
- high operating profitability;
- performance of development projects;
- environmental and social responsibility.

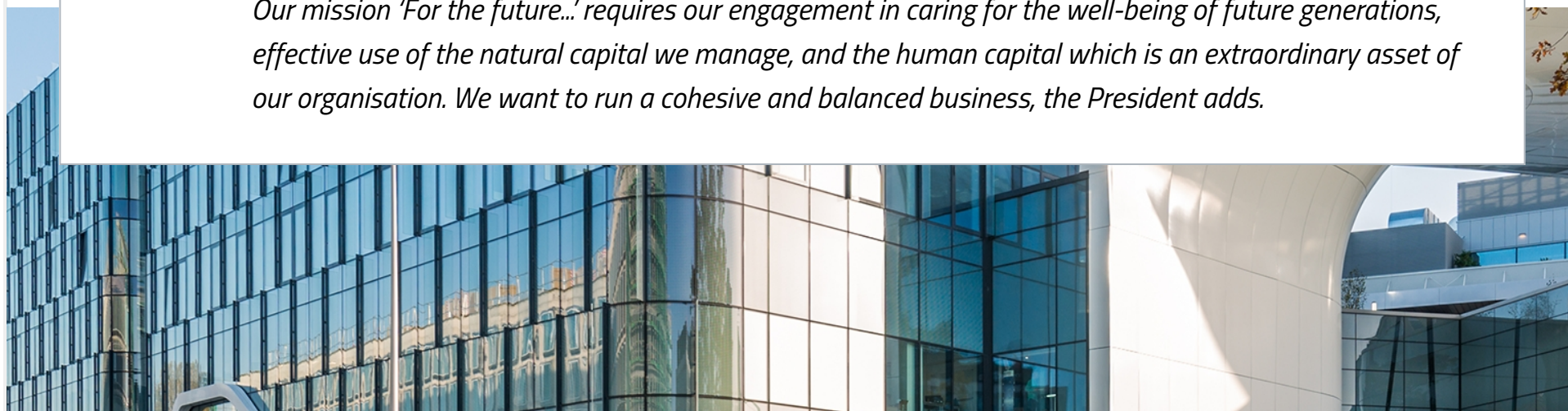
Development

Faster-than-the-market development

Grupa Kęty focuses on organic development, and expects sales and profit growths exceeding the assumed development rate of markets in each of the Segments. Sales revenue shall grow compared to 2020* by PLN 1.2 billion and will reach PLN 4.6 billion in 2025.



*Our strategy is based on organic development. About 50 % of the whole capital expenditure budget, amounting to PLN 1.1 million, will be spent on development projects in the years 2021–2025. Therefore, it is natural that we focus on our production and improvement potential. We have been constantly searching for solutions improving our processes in all areas of operation. Such activities will help us maintain high profitability and effectiveness, says **Dariusz Mańko**, President of the Management Board. Our mission 'For the future...' requires our engagement in caring for the well-being of future generations, effective use of the natural capital we manage, and the human capital which is an extraordinary asset of our organisation. We want to run a cohesive and balanced business, the President adds.*



The current 2025 Strategy is based on strong foundations originating from the effective performance of the previous strategic plans, and specifically those of 2015–2020. All strategic goals for 2020 were exceeded: sales revenue was higher by PLN 176 million (growth by 54%); EBITDA was higher by PLN 158 million (growth by 31%), and net profit was higher by as much as PLN 167 million (growth by 64%). Thanks to the performance of the investment programme, the Capital Group avails of modern machinery and may

offer high quality products practically all around the world. The ambitious sales and product goals as well as high effectiveness will help all the Capital Group segments to increase the economic results again in the coming 5 years. Compared to 2020¹, EBITDA shall grow by 32%, to PLN 787 million, and net profit by 28%, to PLN 470 million in 2025.

- *The successful Strategy 2015–2020 made Grupa Kęty not only one of the most state-of-the-art manufacturing companies in Poland but also improved its image as a dividend-paying company. The new Strategy assumes continuation of the current dividend policy and payment of dividend in the amount of PLN 1.7 billion in the Strategy period, says **Rafał Warpechowski**, Member of the Management Board and CFO. In his opinion, higher revenue and profit as well as an optimal investment program and continuation of the dividend policy will be achieved along with the maintenance of safe financial ratios, which will facilitate availing of the possible investment or acquisition opportunities and will, at the same time, act as a safety buffer in case of other than planned market trends.*

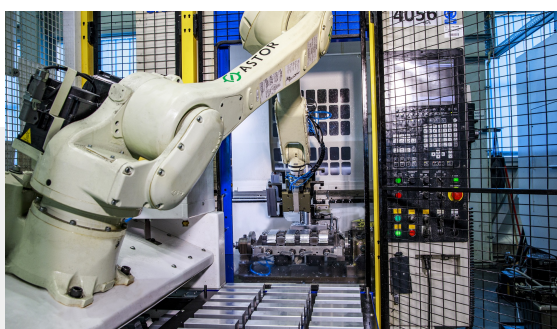
1. Performance projection for the year 2020, as decreased for the comparability purposes for the one-off effect at the Flexible Packaging Segment resulting from the world economy lockdown, which has been estimated at PLN 66 million as regards sales revenue, PLN 60 million for EBITDA, and PLN 51 million for net profit.

Higher volume of processed products

By strengthening its leader's position on the Polish market and extending its share in the European market, the Extruded Products Segment plans to increase sales revenue from PLN 1.3 billion in 2020 to PLN 1.7 billion in 2025 (growth by 36%). The Segment strategy assumes systematic increase of share in the European market through:

- doubling the sales of processed products, i.e. components for the automotive and transport sectors;
- selective expansion on the target European markets (intensified sales and marketing activities);
- systematic increase of production capacity to the level of about 110,000 tons in 2025, which enables higher flexibility in customer service.

*We assume favourable market environment, which will require broader use of aluminium in the coming years. This will be contributed to by the development of the automotive sector, particularly as regards electric vehicles, as well as the trend of reducing vehicle weight and replacing steel elements with other materials, says **Piotr Wysocki**, Member of the Management Board of Grupa Kęty S.A.*



The estimated average annual pace of market development in the period 2021–2025 was determined at the level of ca. 2%, whereas the Segment plans to generate 4.8% increase by quantity and 6.3% increase by value. One of the Segment priorities is the maintenance of high level operating profitability with growing revenues, thanks to utilisation of its production capacity and a continuous efficiency improvement process. Assumed has been the generation of over 10% EBITDA growth per employee in the period of the Strategy performance. *Dynamic development of emerging economies, the sectors of the future which will create demand for new products as well as social changes are our development opportunities. We have a strong position on the Polish market in the construction, transport and durable goods sectors as well as a great development potential in the automotive industry. We are convinced that we will be able to avail of all the opportunities, says Piotr Wysocki.*

About 43% of the whole capital expenditure budget of the Segment for the years 2021–2025, amounting to PLN 504 million, will be spent on development projects. The rest of the budget will be spent on current maintenance of infrastructure and production potential.

- *We concentrate on the utmost utilisation of the existing production capacity and on the creation of new capacity, including that extending the share of processed products in our portfolio, which will contribute to maintaining high production profitability, says Piotr Wysocki.*

Extension of processed products manufacturing by the Slovenian company of Aluminium Kety EMMI and the Advanced Aluminium Products Plant in Kęty will lead to higher sales in the automotive sector, which will include components to the vehicles of the leading world brands, also electric vehicles, and to extended supplies to the manufacturers of utility products (household equipment, interior design, medical equipment, electrical engineering).

The key direction of the Extruded Products Segment expansion shall be the German market, where – according to the Strategy assumptions – sales revenue will grow by roughly by PLN 100 million, to about PLN 250 million in 2025. For that purpose the Segment plans to extend and strengthen the German company of Aluminium Kety Deutschland. *Germany consumes a million of tons of aluminium a year. It is the largest market in Europe and our largest exports market, which will be of key importance in the coming years. Last year we sold approximately 14,000 tons of products in Germany, representing about 40% of our exports. This is still less than 2% of the*

German market, Piotr Wysocki adds. Within the strategy of strengthening its international position, the EPS plans to extend sales on the markets of Central and Eastern Europe, though the fast developing Czech company of Aluminium Kety CSE, and by way of intensification of commercial activities in Hungary, Croatia, Slovenia, Bulgaria and Romania.

Export markets – an opportunity for further dynamic development

Also the **Aluminium Systems Segment** plans to develop dynamically. By way of maintenance of the position of an absolute leader in Poland and extension of export sales within the period of 5 years, the ASS wishes to increase its sales revenue from PLN 1.6 billion to over PLN 2 billion (growth by 34%). Owing to its high market share in Poland, sales development within the Strategy horizon is based mainly on:

- intensified foreign sales, particularly on the British and American markets;
- extension of the offer for new products, e.g. internal or fire-resistant partition structures;
- investment in activities which extend the chain of the created value;
- extension of the product offer as well as technical and sales support focusing on individual construction business.

We concentrate on maximum utilisation of our production assets and new products development, maintaining high profitability at the same time. We can take advantage of the head start we have due to the growing demand and growing use of aluminium in construction as well as favourable EU environmental regulations, says **Tomasz Grela**, Member of the Management Board of Grupa Kęty S.A. and Aluprof CEO.



The average annual market growth rate was estimated at the level of about 3% (by value). It is, however, the ambition of the Segment to generate roughly 6%, which includes over 9% on foreign markets and ca. 4% in Poland. The Aluminium Systems Segment shall strive to maintain high operating profitability thanks to systematic improvement of operations effectiveness. EBITDA per employee will increase by 6% in the Strategy period. Development projects will constitute a majority in the Segment budget. They will represent approximately 61% of the PLN 424 million allocated to projects in the Strategy period. Replacement projects will be worth PLN 166 million.

We would like to double our sales on the British market in the coming 5 years, we are also interested in the French market, where sales is scanty at the present moment, but we see a great potential in that market owing to its large scale. Another direction are the United States of America, where we have been present for several years and may boast of the performance of many interesting buildings, including some in the New Your Manhattan. The markets of Benelux as well as those of Scandinavia, Southern Europe (such as Bulgaria, Romania, Serbia, or Croatia) seem very attractive too, says **Tomasz Grela**.

Important from that point of view will be investments in the logistics as well as sales and service facilities in the USA, and also extension of our portfolio and elongation of the value chain. *The demand for environment- and user-friendly buildings, which sill support healthy lifestyles and will be, at the same time, highly durable, resistant and better insulated, is a chance for our structural engineers, other engineering staff and sales force to show what they can do. We will be very active in that area*, Tomasz Grela foresees.

Over 5% share in the market of BOPP films in Europe

The **Flexible Packaging Segment** has also chosen a path of fast development and assumed higher growth of sales than the expected growth of the market. It will be achieved by full utilisation of the newly launched production capacity and higher operating effectiveness. Thanks to that, sales revenue will grow from PLN 938 million to PLN 1.07 billion within 5 years (growth by 14%).

- *The long-term strategy for the FPS was prepared in the period of very significant changes on the packaging market. Market expectations have been changing fast as a result of environment, cost and food safety pressures, but also due to legislative changes*, says **Rafał Lechowicz**, Alupol Packaging CEO.

- *The strive for sustainable development is forced by the necessity of creating and marketing new forms of laminates, i.e. mono-structures characterised with lower weight and higher homogeneity. Despite the observed pressure on plastic packaging and replacing them, where possible, with packaging based on refined paper, the position of the former seems not to be threatened. It must be remembered that flexible, plastic-film-based packaging protect packed food as no other packaging, extending the food shelf-life. We are convinced that the Packaging Segment is well prepared to operate in such market environment*, **Rafał Lechowicz** adds.



Owing to a series of changes in the market environment, the Flexible Packaging Segment has based its Strategy on the existing production potential. Capital expenditures have been optimised to PLN 82 million in the Strategy period. That will ensure maintenance of flexibility as well as efficient utilisation of plant and machinery. Despite the above, sales goals, considering the adjustment of the base year (2020) resulting from one-off positive effect of the world's economy lockdown, are equally ambitious as in the other Segments. It has been assumed that the average annual sales growth will be 4.4% in the Strategy period compared to 2% market growth. Over 10% EBITDA growth per employee is assumed for the period of the Strategy performance.

The aforesaid one-off positive effect of the lockdown resulted from breaking the supply chains from the Middle and Far East, mainly in the second and third quarters of 2020, which has brought about a significant limitation of imports from those directions, with simultaneous benefit to the European manufacturers, including FPS. In that period it was possible to generate outstanding results of operation. The effect was estimated as PLN 66 million of sales revenue, PLN 60 million of EBITDA, and PLN 51 million of net profit.

- *We wish to improve our position on the BOPP films market in the region and consequently build our brand on foreign markets by active establishment of new business relations, says **Rafał Lechowicz**.*

The process of estimating the market value of the FPS

Within the assumed Strategy, we shall be monitoring the market environment of the Flexible Packaging Segment, which may lead to updating the Segment strategy and launching new development projects, also those of acquisition nature. At the same time, taking into account the observed processes of market consolidation in that area, and the strong position of the Segment, Grupa Kęty decided to carry out the process of estimation of the FPS market value by way of verification of the possible interest among the potential investors.

Responsibility

Environmental and social responsibility

The modern world poses a great challenge to everyone with regard to environmental protection, natural resources or impact on the changing climate. The challenges refer to all, however, the broadly understood business or production companies have a measurable influence on the issues.



*We wish to cope with the expectations and challenges of the 21st century, so as to measurably implement the actions assumed in our Strategy for the subsequent years and be able to prove to the future generations that the Strategy has been a success, says **Monika Sobczak**, CSR Director.*

